MS INTERNATIONAL plc

Annual Report 2019

Company Registration Number 00653735

MSI

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The year in brief

	2019 Total £000	2018 Total £000
Revenue	**77,708**	68,085
Profit before taxation	**4,787**	4,039
Earnings per share	**23.1p**	20.5p
Dividends payable per share	**8.25p**	8.25p

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

For the year ending 27th April 2019, the result on a 'like for like' basis increased by 48% to £5.99m (2018 – £4.04m) on revenue of £77.71m (2018 – 68.09m) an uplift of 14% on last year. On a similar basis, earnings per share would have been 29.0p (2018- 20.5p) an increase of 41%.

However, after a one-off £1.2m charge for 'guaranteed minimum pension equalisation' (see note 8 of the notes to the financial statements) the profit before taxation is reduced to £4.79m and earnings per share to 23.1p. Net cash was £22.89m (2018 – £15.87m) an increase of 44% on last year. The value of the Group order book at year-end was down on this time last year and there is very clear evidence, that many customers are reticent to place new orders until their perceived specific requirements become critically essential.

Reviewing the status of the varied markets we serve and responding to notable changes whether they be positive or negative is clearly an important management function and one that we always take very seriously in a thoroughly well informed, but also sensitive manner.

Fortuitously, as a Group we are very well armed, as we align to the ups and downs of the global markets we serve thanks to our diverse, profitable, international operations and a strong cash position, which supports those major product and facility developments that are in hand.

A key element in our 'Defence' business strategy has been to increase our presence significantly within the global defence market so that we can effectively counter the varied current constraints on UK MoD decisions regarding future requirements and expenditure. It is pleasing to report that once again, international sales accounted for the major component of revenue as we reap the benefits of our considerable investment in a substantial number of new products aimed specifically at the global market.

'Forgings' had a 10% uplift in revenue over the comparable period, overcoming the many challenges in international markets posed by product imported from lower cost economies. Our strategic move last year to focus on manufacturing in the United States has been exceptionally well received in a country where domestically manufactured product has considerable appeal over imported goods. This maturing investment phase is also enabling us to rationalise and re-position some of our UK production facilities, thereby better aligning our business with the notable decline of fork-lift truck production in the UK.

'**Petrol Station Superstructures**' enjoyed a significant upturn in activity with revenue increasing markedly compared to the period of market weakness during the previous year. Largely this is being driven by the structural transformation of traditional 'petrol filling station' sites, that were once almost exclusively selling fuel, into ones that are distinct, local convenience stores and multiple food outlets with ample car parking – that also serve fuel. This repositioning to a much broader retail offering has gathered substantial momentum across our customer base with clear benefits for the division. Furthermore, a much higher focus by management and the team on improving all round performance brought its just rewards.

'Petrol Station Branding' division maintained an admirable performance in line with that of the previous year. Here again the market is rapidly changing as the global oil companies continue to divest their estates to the numerous groups of fuel retail ownership. As a result the established branding programmes of the vendors are subject to review as the new owners determine their own priorities, fuel suppliers and schedules of requirements. Notwithstanding such significant changes, we are able to accommodate and support the priorities of these new customers without difficulty, thanks to the high reputation of our business. Pleasingly, our substantial activities across much of mainland Europe are now gaining notable traction in the UK through our fledgling operation which continues to prosper.

Outlook

This has been a creditable year of progress for the Group and we are encouraged by the good progress made across the various businesses. However, we believe that we are approaching 'very interesting times'. Despite our best endeavours in corporate product development and international marketing, there are times, such as now, when experience tells us some challenging external influences may come to bear on the business.

Nevertheless, recognising the challenges ahead of the game, is of course critical to maintain momentum. We believe that we are fully aware of such circumstances and we will do whatever is necessary to overcome any hurdles and protect at all times the Company's past and future development.

We are committed to moving the business forward and have the resilience, experience, and dedication along with a great team of people plus the financial resources to support and develop opportunities as they arise.

All matters considered the Board recommends the payment of a maintained final dividend of 6.5p per share, making the total for the year of 8.25p (2018 – 8.25p). The final dividend is expected to be paid on 25th July, 2019 to those shareholders on the register at the close of business on 21st June, 2019.

Michael Bell

Michael Bell
5th June 2019

Directors

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

Non-executive

Roger Lane-Smith – Age 73

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.

David Pyle – Age 73

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 73

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.

Company Secretary

David Kirkup FCA

Registered Office

Balby Carr Bank
Doncaster
DN4 8DH
England

Company Registration Number 00653735

Advisors

Independent Auditor

Grant Thornton UK LLP
1 Holly Street
Sheffield
S1 2GT

Registrars and Transfer Office

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors

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

Nominated Advisors

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

Brokers

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

Bankers

Lloyds Bank
First Floor
14 Church Street
Sheffield
S1 1HP

Strategic report

This report should be read in conjunction with the Chairman's Statement and the Corporate Governance Report.

Strategy

The Group's long term strategy is to invest in people, products and processes to seek continuous improvement in its four diverse operating divisions: 'Defence', 'Forgings', 'Petrol Station Superstructures' and 'Petrol Station Branding', each holding a leading position in its specialist market.

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 27th April, 2019 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.

The Group profit before taxation amounted to £4.787m (2018 – £4.039m) after a provision for estimated past service pension costs of £1.198m (2018 – £nil) relating to GMP equalisation. Details of the basis of the provision are set out in note 21. Changes to this estimate will be shown as part of the movement in actuarial liability within the Consolidated statement of comprehensive income in future years.

The uncertain indirect tax receivable of £615,000 from the Group's operations in Germany was recovered in full during the year. Consequently, the impairment provision of £615,000 made in the financial year ended 28 April, 2018 was released.

During the year, the parent company and US subsidiary company transferred its properties in the UK and the USA to property holding companies in both jurisdictions.

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.

There continues to be considerable uncertainty in relation to the UK's future trading relationship with the EU.

The Group already has operations within the EU in its 'Petrol Station Superstructures' business and its 'Petrol Station Branding' business. The 'Defence' business operates in a worldwide market and many of its customers and suppliers are not in the EU.

The overseas businesses of the 'Forgings' division operate in the USA, Brazil and Argentina. The main suppliers to UK 'Forgings' are based in the UK or non-EU countries. However, it does supply products to fork lift truck manufacturers within the EU. Any changes to the UK's future trading relationship with the EU may have an adverse impact on these customer supply arrangements, albeit limited in the context of the Group's overall international trading profile.

The Board are monitoring the likely impact of how changes in the UK's trading relationship with the EU will affect the different parts of the Group and preparations have been made to take appropriate action if, and when, required.

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.

Key performance indicators

	2019	2018	Change
	£000	£000	%
Revenue	**77,708**	68,085	14.1
Profit before taxation	**4,787**	4,039	18.5
Earnings per share	**23.1p**	20.5p	12.7

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

Strategic report

Cash flow

The Group cash inflow from operating activities was £9.07m (2018 – £2.97m). This was before capital expenditure of £0.89m (2018 – £1.11m) of which, £0.35m was incurred on increasing capacity at the recently constructed US forks manufacturing facility, which commenced production during the previous financial year.

Research and development costs of £0.96m (2018 – £1.12m) was expended during the year, primarily on continuing enhancement of the portfolio of small calibre naval weapon systems the 'Defence' business offers to its worldwide customer base.

Closing cash and cash equivalents reached a record £22.9m (2018 – £15.87m) including customer progress payments on account of £13.65m (2018 – £14.48m).

The Group has an unutilised UK overdraft facility of £4.8m. This, together with the closing cash and cash equivalents of £22.9m, puts the Group in a good position to continue to invest in people, products and processes in each of its diverse operating divisions, to deliver value over the medium to long term to shareholders and other stakeholders.

By order of the Board,

David Kirkup
Secretary

5th June, 2019

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 have prepared Group financial statements under IFRSs as adopted by the European Union, and the directors' have elected to prepare 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:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

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. 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 maintenance and integrity of the MS INTERNATIONAL plc website is the responsibility of the directors.

Independent auditor's report to the members of MS INTERNATIONAL plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of MS INTERNATIONAL plc (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 27 April 2019 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and company statement of changes in equity, the Consolidated and company statements of financial position, the Consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. 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.

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 27 April 2019 and of the group's profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £380,000, which represents 1.8% of the group's gross profit;
- Key audit matters were identified as:
  - Non-contract revenue has a potential for misstatement
  - Contract revenue has a potential for misstatement
- Audit scope:
  - A full scope audit was performed of the financial statements of the company, and all components determined to be significant.
  - A specified audit procedures approach was adopted for components not considered to be significant.
  - We carried out analytical procedures for the remaining components.
  - The components where we performed full or specified audit procedures accounted for 98% of revenue and 98% of gross profit.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Non-contract revenue has a potential for misstatement Non-contract revenue is a major driver of the business and there is a potential for material misstatement particularly in relation to revenue being recorded in the wrong period due to cut off errors or management bias. We therefore identified the misstatement of non-contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ● performing walkthroughs to understand the design and implementation of controls for the recording of revenue ● performing an assessment of whether the revenue recognition policy is in accordance with International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS 15), by comparing policies to IFRS 15 requirements, assessing the disclosures made and testing a sample of the revenue recorded in the period for adherence to the policy adopted ● testing items of revenue around the year end to ensure it is recorded in the correct period ● testing a sample of revenue transactions to corroborative documentation. The group's accounting policy on recognition of revenue is shown in note 2 to the financial statements and related disclosures are included in note 3. **Key observations** Based on the work we have undertaken we have not found any material misstatements in non-contract revenue recognition.

Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent
Contract revenue has a potential for misstatement Contract revenue is a major driver of the business and there is potential for material misstatement particularly within the Defence division (group) and Petrol Station Superstructures division (group and parent company) in relation to the timing of recognition of revenue due to error or management bias. We therefore identified the misstatement of contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: ● performing walkthroughs to understand the design and implementation of controls for the recording of revenue ● performing an assessment of whether the revenue recognition policy is in accordance with IFRS 15, by comparing policies to IFRS 15 requirements, assessing the disclosures made and testing a sample of the revenue recorded in the period for adherence to the policy adopted ● testing a sample of revenue transactions to customer contracts and orders to assess that the revenue has been recognised in line with the contractual terms. The group's accounting policy on recognition of revenue from contracts is shown in note 2 to the financial statements and related disclosures are included in note 3. **Key observations** Based on the work we have undertaken we have not found any material misstatements in contract revenue recognition.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£380,000 which is 1.8% of gross profit. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the Group.	£304,000 which is 1.4% of gross profit, capped at component materiality which is 80% of group materiality. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the parent company.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.
Communication of misstatements to the audit committee	£19,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- an evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We based our assessment as to the significance of the components by reference to the percentage of the group's total assets, revenues and profit before taxation. We did not identify any significant components based on qualitative factors, such as specific uses or concerns over specific components
- we conducted planning and interim visits, and evaluated the group's internal controls environment including its IT systems and controls
- we also visited the previous auditors and reviewed their files
- in assessing the risk of material misstatement, we evaluated the risk associated with the components of the group and selected 9 components for full scope audit or specified audit procedures. We performed full scope audit procedures on 4 of these components and specified audit procedures on the remaining 5 components. Full scope audit procedures were performed for entities comprising 84% of external revenues and 84% of gross profit. Specified audit procedures, including over revenue, were performed over components accounting for a further 14% of revenue and 14% of gross profit.

All audit work was performed by Grant Thornton including overseas firms in the Grant Thornton International Network. We issued group instructions to one component auditor. The group audit team were involved in the risk assessment of this component and reviewed workpapers for the significant risk areas and this was the only component where the group audit team were not included as part of the component audit team.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

5 June 2019

Consolidated income statement

For the 52 weeks ended 27th April, 2019

Continuing operations	Notes	**2019 Total £000**	2018 Total £000
Revenue	3/4	**77,708**	68,085
Cost of sales		**(56,131)**	(49,903)
Gross profit		**21,577**	18,182
Distribution costs		**(3,537)**	(3,383)
Administrative expenses		**(11,846)**	(10,546)
		(15,383)	(13,929)
	4/5	**6,194**	4,253
Past service pension costs	8	**(1,198)**	–
Group operating profit	4/5	**4,996**	4,253
Interest received	7	**93**	51
Interest paid	7	**(116)**	(82)
Other finance costs – pensions	21	**(186)**	(183)
		(209)	(214)
Profit before taxation		**4,787**	4,039
Taxation	9	**(975)**	(653)
Profit for the period attributable to equity holders of the parent		**3,812**	3,386
Earnings per share: basic and diluted	10	**23.1p**	20.5p

Consolidated statement of comprehensive income

For the 52 weeks ended 27th April, 2019

	2019 Total £000	2018 Total £000
Profit for the period attributable to equity holders of the parent	**3,812**	3,386
Exchange differences on retranslation of foreign operations	**(242)**	(175)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(242)**	(175)
Remeasurement gains on defined benefit pension scheme	**403**	858
Deferred taxation on remeasurement on defined benefit scheme	**(69)**	(146)
Revaluation surplus on land and buildings	**–**	2,052
Deferred taxation on revaluation surplus on land and buildings	**–**	(254)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**334**	2,510
Total comprehensive income for the period attributable to equity holders of the parent	**3,904**	5,721

Consolidated and company statement of changes in equity

	Share capital £000	Capital redemption reserve £000	Other reserves £000	Revaluation reserve £000	Share Premium account £000	Currrency translation reserve £000	Treasury shares £000	Retained earnings £000	**Total shareholders' funds £000**
(a) Group									
At 29th April, 2017	1,840	901	2,815	4,257	1,629	696	(3,059)	19,962	**29,041**
Profit for the period	–	–	–	–	–	–	–	3,386	**3,386**
Other comprehensive income/(loss)	–	–	–	1,798	–	(175)	–	712	**2,335**
Total comprehensive income/(loss)	–	–	–	1,798	–	(175)	–	4,098	**5,721**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	**33,400**
IFRS 15 adjustment (note 2)	–	–	–	–	–	–	–	(144)	**(144)**
Profit for the period	–	–	–	–	–	–	–	3,812	**3,812**
Other comprehensive income/(loss)	–	–	–	–	–	(242)	–	334	**92**
Total comprehensive income/(loss)	–	–	–	–	–	(242)	–	4,146	**3,904**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**279**	**(3,059)**	**25,338**	**35,798**
(b) Company									
At 29th April, 2017	1,840	901	1,565	4,351	1,629	–	(3,059)	18,745	**25,972**
Profit for the period	–	–	–	–	–	–	–	532	**532**
Other comprehensive income	–	–	–	1,704	–	–	–	712	**2,416**
Total comprehensive income	–	–	–	1,704	–	–	–	1,244	**2,948**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 28th April, 2018	1,840	901	1,565	6,055	1,629	–	(3,059)	18,627	**27,558**
IFRS 15 adjustment (note 2)	–	–	–	–	–	–	–	(144)	**(144)**
Reserve transfer (note 12(e))	–	–	6,055	(6,055)	–	–	–	–	**–**
Loss for the period	–	–	–	–	–	–	–	(233)	**(233)**
Other comprehensive income	–	–	–	–	–	–	–	334	**334**
Total comprehensive income	–	–	–	–	–	–	–	101	**101**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	**1,840**	**901**	**7,620**	**–**	**1,629**	**–**	**(3,059)**	**17,222**	**26,153**

Consolidated and company statements of financial position

At 27th April, 2019

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**£000**	£000	**£000**	£000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**20,426**	20,766	**1,265**	14,043
Intangible assets	13	**4,483**	4,893	**–**	–
Investments in subsidiaries	14	**–**	–	**15,036**	15,204
Deferred income tax asset	15	**1,156**	1,092	**1,241**	1,092
		26,065	26,751	**17,542**	30,339
Current assets					
Inventories	16	**12,624**	11,666	**1,462**	1,017
Trade and other receivables	17	**7,044**	14,617	**22,489**	10,003
Income tax receivable		**44**	114	**21**	–
Prepayments		**1,774**	1,127	**299**	335
Cash and cash equivalents	18	**22,886**	15,866	**–**	–
		44,372	43,390	**24,271**	11,355
TOTAL ASSETS		**70,437**	70,141	**41,813**	41,694
EQUITY AND LIABILITIES					
Equity					
Share capital	19	**1,840**	1,840	**1,840**	1,840
Capital redemption reserve	20	**901**	901	**901**	901
Other reserves	20	**2,815**	2,815	**7,620**	1,565
Revaluation reserve	20	**6,055**	6,055	**–**	6,055
Share premium account	20	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	20	**279**	521	**–**	–
Treasury shares	20	**(3,059)**	(3,059)	**(3,059)**	(3,059)
Profit/(loss) for the period		**3,812**	3,386	**(233)**	531
Retained earnings		**21,526**	19,312	**17,455**	18,096
TOTAL EQUITY SHAREHOLDERS' FUNDS		**35,798**	33,400	**26,153**	27,558
Non-current liabilities					
Defined benefit pension liability	21	**6,802**	6,421	**6,802**	6,421
Deferred income tax liability	15	**1,567**	1,625	**–**	1,154
		8,369	8,046	**6,802**	7,575
Current liabilities					
Bank overdraft	18	**–**	–	**582**	342
Trade and other payables	22	**25,375**	28,052	**8,276**	6,204
Income tax payable		**895**	643	**–**	15
		26,270	28,695	**8,858**	6,561
TOTAL EQUITY AND LIABILITIES		**70,437**	70,141	**41,813**	41,694

These accounts and notes on pages 14 to 47 were approved by the Board of Directors on 5th June, 2019, 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 27th April, 2019

		Group		Company	
		2019	2018	**2019**	2018
	Note	**£000**	£000	**£000**	£000
Profit/(loss) before taxation		**4,787**	4,039	**(312)**	488
Adjustments to reconcile profit before taxation to net cash inflow/(outflow) from operating activities					
Past service pension costs		**1,198**	–	**1,198**	–
IFRS 15 working capital adjustment		**(144)**	–	**(144)**	–
Depreciation charge	12	**1,318**	1,266	**551**	708
Amortisation charge	13	**375**	507	**–**	–
Net increase/(reversal) of impairment in investment in subsidiary undertaking	14	**–**	–	**168**	(213)
Profit on sale of fixed assets		**(80)**	(113)	**(60)**	(84)
Dividends received		**–**	–	**(690)**	(360)
Finance costs		**209**	214	**249**	232
Foreign exchange losses		**(460)**	(74)	**–**	–
Increase in inventories		**(958)**	(1,521)	**(445)**	241
Decrease/(increase) in receivables		**7,573**	(3,224)	**(1,384)**	(1,530)
(Increase)/decrease in prepayments		**(647)**	(184)	**36**	489
(Decrease)/increase in payables		**(1,849)**	2,679	**1,992**	(6,281)
(Decrease)/increase in progress payments		**(828)**	(91)	**80**	213
Pension fund payments		**(600)**	(389)	**(600)**	(389)
Cash generated from/(invested in) operating activities		**9,894**	3,109	**639**	(6,486)
Net interest paid		**(23)**	(31)	**(63)**	(49)
Taxation paid		**(797)**	(111)	**(36)**	(89)
Net cash inflow/(outflow) from operating activities		**9,074**	2,967	**540**	(6,624)
Investing activities					
Investment in MSI- Forks Inc.		**–**	–	**–**	(652)
Dividends received from subsidiaries		**–**	–	**690**	360
Transfer of net assets to MSI-Defence Systems Ltd.	14	**–**	–	**–**	(5,127)
Purchase of property, plant and equipment	12	**(891)**	(1,106)	**(284)**	(568)
Proceeds on disposal of property, plant and equipment	12	**199**	157	**176**	105
Net cash (outflow)/inflow from investing activities		**(692)**	(949)	**582**	(5,882)
Financing activities					
Dividends paid	11	**(1,362)**	(1,362)	**(1,362)**	(1,362)
Net cash outflow from financing activities		**(1,362)**	(1,362)	**(1,362)**	(1,362)
Increase/(decrease) in cash and cash equivalents		**7,020**	656	**(240)**	(13,868)
Opening cash and cash equivalents/(bank overdraft)		**15,866**	15,210	**(342)**	13,526
Closing cash and cash equivalents/(bank overdraft)	18	**22,886**	15,866	**(582)**	(342)

Notes to the financial statements

For the 52 weeks ended 27th April, 2019

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 27th April, 2019 were authorised for issue by the board of the directors on 5th June, 2019 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 AIM market of 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 27th April, 2019 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.

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:

Contract revenue

Judgement is required in determining the treatment of revenue recognition. This assessment is detailed further in the accounting policy for revenue.

The following estimates have had the most significant effect on amounts recognised in the financial statements:

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. The calculation of GMP equalisation included estimation of the related past service pension costs (see note 21).

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 (see note 13).

Basis of consolidation

Up until 27th April, 2019, 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.

With effect from the financial year commencing 28th April, 2019, the consolidated financial statements will be to 30th April, for each accounting year thereafter. The financial statements of the subsidiaries will be 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.

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 the income statement. 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 Dollar, 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.

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 statement of financial position 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 10 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

Development costs – over 5 years

The only intangible assets with indefinite useful lives are goodwill and these assets 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.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

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.

Leased assets - operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term.

Research and development

Costs relating to research are charged to the income statement as incurred.

Costs that are directly attributable to projects' development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably.
- the project is technically and commercially feasible.
- the Group intends to and has sufficient resources to complete the project.
- the Group has the ability to use or sell the asset.
- the asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Notes to the financial statements

Continued

2 Accounting policies (continued)

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.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts based on expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the receivable. The Group use it's historical experience, external indicators and forward looking information to make this assessment. Trade receivables are classified as financial assets measured as amortised cost (previously classified as loans and receivables under IAS 39).

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 statement of financial position 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.

Trade and other payables

Trade and other payables are initially regarded at their fair value and thereafter at amortised cost using the effective interest rate method. Trade payables are classified as financial liabilities at amortised cost under IFRS 9 (previously classified as financial liabilities at amortised cost under IAS 39).

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Pension schemes (continued)

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 IFRS 9 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.

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue

Revenue arises from the following services provided to customers and sale of products:

- The design and manufacture of defence equipment (Defence).
- The manufacture of fork-arms and open die forgings (Forgings).
- The design, manufacture and construction of petrol station superstructures (Petrol Station Superstructures).
- The design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourts (Petrol Station Branding).

To determine whether to recognise revenue, the Group follows the five steps required when applying IFRS 15:

1. Identifying the contract with the customer.
2. Identifying the separate performance obligations specified within each contract.
3. Determining the transaction price specified within each contract.
4. Allocating the transaction price to the performance obligation identified.
5. Recognising revenue once the performance obligation have been satisfied.

Revenue is recognised either at a point in time or over time, when the performance obligations are satisfied.

The Group recognises contract liabilities (progress payments) for consideration received in respect of unsatisfied performance obligations and reports these as other liabilities in the Statement of financial position.

Revenues classified as sale of goods are recognised at the point in time when the goods are delivered. Revenue classified as contract revenue includes revenue recognised at the point in time when the performance obligation has been satisfied. Certain contracts include terms which mean that revenue is recognised over time. The cash flow for this consideration from these contracts may be received in respect of unsatisfied performance obligations and in respect of satisfied performance obligations.

Revenues classified as rendering of services includes contracts with customers. Revenue is only recognised once the customer has received the benefit of the full service.

Defence

The Group enters into contracts with its customers to provide defence equipment. The contracts may contain multiple performance obligations for the delivery of a number of products. Each product is identifiable and separable from the other products included in the contract.

The Group recognises revenue for these at a point in time, when the goods have been delivered and the control of the goods has transferred to the customer.

As part of the contracts entered into, customers may make payments to the Group in advance of the goods being delivered. These are classified as progress payments and are contract liabilities which are only recognised as revenue once the performance obligation has been satisfied.

Forgings

Revenue from the sale of fork-arms and open die forgings is recognised upon delivery of the products, when or as the Group transfers control of the products to the customer. Customers are invoiced once control of the product has transferred to the customer.

Petrol Station Superstructures

The Group enters into contracts with its customers to provide petrol station superstructures. The contracts contain a single performance obligation for the delivery of the product.

The Group assesses each contract to determine whether revenue should be recognised at a point in time, when the product is delivered to the customer, or recognised over time, when the contracts stipulate that the Group is entitled to reward for performance to date. In order to establish the entitlement for performance to date, the Group considers if it has an enforceable right to payment for performance completed to date and the Group's performance to date does not create an asset with an alternative use to the Group. The majority of contracts have revenue which is measured at a point in time.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

As part of the contracts entered into, customers may make payments to the Group in advance of the delivery of the product. These are classified as progress payments and are contract liabilities which are only recognised as revenue once the performance obligation has been satisfied.

Petrol Station Branding

The Group enters into contracts with its customers to perform the re-imaging of petrol station forecourts. Additional engagements include the repair and maintenance of images on petrol station forecourts.

Control of the goods does not pass to the customer until either the goods are delivered to site for material only projects, or on completion of installation for materials and installation projects. Accordingly, revenue is recognised at the point in time when this occurs.

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.

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 statement of financial position 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

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.

New Standards adopted as at 1st January, 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1st January, 2018.

Previously the Group recognised revenue on contracts within the Petrol Station Superstructures division based on the stage of completion of site activity. On applying IFRS 15, revenue on these contracts has been reassessed to determine which contracts meet the criteria for recognising revenue over time and which contracts are now recognising revenue at a point in time. This has an effect on the timing of recognising revenue and profits so that certain contracts now recognised revenue at the point in time when the contract has been completed. There is no impact on cash flows.

IFRS 15 Revenue from contracts with customers has been adopted and applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 28th April, 2018. Previously, revenue on certain contracts within the Petrol Station Superstructures division was recognised based on the stage of completion of site activity. On applying IFRS 15, revenue on these contracts will be recognised at the point in time when the contract is completed. The effect of this change was a reduction of retained earnings of £144,000 as at 28th April, 2018, being the net of a reduction in revenue of £488,000 and an increase in work in progress of £344,000, with a balance sheet effect of increasing inventories by £344,000, reducing receivables by £22,000 and payables by £466,000.

Revenue and profits in all other divisions in the Group have not been impacted by IFRS 15.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

Financial assets previously measured under IAS 39 as loans and receivables are now categorised under IFRS 9 as amortised cost.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Any differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are to be recognised in retained earnings. No difference arose on the transition to IFRS 9 for the measurement of financial assets and financial liabilities.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Notes to the financial statements

Continued

2 Accounting policies (continued)

New Standards adopted as at 1st January, 2018 (continued)

Title	Full title of Standard of Interpretation	Effective for accounting periods beginning on or after
IFRS 3	IFRS 3 Definition of a Business (Amendments to IFRS 3)	1st January, 2020
IAS 1/IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1st January, 2020
IFRS 16	Leases	1st January, 2020
IFRIC 23	Uncertainty over Income Tax Treatments	1st January, 2020
IAS 12/IAS 23/IFRS 3/IFRS 11	Annual improvements to IFRS Standards 2015-2017 cycle	1st January, 2020

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 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.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations.

The Group will be adopting IFRS 16 with effect from 28th April, 2019 using the standard's modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Management have identified that there are two property leases and a minimal number of motor vehicles which the Group would need to recognise rights of use and related lease liabilities from these particular assets.

At 27th April, 2019 the future minimum lease rentals for these assets amounted to £864,000. This means that with effect from 28th April, 2019 the nature of the expense of the above lease costs will change from being treated as an operating lease and expensed in the financial year incurred to depreciation of a right of use asset and related interest expense.

Management conclude that as a result of the change in the accounting treatment of these particular leases there will not be a significant effect on the annual consolidated income statements over the duration of the leases.

All other leases will continue to be treated as short term leases and be expensed in the financial year the costs are incurred.

3 Revenue

	2019	2018
	£000	£000
Sale of goods	**61,447**	55,291
Contract revenues	**15,819**	12,159
	77,266	67,450
Rendering of services	**442**	635
Goods and services transferred at a point in time	**77,708**	68,085

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 27th April, 2019 and 28th April, 2018. 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 Superstructure 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. 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue										
From external customers	**26,678**	21,900	**15,695**	14,336	**15,871**	12,236	**19,464**	19,613	**77,708**	68,085
From other segments	–	–	**–**	–	**450**	199	**226**	142	**676**	341
Segment revenue	**26,678**	21,900	**15,695**	14,336	**16,321**	12,435	**19,690**	19,755	**78,384**	68,426
Segment result	**2,836**	2,600	**(442)**	(536)	**2,055**	17	**1,745**	2,172	**6,194**	4,253
Past service pension costs									**(1,198)**	–
Net finance costs									**(209)**	(214)
Profit before taxation									**4,787**	4,039
Taxation									**(975)**	(653)
Profit for the period									**3,812**	3,386
Segmental assets	**29,942**	40,801	**8,988**	5,272	**10,787**	8,845	**9,291**	10,005	**59,008**	64,923
Unallocated assets (see below)									**11,429**	5,218
Total assets									**70,437**	70,141
Segmental liabilities	**19,500**	19,329	**6,125**	1,978	**4,330**	1,970	**2,806**	4,402	**32,761**	27,679
Unallocated liabilities (see below)									**1,878**	9,062
Total liabilities									**34,639**	36,741
Capital expenditure	**67**	18	**406**	530	**196**	149	**118**	211	**787**	908
Depreciation	**77**	154	**517**	480	**488**	628	**365**	365	**1,447**	1,627

Unallocated assets includes certain fixed assets, (including all UK properties – see note 12(e)) intangible assets, current assets and deferred tax assets. Unallocated liabilities includes the defined pension benefit scheme liability and certain current liabilities.

Notes to the financial statements

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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 27th April, 2019 and 28th April, 2018. 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.

	United Kingdom		Europe		Americas		Rest of the World		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue										
External	**30,755**	24,914	**33,143**	25,803	**9,572**	7,536	**4,238**	9,832	**77,708**	68,085
Non-current assets	**17,637**	18,322	**3,832**	4,203	**4,596**	4,226	**–**	–	**26,065**	26,751
Current assets	**34,301**	32,724	**7,670**	8,499	**2,401**	2,167	**–**	–	**44,372**	43,390
Liabilities	**31,701**	32,076	**2,260**	4,256	**679**	409	**–**	–	**34,640**	36,741
Capital expenditure	**350**	586	**190**	216	**351**	304	**–**	–	**891**	1,106

Information about major customers

	2019	2018
	£000	£000
Revenue from major customers arising from sales reported in the Defence segment:		
Customer 1	**10,871**	–
Customer 1	**–**	7,137
Revenue from major customers arising from sales reported in the Petrol Station Branding segment:		
Customer 1	**11,905**	–
Customer 1	**–**	14,761

5 Group operating profit

	2019	2018
This is stated after charging:	**£000**	£000
Fees payable to the Group's auditor and associates		
For the audit of the Group's financial statements	**66**	–
For the audit of the Group's subsidiary companies' financial statements	**75**	–
For audit related services	**14**	–
Fees payable to the Group's previous auditor		
For the audit of the Group's financial statements	**–**	109
For other assurance services	**–**	23
For taxation services	**–**	70
Depreciation – owned assets	**1,318**	1,266
Amortisation of intangible assets	**375**	507
(Reversal)/impairment of uncertain indirect tax receivable	**(615)**	615
Foreign exchange gains	**6**	147
Hire of plant and machinery	**1,707**	1,749
Other operating leases – minimum lease payments	**360**	351
Cost of inventories recognised as an expense	**38,570**	37,027
Research and development costs	**958**	1,120

Total administrative expenses are included within Group operating profit. This includes administrative expenses and the separately disclosed past service pension costs.

Notes to the financial statements

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6 Employee Information

	2019 Number	2018 Number
The average number of employees, including executive directors, during the period was:		
Production	**264**	251
Technical	**65**	69
Distribution	**27**	33
Administration	**91**	78
	447	431

(a) Staff costs

Including executive directors, employment costs were as follows:	2019 £000	2018 £000
Wages and salaries	**17,609**	16,029
Social Security costs	**1,934**	1,850
Other pension costs	**666**	637
	20,209	18,516

(b) Directors’ emoluments

	2019 £000	2018 £000
Aggregate directors' emoluments (note 27)	**1,672**	1,431
Post employment benefits	**47**	37
	1,719	1,468

Director’s emoluments are considered further within the Directors remuneration report presented on pages 58 and 59.

7 Net finance costs

	2019 £000	2018 £000
Bank interest cost	**(87)**	(82)
Other interest	**(29)**	–
Bank interest revenue	**93**	51
	(23)	(31)

8 Past service pension costs

	2019 £000	2018 £000
Guaranteed minimum pension equalisation adjustment (note 21)	**(1,198)**	–
	(1,198)	–

Notes to the financial statements

Continued

9 (a) Taxation

The charge for taxation comprises:

	2019 £000	2018 £000
Current tax		
United Kingdom corporation tax	**540**	–
Adjustments in respect of previous years	**(16)**	33
Foreign corporation tax	**635**	682
Group current tax	**1,159**	715
Deferred tax		
Origination and reversal of temporary differences	**(247)**	(62)
Adjustments in respect of prior years	**63**	–
Group deferred tax (note 15)	**(184)**	(62)
Tax on profit	**975**	653
Tax relating to items charged or credited to other comprehensive income		
Deferred tax		
Deferred tax on measurement gains on pension scheme current year	**69**	146
Deferred tax on revaluation surplus on land and buildings	**–**	254
Income tax in the Consolidated statement of comprehensive income	**69**	400

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 (19%) (2018 – 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	**4,787**	4,039
Profit multiplied by standard rate of corporation tax of 19% (2018 - 19%)	**910**	767
Expenses not deductible for tax purposes	**(102)**	(288)
Adjustments in respect of overseas tax rates	**120**	141
Current tax adjustment in respect of prior periods	**(16)**	33
Deferred tax adjustment in respect of prior periods	**63**	–
Total tax charge for the period	**975**	653

9 (c) Factors affecting future tax charge

The UK corporation tax rate will remain at 19% until it reduces to 17% in 2020. At 27th April, 2019 the rate reductions to 17% had been enacted. Deferred tax at 27th April, 2019 has therefore been provided at 17% or at a blended rate depending on when the underlying temporary differences are expected to unwind. Deferred tax in relation to intangibles recognised on the acquisition of Petrol Sign bv has been provided at 25% being the main corporation tax rate in The Netherlands.

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 £3,812,000 (2018 – £3,386,000).

(b) 16,504,691 (2018 – 16,504,691) Ordinary shares, being the weighted average number of Ordinary shares in issue.

This represents 18,396,073 (2018 – 18,396,073) being the weighted average number of Ordinary shares in issue less 1,891,382 (2018 – less 1,891,382) being the weighted average number of shares both held within the ESOT 245,048 (2018 – 245,048) and purchased by the Company 1,646,334 (2018 – 1,646,334).

Notes to the financial statements

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11 Dividends paid and proposed

	2019	2018
	£000	£000
Declared and paid during the year		
On Ordinary shares		
Final dividend for 2018 : 6.50p (2017 – 6.50p)	**1,073**	1,073
Interim dividend for 2019 : 1.75p (2018 – 1.75p)	**289**	289
	1,362	1,362
Proposed for approval by shareholders at the AGM		
Final dividend for 2019 : 6.50p (2018 – 6.50p)	**1,073**	1,073

12 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	**Total £000**
(a) Group			
Cost or valuation			
At 29th April, 2017	16,010	15,751	**31,761**
Additions	–	1,106	**1,106**
Disposals	–	(1,182)	**(1,182)**
Revaluation	1,555	–	**1,555**
Exchange differences	(31)	(139)	**(170)**
At 28th April, 2018	17,534	15,536	**33,070**
Additions	–	891	**891**
Disposals	–	(842)	**(842)**
Exchange differences	172	–	**172**
At 27th April, 2019	**17,706**	**15,585**	**33,291**
Accumulated depreciation			
At 29th April, 2017	557	12,105	**12,662**
Depreciation charge for the period	287	979	**1,266**
Disposals	–	(1,138)	**(1,138)**
Revaluation	(497)	–	**(497)**
Exchange differences	7	4	**11**
At 28th April, 2018	354	11,950	**12,304**
Depreciation charge for the period	309	1,009	**1,318**
Disposals	–	(723)	**(723)**
Exchange differences	(1)	(33)	**(34)**
At 27th April, 2019	**662**	**12,203**	**12,865**
Net book value at 27th April, 2019	17,044	3,382	**20,426**
Net book value at 28th April, 2018	17,180	3,586	**20,766**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,406	15,585	**20,991**
At 27th April, 2019	**17,706**	**15,585**	**33,291**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,234	15,536	**20,770**
At 28th April, 2018	17,534	15,536	**33,070**

Notes to the financial statements

Continued

12 Property, plant and equipment (continued)

(b) Company

	Freehold property £000	Plant and equipment £000	**Total £000**
Cost or valuation			
At 29th April, 2017	10,950	13,451	**24,401**
Additions	–	568	**568**
Disposals	–	(615)	**(615)**
Transfer to MSI-Defence Systems Ltd. (note 14)	–	(3,069)	**(3,069)**
Revaluation	1,350	–	**1,350**
At 28th April, 2018	12,300	10,335	**22,635**
Additions	–	284	**284**
Disposals	–	(859)	**(859)**
Transfer to MS INTERNATIONAL Estates Ltd. (note 12(e))	(12,300)	(477)	**(12,777)**
At 27th April, 2019	**–**	**9,283**	**9,283**
Accumulated depreciation			
At 29th April, 2017	439	11,309	**11,748**
Depreciation charge for the period	146	562	**708**
Disposals	–	(594)	**(594)**
Transfer to MSI-Defence Systems Ltd. (note 14)	–	(2,685)	**(2,685)**
Revaluation	(585)	–	**(585)**
At 28th April, 2018	–	8,592	**8,592**
Depreciation charge for the period	–	551	**551**
Disposals	–	(743)	**(743)**
Transfer to MS INTERNATIONAL Estates Ltd. (note 12(e))	–	(382)	**(382)**
At 27th April, 2019	**–**	**8,018**	**8,018**
Net book value at 27th April, 2019	**–**	**1,265**	**1,265**
Net book value at 28th April, 2018	12,300	1,743	**14,043**
Analysis of cost or valuation			
At professional valuation 2019	–	–	**–**
At cost	–	9,283	**9,283**
At 27th April, 2019	–	9,283	**9,283**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	–	10,335	**10,335**
At 28th April, 2018	12,300	10,335	**22,635**

(c) Depreciation has not been charged on freehold land which is included at a book value of £5,170,652 (2018 – £5,170,652) Company £Nil (2018 – £3,655,652) at 27th April, 2019.

(d) On 11th November, 2018, 26th July, 2017 and 28th March, 2018 the Group's land and buildings, which consist of manufacturing and office facilities in the UK, Poland and USA were valued by Dove Haigh Phillips (UK), KonSolid-Nieruchomosci (Poland) and Real Estate & Appraisal Services Inc. (USA). 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 £11,292,000 (2018 – £11,121,000) at 27th April, 2019.

Notes to the financial statements

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12 Property, plant and equipment (continued)

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. The USA property was valued on an income and market value basis. For all properties, there is no difference between current use and highest and best use.

The valuation of the UK properties has been processed in the financial statements. The Poland property and the USA property valuations were sufficiently close to their carrying value such that the valuations were not processed.

(e) On 30th April, 2018, the freehold property in the UK was transferred from the Company to MS INTERNATIONAL Estates Ltd, a wholly owned subsidiary of the Group, at the balance sheet value as at 28th April, 2018. In addition certain plant and equipment relating to the maintenance and functioning of the freehold property was transferred from the Company to MS INTERNATIONAL Estates Ltd at net book value. This transfer has resulted in the transfer of the revaluation reserve of £6,055,000 to other reserves in the Company.

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 29th April, 2017	2,749	1,036	1,370	49	2,571	319	279	330	**8,703**
Exchange differences	31	8	–	3	72	9	–	–	**123**
At 28th April, 2018	2,780	1,044	1,370	52	2,643	328	279	330	**8,826**
Exchange differences	(16)	(3)	–	(1)	(32)	(4)	–	–	**(56)**
At 27th April, 2019	2,764	1,041	1,370	51	2,611	324	279	330	**8,770**
Amortisation									
At 29th April, 2017	–	330	948	30	1,166	319	279	330	**3,402**
Amortisation during the year	–	61	137	18	291	–	–	–	**507**
Exchange differences	–	2	–	1	12	9	–	–	**24**
At 28th April, 2018	–	393	1,085	49	1,469	328	279	330	**3,933**
Amortisation during the year	–	61	137	3	174	–	–	–	**375**
Exchange differences	–	(1)	–	(1)	(13)	(6)	–	–	**(21)**
At 27th April, 2019	–	453	1,222	51	1,630	322	279	330	**4,287**
Net book value at 27th April, 2019	2,764	588	148	–	981	2	–	–	**4,483**
Net book value at 28th April, 2018	2,780	651	285	3	1,174	–	–	–	**4,893**

Notes to the financial statements

Continued

13 Intangible assets (continued)

Company	Development costs £000	Software costs £000	**Company £000**
Cost			
At 29th April, 2017	279	330	**609**
Transfer to MSI-Defence Ltd. (note 14)	(279)	(245)	**(524)**
At 28th April, 2018	–	85	**85**
Additions	–	–	**–**
At 27th April, 2019	**–**	**85**	**85**
Amortisation			
At 29th April, 2017	279	330	**609**
Transfer to MSI-Defence Ltd. (note 14)	(279)	(245)	**(524)**
At 28th April, 2018	–	85	**85**
Amortisation during the year	–	–	**–**
At 27th April, 2019	**–**	**85**	**85**
Net book value at 27th April, 2019	**–**	**–**	**–**
Net book value at 28th April, 2018	–	–	**–**

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:

	Goodwill 2019 £000	Goodwill 2018 £000
Petrol Station Superstructures division	**2,064**	2,064
Petrol Station Branding division	**700**	716
Net book value	**2,764**	2,780

Group

The performance of the Petrol Station Superstructures 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 Superstructures 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

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14 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on pages 60 and 61.

Company	2019 £000 Cost	2019 £000 Impairment	2019 £000 Net book value
At 28th April, 2018	**16,998**	**(1,794)**	**15,204**
Impairment in investment in MSI-Forks Garfos Industria Ltda	**–**	**(101)**	**(101)**
Impairment in investment in MSI-Defence Systems Inc.	**–**	**(67)**	**(67)**
At 27th April, 2019	**16,998**	**(1,962)**	**15,036**

Transfer of business

On 1st May, 2017, the trade and certain assets of the Defence division of MS INTERNATIONAL plc were transferred to MSI-Defence Systems Limited. The business assets and liabilities transferred to MSI-Defence Systems Limited at 1st May, 2017 at book value were as follows:

	2018 £000
Non-current assets	
Fixed assets	383
Current assets	
Inventories	6,731
Receivables	6,093
Cash at bank and in hand	13,323
	26,147
Payables: amounts falling due within one year	18,335
Net current assets	7,812
Net assets transferred	8,195

The investing cash outflow arising on the above transfer of business totalled £5,127,000 being the net assets transferred less the cash at bank and in hand transferred out.

15 Deferred income tax

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

	2019 £000	2018 £000
Taxation deferred by capital allowances	**(16)**	(67)
Taxation on other temporary differences	**–**	79
Taxation on intangibles	**(82)**	(108)
Taxation on defined benefits pension	**(149)**	34
Adjustments in respect of prior periods	**63**	–
	(184)	(62)

Notes to the financial statements

Continued

15 Deferred income tax (continued)

The deferred income tax asset included in the Consolidated statement of financial position is:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Taxation on pension liability	**1,156**	1,092	**1,156**	1,092
Taxation deferred by capital allowances	**–**	–	**55**	–
Taxation on other temporary differences	**–**	–	**30**	–
Deferred income tax asset	**1,156**	1,092	**1,241**	1,092

The movements on the deferred tax liability are:

Group	**Taxation on pension liability £000**
At 29th April, 2017	1,272
Included in Consolidated income statement	(34)
Included in the Company statement of comprehensive income	(146)
At 28th April, 2018	1,092
Included in Consolidated income statement	133
Included in the Company statement of comprehensive income	(69)
At 27th April, 2019	**1,156**

	Taxation deferred by capital allowances £000	Taxation on other temporary differences £000	Taxation on pension liability £000
At 29th April, 2017	–	–	1,272
Included in Consolidated income statement	–	–	(34)
Included in the Consolidated and company statement of comprehensive income	–	–	(146)
At 28th April, 2018	–	–	1,092
Included in Consolidated income statement	–	–	133
Included in the Consolidated and company statement of comprehensive income	–	–	(69)
Reclassified to deferred tax asset	55	30	–
At 27th April, 2019	**55**	**30**	**1,156**

The deferred income tax liability included in the Consolidated statement of financial position is:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Taxation deferred by capital allowances	**277**	247	**–**	247
Taxation on other temporary differences	**(30)**	(30)	**–**	(30)
Taxation on intangible assets	**383**	471	**–**	–
Taxation on buildings revaluation	**937**	937	**–**	937
Deferred income tax liability	**1,567**	1,625	**–**	1,154

Notes to the financial statements

Continued

15 Deferred income tax (continued)

The movements on the deferred tax liability are:

Group	Taxation deferred by capital allowances £000	Taxation on other temporary differences £000	Taxation on intangible assets £000	Taxation on buildings revaluation £000	**Total £000**
At 29th April, 2017	314	(109)	561	683	**1,449**
Included in the Consolidated income statement	(67)	79	(108)	–	**(96)**
Included in the Consolidated statement of comprehensive income	–	–	18	254	**272**
Acquired on acquisition	–	–	–	–	**–**
At 28th April, 2018	247	(30)	471	937	**1,625**
Included in the Consolidated income statement	31	(1)	(82)	–	**(52)**
Included in the Consolidated statement of comprehensive income	–	–	(6)	–	**(6)**
At 27th April, 2019	278	(31)	383	937	**1,567**

Company	Taxation deferred by capital allowances £000	Taxation on other temporary differences £000	Taxation on intangible assets £000	Taxation on buildings revaluation £000	**Total £000**
At 29th April, 2017	314	(109)	–	706	**911**
Included in the Company income statement	(67)	79	–	–	**12**
Included in other comprehensive income	–	–	–	231	**231**
At 28th April, 2018	247	(30)	–	937	**1,154**
Included in the Company income statement	54	–	–	–	**54**
Transferred to group company	(356)	–	–	(937)	**(1,293)**
Reclassified to deferred tax asset	55	30	–	–	**85**
At 27th April, 2019	–	–	–	–	**–**

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 bv which has been provided at 25%.

The Group and Company also have capital losses of £4,350,000 (2018 – £4,350,000).

16 Inventories

	Group		**Company**	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Raw materials	**5,593**	5,877	**744**	372
Work in progress	**6,641**	5,268	**610**	545
Finished goods	**390**	521	**108**	100
	12,624	11,666	**1,462**	1,017

	2019 £000	2018 £000	**2019 £000**	2018 £000
Inventory write downs during the year	**155**	33	**32**	7

Notes to the financial statements

Continued

17 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade receivables	**6,913**	14,032	**3,456**	2,998
Retentions on contracts	**113**	568	**–**	22
Amounts owed by subsidiary undertakings	**–**	–	**19,029**	6,983
Other receivables	**18**	17	**4**	–
	7,044	14,617	**22,489**	10,003

The aggregate amount of costs incurred and recognised profits to date on contracts is £15,819,000 (2018 – £12,159,000).

(a) Trade receivables are denominated in the following currencies.

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Sterling	**3,674**	7,160	**2,751**	2,194
Euro	**2,141**	5,961	**701**	812
US dollar	**778**	582	**–**	–
Other currencies	**320**	329	**4**	(8)
	6,913	14,032	**3,456**	2,998

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 after impairment is as follows:

Group	Total £000	Not past due £000	< 30 days £000	30-60 days £000	60-90 days £000	> 90 days £000
2019	**6,913**	**6,245**	**505**	**148**	**13**	**2**
2018	14,032	9,377	4,446	142	24	43

As at 27th April, 2019 trade receivables at a nominal value of £105,000 (2018 – £97,000) were impaired and fully provided. Bad debts of £65,000 (2018 – £15,000) were recovered and bad debts of £52,000 (2018 – £28,000) were incurred.

Company						
2019	**2,764**	**2,649**	**40**	**81**	**–**	**(6)**
2018	2,998	2,172	808	17	–	1

As at 27th April, 2019 trade receivables at a nominal value of £51,000 (2018 – £32,000) were impaired and fully provided. Bad debts of £20,000 (2018 – £11,000) were recovered and bad debts of £39,000 (2018 – £6,000) were incurred.

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

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Sterling	**113**	568	**–**	22
Euro	**–**	–	**–**	–
US dollar	**–**	–	**–**	–
Other currencies	**–**	–	**–**	–
	113	568	**–**	22

Notes to the financial statements

Continued

17 Trade and other receivables (continued)

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 months £000	6-12 months £000	12-18 months £000	18-24 months £000
2019	**113**	**93**	**20**	**–**	**–**
2018	568	546	22	–	–
Company					
2019	**–**	**–**	**–**	**–**	**–**
2018	22	–	22	–	–

(c) Intercompany receivables

All amounts due from Group companies are repayable on demand and are not charged interest. The majority of intercompany balances are to group entities with liquid assets and are capable of being repaid on demand.

There are loans to MS INTERNATIONAL Estates Limited, which although repayable on demand, are supported by properties which will not be immediately realisable. The Directors have assessed the likelihood of default and the loss in the event of default as well as the balance at the reporting date and conclude that there is no material impairment of the receivable.

The amounts receivable at the year end can be categorised as:

	2019 £000
Amounts due from companies backed by liquid assets	**7,219**
Amounts due from MS INTERNATIONAL Estates Limited	**11,810**
	19,029

18 Cash and cash equivalents/bank overdraft

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Cash at bank and in hand	**17,151**	7,504	**–**	–
Short term deposits	**5,735**	8,362	**–**	–
Bank overdraft	**–**	–	**(582)**	(342)
	22,886	15,866	**(582)**	(342)

19 Issued capital

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2018 – 35,000,000)	**3,500**	3,500	**3,500**	3,500
Allotted, issued and fully paid – 18,396,073 (2018 – 18,396,073)	**1,840**	1,840	**1,840**	1,840

Notes to the financial statements

Continued

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 reserves – Company

Following the transfer of assets held at valuation by the Company, to a subsidiary company, a reserve has been created which is non-distributable. This is equal to the revaluation reserve previously arising.

Additionally it includes the non-distributable retained reserve for the revaluation reserve previously showing in the company for properties now transferred to other members of the Group.

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 the prior year for the related deferred tax due to the change in corporation tax (18% to 17%).

Share premium account

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

	2019	2018
	£000	£000
Employee Share Ownership Trust	**100**	100
Shares in treasury (see below)	**2,959**	2,959
	3,059	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 (2018 – 245,048) Ordinary shares, which represents 1.3% (2018 – 1.3%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 27th April, 2019 was £505,000 (2018 – £453,000). The Company has made payments of £Nil (2018 – £Nil) into the ESOT bank accounts during the period. No options over shares (2018 – 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 £7,000 (2018 – £7,000). During the period no options on shares were exercised (2018 – Nil) and no shares were purchased (2018 – Nil).

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

	£000
11th December, 2013 1,000,000 shares from the Group’s pension scheme	**1,722**
30th January, 2014 646,334 shares	**1,237**
	2,959

Notes to the financial statements

Continued

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, 2017 by a professionally qualified actuary.
- From 6th April, 2016 the Company directly pays the expenses of the Scheme. With effect from April 2018 the deficit reduction payments paid into the Scheme by the Company have been increased to £600,000 per annum. The deficit reduction contributions are paid on a quarterly basis with the first paid on 3rd April, 2018 and the last due for payment on or before 5th January, 2027. The total deficit reduction payments made in the year were £600,000 (2018 – £389,000).
- 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 remeasurement gains and losses is to recognise them immediately through the statement of comprehensive income.

Assumptions

	2019	2018
Discount rate at year-end	**2.50%**	2.70%
Future salary increases	**3.80%**	3.60%
Pension increases – RPI inflation	**3.20%**	3.00%
Pension increases – CPI inflation	**2.00%**	1.80%
Life expectancy of current pensioners (from age 65)	**20.7yrs**	21.4yrs
Life expectancy of future pensioners (from age 65)	**22.6yrs**	22.8yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £1.7m.

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.3m.

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 11 years.

GMP Equalisation

The defined benefits scheme was contracted out of the State Earnings – Related Pension Scheme (SERPS) between 1990 and 1997. The benefits for employees who were members between those dates include a "Guaranteed Minimum Pension". In broad terms, this replicated the pension which the members would have earned under SERPS.

Historically, there has been an inequality of benefits between male and female members who accrued a GMP between 1990 and 1997.

In general, occupational pension schemes have had to provide equal benefits for men and women since May 1990. However, because State benefits were exempt from the Barber case judgement in 1990 there has been considerable uncertainty as to whether this equalisation requirement extended to GMPs.

A High Court ruling on 26th October, 2018 confirmed that schemes must now take action to address GMP equalisation.

Notes to the financial statements

Continued

21 Pension liability (continued)

If a member's benefits would be higher by calculating their benefits accrued since 1990 using the GMP applicable to an individual of the opposite sex, then the GMP benefit must be increased accordingly, including paying arrears to members who are already receiving their pension.

There are a number of methods to use for calculating the GMP equalisation but whilst setting out a number of possible approaches, the High Court did not specify the method to use.

The calculation of the past service cost related to the GMP equalisation has been based on the likely method that the Scheme Trustees and Company will adopt in the future. However, it is anticipated that whilst other methodologies for GMP equalisation will give slightly different benefit payments, the actuarial present value of the payments arising for each methodology are unlikely to be materially different.

The results of the calculation using the most likely method to be adopted result in an estimated 4.2% increase in the Scheme's liability which gives rise to an unrecognised past service cost of approximately £1.198m. This has been recognised in the Consolidated income statement for the year ended 27th April, 2019.

It may be some time before the agreed method for GMP equalisation calculations is approved. However, now that the estimated past service cost has been recognised in the Consolidated income statement, changes to the estimate in the future will be recognised in the Consolidated statement of comprehensive income.

Statement of financial position

	2019	2018
	£000	£000
Present value of obligations	**30,264**	29,568
Fair value of plan assets	**23,462**	23,147
Net liability	**6,802**	6,421

Income Statement

	2019	2018
	£000	£000
Interest on net liabilities	**186**	183
Administration expenses	**–**	–
Total income statement cost	**186**	183

Change in defined benefit obligation

	2019	2018
	£000	£000
Opening defined benefit obligation	**29,568**	30,790
Interest cost	**808**	746
Experience gains arising on scheme liabilities	**11**	554
Changes in financial assumptions underlying the present value of scheme liabilities	**(660)**	(817)
Actuarial losses on scheme liabilities	**916**	–
Benefits paid	**(1,577)**	(1,705)
Past service costs	**1,198**	–
Defined benefit obligation	**30,264**	29,568

Notes to the financial statements

Continued

21 Pension liability (continued)

Change in fair value of plan assets

	2019 £000	2018 £000
Opening fair value of plan assets	**23,147**	23,305
Interest income on assets	**622**	563
Actual return on assets less amount included in net interest	**670**	595
Deficit reduction contributions by employer	**600**	389
Benefits paid	**(1,577)**	(1,705)
Fair value of plan assets	**23,462**	23,147

Statement of comprehensive income

	2019 £000	2018 £000
Actual return on assets less amounts included in net interest	**670**	595
Remeasurement gains/(losses)	**(267)**	263
	403	858

	2019 £000	2018 £000
Expected deficit reduction contributions into the Scheme during next accounting year:	**600**	600

Breakdown of assets at 27th April, 2019	**Plan assets £000**	**Asset allocation**
Equities – UK market	**7,702**	**33%**
Equities – non UK market	**7,825**	**33%**
Corporate Bonds	**3,035**	**13%**
Gilts	**3,152**	**13%**
Cash/other	**1,748**	**8%**
	23,462	**100%**

Breakdown of assets at 28th April, 2018	Plan assets £000	Asset allocation
Equities – UK market	7,140	31%
Equities – non UK market	7,647	33%
Corporate Bonds	3,542	15%
Gilts	2,984	13%
Cash/other	1,834	8%
	23,147	100%

Notes to the financial statements

Continued

22 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade payables	**5,349**	6,598	**3,122**	2,681
Amounts owed to subsidiary undertakings	**–**	–	**2,808**	1,528
Other payables	**3,435**	4,228	**592**	842
Accruals	**2,943**	2,750	**1,288**	767
Progress payments	**13,648**	14,476	**466**	386
	25,375	28,052	**8,276**	6,204

Progress payments received for sale of goods and contract revenue represents customer payments received in advance of performance that are expected to be recognised as revenue in future periods.

The progress payment balance changes during the reporting period for new payments received from customers and for amounts recognised in revenue because the performance obligation has been satisfied.

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 cash and cash equivalents of £22.89m – Company- overdraft (£0.58m) (2018 Group – £15.87m – Company overdraft (£0.34m)). The Group and Company has available a bank multicurrency overdraft facility of £4.8m which is renewable on 1st January, 2020.

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.

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 £000
2019	**+50**	**25**
Sterling	**–50**	**(25)**
2018	+50	50
Sterling	–50	(50)

Notes to the financial statements

Continued

23 Financial instruments (continued)

The interest rate profile of the financial assets of the Group and Company as at 27th April, 2019 was as follows:

	Group		Company	
	Floating rate financial assets/ (liabilities)	Total	Floating rate financial assets/ (liabilities)	Total
	£000	£000	£000	£000
2019				
Sterling	**16,444**	**16,444**	**(1,831)**	**(1,831)**
US Dollar	**1,591**	**1,591**	**36**	**36**
Euro	**4,757**	**4,757**	**1,212**	**1,212**
Other	**94**	**94**	**1**	**1**
Total	**22,886**	**22,886**	**(582)**	**(582)**
2018				
Sterling	14,982	14,982	2,895	15,968
US Dollar	(667)	(667)	(3,921)	(2,064)
Euro	1,464	1,464	658	(383)
Other	87	87	26	5
Total	15,866	15,866	(342)	13,526

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.

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 27th April, 2019 these currency exposures are as follows:-

	Net foreign currency monetary assets/(liabilities)			
Presentational currency of Group operations	Sterling	US Dollar	Euro	Total
	£000	£000	£000	£000
2019				
Sterling	**4**	**1,254**	**1,528**	**2,786**
Total	**4**	**1,254**	**1,528**	**2,786**
2018				
Sterling	4	(1,561)	1,664	107
Total	4	(1,561)	1,664	107

Notes to the financial statements

Continued

23 Financial instruments (continued)

Functional currency of Company operations	Net foreign currency monetary assets/(liabilities) Sterling £000	US Dollar £000	Euro £000	Total £000
2019				
Sterling	**–**	**43**	**1,426**	**1,469**
Total	**–**	**43**	**1,426**	**1,469**
2018				
Sterling	–	(3,810)	861	(2,949)
Total	–	(3,810)	861	(2,949)

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 27th April, 2019 and 28th April, 2018.

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.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. The expected loss rates are based on the payment profile for sales over the recent reporting periods as well as the corresponding historical credit losses during that period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Detailed credit risks disclosure for trade receivables has not been included as it is immaterial.

24 Capital commitments

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Contracted but not provided in the financial statements	**70**	14	**70**	14
	70	14	**70**	14

25 Obligations under leases

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

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts payable				
Within one year	**241**	290	**–**	–
In two to five years	**476**	474	**–**	–
Five years or more	**204**	229	**–**	–
	921	993	**–**	–

The Group has entered into commercial leases on certain properties and motor vehicles. The remaining duration of these leases are from under 1 year up to 7 years from the Statement of financial position date.

£864,000 of these future minimum lease rentals will be recognised as rights of use assets and the related lease liabilities on adoption of IFRS 16 with effect from 28th April, 2019.

Notes to the financial statements

Continued

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 £4,279,721 at 27th April, 2019 (2018 – £3,395,671).

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 £9,653,450 (2018 – £491,734)

Sales of goods and services £8,608,429 (2018 – £5,295,734)

The following balances between the Company and other subsidiaries in the Group are included in the Company balance sheet as at 27th April, 2019.

Amounts owed by the Company £2,808,000 (2018 – £1,528,000)

Amounts owed to the Company £19,029,000 (2018 – £6,983,000)

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**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Short-term employee benefits	**1,672**	1,431	**1,533**	1,290
Post-employment benefits	**47**	37	**47**	37
See Directors remuneration report on pages 58 and 59	**1,719**	1,468	**1,580**	1,327

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;

	2019	**2019**	2018	2018
Enterprise management incentive scheme				
Outstanding as at 28th April, 2018	**–**	**–**	214,000	194.0p
Options exercised	**–**	**–**	–	–
Options lapsed	**–**	**–**	(214,000)	–
Outstanding as at 27th April, 2019	**–**	**–**	–	–

The expense recognised for share options during the year is £Nil (2018 – £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 27th April, 2019 and 28th April, 2018.

Capital comprises equity attributable to the equity holders of the parent company £35,798,000 (2018 – £33,400,000).

Summary of group results 2015 – 2019

GROUP INCOME STATEMENT

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Group revenue	**77,708**	68,085	53,823	49,282	45,503
Group operating profit	**4,996**	4,253	1,771	1,856	1,740
Finance costs	**(209)**	(214)	(245)	(174)	(199)
Profit before taxation	**4,787**	4,039	1,526	1,682	1,541
Taxation	**(975)**	(653)	(28)	(98)	(188)
Profit for the period	**3,812**	3,386	1,498	1,584	1,353
STATEMENT OF FINANCIAL POSITION					
Assets employed					
Intangible assets	**4,483**	4,893	5,301	5,671	3,818
Property, plant and equipment	**20,426**	20,766	19,099	15,955	14,563
Other net current (liabilities)/assets	**(4,784)**	(1,171)	(2,907)	1,534	(446)
Cash and cash equivalents	**22,886**	15,866	15,210	12,758	17,148
	43,011	40,354	36,703	35,918	35,083
Financed by					
Ordinary share capital	**1,840**	1,840	1,840	1,840	1,840
Reserves	**33,958**	31,560	27,201	26,220	26,459
Shareholders' funds	**35,798**	33,400	29,041	28,060	28,299
Net non current liabilities	**7,213**	6,954	7,662	7,858	6,784
	43,011	40,354	36,703	35,918	35,083

Corporate governance statement

As an AIM quoted company MSI INTERNATIONAL plc, under AIM Rule 26, is required to adopt a recognised corporate governance code, describe how it complies with that code and provide details of where it does not comply with its chosen corporate governance code.

MS INTERNATIONAL plc has chosen to adopt as far as practical for a Group of its size the recently published (April 2018) QCA Corporate Governance Code with effect from 28th September, 2018. The Chairman assumes principal responsibility for corporate governance.

The Board is responsible for ensuring that MS INTERNATIONAL plc has the strategy, people, structure and culture in place to deliver value over the medium to long term to shareholders and other stakeholders of the Group and is committed to high standards of governance, as is appropriate for a company of its size and structure. The main features of the Group's corporate governance arrangements are set out below.

Strategy

The Group's long term strategy is to invest in people, products and processes to seek continuous improvement in its four diverse operating divisions: 'Defence', 'Forgings', 'Petrol Station Superstructures' and 'Petrol Station Branding', each holding a leading position in its specialist market.

Communications with shareholders

The shareholding structure of the Company is set out on the 'Securities' page on the Company's website: msiplc.com/securities. The composition of the shareholders, including the Directors, is currently primarily weighted towards private investors, with a significant institutional shareholder.

The AGM is the main forum for dialogue and discussion with private investors and the Board. The Notice of Annual General Meeting is sent to shareholders at least 21 days before the meeting and all of the Directors routinely attend the AGM and are available to answer any questions raised by shareholders. The results of each AGM are published on the website and by way of an RNS when the meeting has concluded. Copies of notice of meetings and Annual Reports from the last five years are kept on the Company's website.

Shareholders can engage with the Company between AGMs by contacting the Company Secretary, David Kirkup (david.kirkup@msiplc.com). The Board also contacts significant institutional investors as and when appropriate.

Corporate Social Responsibility and Stakeholder engagement

The Group is aware of its corporate social responsibilities and the need to maintain effective relationships with all of the stakeholders in the business including shareholders, employees, customers, suppliers and regulatory authorities. The Group's operations, processes and procedures are monitored and adapted to take account of changing stakeholder relationships whilst maintaining focus on the Board's strategic objective of delivering value over the medium to long term for the benefit of all stakeholders.

The Board aims to do what is in the best interests of the Company and seeks to maintain the highest standards of integrity in the conduct of the Group's operations.

The requirement for regular disclosure of Directors other interests and compliance to share dealing regulations all require high standards of behaviour.

The Group's employment policies, such as Whistleblowing and Anti-Bribery and Corruption assist in setting a culture of ethical behaviour throughout the Group.

Through the various procedures and processes the Group has adopted, each diverse operating division ensures full compliance with the health and safety and environmental legislation applicable to each division.

The Board and its committees

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 in divisional operations is vested in individual managing directors, supported by their respective financial managers.

The Company's Articles of Association require that all Directors except those holding the posts of Chairman or Chief Executive retire by rotation and are subject to election by shareholders at least once every three years.

The Board considers that all 3 Non-Executive Directors are independent. In the case of all three Non-Executive Directors, the Board has considered their length of service as Directors and employees and has determined that in terms of interest, experience and judgement they all remain independent. Consequently, The Board considers itself to be compliant with the QCA code in having two or more independent Non-Executive Directors.

Roger Lane-Smith is the designated Senior Independent Director.

Corporate governance statement

Continued

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 on a daily basis when possible. Additionally, each of the divisional operations has monthly review meetings which the Executive Chairman and the Company's Financial Director attends.

Board Meetings are scheduled in advance. The Board meets at least quarterly throughout the year. The number of meetings and members attendance of Board and Committee Meetings during the financial year ended 27th April, 2019 was as follows:

	Board	Audit Committee
Number of meetings	4	–
Michael Bell	4	–
Michael O'Connell	4	–
Nicholas Bell	4	–
Roger Lane-Smith	4	2
David Pyle	4	2
David Hansell	4	–

All of the Non-Executive Directors devote sufficient time to fulfil their responsibilities to the Company.

The Chairman is responsible for the operation and strategic focus and direction of the business.

The Board is supported by an Audit Committee and a Remuneration Committee. Roger Lane-Smith and David Pyle serve on these committees.

The Audit Committee normally meets twice a year and has the responsibility for reviewing the interim statements and annual financial reports and accounts and effectiveness of the system of internal controls with the Group's external auditors. The external auditors have direct access to the Committee without the executive directors being present. The ultimate responsibility for reviewing and approving the Group financial statements remains with the Board.

The Remuneration Committee which meets as required has the responsibility for making recommendations to the Board on the remuneration packages of each of the Executive Directors including any share incentive schemes.

Due to the size of the Group there is no Nominations Committee. The Chairman discusses the appointment or replacement of Directors with the Board as a whole. The Board are aware of the age profile of the Directors and this is under review.

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.

Board experience, skills and evaluation

Due to the size of the Group, and the nature of its operations and strategic demands, there is no formal Board performance evaluation process in place. However, the Chairman periodically meets with the Executive and Non-Executive Directors to ensure they are committed, their respective contributions are effective and productive and, where relevant, they have maintained their independence.

The Board has considered its structure and composition and believes it to be appropriate having taken into account the nature and characteristics of the Group.

As the Directors have all served the Group as employees and Directors over many years, the Board believes it is not necessary to give any further details of their experience other than that shown in the list of Directors and the Notice of Annual General Meeting.

In the opinion of the Board, the Directors as a whole have the appropriate balance of skills and experience necessary to ensure that the Group is managed for the long-term benefit of all stakeholders.

Corporate governance statement

Continued

Internal control systems

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 operating 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 set out below.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decisions by the Board which covers the key areas of the Group's affairs, including; dividend policy, 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 controls, to management of the operating companies.

Responsibility levels and delegation of authority and authorisation levels throughout the Group are set out in the Group's 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 provided 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 directors approval for all major sales contracts.

Risk Management

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 by both the Directors and operational and divisional management. Where appropriate, action is taken to manage risks facing the business.

The Group's corporate governance environment and its embedded procedures and systems will be updated and adapted to future changes in stakeholder relationships when considered appropriate by the Board.

Audit Committee Report

The Audit Committee has been established for many years and was introduced when it became a requirement for all full listed companies to have such a committee.

Committee governance

The Audit Committee consists of two independent Non-executive directors, Roger Lane-Smith and David Pyle who have considerable experience in senior financial and commercial operational roles and both have extensive knowledge of the Group's operations and related financial risks and internal control.

The Committee meets twice a year. The meetings are held with the external auditor at which management is not present.

Key responsibilities

The committee is required to:

- Monitor the integrity of the Group's financial statements and external announcements of both the interim and full year results;
- Advise on the clarity of disclosures and information contained in the Annual Report and Accounts;
- In conjunction with the Group's Executive Board and external auditor, ensure compliance with applicable accounting standards and the consistency of methodologies applied;
- Review the adequacy and effectiveness of the Group's internal control and risk management systems;
- Oversee the relationship with the external auditors, review their performance and independence and advising the Board on their appointment and remuneration.

The Audit Committee has undertaken the following during the year under review:

Internal control and risk management

The Audit Committee has worked with the Board in the continued evaluation of the critical business and financial risks of the Group and where appropriate supported actions to manage the risks facing the business.

External audit

The Audit Committee conducted a review and tender related to the appointment of the external auditor.

The outcome of this review has been to replace Ernst & Young LLP with Grant Thornton UK LLP as the Group's external auditor.

The services performed by Grant Thornton UK LLP will relate only to the Group's external audit. All other non audit work will be performed by independent accountancy firms which will enhance the Group's governance.

There is no formal policy in respect of the rotation of the external auditor. This will be reviewed and taken into consideration if the AIM listed company rules are changed so that the rotation of the external auditor becomes a requirement.

Significant reporting issues and judgements

The Audit Committee considered whether the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders and other stakeholders to assess the Group's financial performance, business model and strategy.

The Committee was satisfied that, as a whole, the 2019 Annual Report met these requirements.

The key issues and accounting policies considered by the Audit Committee in relation to the 2019 Annual Report were:

- The provision for past service pension costs arising as a result of a High Court ruling in October 2018 relating to GMP equalisation. A detailed explanation of this particular issue is set out in note 21 of the Annual Report.

Audit Committee Report

Continued

- The appropriateness of the Group's approach to the adoption of IFRS 15 and subsequent recognition of contract revenue.
- The proposed transition to the adoption of IFRS 16 'Leases' for the year ending 30th April, 2020 and the disclosures made in respect of the anticipated changes to future financial statements.

The Audit Committee has assessed these specific issues and is satisfied that the methodologies adopted in the Annual Report are appropriate and satisfy the relevant IFRS standards.

R Lane-Smith
Chairman Audit Committee
5th June, 2019

Report of the directors

The directors present their report and the Group financial statements for the 52 weeks ended 27th April, 2019. The directors present their corporate governance statement on pages 49 to 51 of this report.

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.

2 Results and dividends

The profit after taxation for the period attributable to shareholders amounted to £3,812,000 (2018 – £3,386,000). The directors recommend a final dividend of 6.50 pence per share (2018 – 6.50 pence per share), making a total of 8.25 pence per share (2018 – 8.25 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.

4 Directors

The names of the directors of the Company at 5th June, 2019 are shown on page 4.

All of the directors served throughout the year.

5 Substantial interests in shares

The directors had been advised of the following notifiable interests:-

	% of share capital held at 27th April, 2019	% of share capital held at 5th June, 2019
Michael Bell	29.3%	29.3%
Cavendish Asset Management Limited	17.5%	17.5%
David Pyle	10.6%	10.6%
Michael O'Connell	9.4%	9.4%
Mrs Patricia Snipe	4.9%	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 5th June, 2019.

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 5th June, 2019 the Company's issued share capital comprised:

	Number	£000	% of total share capital
Ordinary shares of 10p each	18,396,073	1,840	100
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 11: Disapplication of pre emption 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 pre emption 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 pre emption 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 5th June, 2019.

If given, this power will expire at the conclusion of the Company's next AGM or on 15th October, 2020 (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 5th June, 2019. 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 15th October, 2020 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.

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 5th June, 2019, 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.

Report of the directors

Continued

9 Special business at the Annual General Meeting (continued)

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 13 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.

10 Auditors

A resolution to reappoint the auditor, Grant Thornton UK LLP, will be proposed at the Annual General Meeting.

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.

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

5th June, 2019

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 2018/2019 amounted in total to 53.9% (2018 – 22.5%) of total executive basic salaries.

The Remuneration Committee consider the £1.198m charge to the Consolidated income statement for past service pension costs to be outside of the definition of "usual working and management expenses and outgoings" as set out in clause 1.2 of the executive directors bonus scheme. Consequently, the bonus for the directors for the year ended 27th April, 2019 has been based on the Group profit before past service pension costs and taxation of £5,985,000.

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.

At 27th April, 2019, there are no outstanding share options.

4. Pension contributions

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.

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

Emoluments of directors

Directors' remuneration in respect of the period to 27th April, 2019.

	2019 Basic salary and fees £	2018 Basic salary and fees £	**2019 Additional salary £**	2018 Additional salary £	**2019 Other benefits £**	2018 Other benefits £	**2019 Bonus £**	2018 Bonus £	**2019 Total**	2018 Total
Michael Bell	**400,000**	400,000	**–**	–	**56,527**	54,210	**222,480**	92,974	**679,007**	547,184
Michael O'Connell	**225,000**	225,000	**–**	–	**30,481**	40,374	**111,240**	46,487	**366,721**	311,861
Nicholas Bell	**200,000**	200,000	**–**	–	**21,689**	18,891	**111,240**	46,487	**332,929**	265,378
David Pyle	**50,000**	50,000	**–**	–	**14,849**	27,487	**–**	–	**64,849**	77,487
David Hansell	**50,000**	50,000	**138,700**	138,700	**–**	–	**–**	–	**188,700**	188,700
Roger Lane-Smith	**40,000**	40,000	**–**	–	**–**	–	**–**	–	**40,000**	40,000

In addition to his role as non-executive director, David Hansell has carried out additional executive services during the period for the Defence division. His remuneration during the period for these services, is shown as additional salary.

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

Pension contributions	**2019 Total £**	2018 Total £
Michael Bell	**–**	–
Michael O'Connell	**–**	–
Nicholas Bell	**46,686**	36,973
Roger Lane-Smith	**–**	–
David Pyle	**–**	–
David Hansell	**–**	–

Directors' share options

Share options

All outstanding share options lapsed on 30th September, 2017.

There are now no outstanding share options granted under either the Enterprise Management Incentive Scheme or the Employee Share Option Scheme.

QCA code

The Remuneration Committee is of the opinion that the disclosures required by the code are contained within this report.

By order of the Board,

David Kirkup
Secretary

5th June, 2019

List of subsidiaries

(i) Principal operating subsidiaries			Country of Incorporation
MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.	England & Wales
MSI-Defence Systems Inc.	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Design, manufacture and service of defence equipment.	USA
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.	England & Wales
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.	USA
MS INTERNATIONAL Estates LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Property holding company of the Group's USA property.	USA
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.	Brazil
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.	England & Wales
Global-MSI plc	Balby Carr Bank, Doncaster DN4 8DH England	Design, manufacture and construction of petrol station superstructures.	England & Wales
Global-MSI Sp. z o.o.	Ul. Działowskiego 13, 30-339 Krakow Poland	Design, manufacture and construction of petrol station superstructures.	Poland
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.	The Netherlands
Petrol Sign GmbH	Owiedenfeldstrasse 1 30559 Hannover Anderton Germany	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.	Germany
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.	England & Wales
MS INTERNATIONAL Estates Ltd.	Balby Carr Bank, Doncaster DN4 8DH England	Property holding company of the Group's UK properties.	England & Wales

NOTES

1. 100% of the ordinary shares are held in all cases.

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 ninth annual general meeting of MS INTERNATIONAL plc ("Company") will be held at The Holiday Inn, Warmsworth, Doncaster on 15th July, 2019 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 27th April, 2019.
2. To approve the directors' remuneration report for the 52 weeks ended 27th April, 2019.
3. To declare a final dividend for the 52 weeks ended 27th April, 2019 of 6.5p per ordinary share of 10p each in the capital of the Company, to be paid on 25th July, 2019 to shareholders whose names appear on the register as at close of business on 21st June, 2019.
4. To re-elect as Executive Chairman of the Company, Michael Bell, who joined the company in December 1972 and was appointed to the Board in July, 1980.
5. To re-elect as a director of the Company, Nicholas Bell, a director retiring by rotation. Nicholas is aged 44 years old and joined the Company in 1999, becoming a director in 2014.
6. 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.
7. 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.
8. 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.
9. To reappoint Grant Thornton UK LLP as external auditor of the Company.
10. To authorise the directors to determine the remuneration of the external auditor.

As special business:

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 8 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

    11.2 otherwise than pursuant to paragraph 11.1 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 15th October, 2020 (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

Notice of Annual General Meeting

Continued

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 15th October, 2020 (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

21st June, 2019

Registered office:
Balby Carr Bank
Doncaster
DN4 8DH

Notice of Annual General Meeting

Continued

Registered in England and Wales No. 00653735

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 10th July, 2019 (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, Link Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, no later than 12 noon on 10th July, 2019 (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 Link Asset Services (ID RA10) no later than 12 noon on 10th July, 2019 (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 5th June, 2019, 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 5th June, 2019 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 25th July, 2019 to those members registered on the books of the Company on 21st June, 2019.

MSI

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The year in brief

	2019 Total £000	2018 Total £000
Revenue	**77,708**	68,085
Profit before taxation	**4,787**	4,039
Earnings per share	**23.1p**	20.5p
Dividends payable per share	**8.25p**	8.25p

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

For the year ending 27th April 2019, the result on a 'like for like' basis increased by 48% to £5.99m (2018 – £4.04m) on revenue of £77.71m (2018 – 68.09m) an uplift of 14% on last year. On a similar basis, earnings per share would have been 29.0p (2018- 20.5p) an increase of 41%.

However, after a one-off £1.2m charge for 'guaranteed minimum pension equalisation' (see note 8 of the notes to the financial statements) the profit before taxation is reduced to £4.79m and earnings per share to 23.1p. Net cash was £22.89m (2018 – £15.87m) an increase of 44% on last year. The value of the Group order book at year-end was down on this time last year and there is very clear evidence, that many customers are reticent to place new orders until their perceived specific requirements become critically essential.

Reviewing the status of the varied markets we serve and responding to notable changes whether they be positive or negative is clearly an important management function and one that we always take very seriously in a thoroughly well informed, but also sensitive manner.

Fortuitously, as a Group we are very well armed, as we align to the ups and downs of the global markets we serve thanks to our diverse, profitable, international operations and a strong cash position, which supports those major product and facility developments that are in hand.

A key element in our 'Defence' business strategy has been to increase our presence significantly within the global defence market so that we can effectively counter the varied current constraints on UK MoD decisions regarding future requirements and expenditure. It is pleasing to report that once again, international sales accounted for the major component of revenue as we reap the benefits of our considerable investment in a substantial number of new products aimed specifically at the global market.

'Forgings' had a 10% uplift in revenue over the comparable period, overcoming the many challenges in international markets posed by product imported from lower cost economies. Our strategic move last year to focus on manufacturing in the United States has been exceptionally well received in a country where domestically manufactured product has considerable appeal over imported goods. This maturing investment phase is also enabling us to rationalise and re-position some of our UK production facilities, thereby better aligning our business with the notable decline of fork-lift truck production in the UK.

'**Petrol Station Superstructures**' enjoyed a significant upturn in activity with revenue increasing markedly compared to the period of market weakness during the previous year. Largely this is being driven by the structural transformation of traditional 'petrol filling station' sites, that were once almost exclusively selling fuel, into ones that are distinct, local convenience stores and multiple food outlets with ample car parking – that also serve fuel. This repositioning to a much broader retail offering has gathered substantial momentum across our customer base with clear benefits for the division. Furthermore, a much higher focus by management and the team on improving all round performance brought its just rewards.

'Petrol Station Branding' division maintained an admirable performance in line with that of the previous year. Here again the market is rapidly changing as the global oil companies continue to divest their estates to the numerous groups of fuel retail ownership. As a result the established branding programmes of the vendors are subject to review as the new owners determine their own priorities, fuel suppliers and schedules of requirements. Notwithstanding such significant changes, we are able to accommodate and support the priorities of these new customers without difficulty, thanks to the high reputation of our business. Pleasingly, our substantial activities across much of mainland Europe are now gaining notable traction in the UK through our fledgling operation which continues to prosper.

Outlook

This has been a creditable year of progress for the Group and we are encouraged by the good progress made across the various businesses. However, we believe that we are approaching 'very interesting times'. Despite our best endeavours in corporate product development and international marketing, there are times, such as now, when experience tells us some challenging external influences may come to bear on the business.

Nevertheless, recognising the challenges ahead of the game, is of course critical to maintain momentum. We believe that we are fully aware of such circumstances and we will do whatever is necessary to overcome any hurdles and protect at all times the Company's past and future development.

We are committed to moving the business forward and have the resilience, experience, and dedication along with a great team of people plus the financial resources to support and develop opportunities as they arise.

All matters considered the Board recommends the payment of a maintained final dividend of 6.5p per share, making the total for the year of 8.25p (2018 – 8.25p). The final dividend is expected to be paid on 25th July, 2019 to those shareholders on the register at the close of business on 21st June, 2019.

Michael Bell

Michael Bell
5th June, 2019

Directors

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

Non-executive

Roger Lane-Smith – Age 73

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.

David Pyle – Age 73

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 73

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.

Company Secretary

David Kirkup FCA

Registered Office

Balby Carr Bank
Doncaster
DN4 8DH
England

Company Registration Number 00653735

Advisors

Independent Auditor

Grant Thornton UK LLP
1 Holly Street
Sheffield
S1 2GT

Registrars and Transfer Office

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Solicitors

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

Nominated Advisors

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

Brokers

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

Bankers

Lloyds Bank
First Floor
14 Church Street
Sheffield
S1 1HP

Strategic report

This report should be read in conjunction with the Chairman's Statement and the Corporate Governance Report.

Strategy

The Group's long term strategy is to invest in people, products and processes to seek continuous improvement in its four diverse operating divisions: 'Defence', 'Forgings', 'Petrol Station Superstructures' and 'Petrol Station Branding', each holding a leading position in its specialist market.

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 27th April, 2019 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.

The Group profit before taxation amounted to £4.787m (2018 – £4.039m) after a provision for estimated past service pension costs of £1.198m (2018 – £nil) relating to GMP equalisation. Details of the basis of the provision are set out in note 21. Changes to this estimate will be shown as part of the movement in actuarial liability within the Consolidated statement of comprehensive income in future years.

The uncertain indirect tax receivable of £615,000 from the Group's operations in Germany was recovered in full during the year. Consequently, the impairment provision of £615,000 made in the financial year ended 28 April, 2018 was released.

During the year, the parent company and US subsidiary company transferred its properties in the UK and the USA to property holding companies in both jurisdictions.

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.

There continues to be considerable uncertainty in relation to the UK's future trading relationship with the EU.

The Group already has operations within the EU in its 'Petrol Station Superstructures' business and its 'Petrol Station Branding' business. The 'Defence' business operates in a worldwide market and many of its customers and suppliers are not in the EU.

The overseas businesses of the 'Forgings' division operate in the USA, Brazil and Argentina. The main suppliers to UK 'Forgings' are based in the UK or non-EU countries. However, it does supply products to fork lift truck manufacturers within the EU. Any changes to the UK's future trading relationship with the EU may have an adverse impact on these customer supply arrangements, albeit limited in the context of the Group's overall international trading profile.

The Board are monitoring the likely impact of how changes in the UK's trading relationship with the EU will affect the different parts of the Group and preparations have been made to take appropriate action if, and when, required.

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.

Key performance indicators

	2019	2018	Change
	£000	£000	%
Revenue	**77,708**	68,085	14.1
Profit before taxation	**4,787**	4,039	18.5
Earnings per share	**23.1p**	20.5p	12.7

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

Strategic report

Cash flow

The Group cash inflow from operating activities was £9.07m (2018 – £2.97m). This was before capital expenditure of £0.89m (2018 – £1.11m) of which, £0.35m was incurred on increasing capacity at the recently constructed US forks manufacturing facility, which commenced production during the previous financial year.

Research and development costs of £0.96m (2018 – £1.12m) was expended during the year, primarily on continuing enhancement of the portfolio of small calibre naval weapon systems the 'Defence' business offers to its worldwide customer base.

Closing cash and cash equivalents reached a record £22.9m (2018 – £15.87m) including customer progress payments on account of £13.65m (2018 – £14.48m).

The Group has an unutilised UK overdraft facility of £4.8m. This, together with the closing cash and cash equivalents of £22.9m, puts the Group in a good position to continue to invest in people, products and processes in each of its diverse operating divisions, to deliver value over the medium to long term to shareholders and other stakeholders.

By order of the Board,

David Kirkup
Secretary

5th June, 2019

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 have prepared Group financial statements under IFRSs as adopted by the European Union, and the directors' have elected to prepare 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:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Parent Company will continue in business.

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. 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 maintenance and integrity of the MS INTERNATIONAL plc website is the responsibility of the directors.

Independent auditor's report to the members of MS INTERNATIONAL plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of MS INTERNATIONAL plc (the 'parent company') and its subsidiaries (the 'group') for the 52 week period ended 27 April 2019 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and company statement of changes in equity, the Consolidated and company statements of financial position, the Consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. 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.

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 27 April 2019 and of the group's profit for the period 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £380,000, which represents 1.8% of the group's gross profit;
- Key audit matters were identified as:
  - Non-contract revenue has a potential for misstatement
  - Contract revenue has a potential for misstatement
- Audit scope:
  - A full scope audit was performed of the financial statements of the company, and all components determined to be significant.
  - A specified audit procedures approach was adopted for components not considered to be significant.
  - We carried out analytical procedures for the remaining components.
  - The components where we performed full or specified audit procedures accounted for 98% of revenue and 98% of gross profit.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter – Group and parent	How the matter was addressed in the audit – Group and parent
Non-contract revenue has a potential for misstatement Non-contract revenue is a major driver of the business and there is a potential for material misstatement particularly in relation to revenue being recorded in the wrong period due to cut off errors or management bias. We therefore identified the misstatement of non-contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • performing walkthroughs to understand the design and implementation of controls for the recording of revenue • performing an assessment of whether the revenue recognition policy is in accordance with International Financial Reporting Standard 15 'Revenue from Contracts with Customers' (IFRS 15), by comparing policies to IFRS 15 requirements, assessing the disclosures made and testing a sample of the revenue recorded in the period for adherence to the policy adopted • testing items of revenue around the year end to ensure it is recorded in the correct period • testing a sample of revenue transactions to corroborative documentation. The group's accounting policy on recognition of revenue is shown in note 2 to the financial statements and related disclosures are included in note 3. **Key observations** Based on the work we have undertaken we have not found any material misstatements in non-contract revenue recognition.

Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent
Contract revenue has a potential for misstatement Contract revenue is a major driver of the business and there is potential for material misstatement particularly within the Defence division (group) and Petrol Station Superstructures division (group and parent company) in relation to the timing of recognition of revenue due to error or management bias. We therefore identified the misstatement of contract revenue as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • performing walkthroughs to understand the design and implementation of controls for the recording of revenue • performing an assessment of whether the revenue recognition policy is in accordance with IFRS 15, by comparing policies to IFRS 15 requirements, assessing the disclosures made and testing a sample of the revenue recorded in the period for adherence to the policy adopted • testing a sample of revenue transactions to customer contracts and orders to assess that the revenue has been recognised in line with the contractual terms. The group's accounting policy on recognition of revenue from contracts is shown in note 2 to the financial statements and related disclosures are included in note 3. **Key observations** Based on the work we have undertaken we have not found any material misstatements in contract revenue recognition.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£380,000 which is 1.8% of gross profit. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the Group.	£304,000 which is 1.4% of gross profit, capped at component materiality which is 80% of group materiality. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the parent company.
Performance materiality used to drive the extent of our testing	60% of financial statement materiality.	60% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.
Communication of misstatements to the audit committee	£19,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- an evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We based our assessment as to the significance of the components by reference to the percentage of the group's total assets, revenues and profit before taxation. We did not identify any significant components based on qualitative factors, such as specific uses or concerns over specific components
- we conducted planning and interim visits, and evaluated the group's internal controls environment including its IT systems and controls
- we also visited the previous auditors and reviewed their files
- in assessing the risk of material misstatement, we evaluated the risk associated with the components of the group and selected 9 components for full scope audit or specified audit procedures. We performed full scope audit procedures on 4 of these components and specified audit procedures on the remaining 5 components. Full scope audit procedures were performed for entities comprising 84% of external revenues and 84% of gross profit. Specified audit procedures, including over revenue, were performed over components accounting for a further 14% of revenue and 14% of gross profit.

All audit work was performed by Grant Thornton including overseas firms in the Grant Thornton International Network. We issued group instructions to one component auditor. The group audit team were involved in the risk assessment of this component and reviewed workpapers for the significant risk areas and this was the only component where the group audit team were not included as part of the component audit team.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the directors for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Michael Redfern
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield

5 June 2019

Consolidated income statement

For the 52 weeks ended 27th April, 2019

Continuing operations	Notes	2019 Total £000	2018 Total £000
Revenue	3/4	**77,708**	68,085
Cost of sales		**(56,131)**	(49,903)
Gross profit		**21,577**	18,182
Distribution costs		**(3,537)**	(3,383)
Administrative expenses		**(11,846)**	(10,546)
		(15,383)	(13,929)
	4/5	**6,194**	4,253
Past service pension costs	8	**(1,198)**	–
Group operating profit	4/5	**4,996**	4,253
Interest received	7	**93**	51
Interest paid	7	**(116)**	(82)
Other finance costs – pensions	21	**(186)**	(183)
		(209)	(214)
Profit before taxation		**4,787**	4,039
Taxation	9	**(975)**	(653)
Profit for the period attributable to equity holders of the parent		**3,812**	3,386
Earnings per share: basic and diluted	10	**23.1p**	20.5p

Consolidated statement of comprehensive income

For the 52 weeks ended 27th April, 2019

	2019 Total £000	2018 Total £000
Profit for the period attributable to equity holders of the parent	**3,812**	3,386
Exchange differences on retranslation of foreign operations	**(242)**	(175)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(242)**	(175)
Remeasurement gains on defined benefit pension scheme	**403**	858
Deferred taxation on remeasurement on defined benefit scheme	**(69)**	(146)
Revaluation surplus on land and buildings	**–**	2,052
Deferred taxation on revaluation surplus on land and buildings	**–**	(254)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**334**	2,510
Total comprehensive income for the period attributable to equity holders of the parent	**3,904**	5,721

Consolidated and company statement of changes in equity

	Share capital £000	Capital redemption reserve £000	Other reserves £000	Revaluation reserve £000	Share Premium account £000	Currrency translation reserve £000	Treasury shares £000	Retained earnings £000	**Total shareholders' funds £000**
(a) Group									
At 29th April, 2017	1,840	901	2,815	4,257	1,629	696	(3,059)	19,962	**29,041**
Profit for the period	–	–	–	–	–	–	–	3,386	**3,386**
Other comprehensive income/(loss)	–	–	–	1,798	–	(175)	–	712	**2,335**
Total comprehensive income/(loss)	–	–	–	1,798	–	(175)	–	4,098	**5,721**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	**33,400**
IFRS 15 adjustment (note 2)	–	–	–	–	–	–	–	(144)	**(144)**
Profit for the period	–	–	–	–	–	–	–	3,812	**3,812**
Other comprehensive income/(loss)	–	–	–	–	–	(242)	–	334	**92**
Total comprehensive income/(loss)	–	–	–	–	–	(242)	–	4,146	**3,904**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**279**	**(3,059)**	**25,338**	**35,798**
(b) Company									
At 29th April, 2017	1,840	901	1,565	4,351	1,629	–	(3,059)	18,745	**25,972**
Profit for the period	–	–	–	–	–	–	–	532	**532**
Other comprehensive income	–	–	–	1,704	–	–	–	712	**2,416**
Total comprehensive income	–	–	–	1,704	–	–	–	1,244	**2,948**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 28th April, 2018	1,840	901	1,565	6,055	1,629	–	(3,059)	18,627	**27,558**
IFRS 15 adjustment (note 2)	–	–	–	–	–	–	–	(144)	**(144)**
Reserve transfer (note 12(e))	–	–	6,055	(6,055)	–	–	–	–	**–**
Loss for the period	–	–	–	–	–	–	–	(233)	**(233)**
Other comprehensive income	–	–	–	–	–	–	–	334	**334**
Total comprehensive income	–	–	–	–	–	–	–	101	**101**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	**1,840**	**901**	**7,620**	**–**	**1,629**	**–**	**(3,059)**	**17,222**	**26,153**

Consolidated and company statements of financial position

At 27th April, 2019

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**£000**	£000	**£000**	£000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**20,426**	20,766	**1,265**	14,043
Intangible assets	13	**4,483**	4,893	**–**	–
Investments in subsidiaries	14	**–**	–	**15,036**	15,204
Deferred income tax asset	15	**1,156**	1,092	**1,241**	1,092
		26,065	26,751	**17,542**	30,339
Current assets					
Inventories	16	**12,624**	11,666	**1,462**	1,017
Trade and other receivables	17	**7,044**	14,617	**22,489**	10,003
Income tax receivable		**44**	114	**21**	–
Prepayments		**1,774**	1,127	**299**	335
Cash and cash equivalents	18	**22,886**	15,866	**–**	–
		44,372	43,390	**24,271**	11,355
TOTAL ASSETS		**70,437**	70,141	**41,813**	41,694
EQUITY AND LIABILITIES					
Equity					
Share capital	19	**1,840**	1,840	**1,840**	1,840
Capital redemption reserve	20	**901**	901	**901**	901
Other reserves	20	**2,815**	2,815	**7,620**	1,565
Revaluation reserve	20	**6,055**	6,055	**–**	6,055
Share premium account	20	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	20	**279**	521	**–**	–
Treasury shares	20	**(3,059)**	(3,059)	**(3,059)**	(3,059)
Profit/(loss) for the period		**3,812**	3,386	**(233)**	531
Retained earnings		**21,526**	19,312	**17,455**	18,096
TOTAL EQUITY SHAREHOLDERS' FUNDS		**35,798**	33,400	**26,153**	27,558
Non-current liabilities					
Defined benefit pension liability	21	**6,802**	6,421	**6,802**	6,421
Deferred income tax liability	15	**1,567**	1,625	**–**	1,154
		8,369	8,046	**6,802**	7,575
Current liabilities					
Bank overdraft	18	**–**	–	**582**	342
Trade and other payables	22	**25,375**	28,052	**8,276**	6,204
Income tax payable		**895**	643	**–**	15
		26,270	28,695	**8,858**	6,561
TOTAL EQUITY AND LIABILITIES		**70,437**	70,141	**41,813**	41,694

These accounts and notes on pages 14 to 47 were approved by the Board of Directors on 5th June, 2019, 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 27th April, 2019

	Note	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Profit/(loss) before taxation		**4,787**	4,039	**(312)**	488
Adjustments to reconcile profit before taxation to net cash inflow/(outflow) from operating activities					
Past service pension costs		**1,198**	–	**1,198**	–
IFRS 15 working capital adjustment		**(144)**	–	**(144)**	–
Depreciation charge	12	**1,318**	1,266	**551**	708
Amortisation charge	13	**375**	507	**–**	–
Net increase/(reversal) of impairment in investment in subsidiary undertaking	14	**–**	–	**168**	(213)
Profit on sale of fixed assets		**(80)**	(113)	**(60)**	(84)
Dividends received		**–**	–	**(690)**	(360)
Finance costs		**209**	214	**249**	232
Foreign exchange losses		**(460)**	(74)	**–**	–
Increase in inventories		**(958)**	(1,521)	**(445)**	241
Decrease/(increase) in receivables		**7,573**	(3,224)	**(1,384)**	(1,530)
(Increase)/decrease in prepayments		**(647)**	(184)	**36**	489
(Decrease)/increase in payables		**(1,849)**	2,679	**1,992**	(6,281)
(Decrease)/increase in progress payments		**(828)**	(91)	**80**	213
Pension fund payments		**(600)**	(389)	**(600)**	(389)
Cash generated from/(invested in) operating activities		**9,894**	3,109	**639**	(6,486)
Net interest paid		**(23)**	(31)	**(63)**	(49)
Taxation paid		**(797)**	(111)	**(36)**	(89)
Net cash inflow/(outflow) from operating activities		**9,074**	2,967	**540**	(6,624)
Investing activities					
Investment in MSI- Forks Inc.		**–**	–	**–**	(652)
Dividends received from subsidiaries		**–**	–	**690**	360
Transfer of net assets to MSI-Defence Systems Ltd.	14	**–**	–	**–**	(5,127)
Purchase of property, plant and equipment	12	**(891)**	(1,106)	**(284)**	(568)
Proceeds on disposal of property, plant and equipment	12	**199**	157	**176**	105
Net cash (outflow)/inflow from investing activities		**(692)**	(949)	**582**	(5,882)
Financing activities					
Dividends paid	11	**(1,362)**	(1,362)	**(1,362)**	(1,362)
Net cash outflow from financing activities		**(1,362)**	(1,362)	**(1,362)**	(1,362)
Increase/(decrease) in cash and cash equivalents		**7,020**	656	**(240)**	(13,868)
Opening cash and cash equivalents/(bank overdraft)		**15,866**	15,210	**(342)**	13,526
Closing cash and cash equivalents/(bank overdraft)	18	**22,886**	15,866	**(582)**	(342)

Notes to the financial statements

For the 52 weeks ended 27th April, 2019

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 27th April, 2019 were authorised for issue by the board of the directors on 5th June, 2019 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 AIM market of 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 27th April, 2019 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.

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:

Contract revenue

Judgement is required in determining the treatment of revenue recognition. This assessment is detailed further in the accounting policy for revenue.

The following estimates have had the most significant effect on amounts recognised in the financial statements:

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. The calculation of GMP equalisation included estimation of the related past service pension costs (see note 21).

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 (see note 13).

Basis of consolidation

Up until 27th April, 2019, 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.

With effect from the financial year commencing 28th April, 2019, the consolidated financial statements will be to 30th April, for each accounting year thereafter. The financial statements of the subsidiaries will be 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.

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 the income statement. 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 Dollar, 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.

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 statement of financial position 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 10 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

Development costs – over 5 years

The only intangible assets with indefinite useful lives are goodwill and these assets 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.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

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.

Leased assets - operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight line basis over the lease term.

Research and development

Costs relating to research are charged to the income statement as incurred.

Costs that are directly attributable to projects' development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably.
- the project is technically and commercially feasible.
- the Group intends to and has sufficient resources to complete the project.
- the Group has the ability to use or sell the asset.
- the asset will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Notes to the financial statements

Continued

2 Accounting policies (continued)

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.

Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts based on expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the receivable. The Group use it's historical experience, external indicators and forward looking information to make this assessment. Trade receivables are classified as financial assets measured as amortised cost (previously classified as loans and receivables under IAS 39).

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 statement of financial position 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.

Trade and other payables

Trade and other payables are initially regarded at their fair value and thereafter at amortised cost using the effective interest rate method. Trade payables are classified as financial liabilities at amortised cost under IFRS 9 (previously classified as financial liabilities at amortised cost under IAS 39).

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Pension schemes (continued)

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 IFRS 9 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.

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue

Revenue arises from the following services provided to customers and sale of products:

- The design and manufacture of defence equipment (Defence).
- The manufacture of fork-arms and open die forgings (Forgings).
- The design, manufacture and construction of petrol station superstructures (Petrol Station Superstructures).
- The design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourts (Petrol Station Branding).

To determine whether to recognise revenue, the Group follows the five steps required when applying IFRS 15:

1. Identifying the contract with the customer.
2. Identifying the separate performance obligations specified within each contract.
3. Determining the transaction price specified within each contract.
4. Allocating the transaction price to the performance obligation identified.
5. Recognising revenue once the performance obligation have been satisfied.

Revenue is recognised either at a point in time or over time, when the performance obligations are satisfied.

The Group recognises contract liabilities (progress payments) for consideration received in respect of unsatisfied performance obligations and reports these as other liabilities in the Statement of financial position.

Revenues classified as sale of goods are recognised at the point in time when the goods are delivered. Revenue classified as contract revenue includes revenue recognised at the point in time when the performance obligation has been satisfied. Certain contracts include terms which mean that revenue is recognised over time. The cash flow for this consideration from these contracts may be received in respect of unsatisfied performance obligations and in respect of satisfied performance obligations.

Revenues classified as rendering of services includes contracts with customers. Revenue is only recognised once the customer has received the benefit of the full service.

Defence

The Group enters into contracts with its customers to provide defence equipment. The contracts may contain multiple performance obligations for the delivery of a number of products. Each product is identifiable and separable from the other products included in the contract.

The Group recognises revenue for these at a point in time, when the goods have been delivered and the control of the goods has transferred to the customer.

As part of the contracts entered into, customers may make payments to the Group in advance of the goods being delivered. These are classified as progress payments and are contract liabilities which are only recognised as revenue once the performance obligation has been satisfied.

Forgings

Revenue from the sale of fork-arms and open die forgings is recognised upon delivery of the products, when or as the Group transfers control of the products to the customer. Customers are invoiced once control of the product has transferred to the customer.

Petrol Station Superstructures

The Group enters into contracts with its customers to provide petrol station superstructures. The contracts contain a single performance obligation for the delivery of the product.

The Group assesses each contract to determine whether revenue should be recognised at a point in time, when the product is delivered to the customer, or recognised over time, when the contracts stipulate that the Group is entitled to reward for performance to date. In order to establish the entitlement for performance to date, the Group considers if it has an enforceable right to payment for performance completed to date and the Group's performance to date does not create an asset with an alternative use to the Group. The majority of contracts have revenue which is measured at a point in time.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

As part of the contracts entered into, customers may make payments to the Group in advance of the delivery of the product. These are classified as progress payments and are contract liabilities which are only recognised as revenue once the performance obligation has been satisfied.

Petrol Station Branding

The Group enters into contracts with its customers to perform the re-imaging of petrol station forecourts. Additional engagements include the repair and maintenance of images on petrol station forecourts.

Control of the goods does not pass to the customer until either the goods are delivered to site for material only projects, or on completion of installation for materials and installation projects. Accordingly, revenue is recognised at the point in time when this occurs.

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.

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 statement of financial position 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

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.

New Standards adopted as at 1st January, 2018

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new Standard has been applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1st January, 2018.

Previously the Group recognised revenue on contracts within the Petrol Station Superstructures division based on the stage of completion of site activity. On applying IFRS 15, revenue on these contracts has been reassessed to determine which contracts meet the criteria for recognising revenue over time and which contracts are now recognising revenue at a point in time. This has an effect on the timing of recognising revenue and profits so that certain contracts now recognised revenue at the point in time when the contract has been completed. There is no impact on cash flows.

IFRS 15 Revenue from contracts with customers has been adopted and applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 28th April, 2018. Previously, revenue on certain contracts within the Petrol Station Superstructures division was recognised based on the stage of completion of site activity. On applying IFRS 15, revenue on these contracts will be recognised at the point in time when the contract is completed. The effect of this change was a reduction of retained earnings of £144,000 as at 28th April, 2018, being the net of a reduction in revenue of £488,000 and an increase in work in progress of £344,000, with a balance sheet effect of increasing inventories by £344,000, reducing receivables by £22,000 and payables by £466,000.

Revenue and profits in all other divisions in the Group have not been impacted by IFRS 15.

IFRS 9 'Financial Instruments'

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

Financial assets previously measured under IAS 39 as loans and receivables are now categorised under IFRS 9 as amortised cost.

When adopting IFRS 9, the Group has applied transitional relief and opted not to restate prior periods. Any differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are to be recognised in retained earnings. No difference arose on the transition to IFRS 9 for the measurement of financial assets and financial liabilities.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Notes to the financial statements

Continued

2 Accounting policies (continued)

New Standards adopted as at 1st January, 2018 (continued)

Title	Full title of Standard of Interpretation	Effective for accounting periods beginning on or after
IFRS 3	IFRS 3 Definition of a Business (Amendments to IFRS 3)	1st January, 2020
IAS 1/IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1st January, 2020
IFRS 16	Leases	1st January, 2020
IFRIC 23	Uncertainty over Income Tax Treatments	1st January, 2020
IAS 12/IAS 23/IFRS 3/IFRS 11	Annual improvements to IFRS Standards 2015-2017 cycle	1st January, 2020

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 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.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations.

The Group will be adopting IFRS 16 with effect from 28th April, 2019 using the standard's modified retrospective approach. Under this approach, the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Management have identified that there are two property leases and a minimal number of motor vehicles which the Group would need to recognise rights of use and related lease liabilities from these particular assets.

At 27th April, 2019 the future minimum lease rentals for these assets amounted to £864,000. This means that with effect from 28th April, 2019 the nature of the expense of the above lease costs will change from being treated as an operating lease and expensed in the financial year incurred to depreciation of a right of use asset and related interest expense.

Management conclude that as a result of the change in the accounting treatment of these particular leases there will not be a significant effect on the annual consolidated income statements over the duration of the leases.

All other leases will continue to be treated as short term leases and be expensed in the financial year the costs are incurred.

3 Revenue

	2019	2018
	£000	£000
Sale of goods	**61,447**	55,291
Contract revenues	**15,819**	12,159
	77,266	67,450
Rendering of services	**442**	635
Goods and services transferred at a point in time	**77,708**	68,085

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 27th April, 2019 and 28th April, 2018. 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 Superstructure 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. 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue										
From external customers	**26,678**	21,900	**15,695**	14,336	**15,871**	12,236	**19,464**	19,613	**77,708**	68,085
From other segments	**–**	–	**–**	–	**450**	199	**226**	142	**676**	341
Segment revenue	**26,678**	21,900	**15,695**	14,336	**16,321**	12,435	**19,690**	19,755	**78,384**	68,426
Segment result	**2,836**	2,600	**(442)**	(536)	**2,055**	17	**1,745**	2,172	**6,194**	4,253
Past service pension costs									**(1,198)**	–
Net finance costs									**(209)**	(214)
Profit before taxation									**4,787**	4,039
Taxation									**(975)**	(653)
Profit for the period									**3,812**	3,386
Segmental assets	**29,942**	40,801	**8,988**	5,272	**10,787**	8,845	**9,291**	10,005	**59,008**	64,923
Unallocated assets (see below)									**11,429**	5,218
Total assets									**70,437**	70,141
Segmental liabilities	**19,500**	19,329	**6,125**	1,978	**4,330**	1,970	**2,806**	4,402	**32,761**	27,679
Unallocated liabilities (see below)									**1,878**	9,062
Total liabilities									**34,639**	36,741
Capital expenditure	**67**	18	**406**	530	**196**	149	**118**	211	**787**	908
Depreciation	**77**	154	**517**	480	**488**	628	**365**	365	**1,447**	1,627

Unallocated assets includes certain fixed assets, (including all UK properties – see note 12(e)) intangible assets, current assets and deferred tax assets. Unallocated liabilities includes the defined pension benefit scheme liability and certain current liabilities.

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 27th April, 2019 and 28th April, 2018. 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.

	United Kingdom		Europe		Americas		Rest of the World		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Revenue										
External	**30,755**	24,914	**33,143**	25,803	**9,572**	7,536	**4,238**	9,832	**77,708**	68,085
Non-current assets	**17,637**	18,322	**3,832**	4,203	**4,596**	4,226	**–**	–	**26,065**	26,751
Current assets	**34,301**	32,724	**7,670**	8,499	**2,401**	2,167	**–**	–	**44,372**	43,390
Liabilities	**31,701**	32,076	**2,260**	4,256	**679**	409	**–**	–	**34,640**	36,741
Capital expenditure	**350**	586	**190**	216	**351**	304	**–**	–	**891**	1,106

Information about major customers

	2019	2018
	£000	£000
Revenue from major customers arising from sales reported in the Defence segment:		
Customer 1	**10,871**	–
Customer 1	**–**	7,137
Revenue from major customers arising from sales reported in the Petrol Station Branding segment:		
Customer 1	**11,905**	–
Customer 1	**–**	14,761

5 Group operating profit

	2019	2018
This is stated after charging:	**£000**	£000
Fees payable to the Group's auditor and associates		
For the audit of the Group's financial statements	**66**	–
For the audit of the Group's subsidiary companies' financial statements	**75**	–
For audit related services	**14**	–
Fees payable to the Group's previous auditor		
For the audit of the Group's financial statements	**–**	109
For other assurance services	**–**	23
For taxation services	**–**	70
Depreciation – owned assets	**1,318**	1,266
Amortisation of intangible assets	**375**	507
(Reversal)/impairment of uncertain indirect tax receivable	**(615)**	615
Foreign exchange gains	**6**	147
Hire of plant and machinery	**1,707**	1,749
Other operating leases – minimum lease payments	**360**	351
Cost of inventories recognised as an expense	**38,570**	37,027
Research and development costs	**958**	1,120

Total administrative expenses are included within Group operating profit. This includes administrative expenses and the separately disclosed past service pension costs.

Notes to the financial statements

Continued

6 Employee Information

	2019 Number	2018 Number
The average number of employees, including executive directors, during the period was:		
Production	**264**	251
Technical	**65**	69
Distribution	**27**	33
Administration	**91**	78
	447	431

(a) Staff costs

	2019 £000	2018 £000
Including executive directors, employment costs were as follows:		
Wages and salaries	**17,609**	16,029
Social Security costs	**1,934**	1,850
Other pension costs	**666**	637
	20,209	18,516

(b) Directors' emoluments

	2019 £000	2018 £000
Aggregate directors' emoluments (note 27)	**1,672**	1,431
Post employment benefits	**47**	37
	1,719	1,468

Director's emoluments are considered further within the Directors remuneration report presented on pages 58 and 59.

7 Net finance costs

	2019 £000	2018 £000
Bank interest cost	**(87)**	(82)
Other interest	**(29)**	–
Bank interest revenue	**93**	51
	(23)	(31)

8 Past service pension costs

	2019 £000	2018 £000
Guaranteed minimum pension equalisation adjustment (note 21)	**(1,198)**	–
	(1,198)	–

Notes to the financial statements

Continued

9 (a) Taxation

The charge for taxation comprises:

	2019 £000	2018 £000
Current tax		
United Kingdom corporation tax	**540**	–
Adjustments in respect of previous years	**(16)**	33
Foreign corporation tax	**635**	682
Group current tax	**1,159**	715
Deferred tax		
Origination and reversal of temporary differences	**(247)**	(62)
Adjustments in respect of prior years	**63**	–
Group deferred tax (note 15)	**(184)**	(62)
Tax on profit	**975**	653
Tax relating to items charged or credited to other comprehensive income		
Deferred tax		
Deferred tax on measurement gains on pension scheme current year	**69**	146
Deferred tax on revaluation surplus on land and buildings	**–**	254
Income tax in the Consolidated statement of comprehensive income	**69**	400

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 (19%) (2018 – 19%). The differences are explained below:

	2019 £000	2018 £000
Profit before tax	**4,787**	4,039
Profit multiplied by standard rate of corporation tax of 19% (2018 - 19%)	**910**	767
Expenses not deductible for tax purposes	**(102)**	(288)
Adjustments in respect of overseas tax rates	**120**	141
Current tax adjustment in respect of prior periods	**(16)**	33
Deferred tax adjustment in respect of prior periods	**63**	–
Total tax charge for the period	**975**	653

9 (c) Factors affecting future tax charge

The UK corporation tax rate will remain at 19% until it reduces to 17% in 2020. At 27th April, 2019 the rate reductions to 17% had been enacted. Deferred tax at 27th April, 2019 has therefore been provided at 17% or at a blended rate depending on when the underlying temporary differences are expected to unwind. Deferred tax in relation to intangibles recognised on the acquisition of Petrol Sign bv has been provided at 25% being the main corporation tax rate in The Netherlands.

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 £3,812,000 (2018 – £3,386,000).

(b) 16,504,691 (2018 – 16,504,691) Ordinary shares, being the weighted average number of Ordinary shares in issue.

This represents 18,396,073 (2018 – 18,396,073) being the weighted average number of Ordinary shares in issue less 1,891,382 (2018 – less 1,891,382) being the weighted average number of shares both held within the ESOT 245,048 (2018 – 245,048) and purchased by the Company 1,646,334 (2018 – 1,646,334).

Notes to the financial statements

Continued

11 Dividends paid and proposed

	2019 £000	2018 £000
Declared and paid during the year		
On Ordinary shares		
Final dividend for 2018 : 6.50p (2017 – 6.50p)	**1,073**	1,073
Interim dividend for 2019 : 1.75p (2018 – 1.75p)	**289**	289
	1,362	1,362
Proposed for approval by shareholders at the AGM		
Final dividend for 2019 : 6.50p (2018 – 6.50p)	**1,073**	1,073

12 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	**Total £000**
(a) Group			
Cost or valuation			
At 29th April, 2017	16,010	15,751	**31,761**
Additions	–	1,106	**1,106**
Disposals	–	(1,182)	**(1,182)**
Revaluation	1,555	–	**1,555**
Exchange differences	(31)	(139)	**(170)**
At 28th April, 2018	17,534	15,536	**33,070**
Additions	–	891	**891**
Disposals	–	(842)	**(842)**
Exchange differences	172	–	**172**
At 27th April, 2019	**17,706**	**15,585**	**33,291**
Accumulated depreciation			
At 29th April, 2017	557	12,105	**12,662**
Depreciation charge for the period	287	979	**1,266**
Disposals	–	(1,138)	**(1,138)**
Revaluation	(497)	–	**(497)**
Exchange differences	7	4	**11**
At 28th April, 2018	354	11,950	**12,304**
Depreciation charge for the period	309	1,009	**1,318**
Disposals	–	(723)	**(723)**
Exchange differences	(1)	(33)	**(34)**
At 27th April, 2019	**662**	**12,203**	**12,865**
Net book value at 27th April, 2019	17,044	3,382	**20,426**
Net book value at 28th April, 2018	17,180	3,586	**20,766**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,406	15,585	**20,991**
At 27th April, 2019	**17,706**	**15,585**	**33,291**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,234	15,536	**20,770**
At 28th April, 2018	17,534	15,536	**33,070**

Notes to the financial statements

Continued

12 Property, plant and equipment (continued)

	Freehold property £000	Plant and equipment £000	**Total £000**
(b) Company			
Cost or valuation			
At 29th April, 2017	10,950	13,451	**24,401**
Additions	–	568	**568**
Disposals	–	(615)	**(615)**
Transfer to MSI-Defence Systems Ltd. (note 14)	–	(3,069)	**(3,069)**
Revaluation	1,350	–	**1,350**
At 28th April, 2018	12,300	10,335	**22,635**
Additions	–	284	**284**
Disposals	–	(859)	**(859)**
Transfer to MS INTERNATIONAL Estates Ltd. (note 12(e))	(12,300)	(477)	**(12,777)**
At 27th April, 2019	**–**	**9,283**	**9,283**
Accumulated depreciation			
At 29th April, 2017	439	11,309	**11,748**
Depreciation charge for the period	146	562	**708**
Disposals	–	(594)	**(594)**
Transfer to MSI-Defence Systems Ltd. (note 14)	–	(2,685)	**(2,685)**
Revaluation	(585)	–	**(585)**
At 28th April, 2018	–	8,592	**8,592**
Depreciation charge for the period	–	551	**551**
Disposals	–	(743)	**(743)**
Transfer to MS INTERNATIONAL Estates Ltd. (note 12(e))	–	(382)	**(382)**
At 27th April, 2019	**–**	**8,018**	**8,018**
Net book value at 27th April, 2019	**–**	**1,265**	**1,265**
Net book value at 28th April, 2018	12,300	1,743	**14,043**
Analysis of cost or valuation			
At professional valuation 2019	–	–	**–**
At cost	–	9,283	**9,283**
At 27th April, 2019	–	9,283	**9,283**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	–	10,335	**10,335**
At 28th April, 2018	12,300	10,335	**22,635**

(c) Depreciation has not been charged on freehold land which is included at a book value of £5,170,652 (2018 – £5,170,652) Company £Nil (2018 – £3,655,652) at 27th April, 2019.

(d) On 11th November, 2018, 26th July, 2017 and 28th March, 2018 the Group's land and buildings, which consist of manufacturing and office facilities in the UK, Poland and USA were valued by Dove Haigh Phillips (UK), KonSolid-Nieruchomosci (Poland) and Real Estate & Appraisal Services Inc. (USA). 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 £11,292,000 (2018 – £11,121,000) at 27th April, 2019.

Notes to the financial statements

Continued

12 Property, plant and equipment (continued)

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. The USA property was valued on an income and market value basis. For all properties, there is no difference between current use and highest and best use.

The valuation of the UK properties has been processed in the financial statements. The Poland property and the USA property valuations were sufficiently close to their carrying value such that the valuations were not processed.

(e) On 30th April, 2018, the freehold property in the UK was transferred from the Company to MS INTERNATIONAL Estates Ltd, a wholly owned subsidiary of the Group, at the balance sheet value as at 28th April, 2018. In addition certain plant and equipment relating to the maintenance and functioning of the freehold property was transferred from the Company to MS INTERNATIONAL Estates Ltd at net book value. This transfer has resulted in the transfer of the revaluation reserve of £6,055,000 to other reserves in the Company.

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 29th April, 2017	2,749	1,036	1,370	49	2,571	319	279	330	**8,703**
Exchange differences	31	8	–	3	72	9	–	–	**123**
At 28th April, 2018	2,780	1,044	1,370	52	2,643	328	279	330	**8,826**
Exchange differences	(16)	(3)	–	(1)	(32)	(4)	–	–	**(56)**
At 27th April, 2019	2,764	1,041	1,370	51	2,611	324	279	330	**8,770**
Amortisation									
At 29th April, 2017	–	330	948	30	1,166	319	279	330	**3,402**
Amortisation during the year	–	61	137	18	291	–	–	–	**507**
Exchange differences	–	2	–	1	12	9	–	–	**24**
At 28th April, 2018	–	393	1,085	49	1,469	328	279	330	**3,933**
Amortisation during the year	–	61	137	3	174	–	–	–	**375**
Exchange differences	–	(1)	–	(1)	(13)	(6)	–	–	**(21)**
At 27th April, 2019	–	453	1,222	51	1,630	322	279	330	**4,287**
Net book value at 27th April, 2019	2,764	588	148	–	981	2	–	–	**4,483**
Net book value at 28th April, 2018	2,780	651	285	3	1,174	–	–	–	**4,893**

Notes to the financial statements

Continued

13 Intangible assets (continued)

Company	Development costs £000	Software costs £000	**Company £000**
Cost			
At 29th April, 2017	279	330	**609**
Transfer to MSI-Defence Ltd. (note 14)	(279)	(245)	**(524)**
At 28th April, 2018	–	85	**85**
Additions	–	–	**–**
At 27th April, 2019	**–**	**85**	**85**
Amortisation			
At 29th April, 2017	279	330	**609**
Transfer to MSI-Defence Ltd. (note 14)	(279)	(245)	**(524)**
At 28th April, 2018	–	85	**85**
Amortisation during the year	–	–	**–**
At 27th April, 2019	**–**	**85**	**85**
Net book value at 27th April, 2019	**–**	**–**	**–**
Net book value at 28th April, 2018	–	–	**–**

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:

	Goodwill 2019 £000	Goodwill 2018 £000
Petrol Station Superstructures division	**2,064**	2,064
Petrol Station Branding division	**700**	716
Net book value	**2,764**	2,780

Group

The performance of the Petrol Station Superstructures 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 Superstructures 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 60 and 61.

Company	2019 £000 Cost	2019 £000 Impairment	2019 £000 Net book value
At 28th April, 2018	**16,998**	**(1,794)**	**15,204**
Impairment in investment in MSI-Forks Garfos Industria Ltda	**–**	**(101)**	**(101)**
Impairment in investment in MSI-Defence Systems Inc.	**–**	**(67)**	**(67)**
At 27th April, 2019	**16,998**	**(1,962)**	**15,036**

Transfer of business

On 1st May, 2017, the trade and certain assets of the Defence division of MS INTERNATIONAL plc were transferred to MSI-Defence Systems Limited. The business assets and liabilities transferred to MSI-Defence Systems Limited at 1st May, 2017 at book value were as follows:

	2018 £000
Non-current assets	
Fixed assets	383
Current assets	
Inventories	6,731
Receivables	6,093
Cash at bank and in hand	13,323
	26,147
Payables: amounts falling due within one year	18,335
Net current assets	7,812
Net assets transferred	8,195

The investing cash outflow arising on the above transfer of business totalled £5,127,000 being the net assets transferred less the cash at bank and in hand transferred out.

15 Deferred income tax

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

	2019 £000	2018 £000
Taxation deferred by capital allowances	**(16)**	(67)
Taxation on other temporary differences	**–**	79
Taxation on intangibles	**(82)**	(108)
Taxation on defined benefits pension	**(149)**	34
Adjustments in respect of prior periods	**63**	–
	(184)	(62)

Notes to the financial statements

Continued

15 Deferred income tax (continued)

The deferred income tax asset included in the Consolidated statement of financial position is:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Taxation on pension liability	**1,156**	1,092	**1,156**	1,092
Taxation deferred by capital allowances	**–**	–	**55**	–
Taxation on other temporary differences	**–**	–	**30**	–
Deferred income tax asset	**1,156**	1,092	**1,241**	1,092

The movements on the deferred tax liability are:

	Taxation on pension liability
Group	**£000**
At 29th April, 2017	1,272
Included in Consolidated income statement	(34)
Included in the Company statement of comprehensive income	(146)
At 28th April, 2018	1,092
Included in Consolidated income statement	133
Included in the Company statement of comprehensive income	(69)
At 27th April, 2019	**1,156**

	Taxation deferred by capital allowances	Taxation on other temporary differences	Taxation on pension liability
	£000	£000	£000
At 29th April, 2017	–	–	1,272
Included in Consolidated income statement	–	–	(34)
Included in the Consolidated and company statement of comprehensive income	–	–	(146)
At 28th April, 2018	–	–	1,092
Included in Consolidated income statement	–	–	133
Included in the Consolidated and company statement of comprehensive income	–	–	(69)
Reclassified to deferred tax asset	55	30	–
At 27th April, 2019	**55**	**30**	**1,156**

The deferred income tax liability included in the Consolidated statement of financial position is:

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Taxation deferred by capital allowances	**277**	247	**–**	247
Taxation on other temporary differences	**(30)**	(30)	**–**	(30)
Taxation on intangible assets	**383**	471	**–**	–
Taxation on buildings revaluation	**937**	937	**–**	937
Deferred income tax liability	**1,567**	1,625	**–**	1,154

Notes to the financial statements

Continued

15 Deferred income tax (continued)

The movements on the deferred tax liability are:

Group	Taxation deferred by capital allowances £000	Taxation on other temporary differences £000	Taxation on intangible assets £000	Taxation on buildings revaluation £000	**Total £000**
At 29th April, 2017	314	(109)	561	683	**1,449**
Included in the Consolidated income statement	(67)	79	(108)	–	**(96)**
Included in the Consolidated statement of comprehensive income	–	–	18	254	**272**
Acquired on acquisition	–	–	–	–	**–**
At 28th April, 2018	247	(30)	471	937	**1,625**
Included in the Consolidated income statement	31	(1)	(82)	–	**(52)**
Included in the Consolidated statement of comprehensive income	–	–	(6)	–	**(6)**
At 27th April, 2019	278	(31)	383	937	**1,567**

Company	Taxation deferred by capital allowances £000	Taxation on other temporary differences £000	Taxation on intangible assets £000	Taxation on buildings revaluation £000	**Total £000**
At 29th April, 2017	314	(109)	–	706	**911**
Included in the Company income statement	(67)	79	–	–	**12**
Included in other comprehensive income	–	–	–	231	**231**
At 28th April, 2018	247	(30)	–	937	**1,154**
Included in the Company income statement	54	–	–	–	**54**
Transferred to group company	(356)	–	–	(937)	**(1,293)**
Reclassified to deferred tax asset	55	30	–	–	**85**
At 27th April, 2019	–	–	–	–	**–**

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 bv which has been provided at 25%.

The Group and Company also have capital losses of £4,350,000 (2018 – £4,350,000).

16 Inventories

	Group		**Company**	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Raw materials	**5,593**	5,877	**744**	372
Work in progress	**6,641**	5,268	**610**	545
Finished goods	**390**	521	**108**	100
	12,624	11,666	**1,462**	1,017

	2019 £000	2018 £000	**2019 £000**	2018 £000
Inventory write downs during the year	**155**	33	**32**	7

Notes to the financial statements

Continued

17 Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade receivables	**6,913**	14,032	**3,456**	2,998
Retentions on contracts	**113**	568	**–**	22
Amounts owed by subsidiary undertakings	**–**	–	**19,029**	6,983
Other receivables	**18**	17	**4**	–
	7,044	14,617	**22,489**	10,003

The aggregate amount of costs incurred and recognised profits to date on contracts is £15,819,000 (2018 – £12,159,000).

(a) Trade receivables are denominated in the following currencies.

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Sterling	**3,674**	7,160	**2,751**	2,194
Euro	**2,141**	5,961	**701**	812
US dollar	**778**	582	**–**	–
Other currencies	**320**	329	**4**	(8)
	6,913	14,032	**3,456**	2,998

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 after impairment is as follows:

	Total	Not past due	< 30 days	30-60 days	60-90 days	> 90 days
Group	£000	£000	£000	£000	£000	£000
2019	**6,913**	**6,245**	**505**	**148**	**13**	**2**
2018	14,032	9,377	4,446	142	24	43

As at 27th April, 2019 trade receivables at a nominal value of £105,000 (2018 – £97,000) were impaired and fully provided. Bad debts of £65,000 (2018 – £15,000) were recovered and bad debts of £52,000 (2018 – £28,000) were incurred.

Company						
2019	**2,764**	**2,649**	**40**	**81**	**–**	**(6)**
2018	2,998	2,172	808	17	–	1

As at 27th April, 2019 trade receivables at a nominal value of £51,000 (2018 – £32,000) were impaired and fully provided. Bad debts of £20,000 (2018 – £11,000) were recovered and bad debts of £39,000 (2018 – £6,000) were incurred.

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

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Sterling	**113**	568	**–**	22
Euro	**–**	–	**–**	–
US dollar	**–**	–	**–**	–
Other currencies	**–**	–	**–**	–
	113	568	**–**	22

Notes to the financial statements

Continued

17 Trade and other receivables (continued)

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 months £000	6-12 months £000	12-18 months £000	18-24 months £000
2019	**113**	**93**	**20**	**–**	**–**
2018	568	546	22	–	–
Company					
2019	**–**	**–**	**–**	**–**	**–**
2018	22	–	22	–	–

(c) Intercompany receivables

All amounts due from Group companies are repayable on demand and are not charged interest. The majority of intercompany balances are to group entities with liquid assets and are capable of being repaid on demand.

There are loans to MS INTERNATIONAL Estates Limited, which although repayable on demand, are supported by properties which will not be immediately realisable. The Directors have assessed the likelihood of default and the loss in the event of default as well as the balance at the reporting date and conclude that there is no material impairment of the receivable.

The amounts receivable at the year end can be categorised as:

	2019 £000
Amounts due from companies backed by liquid assets	**7,219**
Amounts due from MS INTERNATIONAL Estates Limited	**11,810**
	19,029

18 Cash and cash equivalents/bank overdraft

	Group		**Company**	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Cash at bank and in hand	**17,151**	7,504	**–**	–
Short term deposits	**5,735**	8,362	**–**	–
Bank overdraft	**–**	–	**(582)**	(342)
	22,886	15,866	**(582)**	(342)

19 Issued capital

	Group		**Company**	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2018 – 35,000,000)	**3,500**	3,500	**3,500**	3,500
Allotted, issued and fully paid – 18,396,073 (2018 – 18,396,073)	**1,840**	1,840	**1,840**	1,840

Notes to the financial statements

Continued

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 reserves – Company

Following the transfer of assets held at valuation by the Company, to a subsidiary company, a reserve has been created which is non-distributable. This is equal to the revaluation reserve previously arising.

Additionally it includes the non-distributable retained reserve for the revaluation reserve previously showing in the company for properties now transferred to other members of the Group.

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 the prior year for the related deferred tax due to the change in corporation tax (18% to 17%).

Share premium account

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

	2019	2018
	£000	£000
Employee Share Ownership Trust	**100**	100
Shares in treasury (see below)	**2,959**	2,959
	3,059	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 (2018 – 245,048) Ordinary shares, which represents 1.3% (2018 – 1.3%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 27th April, 2019 was £505,000 (2018 – £453,000). The Company has made payments of £Nil (2018 – £Nil) into the ESOT bank accounts during the period. No options over shares (2018 – 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 £7,000 (2018 – £7,000). During the period no options on shares were exercised (2018 – Nil) and no shares were purchased (2018 – Nil).

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

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

Notes to the financial statements

Continued

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, 2017 by a professionally qualified actuary.
- From 6th April, 2016 the Company directly pays the expenses of the Scheme. With effect from April 2018 the deficit reduction payments paid into the Scheme by the Company have been increased to £600,000 per annum. The deficit reduction contributions are paid on a quarterly basis with the first paid on 3rd April, 2018 and the last due for payment on or before 5th January, 2027. The total deficit reduction payments made in the year were £600,000 (2018 – £389,000).
- 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 remeasurement gains and losses is to recognise them immediately through the statement of comprehensive income.

Assumptions

	2019	2018
Discount rate at year-end	**2.50%**	2.70%
Future salary increases	**3.80%**	3.60%
Pension increases – RPI inflation	**3.20%**	3.00%
Pension increases – CPI inflation	**2.00%**	1.80%
Life expectancy of current pensioners (from age 65)	**20.7yrs**	21.4yrs
Life expectancy of future pensioners (from age 65)	**22.6yrs**	22.8yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £1.7m.

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.3m.

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 11 years.

GMP Equalisation

The defined benefits scheme was contracted out of the State Earnings – Related Pension Scheme (SERPS) between 1990 and 1997. The benefits for employees who were members between those dates include a "Guaranteed Minimum Pension". In broad terms, this replicated the pension which the members would have earned under SERPS.

Historically, there has been an inequality of benefits between male and female members who accrued a GMP between 1990 and 1997.

In general, occupational pension schemes have had to provide equal benefits for men and women since May 1990. However, because State benefits were exempt from the Barber case judgement in 1990 there has been considerable uncertainty as to whether this equalisation requirement extended to GMPs.

A High Court ruling on 26th October, 2018 confirmed that schemes must now take action to address GMP equalisation.

Notes to the financial statements

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21 Pension liability (continued)

If a member's benefits would be higher by calculating their benefits accrued since 1990 using the GMP applicable to an individual of the opposite sex, then the GMP benefit must be increased accordingly, including paying arrears to members who are already receiving their pension.

There are a number of methods to use for calculating the GMP equalisation but whilst setting out a number of possible approaches, the High Court did not specify the method to use.

The calculation of the past service cost related to the GMP equalisation has been based on the likely method that the Scheme Trustees and Company will adopt in the future. However, it is anticipated that whilst other methodologies for GMP equalisation will give slightly different benefit payments, the actuarial present value of the payments arising for each methodology are unlikely to be materially different.

The results of the calculation using the most likely method to be adopted result in an estimated 4.2% increase in the Scheme's liability which gives rise to an unrecognised past service cost of approximately £1.198m. This has been recognised in the Consolidated income statement for the year ended 27th April, 2019.

It may be some time before the agreed method for GMP equalisation calculations is approved. However, now that the estimated past service cost has been recognised in the Consolidated income statement, changes to the estimate in the future will be recognised in the Consolidated statement of comprehensive income.

Statement of financial position

	2019	2018
	£000	£000
Present value of obligations	**30,264**	29,568
Fair value of plan assets	**23,462**	23,147
Net liability	**6,802**	6,421

Income Statement

	2019	2018
	£000	£000
Interest on net liabilities	**186**	183
Administration expenses	**–**	–
Total income statement cost	**186**	183

Change in defined benefit obligation

	2019	2018
	£000	£000
Opening defined benefit obligation	**29,568**	30,790
Interest cost	**808**	746
Experience gains arising on scheme liabilities	**11**	554
Changes in financial assumptions underlying the present value of scheme liabilities	**(660)**	(817)
Actuarial losses on scheme liabilities	**916**	–
Benefits paid	**(1,577)**	(1,705)
Past service costs	**1,198**	–
Defined benefit obligation	**30,264**	29,568

Notes to the financial statements

Continued

21 Pension liability (continued)

Change in fair value of plan assets

	2019	2018
	£000	£000
Opening fair value of plan assets	**23,147**	23,305
Interest income on assets	**622**	563
Actual return on assets less amount included in net interest	**670**	595
Deficit reduction contributions by employer	**600**	389
Benefits paid	**(1,577)**	(1,705)
Fair value of plan assets	**23,462**	23,147

Statement of comprehensive income

	2019	2018
	£000	£000
Actual return on assets less amounts included in net interest	**670**	595
Remeasurement gains/(losses)	**(267)**	263
	403	858

	2019	2018
	£000	£000
Expected deficit reduction contributions into the Scheme during next accounting year:	**600**	600

Breakdown of assets at 27th April, 2019	**Plan assets £000**	**Asset allocation**
Equities – UK market	**7,702**	**33%**
Equities – non UK market	**7,825**	**33%**
Corporate Bonds	**3,035**	**13%**
Gilts	**3,152**	**13%**
Cash/other	**1,748**	**8%**
	23,462	**100%**

Breakdown of assets at 28th April, 2018	Plan assets £000	Asset allocation
Equities – UK market	7,140	31%
Equities – non UK market	7,647	33%
Corporate Bonds	3,542	15%
Gilts	2,984	13%
Cash/other	1,834	8%
	23,147	100%

Notes to the financial statements

Continued

22 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Trade payables	**5,349**	6,598	**3,122**	2,681
Amounts owed to subsidiary undertakings	**–**	–	**2,808**	1,528
Other payables	**3,435**	4,228	**592**	842
Accruals	**2,943**	2,750	**1,288**	767
Progress payments	**13,648**	14,476	**466**	386
	25,375	28,052	**8,276**	6,204

Progress payments received for sale of goods and contract revenue represents customer payments received in advance of performance that are expected to be recognised as revenue in future periods.

The progress payment balance changes during the reporting period for new payments received from customers and for amounts recognised in revenue because the performance obligation has been satisfied.

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 cash and cash equivalents of £22.89m – Company- overdraft (£0.58m) (2018 Group – £15.87m – Company overdraft (£0.34m)). The Group and Company has available a bank multicurrency overdraft facility of £4.8m which is renewable on 1st January, 2020.

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.

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 £000
2019	**+50**	**25**
Sterling	**–50**	**(25)**
2018	+50	50
Sterling	–50	(50)

Notes to the financial statements

Continued

23 Financial instruments (continued)

The interest rate profile of the financial assets of the Group and Company as at 27th April, 2019 was as follows:

	Group		Company	
	Floating rate financial assets/ (liabilities) £000	Total £000	Floating rate financial assets/ (liabilities) £000	Total £000
2019				
Sterling	**16,444**	**16,444**	**(1,831)**	**(1,831)**
US Dollar	**1,591**	**1,591**	**36**	**36**
Euro	**4,757**	**4,757**	**1,212**	**1,212**
Other	**94**	**94**	**1**	**1**
Total	**22,886**	**22,886**	**(582)**	**(582)**
2018				
Sterling	14,982	14,982	2,895	15,968
US Dollar	(667)	(667)	(3,921)	(2,064)
Euro	1,464	1,464	658	(383)
Other	87	87	26	5
Total	15,866	15,866	(342)	13,526

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.

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 27th April, 2019 these currency exposures are as follows:-

	Net foreign currency monetary assets/(liabilities)			
Presentational currency of Group operations	Sterling £000	US Dollar £000	Euro £000	Total £000
2019				
Sterling	**4**	**1,254**	**1,528**	**2,786**
Total	**4**	**1,254**	**1,528**	**2,786**
2018				
Sterling	4	(1,561)	1,664	107
Total	4	(1,561)	1,664	107

Notes to the financial statements

Continued

23 Financial instruments (continued)

Functional currency of Company operations	Net foreign currency monetary assets/(liabilities) Sterling £000	US Dollar £000	Euro £000	Total £000
2019				
Sterling	**–**	**43**	**1,426**	**1,469**
Total	**–**	**43**	**1,426**	**1,469**
2018				
Sterling	–	(3,810)	861	(2,949)
Total	–	(3,810)	861	(2,949)

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 27th April, 2019 and 28th April, 2018.

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.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. The expected loss rates are based on the payment profile for sales over the recent reporting periods as well as the corresponding historical credit losses during that period.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

Detailed credit risks disclosure for trade receivables has not been included as it is immaterial.

24 Capital commitments

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Contracted but not provided in the financial statements	**70**	14	**70**	14
	70	14	**70**	14

25 Obligations under leases

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

	Group		Company	
	2019 £000	2018 £000	**2019 £000**	2018 £000
Amounts payable				
Within one year	**241**	290	**–**	–
In two to five years	**476**	474	**–**	–
Five years or more	**204**	229	**–**	–
	921	993	**–**	–

The Group has entered into commercial leases on certain properties and motor vehicles. The remaining duration of these leases are from under 1 year up to 7 years from the Statement of financial position date.

£864,000 of these future minimum lease rentals will be recognised as rights of use assets and the related lease liabilities on adoption of IFRS 16 with effect from 28th April, 2019.

Notes to the financial statements

Continued

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 £4,279,721 at 27th April, 2019 (2018 – £3,395,671).

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 £9,653,450 (2018 – £491,734)

Sales of goods and services £8,608,429 (2018 – £5,295,734)

The following balances between the Company and other subsidiaries in the Group are included in the Company balance sheet as at 27th April, 2019.

Amounts owed by the Company £2,808,000 (2018 – £1,528,000)

Amounts owed to the Company £19,029,000 (2018 – £6,983,000)

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	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Short-term employee benefits	**1,672**	1,431	**1,533**	1,290
Post-employment benefits	**47**	37	**47**	37
See Directors remuneration report on pages 58 and 59	**1,719**	1,468	**1,580**	1,327

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;

	2019	**2019**	2018	2018
Enterprise management incentive scheme				
Outstanding as at 28th April, 2018	**–**	**–**	214,000	194.0p
Options exercised	**–**	**–**	–	–
Options lapsed	**–**	**–**	(214,000)	–
Outstanding as at 27th April, 2019	**–**	**–**	–	–

The expense recognised for share options during the year is £Nil (2018 – £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 27th April, 2019 and 28th April, 2018.

Capital comprises equity attributable to the equity holders of the parent company £35,798,000 (2018 – £33,400,000).

Summary of group results 2015 – 2019

GROUP INCOME STATEMENT

	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Group revenue	**77,708**	68,085	53,823	49,282	45,503
Group operating profit	**4,996**	4,253	1,771	1,856	1,740
Finance costs	**(209)**	(214)	(245)	(174)	(199)
Profit before taxation	**4,787**	4,039	1,526	1,682	1,541
Taxation	**(975)**	(653)	(28)	(98)	(188)
Profit for the period	**3,812**	3,386	1,498	1,584	1,353
STATEMENT OF FINANCIAL POSITION					
Assets employed					
Intangible assets	**4,483**	4,893	5,301	5,671	3,818
Property, plant and equipment	**20,426**	20,766	19,099	15,955	14,563
Other net current (liabilities)/assets	**(4,784)**	(1,171)	(2,907)	1,534	(446)
Cash and cash equivalents	**22,886**	15,866	15,210	12,758	17,148
	43,011	40,354	36,703	35,918	35,083
Financed by					
Ordinary share capital	**1,840**	1,840	1,840	1,840	1,840
Reserves	**33,958**	31,560	27,201	26,220	26,459
Shareholders' funds	**35,798**	33,400	29,041	28,060	28,299
Net non current liabilities	**7,213**	6,954	7,662	7,858	6,784
	43,011	40,354	36,703	35,918	35,083

Corporate governance statement

As an AIM quoted company MSI INTERNATIONAL plc, under AIM Rule 26, is required to adopt a recognised corporate governance code, describe how it complies with that code and provide details of where it does not comply with its chosen corporate governance code.

MS INTERNATIONAL plc has chosen to adopt as far as practical for a Group of its size the recently published (April 2018) QCA Corporate Governance Code with effect from 28th September, 2018. The Chairman assumes principal responsibility for corporate governance.

The Board is responsible for ensuring that MS INTERNATIONAL plc has the strategy, people, structure and culture in place to deliver value over the medium to long term to shareholders and other stakeholders of the Group and is committed to high standards of governance, as is appropriate for a company of its size and structure. The main features of the Group's corporate governance arrangements are set out below.

Strategy

The Group's long term strategy is to invest in people, products and processes to seek continuous improvement in its four diverse operating divisions: 'Defence', 'Forgings', 'Petrol Station Superstructures' and 'Petrol Station Branding', each holding a leading position in its specialist market.

Communications with shareholders

The shareholding structure of the Company is set out on the 'Securities' page on the Company's website: msiplc.com/securities. The composition of the shareholders, including the Directors, is currently primarily weighted towards private investors, with a significant institutional shareholder.

The AGM is the main forum for dialogue and discussion with private investors and the Board. The Notice of Annual General Meeting is sent to shareholders at least 21 days before the meeting and all of the Directors routinely attend the AGM and are available to answer any questions raised by shareholders. The results of each AGM are published on the website and by way of an RNS when the meeting has concluded. Copies of notice of meetings and Annual Reports from the last five years are kept on the Company's website.

Shareholders can engage with the Company between AGMs by contacting the Company Secretary, David Kirkup (david.kirkup@msiplc.com). The Board also contacts significant institutional investors as and when appropriate.

Corporate Social Responsibility and Stakeholder engagement

The Group is aware of its corporate social responsibilities and the need to maintain effective relationships with all of the stakeholders in the business including shareholders, employees, customers, suppliers and regulatory authorities. The Group's operations, processes and procedures are monitored and adapted to take account of changing stakeholder relationships whilst maintaining focus on the Board's strategic objective of delivering value over the medium to long term for the benefit of all stakeholders.

The Board aims to do what is in the best interests of the Company and seeks to maintain the highest standards of integrity in the conduct of the Group's operations.

The requirement for regular disclosure of Directors other interests and compliance to share dealing regulations all require high standards of behaviour.

The Group's employment policies, such as Whistleblowing and Anti-Bribery and Corruption assist in setting a culture of ethical behaviour throughout the Group.

Through the various procedures and processes the Group has adopted, each diverse operating division ensures full compliance with the health and safety and environmental legislation applicable to each division.

The Board and its committees

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 in divisional operations is vested in individual managing directors, supported by their respective financial managers.

The Company's Articles of Association require that all Directors except those holding the posts of Chairman or Chief Executive retire by rotation and are subject to election by shareholders at least once every three years.

The Board considers that all 3 Non-Executive Directors are independent. In the case of all three Non-Executive Directors, the Board has considered their length of service as Directors and employees and has determined that in terms of interest, experience and judgement they all remain independent. Consequently, The Board considers itself to be compliant with the QCA code in having two or more independent Non-Executive Directors.

Roger Lane-Smith is the designated Senior Independent Director.

Corporate governance statement

Continued

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 on a daily basis when possible. Additionally, each of the divisional operations has monthly review meetings which the Executive Chairman and the Company's Financial Director attends.

Board Meetings are scheduled in advance. The Board meets at least quarterly throughout the year. The number of meetings and members attendance of Board and Committee Meetings during the financial year ended 27th April, 2019 was as follows:

	Board	Audit Committee
Number of meetings	4	–
Michael Bell	4	–
Michael O'Connell	4	–
Nicholas Bell	4	–
Roger Lane-Smith	4	2
David Pyle	4	2
David Hansell	4	–

All of the Non-Executive Directors devote sufficient time to fulfil their responsibilities to the Company.

The Chairman is responsible for the operation and strategic focus and direction of the business.

The Board is supported by an Audit Committee and a Remuneration Committee. Roger Lane-Smith and David Pyle serve on these committees.

The Audit Committee normally meets twice a year and has the responsibility for reviewing the interim statements and annual financial reports and accounts and effectiveness of the system of internal controls with the Group's external auditors. The external auditors have direct access to the Committee without the executive directors being present. The ultimate responsibility for reviewing and approving the Group financial statements remains with the Board.

The Remuneration Committee which meets as required has the responsibility for making recommendations to the Board on the remuneration packages of each of the Executive Directors including any share incentive schemes.

Due to the size of the Group there is no Nominations Committee. The Chairman discusses the appointment or replacement of Directors with the Board as a whole. The Board are aware of the age profile of the Directors and this is under review.

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.

Board experience, skills and evaluation

Due to the size of the Group, and the nature of its operations and strategic demands, there is no formal Board performance evaluation process in place. However, the Chairman periodically meets with the Executive and Non-Executive Directors to ensure they are committed, their respective contributions are effective and productive and, where relevant, they have maintained their independence.

The Board has considered its structure and composition and believes it to be appropriate having taken into account the nature and characteristics of the Group.

As the Directors have all served the Group as employees and Directors over many years, the Board believes it is not necessary to give any further details of their experience other than that shown in the list of Directors and the Notice of Annual General Meeting.

In the opinion of the Board, the Directors as a whole have the appropriate balance of skills and experience necessary to ensure that the Group is managed for the long-term benefit of all stakeholders.

Corporate governance statement

Continued

Internal control systems

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 operating 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 set out below.

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decisions by the Board which covers the key areas of the Group's affairs, including; dividend policy, 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 controls, to management of the operating companies.

Responsibility levels and delegation of authority and authorisation levels throughout the Group are set out in the Group's 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 provided 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 directors approval for all major sales contracts.

Risk Management

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 by both the Directors and operational and divisional management. Where appropriate, action is taken to manage risks facing the business.

The Group's corporate governance environment and its embedded procedures and systems will be updated and adapted to future changes in stakeholder relationships when considered appropriate by the Board.

Audit Committee Report

The Audit Committee has been established for many years and was introduced when it became a requirement for all full listed companies to have such a committee.

Committee governance

The Audit Committee consists of two independent Non-executive directors, Roger Lane-Smith and David Pyle who have considerable experience in senior financial and commercial operational roles and both have extensive knowledge of the Group's operations and related financial risks and internal control.

The Committee meets twice a year. The meetings are held with the external auditor at which management is not present.

Key responsibilities

The committee is required to:

- Monitor the integrity of the Group's financial statements and external announcements of both the interim and full year results;
- Advise on the clarity of disclosures and information contained in the Annual Report and Accounts;
- In conjunction with the Group's Executive Board and external auditor, ensure compliance with applicable accounting standards and the consistency of methodologies applied;
- Review the adequacy and effectiveness of the Group's internal control and risk management systems;
- Oversee the relationship with the external auditors, review their performance and independence and advising the Board on their appointment and remuneration.

The Audit Committee has undertaken the following during the year under review:

Internal control and risk management

The Audit Committee has worked with the Board in the continued evaluation of the critical business and financial risks of the Group and where appropriate supported actions to manage the risks facing the business.

External audit

The Audit Committee conducted a review and tender related to the appointment of the external auditor.

The outcome of this review has been to replace Ernst & Young LLP with Grant Thornton UK LLP as the Group's external auditor.

The services performed by Grant Thornton UK LLP will relate only to the Group's external audit. All other non audit work will be performed by independent accountancy firms which will enhance the Group's governance.

There is no formal policy in respect of the rotation of the external auditor. This will be reviewed and taken into consideration if the AIM listed company rules are changed so that the rotation of the external auditor becomes a requirement.

Significant reporting issues and judgements

The Audit Committee considered whether the 2019 Annual Report is fair, balanced and understandable and whether it provides the necessary information for shareholders and other stakeholders to assess the Group's financial performance, business model and strategy.

The Committee was satisfied that, as a whole, the 2019 Annual Report met these requirements.

The key issues and accounting policies considered by the Audit Committee in relation to the 2019 Annual Report were:

- The provision for past service pension costs arising as a result of a High Court ruling in October 2018 relating to GMP equalisation. A detailed explanation of this particular issue is set out in note 21 of the Annual Report.

Audit Committee Report

Continued

- The appropriateness of the Group's approach to the adoption of IFRS 15 and subsequent recognition of contract revenue.
- The proposed transition to the adoption of IFRS 16 'Leases' for the year ending 30th April, 2020 and the disclosures made in respect of the anticipated changes to future financial statements.

The Audit Committee has assessed these specific issues and is satisfied that the methodologies adopted in the Annual Report are appropriate and satisfy the relevant IFRS standards.

R Lane-Smith
Chairman Audit Committee
5th June, 2019

Report of the directors

The directors present their report and the Group financial statements for the 52 weeks ended 27th April, 2019. The directors present their corporate governance statement on pages 49 to 51 of this report.

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.

2 Results and dividends

The profit after taxation for the period attributable to shareholders amounted to £3,812,000 (2018 – £3,386,000). The directors recommend a final dividend of 6.50 pence per share (2018 – 6.50 pence per share), making a total of 8.25 pence per share (2018 – 8.25 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.

4 Directors

The names of the directors of the Company at 5th June, 2019 are shown on page 4.

All of the directors served throughout the year.

5 Substantial interests in shares

The directors had been advised of the following notifiable interests:-

	% of share capital held at 27th April, 2019	% of share capital held at 5th June, 2019
Michael Bell	29.3%	29.3%
Cavendish Asset Management Limited	17.5%	17.5%
David Pyle	10.6%	10.6%
Michael O'Connell	9.4%	9.4%
Mrs Patricia Snipe	4.9%	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 5th June, 2019.

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 5th June, 2019 the Company's issued share capital comprised:

	Number	£000	% of total share capital
Ordinary shares of 10p each	18,396,073	1,840	100
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 11: Disapplication of pre emption 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 pre emption 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 pre emption 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 5th June, 2019.

If given, this power will expire at the conclusion of the Company's next AGM or on 15th October, 2020 (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 5th June, 2019. 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 15th October, 2020 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.

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 5th June, 2019, 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.

Report of the directors

Continued

9 Special business at the Annual General Meeting (continued)

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 13 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.

10 Auditors

A resolution to reappoint the auditor, Grant Thornton UK LLP, will be proposed at the Annual General Meeting.

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.

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

5th June, 2019

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 2018/2019 amounted in total to 53.9% (2018 – 22.5%) of total executive basic salaries.

The Remuneration Committee consider the £1.198m charge to the Consolidated income statement for past service pension costs to be outside of the definition of "usual working and management expenses and outgoings" as set out in clause 1.2 of the executive directors bonus scheme. Consequently, the bonus for the directors for the year ended 27th April, 2019 has been based on the Group profit before past service pension costs and taxation of £5,985,000.

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.

At 27th April, 2019, there are no outstanding share options.

4. Pension contributions

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.

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

Emoluments of directors

Directors' remuneration in respect of the period to 27th April, 2019.

	2019 Basic salary and fees £	2018 Basic salary and fees £	2019 Additional salary £	2018 Additional salary £	2019 Other benefits £	2018 Other benefits £	2019 Bonus £	2018 Bonus £	2019 Total	2018 Total
Michael Bell	**400,000**	400,000	**–**	–	**56,527**	54,210	**222,480**	92,974	**679,007**	547,184
Michael O'Connell	**225,000**	225,000	**–**	–	**30,481**	40,374	**111,240**	46,487	**366,721**	311,861
Nicholas Bell	**200,000**	200,000	**–**	–	**21,689**	18,891	**111,240**	46,487	**332,929**	265,378
David Pyle	**50,000**	50,000	**–**	–	**14,849**	27,487	**–**	–	**64,849**	77,487
David Hansell	**50,000**	50,000	**138,700**	138,700	**–**	–	**–**	–	**188,700**	188,700
Roger Lane-Smith	**40,000**	40,000	**–**	–	**–**	–	**–**	–	**40,000**	40,000

In addition to his role as non-executive director, David Hansell has carried out additional executive services during the period for the Defence division. His remuneration during the period for these services, is shown as additional salary.

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

Pension contributions	2019 Total £	2018 Total £
Michael Bell	**–**	–
Michael O'Connell	**–**	–
Nicholas Bell	**46,686**	36,973
Roger Lane-Smith	**–**	–
David Pyle	**–**	–
David Hansell	**–**	–

Directors' share options

Share options

All outstanding share options lapsed on 30th September, 2017.

There are now no outstanding share options granted under either the Enterprise Management Incentive Scheme or the Employee Share Option Scheme.

QCA code

The Remuneration Committee is of the opinion that the disclosures required by the code are contained within this report.

By order of the Board,

David Kirkup
Secretary

5th June, 2019

List of subsidiaries

(i) Principal operating subsidiaries			Country of Incorporation
MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.	England & Wales
MSI-Defence Systems Inc.	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Design, manufacture and service of defence equipment.	USA
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.	England & Wales
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.	USA
MS INTERNATIONAL Estates LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Property holding company of the Group's USA property.	USA
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.	Brazil
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.	England & Wales
Global-MSI plc	Balby Carr Bank, Doncaster DN4 8DH England	Design, manufacture and construction of petrol station superstructures.	England & Wales
Global-MSI Sp. z o.o.	Ul. Działowskiego 13, 30-339 Krakow Poland	Design, manufacture and construction of petrol station superstructures.	Poland
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.	The Netherlands
Petrol Sign GmbH	Owiedenfeldstrasse 1 30559 Hannover Anderton Germany	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.	Germany
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.	England & Wales
MS INTERNATIONAL Estates Ltd.	Balby Carr Bank, Doncaster DN4 8DH England	Property holding company of the Group's UK properties.	England & Wales

NOTES

1. 100% of the ordinary shares are held in all cases.

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 ninth annual general meeting of MS INTERNATIONAL plc ("Company") will be held at The Holiday Inn, Warmsworth, Doncaster on 15th July, 2019 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 27th April, 2019.
2. To approve the directors' remuneration report for the 52 weeks ended 27th April, 2019.
3. To declare a final dividend for the 52 weeks ended 27th April, 2019 of 6.5p per ordinary share of 10p each in the capital of the Company, to be paid on 25th July, 2019 to shareholders whose names appear on the register as at close of business on 21st June, 2019.
4. To re-elect as Executive Chairman of the Company, Michael Bell, who joined the company in December 1972 and was appointed to the Board in July, 1980.
5. To re-elect as a director of the Company, Nicholas Bell, a director retiring by rotation. Nicholas is aged 44 years old and joined the Company in 1999, becoming a director in 2014.
6. 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.
7. 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.
8. 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.
9. To reappoint Grant Thornton UK LLP as external auditor of the Company.
10. To authorise the directors to determine the remuneration of the external auditor.

As special business:

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 8 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

    11.2 otherwise than pursuant to paragraph 11.1 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 15th October, 2020 (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

Notice of Annual General Meeting

Continued

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 15th October, 2020 (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

21st June, 2019

Registered office:
Balby Carr Bank
Doncaster
DN4 8DH

Notice of Annual General Meeting

Continued

Registered in England and Wales No. 00653735

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 11th July, 2019 (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, Link Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, no later than 12 noon on 11th July, 2019 (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 Link Asset Services (ID RA10) no later than 12 noon on 11th July, 2019 (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 5th June, 2019, 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 5th June, 2019 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 25th July, 2019 to those members registered on the books of the Company on 21st June, 2019.

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