# MS INTERNATIONAL plc

Unaudited Interim Condensed
Group Financial Statements
27th October, 2012

## EXECUTIVE DIRECTORS

Michael Bell

Michael O'Connell

David Pyle

## NON EXECUTIVE

Roger Lane-Smith

## SECRETARY

David Pyle

## REGISTERED OFFICE

Balby Carr Bank

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England

## PRINCIPAL OPERATING DIVISIONS

Defence

Forgings

Petrol Station Superstructures

# Chairman's Statement

I am pleased to report that the Group is trading in line with the Board's expectations. As flagged in my two most recent statements, a distinct second half revenue bias will occur this year owing to the phasing of customer dictated delivery schedules at our largest subsidiary 'Defence'. At this juncture, that view still prevails.

Accordingly, for the half year ended 27th October, 2012, the results have come in lower than the record figures achieved for the comparable period with a £2.64m (2011 – £4.09m) profit before taxation on revenue of £26.28m (2011 – £27.86m). Earnings per share amounted to 11.1p (2011 – 16.6p).

The balance sheet remains very strong with net cash and short term deposits totalling £10.77m. At the 28th April, 2012, the figure was £10.04m.

'Defence' delivery phasing was clearly the major factor shaping the interim outcome. A relatively slow market in the prior period was aggravated by a reduction of 'regular' orders coinciding with delays in the receipt of anticipated major contracts as cuts in defence procurement budgets were imposed by a number of governments. Nevertheless, there was a reasonable level of production activity in the period and product development programmes continued uninterrupted.

'Forgings' markets around the globe have been somewhat mixed, although the majority were less buoyant than before, influenced by regional variations in economic activity and exchange rate fluctuations. In contrast, 'Petrol Station Superstructures' more than held its own in the European markets it serves, increasing market share and pleasingly lifting both revenue and profitability.

Most crucially, the Group order intake in the period was some 80% higher at the end of October, compared to that received in the corresponding period last year and currently the value of orders on hand is some 25% higher than at last year end.

'Defence' is now looking forward with confidence to a much stronger second half year. The majority of orders are already in hand to achieve the expected full year revenue and there are a number of very interesting new business prospects emerging from around the world. We recognise however that everything just seems to take a little longer on the 'prospect to order timeline' than previously. It may be frustrating but we are confident in our abilities to maximise the opportunities in due course. Meantime, the momentum to drive forward in the 'Forgings' and 'Petrol station superstructures' divisions will be maintained, particularly as both operate with short lead time order books with all the vagaries that poses.

All matters considered, the Board has a good measure of confidence as to the full year outlook for the Group, subject to there being no further deterioration in the global economy that could adversely affect our two industrial engineering divisions. Accordingly, the Board has declared a maintained interim dividend per share of 1.5p (2011 – 1.5p), payable on 21st December, 2012.

**Michael Bell** **22nd November, 2012**

# 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 27th October, 2012 which comprises the Interim Group income statement, Interim Group statement of comprehensive income, Interim Group balance sheet, 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 Services 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 26 weeks ended 27th October, 2012 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 Services Authority.

**Ernst & Young LLP**
**Leeds**
**21st November, 2012**

# Interim Group income statement

| | Notes | **26 weeks ended 27th Oct., 2012 Unaudited £'000** | 26 weeks ended 29th Oct., 2011 Unaudited £'000 |
|---|---|---|---|
| Products | | **16,576** | 20,855 |
| Contracts | | **9,703** | 7,008 |
| Revenue | 5 | **26,279** | 27,863 |
| Cost of sales | | **(18,846)** | (18,629) |
| Gross profit | | **7,433** | 9,234 |
| Distribution costs | | **(1,174)** | (1,120) |
| Administrative expenses | | **(3,566)** | (3,887) |
| Group trading profit | 5 | **2,693** | 4,227 |
| Finance revenue | | **35** | 11 |
| Financial instrument fair value | | **–** | (237) |
| Finance costs | | **(64)** | (3) |
| Other finance (costs)/revenue – pension | | **(23)** | 94 |
| Profit before taxation | | **2,641** | 4,092 |
| Taxation | 6 | **(621)** | (1,070) |
| Profit for the period attributable to equity holders of the parent | | **2,020** | 3,022 |
| Earnings per share: basic and diluted | 7 | **11.1p** | 16.6p |

# Interim Group statement of comprehensive income

| | **26 weeks ended 27th Oct., 2012 Unaudited £'000** | 26 weeks ended 29th Oct., 2011 Unaudited £'000 |
|---|---|---|
| Actuarial losses on defined benefit pension scheme | **(3,255)** | (1,929) |
| Deferred taxation on actuarial losses on defined benefit pension scheme | **709** | 467 |
| Exchange differences on retranslation of foreign operations | **(29)** | (87) |
| Net losses recognised directly in equity | **(2,575)** | (1,549) |
| Profit attributable to equity holders of the parent | **2,020** | 3,022 |
| Total comprehensive (expense)/income for the period attributable to equity holders of the parent | **(555)** | 1,473 |

# Interim Group balance sheet

| | Notes | 27th Oct., 2012 Unaudited £'000 | 28th April., 2012 Audited £'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | **13,826** | 13,818 |
| Intangible assets | | **4,623** | 4,798 |
| Deferred income tax asset | | **320** | – |
| | | **18,769** | 18,616 |
| **Current assets** | | | |
| Inventories | | **6,955** | 7,824 |
| Trade and other receivables | | **12,721** | 12,208 |
| Prepayments | | **795** | 604 |
| Cash and short-term deposits | 10 | **10,767** | 10,037 |
| | | **31,238** | 30,673 |
| **TOTAL ASSETS** | | **50,007** | 49,289 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Issued capital | | **1,840** | 1,840 |
| Capital redemption reserve | | **901** | 901 |
| Other reserves | | **2,815** | 2,815 |
| Revaluation reserve | | **2,532** | 2,511 |
| Special reserve | | **1,629** | 1,629 |
| Currency translation reserve | | **(39)** | (10) |
| Treasury shares | | **(100)** | (100) |
| Retained earnings | | **17,113** | 18,819 |
| **Total Equity** | | **26,691** | 28,405 |
| **Non-current liabilities** | | | |
| Defined benefit pension liability | 11 | **7,245** | 4,167 |
| Deferred income tax liability | | **–** | 505 |
| | | **7,245** | 4,672 |
| **Current liabilities** | | | |
| Trade and other payables | | **15,151** | 14,995 |
| Income tax payable | | **920** | 1,217 |
| | | **16,071** | 16,212 |
| **TOTAL EQUITY AND LIABILITIES** | | **50,007** | 49,289 |

# Interim Group statement of changes in equity

| | Issued Capital £'000 | Capital redemption reserve £'000 | Other reserves £'000 | Revaluation reserve £'000 | Special reserve £'000 | Foreign exchange reserve £'000 | Treasury shares £'000 | Retained earnings £'000 | **Total Unaudited £'000** |
|---|---|---|---|---|---|---|---|---|---|
| **At 28th April, 2012** | 1,840 | 901 | 2,815 | 2,511 | 1,629 | (10) | (100) | 18,819 | 28,405 |
| Profit for the period | – | – | – | – | – | – | – | 2,020 | 2,020 |
| Other comprehensive loss | – | – | – | – | – | (29) | – | (2,546) | (2,575) |
| | **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** |

| | Issued Capital £'000 | Capital redemption reserve £'000 | Other reserves £'000 | Revaluation reserve £'000 | Special reserve £'000 | Foreign exchange reserve £'000 | Treasury shares £'000 | Retained earnings £'000 | **Total Unaudited £'000** |
|---|---|---|---|---|---|---|---|---|---|
| **At 30th April, 2011** | 1,840 | 901 | 2,815 | 2,469 | 1,629 | 184 | (100) | 16,036 | 25,774 |
| Profit for the period | – | – | – | – | – | – | – | 3,022 | 3,022 |
| Other comprehensive loss | – | – | – | – | – | (87) | – | (1,462) | (1,549) |
| | **1,840** | **901** | **2,815** | **2,469** | **1,629** | **97** | **(100)** | **17,596** | **27,247** |
| Change in taxation rates | – | – | – | 21 | – | – | – | – | 21 |
| Dividend paid | – | – | – | – | – | – | – | (998) | (998) |
| **At 29th October, 2011** | **1,840** | **901** | **2,815** | **2,490** | **1,629** | **97** | **(100)** | **16,598** | **26,270** |

# Interim Group cash flow statement

| | 26 weeks ended 27th Oct., 2012 Unaudited £'000 | 26 weeks ended 29th Oct., 2011 Unaudited £'000 |
|---|---|---|
| Profit before taxation | **2,641** | 4,092 |
| *Adjustments to reconcile profit before taxation to net cash in flows from operating activities* | | |
| Depreciation charge | **700** | 634 |
| Amortisation charge | **175** | 188 |
| Profit on disposal of fixed assets | **(48)** | (25) |
| Finance costs | **52** | 135 |
| Foreign exchange movements | **(8)** | (70) |
| Decrease/(increase) in inventories | **869** | (2,760) |
| Increase in receivables | **(513)** | (1,791) |
| (Increase)/decrease in prepayments | **(191)** | 219 |
| Increase in payables | **1,100** | 1,105 |
| Decrease in progress payments | **(944)** | (1,651) |
| Pension fund payments | **(200)** | (200) |
| **Cash generated from operating activities** | **3,633** | (124) |
| Interest (paid)/received | **(29)** | 8 |
| Taxation paid | **(1,012)** | (535) |
| **Net cash flow from operating activities** | **2,592** | (651) |
| **Investing activities** | | |
| Purchase of property, plant and equipment | **(730)** | (602) |
| Sale of property, plant and equipment | **48** | 44 |
| **Net cash used in investing activities** | **(682)** | (558) |
| **Financing activities** | | |
| Dividend paid | **(1,180)** | (998) |
| **Net cash flows used in financing activities** | **(1,180)** | (998) |
| **Movement in cash and cash equivalents** | **730** | (2,207) |
| **Opening cash and cash equivalents** | **10,037** | 9,877 |
| **Closing cash and cash equivalents** | **10,767** | 7,670 |

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# 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 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 six weeks ended 27th October, 2012 were authorised for issue in accordance with a resolution of the directors on 21st November, 2012.

## 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 28th April, 2012.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 28th April, 2012. The following standards, amendments and interpretations will be applied for the first time in the Group's statutory accounts for the year ending 27th April, 2013.

### International Accounting Standards (IAS/IFRSs)

IFRS 7 Financial Instruments: (Disclosures Amendments)
IAS 12 Income Taxes (Amendments) – Deferred Taxes: Recovery of Underlying Assets

The figures for the year ended 28th April, 2012 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.

# Notes to the interim Group financial statements

## (continued)

### 5 Segment information

### (a) Primary reporting format – divisional segments

The following table presents revenue and profit and certain assets and liability information regarding the Group's divisions for the periods ended 27th October, 2012 and 29th October, 2011. 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 Directors are of the opinion that seasonality does not significantly affect these results.

| | Defence | | Forgings | | Petrol Station Superstructures | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | | | | | | | **Unaudited** | Unaudited |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Revenue** | | | | | | | | |
| External | **12,336** | 14,454 | **7,234** | 7,875 | **6,709** | 5,534 | **26,279** | 27,863 |
| Total revenue | **12,336** | 14,454 | **7,234** | 7,875 | **6,709** | 5,534 | **26,279** | 27,863 |
| **Segment result** | **1,477** | 2,886 | **255** | 501 | **961** | 840 | **2,693** | 4,227 |
| Net finance expense | | | | | | | **(52)** | (135) |
| Profit before taxation | | | | | | | **2,641** | 4,092 |
| Taxation | | | | | | | **(621)** | (1,070) |
| Profit for the period | | | | | | | **2,020** | 3,022 |
| **Segmental assets** | **25,995** | 28,741 | **5,323** | 5,617 | **5,323** | 3,914 | **36,641** | 38,272 |
| Unallocated assets | | | | | | | **13,366** | 7,830 |
| Total assets | | | | | | | **50,007** | 46,102 |
| **Segmental liabilities** | **9,072** | 9,574 | **1,437** | 2,066 | **3,310** | 2,664 | **13,819** | 14,304 |
| Unallocated liabilities | | | | | | | **9,497** | 5,528 |
| Total liabilities | | | | | | | **23,316** | 19,832 |
| Capital expenditure | **–** | 97 | **209** | 341 | **521** | 132 | | |
| Depreciation | **158** | 171 | **232** | 212 | **168** | 135 | | |

### (b) Secondary reporting format – geographical segments

The following table presents revenue and expenditure and certain assets and liabilities information by geographical segment for the periods ended 27th October, 2012 and 29th October, 2011. The Group's geographical segments are based on the location of the Group's assets. Revenue from external customers is based on the geographical location of its customers.

| | Europe | | North America | | Rest of the World | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 | **2012** | 2011 |
| | | | | | | | **Unaudited** | Unaudited |
| | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 | **£'000** | £'000 |
| **Revenue** | | | | | | | | |
| External | **17,162** | 13,215 | **4,069** | 9,150 | **5,048** | 5,498 | **26,279** | 27,863 |
| Assets | **48,661** | 45,454 | **922** | 580 | **424** | 68 | **50,007** | 46,102 |
| Liabilities | **23,104** | 19,647 | **200** | 155 | **12** | 30 | **23,316** | 19,832 |
| Capital expenditure | **710** | 347 | **6** | 182 | **14** | 73 | **730** | 602 |

# Notes to the interim Group financial statements

## (continued)

### 6 Income tax

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

| | **26 weeks ended 27th Oct., 2012 Unaudited £'000** | 26 weeks ended 29th Oct., 2011 Unaudited £'000 |
|---|---|---|
| Current income tax charge | **764** | 1,155 |
| Current tax | **764** | 1,155 |
| Relating to origination and reversal of temporary differences | **(106)** | (44) |
| Impact of reduction in deferred tax rate (24% to 23%) | **(37)** | (41) |
| Deferred tax | **(143)** | (85) |
| Total income tax expense reported in the consolidated income statement | **621** | 1,070 |

### 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 £2,020,000 (2011 – £3,022,000);

(b) 18,151,025 (2011 – 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 diluted weighted average number of shares held within the ESOT.

### 8 Dividends paid and proposed

| | **26 weeks ended 27th Oct., 2012 Unaudited £'000** | 26 weeks ended 29th Oct., 2011 Unaudited £'000 |
|---|---|---|
| *Declared and paid during the six month period* | | |
| Dividend on ordinary shares | | |
| Final dividend for 2012 – 6.50p | **1,180** | 998 |
| *Proposed for approval* | | |
| Interim dividend for 2012 – 1.50p (2011 – 1.00p) | **270** | 270 |

Dividends warrants will be posted on 20th December, 2012 to those members registered on the books of the Company on 30th November, 2012.

### 9 Property, plant and equipment

#### Acquisitions and disposals

During the 26 weeks ended 27th October, 2012, the Group acquired assets with a cost of £730,000 (2011 – £602,000).

Assets with a net book value of £Nil (2011 – £19,000) were disposed of by the Group for proceeds of £48,000 (2011 – £44,000) during the 26 weeks ended 27th October, 2012, resulting in a gain on disposal of £48,000 (2011 – £25,000).

# Notes to the interim Group financial statements

## (continued)

### 10 Cash and cash equivalents

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

| | **27th Oct., 2012 Unaudited £'000** | 28th April., 2012 Audited £'000 |
|---|---|---|
| Cash at bank and in hand | **1,607** | 10,032 |
| Short-term deposits | **9,160** | 5 |
| | **10,767** | 10,037 |

### 11 Pension liability

The Company operates an employee pension scheme called the MS INTERNATIONAL plc Retirement and Death Benefits Scheme ("the Scheme"). IAS 19 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 2009, the employer has paid £100,000 per annum to the defined benefit section of the scheme.

The Company's policy for recognising actuarial gains and losses is to recognise them immediately in the Statement of Comprehensive Income.

### 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 £7,471,042 at 27th October, 2012 (2011 – £9,209,747).

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.

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