

COMPANY ANNOUNCEMENT

Medserv plc

Date of Announcement	28 March 2008
Reference	17/2008
Listing Rule	LR8.7

The following is a company announcement by Medserv p.l.c. (the “**Company**”) pursuant to Listing Rules 8.7.4 and 8.7.21.

On the 28 March 2008, the Board of Directors of the Company approved the financial statements for the period ended 31 December 2007 and resolved that they be submitted for the approval of the shareholders at the forthcoming Annual General Meeting. A preliminary profits statement is being attached.

The Board of Directors does not propose to pay a dividend for the financial year ended 31 December 2007.

The Board of Directors has also decided that the Annual General Meeting shall be held on the 30 April 2008. Shareholders on the Company’s Register at the Central Securities Depository of the Malta Stock Exchange as at close of business on 2 April 2008 will receive notice of the Annual General Meeting together with a copy of the Annual Report and Financial Statements.

Signed:



Louis de Gabriele
Company Secretary

Medserv p.l.c.

Preliminary Statement of Group Results and State of Affairs

At and For the Year Ended 31 December 2007

	2007	2006
	Lm	Lm
FINANCIAL HIGHLIGHTS		
Revenue	1,996,469	2,932,013
(Loss) profit before taxation	(123,352)	515,288
Profit for the year	28,541	655,995
Total assets	4,475,969	4,085,566
Total equity attributable to equity holders of the Company	2,513,115	2,724,405
Minority interest	82,229	-
Total equity	2,595,344	2,724,405
	=====	=====
INCOME STATEMENT		
Revenue	1,996,469	2,932,013
Cost of sales	(1,411,705)	(1,925,898)
Gross profit	584,764	1,006,115
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Other income	5,321	83,787
Administrative expenses	(658,027)	(568,148)
Other expenses	(16,272)	(3,220)
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	(668,978)	(487,581)
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Results from operating activities	(84,214)	518,534
Finance income	19,073	25,288
Finance expenses	(58,211)	(28,534)
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Net finance expense	(39,138)	(3,246)
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(Loss) profit before taxation	(123,352)	515,288
Tax income	151,893	140,707
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Profit for the year	28,541	655,995
	=====	=====
Earnings per share	0c29	6c56
	=====	=====

BALANCE SHEET

	2007	2006
	Lm	Lm
Assets		
Property, plant and equipment	1,466,832	1,354,672
Equity securities available-for-sale	-	3,287
Deferred tax assets	1,588,207	1,436,150
Total non-current assets	3,055,039	2,794,109
Current tax asset	10,066	10,066
Trade and other receivables	1,308,024	1,067,120
Cash at bank and in hand	102,840	214,271
Total current assets	1,420,930	1,291,457
Total assets	4,475,969	4,085,566
Equity		
Share capital	1,000,000	1,000,000
Reserves	1,513,115	1,439,763
Retained earnings	-	284,642
Total equity attributable to equity holders of the Company	2,513,115	2,724,405
Minority interest	82,229	-
Total equity	2,595,344	2,724,405
Liabilities		
Interest-bearing borrowings	599,622	635,203
Provisions	15,270	17,287
Total non-current liabilities	614,892	652,490
Interest-bearing borrowings	470,538	166,393
Trade and other payables	795,195	542,278
Total current liabilities	1,265,733	708,671
Total liabilities	1,880,625	1,361,161
Total equity and liabilities	4,475,969	4,085,566

This report has been extracted from the audited financial statements of the Group which were approved by the Board of Directors on 27 March 2008.

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Fair value reserve	Other reserve	Retained earnings	Total		
	Lm	Lm	Lm	Lm	Lm	Lm	Lm
Balance at 1 January 2006	1,020	3,119	1,281,409	1,482,862	2,768,410	-	2,768,410
Profit for the year	-	-	-	655,995	655,995	-	655,995
Transfer from retained earnings:							
Unrealised gains	-	-	155,235	(155,235)	-	-	-
Issue of shares in lieu of dividends	998,980	-	-	(998,980)	-	-	-
Interim dividend	-	-	-	(700,000)	(700,000)	-	(700,000)
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Balance at 31 December 2006	1,000,000	3,119	1,436,644	284,642	2,724,405	-	2,724,405
	=====	=====	=====	=====	=====	=====	=====
Balance at 1 January 2007	1,000,000	3,119	1,436,644	284,642	2,724,405	-	2,724,405
Issue of shares to minority	-	-	-	-	-	51,517	51,517
Profit for the year	-	-	-	28,541	28,541	-	28,541
Profit attributable to minority	-	-	-	(30,712)	(30,712)	30,712	-
Disposal of available-for-sale investment*	-	(3,283)	-	-	(3,283)	-	(3,283)
Reversal of deferred tax thereon*	-	164	-	-	164	-	164
Transfer from retained earnings:							
Unrealised gains	-	-	76,471	(76,471)	-	-	-
Interim dividend	-	-	-	(206,000)	(206,000)	-	(206,000)
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Balance at 31 December 2007	1,000,000	-	1,513,115	-	2,513,115	82,229	2,595,344
	=====	=====	=====	=====	=====	=====	=====

* Net income recognised directly to equity

CASH FLOW STATEMENT

	2007	2006
	Lm	Lm
Cash flows from operating activities		
Profit for the year	28,541	655,995
Adjustments for:		
Tax income	(151,893)	(140,707)
Depreciation	107,783	78,166
Interest payable	58,211	26,045
Interest receivable	(2,940)	(25,288)
Profit on disposal of machinery	(1,000)	-
Impairment loss (reversal of impairment loss) on trade receivables	1,850	(55,711)
Provision for exchange fluctuations	(17,116)	(14,768)
Inventory written off	-	183
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	23,436	523,915
Change in trade and other receivables	(243,215)	545,872
Change in trade and other payables	363,345	(510,821)
Change in directors' balances	(95,400)	-
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Cash generated from operations	48,166	558,966
Interest paid	(862)	(15,960)
Termination benefits paid	(2,017)	-
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Net cash from operating activities	45,287	543,006
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Cash flows from investing activities		
Payments to acquire property, plant and equipment	(94,415)	(113,271)
Proceeds from disposal of machinery	1,000	-
Interest received	1,122	-
Payments on behalf of directors	-	(40,862)
Payments on behalf of shareholders	-	(80,000)
Payments on behalf of other related undertaking	(90,129)	-
Advances to directors	-	(127,215)
Repayment of payments on behalf of directors	95,303	39,738
Repayment of amounts advanced to shareholders	-	80,000
Repayment of amounts advanced to directors	-	127,215
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Net cash used in investing activities	(87,119)	(114,395)
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Cash flow from financing activities		
Loan advanced by bank	198,340	801,596
Loan repayments	(160,665)	-
Proceeds from issue of share capital	51,517	-
Repayment of amounts advanced by shareholder	(136,116)	(635,000)
Interest paid on bank loan	(60,460)	-
Interest paid on shareholders' loan	-	(15,938)
Dividends paid	(206,000)	(700,000)
Advances by shareholder	-	285,000
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Net cash used in financing activities	(313,384)	(264,342)
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Net (decrease) increase in cash and cash equivalents	(355,216)	164,269
Cash and cash equivalents at 1 January	186,271	52,491
Effect of exchange rate fluctuations on cash held	12,896	(2,489)
Movement in cash pledged as guarantees	-	(28,000)
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Cash and cash equivalents at 31 December	(156,049)	186,271
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Review of group operations

Introduction

This Statement is published pursuant to The Malta Financial Service Authority Listing Rule 9.35 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 audited consolidated financial statements, which have been audited by KPMG, for the year ended 31 December 2007 as approved by the Board of Directors on 27 March 2008. These financial statements will be laid before the members at the general meeting to be held on 30 April 2008.

The Group's financial statements have been prepared in accordance with the Companies Act, 1995 enacted in Malta (the "Act") which requires adherence to International Financial Reporting Standards (IFRSs). Article 4 of Regulation 1606/2002/EC ("the Regulation") requires that, for each financial year starting on or after 1 January 2006, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) as adopted by the EU if, at their balance sheet date, their securities are admitted to trading on a regulated market of any EU Member State.

The Regulation overrides the provisions of the Act, relating to the form and content of the financial statements (and in particular the Third and Fourth Schedules of the Act) of companies as described above.

EU-endorsed IFRSs may differ from IFRSs as published by the International Accounting Standards Board ('IASB') if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2007, there were no unendorsed standards effective for the year ended 31 December 2007 affecting these consolidated financial statements, and there is no difference between IFRSs as endorsed by the EU and IFRSs as issued by the IASB in terms of their application to the Group.

Performance

During the year, the Group has recorded a loss before taxation amounting to Lm123,352 (2006: profit of Lm515,288). This represents a negative return of 4.64% (2006: positive return of 18.76%) of the average shareholders' funds and a negative return of 2.88% (2006: positive return of 12.45%) of the average total assets employed.

After accounting for deferred tax income, earnings per share for the year amounted to 0c29 (2006: 6c56). The decrease in earnings per share is mainly attributable to delays in the commencement of increased activity which is expected to take place in the oil industry offshore Libya. This was, and to an extent, still is due to the release of existing contracts of exploration rigs which are the essential component of exploration and drilling offshore. A further factor has been the demand for steel from India and from China which has led to a severe shortage of material with which to build new rigs and other heavy equipment used in the oil industry. However, during the latter half of the year activity increased with the arrival of an exploration rig to which the Group provided and is still providing logistical services from Malta. The Group's financial stability remains sound and well able to sustain the slowdown in operations which is now coming to an end.

Review of group operations (continued)

The gross margin for the year amounted to Lm584,764 (2006: Lm1,006,115), equivalent to 29.29% (2006: 34.31%) of total revenues. Net operating costs amounted to Lm2,080,683 (2006: Lm2,413,479) and mainly represent wages and salaries paid during the year, supplies offered to customers, freight and base yard expenses and repairs and maintenance.

The tax income for the year amounted to Lm151,893 (2006: Lm140,707).

An interim dividend of Lm206,000 (2006: Lm1,698,980) was declared on 2 April 2007 and paid on 6 June 2007. On 27 September 2006, the Company had capitalised Lm998,980 of its retained earnings, and subsequently effected a share split resulting in 10 ordinary shares of Lm0.10 nominal value for every Lm1 ordinary share previously held. The board of directors is not recommending the payment of a final dividend for the year ended 31 December 2007. This is subject to the shareholders' approval at the next Annual General Meeting to be held on 30 April 2008.

Balance sheet

Group total assets at balance sheet date stood at Lm4,475,969 (2006: Lm4,085,566).

Receivables, net of impairment loss, amounted to Lm1,308,024 (2006: Lm1,067,120). Of these, 85.96% (2006: 87.07%) represent 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 Lm795,195 (2006: Lm542,278).

Non-current and current bank loans amounted to Lm839,271 (2006: Lm801,596). The gearing ratio, that is, the ratio of loan finance to shareholders' equity, excluding minority interest, stood at 33.40% at 31 December 2007 compared with 29.42% at 31 December 2006.

Shareholders' funds, excluding minority interest, amounted to Lm2,513,115 (2006: Lm2,724,405). They finance 56.15% (2006: 66.68%) of the Group's total assets. The Group's net asset value per share stands at Lm0.25 (2006: Lm0.27).



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Company Secretary

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27 March 2008

