



Medserv p.l.c.
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COMPANY ANNOUNCEMENT

Medserv plc

Approval of financial statements

Date of Announcement:
Reference:

23 March 2015
113/2015

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 2014. 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, 28 May 2015. Shareholders on the Company’s Register at the Central Securities Depository of the Malta Stock Exchange as at close of business on 28 April 2015 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.medservenergy.com as from 28 March 2015.

The Board of Directors is proposing that the Annual General Meeting approves the payment of a net dividend of €1,400,000, representing a net dividend per ordinary share of €0.056, to be paid to all shareholders on the register of members as at close of business on the 28 May 2015 payable by not later than the 23 June 2015.

UNQUOTE

Signed:

Louis de Gabriele
Company Secretary

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014



Consolidated statement of financial position

	31.12.2014	31.12.2013	01.01.2013
	€	Restated €	Restated €
Assets			
Property, plant and equipment	23,341,986	8,330,709	5,064,529
Prepaid operating lease	34,899,006	35,674,539	36,450,072
Deferred tax assets	4,062,971	4,577,440	4,315,046
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Total non-current assets	62,303,963	48,582,688	45,829,647
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Inventories	-	-	73,671
Prepaid operating lease	775,533	775,533	775,533
Trade and other receivables	16,641,205	3,868,246	3,259,268
Cash at bank and in hand	1,115,693	5,682,988	530,729
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Total current assets	18,532,431	10,326,767	4,639,201
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Total assets	80,836,394	58,909,455	50,468,848
	=====	=====	=====
Equity			
Share capital	2,500,000	2,500,000	2,329,370
Reserves	4,352,864	4,606,761	4,318,333
Retained earnings	2,362,960	772,443	957,979
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Total equity attributable to equity-holders of the Company	9,215,824	7,879,204	7,605,682
Non-controlling interest	257,096	277,819	345,167
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Total equity	9,472,920	8,157,023	7,950,849
	=====	=====	=====
Liabilities			
Deferred income	34,899,006	35,674,539	36,450,072
Loans and borrowings	21,137,818	12,552,853	943,214
Provisions	29,581	37,083	36,952
Deferred tax liabilities	47,004	-	-
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Total non-current liabilities	56,113,409	48,264,475	37,430,238
	-----	-----	-----
Current tax payable	141,952	-	24,620
Deferred income	775,533	775,533	775,533
Loans and borrowings	4,880,499	-	2,261,296
Trade and other payables	9,452,081	1,712,424	2,026,312
	-----	-----	-----
Total current liabilities	15,250,065	2,487,957	5,087,761
	-----	-----	-----
Total liabilities	71,363,474	50,752,432	42,517,999
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Total equity and liabilities	80,836,394	58,909,455	50,468,848
	=====	=====	=====

This report has been extracted from the audited financial statements of the Group which were approved by the Board of Directors on 23 March 2015.

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014

Consolidated statement of comprehensive income



	2014	2013
	€	€
Revenue	32,382,597	6,899,315
Cost of sales	(24,854,968)	(4,946,609)
Gross profit	7,527,629	1,952,706
Other income	242,984	40,210
Administrative expenses	(3,647,703)	(1,589,094)
Other expenses	(1,809)	(4,537)
Results from operating activities	4,121,101	399,285
Finance income	2,371	13,990
Finance costs	(1,079,457)	(281,336)
Net finance costs	(1,077,086)	(267,346)
Profit before income tax	3,044,015	131,939
Tax (expense)/ income	(858,118)	262,394
Profit for the year	2,185,897	394,333
Profit attributable to:		
Owners of the Company	1,936,620	387,278
Non-controlling interest	249,277	7,055
Profit for the year	2,185,897	394,333
Total Comprehensive income for the year	2,185,897	394,333
Earnings per share	7c7	1c5

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014

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 2013	2,329,370	60,000	4,258,333	957,979	7,605,682	345,167	7,950,849
Total comprehensive income for the year							
Profit for the year	-	-	-	387,278	387,278	7,055	394,333
Contributions by and distributions to owners							
Acquisition and disposal of non-controlling interest	-	-	-	(113,756)	(113,756)	15,597	(98,159)
Capitalisation of earnings	170,630	-	-	(170,630)	-	-	-
Dividends paid to equity holders	-	-	-	-	-	(90,000)	(90,000)
Transfer from retained earnings	-	-	288,428	(288,428)	-	-	-
Balance at 31 December 2013	2,500,000	60,000	4,546,761	772,443	7,879,204	277,819	8,157,023
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 year							
Profit for the year	-	-	-	1,936,620	1,936,620	249,277	2,185,897
Contributions by and distributions to owners							
Dividends paid to equity holders	-	-	-	(600,000)	(600,000)	(270,000)	(870,000)
Transfer to retained earnings	-	-	(253,897)	253,897	-	-	-
Balance at 31 December 2014	2,500,000	60,000	4,292,864	2,362,960	9,215,824	257,096	9,472,920

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014



Consolidated statement of cash flows

	2014 €	2013 €
Cash flows from operating activities		
Profit for the year	2,185,897	394,333
Adjustments for:		
Depreciation	1,661,765	503,117
Tax expense/(income)	858,118	(262,394)
Bad debts written off	-	8,574
Reversal of impairment loss on trade receivables	(8,230)	(9,763)
Provision for exchange fluctuations	(1,288)	4,537
Provision for discounted future gratuity payments	(7,503)	132
Gain on sale of property, plant and equipment	(10,200)	-
Interest payable	1,079,457	281,336
Interest receivable	(2,371)	(13,990)
	-----	-----
	5,755,645	905,882
Change in inventories	-	73,671
Change in trade and other receivables	(14,447,267)	(502,011)
Change in trade and other payables	6,056,024	(830,409)
Change in related party balances	(1,808)	38,272
Change in shareholders' balances	(4,246)	2,707
Change in directors' balances	-	(3,692)
	-----	-----
Cash absorbed by operating activities	(2,641,652)	(315,580)
Interest paid	(25,572)	(111,899)
Interest received	2,372	1,315
Tax paid	(143,881)	(24,620)
	-----	-----
Net cash used in operating activities	(2,808,733)	(450,784)
	-----	-----
Cash flows from investing activities		
Investment in subsidiaries	-	(38,000)
Acquisition of property, plant and equipment	(13,431,154)	(3,499,338)
Receipts from disposal of assets	10,200	-
	-----	-----
Net cash used in investing activities	(13,420,954)	(3,537,338)
	-----	-----
Cash flow from financing activities		
Loan advanced by bank	1,267,673	2,172,909
Repayments of bank loans	(65,255)	(3,569,259)
Interest paid on bank loans	(3,147)	(60,865)
Interest paid to related parties	(34,372)	-
Issue of shares	-	240
Issue of notes	7,105,000	13,000,000
Issue costs	(190,693)	(556,508)
Interest paid on notes	(836,981)	-
Advances by non-controlling interest	1,300,000	-
Dividends paid to non-controlling interest	(90,000)	(60,043)
Dividends paid to owners of the Company	(595,092)	-
	-----	-----
Net cash from financing activities	7,857,133	10,926,474
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(8,372,554)	6,938,352
	-----	-----
Cash and cash equivalents at 1 January	5,644,488	(1,316,101)
Effect of exchange rate fluctuations on cash held	1,957	22,237
Release of cash pledged as guarantee	38,500	-
	-----	-----
Cash and cash equivalents at 31 December	(2,687,609)	5,644,488
	=====	=====

Medserv p.l.c.

Preliminary Statement of Group Results and State of Affairs

For the Year Ended 31 December 2013



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 2014 as approved by the Board of Directors on 23 March 2015, which have been audited by KPMG. These financial statements will be laid before the members at the Annual General Meeting to be held on 28 May 2015.

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

Revenue for year 2014 amounted to €32.4 million (2013: €6.9 million). This represents an increase of €25.5 million compared to 2013. The significant rate of growth is attributable to the commencement of oil major drilling contracts awarded during the year. Revenue included €8 million relating to low margin business which had a lesser beneficial effect on profit margins.

The Group's operating profit before depreciation amounted to €5,782,866 (2013: €902,402). After charging depreciation amounting to €1,661,765 (2013: €503,117) and net finance costs amounting to €1,077,086 (2013: €267,346), the Group registered a profit before tax of €3,044,015 (2013: €131,939). Profit after accounting for taxation amounted to €2,185,897 (2013: €394,333).

The Group completed the construction of its base at the port of Larnaca and started providing support services to ENI Cyprus, as scheduled, on 1 June 2014.

The contracts referred to above led to both the Malta and Cyprus bases working at full capacity throughout the second half of the year.

During 2014, Medserv p.l.c. issued another tranche of bonds amounting to €7 million carrying a coupon of 6% per annum to supplement the first tranche of €13 million issued in 2013. The total funds raised amounting to €20 million have enabled the Group to complete its investment programme. In the year under review this included the completion of a new 8,000 square metre warehouse which is now fully utilized. In addition, an investment of €3.5 million was made in specialised containers, most of which are now on hire to clients in Malta and Cyprus. Further expansion and investment took place at the Hal Far site which now extends to 43,000 square metres, the vast majority of which is already fully utilised and earning storage fees from clients. This has resulted in the Malta base having a total foot print of 98,000 square metres.

The solar farm suspended on the roofs of the Medserv base has been completed and went on line in July 2014. This is expected to yield an average of 2 MWp of electricity annually over the next twenty years.

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014



State of affairs

Group total assets at reporting date stood at €80,836,394 (restated 2013: €58,909,455). The group's short term liquidity position as at 31 December 2014 was 1.2:1 (restated 2013: 4.2:1). The current assets as at 31 December 2013 included cash and cash equivalents raised by the note issue that awaited their investment. During the reporting year, Medserv p.l.c. issued tranche two of notes amounting to €7,105,000 the purpose of which was to finance the capital projects completed during the year.

During 2014, the Group changed its accounting policy on the recognition and measurement of an emphyteutical grant over industrial property forming part of the Malta Freeport at the Port of Marsaxlokk. Until 31 December 2013, the Group had been recognising the property rights conferred by virtue of the said grant as an operating lease and measuring these rights at a nominal amount in accordance with International Financial Reporting Standards (IFRS). On 31 December 2014, the Group elected to recognise the property rights and the grant at fair value, also in accordance with IFRS. As a result, deferred income and an equivalent non-monetary asset (referred to as 'prepaid operating lease') were initially recognised at fair value and subsequently recognised in profit or loss on a systematic basis over the useful life of the asset using the income approach. The fair value of the non-monetary asset and related deferred income were determined with reference to the valuation of the underlying property rights by an independent professional valuer as at 31 December 2012.

The Group applied the change in accounting policy retrospectively and restated the comparative periods to recognise the fair value of the property rights as at grant date.

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014



The following table summarises the impact on the Group's financial statements.

Statement of Financial Position

As at 1 January 2013

	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	€	€	€
Prepaid operating lease	-	36,450,072	36,450,072
Total non-current assets	9,379,575	36,450,072	45,829,647
Prepaid operating lease	-	775,533	775,533
Total current assets	3,863,668	775,533	4,639,201
Total assets	13,243,243	37,225,605	50,468,848
	=====	=====	=====
Deferred income	-	36,450,072	36,450,072
Total non-current liabilities	980,166	36,450,072	37,430,238
Deferred income	-	775,533	775,533
Total current liabilities	4,312,228	775,533	5,087,761
Total liabilities	5,292,394	37,225,605	42,517,999
Total equity and liabilities	13,243,243	37,225,605	50,468,848
	=====	=====	=====

As at 31 December 2013

	Impact of change in accounting policy		
	As previously reported	Adjustments	As restated
	€	€	€
Prepaid operating lease	-	35,674,539	35,674,539
Total non-current assets	12,908,149	35,674,539	48,582,688
Prepaid operating lease	-	775,533	775,533
Total current assets	9,551,234	775,533	10,326,767
Total assets	22,459,383	36,450,072	58,909,455
	=====	=====	=====
Deferred income	-	35,674,539	35,674,539
Total non-current liabilities	12,589,936	35,674,539	48,264,475
Deferred income	-	775,533	775,533
Total current liabilities	1,712,424	775,533	2,487,957
Total liabilities	14,302,360	36,450,072	50,752,432
Total equity and liabilities	22,459,383	36,450,072	58,909,455
	=====	=====	=====

Medserv p.l.c.

Preliminary Statement of Group Annual Results

For the Year Ended 31 December 2014



Outlook

Libya remains an important market for the Group, which has continued with its efforts to diversify into other geographical areas. Initial success has been achieved by the award of a shore-based contract in Cyprus that started generating revenues from June 2014. This has a duration of thirty-six months and to date has met our best expectations. Continuing efforts are being made to further expand our operations and a dedicated management team has been appointed to specifically oversee this process, with the objective of future growth.

After balance sheet date, the maintenance contract referred to in previous company announcements has finally been awarded to the Group. This is in respect of the maintenance of an offshore platform and has a value of approximately €4 million due to commence in the 2nd quarter of 2015 with an expected duration of ten months.

All of the investments made during the last two years, including those financed by the bond issue, will enable the Group to better meet the increasing demands of our clients both as to physical facilities offered and services provided. The Group is continuing to invest in human resources, to employ new experienced staff from outside the Group, and to upgrade the standard and qualifications of its existing employees who are vital to the continued success of the Group.

The forthcoming year 2015 promises to be an extremely busy one as a number of projects long in the planning have commenced.

A handwritten signature in black ink, appearing to read "L. De Gabriele", with a horizontal line underneath.

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

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Birzebbugia
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23 March 2015