



COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE “COMPANY”)

Delay - Guarantor Financial Statements

Date of Announcement	29 May 2020
Reference	208/2020
Listing Rule	LR 5.61

QUOTE

The Company regrets to inform the market that due to the disruptions caused by the COVID19 pandemic, it has not been possible for the auditors to complete the audit of the annual financial statements for the year ended 31 December 2019 of Medserv Operations Limited (guarantor of the Medserv €20million 2023 6% Secured Notes). The auditors have confirmed to the Company that the audit is expected to be completed by Wednesday the 2nd June 2020, at which stage the Company will publish the said financial statements (by way of announcement as well as through the Company’s website). The Company has notified the Listing Authority of this delay.

In the interim, a preliminary statement of annual results (based on unaudited results) has been prepared and is attached to this announcement. The said annual results have been agreed with the auditors and the Company expects the audit opinion to be unqualified.

UNQUOTE

Laragh Cassar
Company Secretary



**Statement of Financial Position
As at 31 December 2019**

	Note	2019 €	2018 €
ASSETS			
Property, plant and equipment		16,255,614	16,746,784
Right-of-use assets		57,103,468	58,508,515
Deferred tax assets		8,237,694	8,581,508
Total non-current assets		81,596,776	83,836,807
Trade and other receivables		8,014,938	14,637,100
Contract assets		541,917	24,360
Cash at bank and in hand		82,805	107,548
Total current assets		8,639,660	14,769,008
Total assets		90,236,436	98,605,815
EQUITY			
Share capital		232,940	232,940
Parent company loan		13,074,410	13,074,410
Revaluation reserve		10,504,573	10,763,556
Statutory reserve		8,338,508	8,338,508
Retained earnings/(accumulated losses)		850,747	(594,939)
Total equity		33,001,178	31,814,475
LIABILITIES			
Deferred income		31,021,341	31,796,873
Deferred tax liability		5,656,337	5,795,761
Lease liabilities		10,043,290	9,977,390
Amounts due to parent company		2,076,541	8,049,933
Loans and borrowings		234,955	548,989
Provision		32,587	32,961
Total non-current liabilities		49,065,051	56,201,907
Deferred income		775,533	875,533
Loans and borrowings		314,040	735,141
Trade and other payables		3,355,754	6,566,319
Bank overdraft		3,708,591	2,412,440
Provision		16,289	-
Total current liabilities		8,170,207	10,589,433
Total liabilities		57,235,258	66,791,340
Total equity and liabilities		90,236,436	98,605,815



Statement of Profit or Loss and Other Comprehensive Income

	Note	2019 €	2018 €
Revenue		13,768,304	13,671,902
Cost of sales		(11,290,479)	(12,277,291)
Gross profit		2,477,825	1,394,611
Other income		940,805	878,318
Administrative expenses		(2,100,146)	(1,455,312)
Reversal of/(impairment) loss on financial assets		1,232,284	(82,204)
Results from operating activities		2,550,768	735,413
Finance income		-	73
Finance costs		(1,159,704)	(1,179,909)
Net finance costs		(1,159,704)	(1,179,836)
Profit/(loss) before income tax		1,391,064	(444,423)
Tax expense		(204,361)	(786,279)
Profit/(loss) for the year		1,186,703	(1,230,702)
Total comprehensive income/(loss) for the year		1,186,703	(1,230,702)
Earnings per share			
Basic earnings per share		11.87c	12.31c



**Statement of Changes in Equity
As at 31 December 2019**

	Share Capital	Parent company loan	Revaluation reserve	Statutory reserve	Retained earnings/ (accumulated losses)	Total equity
	€	€	€	€	€	€
Balance at 1 January 2018	232,940	13,074,410	11,022,539	9,297,326	732,466	34,359,681
Adjustment on initial application of IFRS 9, net of tax	-	-	-	-	(1,314,504)	(1,314,504)
Transfer	-	-	(258,983)	(958,818)	1,217,801	-
Total comprehensive income						
Loss	-	-	-	-	(1,230,702)	(1,230,702)
Balance at 31 December 2018	232,940	13,074,410	10,763,556	8,338,508	(594,939)	31,814,475
Balance at 1 January 2019	232,940	13,074,410	10,763,556	8,338,508	(594,939)	31,814,475
Transfer	-	-	(258,983)	-	258,983	-
Total comprehensive income						
Profit	-	-	-	-	1,186,703	1,186,703
Balance at 31 December 2019	232,940	13,074,410	10,504,573	8,338,508	850,747	33,001,178



Statement of Cash Flows

		2019	2018
	Note	€	€
Cash flows from operating activities			
Profit/(loss) for the year		1,186,703	(1,230,702)
Adjustments for:			
Depreciation		2,505,937	2,897,593
Reversal of deferred income		(875,532)	(775,533)
Provision for discounted future gratuity payments		15,915	1,716
Gain on disposal of property, plant and equipment		8,670	-
Impairment loss on trade and other receivables		69,452	100,932
Reversal of impairment on amounts owed by fellow subsidiaries		(1,301,736)	(27,073)
Exchange differences		(1,448)	(1,569)
Net finance costs		1,159,705	1,179,836
Deferred tax expense		204,391	786,279
		2,972,057	2,931,479
Changes in:			
Trade and other receivables		259,153	(233,747)
Contract assets		(517,557)	44,730
Trade and other payables		389,766	512,824
Related party balances		(1,976,984)	(2,576,167)
Cash generated from operating activities		1,126,435	679,119
Interest paid		(169,030)	(85,016)
Net cash generated from operating activities		957,405	594,103
Cash flows from investing activities			
Acquisition of property, plant and equipment		(618,390)	(196,336)
Net cash used in investing activities		(618,390)	(196,336)
Cash flows from financing activities			
Repayment of bank loans		(735,135)	(1,119,382)
Interest paid on bank loans		(36,523)	(58,974)
Interest paid on funds advanced by parent		(387,435)	(458,130)
Payment of lease liabilities		(500,816)	(491,543)
Net cash used in financing activities		(1,659,909)	(2,128,029)
Net decrease in cash and cash equivalents		(1,320,894)	(1,730,262)
Cash and cash equivalents at 1 January		(2,304,892)	(574,630)
Cash and cash equivalents at 31 December		(3,625,786)	(2,304,892)



Review of Operations

Introduction

The financial information has been extracted from Medserv Operations Ltd unaudited annual financial statements for the year ended 31 December 2019, as approved by the Board of Directors on 29 May 2020. The annual results have been agreed with the Company's auditors. The Company expects the audit opinion to be unqualified and expects to publish the audited financial statements on the 2nd June 2020.

Review of performance

The Company's total revenue for the year amounted to €13,768,304 (2018: €13,671,902), representing an increase of 1% (2018: 23%) over the previous year. The Company has maintained the same volume of business as last year with a slight improvement in its margins following the recovery in the market in the previous year. As a result, the Company's operating profit during the year amounted to €2,550,768 (2018: profit of €735,413). This improvement is mainly attributable to the reversal of the impairment losses amounting to €1,232,284 recognised in previous years on the amounts receivable from fellow subsidiaries as they were assigned to the parent company during the year and netted off against the amounts payable to the parent company.

The Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) of the Company amounted to €5,056,705 (2018: €3,633,006). After recognising depreciation amounting to €2,505,937 (2018: €2,897,593) and net finance costs amounting to €1,159,704 (2018: €1,179,836), the Company registered a profit before tax of €1,391,064 (2018: loss before tax of €444,423). After accounting for taxation, the profit for the year amounted to €1,186,703 (2018: loss for the year of €1,230,702).

Financial key performance indicators

	2019	2018
	€ 000	€ 000
Revenue	13,768	13,672
Profit / (loss) for the year	1,187	(1,231)
EBITDA	5,057	3,633
Working capital	469	4,180
Cash and cash equivalents	(3,626)	(2,305)
EBITDA margin in %	36.73%	26.57%
EBITDA-to-Interest Coverage Ratio	4.36	3.08
Net debt (excl. parent company loans) to EBITDA	0.11	0.35
Net debt (excl. parent company loans) to Equity ratio	0.02	0.04

State of affairs

As at 31 December 2019, the Company reported a net asset position amounting to €33,001,178 (2018: €31,814,475) and a positive working capital of €469,453 (2018: €4,179,575).



Outlook

The Company's strategy remains in line with prior years and is aimed to improve earnings while at the same time ensuring that the Company operates in a cost-effective manner across its product service lines. The Company has continued its investment in its management systems and equipment during the year.

Since the start of 2020, the COVID-19 epidemic has been impacting the hydrocarbon demand, causing oil prices to fall significantly. In addition, the decision by Organization of the Petroleum Exporting Countries (OPEC) and Russia to stop their cooperation on the markets over proposed oil-production cuts caused crude oil prices to fall sharply as the global industry continued to face an unprecedented oversupply and uncertainty in the demand.

Despite the operational challenges presented by COVID-19, the Company has remained substantially operational and continues to service its clients. The global pandemic coupled with the macro-economic uncertainty in the industry has caused the offshore drilling exploratory projects to be postponed rather than cancelled, including those projects involving services offered by the Company. The scale and duration of these developments remain uncertain; however, this is expected to negatively impact the Company's earnings and cash flows until the situation returns to normal.

The Company's objective is to preserve its liquidity and ensure that it continues to register positive EBITDA.

The Company has immediately taken action to adapt its cost base through lower operating costs and delaying capital expenditure and expects to benefit from the Maltese government initiatives in relation to the COVID-19 outbreak. The Board shall continue to adopt a proactive approach to the current environment to maintain the continued viability of the Company.

Upon due consideration of the Company's performance and statement of financial position, capital adequacy and solvency, and the impact of a number of mitigating factors, the directors confirm the Company's ability to continue operating as a going concern for the foreseeable future.
