

**MS INTERNATIONAL plc**

Annual Report 2017





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## The year in brief

	<b>2017</b>	2016
	<b>Total</b>	Total
	<b>£000</b>	£000
Revenue	<b>53,823</b>	49,282
Profit before taxation	<b>1,526</b>	1,682
Earnings per share	<b>9.1p</b>	9.6p
Dividends payable per share	<b>8.00p</b>	8.00p

### Financial Calendar Key Dates

Annual Results Announced	June
Annual General Meeting	July
Final Dividend Payable	July
Half-Year Results Announced	November
Interim Dividend Payable	December

# Chairman's Statement

## Results and Review

It has been a period of solid growth across much of the Group coupled with important and significant new investment to ensure we continue to take full advantage of future opportunities.

Revenue has increased across three of the Group's four divisions and it would have been all four had it not been for the rescheduling of a delivery, for a long standing international defence customer, into our 2017/18 financial year. Even so, overall revenue was up an impressive 9.2% at £53.82m for the year ended 29th April 2017 (2016 – £49.28m).

Investment across the divisions was considerable and wide ranging, reflecting our determination and commitment to optimise their future potential. This increased investment nevertheless impacted short term returns and profit before taxation amounted to £1.53m (2016 – £1.68m). Earnings per share were 9.1p (2016 – 9.6p).

The balance sheet is strong and at the year-end had net cash amounting to £15.21m (2016 – £12.76m).

'Defence division' markets generally remained testing, reflecting the many constraints placed on global defence ministries which are faced with numerous, diverse threats and yet often only have limited resources to support military procurement programmes. Hence, although programmes may be approved and planning initiated, thereafter they frequently become delayed; postponed or at worst, even cancelled. Despite such unpredictability, it is important that we continue to invest in extensive new product development as well as essential international marketing campaigns, as we seek to match the ever-changing requirements and expectations of the international market.

'Forgings division' lifted revenue by 6% as a result of strong growth in the United States and a good measure of recovery in our Brazilian operations. European markets serviced from our UK facility, remained relatively constant but were, as a result, highly competitive. The very recent production 'start-up phase' of our new superb and substantial fork-arm manufacturing property in South Carolina – a notable investment – is in process. Whilst there is still much to do and costs to complete, the facility will provide a significant capability to meet the opportunities of a changing market place.

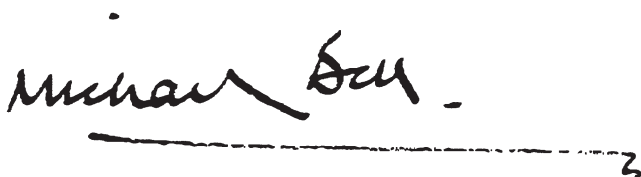
'Petrol Station Superstructures division' produced an impressive performance, lifting revenue by some 26% over last year. Pleasingly, the number of petrol stations operating in the UK increased in 2016, the first upturn in several decades. Demand for new station builds, upgrades, plus repairs and maintenance work created a strong market for 'Global-MSI'. Clearly, we are also benefiting from having added the complimentary capabilities of station branding via 'Petrol Sign' to that of our established design, manufacture and construction of canopies and convenience stores. Our broader offering has enabled the division's marketing operations to gain added impetus. Elsewhere, in a response to a lean market for new petrol stations in Eastern Europe, our Polish operation successfully expanded into other markets and completed new station builds in twelve other countries around the world in addition to its native Poland.

'Petrol Station Branding division,' with operations in the Netherlands; Germany and the UK are all making progress. Towards the end of the period, we were at last able to commence initial work on an extensive programme to rebrand the estate of a major petrol station client in Germany. The Netherlands' operation continues to support the initiation of the German programme and the UK business also in its first year of operation, successfully winning business independently and also when teaming-up with the 'Petrol Station Superstructures Division', for those clients requiring a 'one-stop' turn-key service.

## Outlook

We believe that the Group is in excellent shape and well positioned to achieve further progress following the considerable investment made across the various businesses. The order book is at a higher level than at this time last year; in particular there is a good level of orders in hand for both established and recently developed defence products. The new fork-arm facility in the United States has commenced some initial production and the prospects for our two divisions that service the petrol station market, look most promising.

All matters considered the Board recommends the payment of a maintained final dividend of 6.5p per share (2016 – 6.5p), making the total for the year of 8p (2016 – 8p). The final dividend is expected to be paid on 24th July 2017 to those shareholders on the register at the close of business on 23rd June 2017.



**Michael Bell**

6th June 2017

# Directors

## Directors

### Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

### Non-executive

Roger Lane-Smith – Age 71

Appointed as a director on 21st January, 1983. He is a non-executive director of Timpson Group plc, Lomond Capital Partners, Mostyn Estates Limited and a number of other private companies. He is also a Senior Consultant at DLA Piper UK LLP.

David Pyle – Age 71

Appointed an executive director on 9th July, 1980. He stepped down as an executive director on 27th April, 2013 and was appointed a non-executive director.

David Hansell – Age 71

Appointed a non executive director on 3rd June, 2014. David has been with MS INTERNATIONAL plc, working at MSI-Defence Systems Ltd since 1962, becoming managing director in 2002.

Following the termination of the employment of the managing director of MSI Defence Systems Ltd, David Hansell has been appointed interim chief executive until a replacement is recruited.

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## Company Secretary

David Kirkup FCA

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## Registered Office

Balby Carr Bank

Doncaster

DN4 8DH

England

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Company Registration Number 00653735

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# Advisors

## Auditors

Ernst & Young LLP  
2 Citygate  
St James' Boulevard  
Newcastle  
NE1 4JD

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## Registrars and Transfer Office

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

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## Solicitors

DLA Piper UK LLP  
1 St. Peter's Square  
Manchester  
M2 3DE

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## Nominated Advisor

Shore Capital & Corporate Limited  
Bond Street House  
14 Clifford Street  
London  
W15 4JU

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## Brokers

Shore Capital & Corporate Limited  
Bond Street House  
14 Clifford Street  
London  
W15 4JU

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## Bankers

Lloyds Bank  
First Floor  
14 Church Street  
Sheffield  
S1 1HP

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# Strategic report

## Business review

The Group is engaged in the design and manufacture of specialist engineering products and the provision of related services.

A review of the operations of the Company and subsidiaries and their position at 29th April, 2017 are provided in the Chairman's Statement.

Segment information for the year under review is provided in note 4 "Segment Information" to the Group financial statements.

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## 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.

The referendum on the UK's membership of the EU increases economic and operational uncertainty.

Sterling exchange rates against other currencies can influence pricing. The principal financial risks and uncertainties in the business are set out in note 23 "Financial Instruments" to these Group financial statements.

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## Key performance indicators

	<b>2017</b>	2016	Change
	<b>£000</b>	£000	%
Revenue	<b>53,823</b>	49,282	9.2
Profit before taxation	<b>1,526</b>	1,682	-9.3
Earnings per share	<b>9.1p</b>	9.6p	-5.2

A review of the changes in the key performance indicators is provided in the Chairman's Statement.

By order of the Board,

**David Kirkup**

Secretary

6th June, 2017



## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare such financial statements for each financial year. Under that law, the directors are required to prepare Group and Parent Company financial statements under IFRSs as adopted by the European Union.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Group and Parent Company;
- select suitable accounting policies in accordance with IAS 8: Accounting policies, Changes in accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Parent Company's financial position and financial performance; and
- state whether the Group and Parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for preparing the Report of the directors, the Directors' remuneration report and the Corporate governance statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

## Independent auditors' report to the members of MS INTERNATIONAL plc – Registration Number 00653735

We have audited the financial statements of MS INTERNATIONAL plc for the 52 weeks ended 29th April 2017 which comprise the consolidated income statement, the consolidated and company statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated and company cashflow statements, and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

# Independent auditors' report to the members of MS INTERNATIONAL plc

Continued

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 29 April 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- based on the work undertaken in the course of the audit;
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Sandra Thompson (Senior statutory auditor)

for and on behalf of Ernst & Young LLP,  
Statutory Auditor  
Newcastle

6th June 2017

The maintenance and integrity of the MS INTERNATIONAL plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Consolidated income statement

For the 52 weeks ended 29th April, 2017

	Notes	2017 Total £000	2016 Total £000
Continuing operations			
Revenue	3/4	53,823	49,282
Cost of sales		(38,875)	(36,413)
Gross profit		14,948	12,869
Distribution costs		(3,654)	(3,104)
Administrative expenses		(9,523)	(7,909)
		(13,177)	(11,013)
Group operating profit	4/5	1,771	1,856
Finance revenue	7	33	47
Finance costs	8	(31)	(5)
Other finance costs – pensions	21	(247)	(216)
		(245)	(174)
Profit before taxation		1,526	1,682
Taxation	9	(28)	(98)
Profit for the period attributable to equity holders of the parent		1,498	1,584
Earnings per share: basic and diluted	10	9.1p	9.6p

## Consolidated and company statement of comprehensive income

For the 52 weeks ended 29th April, 2017

	Group		Company	
	2017 Total £000	2016 Total £000	2017 Total £000	2016 Total £000
Profit for the period attributable to equity holders of the parent	1,498	1,584	2,702	1,926
Exchange differences on retranslation of foreign operations	757	228	–	–
Net other comprehensive profit to be reclassified to profit or loss in subsequent periods	757	228	–	–
Remeasurement gains/(losses) on defined benefit pension scheme	95	(826)	95	(826)
Deferred taxation on remeasurement on defined benefit scheme	(16)	165	(16)	165
Change in taxation rates	(75)	(153)	(75)	(153)
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods	4	(814)	4	(814)
Total comprehensive income for the period attributable to equity holders of the parent	2,259	998	2,706	1,112

## Consolidated and company 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 £000
<b>(a) Group</b>									
At 2nd May, 2015	1,840	901	2,815	4,146	1,629	(289)	(3,059)	20,316	<b>28,299</b>
Profit for the period	–	–	–	–	–	–	–	1,584	<b>1,584</b>
Other comprehensive income/(loss)	–	–	–	–	–	228	–	(814)	<b>(586)</b>
Total comprehensive income	–	–	–	–	–	228	–	770	<b>998</b>
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,320)	<b>(1,320)</b>
Change in taxation rates	–	–	–	83	–	–	–	–	<b>83</b>
Depreciation of buildings revaluation	–	–	–	(7)	–	–	–	7	<b>–</b>
At 30th April, 2016	1,840	901	2,815	4,222	1,629	(61)	(3,059)	19,773	<b>28,060</b>
Profit for the period	–	–	–	–	–	–	–	1,498	<b>1,498</b>
Other comprehensive income	–	–	–	–	–	757	–	4	<b>761</b>
Total comprehensive income	–	–	–	–	–	757	–	1,502	<b>2,259</b>
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,320)	<b>(1,320)</b>
Change in taxation rates	–	–	–	42	–	–	–	–	<b>42</b>
Depreciation of buildings revaluation	–	–	–	(7)	–	–	–	7	<b>–</b>
<b>At 29th April, 2017</b>	<b>1,840</b>	<b>901</b>	<b>2,815</b>	<b>4,257</b>	<b>1,629</b>	<b>696</b>	<b>(3,059)</b>	<b>19,962</b>	<b>29,041</b>
<b>(b) Company</b>									
At 2nd May, 2015	1,840	901	1,565	4,240	1,629	–	(3,059)	17,554	<b>24,670</b>
Profit for the period	–	–	–	–	–	–	–	1,926	<b>1,926</b>
Other comprehensive loss	–	–	–	–	–	–	–	(814)	<b>(814)</b>
Total comprehensive income	–	–	–	–	–	–	–	1,112	<b>1,112</b>
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,320)	<b>(1,320)</b>
Change in taxation rates	–	–	–	83	–	–	–	–	<b>83</b>
Depreciation of buildings revaluation	–	–	–	(7)	–	–	–	7	<b>–</b>
At 30th April, 2016	1,840	901	1,565	4,316	1,629	–	(3,059)	17,353	<b>24,545</b>
Profit for the period	–	–	–	–	–	–	–	2,702	<b>2,702</b>
Other comprehensive loss	–	–	–	–	–	–	–	4	<b>4</b>
Total comprehensive income	–	–	–	–	–	–	–	2,706	<b>2,706</b>
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,320)	<b>(1,320)</b>
Change in taxation rates	–	–	–	41	–	–	–	–	<b>41</b>
Depreciation of buildings revaluation	–	–	–	(6)	–	–	–	6	<b>–</b>
<b>At 29th April, 2017</b>	<b>1,840</b>	<b>901</b>	<b>1,565</b>	<b>4,351</b>	<b>1,629</b>	<b>–</b>	<b>(3,059)</b>	<b>18,745</b>	<b>25,972</b>

# Consolidated and company statements of financial position

At 29th April, 2017

	Notes	Group		Company	
		2017	2016	2017	2016
		£000	£000	£000	£000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	<b>19,099</b>	15,955	<b>12,653</b>	12,869
Intangible assets	13	<b>5,301</b>	5,671	–	4
Investments in subsidiaries	14	–	–	<b>14,339</b>	14,170
Deferred income tax asset	15	<b>1,272</b>	1,376	<b>1,272</b>	1,376
		<b>25,672</b>	23,002	<b>28,264</b>	28,419
<b>Current assets</b>					
Inventories	16	<b>10,145</b>	7,043	<b>7,989</b>	5,808
Trade and other receivables	17	<b>11,393</b>	8,996	<b>14,566</b>	9,655
Income tax receivable		<b>199</b>	118	–	–
Prepayments		<b>943</b>	784	<b>824</b>	682
Cash and cash equivalents	18	<b>15,210</b>	12,758	<b>13,526</b>	11,017
		<b>37,890</b>	29,699	<b>36,905</b>	27,162
<b>TOTAL ASSETS</b>		<b>63,562</b>	52,701	<b>65,169</b>	55,581
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Equity share capital	19	<b>1,840</b>	1,840	<b>1,840</b>	1,840
Capital redemption reserve	20	<b>901</b>	901	<b>901</b>	901
Other reserve	20	<b>2,815</b>	2,815	<b>1,565</b>	1,565
Revaluation reserve	20	<b>4,257</b>	4,222	<b>4,351</b>	4,316
Special reserve	20	<b>1,629</b>	1,629	<b>1,629</b>	1,629
Currency translation reserve	20	<b>696</b>	(61)	–	–
Treasury shares	20	<b>(3,059)</b>	(3,059)	<b>(3,059)</b>	(3,059)
Profit for the period	20	<b>1,498</b>	1,584	<b>2,572</b>	1,755
Retained earnings	20	<b>18,464</b>	18,189	<b>16,174</b>	15,598
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<b>29,041</b>	28,060	<b>25,973</b>	24,545
<b>Non-current liabilities</b>					
Defined benefit pension liability	21	<b>7,485</b>	7,644	<b>7,485</b>	7,644
Deferred income tax liability	15	<b>1,449</b>	1,590	<b>911</b>	987
		<b>8,934</b>	9,234	<b>8,396</b>	8,631
<b>Current liabilities</b>					
Trade and other payables	22	<b>25,464</b>	15,253	<b>30,607</b>	22,270
Income tax payable		<b>123</b>	154	<b>193</b>	135
		<b>25,587</b>	15,407	<b>30,800</b>	22,405
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>63,562</b>	52,701	<b>65,169</b>	55,581

These accounts and notes on page 13 to 39 were approved by the Board of Directors on 6th June, 2017, and signed on its behalf by

**Michael Bell,**  
Executive Chairman

**Michael O'Connell,**  
Finance Director

# Consolidated and company cash flow statements

For the 52 weeks ended 29th April, 2017

	Note	Group		Company	
		2017 £000	2016 £000	2017 £000	2016 £000
Profit before taxation		<b>1,526</b>	1,682	<b>2,544</b>	1,880
<i>Adjustments to reconcile profit before taxation to net cash inflow/(outflow) from operating activities</i>					
Depreciation charge	12	<b>1,105</b>	1,060	<b>853</b>	861
Amortisation charge	13	<b>535</b>	609	<b>4</b>	9
Impairment in investment in subsidiary undertaking	14	<b>–</b>	–	<b>(155)</b>	28
Profit on sale of fixed assets		<b>(35)</b>	(98)	<b>(34)</b>	(91)
Finance costs		<b>245</b>	174	<b>228</b>	170
Foreign exchange gains		<b>419</b>	83	<b>–</b>	–
(Increase)/decrease in inventories		<b>(3,102)</b>	2,394	<b>(2,181)</b>	1,585
(Increase)/decrease in receivables		<b>(2,397)</b>	840	<b>(4,911)</b>	(403)
Increase in prepayments		<b>(159)</b>	(194)	<b>(142)</b>	(187)
Increase/(decrease) in payables		<b>3,126</b>	(1,981)	<b>1,409</b>	(1,705)
Increase/(decrease) in progress payments		<b>7,085</b>	(2,479)	<b>6,928</b>	(2,479)
Pension fund payments		<b>(311)</b>	(275)	<b>(311)</b>	(275)
<b>Cash generated from/(invested in) operating activities</b>		<b>8,037</b>	1,815	<b>4,232</b>	(607)
Net interest received		<b>2</b>	42	<b>19</b>	46
Taxation (paid)/received		<b>(242)</b>	(134)	<b>65</b>	16
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7,797</b>	1,723	<b>4,316</b>	(545)
<b>Investing activities</b>					
Acquisition of Petrol Sign bv		<b>–</b>	(2,612)	<b>–</b>	(2,438)
Investment in Petrol Sign GmbH		<b>–</b>	–	<b>–</b>	(19)
Investment in Global MSI bv		<b>–</b>	–	<b>(14)</b>	–
Purchase of property, plant and equipment	12	<b>(4,165)</b>	(2,330)	<b>(720)</b>	(1,172)
Sale of property, plant and equipment	12	<b>140</b>	149	<b>117</b>	141
<b>Net cash outflow from investing activities</b>		<b>(4,025)</b>	(4,793)	<b>(617)</b>	(3,488)
<b>Financing activities</b>					
Dividends paid	11	<b>(1,320)</b>	(1,320)	<b>(1,320)</b>	(1,320)
Dividend received from subsidiary		<b>–</b>	–	<b>130</b>	171
<b>Net cash outflow from financing activities</b>		<b>(1,320)</b>	(1,320)	<b>(1,190)</b>	(1,149)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>2,452</b>	(4,390)	<b>2,509</b>	(5,182)
<b>Opening cash and cash equivalents</b>		<b>12,758</b>	17,148	<b>11,017</b>	16,199
<b>Closing cash and cash equivalents</b>	18	<b>15,210</b>	12,758	<b>13,526</b>	11,017

# Notes to the financial statements

At 29th April, 2017

## 1 Authorisation of financial statements and statement of compliance with IFRSs

The Group's and Company's financial statements of MS INTERNATIONAL plc (the 'Company') for the year ended 29th April, 2017 were authorised for issue by the board of the directors on 6th June, 2017 and the statements of financial position were signed on the board's behalf by Michael Bell and Michael O'Connell. MS INTERNATIONAL plc is a public limited company incorporated and domiciled in England and Wales. The Company's Ordinary shares are traded on the London Stock Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements of the Group and Company for the year ended 29th April, 2017 applied in accordance with the provisions of the Companies Act 2006.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

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## 2 Accounting policies

### Basis of preparation

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

#### Defined benefit pension obligations

Measurement of defined benefits obligations requires estimation of future changes in salaries and inflation, as well as mortality rates and the selection of a suitable discount rate (see note 21).

#### Contract sales

Assessment of the extent to which contract outcomes and costs to complete can be measured reliably.

#### Impairment of non-financial assets

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based either on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

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### Statement of compliance

The consolidated financial statements of MS INTERNATIONAL plc have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the EU.

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### Basis of consolidation

The consolidated financial statements comprises the financial statements of MS INTERNATIONAL plc and its subsidiaries as at the Saturday nearest to the 30th April each period. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

### Change in accounting policies

There were no changes in accounting policies during the year or in the prior year which impacted the group.

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# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

### The Company's investments in subsidiaries

In its separate financial statements the Company's investments in subsidiaries are carried at cost less provision for impairment.

### Foreign currency translation

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to profit or loss. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

The main functional currencies of the Group's overseas subsidiaries are the US\$, the Euro, the Polish Zloty and the Brazilian Real. 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 statement of financial position 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. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

### Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Land and buildings are recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of the revaluation. Fair value is based on periodic valuations by an external independent valuer and is determined from market-based evidence by appraisal. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

Additionally, accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the balance sheet date, of each asset evenly over its expected useful life as follows:

Property other than freehold land – over 50 years

Plant and machinery – over 3 to 8 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.



# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

### Intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The useful economic lives of each tangible asset with finite lives are as follows:-

Tradename – over 10 to 20 years

Design database – over 10 years

Customer relationships – over 8 to 10 years

Software costs – over 3 to 5 years

Non- compete agreement – over 3 years

Order backlog – over 1 year

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level and are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

### Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement.

### Inventories

Inventories are valued at the lower of historic cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Raw materials — purchase cost on a first-in, first-out basis.

Finished goods and work in progress — cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Progress payments received and receivable are deducted from the value of raw materials and work in progress to which they relate. Any excess progress payments are included in trade and other payables.

# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

### Trade and other receivables

Trade receivables, which generally have 30 days terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Provision is made when there is objective evidence that the Group may not be able to collect the debts. Bad debts are written off when identified.

### Treasury shares

Own shares held by the Company and Group are classified in equity and are recognised at cost. No gain or loss is recognised on the purchase, sale, issue or cancellation of the Group's own equity instruments.

### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank, on short term deposit and in hand.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

### Pension schemes

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the income statement immediately. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. Remeasurement gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur. Actual gains/losses less amount included in net interest costs are included in other comprehensive income.

The defined benefit pension asset or liability in the statement of financial position comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

### Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the income statement or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

### Business combinations (continued)

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements are accounted for separately from the business combination in accordance with their nature and applicable IFRSs. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or Groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Revenue

Revenue represents the turnover, net of discounts, derived from services provided to customers and sales of products applicable to the period.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue, in respect of products, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, this is usually on despatch.

Revenue from the provision of engineering services is recognised as the work is performed.

Contract sales are recognised by reference to the stage of completion. Stage of completion is measured by reference to the value of cost completed as a percentage of the total estimated value of the costs of the contract. Where the contract outcome cannot be measured reliably revenue is recognised only to the extent of the costs recognised that are recoverable.

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

### Taxes

Income tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to, respectively, other comprehensive income or equity. Otherwise income tax is recognised in the income statement.

#### Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the statement of financial position date.

#### Deferred tax

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised;

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### Dividends payable

Dividends are recognised when they become legally payable. In the case of interim dividends this is when paid, in the case of final dividends this is when approved by the shareholders.

#### Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and unexpected infrequency of the events giving rise to them merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

#### Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield.

# Notes to the financial statements

Continued

## 2 Accounting policies (continued)

New standards and interpretations not applied – The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the date of these financial statements:

<b>International Accounting Standards (IAS/IFRSs)</b>	<b>Effective date<sup>(1)</sup></b>	
IFRS 2	Classification and measurement of share based payment transactions - Amendments to IFRS2	01 January 2018
IFRS 9	Financial instruments	01 January 2018
IFRS 15	Revenue from contracts with customers	01 January 2018
IFRS 16	Leases	01 January 2019
IFRIC interpretation 22	Foreign currency transactions	01 January 2018
Annual improvements 2014-2016 cycle		01 January 2018

<sup>1</sup> The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU endorsement mechanism. In the majority of cases, this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsements restricts the Group's discretion to early adopt standards.

The Group has adopted all applicable amendments to standards with an effective date from 1 April 2016. Adoption of these standards did not have any material impact on financial performance or position of the Group.

The Group are still assessing the impact of IFRS 9, IFRS 15 and IFRS 16 as at the date of this report.

## 3 Revenue

	<b>2017</b>	2016
	<b>£000</b>	£000
Sale of goods	<b>39,567</b>	38,046
Revenue under contract accounting	<b>13,679</b>	10,775
	<b>53,246</b>	48,821
Rendering of services	<b>577</b>	461
	<b>53,823</b>	49,282

No revenue was derived from exchanges of goods or services (2016 – £Nil).

# Notes to the financial statements

Continued

## 4 Segment information

The following table presents revenue and profit and certain assets and liability information regarding the Group's divisions for the periods ended 29th April, 2017 and 30th April, 2016. 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, manufacture, construction, branding, maintenance and restyling of petrol station superstructures. The Petrol Station Branding division is engaged in the design and installation of the complete appearance of petrol stations

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

	Defence		Forgings		Petrol Station Superstructures		Petrol Station Branding		Total	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
	Restated		Restated		Restated		Restated			
<b>Revenue</b>										
External	<b>20,847</b>	21,907	<b>12,562</b>	11,922	<b>13,745</b>	10,842	<b>6,669</b>	4,611	<b>53,823</b>	49,282
Total revenue	<b>20,847</b>	21,907	<b>12,562</b>	11,922	<b>13,745</b>	10,842	<b>6,669</b>	4,611	<b>53,823</b>	49,282
<b>Segment result</b>	<b>1,822</b>	1,950	<b>(721)</b>	(393)	<b>957</b>	262	<b>(287)</b>	37	<b>1,771</b>	1,856
Net finance costs									<b>(245)</b>	(174)
Profit before taxation									<b>1,526</b>	1,682
Taxation									<b>(28)</b>	(98)
Profit for the period									<b>1,498</b>	1,584
<b>Segmental assets</b>	<b>30,576</b>	24,607	<b>5,178</b>	5,250	<b>8,260</b>	9,525	<b>5,514</b>	3,668	<b>49,528</b>	43,050
Unallocated assets (see below)									<b>14,034</b>	9,651
Total assets									<b>63,562</b>	52,701
<b>Segmental liabilities</b>	<b>18,333</b>	10,411	<b>1,905</b>	1,378	<b>2,572</b>	2,458	<b>2,644</b>	985	<b>25,454</b>	15,232
Unallocated liabilities (see below)									<b>9,067</b>	9,409
Total liabilities									<b>34,521</b>	24,641
Capital expenditure	<b>219</b>	214	<b>3,297</b>	1,443	<b>254</b>	470	<b>341</b>	80	<b>4,111</b>	2,207
Depreciation	<b>211</b>	233	<b>305</b>	362	<b>627</b>	575	<b>347</b>	336	<b>1,490</b>	1,506

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

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

# Notes to the financial statements

Continued

## 4 Segment information (continued)

### Geographical analysis

The following table presents revenue and expenditure and certain assets and liabilities information by geographical segment for the periods ended 29th April, 2017 and 30th April, 2016. 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	
	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000	2017 £000	2016 £000
<b>Revenue</b>								
External	45,599	39,238	6,072	3,935	2,152	6,109	53,823	49,282
Non-current assets	21,230	21,683	4,351	1,246	91	73	25,672	23,002
Current assets	35,911	27,544	1,213	1,483	766	672	37,890	29,699
Liabilities	29,163	22,675	4,922	1,531	436	435	34,521	24,641
Capital expenditure	992	1,261	3,149	1,069	24	–	4,165	2,330

### Information about major customers

	2017 £000	2016 £000
Revenue from major customers arising from sales reported in the Defence segment:		
Customer 1	9,065	–
Customer 1	–	10,042

## 5 Group operating profit

	2017 £000	2016 £000
This is stated after charging:		
Audit of the financial statements	92	86
Other fees for auditors		
Other assurance services	21	61
Taxation services	54	41
Depreciation	1,105	1,060
Amortisation of intangible assets	535	609
Foreign exchange gains	240	147
Hire of plant and machinery	1,212	774
Other operating leases - minimum lease payments	44	33
Cost of inventories recognised as an expense	29,857	25,247
Research and development costs	1,529	1,200

## 6 Employee Information

	2017 Number	2016 Number
The average number of employees, including executive directors, during the period was:		
Production	234	237
Technical	65	68
Distribution	30	31
Administration	80	59
	409	395



# Notes to the financial statements

Continued

## 6 Employee Information (continued)

### (a) Staff costs

	2017	2016
	£000	£000
Including executive directors, employment costs were as follows:		
Wages and salaries	12,764	11,558
Social Security costs	1,355	1,227
Other pension costs	398	412
	<b>14,517</b>	<b>13,197</b>

### (b) Directors' emoluments

	2017	2016
	£000	£000
Aggregate directors' emoluments (note 27)	1,152	1,128
Post employment benefits	31	31
	<b>1,183</b>	<b>1,159</b>

## 7 Finance revenue

	2017	2016
	£000	£000
Bank interest	33	47
	<b>33</b>	<b>47</b>

## 8 Finance costs

	2017	2016
	£000	£000
Bank interest	26	3
Other	5	2
	<b>31</b>	<b>5</b>

## 9 (a) Taxation

The charge for taxation comprises:

	2017	2016
	£000	£000
<b>Current tax</b>		
United Kingdom corporation tax	9	83
Tax over provided in previous years	15	(82)
Foreign corporation tax	116	150
Group current tax	<b>140</b>	<b>151</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(73)	(54)
Adjustments in respect of prior years	(26)	37
Impact of reduction in deferred tax rate to 17%	(13)	(36)
Group deferred tax (note 15)	<b>(112)</b>	<b>(53)</b>
Tax on profit	<b>28</b>	<b>98</b>
Tax relating to items charged or credited to other comprehensive income		
<b>Deferred tax</b>		
Deferred tax on remeasurement losses on pension scheme current year	16	(165)
Impact of reduction in deferred tax rate to 17%	75	153
Income tax in the statement of comprehensive income	<b>91</b>	<b>(12)</b>



## Notes to the financial statements

Continued

### 9 (b) Factors affecting the tax charge for the year

The tax assessed for the period differs to the standard rate of corporation tax in the UK (20%) (2016 – 20%). The differences are explained below:

	<b>2017</b>	2016
	<b>£000</b>	£000
Profit before tax	<b>1,526</b>	1,682
Profit multiplied by standard rate of corporation tax of 20% (2016 – 20%)	<b>305</b>	336
Expenses not deductible for tax purposes	<b>(434)</b>	(173)
Adjustments in respect of overseas tax rates	<b>181</b>	16
Current tax adjustment in respect of prior periods	<b>15</b>	(82)
Deferred tax adjustment in respect of prior periods	<b>(26)</b>	37
Impact of reduction in deferred tax rate to 17%	<b>(13)</b>	(36)
Total tax charge for the period	<b>28</b>	98

### 10 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 £1,498,000 (2016 – £1,584,000).
- (b) 16,504,691 (2016 – 16,504,691) Ordinary shares, being the weighted average number of Ordinary shares in issue.

This represents 18,396,073 (2016 – 18,396,073) being the weighted average number of Ordinary shares in issue less 1,891,382 (2016 – less 1,891,392) being the weighted average number of shares both held within the ESOT 245,048 (2016 – 245,048) and purchased by the Company 1,646,334 (2016 – 1,646,334).

### 11 Dividends paid and proposed

	<b>2017</b>	2016
	<b>£000</b>	£000
Declared and paid during the year		
On Ordinary shares		
Final dividend for 2016: 6.50p (2015 – 6.50p)	<b>1,073</b>	1,073
Interim dividend for 2017: 1.50p (2016 – 1.50p)	<b>247</b>	247
	<b>1,320</b>	1,320
Proposed for approval by shareholders at the AGM		
Final dividend for 2017: 6.50p (2016 – 6.50p)	<b>1,073</b>	1,073

# Notes to the financial statements

Continued

## 12 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Total £000
<b>(a) Group</b>			
Cost or valuation			
At 2nd May, 2015	12,221	13,948	<b>26,169</b>
Additions	863	1,467	<b>2,330</b>
Disposals	–	(1,079)	<b>(1,079)</b>
Acquisition–Petrol Sign bv	–	171	<b>171</b>
Exchange differences	8	12	<b>20</b>
At 30th April, 2016	13,092	14,519	<b>27,611</b>
Additions	2,727	1,438	<b>4,165</b>
Disposals	–	(404)	<b>(404)</b>
Exchange differences	191	198	<b>389</b>
At 29th April, 2017	<b>16,010</b>	<b>15,751</b>	<b>31,761</b>
Accumulated depreciation			
At 2nd May, 2015	175	11,431	<b>11,606</b>
Depreciation charge for the period	181	879	<b>1,060</b>
Disposals	–	(1,028)	<b>(1,028)</b>
Exchange differences	(1)	19	<b>18</b>
At 30th April, 2016	355	11,301	<b>11,656</b>
Depreciation charge for the period	185	920	<b>1,105</b>
Disposals	–	(299)	<b>(299)</b>
Exchange differences	17	183	<b>200</b>
At 29th April, 2017	<b>557</b>	<b>12,105</b>	<b>12,662</b>
Net book value at 29th April, 2017	<b>15,453</b>	<b>3,646</b>	<b>19,099</b>
Net book value at 30th April, 2016	12,737	3,218	<b>15,955</b>
Analysis of cost or valuation			
At professional valuation 2014	12,221	–	<b>12,221</b>
At cost	3,789	15,755	<b>19,544</b>
At 29th April, 2017	<b>16,010</b>	<b>15,755</b>	<b>31,765</b>
Analysis of cost or valuation			
At professional valuation 2014	12,221	–	<b>12,221</b>
At cost	871	14,519	<b>15,390</b>
At 30th April, 2016	13,092	14,519	<b>27,611</b>

## Notes to the financial statements

Continued

### 12 Property, plant and equipment (continued)

	Freehold property £000	Plant and equipment £000	Total £000
<b>(b) Company</b>			
Cost or valuation			
At 2nd May, 2015	10,950	12,945	<b>23,895</b>
Additions	–	1,172	<b>1,172</b>
Disposals	–	(1,046)	<b>(1,046)</b>
At 30th April, 2016	10,950	13,071	<b>24,021</b>
Additions	–	720	<b>720</b>
Disposals	–	(340)	<b>(340)</b>
At 29th April, 2017	<b>10,950</b>	<b>13,451</b>	<b>24,401</b>
Accumulated depreciation			
At 2nd May, 2015	146	11,141	<b>11,287</b>
Depreciation charge for the period	147	714	<b>861</b>
Disposals	–	(996)	<b>(996)</b>
At 30th April, 2016	293	10,859	<b>11,152</b>
Depreciation charge for the period	146	707	<b>853</b>
Disposals	–	(257)	<b>(257)</b>
At 29th April, 2017	<b>439</b>	<b>11,309</b>	<b>11,748</b>
Net book value at 29th April, 2017	<b>10,511</b>	<b>2,142</b>	<b>12,653</b>
Net book value at 30th April, 2016	10,657	2,212	<b>12,869</b>
Analysis of cost or valuation			
At professional valuation 2014	10,950	–	<b>10,950</b>
At cost	–	13,311	<b>13,311</b>
At 29th April, 2017	<b>10,950</b>	<b>13,311</b>	<b>24,261</b>
Analysis of cost or valuation			
At professional valuation 2014	10,950	–	<b>10,950</b>
At cost	–	13,071	<b>13,071</b>
At 30th April, 2016	<b>10,950</b>	<b>13,071</b>	<b>24,021</b>

**(c)** Depreciation has not been charged on freehold land which is included at a book value of £4,895,000 (2016 – £4,413,000) Company £3,380,000 (2016 – £3,380,000) at 29th April, 2017.

**(d)** On 30th April, 2014 the Group's land and buildings which consist of manufacturing and office facilities in the UK and Poland, were valued by Dove Haigh Phillips (UK) and KonSolid–Nieruchomosci (Poland). Management determined that these constitute one class of asset under IFRS 13 (designated as level 3 fair value assets), based on the nature, characteristics and risks of the properties.

If land and buildings were valued using the cost method, carrying amounts would be £11,121,000 (2016 – £8,203,000) at 29th April, 2017.

The UK properties were valued on the basis of an existing use value in accordance with the Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors. The Poland property was valued based on the income approach, converting anticipated future benefits in the form of rental income into present value. For all properties, there is no difference between current use and highest and best use.

## Notes to the financial statements

Continued

### 12 Property, plant and equipment (continued)

Significant unobservable valuation input

	UK Properties	Poland Property
Basis of measurement	Value in use	Monthly rental
Value Range	£293-315 sq./m	£4-£11 sq./m pcm

Significant increases/(decreases) in the above measurements would result in a significant higher/(lower) fair value.

The valuation has given rise to a revaluation surplus of £1,939,000.

### 13 Intangible assets

Group	Goodwill £000	Trade name £000	Design database £000	Non- complete £000	Customer relationship £000	Order backlog £000	Development costs £000	Software costs £000	Group £000
Cost									
At 2nd May, 2015	2,064	865	1,370	–	1,020	111	279	330	<b>6,039</b>
Acquisition– Petrol Sign bv	588	147	–	43	1,332	178	–	–	<b>2,288</b>
Exchange differences	48	12	–	3	109	15	–	–	<b>187</b>
At 30th April, 2016	2,700	1,024	1,370	46	2,461	304	279	330	<b>8,514</b>
Additions	–	–	–	–	–	–	–	–	<b>–</b>
Exchange differences	49	12	–	3	110	15	–	–	<b>189</b>
At 29th April, 2017	<b>2,749</b>	<b>1,036</b>	<b>1,370</b>	<b>49</b>	<b>2,571</b>	<b>319</b>	<b>279</b>	<b>330</b>	<b>8,703</b>
Amortisation									
At 2nd May, 2015	–	213	675	–	626	111	279	317	<b>2,221</b>
Amortisation during the year	–	56	136	12	243	153	–	9	<b>609</b>
Exchange differences	–	–	–	–	5	8	–	–	<b>13</b>
At 30th April, 2016	–	269	811	12	874	272	279	326	<b>2,843</b>
Amortisation during the year	–	60	137	17	284	33	–	4	<b>535</b>
Exchange differences	–	1	–	1	8	14	–	–	<b>24</b>
At 29th April, 2017	–	<b>330</b>	<b>948</b>	<b>30</b>	<b>1,166</b>	<b>319</b>	<b>279</b>	<b>330</b>	<b>3,402</b>
Net book value at 29th April, 2017	<b>2,749</b>	<b>706</b>	<b>422</b>	<b>19</b>	<b>1,405</b>	–	–	–	<b>5,301</b>
Net book value at 30th April, 2016	2,700	755	559	34	1,587	32	–	4	<b>5,671</b>

## Notes to the financial statements

Continued

### 13 Intangible assets (continued)

<b>Company</b>	Development costs £000	Software costs £000	<b>Company £000</b>
Cost			
At 2nd May, 2015	279	330	<b>609</b>
Additions	–	–	–
At 30th April, 2016	279	330	<b>609</b>
Additions	–	–	–
At 29th April, 2017	<b>279</b>	<b>330</b>	<b>609</b>
Amortisation			
At 2nd May, 2015	279	317	<b>596</b>
Amortisation during the year	–	9	<b>9</b>
At 30th April, 2016	279	326	<b>605</b>
Amortisation during the year	–	4	<b>4</b>
At 29th April, 2017	<b>279</b>	<b>330</b>	<b>609</b>
Net book value at 29th April, 2017	–	–	–
Net book value at 30th April, 2016	–	4	<b>4</b>

Goodwill acquired through business combinations and licences has been allocated for impairment testing purposes to the petrol station superstructures division and the petrol station branding division which are operating segments.

#### Impairment testing

Goodwill considered significant in comparison to the group's total carrying amount of such assets has been allocated to cash-generating units or groups of cash-generating units as follows:

	<b>Goodwill 2017 £000</b>	Goodwill 2016 £000
Petrol station superstructure division	<b>2,064</b>	2,064
Petrol station branding division	<b>685</b>	636
Net book value	<b>2,749</b>	2,700

#### Group

The performance of the petrol station superstructure division and the petrol station branding division are the lowest levels at which goodwill is monitored for internal management purposes.

At the year end, value in use was determined by discounting the future cash flows generated from the continuing operations of the divisions over the next 5 years and was based on the following key assumptions:

- Detailed 5 year management forecast.
- A growth in cashflows estimated for 5 years, and a growth rate of 2% assumed thereafter.
- Cash flows were discounted at a rate of 17.87%.

Based on the above assumptions, the value in use calculated for the petrol station superstructure division and the petrol station branding division did not indicate the need for impairment. The growth rates used in the value in use calculation reflect management's expectations for the business based upon previous experience and taking into consideration recent sales wins.

No reasonably possible changes in the assumptions used would give rise to an impairment.

# Notes to the financial statements

Continued

## 14 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on pages 50 and 51.

Company	2017	2017	2017
	£000	£000	£000
	Cost	Impairment	Net book value
At 30th April, 2016	16,332	(2,162)	14,170
Release of impairment in investment in MSI-Forks Garfos Industriais Ltda	–	155	155
Cost of investment in Global MSI bv	14	–	14
At 29th April, 2017	16,346	(2,007)	14,339

The release of impairment of £155,000 represents the write back of a previous investment impairment in MSI-Forks Garfos Industriais Ltda. These impairment losses have been written back to the recoverable amount of the investment which has been based upon value in use. The main events and circumstances that have led to this impairment write back, are a trading performance improvement within this subsidiary undertaking during the current year, which is expected to continue in future years.

Global MSI bv was established to transact and develop resultant business in The Netherlands.

## 15 Deferred income tax

The deferred income tax included in the Group income statement is:

	2017	2016
	£000	£000
Taxation deferred by capital allowances	(16)	54
Taxation on other temporary differences	47	15
Taxation on intangibles	(117)	(135)
Taxation on defined benefits pension	13	12
Adjustments in respect of prior periods	(26)	37
Impact of reduction in deferred tax rate (18% to 17%)	(13)	(36)
	(112)	(53)

The deferred income tax asset included in the balance sheet is:

	Group		Company	
	2017	2016	2017	2016
	£000	£000	£000	£000
Taxation on pension liability	1,272	1,376	1,272	1,376
Deferred income tax asset	1,272	1,376	1,272	1,376

The movements on the deferred tax liability are:

	Group and Company
	Taxation on pension liability
At 2nd May, 2015	1,376
Included in Group income statement	(12)
Included in statement of comprehensive income	12
At 30th April, 2016	1,376
Included in Group income statement	(13)
Included in statement of comprehensive income	(91)
At 29th April, 2017	1,272

## Notes to the financial statements

Continued

### 15 Deferred income tax (continued)

The deferred income tax liability included in the balance sheet is:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Taxation deferred by capital allowances	314	351	314	346
Taxation on other temporary differences	(109)	(139)	(109)	(106)
Taxation on intangible assets	561	654	–	–
Taxation on buildings revaluation	683	724	706	747
<b>Deferred income tax liability</b>	<b>1,449</b>	<b>1,590</b>	<b>911</b>	<b>987</b>

The movements on the deferred tax liability are:

Group	Taxation deferred by capital allowances	Taxation on other temporary differences	Taxation on intangible assets	Taxation on buildings revaluation	Total
	£000	£000	£000	£000	£000
At 2nd May, 2015	310	(182)	348	807	1,283
Included in Group income statement	40	45	(150)	–	(65)
Included in equity	1	(2)	31	(83)	(53)
Acquired on acquisition	–	–	425	–	425
At 30th April, 2016	351	(139)	654	724	1,590
Included in Group income statement	(37)	34	(122)	–	(125)
Included in equity	–	(4)	29	(41)	(16)
At 29th April, 2017	314	(109)	561	683	1,449

Company	Taxation deferred by capital allowances	Taxation on other temporary differences	Taxation on intangible assets	Taxation on buildings revaluation	Total
	£000	£000	£000	£000	£000
At 2nd May, 2015	304	(150)	–	830	984
Included in Company income statement	42	44	–	–	86
Included in equity	–	–	–	(83)	(83)
At 30th April, 2016	346	(106)	–	747	987
Included in Company income statement	(32)	(3)	–	–	(35)
Included in equity	–	–	–	(41)	(41)
At 29th April, 2017	314	(109)	–	706	911

Deferred taxation has been provided at the rate enacted at the balance sheet date of 17% except for the deferred taxation relating to the amortised intangibles arising on the acquisition of Petrol Sign by which has been provided at 25%.

The Group and Company also has capital losses of £4,350,000 (2016 – £4,350,000).

## Notes to the financial statements

Continued

### 16 Inventories

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Raw materials	4,273	2,492	3,047	1,947
Work in progress	4,999	3,925	4,807	3,721
Finished goods	873	626	135	140
	<b>10,145</b>	<b>7,043</b>	<b>7,989</b>	<b>5,808</b>
	2017	2016	2017	2016
Inventory write downs during the year	35	(95)	33	(98)

### 17 Trade and other receivables

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade receivables	9,631	7,744	6,792	6,578
Retentions on contracts	1,723	1,188	1,723	1,188
Amounts owed by subsidiary undertakings	–	–	6,036	1,874
Other receivables	39	64	15	15
	<b>11,393</b>	<b>8,996</b>	<b>14,566</b>	<b>9,655</b>
	2017	2016	2017	2016
Gross amounts due from customers for contract work – included above	2,270	1,861	2,033	1,666

The aggregate amount of costs incurred and recognised profits to date on contracts is £13,679,000 (2016 – £10,775,000).

(a) Trade receivables are denominated in the following currencies

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Sterling	6,208	6,019	6,208	6,019
Euro	2,578	983	593	559
US dollar	516	361	(14)	–
Other currencies	329	381	5	–
	<b>9,631</b>	<b>7,744</b>	<b>6,792</b>	<b>6,578</b>



## Notes to the financial statements

Continued

### 17 Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally on 30 days terms and are shown net of provision for impairment. The aged analysis of trade receivables not impaired is as follows:

Group	Total £000	Not				
		past due £000	< 30 days £000	30-60 days £000	60-90 days £000	> 90 days £000
<b>2017</b>	<b>9,631</b>	<b>8,028</b>	<b>1,397</b>	<b>182</b>	<b>15</b>	<b>9</b>
2016	7,744	6,026	1,424	269	9	16

As at 29th April, 2017 trade receivables at a nominal value of £84,000 (2016 – £102,000) were impaired and fully provided. Bad debts of £19,000 (2016 – £51,000) were recovered and bad debts of £17,000 (2016 – £24,000) were incurred.

#### Company

<b>2017</b>	<b>6,792</b>	<b>5,623</b>	<b>1,139</b>	<b>30</b>	<b>–</b>	<b>–</b>
2016	6,578	5,182	1,158	238	–	–

As at 29th April, 2017 trade receivables at a nominal value of £37,000 (2016 – £39,000) were impaired and fully provided. Bad debts of £6,000 (2016 – £8,000) were recovered and bad debts of £4,000 (2016 – £23,000) were incurred.

(b) Retentions on contracts are denominated in the following currencies

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Sterling	<b>1,723</b>	1,188	<b>1,732</b>	1,188
Euro	–	–	–	–
US dollar	–	–	–	–
Other currencies	–	–	–	–
	<b>1,723</b>	1,188	<b>1,732</b>	1,188

Retentions on contracts are non interest bearing and represent amounts contractually retained by customers on completion of contracts for specific time periods as follows:

Group	Total £000	Up to 6	6-12	12-18	18-24
		months £000	months £000	months £000	months £000
<b>2017</b>	<b>1,723</b>	<b>1,723</b>	–	–	–
2016	1,188	1,188	–	–	–
<b>Company</b>					
<b>2017</b>	<b>1,723</b>	<b>1,723</b>	–	–	–
2016	1,188	1,188	–	–	–

### 18 Cash and cash equivalents

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Cash at bank and in hand	<b>9,880</b>	7,420	<b>13,526</b>	5,715
Short term deposits	<b>5,330</b>	5,338	–	5,302
	<b>15,210</b>	12,758	<b>13,526</b>	11,017

# Notes to the financial statements

Continued

## 19 Issued capital

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2016 – 35,000,000)	<b>3,500</b>	3,500	<b>3,500</b>	3,500
Allotted, issued and fully paid – 18,396,073 (2016 – 18,396,073)	<b>1,840</b>	1,840	<b>1,840</b>	1,840

## 20 Reserves

### Share Capital

The balance classified as share capital includes the nominal value on issue of the Company's equity share capital, comprising 10p Ordinary shares.

### Capital redemption reserve

The balance classified as capital redemption reserve represents the nominal value of issued share capital of the Company, repurchased.

### Other reserve

This is the revaluation reserve previously arising under UK GAAP which is now part of non-distributable retained reserves.

### Revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same assets previously recognised in equity. This also includes the impact of the change in related deferred tax due to the change in corporation tax (18% to 17%).

### Special reserve

The balance classified as special reserve represents the share premium on the issue of the Company's equity share capital.

### Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

### Treasury Shares

	<b>2017</b>	2016
	<b>£000</b>	£000
Employee Share Ownership Trust	<b>100</b>	100
Shares in treasury (see below)	<b>2,959</b>	2,959
	<b>3,059</b>	3,059

During 1991 the Company established an Employee Share Ownership Trust ("ESOT"). The trustee of the ESOT is Appleby Trust (Jersey) Ltd, an independent company registered in Jersey. The ESOT provides for the issue of options over Ordinary shares in the Company to Group employees, including executive directors, at the discretion of the Remuneration Committee.

The trust has purchased an aggregate 245,048 (2016 – 245,048) Ordinary shares, which represents 1.3% (2016 – 1.3%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 29th April, 2017 was £414,000 (2016 – £448,000). The Company has made payments of £Nil (2016 – £Nil) into the ESOT bank accounts during the period. No options over shares (2016 – Nil) have been granted during the period. Details of the outstanding share options, for Directors are included in the Directors' remuneration report.

The assets, liabilities, income and costs of the ESOT have been incorporated into the Company's financial statements. Total ESOT costs charged to the income statement in the period amounts to £5,000 (2016 – £7,000). During the period no options on shares were exercised (2016 – Nil) and no shares were purchased (2016 – Nil).

# Notes to the financial statements

Continued

## 20 Reserves (continued)

The Company made the following purchases of its own 10p Ordinary shares to be held in Treasury:

	<b>£000</b>
11th December, 2013 1,000,000 shares from the Group's pension scheme.	<b>1,722</b>
30th January, 2014 646,334 shares	<b>1,237</b>
	<b>2,959</b>

## 21 Pension liability

The Company operates an employee defined benefits 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 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.
- From 6 April 2016 the Company directly pays the expenses of the Scheme . With effect from April 2015 until April 2023 the deficit reduction payments paid into the Scheme by the Company were increased to £300,000 per annum , increasing thereafter at 3% per annum. The total deficit reduction payments made in the year were £311,000 (2016-£295,000).
- From 1st June, 2007 the Company has operated a defined contributions scheme for its UK employees which is administered by a UK pension provider.

Members contributions are paid in line with this scheme's documentation over the accounting period and the Company has no further payment obligations once the contributions have been made.

The Company's policy for recognising rereasurement gains and losses is to recognise them immediately through the statement of comprehensive income.

### Assumptions

	<b>2017</b>	2016
Discount rate at year-end	<b>2.50%</b>	3.30%
Future salary increases	<b>3.70%</b>	3.30%
Pension increases - RPI inflation	<b>3.10%</b>	2.80%
Pension increases - CPI inflation	<b>1.90%</b>	1.60%
Life expectancy of current pensioners (from age 65)	<b>21.3 yrs</b>	21.7 yrs
Life expectancy of future pensioners (from age 65)	<b>22.7 yrs</b>	23.4yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £2m.

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.1m.

In relation to the other assumptions there is no sensitivity analysis as small changes in these assumptions will not have a material impact.

The average duration of the scheme is 12 years.

### Statement of financial position

	<b>2017</b>	2016
	<b>£000</b>	£000
Present value of obligations	<b>30,790</b>	28,801
Fair value of plan assets	<b>(23,305)</b>	(21,157)
Net liability	<b>7,485</b>	7,644

# Notes to the financial statements

Continued

## 21 Pension liability (continued)

### Income Statement

	<b>2017</b>	2016
	<b>£000</b>	£000
Interest on net liabilities	<b>247</b>	216
Administration expenses	–	320
<b>Total income statement cost</b>	<b>247</b>	536

### Change in defined benefit obligation

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening defined benefit obligation	<b>28,801</b>	30,102
Interest cost	<b>925</b>	936
Experience gains arising on scheme liabilities	<b>(77)</b>	(215)
Changes in financial assumptions underlying the present value of scheme liabilities	<b>3,298</b>	(597)
Changes in demographic assumptions underlying the present value of scheme liabilities	<b>(408)</b>	–
Benefits paid	<b>(1,749)</b>	(1,425)
<b>Defined benefit obligation</b>	<b>30,790</b>	28,801

### Change in fair value of plan assets

	<b>2017</b>	2016
	<b>£000</b>	£000
Opening fair value of plan assets	<b>21,157</b>	23,225
Interest income on assets	<b>678</b>	720
Actual return on assets less amount included in net interest	<b>2,908</b>	(1,638)
Deficit reduction contributions by employer	<b>311</b>	295
Contributions by employer towards scheme expenses	–	300
Administration expenses	–	(320)
Benefits paid	<b>(1,749)</b>	(1,425)
<b>Fair value of plan assets</b>	<b>23,305</b>	21,157

### Statement of comprehensive income

	<b>2017</b>	2016
	<b>£000</b>	£000
Actual return on assets less amounts included in net interest	<b>2,908</b>	(1,638)
Remeasurement (losses)/gains	<b>(2,813)</b>	812
	<b>95</b>	(826)

	<b>2017</b>	2016
	<b>£000</b>	£000
Expected deficit reduction contributions into the Scheme during next accounting year:	<b>320</b>	311

# Notes to the financial statements

Continued

## 21 Pension liability (continued)

	Plan assets £000	Asset allocation
<b>Breakdown of assets at 29th April, 2017</b>		
Equities - UK market	7,591	33%
Equities - non UK market	7,950	34%
Corporate Bonds	3,571	15%
Gilts	3,362	14%
Cash/other	831	4%
	<b>23,305</b>	<b>100%</b>
<hr/>		
	Plan assets £000	Asset allocation
<b>Breakdown of assets at 30th April, 2016</b>		
Equities - UK market	7,487	36%
Equities - non UK market	6,219	29%
Corporate Bonds	4,100	19%
Gilts	2,456	12%
Cash/other	895	4%
	<b>21,157</b>	<b>100%</b>

## 22 Trade and other payables

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade payables	5,572	3,353	3,624	2,832
Amounts owed to subsidiary undertakings	–	–	8,108	8,228
Other payables	3,350	2,670	3,315	2,431
Accruals	1,975	1,748	1,251	1,398
Progress payments	14,567	7,482	14,309	7,381
	<b>25,464</b>	<b>15,253</b>	<b>30,607</b>	<b>22,270</b>
<hr/>				
Gross amounts due to customers for contract work - included above	<b>294</b>	254	<b>147</b>	92

## 23 Financial instruments

### Management of financial risks

The major financial risks faced by the Group and Company are funding risks, interest rate risks and currency risks.

### Funding risk

At the year end the Group had net cash of £15.21m – Company £13.53m (2016 Group – £12.76m – Company £11.02m). The Group and Company has available a bank multicurrency overdraft facility of £4.8m which is renewable on 1st January 2018.

### Interest rate risk

The bank multicurrency overdraft facility is at a floating rate of interest, based on the base rate of each respective currency. This position is monitored constantly by the Board to ensure any risk is minimised. The Board believe that the main interest rate risk relates to maximising interest income on cash balances.

## Notes to the financial statements

Continued

### 23 Financial instruments (continued)

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant of the Group's profit before tax. There is no impact on the Group's equity.

	Increase/decrease in basis points	Effect on profit before tax
<b>2017</b>	<b>+50</b>	<b>50</b>
Sterling	<b>-50</b>	<b>(50)</b>
2016	+50	50
Sterling	-50	(50)

The interest rate profile of the financial assets of the Group and Company as at 29th April, 2017 was as follows:

	Group		Company	
	Floating rate financial assets/ (liabilities) £000	Total £000	Floating rate financial assets/ (liabilities) £000	Total £000
<b>2017</b>				
<b>Sterling</b>	<b>15,973</b>	<b>15,973</b>	<b>15,968</b>	<b>15,968</b>
<b>US Dollar</b>	<b>(2,007)</b>	<b>(2,007)</b>	<b>(2,064)</b>	<b>(2,064)</b>
<b>Euro</b>	<b>1,184</b>	<b>1,184</b>	<b>(383)</b>	<b>(383)</b>
<b>Other</b>	<b>60</b>	<b>60</b>	<b>5</b>	<b>5</b>
<b>Total</b>	<b>15,210</b>	<b>15,210</b>	<b>13,526</b>	<b>13,526</b>
2016				
Sterling	9,118	9,118	9,111	9,111
US Dollar	1,455	1,455	782	782
Euro	2,051	2,051	1,118	1,118
Other	134	134	6	6
<b>Total</b>	<b>12,758</b>	<b>12,758</b>	<b>11,017</b>	<b>11,017</b>

### Foreign currency risk

Exposure to risk is incurred by the Group and Company through overseas sales.

This exposure is minimised by the following:

- (1) invoicing in sterling where practicable.
- (2) using foreign currency received for purchases where appropriate.

## Notes to the financial statements

Continued

### 23 Financial instruments (continued)

#### Currency exposures

The table below shows the Group's currency exposures; i.e., those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved.

As at 29th April, 2017 these currency exposures are as follows:-

Presentational currency of Group operations	Net foreign currency monetary assets/(liabilities)			
	Sterling £000	US Dollar £000	Euro £000	Total £000
<b>2017</b>				
<b>Sterling</b>	<b>5</b>	<b>(2,686)</b>	<b>959</b>	<b>(1,722)</b>
<b>Total</b>	<b>5</b>	<b>(2,686)</b>	<b>959</b>	<b>(1,722)</b>
2016				
Sterling	256	750	1,773	2,779
Total	256	750	1,773	2,779
Functional currency of Company operations	Net foreign currency monetary assets/(liabilities)			
	Sterling £000	US Dollar £000	Euro £000	Total £000
<b>2017</b>				
<b>Sterling</b>	<b>-</b>	<b>(2,686)</b>	<b>(73)</b>	<b>(2,759)</b>
<b>Total</b>	<b>-</b>	<b>(2,686)</b>	<b>(73)</b>	<b>(2,759)</b>
2016				
Sterling	9	750	1,182	1,941
Total	9	750	1,182	1,941

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 29th April, 2017 and 30th April, 2016.

#### Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 29th April, 2017 and 30th April, 2016.

#### Credit risk

There are no significant concentrations of credit risk within the Group or Company. The maximum credit risk exposure relating to financial assets is represented by carrying values at the statement of financial position date.

The Group and Company have established procedures to minimise the risk of default by trade debtors including credit checks undertaken before a customer is accepted and credit insurance where available and appropriate. Historically these procedures have proved effective in minimising the level of impaired and past due receivables.

## Notes to the financial statements

Continued

### 24 Capital commitments

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Contracted but not provided in the financial statements	59	1,464	59	189
	<b>59</b>	<b>1,464</b>	<b>59</b>	<b>189</b>

### 25 Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Amounts payable				
Within one year	240	301	27	11
In two to five years	442	449	26	22
Five years or more	316	388	–	–
	<b>998</b>	<b>1,138</b>	<b>53</b>	<b>33</b>

The Group has entered into commercial leases on certain properties, plant and equipment. These leases have a duration of between 1 and 9 years.

### 26 Contingent liabilities

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £3,952,725 at 29th April, 2017 (2016 – £6,258,538).

### 27 Related party transactions

The following transactions took place, during the year, between the Company and other subsidiaries in the Group:

Purchases of goods and services £322,822 (2016 – £128,764)

Sales of goods and services £2,521,915 (2016 – £1,583,187)

The following balances between the Company and other subsidiaries in the Group are included in the Company balance sheet as at 29th April, 2017:

Amounts owed by the Company £8,108,000 (2016 – £8,228,000)

Amounts owed to the Company £6,036,000 (2016 – 1,874,000)

Sales and purchases between related parties are made at normal market prices. Terms and conditions for transactions with subsidiaries and the joint venture are unsecured and interest free. Balances are placed on inter-company accounts with no specified credit period.

Key management personnel (main board directors) compensation.

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Short-term employee benefits	1,152	1,128	1,152	1,128
Post-employment benefits	31	31	31	31
See Directors remuneration report on page 47	<b>1,183</b>	<b>1,159</b>	<b>1,183</b>	<b>1,159</b>



## Notes to the financial statements

Continued

### 28 Share-based payments

Share options are granted to senior executives in two schemes; the Employee Share Option Scheme and the Enterprise Management Incentive Scheme. The exercise price of the option is no less than the market price of the shares on the date of the grant. The options vest after the executives have been in service for specified times of not less than one year from the date of grant. The contractual life of the options vary up to 10 years. There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in, share options during the year;

	2017	2017	2016	2016
<b>Enterprise management incentive scheme</b>				
Outstanding as at 30th April, 2016	<b>214,000</b>	<b>194.0p</b>	214,000	194.0p
Options exercised	-	-	-	-
Options lapsed	-	-	-	-
Outstanding as at 29th April, 2017	<b>214,000</b>	<b>194.0p</b>	214,000	194.0p

The expense recognised for share options during the year is £Nil (2016 – £Nil)

### 29 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 29th April, 2017 and 30th April, 2016.

Capital comprises equity attributable to the equity holders of the parent company £29,041,000 (2016 – £28,060,000).

## Summary of group results 2013 – 2017

<b>GROUP INCOME STATEMENT</b>	<b>2017</b>	2016	2015	2014	2013
	<b>£000</b>	£000	£000	£000	£000
Group revenue	<b>53,823</b>	49,282	45,503	47,130	54,494
Group operating profit	<b>1,771</b>	1,856	1,740	3,203	4,780
Finance	<b>(245)</b>	(174)	(199)	(275)	(217)
Profit before taxation	<b>1,526</b>	1,682	1,541	2,928	4,563
Taxation	<b>(28)</b>	(98)	(188)	(354)	(480)
Profit for the period	<b>1,498</b>	1,584	1,353	2,574	4,083
<b>STATEMENT OF FINANCIAL POSITION</b>					
Assets employed					
Intangible assets	<b>5,301</b>	5,671	3,818	4,135	4,451
Property, plant and equipment	<b>19,099</b>	15,955	14,563	15,127	13,755
Other net current (liabilities)/assets	<b>(2,907)</b>	1,534	(446)	1,695	3,887
Cash and cash equivalents	<b>15,210</b>	12,758	17,148	14,286	13,447
	<b>36,703</b>	35,918	35,083	35,243	35,540
Financed by					
Ordinary share capital	<b>1,840</b>	1,840	1,840	1,840	1,840
Reserves	<b>27,201</b>	26,220	26,459	27,303	27,214
Shareholders' funds	<b>29,041</b>	28,060	28,299	29,143	29,054
Net non current liabilities	<b>7,662</b>	7,858	6,784	6,100	6,486
	<b>36,703</b>	35,918	35,083	35,243	35,540

## Corporate governance statement

As an AIM listed company MS INTERNATIONAL plc is not required to comply with the UK Corporate Governance Code; September, 2016 and has not elected to voluntarily comply.

However, the Group is committed to high standards of governance appropriate to its size and structure. The main features of the Group's corporate governance arrangements are set out below.

The Board consists of three executive directors, one of whom, Michael Bell, is the Executive Chairman and three non-executive directors, Roger Lane-Smith, David Pyle and David Hansell. The Chairman has no other significant commitments. Day to day control of subsidiary and joint venture operations is vested in individual company managing directors, supported by their respective financial managers.

The Board meets at least quarterly throughout the year to direct and control the overall strategy and operating performance of the Group. To enable them to carry out these responsibilities all directors have full and timely access to all relevant information. Executive directors, except for Company business trips and holidays, meet daily and the Chairman periodically meets with the non-executive directors. Additionally subsidiary operations have monthly Board meetings which the main Board chairman chairs and the main Board financial director attends.

Procedures are in place for directors to seek independent advice at the expense of the Company and the Company has insurance in respect of legal action against the Directors. The Company Secretary is responsible to the Board for ensuring that Board procedures are complied with and for advising the Board on all governance matters.

The Audit Committee consists of two non-executive directors, Roger Lane-Smith and David Pyle. In the opinion of the Board, the non-executive directors have recent and relevant financial experience through their directorships, and extensive experience in dealing with the City. All Board members attend all meetings as appropriate. The external auditors have direct access to the Committee without the executive directors being present.

The Audit Committee evaluates the Group's risk profile and reviews the Group's half and full year financial statements. The Audit Committee is responsible for recommendations for appointment, reappointment or removal of the external auditors. The auditors provide taxation services to the Group. This arrangement has been reviewed by the Board and the audit committee and is not considered to affect the auditors objectivity and independence.

The committee recommended that the board present a resolution to the shareholders at the 2017 AGM for the reappointment of the external auditors. This followed the assessment of the quality of the service provided, the expertise and resources made available to the group, auditor independence and effectiveness of the audit process.

Arrangements by which staff can, in confidence, raise concerns about possible improprieties in financial and other matters - 'whistleblowing' procedures, with any of the Board of directors are in place.

The Audit Committee and the Board have considered whether there is a need for an internal audit function and believes that the circumstances and size of the Group make such a function unnecessary.

The role and membership of the Remuneration Committee is set out in the Directors' remuneration report.

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Company concerned bearing in mind the resources available and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established with a view to providing effective internal control are as follows:

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board which covers the key areas of the Group's affairs including acquisitions and divestment policy, approval of budgets, capital expenditure, major buying and selling contracts and general treasury and risk management policies. There is a clearly decentralised structure which delegates authority, responsibility and accountability, including responsibility for internal financial control, to management of the operating companies.

Responsibility levels and delegation of authority and authorisation levels throughout the Group are set out in the corporate accounting and procedures manual.

There is a comprehensive system for reporting financial results. Monthly accounts are prepared on a timely basis. They include income statement, balance sheet, cash flow and capital expenditure reporting with comparisons to budget and forecast. The budget is prepared annually and revised forecasts are produced monthly.

There is an investment evaluation process to ensure Board approval for all major capital expenditure commitments.

There is a contract evaluation process to ensure executive director approval for all major sales contracts.

## Corporate governance statement

Continued

The Board has reviewed the effectiveness of the system of internal controls and together with operational management, has identified and evaluated the critical business and financial risks of the Group. These risks are reviewed continually. Where appropriate, action is taken to manage the risks.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Board recognises the importance of communication with all shareholders and is ready, where practicable, to discuss relevant matters with all shareholders. Inter alia, the Board uses the Annual General Meeting to communicate with shareholders and welcomes their constructive participation. Details of the Annual General Meeting to be held on 19th, July, 2017 can be found in the Notice of Meeting on page 52.

On behalf of the Board

**David Kirkup**  
Secretary

6th June, 2017

# Report of the directors

The directors present their report and the Group financial statements for the 52 weeks ended 29th April, 2017. The directors present their corporate governance statement on pages 41 and 42 of this report.

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## 1 Principal activities and business review

A review of the Group's trading during the year is contained in the Chairman's Statement and Strategic Report.

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## 2 Results and dividends

The profit after taxation for the period attributable to shareholders amounted to £1,498,000 (2016 - £1,584,000). The directors recommend a final dividend of 6.50 pence per share (2016 - 6.50 pence per share), making a total of 8.00 pence per share (2016 - 8.00 pence per share).

---

## 3 Going concern

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.

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## 4 Directors

The names of the directors of the Company at 6th June, 2017 are shown on page 4.

All of the directors served throughout the year.

In accordance with the Articles of Association Nicholas Bell retires by rotation and, being eligible, offers himself for re-election. In addition, Roger Lane-Smith, David Pyle and David Hansell retire from the Board at the AGM and, being eligible, offer themselves for re-election. The Chairman confirms that Nicholas Bell, Roger Lane-Smith, David Pyle and David Hansell continue to be effective and to demonstrate commitment to their roles, including the commitment of their time for the Board and Committee meetings and their other duties.

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## 5 Substantial interests in shares

As at 29th April 2017 and as at 6th June, 2017, the directors had been advised of the following notifiable interests:-

	% of share capital held
Michael Bell	29.3%
Cavendish Asset Management Limited	16.3%
David Pyle	10.6%
Michael O'Connell	9.2%
Mrs Patricia Snipe	4.9%

Apart from these, the directors have not been formally notified of any other notifiable shareholdings in excess of 3% of share capital held on 6th June 2017.

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## 6 Employee involvement

The directors have continued their commitment to the development of employee involvement and communication throughout the Group.

Regular meetings are held with employees to provide and discuss information of concern to them as employees, including financial and economic factors affecting the performance of the Company in which they are employed.

# Report of the directors

Continued

## 7 Employment of disabled persons

The Company and its subsidiaries have continued the policy regarding the employment of disabled persons. Full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who may become disabled, to promote their career development within the organisation.

## 8 Additional information for shareholders

The Company purchased 1,000,000 of its Ordinary shares of 10p each for a total consideration of £1,721,976 on 11th December, 2013 and a further 646,334 Ordinary shares of 10p each for a total consideration of £1,237,251 on 30th January, 2014.

The following provides the additional information required for shareholders as a result of the implementation of the Takeover Directive into UK Law.

At 6th June, 2017 the Company's issued share capital comprised:

	Number	£000	% of total share capital
Ordinary shares of 10p each	18,396,073	1,840	100.00
Ordinary shares of 10p each held in treasury	1,646,334	165	8.95
Ordinary shares of 10p each not held in treasury	16,749,739	1,675	91.05

The above figure (16,749,739 ordinary shares of 10p) is the number of ordinary shares to be used as a denominator for the calculation of a shareholder's interest for the determination of any notification requirement in respect of their interest(s) or change of interest(s).

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

### Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and;
- Pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

The Company's articles of association may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next general meeting.

Any director, other than the Chairman, who has held office for more than three years since their last appointment must offer themselves up for re-election at the annual general meeting.

### Company share schemes

The Employee Share Ownership Trust holds 1.46% of the issued share capital of the Company (excluding treasury shares) in trust for the benefit of employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the trustee.

# Report of the directors

Continued

## 8 Additional information for shareholders (continued)

### Change of control

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

## 9 Special business at the Annual General Meeting

### Resolution 10: Authority to allot shares

Generally, the directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders in general meeting.

Resolution 10 renews a similar authority given at last year's AGM and, if passed, will authorise the directors to allot shares in the Company (and to grant such rights) up to an aggregate nominal amount of £558,324 (which represents approximately one third of the issued ordinary share capital of the Company (excluding treasury shares) as at 23rd June, 2017, being the last practicable date before the publication of this document). If given, this authority will expire at the conclusion of the Company's next AGM or on 19th October, 2018 whichever is the earlier. It is the directors' intention to renew this authority each year.

As of the date of this document, 1,646,334 Ordinary shares are held by the Company in treasury representing 8.95% of the issued Ordinary share capital of the Company as at 23rd June, 2017, being the last practicable date before the publication of this document.

The directors have no current intention to exercise the authority sought under resolution 10.

### Resolution 11: Disapplication of preemption rights

Generally, if the directors wish to allot new shares or other equity securities (within the meaning of section 560 of the 2006 Act) for cash or sell shares for cash, then under the Act they must first offer such shares or securities to shareholders in proportion to their existing holdings. These statutory preemption rights may be disapplied by shareholders.

Resolution 11, which will be proposed as a special resolution, renews a similar power given at last year's AGM and, if passed, will enable the directors to allot equity securities for cash, or sell treasury shares for cash, up to a maximum aggregate nominal amount of £167,496 without having to comply with statutory preemption rights, but this power will be limited to allotments or sales.

- (a) in connection with a rights issue, open offer or other pre-emptive offer to ordinary shareholders and to holders of other equity securities (if required by the rights of those securities or the directors otherwise consider necessary), but (in accordance with normal practice) subject to such exclusions or other arrangements, such as for fractional entitlements and overseas shareholders, as the directors consider necessary;
- (b) in any other case, up to an aggregate nominal amount of £167,496 (which represents approximately ten per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at 23rd June, 2017 being the last practicable date before the publication of this document).

If given, this power will expire at the conclusion of the Company's next AGM or on 19th October, 2018 whichever is the earlier. It is the directors' intention to renew this power each year.

### Resolution 12: Purchase by the Company of its own shares

Resolution 12, which will be proposed as a special resolution renews a similar authority given at last year's AGM. If passed, it will allow the Company to purchase up to 1,674,973 ordinary shares in the market (which represents approximately 10 per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at 23rd June, 2017, being the last practicable date before the publication of this document). The minimum and maximum prices for such a purchase are set out in the resolution. If given, this authority will expire at the conclusion of the Company's next AGM or on 19th October, 2018 whichever is the earlier. It is the directors' intention to renew this authority each year.

The directors have no current intention to exercise the authority sought under resolution 12 to make market purchases.



# Report of the directors

Continued

## 9 Special business at the Annual General Meeting (continued)

The Company is permitted to hold shares in treasury as an alternative to cancelling them. Shares held in treasury may be subsequently cancelled, or sold for cash or used to satisfy options under the Company's share schemes. While held in treasury, the shares are not entitled to receive any dividends or dividend equivalents (apart from any issue of bonus shares) and have no voting rights. The directors believe it is appropriate for the Company to have the option to hold its own shares in treasury, if, at a future date, the directors exercise this authority in order to provide the Company with additional flexibility in the management of its capital base. The directors will have regard to institutional shareholder guidelines which may be in force at the time of such purchase, holding or re-sale of shares held in treasury. As at 6th June 2017, the Company holds 1,646,334 Ordinary shares of 10p each in treasury which represents 8.95 % of the total number of Ordinary shares of 10p each issued.

### Resolution 13: Notice period for general meetings

Resolution 13 will be proposed as a special resolution to allow the Company to call general meetings (other than an AGM) on 14 clear days' notice.

Changes made to the 2006 Act by the Companies (Shareholders' Rights) Regulations 2009 increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

Before the Regulations came into force, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining shareholder approval. Resolution 11 seeks such approval in order to preserve this flexibility. The shorter notice period would not however be used as a matter of routine for such meetings, but only where it is merited by the business of the meeting and is considered to be in the interests of shareholders as a whole. If given, the approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the 2006 Act mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

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## 10 Auditors

A resolution to reappoint the auditors, Ernst & Young LLP, will be proposed at the Annual General Meeting.

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## 11 Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 4. Having made enquiries of fellow directors and of the Company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

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## 12 We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the business review, together with the Chairman's statement, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board,

**David Kirkup**  
Secretary

6th June, 2017



# Directors' remuneration report

*Information not subject to audit*

## Policy on remuneration of executive directors

The Remuneration Committee which, currently, comprises the non-executive directors, Roger Lane-Smith and David Pyle, aims to ensure that remuneration packages and service contracts are competitive and designed to retain, attract and motivate executive directors of the right calibre.

The salary for each director is determined by the Remuneration Committee by reference to a range of factors including experience appropriate to the Group, length of service and salary rates for similar jobs in comparative companies. In view of the size and nature of the Group and the continuing need to optimise subordinate management structures particular emphasis is given to the advantages which flow from the long term continuity of the executive directors. All aspects of the executive directors' current remuneration packages were established in June 1996 when revised contracts of service, embracing reduced notice periods, were agreed. The contracts of service are reviewed from time to time and consideration given to whether any amendment is appropriate. The Remuneration Committee has not sought any external advice during the year.

The main components of the remuneration package for the executive directors are as follows:-

1. Basic Salary

Salaries for executive directors are reviewed annually by the Remuneration Committee.

2. Performance related annual bonus

An annual bonus is paid depending on achievement of profitability targets. Bonus payments achieved for 2016/2017 amounted in total to 2.6% (2016 – 3.1%) of total executive basic salaries.

3. Share Options

Directors are eligible to participate in the Employee and the Enterprise Management Incentive share option schemes. The Remuneration Committee is responsible for granting options. Options have only been granted at an exercise price of not less than the price paid by the scheme to acquire the shares. Share options are issued without performance criteria and have no vesting period.

4. Until 27th April 2013, pension contributions were calculated as a percentage of total emoluments. From 28th April, 2013, pension contributions will be calculated as a percentage of basic pay and bonus only. The executive directors have full discretion as to how they choose to invest their Pension Contributions. All pension contributions for executive directors over the age of 65 ceased from 30th April 2015.

5. Other benefits are provided in the form of company cars, death in service benefit cover and medical and disability insurance.

## Service Contracts

As from 28th April, 2013 Michael Bell and Michael O'Connell have one year rolling contracts. As from 22nd July, 2013, Nicholas Bell has a one year rolling contract. The contracts are terminable by the directors at one year's notice and by the Company at one year's notice. Directors are entitled to termination payments equivalent to the unexpired portion of the contract based on basic salary and benefits including bonus payments.

Prior to 28th April, 2013 Michael Bell had a three year rolling contract and Michael O'Connell a two year rolling contract. These notice periods were reduced without compensation in April, 2013.

Prior to June 1996 each of the executive directors had a four year rolling contract. These notice periods were reduced without compensation in June 1996.

The dates of appointments are shown below:

Michael Bell – 9th July, 1980

Michael O'Connell – 4th February, 1985

Nicholas Bell – 22nd July, 2013

## Non-executive directors

The level of the non-executive directors' remuneration has been determined by the Board as an annual fee and is paid monthly. There are no formal service contracts between the Company and any of the non-executive directors.

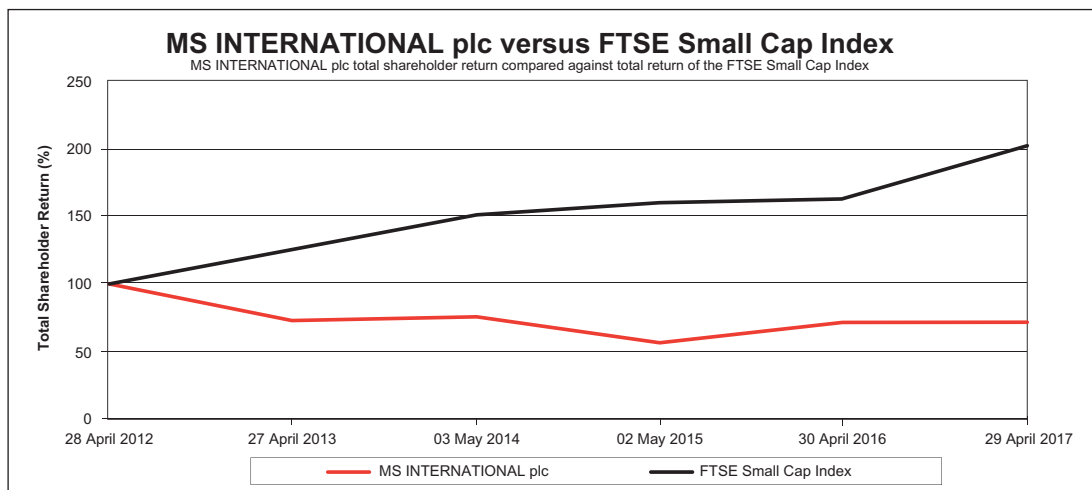
# Directors' remuneration report

Continued

Information not subject to audit

## Performance Graph

The performance graph shows the accumulated value, by 29th April, 2017, of £100 invested in MS INTERNATIONAL plc on 28th April, 2012 compared to the accumulated value of £100 invested in the FTSE Small Cap Index, over the same period. The other points plotted are the accumulated values at intervening year ends. The FTSE Small Cap Index is considered by the Board to be the most relevant index for comparison.



Information subject to audit

## Emoluments of directors

Directors' remuneration in respect of the period to 29th April, 2017.

	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Basic salary and fees	Basic salary and fees	Additional salary	Additional salary	Other benefits	Other benefits	Bonus	Bonus	Total	Total
	£	£	£	£	£	£	£	£	£	£
Michael Bell	400,000	400,000	–	–	49,863	54,269	10,918	12,513	460,781	466,782
Michael O'Connell	225,000	225,000	–	–	39,569	45,126	5,459	6,256	270,028	276,382
Nicholas Bell	200,000	200,000	–	–	17,275	14,998	5,459	6,256	222,734	221,254
David Pyle	50,000	50,000	–	–	26,879	23,450	–	–	76,879	73,450
David Hansell	50,000	50,000	31,088	–	–	–	–	–	81,088	50,000
Roger Lane-Smith	40,000	40,000	–	–	–	–	–	–	40,000	40,000

Following the termination of the employment of the managing director of MSI Defence Systems Ltd, David Hansell has been appointed interim chief executive until a new replacement is recruited. His remuneration, during the period, for this temporary divisional executive appointment is shown above as additional salary.

Other benefits represent the provision of company cars, death in service benefit and medical and disability insurance

## Pension contributions

	2017	2016
	Total	Total
	£	£
Michael Bell	–	–
Michael O'Connell	–	–
Nicholas Bell	30,819	30,938
Roger Lane-Smith	–	–
David Pyle	–	–
David Hansell	–	–

## Directors' remuneration report

Continued

*Information not subject to audit*

The pension contributions are paid to personal retirement benefit schemes.

### Directors' share options

Details of directors' options at 6th June, 2017 and 29th April, 2017 granted under the Enterprise Management Incentive scheme are set out below. The directors' options were all granted at market price. The market price of the Company's shares at 29th April, 2017 was 169p and the range during the financial year was 142p to 184p.

	Date Issued	Exercise price	Michael O'Connell	Nicholas Bell	David Pyle	David Hansell	Total
Share options at 6th June, 2017 and 29th April, 2017 exercisable between:							
1st October, 2008 to 30th September, 2017	1st October, 2007	194.0p	75,000	32,000	75,000	32,000	214,000

By order of the Board,

**David Kirkup**  
Secretary

6th June, 2017

## List of subsidiaries

### (i) Principal operating subsidiaries

MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.
MSI-Forks Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.
MSI-Forks Inc.	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.
MSI-Forks Garfos Industriais Ltda.	Rua Professor Campos de Oliveira, 310 São Paulo Brazil	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.
Global-MSI plc	Balby Carr Bank, Doncaster DN4 8DH England	Design, manufacture and construction of petrol station superstructures.
Global-MSI Sp. z o.o.	Ul. Działowskiego 13, 30-339 Krakow Poland	Design, manufacture and construction of petrol station superstructures.
Global-MSI bv	De Hoef 8 5311 GH Gameren The Netherlands	Design, manufacture and construction of petrol station superstructures.
Petrol Sign bv	De Hoef 8 5311 GH Gameren The Netherlands	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.
Petrol Sign GmbH	Osteriede 3 30827 Garbsen Berenbostel Germany	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.
Petrol Sign Ltd.	Balby Carr Bank, Doncaster DN4 8DH England	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.

### NOTES

- 100% of the ordinary shares are held in all cases.
- All companies are registered in England and Wales with the exception of MSI-Forks Inc. which is registered in USA, MSI-Forks Garfos Industriais Ltda which is registered in Brazil, Global-MSI Sp. z o.o. which is registered in Poland, Petrol Sign bv and Global-MSI bv which are registered in The Netherlands and Petrol Sign GmbH which is registered in Germany. All companies operate principally in the United Kingdom except for MSI-Forks Inc., MSI-Forks Garfos Industriais Ltda (which operate principally in the Americas), Global-MSI Sp. z o.o. (which operates in Poland and Eastern Europe) and Petrol Sign bv, Global-MSI bv and Petrol Sign GmbH (which operate in Western Europe).

## List of subsidiaries

Continued

### (ii) Non Operating subsidiaries

Conder Ltd.

Global-MSI (Overseas) Ltd.

MDM Investments Ltd.

Mechforge Ltd.

MSI-Petrol Sign Ltd.

Petrol Sign-MSI Ltd.

### NOTES

1. 100% of the ordinary share capital of each entity is held in all cases.
2. All companies are registered in England and Wales
3. All companies are dormant and non operating, with the exception of MDM Investments Ltd, which is the trustee company of the MS INTERNATIONAL plc Retirement and Death Benefits Scheme.

# Notice of Annual General Meeting

Notice is given that the fifty seventh annual general meeting of MS INTERNATIONAL plc (“Company”) will be held at The Holiday Inn, Warmsworth, Doncaster on 19th July, 2017 at 12 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 to 13 will be proposed as special resolutions:

## As ordinary business:

1. To receive the Company’s annual accounts and directors’ and auditors’ reports for the 52 weeks ended 29th April, 2017.
2. To approve the directors’ remuneration report for the 52 weeks ended 29th April, 2017.
3. To declare a final dividend for the year 52 weeks ended 29th April, 2017 of 6.5p per ordinary share of 10p each in the capital of the Company, to be paid on 24th July, 2017 to shareholders whose names appear on the register as at close of business on 23th June, 2017.
4. To re-elect as a director of the Company, Nicholas Bell, a director retiring by rotation. Nicholas Bell is aged 43 years old and joined the Company in 1999, becoming a director in 2013.
5. To reappoint as a non-executive director of the Company, Roger Lane-Smith who was appointed as a director on 21st January, 1983. He is a non-executive director of Timpson Group plc, Lomond Capital Partners, Mostyn Estates Limited and a number of other private companies. He is also a Senior Consultant at DLA Piper UK LLP.
6. To reappoint as a non-executive director of the Company David Pyle, who was appointed as an executive director in 1980, David joined the Company in 1968 and stepped down as company secretary and executive director on 27th April, 2013.
7. To reappoint as a non-executive director of the Company, David Hansell, who was appointed to the Board as a director on 3rd June, 2014. David joined the Company in 1962 becoming a director in 2014.
8. To reappoint Ernst & Young LLP as auditors of the Company.
9. To authorise the directors to determine the remuneration of the auditors.

## As special business:

10. That, pursuant to section 551 of the Companies Act 2006 (“2006 Act”), the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £558,324 provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 19th October, 2018 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired. This authority is in substitution for all existing authorities under section 551 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).
11. That, subject to the passing of resolution 11 and pursuant to sections 570 and 573 of the Companies Act 2006 (“2006 Act”), the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash pursuant to the authority granted by resolution 11 and to sell Ordinary shares held by the Company as treasury shares for cash as if section 561(1) of the 2006 Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities or sale of treasury shares:
  - 11.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
    - 11.1.1 to holders of Ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of Ordinary shares held by them; and
    - 11.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary.

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

# Notice of Annual General Meeting

Continued

- 11.2 otherwise than pursuant to paragraph 12.1 of this resolution, up to an aggregate nominal amount of £167,496.

and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 19th October, 2018 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted or treasury shares to be sold for cash after this power expires and the directors may allot equity securities or sell treasury shares for cash pursuant to any such offer or agreement as if this power had not expired. This power is in substitution for all existing powers under section 570 and 573 of the Companies Act 2006 (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

12. That, pursuant to section 701 of the Companies Act 2006 (“2006 Act”), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of Ordinary shares of £0.10 each in the capital of the Company (“Shares”), provided that:
- (a) the maximum aggregate number of Shares which may be purchased is 1,674,973;
  - (b) the minimum price (excluding expenses) which may be paid for a Share is £0.10;
  - (c) the maximum price (excluding expenses) which may be paid for a Share is the higher of:
    - (i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and
    - (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out,

and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 19th October, 2018 (whichever is the earlier), save that the Company may enter into a contract to purchase Shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of Shares pursuant to any such contract as if this authority had not expired.

13. That a general meeting of the Company (other than an annual general meeting) may be called on not less than 14 clear days’ notice.

By Order of the Board

.....  
**David Kirkup**  
 Secretary

23rd June, 2017

*Registered office:*

Balby Carr Bank  
 Doncaster  
 DN4 8DH

Registered in England and Wales No. 653735



# Notice of Annual General Meeting

Continued

## Notes

### Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on 17th July, 2017 (or, if the meeting is adjourned, no later than close of business two days prior to any adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

### Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in notes 3 to 4 and the notes to the proxy form.

The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

3. A form of proxy is enclosed. When appointing more than one proxy, the proxy form may be photocopied. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Capita Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, no later than 12 noon on 17th July, 2017 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

4. CREST members who wish to appoint a proxy or proxies for the meeting (or any adjournment of it) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID RA10) no later than 12 noon on 17th July, 2017 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this



# Notice of Annual General Meeting

Continued

connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## Corporate representatives

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

## Total voting rights

6. As at 23rd June, 2017 (being the last practicable date before the publication of this notice), the Company's issued share capital consists of 18,396,073 Ordinary shares of 10p each, carrying one vote each. The Company holds 1,646,334 Ordinary shares in treasury. Therefore, the total voting rights in the Company as at 23rd June, 2017 are 16,749,739.

## Nominated Persons

7. Where a copy of this notice is being received by a person who has been nominated to enjoy information rights under section 146 of the Companies Act 2006 ("2006 Act") ("Nominated Person"):

(a) the Nominated Person may have a right under an agreement between him/her and the shareholder by whom he/she was nominated, to be appointed, or to have someone else appointed, as a proxy for the meeting; or

(b) if the Nominated Person has no such right or does not wish to exercise such right, he/she may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

The statement of the rights of shareholders in relation to the appointment of proxies in notes 2 to 4 does not apply to a Nominated Person. The rights described in such notes can only be exercised by shareholders of the Company.

## Questions at the meeting

8. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. The Company must answer any such question unless:
- (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information; or
- (b) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

## Documents available for inspection

9. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends
- (a) Copies of the service contracts of the executive directors; and
- (b) Particulars of transactions of directors in the shares of the Company.

## Biographical details of directors

10. Biographical details of all those directors who are offering themselves for reappointment at the meeting are set out in the Notice.

## 11. Dividend Warrants

Dividend warrants will be posted on 21st July, 2017 to those members registered on the books of the Company on 23rd June, 2017.





