MS INTERNATIONAL plc

Interim results for the six months ended 1st November, 2014

Chairman's Statement

We expected a continuing difficult environment in the global defence market and in my July AGM statement I highlighted that it was unrealistic to anticipate that trading would be any easier than the previous year. Nevertheless, it is still most disappointing to report a decline in Group revenue and profit for the first half year, owing to a further reduction in revenue and a first time loss for our 'Defence' division.

Yet the Group's diversified structure does provide some resilience and we are encouraged by positive revenue growth from both the 'Forgings' and 'Petrol Station Superstructures' divisions.

Moreover, the balance sheet remains exceedingly robust with substantial net cash and short term deposits of £12.49m. At 3rd May 2014, year end, the comparable figure was £14.29m.

For the half year ended 1st November 2014, a profit before tax of £0.07m (2013 - £1.87m) was achieved on a revenue of £21.74m (2013 - £23.34m). Earnings per share amounted to 0.6p (2013 - 7.9p)

The prolonged negative impact of many governments' budget reductions and constraints on previously planned defence spending coupled with the deteriorating security and political uncertainty prevailing in some of our markets, have all contributed to our 'Defence' division's revenue falling by some 28% against the comparable period. Furthermore, it is frustrating that encouraging indications, well publicised as recently as July, that there would be some relaxing of the UK defence budget restraints, failed to materialise. Nevertheless, it is important to note that we have no reason to believe that any of the potential business, in any market, has been lost to competitors.

In favourable contrast both 'Forgings' and 'Petrol Station Superstructures' have made very good progress and achieved commendable results by successfully building those businesses through a total commitment to their respective home and international markets, despite some parts of mainland Europe showing signs of nervousness in terms of investment.

At the start of this financial year, a new senior management team was engaged at 'Defence' and I am pleased to report that a strong wind of change is passing through the whole of that business. Whilst a most challenging market environment remains, it is important that we maintain a resolute focus on the future and realign the operation to suit better the changing market environment. Much has been achieved over the past year. Now we are committed to further product developments and bringing them quickly to market, supported by truly dedicated and enhanced commercial and operational functions, so as to better service customer expectations. I have every confidence that we will attain that ambition. We had, perhaps, the first breakthrough at the end of October, when we received an order for the supply and installation of MS-DS 30mm guns, for the three Offshore Patrol Vessels currently being built as part of the Royal Navy's substantial shipbuilding programme. We are also well positioned to capitalise on numerous other opportunities in the market and are awaiting projected requirements from customers to become realisable.

'Forgings' and 'Petrol Station Superstructures' should continue to perform in line with our expectations. Although operating on relatively short lead times, the markets both serve are currently reasonably buoyant although some specific parts of mainland Europe may remain fragile and unsettled.

The Board believes that appropriate actions have been taken to address the present circumstances under which the Group operates, particularly in the defence market although, in the short term, it would be unrealistic to predict any significant upturn in results.

The balance sheet remains extremely robust and all matters considered, the Board has declared a maintained interim dividend per share of 1.5p (2013 - 1.5p), payable to shareholders on 31 December 2014.

Michael Bell
26th November, 2014

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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 6 Months ended 1st November 2014 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 International Accounting Standards 34, “Interim Financial Reporting,” as adopted by the European Union.

As disclosed in note 2, the annual financial statements of the company 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 Standards 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 6 months ended 1st November 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Ernst & Young LLP
Leeds
Date

Interim condensed consolidated income statement

	Notes	26 weeks ended 1st Nov., 2014 unaudited £000	27 weeks ended 2nd Nov.,2013 unaudited £000
Products		**14,266**	16,507
Contracts		**7,471**	6,836
Revenue	4	**21,737**	23,343
Cost of sales		**(16,937)**	(16,614)
Gross profit		**4,800**	6,729
Distribution costs		**(1,113)**	(1,227)
Administrative expenses		**(3,492)**	(3,468)
Operating profit	4	**195**	2,034
Finance costs		**(5)**	(36)
Other finance costs - pension		**(119)**	(127)
Profit before taxation		**71**	1,871
Taxation	5	**24**	(444)
Profit for the period attributable to equity holders of the parent		**95**	1,427
Earnings per share: basic and diluted	6	**0.6p**	7.9p

Interim condensed consolidated statement of comprehensive income

	26 weeks ended 1st Nov., 2014 unaudited £000	27 weeks ended 2nd Nov., 2013 unaudited £000
Profit for the period attributable to equity holders of the parent	**95**	1,427
Exchange differences on retranslation of foreign operations	**(69)**	(106)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(69)**	(106)
Remeasurement (losses)/gains on defined benefit pension scheme	**(1,391)**	1,332
Deferred taxation on remeasurement gains/losses on defined benefit pension scheme	**278**	(416)
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	**(1,113)**	916
Total comprehensive (loss)/income for the period attributable to equity holders of the parent	**(1,087)**	2,237

Interim condensed consolidated statement of financial position

	Notes	1st Nov., 2014 unaudited £000	3rd May, 2014 audited £000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**14,822**	15,127
Intangible assets		**3,976**	4,135
Deferred income tax asset		**159**	-
		18,957	19,262
Current assets			
Inventories		**8,862**	8,162
Trade and other receivables		**12,171**	8,260
Income tax receivable		**117**	51
Prepayments		**741**	447
Cash and short-term deposits	9	**12,490**	14,286
		34,381	31,206
TOTAL ASSETS		**53,338**	50,468
EQUITY AND LIABILITIES			
Equity			
Issued capital		**1,840**	1,840
Capital redemption reserve		**901**	901
Other reserves		**2,815**	2,815
Revaluation reserve		**4,146**	4,146
Special reserve		**1,629**	1,629
Currency translation reserve		**(252)**	(183)
Treasury shares		**(3,059)**	(3,059)
Retained earnings		**18,963**	21,054
Total Equity		**26,983**	29,143
Non-current liabilities			
Defined benefit pension liability	10	**7,354**	5,889
Deferred income tax liability		**-**	211
		7,354	6,100
Current liabilities			
Trade and other payables		**19,001**	15,225
		19,001	15,225
TOTAL EQUITY AND LIABILITIES		**53,338**	50,468

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 3rd May, 2014	1,840	901	2,815	4,146	1,629	(183)	(3,059)	21,054	29,143
Profit for the period	-	-	-	-	-	-	-	95	95
Other comprehensive loss	-	-	-	-	-	(69)	-	(1,113)	(1,182)
	1,840	**901**	**2,815**	**4,146**	**1,629**	**(252)**	**(3,059)**	**20,036**	**28,056**
Dividend paid	-	-	-	-	-	-	-	(1,073)	(1,073)
At 1st November, 2014	**1,840**	**901**	**2,815**	**4,146**	**1,629**	**(252)**	**(3,059)**	**18,963**	**26,983**

	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 (loss)/income	-	-	-	-	-	(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**

Interim Group cash flow statement

	26 weeks ended 1st Nov., 2014 unaudited £'000	27 weeks ended 2nd Nov., 2013 unaudited £'000
Profit before taxation	**71**	1,871
Adjustments to reconcile profit before taxation to net cash in flows from operating activities		
Depreciation charge	**575**	622
Amortisation charge	**159**	158
Administration expenses- pension fund	**219**	171
Profit on disposal of fixed assets	**(29)**	(57)
Finance costs	**124**	163
Foreign exchange movements	**41**	(74)
Increase in inventories	**(700)**	(1,658)
(Increase)/decrease in receivables	**(3,911)**	78
Increase in prepayments	**(294)**	(366)
Increase/(decrease) in payables	**2,317**	(781)
Increase in progress payments	**1,459**	2,637
Pension fund deficit payments	**(264)**	(286)
Cash flows from operations	**(233)**	2,478
Interest paid	**(5)**	(36)
Taxation paid	**(135)**	(256)
Net cash flow from operating activities	**(373)**	2,186
Investing activities		
Purchase of property, plant and equipment	**(487)**	(467)
Sale of property, plant and equipment	**137**	135
Net cash flows used in investing activities	**(350)**	(332)
Financing activities		
Dividend paid	**(1,073)**	(1,180)
Net cash flows used in financing activities	**(1,073)**	(1,180)
Movement in cash and cash equivalents	**(1,796)**	674
Opening cash and cash equivalents	**14,286**	13,447
Closing cash and cash equivalents	**12,490**	14,121

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 1st November, 2014 were authorised for issue in accordance with a resolution of the directors on 26th November, 2014.

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 accounting policies are consistent with those applied in the Group Annual financial statements for the 53 weeks ended 3rd May, 2014.

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 3rd May, 2014.

The Group has adopted all applicable amendments to standards with an effective date from 3rd May, 2014. The Group has adopted IFRS 10, IFRS 12 and IAS 27 Separate Financial Statements, IAS 32 Offsetting Financial Assets and Financial Liabilities all effective from 1st January 2014. Adoption of these standards did not have any material impact on financial performance or position of the Group.

The figures for the year ended 3rd May, 2014 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 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 1st November, 2014 and 2nd November, 2013.

	Defence		Forgings		Petrol Station Superstructures		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014 unaudited**	2013 unaudited
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000 restated
Revenue								
External	**6,811**	9,450	**7,744**	7,393	**7,182**	6,500	**21,737**	23,343
Total revenue	**6,811**	9,450	**7,744**	7,393	**7,182**	6,500	**21,737**	23,343
Segment result	**(1,112)**	676	**628**	546	**679**	812	**195**	2,034
Net finance expense							**(124)**	(163)
Profit before taxation							**71**	1,871
Taxation							**24**	(444)
Profit for the period							**95**	1,427
Capital expenditure	**80**	106	**280**	145	**53**	66		
Depreciation	**108**	93	**214**	222	**141**	176		

The following table presents segment assets and liabilities of the Group's divisions for the periods ended 1st November, 2014 and 2nd November, 2013.

	Defence 2014	Defence 2013	Forgings 2014	Forgings 2013	Petrol Station 2014	Petrol Station 2013	Total 2014	Total 2013
Segmental assets	**25,203**	29,537	**6,495**	5,713	**6,929**	5,055	**38,627**	40,305
Unallocated assets							**14,711**	13,704
Total assets							**53,338**	54,009
Segmental liabilities	**11,687**	12,491	**2,146**	1,786	**3,874**	2,992	**17,707**	17,269
Unallocated liabilities							**8,648**	6,587
Total liabilities							**26,355**	23,856

5 Income tax

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

	26 weeks ended 1st Nov., 2014 unaudited £'000	27 weeks ended 2nd Nov., 2013 unaudited £'000
Current income tax charge	**69**	581
Current tax	**69**	581
Relating to origination and reversal of temporary differences	**(93)**	(72)
Impact of reduction in deferred tax rate (23% to 21%)	**-**	(65)
Deferred tax	**(93)**	(137)
Total income tax expense reported in the consolidated income statement	**(24)**	444

6 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 £95,000 (2013 - £1,427,000);

(b) 16,504,691 (2013 - 18,151,025) Ordinary shares, being the number of Ordinary shares in issue.

This represents 18,396,073 (2013-18,396,073) being the number of Ordinary shares in issue less 245,048 (2013-245,048) being the number of shares held within the ESOT and less 1,646,334 (2013 - nil) being the number of shares purchased by the Company.

7 Dividends paid and proposed

	26 weeks ended 1st Nov., 2014 unaudited £'000	27 weeks ended 2nd Nov., 2013 unaudited £'000
Declared and paid during the six month period		
Dividend on ordinary shares		
Final dividend for 2014 - 6.50p (2013 - 6.50p)	**1,073**	1,180
Proposed for approval		
Interim dividend for 2015 - 1.50p (2014 - 1.50p)	**248**	270

Dividend warrants will be posted on 30th December, 2014 to those members registered on the books of the Company on 5th December, 2014.

8 Property, plant and equipment

Acquisitions and disposals:

During the 26 weeks ended 1st November, 2014, the Group acquired assets with a cost of £487,000 (2013 - £467,000).

Assets with a net book value of £108,000 (2013 - £78,000) were disposed of by the Group for proceeds of £137,000 (2013 - £135,000) during the 26 weeks ended 1st November, 2014, resulting in a gain on disposal of £29,000 (2013 - £57,000).

9 Cash and cash equivalents

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

	1st Nov., 2014 unaudited £'000	2nd Nov., 2013 unaudited £'000
Cash at bank and in hand	**7,749**	6,616
Short term deposits	**4,741**	7,505
	12,490	14,121

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 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.

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 £5,768,071 at 1st November, 2014 (2013 - £7,545,035).

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.