MS INTERNATIONAL plc

Interim results for the six months ended 2nd November, 2013

Chairman's Statement

I am pleased to report that the Group is trading in line with expectations. As we had anticipated, the prolonged downturn in defence spending by many governments around the world, a subject extensively chronicled by the media recently, has inevitably had an impact on the 'Defence' division's revenues. In positive contrast, many of the markets served by our 'Forgings' and 'Petrol Station Superstructures' divisions have progressively improved and consequently these two divisions together made an enhanced contribution to the Group.

Accordingly, for the half year ended 2nd November 2013, a profit before taxation of £1.87m (2012 - £2.42m) was achieved on revenue of £23.34m (2012 - £26.28m). Earnings per share amounted to 7.9p (2012 - 10.2p).

The balance sheet remains notably robust with further expansion in our net cash and short term deposits which increased to £14.12m. At the 27th April 2013 year end, the figure was £13.45m.

Expecting a subdued market, 'Defence' took action to realign its cost structure at the start of the year and bring it into line with expected levels of activity. Delays in major shipbuilding programmes persist and demand for equipment, that may once have been regarded as low budget, general expenditure items, is also being affected. This downturn is the reality of a cyclical global defence market.

'Forgings' markets around the world have, to a degree, become more stable and the division's results reflect benefits accruing from improved operational performance. Similarly, 'Petrol Station Superstructures' has maintained a strong market position, enabling it to successfully secure a broader customer base and produce a creditable result.

Encouragingly, the structure of the 'Defence' division's order book provides a solid base load of business stretching out to the end of the decade. This means that, despite any current market slackness, the division not only has contracts to be completed within the current year, but also has the positive benefit of a continuous stream of business, scheduled by customers for delivery in each successive year through to 2020. Clearly, our objective is to build on this excellent foundation and ensure that we win sufficient additional business to convert into revenue in each of those future years. Management confidence is such as to firmly believe this should be achievable, in the knowledge that the potential order pipeline remains intact, our product offerings are highly respected internationally, our development programmes are bearing fruit and underutilised production capacity is available.

By contrast 'Forgings' and 'Petrol Station Superstructures' operate in markets where short lead-time order books predominate, providing limited visibility. Nevertheless, within both divisions there is a good measure of optimism that a satisfactory level of activity should continue through to the end of the financial year.

The Board believes that the Group has taken timely action to ensure that the divisions can make the most of their diverse markets. There is still some time to go to the year-end but, given the current defence market, the Board reaffirms its earlier guidance that profits before tax for the full year will be lower than that reported last year. All matters considered, the Board has declared a maintained interim dividend of 1.5p (2012 - 1.5p) per share, payable to shareholders on 3rd January 2014.

Michael Bell **28th November, 2013**

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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 27 weeks ended 2nd November, 2013, 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.

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 27 weeks ended 2nd November, 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
Leeds
28th November, 2013

Interim condensed consolidated income statement

	27 weeks ended 2nd Nov., 2013 unaudited £000	26 weeks ended 27th Oct., 2012 unaudited £000 restated*
Products	**16,507**	16,576
Contracts	**6,836**	9,703
Revenue	**23,343**	26,279
Cost of sales	**(16,614)**	(18,846)
Gross profit	**6,729**	7,433
Distribution costs	**(1,227)**	(1,174)
Administrative expenses	**(3,468)**	(3,721)
Operating profit	**2,034**	2,538
Finance income	**-**	35
Finance costs	**(36)**	(64)
Other finance costs - pension	**(127)**	(94)
Profit before taxation	**1,871**	2,415
Taxation	**(444)**	(567)
Profit for the period attributable to equity holders of the parent	**1,427**	1,848
Earnings per share: basic and diluted	**7.9p**	10.2p

Interim condensed consolidated statement of comprehensive income

	27 weeks ended 2nd Nov., 2013 unaudited £000	26 weeks ended 27th Oct., 2012 unaudited £000 restated*
Profit for the period attributable to equity holders of the parent	**1,427**	1,848
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	**(106)**	(29)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(106)**	**(29)**
Items not to be reclassified to profit or loss in subsequent periods		
Actuarial gains/(losses) on defined benefit pension scheme	**1,332**	(3,029)
Deferred taxation effect	**(416)**	655
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	**916**	(2,374)
Total comprehensive income/(loss) for the period attributable to equity holders of the parent	**2,237**	**(555)**

*The interim consolidated financial statements as at 27th October, 2012 have been restated to reflect amendments to IAS 19, Employee Benefits, as detailed in note 2.

Interim condensed consolidated statement of financial position as at

	2nd Nov., 2013 unaudited	27th April, 2013 audited
ASSETS	**£000**	£000
Non-current assets		
Property, plant and equipment	**13,486**	13,755
Intangible assets	**4,293**	4,451
Deferred income tax asset	**42**	280
	17,821	18,486
Current assets		
Inventories	**8,194**	6,536
Trade and other receivables	**12,987**	13,065
Prepayments	**886**	520
Cash and short-term deposits	**14,121**	13,447
	36,188	33,568
TOTAL ASSETS	**54,009**	52,054
EQUITY AND LIABILITIES		
Equity		
Issued capital	**1,840**	1,840
Capital redemption reserve	**901**	901
Other reserves	**2,815**	2,815
Revaluation reserve	**2,574**	2,532
Special reserve	**1,629**	1,629
Currency translation reserve	**(45)**	61
Treasury shares	**(100)**	(100)
Retained earnings	**20,539**	19,376
Total Equity	**30,153**	29,054
Non-current liabilities		
Defined benefit pension liability	**5,467**	6,766
	5,467	6,766
Current liabilities		
Trade and other payables	**17,978**	16,143
Income tax payable	**411**	91
	18,389	16,234
TOTAL EQUITY AND LIABILITIES	**54,009**	52,054

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 27th April, 2013	1,840	901	2,815	2,532	1,629	61	(100)	19,376	29,054
Profit for the period	-	-	-	-	-	-	-	1,427	1,427
Other comprehensive income/(loss)	-	-	-	-	-	(106)	-	916	810
	1,840	**901**	**2,815**	**2,532**	**1,629**	**(45)**	**(100)**	**21,719**	**31,291**
Change in taxation rates	-	-	-	42	-	-	-	-	42
Dividend paid	-	-	-	-	-	-	-	(1,180)	(1,180)
At 2nd November, 2013	**1,840**	**901**	**2,815**	**2,574**	**1,629**	**(45)**	**(100)**	**20,539**	**30,153**

	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 28th April, 2012	1,840	901	2,815	2,511	1,629	(10)	(100)	18,819	28,405
Profit for the period	-	-	-	-	-	-	-	1,848	1,848
Other comprehensive loss	-	-	-	-	-	(29)	-	(2,374)	(2,403)
	1,840	**901**	**2,815**	**2,511**	**1,629**	**(39)**	**(100)**	**18,293**	**27,850**
Change in taxation rates	-	-	-	21	-	-	-	-	21
Dividend paid	-	-	-	-	-	-	-	(1,180)	(1,180)
At 27th October, 2012	**1,840**	**901**	**2,815**	**2,532**	**1,629**	**(39)**	**(100)**	**17,113**	**26,691**

Interim Group cash flow statement

	27 weeks ended 2nd Nov., 2013 unaudited £'000	26 weeks ended 27th Oct., 2012 unaudited £'000 restated*
Profit before taxation	**1,871**	2,415
Adjustments to reconcile profit before taxation to net cash in flows from operating activities		
Depreciation charge	**622**	700
Amortisation charge	**158**	175
Profit on disposal of fixed assets	**(57)**	(48)
Finance costs	**163**	123
Foreign exchange movements	**(74)**	(8)
(Increase)/decrease in inventories	**(1,658)**	869
Decrease/(increase) in receivables	**78**	(513)
Increase in prepayments	**(366)**	(191)
(Decrease)/increase in payables	**(781)**	1,105
Increase/(decrease) in progress payments	**2,637**	(944)
Pension fund deficit payments	**(115)**	(50)
Cash generated from operating activities	**2,478**	3,633
Interest paid	**(36)**	(29)
Taxation paid	**(256)**	(1,012)
Net cash flow from operating activities	**2,186**	2,592
Investing activities		
Purchase of property, plant and equipment	**(467)**	(730)
Sale of property, plant and equipment	**135**	48
Net cash flows used in investing activities	**(332)**	(682)
Financing activities		
Dividend paid	**(1,180)**	(1,180)
Net cash flows used in financing activities	**(1,180)**	(1,180)
Movement in cash and cash equivalents	**674**	730
Opening cash and cash equivalents	**13,447**	10,037
Closing cash and cash equivalents	**14,121**	10,767

*The interim consolidated financial statements as at 27th October, 2012 have been restated to reflect amendments to IAS 19, Employee Benefits, as detailed in note 2.

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 5.

The interim condensed consolidated financial statement of the Group for the twenty seven weeks ended 2nd November, 2013 were authorised for issue in accordance with a resolution of the directors on 28th November, 2013.

2 Basis of preparation and accounting policies

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The 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 interim financial information has been reviewed by the Group's auditors, Ernst & Young LLP, their report is included on page 3. 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 27th April, 2013.

The Group has adopted all applicable amendments to standards with an effective date from 28th April, 2013.The Group has adopted amendments to IAS 19 Employee benefits including consequential amendments to other standards, with a date of initial application of 1st January, 2013 and restated the prior year's results accordingly.

IAS 19R includes a number of amendments to the accounting for defined benefit schemes. In the case of the Group, the transition to IAS 19R had an impact on the accounting for interest on the defined benefit scheme and on the accounting of scheme administration costs.

For the period to 2nd November, 2013, the amendment has reduced operating profit by £171,000, increased net financing costs by £127,000 and increased other comprehensive income by £298,000.

For the period to 27th October, 2012, the restatement has reduced operating profit by £155,000, increased net financing costs by £71,000 and increased other comprehensive income by £226,000.

The Group has also adopted IFRS 7- Disclosures offsetting Financial Assets and Financial Liabilities, IFRS Fair Value Measurement, both effective from 1st January, 2013, and IAS IR- Presentation of Financial Statements in the period. Adoption of these standards did not have any material impact on the financial performance or position of the Group.

The figures for the year ended 27th April, 2013 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 Statement of directors' responsibilities

The directors as listed on page 1 confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, which includes information required on material transactions with related parties and changes since the last annual report.

5 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 Forecourt Structures division is engaged in the design and construction of petrol station forecourt structures. 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 2nd, November, 2013 and 27th, October, 2012.

	Defence		Forgings		Petrol Station Superstructures		Total	
	2013	2012	**2013**	2012	**2013**	2012	**2013 unaudited**	2012 unaudited
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000 restated
Revenue								
External	**9,450**	12,336	**7,393**	7,234	**6,500**	6,709	**23,343**	26,279
Total revenue	**9,450**	12,336	**7,393**	7,234	**6,500**	6,709	**23,343**	26,279
Segment result	**676**	1,322	**546**	255	**812**	961	**2,034**	2,538
Net finance expense							**(163)**	(123)
Profit before taxation							**1,871**	2,415
Taxation							**(444)**	(567)
Profit for the period							**1,427**	1,848
Capital expenditure	**106**	-	**145**	209	**66**	521		
Depreciation	**93**	158	**222**	232	**176**	168		

The following table presents segment assets and liabilities of the Group's divisions for the periods ended 2nd, November, 2013 and 27th, April, 2013.

	Defence 2013	Defence 2012	Forgings 2013	Forgings 2012	Petrol Station 2013	Petrol Station 2012	Total 2013	Total 2012
Segmental assets	**29,537**	27,153	**5,713**	6,654	**5,055**	5,585	**40,305**	39,392
Unallocated assets							**13,704**	12,662
Total assets							**54,009**	52,054
Segmental liabilities	**12,491**	10,459	**1,786**	2,681	**2,992**	4,158	**17,269**	17,298
Unallocated liabilities							**6,587**	5,702
Total liabilities							**23,856**	23,000

6 Income tax

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

	27 weeks ended 2nd Nov., 2013 unaudited £'000	26 weeks ended 27th Oct., 2012 unaudited £'000 restated
Current income tax charge	**581**	764
Current tax	**581**	764
Relating to origination and reversal of temporary differences	**(72)**	(160)
Impact of reduction in deferred tax rate (23% to 21%)	**(65)**	(37)
Deferred tax	**(137)**	(197)
Total income tax expense reported in the consolidated income statement	**444**	567

7 Earnings per share

The calculation of basic and diluted earnings per share is based on:

(a) Profit for the period attributable to equity holders of the parent of £1,427,000 (2012 - £1,848,000 - restated);

(b) 18,151,025 (2012 - 18,151,025) Ordinary shares, being the weighted average number of Ordinary shares in issue.

This represents 18,396,073 being the weighted average number of Ordinary shares in issue less 245,048 being the weighted average number of shares held within the ESOT.

8 Dividends paid and proposed

	27 weeks ended 2nd Nov., 2013 unaudited £'000	26 weeks ended 27th Oct., 2012 unaudited £'000
Declared and paid during the six month period		
Dividend on ordinary shares		
Final dividend for 2013 - 6.50p (2012 - 6.50p)	**1,180**	1,180
Proposed for approval		
Interim dividend for 2014 - 1.50p (2013 - 1.50p)	**270**	270

Dividends warrants will be posted on 2nd January, 2014 to those members registered on the books of the Company on 13th December, 2013.

9 Property, plant and equipment

Acquisitions and disposals:

During the 27 weeks ended 2nd November, 2013, the Group acquired assets with a cost of £467,000 (2012 - £730,000).

Assets with a net book value of £78,000 (2012 - £Nil) were disposed of by the Group for proceeds of £135,000 (2012 - £48,000) during the 27 weeks ended 2nd November, 2013, resulting in a gain on disposal of £57,000 (2012 - £48,000).

10 Cash and cash equivalents

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

	2nd Nov., 2013 unaudited £'000	27th April, 2013 unaudited £'000
Cash at bank and in hand	**6,616**	12,942
Short term deposits	**7,505**	505
	14,121	13,447

11 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 the Scheme provides future service benefits on a defined contribution basis.

- The last formal valuation of the Scheme was performed at 5th April, 2011 by a professionally qualified actuary.

- Members have paid contributions at a rate in line with the Scheme's documentation over the accounting period.

- The employer has paid members contributions to the defined contributions section of the Scheme, life assurance premiums and other Scheme expenses. In addition, from April 2013, the employer has paid £229,000 per annum to the defined benefit section of the scheme.

12 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 £7,545,035 at 2nd November, 2013 (2012 - £7,471,042).

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.