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COMPANY ANNOUNCEMENT

Medserv p.l.c.

Approval of half yearly report

Date of Announcement	31 August 2012
Reference	65/2012

This is a company announcement being made by Medserv p.l.c. (“**the Company**”) in compliance with Listing Rule 5.16.20:

Quote

The Board of Directors has today approved the half yearly report of the Company for the financial period 1 January 2012 to 30 June 2012, a copy of which is attached hereto and is available for public inspection in electronic form on the Company’s website (www.medservmalta.com).

Unquote

Signed:

Louis de Gabriele
Company Secretary



Medserv p.l.c.

Directors' Report pursuant to Listing Rule 5.75.2

For the Period 1 January 2012 to 30 June 2012

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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 2012 and its comparative period in 2011. The comparative consolidated statement of financial position has been extracted from the audited financial statements as at 31 December 2011. 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 31 August 2012. 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 Mediterranean basin with a focus on the industry's activities in North Africa.

Review of performance and outlook

The Group's turnover for the six-month period ended 30 June 2012 amounted to €2,545,888 compared to €3,914,590 registered in the comparative period to 30 June 2011.

The Group registered a loss before tax of €680,589 compared to a profit of €141,137 achieved in the six-month period to 30 June 2011. After accounting for taxation, the net profit for the period to 30 June 2012 amounted to €9,765 when compared to a profit of €125,697 for the six month period ended on 30 June 2011.

The Group's results for the first half of the year are lower than forecast with turnover substantially lower than that of the comparative six-month period. Both the Malta base and the Libya base continued to be affected by instability in Libya which is still recovering from the war. Whilst the Malta base benefited from the relocation of oil field equipment from Libya to Malta, the Misurata base whilst open has not yet seen any new business from oil companies renewing operations. However existing fee income at the Misurata base is sufficient to support day to day expenditure so as to provide a break-even situation.

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For the Period 1 January 2012 to 30 June 2012

A lease at the port of Limassol in Cyprus has now been signed and preparations are underway to enable the Group to provide a full service to the oil and gas industry offshore Cyprus. Government restrictions on drilling offshore Sicily have now been lifted and the Group is renewing its efforts to obtain business from oil companies likely to conduct operations in the area.

Now that Libyan oil production has largely recovered to pre-war levels increasing attention is being paid to these projects as the country strives to increase its production of fossil fuels to meet demand. The Group is receiving at its Malta base shipments of material in preparation for commencement of these operations. Repairs to subsea structures and maintenance to platforms are also being carried out and in this regard the Group has been awarded a very substantial contract to commence in September of this year. In addition the Group is upgrading its equipment and has invested in excess of one million euro in the past six months in the purchase of a heavy duty crane and other ancillary equipment.

The Group remains confident that the upcoming activity in the Mediterranean basin will be greatly to its benefit and looks to the future with optimism.

Related party transactions

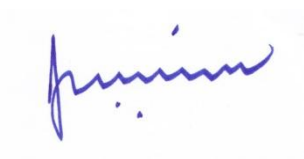
The Group had related party transactions with its directors and other related parties.

Transactions with each category of related parties and the balances outstanding at the end of the reporting periods are set out in note 8 to the condensed consolidated financial statements.

Dividends

No interim dividends are being recommended.

Approved by the Board on 31 August 2012 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 2012

	Note	At 30.06.12 €	At 31.12.11 €
Assets			
Property, plant and equipment	6	5,125,213	4,335,768
Investment in jointly-controlled entity		1,272	1,772
Deferred tax assets		4,230,172	3,546,130
Total non-current assets		9,356,657	7,883,670
Trade and other receivables		4,063,934	4,998,567
Cash at bank and in hand		329,860	334,615
Total current assets		4,393,794	5,333,182
Total assets		13,750,451	13,216,852
Equity			
Share capital		2,329,370	2,329,370
Reserves		4,241,177	3,559,171
Retained earnings		1,317,327	2,267,111
Total equity attributable to equity holders of the Company		7,887,874	8,155,652
Non-controlling interest		446,142	468,599
Total equity		8,334,016	8,624,251
Liabilities			
Bank borrowings		1,021,006	647,732
Provisions		26,750	28,189
Total non-current liabilities		1,047,756	675,921
Current tax payable		24,600	30,932
Bank overdraft		1,801,084	922,348
Bank borrowings		460,369	222,080
Trade and other payables		2,082,626	2,741,320
Total current liabilities		4,368,679	3,916,680
Total liabilities		5,416,435	4,592,601
Total equity and liabilities		13,750,451	13,216,852

These consolidated financial statements were approved by the Board of Directors on 31 August 2012 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 2012 to 30 June 2012

	Note	6 months ended 30.06.12 €	6 months ended 30.06.11 €
Revenue		2,545,888	3,914,590
Cost of sales		(2,416,107)	(3,116,677)
Gross profit		129,781	797,913
Other income		17,086	7,175
Administrative expenses		(753,184)	(591,051)
Other expenses		(11,318)	(32,190)
Results from operating activities		(617,635)	181,847
Finance expenses		(62,454)	(40,710)
Net finance expense		(62,454)	(40,710)
Share of loss of jointly-controlled entity (net of tax)		(500)	-
(Loss)/Profit before income tax		(680,589)	141,137
Tax income/(expense)	5	690,354	(15,440)
Profit for the period		9,765	125,697
Profit/(Loss) attributable to			
Owners of the Company		32,222	112,965
Non-controlling interest		(22,457)	12,732
Profit for the period		9,765	125,697
Other comprehensive income		-	-
Total comprehensive income for the period		9,765	125,697
Earnings per share			
Basic earnings per share		0c3	1c1

	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 period							
Profit for the period	-	-	-	112,965	112,965	12,732	125,697
Transfer to retained earnings	-	-	(2,382)	2,382	-	-	-
Balance at 30 June 2011	2,329,370	60,000	3,704,529	1,713,360	7,807,259	426,095	8,233,354
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 period							
Profit/(loss) for the period	-	-	-	32,222	32,222	(22,457)	9,765
Transfer from retained earnings	-	-	682,006	(682,006)	-	-	-
Transactions with owners of the Company, recognised directly in equity							
Dividends to owners of the Company	-	-	-	(300,000)	(300,000)	-	(300,000)
Balance at 30 June 2012	2,329,370	60,000	4,181,177	1,317,327	7,887,874	446,142	8,334,016

Medserv p.l.c.

Condensed Consolidated Statement of Cash Flows For the Period 1 January 2012 to 30 June 2012

	6 months ended 30.06.12 €	6 months ended 30.06.11 €
Cash flows from operating activities		
Profit for the period	9,765	125,697
Adjustments for:		
Depreciation	258,568	188,326
Tax (income)/expense	(690,354)	15,440
Provision for exchange fluctuations	6,253	(81,630)
Provision for gratuity payments	(1,443)	527
Interest payable	62,454	40,710
Share of loss of jointly-controlled entity	500	-
	(354,257)	289,070
Change in trade and other receivables	1,485,017	498,304
Change in prepayments	(511,407)	(53,027)
Change in trade and other payables	(518,242)	(1,109,850)
Change in related party balances	(172,320)	-
Change in shareholders' balances	(23,953)	-
Change in directors' balances	(355)	(20,918)
	(95,517)	(396,421)
Cash absorbed by operating activities	(95,517)	(396,421)
Interest paid	(35,474)	(21,191)
Tax refund	-	83,997
Net cash used in operating activities	(130,991)	(333,615)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(1,048,013)	(93,557)
Net cash used in investing activities	(1,048,013)	(93,557)
Cash flows from financing activities		
Loans advanced by banks	747,126	45,000
Repayments of bank loans	(135,563)	(1,781)
Interest paid on bank loans	(23,480)	(25,042)
Dividends paid	(297,635)	-
Net cash from financing activities	290,448	18,177
Net decrease in cash and cash equivalents	(888,556)	(408,995)
Cash and cash equivalents at beginning of period	(572,455)	124,599
Effect of exchange rate fluctuations on cash held	(10,213)	84,494
Release of cash pledged as guarantee	-	-
Cash and cash equivalents at end of period	(1,471,224)	(199,902)



Medserv p.l.c.

Notes to the Condensed Consolidated Financial Statements For the Period 1 January 2012 to 30 June 2012

1 Reporting company

Medserv p.l.c. (the “Company”) is a public liability company domiciled and incorporated in Malta. The condensed consolidated financial statements for the six-months ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the ‘Group’). Subsidiaries consist of Medserv International p.l.c., Medserv Operations Limited, Medserv Italy Limited, Medserv Eastern Mediterranean Limited, Medserv (Cyprus) Limited, Medserv Misurata FZC and Medserv Libya Limited. Medserv Libya Limited which is domiciled in Malta was incorporated on 5 April 2012.

2 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 2011.

3 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 2011.

4 Operating segments

Information about reportable segments

	Malta Operation		Libya Operation		Total	
	6mths to 30.06.12 €	6mths to 30.06.11 €	6mths to 30.06.12 €	6mths to 30.06.11 €	6mths to 30.06.12 €	6mths to 30.06.11 €
External revenues	2,237,780	3,487,350	308,108	427,240	2,545,888	3,914,590
Inter-segment revenue	-	108,139	-	-	-	108,139
Reportable segment (Loss)/Profit before tax	(586,941)	211,595	(93,648)	(70,458)	(680,589)	141,137

Segment Assets

The major changes in segment assets during the period relate to the acquisition of plant and equipment for Malta operation (see note 6).

Medserv p.l.c.

Notes to the Condensed Consolidated Financial Statements For the Period 1 January 2012 to 30 June 2012

5 Tax income/ (expense)

The tax income/ (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 30.06.12 €	6 months ended 30.06.11 €
(Loss)/Profit before income tax	(680,589)	141,137
	-----	-----
Income tax using the domestic income tax rate	238,206	(49,398)
Tax effect of:		
Depreciation charges not deductible by way of capital allowances in determining taxable income	(901)	(1,104)
Business Promotion Act investment tax credit	482,367	79,916
Disallowed expenses	(35,843)	(111,233)
Difference in tax rates applicable to Group entities	-	3,502
Adjustment to prior years' deferred tax asset	388	(41,382)
Adjustment to prior year's current tax	6,312	-
Exempt income	-	104,259
Share of loss of jointly-controlled entity	(175)	-
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	690,354	(15,440)
	=====	=====

6 Property, plant and equipment

During the six months ended 30 June 2012, the Group acquired assets with a cost of €1,048,013 (six months ended 30 June 2011: €116,169).

7 Bank borrowings

During the period the Group was advanced bank loans amounting to €747,126 (six months ended 30 June 2011: €45,000). The interest rate and terms of repayment of these bank loans were as follows:

Bank loan	Interest rate	Repayable
€69,829	4.45%	By monthly instalments of €988 inclusive of interest, repayable up to September 2018.
€99,749	4.45%	Upon receipt of grant.
€577,548	5.50%	By monthly instalments of €12,127 inclusive of interest, repayable up to April 2017.

During the period repayments amounting to €26,410 were effected against these bank loans.

Medserv p.l.c

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 2012, 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.

A handwritten signature in blue ink, appearing to read "Anthony J Duncan".

Anthony J Duncan
Director

A handwritten signature in blue ink, appearing to read "Anthony S Diacono".

Anthony S Diacono
Director

31 August 2012