MS INTERNATIONAL plc

Unaudited Interim Condensed

Group Financial Statements

29th October, 2016

EXECUTIVE DIRECTORS
Michael Bell
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PRINCIPAL OPERATING DIVISIONS
Defence
Forgings
Petrol Station Superstructures
Petrol Station Branding

Chairman's Statement

It is again pleasing to report that we continue to make good overall progress across our diverse businesses, despite the persistent political and economic uncertainty prevailing around the world and in the varied markets we serve.

For the first half year ended 29th October 2016, profit before taxation increased to £0.61m (2015 - £0.40m) on an uplift in revenue to £25.00m (2015 - £23.98m). Earnings per share amounted to 3.3p (2015 - 2.4p)

The balance sheet remains robust with net cash and short term deposits amounting to £9.76m. This strong position has been maintained notwithstanding the cash impact of costs relating to the strategically important construction, together with first phase equipping, of our new substantial fork-arm manufacturing plant in the United States. Cash at the last year end was £12.76m.

The upward trajectory in revenue at 'Defence' continues, despite the relentless and inevitable frustrations of new programme order delays arising primarily from current financial budget constraints for many customers. 'Forgings' markets generally remained subdued and consequently highly competitive but despite adverse conditions revenue was maintained. 'Petrol Station Superstructures' operations in the UK and Poland, by contrast, achieved an outstandingly high level of activity on new station developments complemented by extensive station upgrades and repair and maintenance programmes. However, a short term delay against the proposed initiation date for a major rebranding programme in mainland Europe by one of our customers, caused a disappointing downturn in revenue at Petrol Sign bv. Pleasingly, instructions to proceed have since been given and so we anticipate a busy period for some months ahead, subject to the caveat of there not being excessively inclement weather conditions to slow down the installation work.

As previously reported, following the acquisition of Petrol Sign bv last year, we initiated 'Petrol Sign' brand start-up operations in the UK and Germany. It is most encouraging that both have made a very positive start and have won business in their markets. Following these successful initial developments and recognising the growth potential for all three of our 'Petrol Sign' businesses, we formed a new Group division 'Petrol Station Branding'. There has, of course, been and remains considerable work and related start-up costs to develop the perceived potential of these growth initiatives. Our clear object is to establish well managed operations and attain the correct balance between revenue and costs, which is so essential if we are to perform successfully and admirably meet our own high expectations.

Naval weapon system development programmes continue at 'Defence' and as many of the new products come to fruition, the emphasis is now progressing to enhanced international marketing activity with shipbuilders and end-users. This is creating a much broader base of market opportunities, greater brand recognition and by working more closely with international naval shipbuilders we can become part of the early ship design phase with our products supportively specified that will enrich growth prospects for the business.

'Forgings' principal international markets are focused on the manufacturers of fork-lift trucks and those supplying equipment for the construction, agricultural and quarrying industries. These generally have been depressed for some considerable time and so naturally have become highly competitive. To combat these pressures, management attention continues to focus on process and other efficiency improvements to ensure we unlock the positive benefits that we can identify for our businesses in the global fork-arm supply market. Added to that, our new fork-arm manufacturing facility, presently under construction in the United States, is at an advanced stage and our commitment to having an enhanced and strong presence in that market is being progressively well supported.

We perceive further growth in our two closely related petrol station construction and branding divisions and we will continue to invest to take advantage of the perceived business opportunities for both our products and services.

Overall we believe the Group has come a long way in the past year, making good progress and undertaking the right steps for all the individual businesses to ensure that we can maximise the Group's potential in challenging times and markets. Orders in hand are some 7% higher than six months ago, the balance sheet is in excellent shape and there is a first-class positive and constructive attitude prevailing throughout the business.

All matters considered the Board has declared a maintained interim dividend per share of 1.5p (2015 - 1.5p) payable to shareholders on 23rd December 2016.

Michael Bell
23rd November 2016

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INDEPENDENT REVIEW REPORT TO MS INTERNATIONAL plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29th October 2016 which comprises the Interim condensed consolidated income statement, Interim condensed consolidated statement of comprehensive income, Interim condensed consolidated statement of financial position, Interim Group statement of changes in equity, Interim Group cash flow statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the AIM rules issued by the London Stock Exchange.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29th October 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM rules issued by the London Stock Exchange.

Ernst & Young LLP
Leeds
23rd November, 2016

Interim condensed consolidated income statement

	26 weeks ended 29th Oct., 2016 unaudited £000	26 weeks ended 31st Oct., 2015 unaudited £000
Products	**18,070**	18,217
Contracts	**6,925**	5,764
Revenue	**24,995**	23,981
Cost of sales	**(18,002)**	(18,169)
Gross profit	**6,993**	5,812
Distribution costs	**(1,613)**	(1,582)
Administrative expenses	**(4,657)**	(3,744)
Operating profit	**723**	486
Finance Income	**11**	17
Other finance costs - pension	**(124)**	(108)
Profit before taxation	**610**	395
Taxation	**(70)**	(6)
Profit for the period attributable to equity holders of the parent	**540**	389
Earnings per share: basic and diluted	**3.3p**	2.4p

Interim condensed consolidated statement of comprehensive income

	26 weeks ended 29th Oct., 2016 unaudited £000	26 weeks ended 31st Oct., 2015 unaudited £000
Profit for the period attributable to equity holders of the parent	**540**	389
Exchange differences on retranslation of foreign operations	**1,391**	(234)
Other comprehensive income/(loss)	**1,391**	(234)
Remeasurement (losses)/gains on defined benefit pension scheme	**(871)**	889
Deferred taxation on remeasurement gains/losses on defined benefit pension scheme	**73**	(297)
Other comprehensive (loss)/income	**(798)**	592
Total comprehensive income for the period attributable to equity holders of the parent	**1,133**	747

Interim condensed consolidated statement of financial position

	29th Oct., 2016 unaudited £000	30th April, 2016 audited £000
ASSETS		
Non-current assets		
Property, plant and equipment	**18,778**	15,955
Intangible assets	**5,697**	5,671
Deferred income tax asset	**1,442**	1,376
	25,917	23,002
Current assets		
Inventories	**9,168**	7,043
Trade and other receivables	**13,883**	8,996
Income tax receivable	**229**	118
Prepayments	**950**	784
Cash and short-term deposits	**9,763**	12,758
	33,993	29,699
TOTAL ASSETS	**59,910**	52,701
EQUITY AND LIABILITIES		
Equity		
Issued capital	**1,840**	1,840
Capital redemption reserve	**901**	901
Other reserves	**2,815**	2,815
Revaluation reserve	**4,263**	4,222
Special reserve	**1,629**	1,629
Currency translation reserve	**1,330**	(61)
Treasury shares	**(3,059)**	(3,059)
Retained earnings	**18,442**	19,773
Total Equity	**28,161**	28,060
Non-current liabilities		
Defined benefit pension liability	**8,485**	7,644
Deferred income tax liability	**1,537**	1,590
	10,022	9,234
Current liabilities		
Trade and other payables	**21,436**	15,253
Income tax payable	**291**	154
	21,727	15,407
TOTAL EQUITY AND LIABILITIES	**59,910**	52,701

Interim Group statement of changes in equity

	Issued capital	Capital redemption reserve	Other reserves	Revaluation reserve	Special reserve	Foreign exchange reserve	Treasury shares	Retained earnings	**Total unaudited**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1st May, 2016	1,840	901	2,815	4,222	1,629	(61)	(3,059)	19,773	**28,060**
Profit for the period	-	-	-	-	-	-	-	540	**540**
Other comprehensive income/(loss)	-	-	-	-	-	1,391	-	(798)	**593**
	1,840	**901**	**2,815**	**4,222**	**1,629**	**1,330**	**(3,059)**	**19,515**	**29,193**
Change in taxation rates	**-**	**-**	**-**	41	**-**	**-**	**-**	**-**	**41**
Dividend paid	-	-	-	-	-	-	-	(1,073)	**(1,073)**
At 29th October, 2016	**1,840**	**901**	**2,815**	**4,263**	**1,629**	**1,330**	**(3,059)**	**18,442**	**28,161**

	Issued capital	Capital redemption reserve	Other reserves	Revaluation reserve	Special reserve	Foreign exchange reserve	Treasury shares	Retained earnings	**Total unaudited**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
At 2nd May, 2015	1,840	901	2,815	4,146	1,629	(289)	(3,059)	20,316	28,299
Profit for the period	-	-	-	-	-	-	-	389	389
Other comprehensive (loss)/income	-	-	-	-	-	(234)	-	592	358
	1,840	**901**	**2,815**	**4,146**	**1,629**	**(523)**	**(3,059)**	**21,297**	**29,046**
Change in taxation rate	**-**	**-**	**-**	83	**-**	**-**	**-**	**-**	83
Dividend paid	-	-	-	-	-	-	-	(1,073)	(1,073)
At 31st October, 2015	**1,840**	**901**	**2,815**	**4,229**	**1,629**	**(523)**	**(3,059)**	**20,224**	**28,056**

Interim Group cash flow statement

	26 weeks ended 29th Oct., 2016 unaudited £'000	26 weeks ended 31st Oct., 2015 unaudited £'000
Profit before taxation	**610**	396
Adjustments to reconcile profit before taxation to net cash in flows from operating activities		
Depreciation charge	**549**	525
Amortisation charge	**286**	154
Profit on disposal of fixed assets	**(19)**	(42)
Finance costs	**113**	91
Foreign exchange movements	**396**	(78)
(Increase)/decrease in inventories	**(2,125)**	544
Increase in receivables	**(4,887)**	(1,243)
Increase in prepayments	**(166)**	(329)
Increase/(decrease) in payables	**3,027**	(196)
Increase/(decrease) in progress payments	**3,156**	(461)
Pension fund deficit reduction payments	**(154)**	(143)
Cash flows from operations	**786**	(782)
Interest received	**11**	17
Taxation paid	**(73)**	(86)
Net cash flow from operating activities	**724**	(851)
Investing activities		
Acquisition of Petrol Sign BV	**-**	(2,608)
Purchase of property, plant and equipment	**(2,684)**	(1,210)
Sale of property, plant and equipment	**38**	43
Net cash flows used in investing activities	**(2,646)**	(3,775)
Financing activities		
Dividend paid	**(1,073)**	(1,073)
Net cash flows used in financing activities	**(1,073)**	(1,073)
Movement in cash and cash equivalents	**(2,995)**	(5,699)
Opening cash and cash equivalents	**12,758**	17,148
Closing cash and cash equivalents	**9,763**	11,449

Notes to the interim Group financial statements

1 Corporate information

MS INTERNATIONAL plc is a public limited company incorporated in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The principal activities of the Company and its subsidiaries ("the Group") are described in Note 4.

The interim condensed consolidated financial statement of the Group for the twenty six weeks ended 29th October, 2016 were authorised for issue in accordance with a resolution of the directors on 23rd November, 2016.

2 Basis of preparation and accounting policies

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The consolidated condensed set of financial statements included in this half-yearly financial report which has not been audited has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union. The accounting policies are consistent with those applied in the Group Annual financial statements for the 52 weeks ended 30th April, 2016.

The interim financial information has been reviewed by the Group's auditors, Ernst & Young LLP, their report is included on page 4. These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30th April, 2016.

There are no accounting standards or interpretations that have become effective in the current reporting period which have had a material effect on the net assets, results and disclosures of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

As at the reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

The figures for the year ended 30th April, 2016 do not constitute the Group's statutory accounts for the period but have been extracted from the statutory accounts. The auditor's report on those accounts, which have been filed with the Registrar of Companies, was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

3 Principal risks and uncertainties

The principal risk and uncertainties facing the Group relate to levels of customer demand for the Group's products and services. Customer demand is driven mainly by general economic conditions but also by pricing, product quality and delivery performance of MS INTERNATIONAL plc and in comparison with our competitors. Sterling exchange rates against other currencies can influence pricing.

The Group has considerable financial resources together with long term contracts with a number of customers. As a consequence, the Directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

4 Segment information

(a) Primary reporting format - divisional segments

The reporting format is determined by the differences in manufacture and services provided by the Group. The Defence division is engaged in the design, manufacture and service of defence equipment. The Forgings division is engaged in the manufacture of forgings. The Petrol Station Superstructures division is engaged in the design and construction of petrol station Superstructures. The Petrol Station Branding division is engaged in the design and installation of the complete appearance of petrol stations. The Directors are of the opinion that seasonality does not significantly affect these results.

The following table presents revenue and profit information about the Group's divisions for the periods ended 29th October, 2016 and 31st October, 2015.

	Defence		Forgings		Petrol Station Superstructures		Petrol Station Branding		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016 unaudited**	2015 unaudited
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue										
External	**10,180**	9,228	**5,936**	6,062	**6,956**	5,679	**1,923**	3,012	**24,995**	23,981
Total revenue	**10,180**	9,228	**5,936**	6,062	**6,956**	5,679	**1,923**	3,012	**24,995**	23,981
Segment result	**784**	(104)	**(347)**	(283)	**752**	355	**(466)**	518	**723**	486
Net finance expense									**(113)**	(91)
Profit before taxation									**610**	395
Taxation									**(70)**	(6)
Profit for the period									**540**	389
Capital expenditure	**159**	145	**2,221**	807	**159**	173	**145**	61		
Depreciation	**109**	116	**159**	177	**156**	126	**50**	20		

The following table presents segment assets and liabilities of the Group's divisions for the periods ended 29th October, 2016 and 31st October, 2015.

	Defence 2016	Defence 2015	Forgings 2016	Forgings 2015	PSS 2016	PSS 2015	PSB 2016	PSB 2015	Total 2016	Total 2015
Segmental assets	**28,629**	26,500	**6,308**	5,305	**7,276**	5,020	**1,718**	1,929	**43,931**	38,754
Unallocated assets									**15,979**	14,362
Total assets									**59,910**	53,116
Segmental liabilities	**13,966**	13,592	**2,444**	1,205	**3,320**	2,335	**901**	969	**20,631**	18,101
Unallocated liabilities									**11,118**	6,959
Total liabilities									**31,749**	25,060

Unallocated assets includes certain fixed assets, intangible assets, current assets and deferred tax assets. Unallocated liabilities includes the defined benefit pension scheme liability and certain current liabilities.

Following the establishment of the Petrol Station Branding division, management have revised the allocation of certain incomes and costs which have led to a restatement of the prior period segment result for the divisions. The total segment result for the Group for the prior period remains unchanged.

5 Income tax

The major components of income tax expense in the consolidated income statement are:

	26 weeks ended 29th Oct., 2016 unaudited £'000	26 weeks ended 31st Oct., 2015 unaudited £'000
Current income tax charge	**123**	128
Current tax	**123**	128

Relating to origination and reversal of temporary differences	**(39)**	(98)
Impact of reduction in deferred tax rate (18% to 17%)	**(14)**	(24)
Deferred tax	**(53)**	(122)
Total income expense reported in the consolidated income statement	**70**	6

Deferred taxation has been provided at the applicable tax rate depending on when the underlying deferred tax is expected to unwind.

The Finance Bill 2016 provides that the rate of UK corporation tax will be reduced from 18% to 17% on 1st April, 2020.

The Bill was substantively enacted at the balance sheet date.

6 Earnings per share

The calculation of basic earnings per share is based on:

(a) Profit for the period attributable to equity holders of the parent of £540,000 (2015 - £389,000);

(b) 16,504,691 (2015 - 16,504,691) Ordinary shares, being the number of Ordinary shares in issue.

This represents 18,396,073 (2015 - 18,396,073) being the number of Ordinary shares in issue less 245,048 (2015 - 245,048) being the number of shares held within the ESOT and less 1,646,334 (2015 - 1,646,334) being the number of shares purchased by the Company.

7 Dividends paid and proposed

	26 weeks ended 29th Oct., 2016 unaudited £'000	26 weeks ended 31st Oct., 2015 unaudited £'000
Declared and paid during the six month period		
Dividend on ordinary shares		
Final dividend for 2016 - 6.50p (2015 - 6.50p)	**1,073**	1,073
Proposed for approval		
Interim dividend for 2016 - 1.50p (2015 - 1.50p)	**248**	248

Dividend warrants will be posted on 22nd December, 2016 to those members registered on the books of the Company on 2nd December, 2016.

8 Property, plant and equipment

Acquisitions and disposals:

During the 26 weeks ended 29th October, 2016, the Group acquired assets with a cost of £2,684,000 (2015 - £1,210,000).

Retranslation of overseas subsidiaries property, plant and equipment cost and depreciation into pounds sterling at the balance sheet date resulted in exchange difference increases of £1,021,000 to costs and £313,000 to depreciation. These exchange differences were taken directly to currency translation reserve in Equity.

Assets with a net book value of £19,000 (2015 - £1,000) were disposed of by the Group for proceeds of £38,000 (2015 - £43,000) during the 26 weeks ended 29th October, 2016, resulting in a gain on disposal of £19,000 (2015 - £42,000).

9 Cash and cash equivalents

For the purpose of the interim consolidated cash flow statement, cash and cash equivalents are comprised of the following:

	29th Oct., 2016	30th April, 2016

	unaudited	audited
	£'000	£'000
Cash at bank and in hand	**4,445**	7,420
Short term deposits	**5,318**	5,338
	9,763	12,758

10 Pension liability

The Company operates an employee pension scheme called the MS INTERNATIONAL plc Retirement and Death Benefits Scheme ("the Scheme"). IAS19 requires disclosure of certain information about the Scheme as follows:

- Until 5th April, 1997, the Scheme provided defined benefits and these liabilities remain in respect of service prior to 6th April, 1997. From 6th April, 1997 until 31st May 2007 the Scheme provided future service benefits on a defined contribution basis.

- The last formal valuation of the Scheme was performed at 5th April, 2014 by a professionally qualified actuary.

- The Company has paid contributions into the Scheme for life assurance premiums and other Scheme expenses. In addition, from April 2013, the Company has paid £229,000 per annum of deficit reduction payments into the defined benefit section of the scheme. With effect from April 2015, the deficit reduction payments paid into the scheme by the Company have been increased to £300,000 per annum, increasing thereafter at 3% per annum.

- From 1st June, 2007 the Company has operated a defined contributions scheme for its UK employees which is administered by a UK pension provider. Member contributions are paid in line with this scheme's documentation over the accounting period and the Company has no further obligations once the contributions have been made.

- During the period, the Scheme liability has increased by £841,000. A re-measurement loss of £871,000 has been recognised through other comprehensive income and comprises of a £2,301,000 return on plan assets in excess of net interest and a £3,172,000 actuarial loss due to changes in financial assumptions. The actuarial loss reflects the lower discount rate and higher inflation expectations in the period. The interest cost on the net defined benefit liability of £124,000 has been recognised through the income statement. The liability is reduced by pension fund deficit payments in the period of £154,000.

11 Commitments and contingencies

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £5,504,107 at 29th October, 2016 (2015 - 7,013,513).
In the opinion of the directors, no material loss will arise in connection with the above matters.

The Group and certain of its subsidiary undertakings are parties to legal actions and claims which have arisen in the normal course of business. The results of actions and claims cannot be forecast with certainty, but the directors believe that they will be concluded without any material effect on the net assets of the Group.