COMPANY ANNOUNCEMENT

MEDSERV P.L.C.
(THE **"COMPANY"**)

Interim Financial Report

Date of Announcement	26 August 2016
Reference	146/2016
Listing Rule	LR 5.16.20

Quote

The Board of Directors has today approved the half yearly report of the Company for the financial period 1 January 2016 to 30 June 2016, a copy of which is attached hereto and is available for public inspection in electronic form on the Company's website (www.medservenergy.com).

Unquote

Laragh Cassar
Company Secretary

Medserv P.l.c.
Malta Freeport
Port of Marsaxlokk
Birzebbugia BBG3011,
Malta

t +356 2220 2000
f +356 2220 2328
e info@medservenergy.com
w www.medservenergy.com
Co. Reg. C 28847

Medserv p.l.c.
Malta Freeport
Port of Marsaxlokk,
Birzebbugia BBG07, Malta
Tel: (00356) 2220 2000
Fax: (00356) 2220 2328

Medserv p.l.c.

Directors' Report pursuant to Listing Rule 5.75.2

For the Period 1 January 2016 to 30 June 2016

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 2016 and its comparative period in 2015. The comparative consolidated statement of financial position has been extracted from the audited financial statements as at 31 December 2015. 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 26 August 2016. 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 integrated shore base logistics to the offshore oil and gas market operating mainly in the Mediterranean basin and integrated oil country tubular goods (OCTG) services to the onshore oil and gas market operating in the Middle East.

Review of performance

The Group's turnover for the six-month period ended 30th June 2016 amounted to €17,300,563 compared to €27,208,775 registered in the comparative period to 30th June 2015 thus representing a reduction in turnover of €9,908,212. This reduction is mainly due to a slow-down in the provision of shore base logistics as a result of exploratory drilling activity in Cyprus being put on hold. This decrease was not supplemented to the same extent by revenue from the recent acquisition of the Middle East Tubular Service group (METS) which reporting period only includes four months of revenue. Also revenue from shore base logistics in Portugal was minimal.

The gain on cash flow hedge on the net investment in METS amounted to €1,176,437 as at 31 December 2015. This amount was adjusted during the reporting period due to foreign exchange fluctuations up to the date of completion of METS acquisition (see note 10) resulting in a loss for the reporting period of €748,343. The overall gain on the cash flow hedge amounting to €428,094 was reclassified to goodwill on the METS acquisition. Foreign currency translation differences arising from the operations of METS sub-group for the reporting period amounted to €203,898.

The Group's earnings before interest, tax, depreciation and amortisation (EBITDA) for the six month period ending 30th June 2016 amounted to €3,348,752 compared to €6,561,633 for the same period last year. After accounting for depreciation amounting to €1,700,723 (2015: €1,284,572), amortisation amounting to €561,656 (2015: € nil) and net finance cost amounting to €810,522 (2015: €775,192) the Group registered a profit before tax of €275,851 (2015: €4,501,869). Taxation for the six month period amounted to €57,417 (2015: €1,274,423) resulting in a net profit for the period from continued operations of €218,434 (2015: €3,008,921).

During this reporting period the Group has completed the purchase price allocation of METS whereby the purchase consideration was allocated to the fair value of all identifiable net assets acquired as at acquisition date of METS with the residual being goodwill. Total identifiable assets include intangible assets amounting to €15,884,544 which amount is amortised over the estimated useful lives of the intangible assets. Full details of this purchase price allocation are provided in note 10 to the financial statements.

Outlook

Shore base logistic services remain strong in Malta with a healthy business pipeline. As recently reported the Group has successfully negotiated and renewed a contract with an international oil company (IOC) for a further two years to provide integrated shore base services in support of the further development of the Bahr Essalam field offshore Libya. This will result in additional contracts negotiated with service and engineering contractors supporting the development of this field. In addition a tender has been issued by another IOC also in respect of support to existing offshore Libya operations. The Group has bid for this work and the tender documents are presently being adjudicated.

The Cyprus subsidiary has renewed its lease at the Larnaca base for a further year to end of August 2017 and is continuing to provide shore base services to ENI though at a very low level. The subsidiary has also responded to a tender from another IOC to provide shore base services in support of drilling operations offshore Cyprus. The outcome of this bid is awaited. The Government of Cyprus has recently announced the names of the bidders for blocks in a new licensing round for concessions to drill offshore Cyprus. The subsidiary's existing customers are well represented in the bidder list. Drilling activity is expected to resume in year 2017.

In respect of Portugal, environment concerns raised by local government have delayed the start of drilling activities to year 2017. However the shore base is ready to operate and is yielding a small profit.

As previously reported, the Group has made a bid for a substantial shore base contract in Trinidad. The outcome of this is expected in the third quarter. In respect of Egypt, the Group is actively working to penetrate the market as opportunities present themselves with a possibility of having the first breakthrough before the end of this year.

Following the recent METS acquisition, the business of integrated oil country tubular goods (OCTG) is exceeding profit expectations with regard to Oman. A healthy business pipeline is to continue in Oman as the subsidiary is in advanced negotiations with its main customer to secure a long term contract. The UAE operation is on budget but operations in Iraq are suffering significantly from the continued political instability in the country. Steps are being taken to reduce operational costs in Iraq, the benefits of which will be realised in next year's results.

Synergies between the traditional Medserv shore base services and those of METS OCTG services are being developed and a bid has been made for the provision of integrated shore base services in Oman to support an offshore exploratory drilling programme in the country.

As already reported the Group has completed a management restructuring in order to ensure that the Group is fully supported by the appointment and in some cases the reallocation of senior staff into roles which reflect the continuing expansion of the Group.

The Group revenue reported for the year 2016 in its published forecast amounting to €44million is not expected to be reached and the revised forecast revenue for the year is €38million. The reasons for this decrease in revenue are due to the delay in drilling in Portugal as well as the pressure on prices and margins across the Group resulting from the low oil price. Whilst the Group expects that the results for the second half of the year to be in line with the published forecasts, it is only possible to determine the actual variance to the published forecasts at the time when the full year accounts are published. Should there result in any material variance in excess of 10%, an announcement will be published in accordance with the applicable listing rules.

The Group is positioning itself for growth in both main operating segments, *'shore base logistics'* and *'OCTG'* in three significant oil and gas markets, Trinidad, Egypt and Iran, before year end. Additionally exploratory drilling is expected to resume in Cyprus and Portugal in year 2017 for which the Group has already contracts in place.

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 dividends are being recommended.

Approved by the Board on 26 August 2016 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 2016

	Note	At 30.06.16 €	At 31.12.15 €
ASSETS			
Property, plant and equipment	7	34,499,534	24,048,115
Intangible assets	10	15,322,888	-
Goodwill	10	2,184,152	-
Prepaid operating lease		33,735,706	34,123,472
Deferred tax assets		3,354,232	3,503,852
Non-current assets		89,096,512	61,675,439
Inventories		340,324	-
Prepaid operating lease		775,533	775,533
Derivative financial assets		-	1,176,437
Current tax assets		362	-
Trade and other receivables		23,950,796	16,476,804
Cash at bank and in hand		7,214,589	1,036,816
Current assets		32,281,604	19,465,590
Total assets		121,378,116	81,141,029

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Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2016

	Note	At 30.06.16 €	At 31.12.15 €
EQUITY			
Share capital	8	**5,374,441**	4,500,000
Share premium	8	**12,003,829**	-
Reserves		**3,917,669**	5,295,885
Retained earnings		**1,537,263**	1,314,532
Equity attributable to equity holders of the Company		**22,833,202**	11,110,417
Non-controlling interest		**203,000**	11,883
Total equity		**23,036,202**	11,122,300
LIABILITIES			
Deferred income		**33,735,706**	34,123,472
Loans and borrowings	9	**52,527,079**	22,404,045
Provision for employee benefits		**1,322,793**	31,073
Deferred tax liabilities		**101,503**	161,272
Total non-current liabilities		**87,687,081**	56,719,862
Current tax payable		**12,258**	287,112
Deferred income		**841,359**	775,533
Loans and borrowings	9	**1,814,273**	3,788,455
Trade and other payables		**7,986,943**	8,447,767
Total current liabilities		**10,654,833**	13,298,867
Total liabilities		**98,341,914**	70,018,729
Total equity and liabilities		**121,378,116**	81,141,029

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements set out on pages 4 to 17 were approved by the Board of Directors on 26 August 2016 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 2016 to 30 June 2016

	Note	6 months ended 30.06.16 €	6 months ended 30.06.15 Restated €
Continuing operations			
Revenue		**17,300,563**	27,208,775
Cost of sales		**(14,479,503)**	(19,108,445)
Gross profit		**2,821,060**	8,100,330
Other income		**122,816**	8,769
Administrative expenses		**(1,768,206)**	(2,769,020)
Other expenses		**(89,297)**	(63,018)
Results from operating activities		**1,086,373**	5,277,061
Finance income		**528,799**	-
Finance costs		**(1,339,321)**	(775,192)
Profit before income tax		**275,851**	4,501,869
Tax expense	6	**(57,417)**	(1,274,423)
Profit from continued operations		**218,434**	3,227,446
Discontinued operation			
Loss from discontinued operation, net of tax		**-**	(218,525)
Profit for the period		**218,434**	3,008,921
Other comprehensive income			
Foreign currency translation differences - foreign operations		**(203,898)**	-
Net loss on hedge of net investment in a foreign operation		**(748,343)**	-
Net gain in fair value of cash flow hedges reclassified to goodwill		**(428,094)**	-
Other comprehensive income for the period		**(1,380,335)**	**3,008,921**
Total comprehensive income for the period		**(1,161,901)**	**3,008,921**
Profit attributable to:			
Owners of the Company		**222,731**	2,626,433
Non-controlling interest		**(4,297)**	382,488
Profit for the period		**218,434**	3,008,921
Total comprehensive income attributable to:			
Owners of the Company		(1,155,485)	2,626,433
Non-controlling interest		(6,416)	382,488
Total comprehensive income for the period		**(1,161,901)**	3,008,921
Earnings per share			
Basic earnings per share	**13**	**0c4**	5c7
Earnings per share - continuing operations			
Basic earnings per share	**13**	**0c4**	6c2

The notes on pages 10 to 17 are an integral part of these condensed consolidated interim financial statements.

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Condensed Consolidated Statement of Changes in Equity

For the Period 1 January 2016 to 30 June 2016

	Share capital	Share premium	Translation reserve	Hedging reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€	€	€
Balance at 1 January 2015	2,500,000	-	-	-	4,292,864	2,422,960	9,215,824	257,096	9,472,920
Profit for the period	-	-	-	-	-	2,626,433	2,626,433	382,488	3,008,921
Transfer to retained earnings	-	-	-	-	(697,118)	697,118	-	-	-
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 NCI	-	-	-	-	-	-	-	(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**
Balance at 1 January 2016	**4,500,000**	**-**	**-**	**1,176,437**	**4,119,448**	**1,314,532**	**11,110,417**	**11,883**	**11,122,300**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**222,731**	**222,731**	**(4,297)**	**218,434**
Other comprehensive income									
Foreign currency translation differences on foreign operations	**-**	**-**	**(201,779)**	**-**	**-**	**-**	**(201,779)**	**(2,119)**	**(203,898)**
Net loss on hedge of net investment in a foreign operation	**-**	**-**	**-**	**(748,343)**	**-**	**-**	**(748,343)**	**-**	**(748,343)**
Net gain in fair value of cash flow hedges reclassified to goodwill	**-**	**-**	**-**	**(428,094)**	**-**	**-**	**(428,094)**	**-**	**(428,094)**
Transactions with owners of the Company, recognised directly in equity									
Issue of ordinary shares	**874,441**	**12,003,829**	**-**	**-**	**-**	**-**	**12,878,270**	**-**	**12,878,270**
Cost of rights issue									
Changes in ownership interests in subsidiaries									
Acquisition of subsidiary with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**197,533**	**197,533**
Balance at 30 June 2016	**5,374,441**	**12,003,829**	**(201,779)**	**-**	**4,119,448**	**1,537,263**	**22,833,202**	**203,000**	**23,036,202**

The notes on pages 10 to 17 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 2016 to 30 June 2016

	6 months ended 30.06.16	6 months ended 30.06.15
	€	€
Cash flows from operating activities		
Profit for the period	**218,434**	3,008,921
Adjustments for:		
Depreciation	**1,700,723**	1,284,572
Tax expense	**57,417**	1,274,423
Reversal of impairment loss on trade receivables		-
Amortisation of intangible assets	**561,656**	-
Provision for exchange fluctuations	**277,758**	(1,852)
Provision for gratuity payments	**11,815**	11,720
Provision for employees end of service benefits	**37,846**	-
Gain on sale of property, plant and equipment	**-**	(3,258)
Loss on sale of discontinued operation, net of tax	**-**	218,525
Net finance costs	**810,522**	775,192
	---------------	---------------
	3,676,171	6,568,243
Change in inventories	**733,515**	-
Change in trade and other receivables	**(1,316,089)**	1,034,570
Change in trade and other payables	**(1,413,822)**	(1,311,488)
	---------------	---------------
Cash generated from operating activities	**1,679,775**	6,291,325
Interest paid	**(77,231)**	(60,355)
Interest received	**1,931**	-
Taxes paid	**(268)**	(35,833)
Net cash from operating activities	**1,604,207**	6,195,137
Balance carried forward before investing and financing	**1,604,207**	6,195,137

Medserv p.l.c.

Condensed Consolidated Statement of Cash Flows (continued)

For the Period 1 January 2016 to 30 June 2016

	6 months ended 30.06.16	6 months ended 30.06.15
	€	€
Balance brought forward before investing and financing	**1,604,207**	6,195,137
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**(34,479,625)**	-
Acquisition of property, plant and equipment	**(379,883)**	(2,290,269)
Proceeds from sale of property, plant and equipment	**-**	30,000
Net cash used in investing activities	**(34,859,508)**	(2,260,269)
Cash flows from financing activities		
Issue of notes	**30,283,761**	-
Proceeds from issue of share capital	**11,870,643**	-
Loan advanced by bank	**-**	1,058,427
Repayments of bank loans	**(489,499)**	(290,668)
Interest paid on bank loans	**(67,026)**	(40,278)
Interest paid on notes	**(654,912)**	(599,558)
Dividends paid to owners of the Company	**-**	(1,387,690)
Net cash from/(used in) financing activities	**40,942,967**	(1,259,767)
Net increase in cash and cash equivalents	**7,687,666**	2,675,101
Cash and cash equivalents at beginning of period	**(1,651,754)**	(2,687,608)
Effect of exchange rate fluctuations on cash held	**(25,209)**	-
Cash and cash equivalents at end of period	**6,010,703**	(12,507)

The notes on pages 10 to 17 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 2016 comprise the Company and its subsidiaries (together referred to as the 'Group').

Subsidiaries consist of Medserv Operations Limited, Medserv Italy Limited, Medserv Eastern Mediterranean Limited, Medserv (Cyprus) Limited, Medserv Western Mediterranean Limited, MDS Energy Portugal Unipessoal LDA, Medserv Libya Limited, Medserv International Limited, Medserv Energy TT Limited, Medserv M.E. Limited, Middle East Tubular Services Holdings Limited, Middle East Tubular Services Limited (Sharjah Branch), Middle East Tubular Services LLC (FZC), and Middle East Tubular Services (Iraq) Limited. The subsidiaries forming part of the Middle East Tubular Services sub-group were acquired on 23 February 2016 (see note 10).

The Group is primarily involved in providing integrated shore base logistics to the offshore oil and gas market operating mainly in the Mediterranean basin and integrated oil country tubular goods (OCTG) services to the onshore oil and gas market operating in the Middle East. The latter being as a result of the acquisition of Middle East Tubular Services sub-group (see note 10).

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, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2015. 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 2015.

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 2015, except for the following additional accounting policies applied upon the acquisition of a subsidiary (see note 10).

3.1 <u>Intangible assets</u>

(i) <u>Recognition and measurement</u>

Intangible assets include customer relationships, licenses and contractual rights that are acquired by the Group and have finite useful lives and are measured at fair value at the date of acquisition less accumulated amortisation and any accumulated impairment losses.

3 Significant accounting policies (continued)

3.1 Intangible assets (continued)

(ii) Amortisation

Amortisation is calculated to write off the cost of intangible assets using the straight line method over their estimated useful life, and is generally recognised in profit or loss.

The estimated useful lives for the current period are as follows:

- contractual rights 5 years
- brand 10 years
- customer relationships 10 years
- licences 10 years

Amortisation methods and useful lives are reviewed at each reporting date and adjusted if appropriate.

3.2 Inventories

Inventories are measured at the lower of cost and net realisable value.

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 2015.

5 Operating segments

5.1 Information about reportable segments

	Shore base Logistics		Oil Country Tubular Goods		Photovoltaic Farm		Total	
	6mths to 30.06.16	6mths to 30.06.15 Restated	**6mths to 30.06.16**	6mths to 30.06.15 Restated	**6mths to 30.06.16**	6mths to 30.06.15 Restated	**6mths to 30.06.16**	6mths to 30.06.15 Restated
	€	€	**€**	€	**€**	€	**€**	€
External revenues	**10,588,611**	26,927,943	**6,446,231**	-	**265,721**	280,832	**17,300,563**	27,208,775
Inter-segment revenue	**730,305**	1,381,244	-	-	-	-	**730,305**	1,381,244
Reportable segment Profit/ (Loss) before tax	**458,944**	4,428,212	**(221,423)**	-	**166,351**	181,483	**403,872**	4,609,695

	Shore base Logistics		Oil Country Tubular Goods		Photovoltaic Farm		Total	
	30.06.16	31.12.15 Restated	**30.06.16**	31.12.15 Restated	**30.06.16**	31.12.15 Restated	**30.06.16**	31.12.15 Restated
	€	€	**€**	€	**€**	€	**€**	€
Reportable segment assets	**72,412,064**	74,043,878	**43,440,724**	-	**5,441,143**	5,703,334	**121,293,931**	79,747,212
Reportable segment liabilities	**59,779,200**	63,588,513	**33,717,972**	-	**4,836,125**	4,830,160	**98,333,297**	68,418,673

5 Operating segments (continued)

5.1 Information about reportable segments (continued)

As a result of the acquisition of the Middle East Tubular Services (METS) sub-group during the six months ended 30 June 2016 (see note 10), the Group has changed its internal organisation and the composition of its reportable segments. The results for the reporting segment *Oil Country Tubular Services* represents a four month period. The Group has restated the operating segment information for the six months ended 30 June 2015 and as at 31 December 2015.

5.2 Reconciliation of reportable segment profit or loss

	6 months ended 30.06.16	6 months ended 30.06.15
	€	€
Total profit before tax for reportable segments	**403,872**	4,609,695
Unallocated amounts:		
Other corporate expense	**(128,021)**	(107,826)
Profit before tax	**275,851**	4,501,869

6 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 30.06.16	6 months ended 30.06.15
	€	€
Profit before income tax	**275,851**	4,501,869
Income tax using the domestic income tax rate	**(96,548)**	(1,575,654)
Tax effect of:		
Depreciation charges not deductible by way of capital allowances in determining taxable income	**-**	(39,048)
Business Promotion Act investment tax credit	**289,104**	(39,542)
Disallowed expenses	**(321,024)**	-
Exempt income	**227,421**	-
Unrecognised deferred tax	**(14,476)**	
Difference in tax rates applicable to Group entities	**169,005**	462,664
Adjustment to prior years' deferred tax asset	**(4,319)**	(82,843)
Consolidation adjustments not subject to tax	**(306,580)**	-
	(57,417)	(1,274,423)

7 Property, plant and equipment

During the six months ended 30 June 2016, the Group acquired assets with a cost of €379,883 (six months ended 30 June 2015: €2,395,603).

8. Capital and reserves

In the first quarter of 2016 the Company issued 8,744,399 ordinary shares by way of a rights issue at an offer price of €1.50 per share.

9 Loans and borrowings

At the end of the period the Group had bank loans amounting to €3,270,959. The interest rate and terms of repayment were as follows:

Bank loan	Interest rate	Repayable by
€112,821	5.35%	Monthly instalments of €4,785 inclusive of interest, repayable by latest 16 July 2018.
€1,336,523	5.35%	Monthly instalments of €50,303 inclusive of interest, repayable by latest 20 November 2018.
€1,821,615	4.11%	Monthly instalments of USD 53,610 inclusive of interest, repayable by latest 26 August 2019.

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

The Group's secured notes, which 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 are carried at €19,711,811 (2015:€19,743,473). 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.

During the period the Company issued €21,982,400 in unsecured Euro Bonds and USD9,148,100 in unsecured USD Bonds to intermediaries. The carrying amount of the notes is made up as follows:

Amount	Interest rate	Repayable by
€21,981,616	4.50%	Redeemable on 5 February 2026
€8,113,080	5.75%	Redeemable on 5 February 2026

9 Loans and borrowings (continued)

The Group enjoys general overdraft facilities of €4,500,000 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.
€1,500,000	5.15%	Joint and several guarantees by the Company

At 30 June 2015, the group had unutilised bank overdraft facilities of €3,296,114.

10 Acquisition of a subsidiary

On 23 February 2016 Medserv M.E. Limited, a limited liability company incorporated under the laws of Malta and a fully owned subsidiary of Medserv p.l.c. acquired the issued share capital of Middle East Tubular Services Holdings Limited, a limited liability company incorporated under the laws of the British Virgin Islands. Through this acquisition Medserv M.E. Limited purchased the following companies:

a) One hundred per cent of Middle East Tubular Services Limited, a limited liability company incorporated under the laws of the British Virgin Islands and having a branch registered in Sharjah, United Arab Emirates;
b) One hundred per cent of Middle East Tubular Services LLC, FZC, a limited liability free zone company registered in the Sohar Free Zone, The Sultanate of Oman, United Arab Emirates; and
c) Ninety per cent of Middle East Tubular Services (Iraq) Limited, a limited liability company incorporated under the laws of the British Virgin Islands and having a branch registered in Iraq.

The above companies forming part of the Middle East Tubular Services sub-group ('METS') operate in the Oil Country Tubular Goods (OCTG) market providing an integrated approach to OCTG handling, inspection and repairs based in three Middle East locations, namely:

- Hamriyah Free Zone, Emirate of Sharjah, UAE – offering handling and storage, inspection and machine shop services;
- Khor Al Zubair, Basra, Iraq – offering handling and storage, inspection and machine shop services;
- Sohar Free Zone, Sultanate of Oman – offering handling and storage and inspection services.

10 Acquisition of a subsidiary (continued)

The handling and storage services in the UAE and Oman is also a core competence within the Medserv Group. Additionally, the METS inspection services fit in well with Medserv's aspirations and previous skills. The machine shops in UAE and Iraq provide a high margin step-out into a complimentary service area for Medserv and an excellent growth prospect for the existing and new clients to Medserv. The METS Companies are a strong regional player with limited competition due to them holding VAM® and API® licenses.

The Board of Directors of Medserv believe that the METS acquisition will provide Medserv Group with a better-balanced oil services offering in two major niche markets, that is, offshore logistics and engineering services, which represent a low-risk but essential service to the industry.

For the four months ended 30 June 2016, METS contributed revenue of €6,446,231 and an operating profit of €928,609 which after deduction of amortization and net interest costs amounts to a loss of €221,423.

Consideration transferred
The purchase consideration of Middle East Tubular Services Holdings Limited and its subsidiaries amounted to USD45,000,000 paid in cash. A deposit of USD3,000,000 was paid on signing of the share purchase agreement dated 8 October 2015 and the remaining balance was settled on acquisition date, 23 February 2016.

Acquisition-related costs
The total acquisition related costs amounted to €394,857 and were expensed in year 2015.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	€
Property, plant and equipment	11,900,589
Intangible assets	15,884,544
Inventories	1,093,209
Trade and other receivables	4,267,882
Cash and cash equivalents	5,409,832
Trade and other payables	(3,766,171)
Total identifiable net assets acquired	**34,789,885**

Goodwill
Goodwill arising from the acquisition has been recognized as follows:

	€
Consideration transferred	37,204,598
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of METS	197,533
Fair value of identifiable net assets	(34,789,885)
Goodwill	2,612,246
Gain on cash flow hedge	(428,094)
Goodwill net of gain on cash flow hedge	**2,184,152**

10 Acquisition of a subsidiary (continued)

Goodwill (continued)

The goodwill is mainly attributable to the synergies expected to be achieved from combining the operations of Middle East Tubular Services Limited ('the METS sub-group') with Medserv p.l.c. and the skills and technical talent of the METS sub-group's work force. The goodwill arising from the acquisition of the METS sub-group has been allocated to the Middle East operating segment

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 2015.

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	
	30.06.16	30.06.15
	€	€
Other related party		
Services rendered by	**6,830**	6,700
	=====	=====

	Balance outstanding	
	30.06.16	31.12.15
	€	€
Amounts due to		
Shareholders	**58,674**	1,013,839
	=====	=======
Non-controlling interest	**387,924**	-
	======	=======

13 Earnings per share

In December 2015, the Group issued 20,000,002 bonus shares and subsequently announced an offer for a rights issue to its shareholders involving the issue of new ordinary shares at an exercise price of €1.50, which was less than the fair value of the ordinary shares before the announcement. The earnings per share for the comparative period have been restated to reflect retrospectively the effects of the bonus issue and the bonus element in the rights issue in accordance with IAS 33, Earnings per Share.

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 2016, 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

26 August 2016