Chairman’s Statement

Results and review

The Group has sustained its revenues and achieved a robust profit margin despite having endured a most unfavourable backdrop of defence spending cuts and protracted global recession.

From the outset, we made it clear that in the year to April 2013 the Group could not match the record profit returns of the previous twelve months. Considering the nature of the three Divisions’ businesses and the current weak state of some markets in which they operate, particularly within the defence equipment sector which is renowned for being quite lumpy, we are truly pleased with the Group’s overall performance, believing it to be a very healthy result in the current environment.

Profit before taxation for the 12 months ended 27th April, 2013 amounted to £5.01m (2012 - £8.39m) on revenue of £54.49m (2012 - £55.95m). Earnings per share were 24.4p (2012 - 34.8p).

Net cash and short term deposits at the year-end increased by a very impressive 34%, attaining a new record high of £13.45m (2012 - £10.04m).

‘Defence’, the largest division and accounting for over half of Group revenue, had to contend with the increasing severity and uncertainty of budget constrained customers in both domestic and export markets throughout the year. Delays in the receipt of anticipated orders and shortfalls in the eventual requirements coupled with the deferral of prospective orders were the prime reasons that negated the anticipated improvement in the final quarter. In response we realigned the Division’s cost base in the closing months of the year, initiating a series of cost saving measures, which included reducing the head count, to bring the business into line with the prevailing lower levels of activity.

‘Forgings’ international markets were, in the main, restrained, reflecting customers’ low activity and continuing lack of confidence in any real and sustainable upturn in growth. The UK, European and most international markets were at very best flat-lining throughout the period. In the Americas, where we have manufacturing plants in South Carolina and Sao Paulo, our push to boost more local production content and drive for greater efficiencies brought about some encouraging outcomes.

‘Petrol Station Superstructures’ once again successfully raised both revenue and profit, buoyed by a good mix of new station developments and upgrades to existing forecourts. A very positive, innovative approach to design, the unique utilisation of materials and construction techniques assisted growth in market share for the UK based operation. The Polish operation, with markets throughout central and south eastern Europe, performed well, but experienced some progressive general tightening in activity reflecting a decline in economic conditions across those parts of Europe.

Board

David Pyle, who has been with the Group for over 40 years, stepped down as an executive director on 27th April 2013 and has been appointed a non-executive director. I am very pleased that we will retain his expertise within the Board.

Outlook

Realistically, we are not anticipating the current year being any easier than last year. That said, we will seek to take advantage of the excellent reputations and market positions that the Group’s three Divisions have built over many years across international markets. Furthermore, our very strong balance sheet and long term orientation and strategy should enable us to face the year ahead with some good measure of assurance and self-reliance.

‘Defence’ still has a substantial pipeline of new business prospects, most notably from customers where the Division already enjoys a laudable reputation and high degree of product recognition and acceptance. Although in the short term, there may be little improvement in the freeing up of national and some international defence budgets, it is equally likely that the strategic and capability concerns of governments will in many instances intensify and not diminish. The Division’s cost structure has already been reduced to one aligned with a prudently perceived level of future business activity. This situation will be closely monitored and modified as required to meet any changes in expectations. In the meantime, maintaining high standards of marketing, advancing product development programmes, commendable ‘in service’ support of equipment and general efficiency improvements will be paramount. For the longer term, preserving the on-going co-operation and goodwill of the UK MoD as a constructive and supportive launch customer for new products and export sales will be most important.

‘Forgings’ focuses on the manufacture of fork-arms, with lifting capacities ranging from 1 tonne up to 150 tonnes supplied to global original equipment manufacturers for fitting to fork-lift trucks, construction, agricultural and quarrying machines. These markets are under pressure and we anticipate they will remain subdued over the next twelve months as many customers, seeking a competitive advantage, continue to consolidate or relocate parts of their operations closer to end user markets. Conversely, there is a positive and growing trend of ‘re-shoring’ component supply as the international competiveness of local supply is restored. Such dynamics and their outcomes can be most relevant to the success of our own operations.

‘Petrol Station Superstructures’ year ahead appears quite promising as the Division builds on recent successes in expanding the customer base and the high quality performance ratings being achieved by ‘on time’ construction operations. There are numerous changes taking place in the petrol retailing market, notably the growth in market share being taken by supermarket chains with new locations and the expansion of independent retailing groups which are procuring individual sites or parts of estates from some of the leading oil companies. In Poland and eastern Europe, recent major road building programmes have resulted in a paucity of petrol station facilities on these roads to service the redirected traffic volumes. As further approvals become available for the required new developments, the Division is well placed to take advantage of the opportunities.

As I stated earlier, we are not anticipating that the coming year will be any easier for us. The outlook may be uncertain but our Divisions are in good shape with excellent market positions, manufacturing facilities, committed employees and the Group’s balance sheet is particularly strong.

Our strategy is based upon the belief that maintaining reasonable and acceptable levels of profitability across the three Divisions emanates from an unending commitment to invest wisely in support of ‘in-house’ product development programmes, the upgrading of production equipment to ensure efficiency and striving for the relentless and constant improvement in everything we do. Our commitment to this policy is absolute.

The Board recommends the payment of a maintained final dividend of 6.5p per share (2012 – 6.5p) making a total for the year of 8.0p per share (2012 – 8.0p).

Michael Bell
4th June 2013

Group income statement

For the 52 weeks ended 27th April, 2013

	2013 Total £000	2012 Total £000
Revenue	**54,494**	55,948
Cost of sales	**(39,310)**	(36,714)
Gross profit	**15,184**	19,234
Distribution costs	**(2,547)**	(2,500)
Administrative expenses	**(7,557)**	(8,144)
	(10,104)	(10,644)
Group operating profit	**5,080**	8,590
Finance revenue	**83**	28
Finance costs	**(112)**	(418)
Other finance (costs)/revenue- pensions	**(45)**	188
	(74)	(202)
Profit before taxation	**5,006**	8,388
Taxation	**(586)**	(2,078)
Profit for the period attributable to equity holders of the parent	**4,420**	6,310
Earnings per share: basic and diluted	**24.4p**	34.8p

Group and company statement of comprehensive income

For the 52 weeks ended 27th April, 2013

	Group		Company	
	2013	2012	**2013**	2012
	Total	Total	**Total**	Total
	£000	£000	**£000**	£000
Actuarial losses on defined benefit pension scheme	**(3,083)**	(2,936)	**(3,083)**	(2,936)
Deferred taxation on actuarial losses on defined benefit pension scheme	**672**	680	**672**	680
Exchange differences on retranslation of foreign operations	**71**	(194)	**-**	-
Net expense recognised directly in equity	**(2,340)**	(2,450)	**(2,411)**	(2,256)
Profit attributable to equity holders of the parent	**4,420**	6,310	**3,887**	5,671
Total recognised income and expense for the period attributable to equity holders of the parent	**2,080**	3,860	**1,476**	3,415

Group and company statement of changes in equity

	Issued capital	Capital redemption reserve	Other reserves	Revaluation reserve	Special reserve	Foreign exchange reserve	Treasury shares	Retained earnings	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
(a) Group									
At 30th April, 2011	1,840	901	2,815	2,469	1,629	184	(100)	16,036	**25,774**
Profit for the period	-	-	-	-	-	-	-	6,310	**6,310**
Other comprehensive profit/(loss)	-	-	-	-	-	(194)	-	(2,256)	**(2,450)**
Total comprehensive income	-	-	-	-	-	(194)	-	4,054	**3,860**
Dividends paid	-	-	-	-	-	-	-	(1,271)	**(1,271)**
Change in taxation rates	-	-	-	42	-	-	-	-	**42**
At 28th April, 2012	1,840	901	2,815	2,511	1,629	(10)	(100)	18,819	**28,405**
Profit for the period	-	-	-	-	-	-	-	4,420	**4,420**
Other comprehensive profit	-	-	-	-	-	71	-	(2,411)	**(2,340)**
Total comprehensive income	-	-	-	-	-	71	-	2,009	**2,080**
Dividends paid	-	-	-	-	-	-	-	(1,452)	**(1,452)**
Change in taxation rates	-	-	-	21	-	-	-	-	**21**
At 27th April, 2013	**1,840**	**901**	**2,815**	**2,532**	**1,629**	**61**	**(100)**	**19,376**	**29,054**
(b) Company									
At 30th April, 2011	1,840	901	1,565	2,469	1,629	-	(100)	15,502	**23,806**
Profit for the period	-	-	-	-	-		-	5,671	**5,671**
Other comprehensive loss	-	-	-	-	-	-	-	(2,256)	**(2,256)**
Total comprehensive income	-	-	-	-	-	-	-	3,415	**3,415**
Dividends paid	-	-	-	-	-	-	-	(1,271)	**(1,271)**
Change in taxation rates	-	-	-	42	-	-	-	-	**42**
At 28th April, 2012	1,840	901	1,565	2,511	1,629	-	(100)	17,646	**25,992**
Profit for the period	-	-	-	-	-	-	-	3,887	**3,887**
Other comprehensive profit	-	-	-	-	-	-	-	(2,411)	**(2,411)**
Total comprehensive income	-	-	-	-	-	-	-	1,476	**1,476**
Dividends paid	-	-	-	-	-	-	-	(1,452)	**(1,452)**
Change in taxation rates	-	-	-	21	-	-	-	-	**21**
At 27th April, 2013	**1,840**	**901**	**1,565**	**2,532**	**1,629**	**-**	**(100)**	**17,670**	**26,037**

Balance sheets

At 27th April, 2013

	Group		Company	
	2013	2012	**2013**	2012
	£'000	£'000	**£'000**	£'000
ASSETS				
Non-current assets				
Property, plant and equipment	**13,755**	13,818	**11,133**	11,694
Intangible assets	**4,451**	4,798	**30**	69
Investments in subsidiaries	**-**	-	**11,869**	11,451
Deferred income tax asset	**280**	-	**807**	151
	18,486	18,616	**23,839**	23,365
Current assets				
Inventories	**6,536**	7,824	**5,656**	6,726
Trade and other receivables	**13,065**	12,208	**13,838**	13,757
Prepayments	**520**	604	**419**	527
Cash and short-term deposits	**13,447**	10,037	**12,515**	9,001
	33,568	30,673	**32,428**	30,011
TOTAL ASSETS	**52,054**	49,289	**56,267**	53,376
EQUITY AND LIABILITIES				
Equity				
Equity share capital	**1,840**	1,840	**1,840**	1,840
Capital redemption reserve	**901**	901	**901**	901
Other reserve	**2,815**	2,815	**1,565**	1,565
Revaluation reserve	**2,532**	2,511	**2,532**	2,511
Special reserve	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	**61**	(10)	**-**	-
Treasury shares	**(100)**	(100)	**(100)**	(100)
Retained earnings	**19,376**	18,819	**17,670**	17,646
	29,054	28,405	**26,037**	25,992
Non-current liabilities				
Defined benefit pension liability	**6,766**	4,167	**6,766**	4,167
Deferred income tax liability	**-**	505	**-**	-
	6,766	4,672	**6,766**	4,167
Current liabilities				
Trade and other payables	**16,143**	14,995	**23,302**	21,932
Income tax payable	**91**	1,217	**162**	1,285
	16,234	16,212	**23,464**	23,217
TOTAL EQUITY AND LIABILITIES	**52,054**	49,289	**56,267**	53,376

Cash flow statements

For the 52 weeks ended 27th April, 2013	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Profit before taxation and exceptional items	**5,006**	8,388	**4,305**	7,569
Adjustments to reconcile profit before taxation to net cash in flow from operating activities				
Depreciation charge	**1,372**	1,339	**1,180**	1,219
Amortisation charge	**347**	362	**39**	45
Finance costs	**74**	202	**13**	179
Foreign exchange gains/(losses)	**9**	(150)	**-**	-
Decrease/(increase) in inventories	**1,288**	(725)	**1,070**	(375)
(Increase)/decrease in receivables	**(857)**	274	**(81)**	(806)
Decrease in prepayments	**84**	906	**108**	895
Increase/(decrease) in payables	**3,266**	(247)	**3,511**	(674)
Decrease in progress payments	**(2,118)**	(4,163)	**(2,140)**	(4,381)
Pension fund payments	**(529)**	(400)	**(529)**	(400)
Cash generated from operating activities	**7,942**	5,786	**7,476**	3,271
Interest (paid)/received	**(29)**	(13)	**32**	10
Taxation paid	**(1,809)**	(1,650)	**(1,505)**	(1,420)
Net cash inflow from operating activities	**6,104**	4,123	**6,003**	1,861
Investing activities				
Purchase of property , plant and equipment	**(1,252)**	(2,711)	**(620)**	(744)
Sale of property, plant and equipment	**10**	19	**1**	18
Net cash outflow from investing activities	**(1,242)**	(2,692)	**(619)**	(726)
Financing activities				
Dividends paid	**(1,452)**	(1,271)	**(1,452)**	(1,271)
Investment in subsidiary	**-**	-	**(418)**	-
Net cash outflow from financing activities	**(1,452)**	(1,271)	**(1,870)**	(1,271)
Increase/(decrease) in cash and cash equivalents	**3,410**	160	**3,514**	(136)
Opening cash and cash equivalents	**10,037**	9,877	**9,001**	9,137
Closing cash and cash equivalents	**13,447**	10,037	**12,515**	9,001

The financial information set out above does not constitute the Company's statutory accounts for the periods ended 27th April, 2013 or 28th April, 2012 but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies, and those for 2013 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The earnings per share is calculated by dividing the profit after taxation of £4,420,000 (2012 - £6,310,000) by the weighted average of 18,151,025 (2012 – 18,151,025) shares in issue in the year.

The preliminary announcement is prepared on the same basis as set out in the previous year's accounts.

The Directors confirm to the best of their knowledge that:
(a) the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole; and

(b) the Chairman’s Statement includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The preliminary announcement was approved by the Board on 4th June, 2013 and the above responsibility statement was signed on its behalf by Michael Bell, Executive Chairman and Michael O’Connell, Group Finance Director.

Copies of this announcement are available from the Company’s registered office at MS INTERNATIONAL plc, Balby Carr Bank, Doncaster, DN4 8DH, England. The full Annual Report and Accounts will be posted to shareholders shortly and will be delivered to the Registrar of Companies after it has been laid before the Company in general meeting.

Dividend warrants will be posted on 26th July, 2013 to those members registered on the books of the Company on 5th July, 2013.