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COMPANY ANNOUNCEMENT

Medserv plc

Approval of financial statements

Date of Announcement:
Reference:

21 March 2011
49/2011

The following is a Company Announcement issued by Medserv p.l.c., the “**Company**”, pursuant to the Listing Rules of the Malta Financial Services Authority

QUOTE

The Board of Directors of the Company has today approved the audited consolidated financial statements for the financial year ended 31 December 2010.

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, 21 April 2011. Shareholders on the Company’s Register at the Central Securities Depository of the Malta Stock Exchange as at close of business on 23 March 2011 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 Consolidated Financial Statements will be available for viewing on the Company’s website at www.medservmalta.com as from 30 March 2011.

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

UNQUOTE

Signed:

Louis de Gabriele
Company Secretary

Medserv p.l.c.

Preliminary Statement of Group Annual Results

31 December 2010



Consolidated statement of financial position

	2010 €	2009 €
Assets		
Property, plant and equipment	4,517,287	4,727,729
Investment in jointly-controlled entity	5,000	-
Deferred tax assets	3,775,608	3,678,316
Total non-current assets	8,297,895	8,406,045
Current tax asset	83,851	61,459
Trade and other receivables	4,051,273	7,353,389
Cash at bank and in hand	947,356	1,071,296
Total current assets	5,082,480	8,486,144
Total assets	13,380,375	16,892,189
Equity		
Share capital	2,329,370	2,329,370
Reserves	3,766,911	3,673,693
Retained earnings	1,598,013	2,922,381
Total equity attributable to equity-holders of the Company	7,694,294	8,925,444
Non-controlling interest	413,363	657,206
Total equity	8,107,657	9,582,650
Liabilities		
Loans and borrowings	830,031	888,891
Provisions	32,266	31,073
Total non-current liabilities	862,297	919,964
Current tax payable	77,352	40,544
Loans and borrowings	881,617	1,020,670
Trade and other payables	3,451,452	5,328,361
Total current liabilities	4,410,421	6,389,575
Total liabilities	5,272,718	7,309,539
Total equity and liabilities	13,380,375	16,892,189

This report has been extracted from the audited financial statements of the Group which were approved by the Board of Directors on 21 March 2011.

Medserv p.l.c.

Preliminary Statement of Group Annual Results

31 December 2010



Consolidated statement of comprehensive income

	2010 €	2009 €
Revenue	11,716,349	17,528,227
Cost of sales	(10,057,087)	(12,747,380)
Gross profit	1,659,262	4,780,847
Other income	269,808	126,231
Administrative expenses	(1,585,014)	(1,632,450)
Other expenses	(218,684)	(4,086)
Results from operating activities	125,372	3,270,542
Finance income	4,260	986
Finance costs	(97,345)	(88,424)
Net finance costs	(93,085)	(87,438)
Profit before income tax	32,287	3,183,104
Tax income/(expense)	82,891	(375,439)
Profit for the year	115,178	2,807,665
Profit/(loss) attributable to:		
Owners of the Company	118,850	2,327,322
Non-controlling interest	(3,672)	480,343
Profit for the year	115,178	2,807,665
Earnings per share	1c2	23c3



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 2009	2,329,370	60,000	3,841,688	757,064	6,988,122	356,863	7,344,985
Total comprehensive income for the year							
Profit for the year	-	-	-	2,327,322	2,327,322	480,343	2,807,665
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	(390,000)	(390,000)	(180,000)	(570,000)
Transfer to retained earnings	-	-	(227,995)	227,995	-	-	-
Balance at 31 December 2009	2,329,370	60,000	3,613,693	2,922,381	8,925,444	657,206	9,582,650
Balance at 1 January 2010	2,329,370	60,000	3,613,693	2,922,381	8,925,444	657,206	9,582,650
Total comprehensive income for the year							
Profit for the year	-	-	-	118,850	118,850	(3,672)	115,178
Contributions by and distributions to owners							
Dividends to equity holders	-	-	-	(1,350,000)	(1,350,000)	(240,171)	(1,590,171)
Transfer from retained earnings	-	-	93,218	(93,218)	-	-	-
Balance at 31 December 2010	2,329,370	60,000	3,706,911	1,598,013	7,694,294	413,363	8,107,657

Medserv p.l.c.

Preliminary Statement of Group Annual Results

31 December 2010



Consolidated statement of cash flows

	2010 €	2009 €
Cash flows from operating activities		
Profit for the year	115,178	2,807,665
Adjustments for:		
Depreciation	748,112	667,194
Tax (income)/expense	(82,891)	375,439
Bad debts written off	42,436	608,402
Reversal of impairment loss on trade receivables	(42,436)	(439,917)
Provision for exchange fluctuations	218,684	(73,185)
Provision for gratuity payments	1,189	5,459
Interest payable	97,345	88,424
Interest receivable	(4,260)	(986)
Termination benefits payable	10,510	-
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	1,103,867	4,038,495
Change in trade and other receivables	3,861,979	(1,471,580)
Change in trade and other payables	(2,666,933)	105,005
Change in related party balances	(626)	(1,600)
Change in shareholders' balances	18,100	3,718
Change in directors' balances	(39,299)	(30,906)
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Cash generated from operating activities	2,277,088	2,643,132
Interest paid	(33,686)	(16,519)
Interest received	4,260	986
Tax paid	(18,576)	(69,129)
Tax refund	18,591	37,056
Termination benefits paid	(10,510)	-
Net cash from operating activities	2,237,167	2,595,526
Cash flows from investing activities		
Investment in jointly-controlled entity	(5,000)	-
Acquisition of property, plant and equipment	(419,028)	(1,030,105)
Advances to directors	-	(11,000)
Net cash used in investing activities	(424,028)	(1,041,105)
Cash flow from financing activities		
Loan advanced by bank	-	420,000
Repayment of bank loan	(420,000)	(509,298)
Repayment of loan advanced by shareholder	-	(420,000)
Interest paid on bank loan	(59,562)	(46,158)
Interest paid on loan advanced by shareholder	-	(24,935)
Dividends paid to non-controlling interest	(180,000)	-
Other dividends paid	(1,350,000)	(390,000)
Net cash used in financing activities	(2,009,562)	(970,391)
Net (decrease)/increase in cash and cash equivalents	(196,423)	584,030
Cash and cash equivalents at 1 January	333,608	(193,326)
Effect of exchange rate fluctuations on cash held	(220,371)	85,466
Cash released from pledge/(pledged as guarantees)	207,785	(142,562)
Cash and cash equivalents at 31 December	124,599	333,608

Medserv p.l.c.

Preliminary Statement of Group Results and State of Affairs

For the Year Ended 31 December 2010



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 2010 as approved by the Board of Directors on 21 March 2011, which have been audited by KPMG. These financial statements will be laid before the members at the Annual General Meeting to be held on 21 April 2011.

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

The Group experienced a lean 2010 as a result of postponement of offshore work caused by political and economic factors as well as the Gulf of Mexico incident. Consequently revenue decreased from €17,528,227 generated in year 2009 to €11,716,349. This decrease in revenue had a direct effect on the Group's profit margins as contribution towards fixed costs decreased.

In 2010 the Group continued with its efforts started in 2009 to further maximize the use of its facilities by attracting heavy equipment and barges passing through the Mediterranean. This, however, was not at the same levels experienced in the previous year.

During the year, the Group achieved an operating result of €873,484, after charging depreciation amounting to €748,112 and net finance costs amounting to €93,085 as well as crediting taxation amounting €82,891 the Company achieved a profit of €115,178.

Profit attributable to the owners of the Company amounted to €118,850, basic earnings per share is calculated at €0.012c as against an earnings per share of €0.233 in 2009.

The results registered for the year are significantly lower when compared to the results for 2009 however the Board of Directors is satisfied that considering the adverse conditions experienced in the year the Company has shown resilience and has managed to report a profit.

State of affairs

Group total assets at reporting date stood at €13,380,375 (2009: €16,892,189). Receivables, net of impairment losses, amounted to €4,051,273 (2009: €7,353,389). Of these, 89% (2009: 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 €3,451,452 (2009: €5,328,361).

Current and non-current bank loans amounted to €888,891 (2009: €1,308,891). The gearing ratio, that is, the ratio of loan finance to shareholders' equity, excluding non-controlling interest stood at 12% at 31 December 2010 compared with 15% at 31 December 2009.

Owners' funds, excluding non-controlling interest, amounted to €7,694,294 (2009: €8,925,444) and finance 58% (2009: 53%) of the Group's total assets. The Group's net asset value per share stands at €0.77 (2009: €0.89) at reporting date.

Medserv p.l.c.

Preliminary Statement of Group Annual Results

31 December 2010



Outlook

The recent events in Libya, has forced the directors to suspend the Libya operations carried out by Medserv Misurata Free Zone Company, operating from Misurata Free Zone in Libya. The directors are monitoring the situation on a day to day basis and are in constant contact with the Libyan business partners, Misurata Free Zone Authority. To date, the directors are not aware of any losses of the Group's assets situated in Misurata, Libya.

The directors are of the opinion that at this stage it is premature to comment on the consequences of the events that are still unfolding in Libya and that they cannot make an estimate of the financial effect that the present events in Libya will have on Medserv Misurata Free Zone Company's future performance and financial position.

The financial statements do not include any adjustments should Medserv Misurata Free Zone Company be unable to realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing political situation in Libya.

Subsequent to the current scenario in Libya the Malta base is experiencing increased business as equipment and materials are being relocated at least temporarily to Malta. Moreover the Malta base is providing significant volume of logistical and support services to off-shore platforms located in North Africa. All work is being carried out within the parameters of the present UN and EU sanctions and compliance.

The importance for both Libya and International Oil Companies to continue with all oil and gas projects leads the Company to be cautiously optimistic that it is well placed to secure the expected business.

The Company is also continuing with its initiative to attract new business as well as to diversify its revenue streams, which includes penetrating into new geographical markets.

A handwritten signature in black ink, appearing to read "L. De Gabriele".

Dr Louis De Gabriele LL.M (Lond) LL.D.
Company Secretary

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21 March 2011