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Medserv p.l.c.

Directors' Report pursuant to Listing Rule 5.75.2

For the Period 1 January 2015 to 30 June 2015

This report is published in terms of Chapter 5 of the Listing Rules of The Listing Authority, Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act 2005.

The condensed consolidated interim financial statement figures have been extracted from the Group's unaudited accounts for the six months ended 30 June 2015 and its comparative period in 2014. The comparative consolidated statement of financial position has been extracted from the audited financial statements as at 31 December 2014. These condensed consolidated interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 - Interim Financial Reporting). These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2015. In terms of Listing Rule 5.75.5, the directors state that this half-yearly financial report has not been audited or reviewed by the Group's independent auditors.

Principal activities

The principal activities of the Group consist of providing services and support to the offshore oil and gas industry operating mainly in the Central and Eastern areas of the Mediterranean basin.

Review of performance and outlook

The Group's turnover for the six-month period ended 30th June 2015 amounted to €26,927,943 compared to €9,514,191 registered in the comparative period to 30th June 2014. This represents a substantial increase over the comparative period for last year. Low margin business which formed a substantial portion of turnover last year has diminished, thus increasing overall profit margins.

The Group registered a profit before tax of €4,501,869 compared to a profit of €564,007 registered in the six-month period to 30th June 2014. After accounting for taxation and the loss on disposal of a discontinued operation amounting to €218,525, the net profit for the period to 30 June 2015 amounted to €3,008,921 compared to a profit of €446,815 for the six-month period ended 30th June 2014.

The Group's results for the year are expected to be better than forecast. The results for the first half of the year substantially exceeded budget but whereas the second half of the year will also be profitable, the results for that period are expected to be in accordance with budget.

The Malta base remains extremely busy and this has necessitated further expansion of the office block, in addition to that already announced in the interim statement for the period ended 30th June 2014. A further 13,000 sqm of land at Hal Far in addition to the 30,000 sqm announced in the same report has been obtained. The Group is continuing to increase its concentration on quality, health, safety and environment, as the sharp increase in turnover and in the complexity of a number of the Group's activities necessitate this as a priority.

Eni Cyprus has completed the drilling of the first two wells of a four well programme. Eni is currently studying the results and in the meantime Medserv (Cyprus) Ltd has reduced its operating costs commensurate with the present reduced activity of Eni Cyprus.

As reported in the company announcement dated 15th May 2015 the Misurata base remained dormant. This position has remained unaltered and the Group took a decision to close the base permanently. An agreement was concluded with our equity partners in Libya under which the shares in Medserv Misurata Free Zone Company (of which the Group owned 60%) have been transferred to them in exchange for a financial consideration and for certain assets on the Misurata base that have been shipped over to Malta. The Group believes that Libya will remain an important market and it is positioning itself to be able to reopen a land base at the first opportunity. The decision on location will reflect market considerations and the political and economic changes one may expect in the new Libya post agreement.

The Tripoli office remains active and has obtained an additional significant contract valued at one million euro with the possibility to extend by a further two million in 2016. This represents another maintenance project, further confirming the solid development of the maintenance unit set up last year.

Due to the growing shortage of quay space in Malta suitable for quayside operations, the Group has sought alternative facilities. It has been successful in locating a suitable port in Greece. The first vessel has already arrived and Medserv staff have been relocated to manage this new business in a new location for the Group.

The Group is continuing to actively search for additional opportunities particularly in Portugal, Egypt and the Middle East.

Related party transactions

Transactions with each category of related parties and the balances outstanding at the end of the reporting periods are set out in note 12 to the condensed consolidated interim financial statements.

Dividends

No interim dividend is being recommended.

Approved by the Board on 27 August 2015 and signed on its behalf by:

Anthony J Duncan
Director

Anthony S Diacono
Director

Medserv p.l.c.

Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Note	At 30.06.15 €	At 31.12.14 €
ASSETS			
Property, plant and equipment	8	**24,052,081**	23,341,986
Prepaid operating lease		**34,511,240**	34,899,006
Deferred tax assets		**3,312,325**	4,062,971
Non-current assets		**61,875,646**	62,303,963
Prepaid operating lease		**775,533**	775,533
Trade and other receivables		**15,725,015**	16,641,205
Cash at bank and in hand		**2,448,537**	1,115,693
Current assets		**18,949,085**	18,532,431
Total assets		**80,824,731**	80,836,394

Medserv p.l.c.

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2015

	Note	At 30.06.15 €	At 31.12.14 €
EQUITY			
Share capital		**2,500,000**	2,500,000
Reserves		**3,595,746**	4,352,864
Retained earnings		**4,346,511**	2,362,960
Equity attributable to equity holders of the Company		**10,442,257**	9,215,824
Non-controlling interest		**380,751**	257,096
Total equity		**10,823,008**	9,472,920
LIABILITIES			
Deferred income		**34,511,240**	34,899,006
Loans and borrowings	10	**22,482,911**	21,137,818
Provisions		**41,300**	29,581
Deferred tax liabilities		**122,943**	47,004
Non-current liabilities		**57,158,394**	56,113,409
Current tax payable		**466,929**	141,952
Deferred income		**775,533**	775,533
Loans and borrowings	10	**3,043,429**	4,880,499
Trade and other payables		**8,557,438**	9,452,081
Current liabilities		**12,843,329**	15,250,065
Total liabilities		**70,001,723**	71,363,474
Total equity and liabilities		**80,824,731**	80,836,394

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements set out on pages 3 to 16 were approved by the Board of Directors on 27 August 2015 and were signed by:

Anthony J Duncan
Director

Anthony S Diacono
Director

Medserv p.l.c.

Condensed Consolidated Statement of Comprehensive Income

For the Period 1 January 2015 to 30 June 2015

	Note	6 months ended 30.06.15 €	6 months ended 30.06.14 Restated €
Continuing operations			
Revenue		**26,927,943**	9,514,191
Cost of sales		**(19,108,445)**	(7,719,136)
Gross profit		**7,819,498**	1,795,055
Other income		**289,601**	19,255
Administrative expenses		**(2,769,020)**	(902,031)
Other expenses		**(63,018)**	(1,580)
Results from operating activities		**5,277,061**	910,699
Finance costs		**(775,192)**	(346,692)
Profit before income tax		**4,501,869**	564,007
Tax expense	7	**(1,274,423)**	(95,633)
Profit from continued operations		**3,227,446**	468,374
Discontinued operation			
Loss from discontinued operation, net of tax	6	**(218,525)**	(21,559)
Profit for the period		**3,008,921**	446,815
Profit attributable to			
Owners of the Company		**2,626,433**	397,264
Non-controlling interest		**382,488**	49,551
Profit for the period		**3,008,921**	446,815
Other comprehensive income		**-**	-
Total comprehensive income for the period		**3,008,921**	446,815
Earnings per share			
Basic earnings per share		**10c5**	1c6
Earnings per share - continuing operations			
Basic earnings per share		**11c4**	1c6

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the Period 1 January 2015 to 30 June 2015

	Share capital	Legal reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2014	2,500,000	60,000	4,546,761	772,443	7,879,204	277,819	8,157,023
Total comprehensive income for the period							
Profit for the period	-	-	-	397,264	397,264	49,551	446,815
Transfer from retained earnings	-	-	218,699	(218,699)	-	-	-
Transactions with owners of the Company, recognised directly in equity							
Dividends to owners of the Company	-	-	-	(600,000)	(600,000)	-	(600,000)
Balance at 30 June 2014	**2,500,000**	**60,000**	**4,765,460**	**351,008**	**7,676,468**	**327,370**	**8,003,838**
Balance at 1 January 2015	**2,500,000**	**60,000**	**4,292,864**	**2,362,960**	**9,215,824**	**257,096**	**9,472,920**
Total comprehensive income for the period							
Profit for the period	**-**	**-**	**-**	**2,626,433**	**2,626,433**	**382,488**	**3,008,921**
Transfer to retained earnings	**-**	**(60,000)**	**(697,118)**	**757,118**	**-**	**-**	**-**
Transactions with owners of the Company, recognised directly in equity							
Dividends to owners of the Company	**-**	**-**	**-**	**(1,400,000)**	**(1,400,000)**	**-**	**(1,400,000)**
Disposal of subsidiary with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(258,833)**	**(258,833)**
Balance at 30 June 2015	**2,500,000**	**-**	**3,595,746**	**4,346,511**	**10,442,257**	**380,751**	**10,823,008**

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

Medserv p.l.c.

Condensed Consolidated Statement of Cash Flows

For the Period 1 January 2015 to 30 June 2015

	6 months ended 30.06.15	6 months ended 30.06.14
	€	€
Cash flows from operating activities		
Profit for the period	**3,008,921**	446,815
Adjustments for:		
Depreciation	**1,284,572**	453,895
Tax expense	**1,274,423**	95,633
Reversal of impairment loss on trade receivables	**-**	(8,230)
Provision for exchange fluctuations	**(1,852)**	(6,356)
Provision for gratuity payments	**11,720**	327
Gain on sale of property, plant and equipment	**(3,258)**	-
Loss on sale of discontinued operation, net of tax	**218,525**	-
Interest payable	**775,192**	346,692
	6,568,243	1,328,776
Change in inventories	**-**	(158,401)
Change in trade and other receivables	**1,034,570**	(6,422,911)
Change in trade and other payables	**(1,311,488)**	4,742,014
Change in related party balances	**-**	(1,808)
Change in shareholders' balances	**-**	(4,247)
Cash generated from/(absorbed by) operating activities	**6,291,325**	(516,577)
Interest paid	**(60,355)**	(332,701)
Taxes paid	**(35,833)**	-
Net cash from/(used in) operating activities	**6,195,137**	(849,278)
Balance carried forward before investing and financing	**6,195,137**	(849,278)

	6 months Ended 30.06.15	6 months Ended 30.06.14
	€	€
Balance brought forward before investing and financing	6,195,137	(849,278)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2,290,269)	(10,799,898)
Proceeds from sale of property, plant and equipment	30,000	-
Net cash used in investing activities	(2,260,269)	(10,799,898)
Cash flows from financing activities		
Issue of notes	-	7,105,000
Issue costs	-	(167,092)
Advances by non-controlling interest	-	1,131,285
Loan advanced by bank	1,058,427	-
Repayments of bank loans	(290,668)	-
Interest paid on bank loans	(40,278)	-
Interest paid on notes	(599,558)	-
Dividends paid to non-controlling interest	-	(90,000)
Dividends paid to owners of the Company	(1,387,690)	(595,261)
Net cash (used in)/ from financing activities	(1,259,767)	7,383,932
Net increase/(decrease) in cash and cash equivalents	2,675,101	(4,265,244)
Cash and cash equivalents at beginning of period	(2,687,608)	5,682,988
Effect of exchange rate fluctuations on cash held	-	7,760
Cash and cash equivalents at end of period	(12,507)	1,425,504

The notes on pages 9 to 16 are an integral part of these condensed consolidated interim financial statements.

1 Reporting company

Medserv p.l.c. (the "Company") is a public liability company domiciled and incorporated in Malta. The condensed consolidated interim financial statements for the six-months ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group'). Subsidiaries consist of Medserv International Limited, Medserv Operations Limited, Medserv Italy Limited, Medserv Eastern Mediterranean Limited, Medserv (Cyprus) Limited, Medserv East Africa and Medserv Libya Limited.

2 Basis of preparation

Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2014.

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

4 Significant accounting estimates

The preparation of interim consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements for the year ended 31 December 2014.

5 Operating segments

Information about reportable segments

	Malta Operation		Libya Operation		Cyprus Operation		Total	
	6mths to 30.06.15	6mths to 30.06.14	**6mths to 30.06.15**	6mths to 30.06.14 Restated	**6mths to 30.06.15**	6mths to 30.06.14	**6mths to 30.06.15**	6mths to 30.06.14 Restated
	€	€	**€**	€	**€**	€	**€**	€
External revenues	**14,846,915**	8,569,114	**924,209**	-	**11,156,819**	945,077	**26,927,943**	9,514,191
Inter-segment revenue	-	-	**-**	-	**1,381,244**	36,610	**1,381,244**	36,610
Reportable segment Profit/ (Loss) before tax	**2,136,985**	433,586	**(156,931)**	(25,867)	**2,629,641**	332,381	**4,609,695**	740,100

	Malta Operation		Libya Operation		Cyprus Operation		Total	
	30.06.15	31.12.14	**30.06.15**	31.12.14	**30.06.15**	31.12.14	**30.06.15**	31.12.14
	€	€	**€**	€	**€**	€	**€**	€
Reportable segment assets	**67,111,322**	66,621,641	**461,627**	1,278,588	**13,210,307**	14,051,859	**80,783,256**	81,952,088
Reportable segment liabilities	**59,209,023**	58,552,880	**58,019**	391,866	**10,500,453**	13,052,696	**69,767,495**	71,997,442

5 Operating segments (continued)

	6 months ended 30.06.15 €	6 months ended 30.06.14 Restated €
Total profit before tax for reportable segments	**4,609,695**	740,100
Unallocated amounts:		
Other corporate expense	**(107,826)**	(56,025)
Other interest payable	**-**	(120,068)
	-----------	----------
Profit before tax	**4,501,869**	564,007
	=======	======

6 Discontinued operation

In June 2015, the Group sold its sixty percent shareholding in Medserv Misurata FZC to the Misurata Free Zone Authority. Management has taken a decision to close the Misurata, Libya base permanently as activity remains minimal.

The Misurata base was not previously classified as held-for-sale or as a discontinued operation. The comparative condensed consolidated statement of comprehensive income has been restated to show the discontinued operation separately from continuing operations.

6.1 Results from discontinued operation

	6 months ended 30.06.15 €	6 months ended 30.06.14 €
Revenue	**-**	124,920
Expenses	**-**	(146,479)
	------------	----------
Results from operative activities, net of income tax	**-**	(21,559)
Loss on sale of discontinued operation	**(218,525)**	-
	------------	----------
Loss for the period	**(218,525)**	(21,559)
	=======	======

The loss for the period from discontinued operation of €218,525 was attributable entirely to the owners of the Company. The loss for the comparative period amounted to €21,559, an amount of €12,935 was attributable to the owners of the Company.

6 Discontinued operation (continued)

6.2 Cash flows from discontinued operation

	6 months ended 30.06.15	6 months ended 30.06.14
	€	€
Net cash from operating activities	**-**	26,626
Net cash used in financing activities	**-**	(225,000)
Net cash flow for the period	**-**	(198,374)

6.3 Effect of disposal on the financial position of the Group

	30.06.2015
	€
Property plant and equipment	**184,095**
Trade and other receivables	**77,484**
Cash and cash equivalents	**166,981**
Assets of discontinued operation	**428,560**
Less:	
Assets transferred to non-controlling interest	**(258,833)**
Consideration receivable by equity holders of the Company	**169,727**

7 Tax expense

The tax expense recognised in profit or loss and the result of the accounting profit multiplied by the tax rate applicable to Malta, the Company's country on incorporation, are reconciled as follows:

	6 months ended 30.06.15	6 months ended 30.06.14 Restated
	€	€
Profit before income tax	**4,501,869**	564,007
Income tax using the domestic income tax rate	**(1,575,654)**	(197,402)
Tax effect of:		
Depreciation charges not deductible by way of capital allowances in determining taxable income	**(39,048)**	-
Business Promotion Act investment tax credit	**(39,542)**	112,962
Disallowed expenses	**-**	(59,596)
Discontinued operation	**-**	7,545
Difference in tax rates applicable to Group entities	**462,664**	71,915
Adjustment to prior years' deferred tax asset	**(82,843)**	(31,057)
	(1,274,423)	(95,633)

8 Property, plant and equipment

During the six months ended 30 June 2015, the Group acquired assets with a cost of €2,395,603 (six months ended 30 June 2014: (€11,250,737)).

Asset purchases represent base improvements and acquisitions of plant and equipment for the Malta base amounting to €2,235,407, which includes plant and equipment relocated from the Misurata, Libya base, following the discontinuation of operation of Medserv Misurata FZC. The remaining purchases were in relation to improvements to buildings, plant and equipment at the Larnaca, Cyprus base.

9. Capital and reserves

Dividends

The following dividends were declared and paid by the Company during the period.

	6 months ended 30.06.15	6 months ended 30.06.14
	€	€
5.6 euro cents per qualifying ordinary share (2014: 2.4 euro cents)	**1,400,000**	600,000
	=======	======

Dividend per qualifying ordinary share is worked out on the number of shares existing as at 30 June 2015.

10 Loans and borrowings

At the end of the period the Group had bank loans amounting to €2,014,757. The interest rate and terms of repayment were as follows:

Bank loan	**Interest rate**	**Repayable by**
€162,647	5.35%	Monthly instalments of €6,033 inclusive of interest, repayable by latest 16 July 2018.
€1,852,110	5.35%	Monthly instalments of €50,303 inclusive of interest, repayable by latest 20 November 2018.

These loans were secured by joint and several guarantees given by the Company and a second general hypothec given by a subsidiary.

The carrying amount of the notes is €19,716,976 and bear interest at 6% per annum and are redeemable on 30 September 2023 with an early redemption option exercisable by giving a 30 day notice from 30 September 2020. These notes are secured by Medserv Operations Limited through a general hypothec and a special hypothec over its emphyteutical rights on the Medserv site at the Malta Freeport at the Port of Marsaxlokk.

Furthermore the Group has a loan amounting to €1,333,563 advanced by a non-controlling interest. The loan is unsecured, bears interest at 6.25% per annum and is repayable by 15 September 2017.

10 Loans and borrowings (continued)

The Group enjoys general overdraft facilities of €4,100,000 at the following terms and conditions

Bank overdraft	Interest rate	Security
€500,000	5.15%	Joint and several guarantees by the Company
€2,500,000	5.35%	Secured by a general hypothec over the Company's assets present and future; a special hypothec over the emphyteutical property situated at the Company's sites and buildings.
€1,100,000	4.65%	Joint and several guarantees by the Company

At 30 June 2015, the group had unutilised bank overdraft facilities of €1,638,956.

11 Contingencies

There were no major changes in the contingencies of the Group from those disclosed in the consolidated financial statements of the Group for the year ended 31 December 2014.

12 Related parties

The Company has a related party relationship with its subsidiaries and with its directors. All transactions entered into with group companies have been eliminated in the preparation of these financial statements.

In addition to transactions disclosed in the statement of cash flows, the following transactions were conducted during the period:

	Transactions' value 6 months ended	
	30.06.15	30.06.14
	€	€
Other related party		
Services rendered by	**6,700**	4,069
	=====	=====
Other related company		
Capital goods provided by	**-**	1,472,908
	=======	=======

12 Related parties (continued)

	Balance outstanding	
	30.06.15	31.12.14
	€	€
Amounts due to		
Shareholders	**44,947**	32,637
	=====	=====
Non-controlling interest	**1,333,563**	405,485
	=======	======

Statement pursuant to Listing Rule 5.75.3 issued by the Listing Authority

We confirm that to the best of our knowledge:

- the condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2015, as well as of the financial performance and cash flows for the six-month period then ended, fully in compliance with the accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, Interim Financial Reporting); and

- the Interim Directors' report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.

Anthony J Duncan
Director

Anthony S Diacono
Director

27 August 2015