Medserv p.l.c.
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COMPANY ANNOUNCEMENT

Medserv p.l.c.

Approval of financial statements

Date of Announcement:	21 March 2013
Reference:	70/2013

The following is a Company Announcement issued by Medserv p.l.c., the "**Company**", in compliance with Listing Rules 5.16.4, 5.16.20 and 5.54.

QUOTE

The Board of Directors of the Company has today approved the audited consolidated financial statements for the financial year ended 31 December 2012. The Board resolved that these audited consolidated financial statements be submitted for the approval of the Shareholders at the forthcoming Annual General Meeting scheduled for Thursday, 25 April 2013. Shareholders on the Company's Register at the Central Securities Depository of the Malta Stock Exchange as at close of business on 26 March 2013 will receive notice of the Annual General Meeting together with a copy of the Annual Report and Financial Statements. A preliminary statement of annual results is being attached herewith in terms of the Listing Rules. The Audited Financial Statements will be available for viewing on the Company's website at www.medservmalta.com as from 25 March 2013.

The Board of Directors do not recommend the payment of a dividend.

UNQUOTE

Signed:

Louis de Gabriele
Company Secretary

Consolidated statement of financial position

	2012 €	2011 €
Assets		
Property, plant and equipment	**5,064,529**	4,335,768
Investment in jointly-controlled entity	**-**	1,772
Deferred tax assets	**4,315,046**	3,546,130
Total non-current assets	**9,379,575**	7,883,670
Inventories	**73,671**	-
Trade and other receivables	**3,259,268**	4,998,567
Cash at bank and in hand	**530,729**	334,615
Total current assets	**3,863,668**	5,333,182
Total assets	**13,243,243**	13,216,852
Equity		
Share capital	**2,329,370**	2,329,370
Reserves	**4,318,333**	3,559,171
Retained earnings	**957,979**	2,267,111
Total equity attributable to equity-holders of the Company	**7,605,682**	8,155,652
Non-controlling interest	**345,167**	468,599
Total equity	**7,950,849**	8,624,251
Liabilities		
Loans and borrowings	**943,214**	647,732
Provisions	**36,952**	28,189
Total non-current liabilities	**980,166**	675,921
Current tax payable	**24,620**	30,932
Loans and borrowings	**2,261,296**	1,144,428
Trade and other payables	**2,026,312**	2,741,320
Total current liabilities	**4,312,228**	3,916,680
Total liabilities	**5,292,394**	4,592,601
Total equity and liabilities	**13,243,243**	13,216,852

This report has been extracted from the audited financial statements of the Group which were approved by the Board of Directors on 21 March 2013.

Consolidated statement of comprehensive income

	2012	2011
	€	€
Revenue	**6,709,159**	9,204,373
Cost of sales	**(6,001,972)**	(6,910,658)
Gross profit	**707,187**	2,293,715
Other income	**20,939**	140,354
Administrative expenses	**(1,676,546)**	(1,202,627)
Other expenses	**(38,254)**	(134,147)
Results from operating activities	**(986,674)**	1,097,295
Finance income	**207**	477
Finance costs	**(164,891)**	(86,856)
Net finance costs	**(164,684)**	(86,379)
Share of loss of jointly-controlled entity (net of tax)	**(1,772)**	(3,228)
(Loss)/profit before income tax	**(1,153,130)**	1,007,688
Tax income/(expense)	**775,228**	(191,094)
(Loss)/profit for the year	**(377,902)**	816,594
(Loss)/profit attributable to:		
Owners of the Company	**(249,970)**	761,358
Non-controlling interest	**(127,932)**	55,236
(Loss)/profit for the year	**(377,902)**	816,594
(Loss)/earnings per share	**(2c5)**	7c6

Consolidated statement of changes in equity

	Attributable to equity holders of the Company						
	Share capital	Legal reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2011	2,329,370	60,000	3,706,911	1,598,013	7,694,294	413,363	8,107,657
Total comprehensive income for the year							
Profit for the year	-	-	-	761,358	761,358	55,236	816,594
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	(300,000)	(300,000)	-	(300,000)
Transfer to retained earnings	-	-	(207,740)	207,740	-	-	-
Balance at 31 December 2011	2,329,370	60,000	3,499,171	2,267,111	8,155,652	468,599	8,624,251
Balance at 1 January 2012	**2,329,370**	**60,000**	**3,499,171**	**2,267,111**	**8,155,652**	**468,599**	**8,624,251**
Total comprehensive income for the year							
Loss for the year	-	-	-	**(249,970)**	**(249,970)**	**(127,932)**	**(377,902)**
Contributions by and distributions to owners							
Issue of shares to non-controlling interest	-	-	-	-	-	**4,500**	**4,500**
Dividends paid to equity holders	-	-	-	**(300,000)**	**(300,000)**	-	**(300,000)**
Transfer from retained earnings	-	-	**759,162**	**(759,162)**	-	-	-
Balance at 31 December 2012	**2,329,370**	**60,000**	**4,258,333**	**957,979**	**7,605,682**	**345,167**	**7,950,849**

Consolidated statement of cash flows

	2012	2011
	€	€
Cash flows from operating activities		
(Loss)/profit for the year	**(377,902)**	816,594
Adjustments for:		
Depreciation	**503,868**	398,167
Tax (income)/expense	**(775,228)**	191,094
Bad debts written off	**118,534**	-
Net reversal of impairment loss on trade and other receivables	**(103,368)**	-
Provision for exchange fluctuations	**15,155**	(131,888)
Provision for discounted future gratuity payments	**8,763**	(4,074)
Interest payable	**164,891**	86,856
Interest receivable	**(207)**	(477)
Gain on sale of plant and equipment	**-**	(8,466)
Termination benefits payable	**-**	82,000
Share of loss of jointly-controlled entity	**1,772**	3,228
	(443,722)	1,433,034
Change in inventories	**(73,671)**	-
Change in trade and other receivables	**1,713,453**	(931,756)
Change in trade and other payables	**(346,677)**	(721,619)
Change in related party balances	**(210,377)**	(2,750)
Change in shareholders' balances	**(21,561)**	23,101
Change in directors' balances	**3,338**	(1,986)
Cash generated from/(absorbed by) operating activities	**620,783**	(201,976)
Interest paid	**(88,045)**	(38,354)
Interest received	**207**	477
Tax paid	**-**	(8,108)
Tax refunded	**-**	83,851
Termination benefits paid	**-**	(82,000)
Net cash from/(used in) operating activities	**532,945**	(246,110)
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,232,629)**	(216,648)
Proceeds from sale of plant and equipment	**-**	8,466
Net cash used in investing activities	**(1,232,629)**	(208,182)
Cash flow from financing activities		
Loan advanced by bank	**834,578**	45,000
Repayments of bank loans	**(308,040)**	(64,079)
Interest paid on bank loans	**(62,462)**	(45,916)
Advances by non-controlling interest	**18,354**	-
Shares issued to non-controlling interest	**4,500**	-
Dividends paid to non-controlling interest	**(180,129)**	-
Dividends paid to owners of the Company	**(296,815)**	(297,630)
Net cash from/(used in) financing activities	**9,986**	(362,625)
Net decrease in cash and cash equivalents	**(689,698)**	(816,917)
Cash and cash equivalents at 1 January	**(585,338)**	118,613
Effect of exchange rate fluctuations on cash held	**(2,395)**	112,966
Cash pledged as guarantee	**(38,500)**	-
Cash and cash equivalents at 31 December	**(1,315,931)**	(585,338)

Preliminary Statement of Group Results and State of Affairs

For the Year Ended 31 December 2012

Review of group operations

Introduction

This Statement is published pursuant to the Malta Financial Services Authority Listing Rules Chapter 5 and Article 4(2)(b) of the Prevention of Financial Markets Abuse (Disclosure and Notification) Regulations, 2005.

The financial information has been extracted from Medserv p.l.c.'s Annual Report and Consolidated Financial Statements for the year ended 31 December 2012 as approved by the Board of Directors on 21 March 2013, which have been audited by KPMG. These financial statements will be laid before the members at the Annual General Meeting to be held on 25 April 2013.

The Group's financial statements have been prepared and presented in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act, 1995.

Review of performance

Group revenue declined from €9,204,373 generated in year 2011 to €6,709,159 in the year under review. Business levels for year 2012 were significantly lower as the Group's main market, Libya, was still in the process of recovery following the unrest in North Africa in year 2011.

As a consequence, the Group sustained an operating loss before depreciation of €482,806. After charging depreciation amounting to €503,868, net finance costs amounting to €164,684 and its share of loss of the jointly-controlled entity amounting to €1,772, the Group registered a loss before tax of €1,153,130. Loss after accounting for taxation amounted to €377,902.

The revenue generated in the second half of the year resulted in 62% of the total revenue for the period, clearly indicating the upturn in business. During the year 2012 the Group embarked on capital investment, to improve efficiency and competitive levels. Furthermore, the Group strengthened the management team to introduce new know-how as well as increased its marketing budget to finance new market and product developments to meet expected business opportunities. This contributed to an increase in costs for the year with a direct consequence on the operating results for year 2012. This short term impact will be replaced by a long term benefit to the Group.

Loss attributable to the owners of the Company amounted to €249,970.

State of affairs

Group total assets at reporting date stood at €13,243,243 (2011: €13,216,852). Receivables, net of impairment losses, amounted to €3,259,268 (2011: €4,998,567). Of these, 73% (2011: 93%) represented invoiced amounts receivable in respect of services rendered by the Group. The Group's trade and other payables at the end of the year amounted to €2,026,312 (2011: €2,741,320).

Current and non-current bank loans amounted to €1,396,350 (2011: €869,812). The increase is a result of loans advanced by banks for the acquisition of plant and equipment in Malta. The gearing ratio, that is, the ratio of loan finance to shareholders' equity, excluding non-controlling interest stood at 18% at 31 December 2012 compared with 11% at 31 December 2011.

Owners' funds, excluding non-controlling interest, amounted to €7,605,682 (2011: €8,155,652) and finance 57% (2011: 62%) of the Group's total assets. The Group's net asset value per share stands at €0.76 (2011: €0.82) at reporting date.

Outlook

The effect of the instability suffered in the Group's main market is reflected in the figures being reported for the year 2012. Whilst production levels of oil and gas from existing fields in Libya have now reached pre-war levels, the expected recovery in exploration operations has taken longer than anticipated. As a consequence the Libyan authorities' attention is now focused on pushing this especially as regards offshore activity.

The Group continued with its efforts to diversify both product and market. A new Maintenance Unit was established during the year and this successfully negotiated and completed its first contract with a leading International Oil Company (IOC). Similar contractual work has already been awarded to the Group in the first quarter of year 2013.

Offshore drilling operations by Mediterranean rim countries are expected to commence in the third quarter and fourth quarter of year 2013. Medserv is well placed to act as logistics service provider for these upcoming operations.

The Group shall be investing €4 million to install a 2MWp photovoltaic farm making use of the extensive roofs found in its Malta base. This investment not only generates income for the next 20 years but is also considered as an investment towards sustainable energy production. The project should be completed and commissioned by the end of 2014.

Of significant importance is the signing of a new lease agreement with Malta Freeport Corporation Limited on 5 December 2012 that will allow the Group to operate from its current location at Malta Freeport up to 2060. This development allows the Group to plan long term and offer to its customers the certainty that the Malta base will be available to service the major upcoming projects in the Mediterranean.

Medserv Misurata FZC has resumed operations in Libya. A reduced workforce is retained to oversee the current business, mainly rental, but the damaged warehouse still has not been repaired by the local authorities and this severely restricts the nature of the goods we can store safely.

The development of the base in Limassol, Cyprus has just commenced. The Company's personnel are expected to be in Cyprus in the first quarter of 2013. They shall be tasked not only with supervising the civil works being carried out but also to promote the Group's services in this new area of business. The Group expects to secure its first business at the end of 2013 or in the beginning of 2014 in line with progress made in exploration activity offshore Cyprus.

Despite the lifting of the offshore exploration ban by the Italian Government, no major developments were registered in Sicily during 2012. Regional issues have delayed progress. The Group is still maintaining its presence in Sicily.

In line with the Group's effort to diversify geographically, the Group tendered for business in East Africa. For this purpose the Group entered into a joint venture with a leading European firm to strengthen its bid to penetrate this market. We expect the announcement of the successful bidder in the first half of 2013. Whilst this is the Group's first effort in East Africa, the opportunity to participate has in fact introduced the Group to new business opportunities in a new market. A new subsidiary, Medserv East Africa Limited, has been set up with the specific task to develop these.

The Group registered a profit in the first quarter of 2013 due to the increased business in the Malta operation. The instability and security issues in our neighbouring markets in North Africa have once again outlined the importance of our base in Malta. The investment made by the Company during the year in new markets and new products bodes well for the future. The oil and gas industry is still experiencing growth globally and in particular in the Mediterranean and it is accustomed to operate in difficult situations.

The Group is confident that it has positioned itself both at strategic and operational levels to meet the coming challenges successfully.

Dr Louis De Gabriele
Company Secretary

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21 March 2013