

# **Medserv p.l.c.**

## **Directors' Report pursuant to Listing Rule 9.44k.2**

**For the Period 1 January 2009 to 30 June 2009**

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*This report is published in terms of Chapters 8 and 9 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 2009 and its comparative period in 2008. The comparative balance sheet has been extracted from the audited financial statements as at 31 December 2008. 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 2009. In terms of Listing Rule 9.44k.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.

### **Accounting policies**

The accounting policies adopted in the preparation of the Group's half yearly report are the same as those adopted in the preparation of the audited financial statements for the year ended 31 December 2008.

### **Review of performance and outlook**

The Group's turnover for the six-month period amounted to €8,167,792 compared to €5,909,840 achieved in the comparative period last year.

The Group registered a profit before tax of €1,542,726 compared to €684,166 achieved in the six month period to 30 June 2008. After providing for deferred taxation, the net profit for the period to 30 June 2009 amounted to €1,513,729 when compared to €840,347 for the period 30 June 2008

The results achieved by the Group in the first half of the year meet the Group's forecasts. The dampening of demand for oil in the global market did not affect the contracts secured by the Group last year. Oil companies carrying out off-shore exploration in the Mediterranean kept to their operational schedules and new rigs are being prepared to enter the Mediterranean in the second half of this year and the first quarter of next year.

The Malta base continued to be very active during the period servicing the rigs and production platforms. Substantial business quayside supporting the specialized vessels operating in our region was also strong. Demand for specialized mud mixing increased as a direct consequence of drilling activity. Consequently the high usage rate of the mud plants in Malta contributed significantly to the results.

# Medserv p.l.c.

## Directors' Report pursuant to Listing Rule 9.44k.2

For the Period 1 January 2009 to 30 June 2009

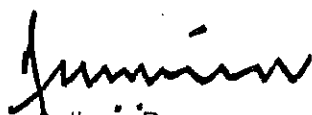
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The Libyan subsidiary, Medserv Misurata FZC has contributed to more than 35% of the overall Group results. This base in the Misurata Free Zone is expected to continue in its growth and expansion and has managed to secure most of the off-shore business in Libya. The facility is being constantly upgraded to meet increasing demand and works on the extension have started. The mud plant has been expanded and the new units just installed are working at a good usage rate.

The Company continues in its efforts to expand and diversify. A memorandum of understanding has been signed with Tradewinds Petrotrade of Texas USA to assess the market for services off-shore Egypt. Support has also been given to vessels operating in Tunisia, Sicily, Egypt and Libya.

The Directors are positioning the Company to not only consolidate its position as a market leader in our region but also be able to meet future demand. The Board of Directors has been strengthened by the cooption of a non-executive director, Prof. David Roberts, who has many years of experience in the oil industry. The Company continues to invest in its people and management in order to meet the expected increase in business in 2010. Demand for oil is expected to increase again in response to the recovery of the global economy. Oil exploration projects have a long lead time and this explains the stability being enjoyed by the Company. Existing and committed operations will continue and new operations will start to meet the expected turnaround.

Approved by the Board on 31 August 2009 and signed on its behalf by:



Anthony Duncan  
Director



Anthony Diacono  
Director

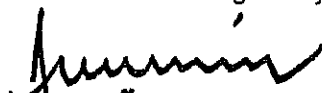
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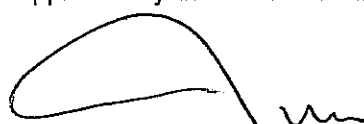
## Condensed Consolidated Statement of Financial Position

As at 30 June 2009

	Note	At 30.06.09 €	At 31.12.08 €
<b>Assets</b>			
Property, plant and equipment	6	4,414,272	4,102,133
Deferred tax assets		4,053,273	4,017,807
<b>Total non-current assets</b>		<b>8,467,545</b>	<b>8,119,940</b>
Current tax assets		-	48,299
Trade and other receivables		6,617,366	6,199,135
Cash at bank and in hand		900,745	446,528
<b>Total current assets</b>		<b>7,518,111</b>	<b>6,693,962</b>
<b>Total assets</b>		<b>15,985,656</b>	<b>14,813,902</b>
<b>Equity</b>			
Share capital		2,329,370	2,329,370
Other reserves		3,997,417	3,901,688
Retained earnings		1,565,490	757,064
Total equity attributable to equity holders of the Company		7,892,277	6,988,122
Non-controlling interest		396,437	356,863
<b>Total equity</b>		<b>8,288,714</b>	<b>7,344,985</b>
<b>Liabilities</b>			
Interest-bearing loans and borrowings		888,891	888,891
Provisions		35,512	25,615
<b>Total non-current liabilities</b>		<b>924,403</b>	<b>914,506</b>
Interest-bearing loans and borrowings		893,969	1,083,929
Trade and other payables		5,830,553	5,470,482
Current tax liabilities		48,017	-
<b>Total current liabilities</b>		<b>6,772,539</b>	<b>6,554,411</b>
<b>Total liabilities</b>		<b>7,696,942</b>	<b>7,468,917</b>
<b>Total equity and liabilities</b>		<b>15,985,656</b>	<b>14,813,902</b>

These consolidated financial statements were approved by the Board of Directors on 31 August 2009 and were signed by:

  
Anthony Duncan  
Director

  
Anthony Diacono  
Director

# Medserv p.l.c.

## Condensed Consolidated Statement of Comprehensive Income

For the Period 1 January 2009 to 30 June 2009

	6 months ended 30.06.09	6 months ended 30.06.08
Note	€	€
Revenue	8,167,792	5,909,840
Cost of sales	(5,742,910)	(4,115,669)
<b>Gross profit</b>	<b>2,424,882</b>	<b>1,794,171</b>
Other income	80,029	4,441
Administrative and distribution expenses	(908,038)	(1,049,446)
Other expenses	(13,750)	-
<b>Results from operating activities</b>	<b>1,583,123</b>	<b>749,166</b>
Finance income	1,849	11,253
Finance expenses	(42,246)	(76,253)
<b>Net finance costs</b>	<b>(40,397)</b>	<b>(65,000)</b>
<b>Profit before tax</b>	<b>1,542,726</b>	<b>684,166</b>
Income tax (expense)/income	(28,997)	156,181
<b>Profit for the period</b>	<b>1,513,729</b>	<b>840,347</b>
<b>Attributable to</b>		
Owners of the Company	1,294,155	782,297
Non-controlling interest	219,574	58,050
<b>Profit for the period</b>	<b>1,513,729</b>	<b>840,347</b>
<b>Earnings per share</b>		
Basic earnings per share	7 12c9	7c8

# Medserv p.l.c.

## Condensed Consolidated Statement of Changes in Equity

For the Period 1 January 2009 to 30 June 2009

	Share capital	Legal reserve	Other reserve	Retained earnings	Total	Non-controlling interest	Total equity
	€	€	€	€	€	€	€
Balance at 1 January 2008	2,329,370	-	3,524,610	-	5,853,980	191,542	6,045,522
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	782,297	782,297	58,050	840,347
Transfer from retained earnings:							
Unrealised gain recognised	-	-	45,521	(45,521)	-	-	-
<b>Balance at 30 June 2008</b>	<b>2,329,370</b>	<b>-</b>	<b>3,570,131</b>	<b>736,776</b>	<b>6,636,277</b>	<b>249,592</b>	<b>6,885,869</b>
Balance at 1 January 2009	2,329,370	60,000	3,841,688	757,064	6,988,122	356,863	7,344,985
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	1,294,155	1,294,155	219,574	1,513,729
Transfer from retained earnings:							
Unrealised gain recognised	-	-	95,729	(95,729)	-	-	-
<b>Transactions with owners recorded directly in equity</b>							
Dividends to equity holders	-	-	-	(390,000)	(390,000)	(180,000)	(570,000)
<b>Balance at 30 June 2009</b>	<b>2,329,370</b>	<b>60,000</b>	<b>3,937,417</b>	<b>1,565,490</b>	<b>7,892,277</b>	<b>396,437</b>	<b>8,288,714</b>

# Medserv p.l.c.

## Condensed Consolidated Statement of Cash Flows

For the Period 1 January 2009 to 30 June 2009

	6 months ended	6 months ended
	30.06.09	30.06.08
	€	€
<b>Cash flows from operating activities</b>		
Profit for the period	1,513,729	840,347
Adjustments for:		
Income tax	28,997	(156,181)
Depreciation	291,753	177,429
Impairment loss on trade receivables	(206,912)	-
Provision for exchange fluctuations	(65,889)	-
Provision for gratuity payments	9,894	-
Interest payable and similar charges	42,246	76,253
Interest receivable	(1,849)	(1,995)
	<u>1,611,969</u>	<u>935,853</u>
Change in trade and other receivables	(108,063)	(1,590,647)
Change in trade and other payables	(253,085)	1,116,853
Change in directors' balances	-	(42,559)
	<u>1,250,821</u>	<u>419,500</u>
Interest paid	(8,807)	(22,897)
Tax refund	37,059	-
	<u>1,279,073</u>	<u>396,603</u>
<b>Net cash from operating activities</b>		
<b>Cash flows from investing activities</b>		
Interest received	577	43
Payments to acquire property, plant and equipment	(212,511)	(452,176)
Payments to acquire available-for-sale investments	-	(269,242)
Receipts from disposal of available-for-sale investments	-	169,750
Payments of expenses by Company on behalf of directors	(40,944)	(21,730)
Repayments of expenses on behalf of directors	-	119,017
	<u>(252,878)</u>	<u>(454,338)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayments of borrowings	(293,341)	(274,553)
Bank loan interest paid	(18,991)	(51,882)
Dividends paid	(390,000)	-
Interest on loan advanced by shareholder	-	(7,388)
Loan advanced by shareholder	-	420,000
	<u>(702,332)</u>	<u>86,177</u>
<b>Net cash (used in)/from financing activities</b>		
Net increase in cash and cash equivalents	323,863	28,442
Effect of exchange rate fluctuations on cash held	26,974	-
Cash and cash equivalents at beginning of period	(193,326)	(420,268)
Cash pledged	(65,222)	(65,222)
	<u>92,289</u>	<u>(457,048)</u>
<b>Cash and cash equivalents at end of period</b>		

# Medserv p.l.c

## Notes to the Condensed Consolidated Financial Statements

For the Period 1 January 2009 to 30 June 2009

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### 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 2009 comprise the Company and its subsidiaries (together referred to as the 'Group'). Subsidiaries consist of Medserv International p.l.c., Medserv Operations Limited and Medserv Misurata FZC.

### 2 Significant accounting policies

Except as described below, 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 2008.

#### 2.1 Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Chief Operating Officer ("COO"), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoptions of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*.

The change in accounting policy has no impact on the presentation and disclosure aspects of comparative segment information and on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the COO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the COO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire buildings, base improvements, plant and equipment, furniture and fittings, health and safety, office and computer equipment and motor vehicles.

# Medserv p.l.c

## Notes to the Condensed Consolidated Financial Statements

For the Period 1 January 2009 to 30 June 2009

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### 2 Significant accounting policies (continued)

#### 2.2 Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Information* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on 30 June 2009.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

### 3 Operating segments

Presentation of operating segments is the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2008. The Group has two geographical reporting segments, being Malta and Libya.

### 4 Related parties

#### 4.1 Transactions

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 the consolidated condensed half-yearly report.

The following are the significant related party transactions:

	6 months ended 30.06.09	6 months ended 30.06.08
	€	€
<b>Shareholder</b>		
Loan advanced by	-	420,000
Interest on loan advanced by	8,050	7,333
	=====	=====
<b>Directors</b>		
Payments of expenses on behalf of	40,944	21,730
Repayment of expenses on behalf of	-	119,017
	=====	=====
<b>Other related company</b>		
Services rendered by	66,304	-
	=====	=====

# **Medserv p.l.c**

## **Notes to the Condensed Consolidated Financial Statements**

**For the Period 1 January 2009 to 30 June 2009**

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### **4 Related parties (continued)**

#### **4.2 Balances**

As at 30 June 2009, a loan payable to a shareholder amounting of €420,000 bears interest at 1.25% over the Euro Base Rate, is unsecured and repayable on demand. It is classified as a current liability and included with "Interest-bearing loans and borrowings".

Balances payable to directors amounting to €42,749 are interest-free, unsecured and repayable on demand.



# **Medserv p.l.c**

## **Notes to the Consolidated Financial Statements**

**For the Period 1 January 2009 to 30 June 2009**

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### **6 Property, plant and equipment**

#### **6.1 Acquisitions**

During the six months ended 30 June 2009 the Group acquired assets with a cost of €603,892 (six months ended 30 June 2008: €547,000).

#### **6.2 Capital commitments**

During the six months ended 30 June 2009 the Board of Directors approved but not yet contracted for €600,000 capital expenditure for the development of the 30,000sqm additional land leased to Medserv Misurata FZC.

### **7 Earnings per share**

The calculation of earnings per share of the Group for both the current and comparative period is based on the profit or loss attributable to the shareholders of the Company as shown in the income statement divided by the number of shares outstanding during the six month period ended 30 June 2009 amounting to 10,000,000 shares.

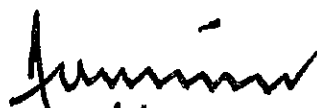
## **Medserv p.l.c**

### **Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority**

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We confirm that to the best of our knowledge as follows:

- the condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2009, 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 the Listing Rule 9.44k.2.



Anthony Duncan  
Director



Anthony Diacono  
Director

31 August 2009