MS INTERNATIONAL plc

Annual Report 2021

Company Registration Number 00653735

MSI

Contents

The year in brief

	2021 Total £'000	2020 Total £'000
Revenue	**61,539**	61,153
Profit/(loss) before taxation	**1,592**	(3,253)
Earnings/(loss) per share: basic	**7.2p**	(15.1p)
Earnings/(loss) per share: diluted	**7.0p**	(15.1p)
Dividends payable per share	**8.25p**	3.50p

Financial Calendar Key Dates

Annual results announced	June
Annual General Meeting	July
Final dividend payable	August
Half-year results announced	December
Interim dividend payable	January

Chairman's statement

Results and Review

It is both pleasing and reassuring to report that for the year ended 30th April 2021, the Company returned to profits with a pre-tax figure of £1.59m (2020 – loss £3.25m) on revenue of £61.54m (2020 – £61.15m). Basic earnings per share amounted to 7.2p, (2020 – loss per share of 15.1p). The balance sheet has strengthened, with total cash increased to £23.56m (2020 – £16.30m).

Exceptionally good progress has been made across the Group, despite the negative and distracting influence of the global pandemic. Furthermore, the outlook is now much brighter than we could have imagined twelve months ago. We have lost neither skills, nor potential market opportunities and are now starting to benefit from the numerous ambitious development projects and investment programmes that we have been diligently progressing over the past few years.

'Defence' – We continued to stay abreast of our obligations to our many international defence business customers, completing sales of new weapon installations, whilst fully supporting and servicing customers around the world, including twelve individual navies. International marketing activity was, by enforced necessity, sadly restrained. The home market with the UK MoD remains, disappointingly subdued.

Pleasingly, a request from the US Navy, that we field our 'state of the art' 30mm MSI-DS naval weapon system for an evaluation trials programme resulted in a highly positive outcome. We have since been awarded a contract for the supply of seven systems, the first of which has now been delivered directly to the US Navy. We are hopeful that these sales may well lead to follow on production orders. In addition, following the award of that contract, we received an order from a US shipbuilder to supply eight similar weapon systems for a US government Foreign Military Sales Programme.

This important break-through in the United States defence market, is a direct result of our persistent and purposeful marketing effort within the US over many years and our relentless, and crucially important, investment in product development programmes for the world markets.

'Forgings' – This division started the period in a relatively weak business environment, centred around a Brexit settlement and the overhanging potential loss or reduction in fork-arm requirements from our many EU based customers; then Covid hit! The uncertainties were not helped by the growing deterioration in the availability and supply of raw materials and components and their increasing costs. Not only were our own requirements affected but also those of our customers' other material requirements.

Market conditions only started to improve in early 2021, after many of our existing and potential customers reverting to a 'buy-local' philosophy, rather than continuing to buy 'economic dumped' product from China, where reliability of supply had seriously deteriorated. This positive trend for us, when added to our earlier restructuring of our UK operations, at last brought some positive economic sanity into the international markets we serve through our indigenous fork-arm manufacturing plants in the UK, plus North and South America.

'Petrol Station Superstructures' – Despite a much slowed 'pandemic induced' start to the period in the UK, once HM Government determined that petrol stations in England were deemed an essential operation and could remain open, there was a notable upturn in our business activity. Throughout the lockdowns, many of our UK customers, particularly those operating stations that included a quality convenience store and, in some cases, a food outlet, traded well, even though it is reported that fuel sales dropped by 70% at the height of the restrictions. As travel restrictions were eased, so the need for structural maintenance and new builds gained momentum and there was a pleasing marked restoration in our UK activities.

Chairman's statement

Results and Review (continued)

Unfortunately, there was not a similar freedom of movement across mainland Europe and consequently our operation in Poland – which traditionally services customers from Scandinavia and across Eastern Europe – had a much reduced, activity level throughout the period.

Notwithstanding the challenges, the division, led by the UK operation, achieved a marked improvement in profitability over that reported in the prior year.

'Corporate Branding' – This division, which operates primarily across western European through operations based in The Netherlands and Germany, experienced a ten per cent reduction in activity compared to the previous year, owing to local and cross border travel restrictions and vigorously enforced lockdowns across the EU. Consequently, revenue was some 30% lower than anticipated. Across the sectors we serve, petrol, hospitality, airports and automotive, people movement was intensely restricted and as a consequence many of our customers' development programmes were simply put on an 'extended hold'.

By contrast, our UK 'Petrol Sign' business has continued to grow and prosper, responding in line with the more positive approach taken by the UK forecourt market highlighted in my comments on 'Petrol Station Superstructures'.

Outlook

'Defence' – Our recent positive breakthrough into the western world's largest defence market is truly most encouraging and we will do our utmost to progress the many perceived opportunities that are out there. Our other product developments, aimed at opening up new global markets, are progressing to plan and once international travel arrangements can recommence this will enable the business to exploit a number of perceived and very promising opportunities.

Simultaneously, we are upgrading the capabilities of our existing UK manufacturing facilities and systems, to enhance further our production capabilities to meet anticipated future demand.

'Forgings' – With our highly efficient 'local' manufacturing operations in the UK, the United States and Brazil, we are well placed to take advantage of the growing ecological and economic pressures regarding minimising long distance shipping of products around the globe.

'Petrol Station Superstructures' – The UK petrol station market has recovered strongly and very positively from the initial lock-down pressures of the pandemic.

There continues to be a notable, and very positive change, in the structure of petrol station ownership in the UK. The long-established ownership of stations by the large international oil companies is diminishing and passing to that of a small number of privately owned, well-funded, entrepreneurial groups. Consequently, there is considerable investment taking place to enhance their station operations, creating what is being termed 'mobility hubs,' that will offer, not only a wide variety of fuel options, but also high quality and spacious convenience stores; fast-food outlets; rest areas and internet amenities plus superior car valeting facilities.

With our Group's extensive experience and high reputation in the construction, maintenance and, most recently, the branding of petrol stations, we aim to continue to provide a superior, high quality service to these relatively new, and progressively minded, groups.

Our Poland based business, that enjoys an outstanding reputation for performance amongst the many customers it regularly serves in numerous countries, is well positioned to respond once inter country travel restraints are lifted and there is a restoration of business normality.

Chairman's statement

Outlook (continued)

'Corporate Branding' – This division has still to contend with the present ongoing operational restraints on travel across international borders, necessitated by the pandemic.

In the meantime, we have reorganised and integrated the operations of this division to reflect the wider product and market sectors it serves. Not only have we considerably reduced costs, but it is now better focused on meeting the expectations of a broader customer market than just 'petrol', which had previously been the prime focus when we acquired the 'Petrol Sign BV' business in 2015.

In concluding, I thank all our employees for their support and commitment to the business in what has clearly been a most disruptive and frustrating business year for everyone.

Our thanks also to HM Government and to those Governments, in countries where we have operating businesses, for their 'Covid-19' support in what has been an unprecedented time.

Our commitment to moving the business forward remains at the forefront of our objectives after 15 months of continuous global restrictions. We remain resilient and dedicated, along with a great team of people and are well placed to achieving our aim. Most importantly, we also enjoy further enhanced strong financial resources to support and develop opportunities as they arise.

All matters considered the Board recommends the payment of a reinstated final dividend of 6.5p per share (2020 – 1.75p) making a total for the year of 8.25p (2020 – 3.5p). The final dividend is expected to be paid on the 10th August 2021, to those shareholders on the register at the close of business on 16th July 2021.

Michael Bell
21st June 2021

Directors

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

Non-executive

Roger Lane-Smith – Age 75

Appointed as a director on 21st January, 1983. He is a non-executive director of Timpson Group plc, Mostyn Estates Limited and a number of other private companies.

David Hansell – Age 76

Appointed as 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 statement.

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 'Corporate 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 30th April, 2021 are provided in the Chairman's Statement.

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

The Group registered a profit before taxation of £1.59m (2020 – loss before taxation – £3.25m) after a provision for past service pension costs of £0.2m (2020: £nil) and an impairment of intangible assets of £0.35m (2020: £nil), detailed in notes 24 and 13 respectively.

Key performance indicators

	2021	2020	Change
	£'000	£'000	%
Revenue	**61,539**	61,153	0.6%
Profit/(loss) before taxation	**1,592**	(3,253)	148.9%
Earnings/(loss) per share	**7.2p**	(15.1p)	147.7%

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

Cash flow

The Group had a cash inflow from operating activities of £9.79m (2020 – £3.33m outflow). This was before capital expenditure of £0.78m (2020 – £0.72m) and the Company's purchase of its own shares of £0.60m (2020: £nil). The Group also made a small acquisition of £0.09m (2020: £1.18m), the details of which can be found in note 16.

Research and initial development costs of £1.0m (2020 – £2.0m) were expensed during the year, primarily on the continuing development of the portfolio of small to medium calibre naval, land-based and other stabilised weapon systems that the 'Defence' business offers to its worldwide customer base.

Closing cash and cash equivalents were £17.39m (2020 – £16.13m) and customer progress payments on account were £21.19m (2020 – £13.37m). The Group also has a further £6.17m of restricted cash held within an Escrow account maturing after 90 days (2020: £nil).

Strategic report

Continued

Principal risks and uncertainties

The principal risks and uncertainties facing the Group have been identified as follows:

Risk and impact	How the risk is mitigated
Foreign exchange A proportion of the Group's revenue, profit and net assets are denominated in currencies other than Sterling, principally, the US Dollar and Euro, and to a lesser extent the Brazilian Real and Polish Zloty. Fluctuations in exchange rates may impact the Group's financial position and results due to translation into sterling, as well as having implications on the pricing of materials sourced in foreign currencies.	● The largest currency exposures are in USD and Euro. Receipts and payments are offset and any surpluses sold at spot rate when necessary. Given the increase of activity in USD, management are monitoring cash flows weekly to ensure currency requirements are satisfied. ● Cashflows in other currencies, including Brazilian Real and Polish Zloty, are not hedged, however, as volumes are so low management does not deem this necessary. ● A central treasury function monitors foreign currency cashflows, ensures that balances are transferred around the group when required, and engages in foreign currency trading when appropriate. Although the Group currently has no forward exchange contracts, the need for such is monitored on an ongoing basis. ● More information on the Group's exposure to foreign exchange can be found in note 27 "Financial instruments"
Brexit While the UK has now left the EU, there remains risk around cross-border trading and the uncertainty in relation to the UK's trading relationship with the EU.	● The Group has operations within the EU in its 'Petrol Station Superstructures' and 'Corporate Branding' divisions, which operate independently of the UK operations. ● Within the 'Forgings' division the main suppliers are either UK or non-EU based, however, products are supplied to the fork lift truck manufacturers within the EU. ● While there is any future changes in the UK/EU trading relationship may have an adverse impact on the supplying EU customers, the Board believes the impact to be limited in the context of the Group's overall international trading profile.
Covid-19 The current economic environment brought about by the Covid-19 pandemic, along with the impact of lockdowns and travel related restrictions, has created uncertainty for the Group in terms of timing of revenue recognition and the phasing of demand from customers. There is also a risk to both the health and safety of our staff, and the global supply chain in terms of the flow of goods and raw materials.	● At the start of the pandemic in March 2020, the Group took swift action to protect the health, safety and wellbeing of our employees. Working practices were adapted to meet government guidelines and to ensure social distancing, encouraging employees to work from home where possible. ● All our sites follow Covid-19 workplace guidelines relevant to their country of operation, for example, enhanced cleaning, ventilation, use of masks, hand washing facilities, sanitising stations, and segregation of office areas. ● The Board monitors cash balances on a daily basis and three month cash forecasts on a weekly basis to ensure that any potential issues can be identified promptly.

Strategic report

Continued

General duties of directors

With effect from 1st January, 2019, specific references are required as to how the Board undertakes its duties in respect of the requirements under Section 172 of the 2006 Companies Act to promote the success of the Company for the benefit of its shareholders as a whole.

In doing so, the Board is required to have regard for the following:

- the likely long-term consequences of any decision;
- the interests of the Group's employees;
- the need to foster and maintain good business relationships with customers, suppliers and others;
- the impact of the Group's operations on the community and environment;
- the Group's reputation for high standards of business conduct and the need to act fairly between members of the Company..

As an AIM quoted company, the Company has adopted as far as practical for a group of its size, the April 2018 QCA Corporate Governance Code. The Company describes how it complies with the code and provides details of where it does not comply on pages 63 to 64.

The Chairman's statement and this Strategic report describe the Group's activities, strategy and future prospects.

The Board considers its employees, customers, suppliers and shareholders to be its major stakeholders. When taking decisions for the long-term future of the Group, the Board informally takes into consideration the interests of all these stakeholders in its deliberations.

The Group operates on a decentralised structure with employee, customer, and supplier relationships delegated to the management of the operating companies. Part of the operating companies managements' responsibilities is to regularly report to the executive directors on these relationships to ensure that good relationships are maintained with employees, customers and suppliers.

The Board considers that appropriate remuneration, incentive schemes, and employment procedures are in place across all of the Group's operating companies which fairly reward its employees in relation to the local communities in which they operate and identify opportunities for employee development where practical.

The Board, through its decentralised management structure endeavours to maintain good long-term supplier relationships by contracting on standard business terms and conditions and prompt payment within agreed terms. There are long-standing relationships with some key suppliers to ensure the quality and continuity of the supply chain.

The executive directors receive regular updates from the management of operating companies on both existing and potential new customer relationships to ensure that the Board's decision making takes into account the commercial and service requirements of the customer base.

The Board believes that the due to the relatively small size of its operating units throughout the world, the Group does not have any significant impact on the local communities and environments within which they operate. However, the Board recognises that the Group has to maintain the highest standards of integrity in the conduct of each of the Group's operations throughout the world. Consequently, the Board aims to ensure all of its operations minimise harm and contribute as far as practical to the local communities in which it operates.

The Board recognises the importance of maintaining high standards of business conduct and has appropriate policies in place, such as, employee Whistleblowing and Anti-Bribery and Corruption, to assist in setting a culture of ethical behaviour throughout the Group.

The composition of the Company's shareholders is predominantly directors, private investors and one long-standing institutional investor. The AGM is the primary mechanism for the Board to engage with the shareholders, together with the publication of unaudited half yearly results and full year audited Report and Accounts and other regulatory announcements on the Company's website.

By order of the Board,

David Kirkup
Company Secretary

21st June, 2021

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 International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006, and the directors' have elected to prepare Parent Company financial statements under International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

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 and Parent Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware;
- the directors have taken all the steps that they as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

To the best of the directors knowledge:

- the Group financial statements, prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, 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 Strategic report and Directors' report include 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.

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 year ended 30 April 2021 which comprise 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 accounting standards in conformity with the requirements of the Companies Act 2006 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 30 April 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included challenging the underlying data and key assumptions used to make the assessment, evaluating the directors' plan for future actions in relation to their going concern assessment and reviewing the position of the business to assess their ability to meet obligations in a worst case scenario. The worst case scenario analysis supported our assessment that there is no material uncertainty in relation to going concern. This risk has been addressed by performing the following procedures:

- Obtaining management's base case cash flow forecasts covering the period to October 2022, assessing how these cash flows forecasts were compiled and assessing their appropriateness by applying relevant sensitivities to the underlying assumptions and challenging those assumptions;
- Assessing the accuracy of management's past forecasting by comparing management's forecasts for last year to the actual results for last year and considering the impact on the base case cash flow forecast;
- Applied additional worst-case scenario sensitivities to assess the potential impact of Covid-19 on the business. We evaluated the assumptions regarding the impact of no new business and a reduction in recurring revenue and the impact that this would have on the overall performance and position of the business. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken;
- Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; and
- Assessing the adequacy of related disclosures within the annual report.

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

Continued

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Overview of our audit approach

Overall materiality:

Group: £300,000, which represents 0.5% of the group's revenues.

Parent company: £240,000, which represents 1% of the parent company's total assets, capped at component materiality.

Key audit matters were identified as:

- Non-contract revenue has a potential for misstatement. Same as previous year; and
- Contract revenue has a potential for misstatement. Same as previous year.

Our auditor's report for the year ended 30 April 2020 included 1 key audit matter that has not been reported as a key audit matter in our current year's report. This relates to going concern and has not been included as a key audit matter for the current audit based on the Group and Company position and forecasts which do not indicate any issues in relation to going concern. See further explanation included in the 'Conclusion to going concern' section.

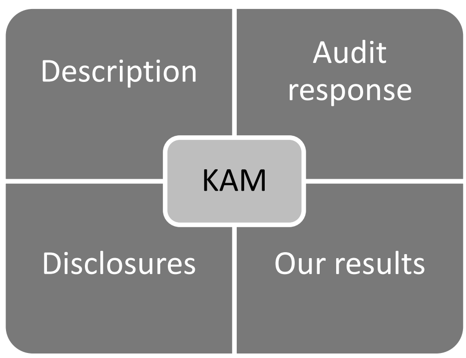
A full scope audit was performed on the financial statements of the company and all components determined to be significant.

A specified audit procedure approach was adopted for components not considered to be significant but included balances or transactions which were material to the Group opinion.

The components where we performed full or specified audit procedures accounted for 89% of revenue and 91% of gross profit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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

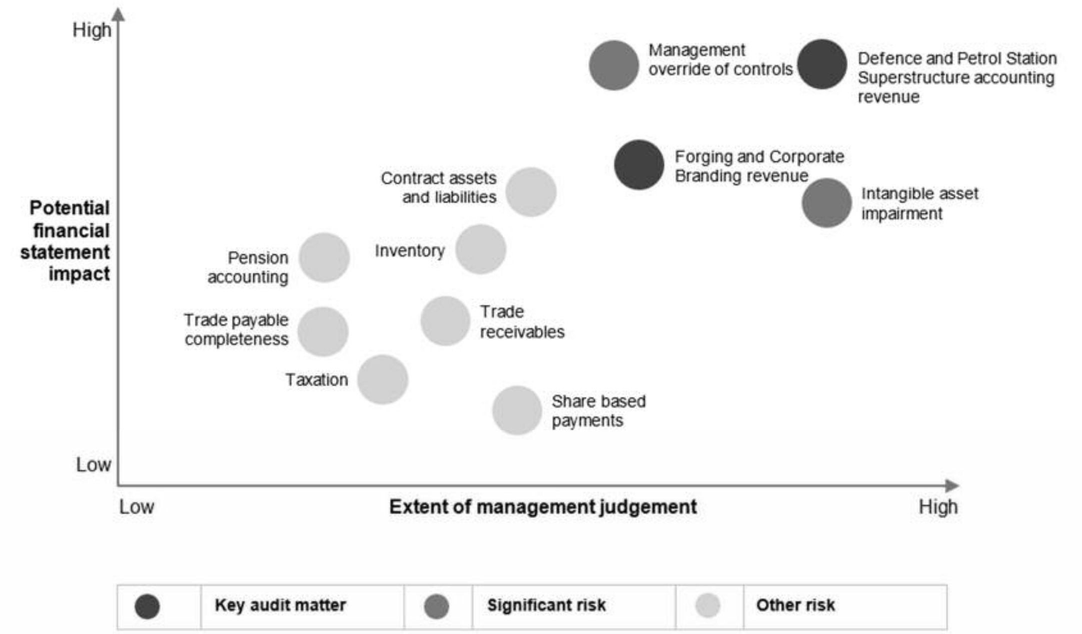


Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Key audit matters (continued)

In the graph below, we have presented the key audit matters, significant risks and other risks releveant to the audit.



Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent

Risk 1: Forging and Corporate Branding revenue has a potential for misstatement

We identified Forging and Corporate Branding revenue recognition, including forging and corporate branding streams (non-contract revenue), as one of the most significant assessed risks of material misstatement due to fraud.

Revenue is a major driver of the business and under ISA (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a presumed risk of fraud in revenue recognition that could result in material misstatements.

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 including fraudulent transactions.

Revenue recognition is susceptible to management bias which heightens this risk.

Relevant disclosures in the Annual Report and Accounts 2021

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.

In responding to the key audit matter, we performed the following audit procedures:

- walking through the process and controls around the recording of revenue to understand the design and implementation of controls;
- assessing 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;
- automated data analytics was performed on the revenue populations to identify and test any unusual transactions which are not in line with our knowledge or expectation of a revenue transaction;
- testing revenue around the year end to assess it has been included in the correct period using trend analysis and testing of transactions around the year end to trace to shipping documents; and
- testing a sample of revenue transactions to supporting documentation to verify the occurrence of the revenue including shipping documentation, sales invoices and cash receipts.

Our results

Based on the work we have undertaken we have not found any material misstatements in non-contract revenue recognition.

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

Continued

Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent
Risk 2: Defence and Petrol Station Superstructures revenue has a potential for misstatement We identified contract revenue accounting, including defence and petrol station superstructures streams, as one of the most significant assessed risks of material misstatement due to fraud or error. 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. Contract revenue accounting is susceptible to management bias which heightens this risk.	In responding to the key audit matter, we performed the following audit procedures: ● walking through the process and controls around the recording of revenue to understand the design and implementation of controls; ● assessing 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; ● performing an assessment of the contracts open at the year end to assess the stage of completion and the revenue recognised on these; and ● selecting a sample of contract asset / liability balances and agreeing these to supporting documentation to assess if revenue has been recognised appropriately in line with the stage of completion
Relevant disclosures in the Annual Report and Accounts 2021 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.	**Our results** 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 apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report

Materiality was determined as follows:

Materiality measure	Group	Parent
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£300,000 which is 0.5% of revenue.	£240,000 which is 1% of total assets, capped at component materiality which is 80% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: ● The selection of an appropriate benchmark; and ● The selection of an appropriate percentage to apply to that benchmark. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the Group, as this is identified as a KPI within the Strategic report. We deemed a percentage of 0.5% to be appropriate based on the Group being listed in AIM and the increased risk brought about by the impact of Covid-19. Materiality for the current year is lower than the level that we determined for the year ended 30th April 2020 to reflect the current economic climate and performance in the year	In determining materiality, we made the following significant judgements: ● The selection of an appropriate benchmark; and ● The selection of an appropriate percentage to apply to that benchmark. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the Group, as this is identified as a KPI within the Strategic report. The percentage applied was selected based on the risk profile of the entity as a component within a listed group. . Materiality for the current year is lower than the level that we determined for the year ended 30th April 2020 to reflect the year on year decrease in Group materiality

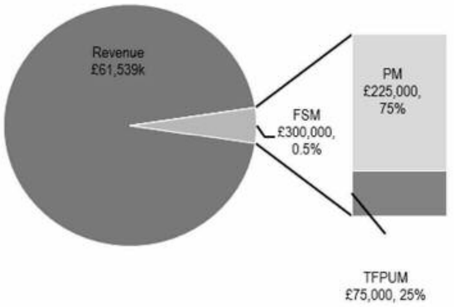
Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

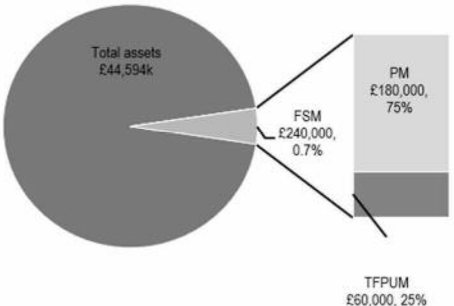
Materiality measure	Group	Parent
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£225,000 is 75% of financial statement materiality.	£180,000 which is 75% of financial statement materiality
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: the strength of the control environment and our experience auditing the financial statements of the Group, including the effect of misstatements identified in previous audits. Therefore, we consider the same performance materiality percentage to be appropriate.	In determining performance materiality, we made the following significant judgements: the strength of the control environment and our experience auditing the financial statements of the Company, including the effect of misstatements identified in previous audits. Therefore, we consider the same performance materiality percentage to be appropriate.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements	
Specific materiality threshold	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions	We determined a lower level of specific materiality for the following areas: Directors' remuneration Related party transactions
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

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

Continued

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- the engagement team obtained an understanding of the individual components, including component specific controls, and assessed the risks of material misstatement at the group level; planning discussions were held between the engagement team and the group's management team
- walkthroughs were performed on key areas of focus to understand the controls and assess the design effectiveness of these.

Identifying significant components

- we identified 2 significant components, based on their significance to key performance and position measures within the financial information of the group, which we performed a full-scope audit on the financial information, including the parent company, and specified audit procedures on 4 components within the group which included significant risks or material balances. The remaining components were subject to analytical procedures. We did not identify any significant components based on qualitative factors, such as specific uses or concerns over specific components.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- the engagement team performed a full-scope audit of the financial statements of the parent company, and of the financial information of the subsidiary undertakings, which are subject to a statutory audit. This provided us with 67% coverage on the revenue balance. We selected a further 4 components to give us coverage over an additional 23% of the revenue balance.

Communications with component auditors

- We performed a full-scope audit of the financial statements of the parent company. The operations that were subject to full-scope audit procedures made up 67% per cent of consolidated revenues and 138% per cent of total profit before tax.

Performance of our audit

- We performed a full-scope audit of the financial statements of the parent company. The operations that were subject to full-scope audit procedures made up 67% per cent of consolidated revenues and 138% per cent of total profit before tax.
- We attended the parent company's primary location in Doncaster to perform audit procedures (including a year end inventory count) as well as observing inventory in Norwich, the Netherlands and Charlotte virtually which relate to other components within the Group.

Audit approach	No of components	% coverage of total assets	% coverage revenue	% coverage PBT
Full-scope audit	2	68%	67%	138%
Specified audit procedures	4	23%	23%	-26%
Analytical procedures	7	9%	10%	-12%

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.

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

Continued

Other information (continued)

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.

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report 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 directors' report.

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 directors' responsibilities statement, 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.

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.

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

Continued

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The Group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, tax legislation, anti-bribery legislation and employment law.

- We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and the Audit Committee, and from inspection of the group's board minutes and legal and regulatory correspondence. We discussed the policies and procedures regarding compliance with laws and regulations across the Group with the directors and the Audit Committee;

- We assessed the susceptibility of MS INTERNATIONAL plc's consolidated financial statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts.

- Audit procedures performed by the engagement team included:

  – evaluation of the programmes and controls established to address the risks related to irregularities and fraud;

  – testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;

  – identifying and testing related party transactions by agreeing to underlying records and obtaining confirmation for directors' emoluments.

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

21 June 2021

Consolidated income statement

For the period ended 30th April, 2021

Continuing operations	Notes	**2021 Total £'000**	2020 Total £'000
Revenue	3/4	**61,539**	61,153
Cost of sales		**(44,218)**	(48,275)
Gross profit		**17,321**	12,878
Distribution costs		**(2,581)**	(3,455)
Administrative expenses		**(12,954)**	(12,542)
		(15,535)	(15,997)
Group operating profit/(loss)	4/5	**1,786**	(3,119)
Share of net profit of joint venture	15	**28**	–
Interest received	7	**10**	133
Interest paid	7	**(92)**	(103)
Other finance costs - pensions	7	**(140)**	(164)
		(222)	(134)
Profit/(loss) before taxation		**1,592**	(3,253)
Taxation	8	**(415)**	762
Profit/(loss) for the year attributable to equity holders of the parent		**1,177**	(2,491)
Basic earnings/(loss) per share	9	**7.2p**	(15.1p)
Diluted earnings/(loss) per share	9	**7.0p**	(15.1p)

Consolidated statement of comprehensive income

For the period ended 30th April, 2021

	Notes	**2021 Total £'000**	2020 Total £'000
Profit/(loss) for the year attributable to equity holders of the parent		**1,177**	(2,491)
Exchange differences on retranslation of foreign operations		**(38)**	(55)
Net other comprehensive loss to be reclassified to profit or loss in subsequent years		**(38)**	(55)
Remeasurement gains/(losses) on defined benefit pension scheme	24	**1,213**	(2,197)
Deferred tax on remeasurement on defined benefit scheme	8	**(230)**	545
Deferred tax on revaluation surplus on land and buildings	8	–	(110)
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent years		**983**	(1,762)
Total comprehensive income/(loss) for the year attributable to equity holders of the parent		**2,122**	(4,308)

Consolidated and company statement of changes in equity

For the period ended 30th April, 2021

	Share capital £'000	Capital redemption reserve £'000	Other reserves £'000	Revaluation reserve £'000	Special reserve £'000	Currrency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total shareholders' funds £'000**
(a) Group									
At 27th April, 2019	1,840	901	2,815	6,055	1,629	279	(3,059)	25,338	**35,798**
Loss for the year	–	–	–	–	–	–	–	(2,491)	**(2,491)**
Other comprehensive loss	–	–	–	–	–	(55)	–	(1,762)	**(1,817)**
Total comprehensive loss	–	–	–	–	–	(55)	–	(4,253)	**(4,308)**
Dividends paid (note 10)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 30th April, 2020	1,840	901	2,815	6,055	1,629	224	(3,059)	19,723	**30,128**
Profit for the year	–	–	–	–	–	–	–	1,177	**1,177**
Other comprehensive (loss)/income	–	–	–	–	–	(38)	–	983	**945**
Total comprehensive (loss)/income	–	–	–	–	–	(38)	–	2,160	**2,122**
Dividends paid (note 10)	–	–	–	–	–	–	–	(578)	**(578)**
Purchase of own shares (note 23)	–	–	–	–	–	–	(636)	–	**(636)**
Cancellation of shares	(56)	56	–	–	–	–	906	(906)	**–**
At 30th April, 2021	**1,784**	**957**	**2,815**	**6,055**	**1,629**	**186**	**(2,789)**	**20,399**	**31,036**
(b) Company									
At 27th April, 2019	1,840	901	7,620	–	1,629	–	(3,059)	17,222	**26,153**
Profit for the year	–	–	–	–	–	–	–	1,366	**1,366**
Other comprehensive loss	–	–	–	–	–	–	–	(1,608)	**(1,608)**
Total comprehensive loss	–	–	–	–	–	–	–	(242)	**(242)**
Dividends paid (note 10)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 30th April, 2020	1,840	901	7,620	–	1,629	–	(3,059)	15,618	**24,549**
Profit for the year	–	–	–	–	–	–	–	1,548	**1,548**
Other comprehensive income	–	–	–	–	–	–	–	899	**899**
Total comprehensive income	–	–	–	–	–	–	–	2,447	**2,447**
Dividends paid (note 10)	–	–	–	–	–	–	–	(578)	**(578)**
Purchase of own shares (note 23)	–	–	–	–	–	–	(636)	–	**(636)**
Cancellation of shares	(56)	56	–	–	–	–	906	(906)	**–**
At 30th April, 2021	**1,784**	**957**	**7,620**	**–**	**1,629**	**–**	**(2,789)**	**16,581**	**25,782**

Consolidated and company statements of financial position

At 30th April, 2021

		Group		Company	
		2021	2020	**2021**	2020
	Notes	**£'000**	£'000	**£'000**	£'000
ASSETS					
Non-current assets					
Property, plant, and equipment	11	**19,113**	20,111	**935**	1,121
Right-of-use assets	12	**530**	1,214	**5,486**	5,943
Intangible assets	13	**3,558**	4,140	**–**	–
Investments in subsidiaries	14	**–**	–	**17,313**	18,036
Investment in joint venture	15	**36**	–	**–**	–
Deferred income tax asset	17	**1,606**	1,875	**1,600**	1,875
		24,843	27,340	**25,334**	26,975
Current assets					
Inventories	18	**12,423**	15,857	**1,498**	1,543
Trade and other receivables	19	**9,369**	4,589	**16,135**	15,433
Contract assets	26	**1,998**	–	**–**	–
Income tax receivable		**194**	719	**141**	139
Prepayments		**2,010**	1,775	**543**	296
Cash and cash equivalents	20	**17,390**	16,125	**943**	–
Restricted cash held in Escrow	20	**6,165**	–	**–**	–
		49,549	39,065	**19,260**	17,411
TOTAL ASSETS		**74,392**	66,405	**44,594**	44,386
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**1,784**	1,840	**1,784**	1,840
Capital redemption reserve	23	**957**	901	**957**	901
Other reserves	23	**2,815**	2,815	**7,620**	7,620
Revaluation reserve	23	**6,055**	6,055	**–**	–
Special reserve	23	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	23	**186**	224	**–**	–
Treasury shares	23	**(2,789)**	(3,059)	**(2,789)**	(3,059)
Retained earnings		**20,399**	19,723	**16,581**	15,618
TOTAL EQUITY SHAREHOLDERS' FUNDS		**31,036**	30,128	**25,782**	24,549
Non-current liabilities					
Defined benefit pension liability	24	**7,095**	8,563	**7,095**	8,563
Deferred income tax liability	17	**1,553**	1,641	**–**	–
Lease liabilities	12	**380**	893	**5,214**	5,609
		9,028	11,097	**12,309**	14,172
Current liabilities					
Bank overdraft	20	**–**	–	**–**	391
Trade and other payables	25	**12,410**	11,309	**5,234**	3,854
Contract liabilities	26	**21,192**	13,370	**874**	1,037
Income tax payable		**561**	165	**–**	–
Lease liabilities	12	**165**	336	**395**	383
		34,328	25,180	**6,503**	5,665
TOTAL EQUITY AND LIABILITIES		**74,392**	66,405	**44,594**	44,386

No profit and loss account is presented for the Company, as permitted by section 408 of the Companies Act 2006. The Company's profit for the financial year amounted to £1,548,000 (2020: £1,366,000).

The financial statements on page 21 to 60 of MS INTERNATIONAL plc, registered number 00653735, were approved by the Board of Directors on 21st June, 2021, and signed on its behalf by:

Michael Bell,
Executive Chairman

Michael O'Connell,
Finance Director

Consolidated and company cash flow statements

For the period ended 30th April, 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000**	£'000	**£'000**	£'000
Profit/(loss) before taxation		**1,592**	(3,253)	**92**	(1,216)
Adjustments to reconcile profit before taxation to net cash inflow/(outflow) from operating activities					
Past service pension costs		**205**	–	**205**	–
Depreciation charge of owned assets and right-of-use assets	11/12	**1,666**	1,671	**895**	1,001
Amortisation charge	13	**237**	360	**–**	–
Impairment of goodwill	13	**348**	–	**–**	–
Write off of acquired goodwill	13	**8**	271	**–**	–
Profit on sale of fixed assets		**(74)**	(104)	**(61)**	(93)
Share of net profit of joint venture	15	**(28)**	–	**–**	–
Termination of lease		**(7)**	–	**–**	–
Finance costs		**222**	134	**366**	412
Foreign exchange gains		**516**	10	**–**	–
Decrease/(increase) in inventories		**3,377**	(1,445)	**44**	(81)
(Increase)/decrease in receivables		**(6,834)**	3,019	**37**	4,057
(Increase)/decrease in prepayments		**(237)**	25	**(246)**	3
Increase/(decrease) in payables		**1,162**	(1,021)	**1,296**	(3,462)
Increase/(decrease) in progress payments		**7,824**	(1,611)	**(163)**	571
Pension fund payments	24	**(600)**	(600)	**(600)**	(600)
Cash generated from/(invested in) operating activities		**9,377**	(2,544)	**1,865**	592
Net interest (paid)/received		**(52)**	66	**(49)**	(59)
Taxation received/(paid)		**460**	(848)	**–**	30
Net cash inflow/(outflow) from operating activities		**9,785**	(3,326)	**1,816**	563
Investing activities					
Payments for acquisitions, net of cash acquired	16	**(89)**	(1,178)	–	–
Dividends received from subsidiaries		**–**	–	**1,498**	**1,895**
Purchase of property, plant, and equipment	11	**(781)**	(721)	**(268)**	(409)
Proceeds on disposal of property, plant, and equipment		**97**	128	**62**	101
Increase in cash held in the Escrow account maturing in more than 90 days	20	**(6,165)**	–	**–**	–
Net cash (outflow)/inflow from investing activities		**(6,938)**	(1,771)	**1,292**	1,587
Financing activities					
Purchase of own shares	23	**(636)**	–	**(636)**	–
Lease payments	12	**(327)**	(268)	**(560)**	(597)
Dividends paid	10	**(578)**	(1,362)	**(578)**	(1,362)
Net cash outflow from financing activities		**(1,541)**	(1,630)	**(1,774)**	(1,959)
Increase/(decrease) in cash and cash equivalents		**1,306**	(6,727)	**1,334**	191
Opening cash and cash equivalents/(bank overdraft)		**16,125**	22,886	**(391)**	(582)
Exchange differences on cash and cash equivalents		**(41)**	(34)	**–**	–
Closing cash and cash equivalents/(bank overdraft)	20	**17,390**	16,125	**943**	(391)

Notes to the financial statements

For the period ended 30th April, 2021

1 Authorisation of financial statements and statement of compliance with IFRSs

MS INTERNATIONAL plc (the 'Company') is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market (AIM) market of the London Stock Exchange.

The financial statements of the Company and its subsidiaries (together referred to as the 'Group') for the year ended 30th April, 2021 were authorised for issue by the Board of Directors on 21st June, 2021 and the statements of financial position were signed on the Board's behalf by Michael Bell and Michael O'Connell.

The Group's and Company's financial statements for the year ended 30th April, 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements 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 where otherwise indicated.

The principal accounting policies have been applied consistently to all years presented in these Group financial statements, unless otherwise stated. The consolidated financial statements have been prepared on a going concern basis.

Going concern

The financial statements have been prepared on a going concern basis. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 5 and Strategic report on pages 8 to 10.

At 30th April, 2021, the Group held cash and cash equivalents of £17.39m with a further £6.17m of restricted cash held in an Escrow account maturing in greater than 90 days. The Group also has a number of large long-term contracts with certain customers and a healthy orderbook. As such, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

The performance of the Group is dependent on a number of external factors and the wider economic environment. The Covid-19 pandemic has created uncertainty when assessing these factors, particularly with regards to the uncertainty over the phasing of demand from customers, the impact of future lockdowns, and government imposed travel restrictions.

Forecasts have been prepared for the 18 months following the reporting date, which the Directors believe reflect a reasonable expectation, based on the information available at the date of signing these financial statements. The forecasts have been assessed for the potential impact of possible sensitivities, including a 10% fall in the forecasted revenue across the Group and a 10% increase in material prices. In all scenarios the Group has sufficient headroom to be able to continue to meet its liabilities as they fall due.

As a result, the Directors consider there to be no material uncertainties that could cast significant doubt on the Group's ability to continue to operate as a going concern. They believe that the Group has sufficient financial resources to continue operating for the foreseeable future, being at least 18 months from the reporting date. As a result, the Directors continue to adopt the going concern basis of accounting in preparation of these financial statements.

Critical accounting estimates and assumptions

In preparation of the financial statements, the Group's management are required to make judgements, estimates and assumptions that affect the reported amounts of amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and any other factors considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions are recognised in the period in which they are revised.

The following estimates and judgements have a risk of causing material adjustments to the amounts recognised in these financial statements:

Notes to the financial statements

Continued

2 Accounting policies (continued)

Contract revenue

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

Pension

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 includes an estimation of the related past service cost (see note 24).

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).

Inventory provisions

The level of inventory provisions carried within the financial statements is reviewed annually. The recoverability of the cost of the inventory is assessed by considering the nature and condition of the inventory, as well as applying assumptions about the future saleability or usage of items. The level of inventory provisions is disclosed in note 18 to the financial statements.

Basis of consolidation

The Group financial statements incorporate the results of MS INTERNATIONAL plc, its subsidiary undertakings and the Group's share of the results of the joint venture. Subsidiaries are those entities that are controlled by the Group. All subsidiaries have a reporting date of 30th April.

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 on consolidation.

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

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.

Investment in joint venture

Joint ventures are entities over which the Group has joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method of accounting, interest in joint ventures is initially recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the joint venture after the date of acquisition.

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 the 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Foreign currency translation (continued)

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. This 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 equipment – 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.

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 in the income statement. 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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Business combinations (continued)

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.

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 events or changes in circumstances indicate that the carrying amount may not be recoverable. The amortisation period and the amortisation method are reviewed 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 intangible asset with finite lives are as follows:-

Tradename – over 10 to 20 years

Design database – over 10 years

Non-compete agreement – over 3 years

Customer relationships – over 8 to 10 years

Order backlog – over 1 year

Development costs – over 5 years

Software costs – over 3 to 5 years

Goodwill arising on acquisition of subsidiaries is the only intangible asset with an indefinite useful life.

For impairment assessment purposes, intangible 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 others 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Intangible assets (continued)

Impairment losses are recognised at the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

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

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration". New leases are then recognised in the Consolidated statement of financial position as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

Lease liabilities are measured at the present value of the lease payments unpaid at the recognition date, discounted using the interest rate implicit in the lease, or, if that rate cannot be determined, the Group's incremental borrowing rate. Lease payments include fixed payments, variable lease payments that are based on an index or rate, less any lease incentives receivable. Following initial measurement, the liability will be reduced for payments made and increased for interest. Interest will be charged to profit or loss as an interest expense.

The liability will be remeasured to reflect any reassessment of or modification to the lease contract when applicable. When the lease liability if remeasured, the corresponding adjustment is also reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Right-of-use assets are measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability,
- any lease payments (net of any incentives received) made in advance of the lease commencement date,
- any initial direct costs incurred,
- an estimate of any costs to dismantle or remove the asset at the end of the lease.

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the useful economic life or the end of the lease term.

Payments associated with short-term leases, defined as a lease with a term of 12 months or less, and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Research and development

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

Costs that are directly attributable to a project's 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.

Contract costs relating to non-prototype research and development expenditure are capitalised within work in progress when the costs are expected to be recovered.

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 uses its 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, net of outstanding overdrafts which are repayable on demand.

Restricted cash held in Escrow

Cash held in Escrow provides security to Lloyds Bank plc in respect of any guarantees, indemnities, and performance bonds given by the Group in the ordinary course of business. In the statement of financial position amounts not maturing within 90 days of the deposit date are separately disclosed in restricted cash held in Escrow.

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Pension schemes (continued)

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 Consolidated income statement and expensed in the period in which they occur. Actual gains/losses, less the amount included in net interest costs, are included in other comprehensive income.

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

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

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, manufacture, installation, and service of corporate branding, including media facades, way-finding signage, public illumination, creative lighting solutions, and the complete appearance of petrol station superstructures and forecourts ('Corporate Branding').

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

1. Identify the contract with the customer.
2. Identify the separate performance obligations specified within each contract.
3. Determine the transaction price specified within each contract.
4. Allocate the transaction price to the performance obligation identified.
5. Recognise 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. Occasionally revenue is recognised in accordance with a bill-and-hold arrangement when requested by the customer. Under these instances revenue is recognised before delivery of the goods when the following criteria are met:

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

- the buyer requests a bill-and-hold arrangement
- the goods must be ready for physical transfer to the customer and must be separately identified as belonging to the customer
- ownership risks are passed 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 at a point in time 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.

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.

'Corporate Branding'

The Group enters into contracts with its customers to perform the re-imaging of corporate branding and signage for various industries. 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.

As part of some 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.

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.

During the year, the Group has received Covid-19 related government grants in the UK, the Netherlands, Poland, and the USA. These have been recognised as income within staff costs to match the labour costs the grant has compensated. Details of Covid-19 related government grants can be found in note 6.

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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

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 income 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.

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.

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, there are no new, but not yet effective, standards, amendments to existing standards, or interpretations that have been published by the IASB that will have a material impact on these financial statements.

3 Revenue

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2021	2020
	£'000	£'000
Revenue recognised at a point in time	**61,373**	61,024
Rendering of services	**166**	129
Total revenue	**61,539**	61,153

During the year the Group recognised £6,341,000 of revenue that was included in the contract liability balance at 30th April, 2020 (note 26).

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 years ended 30th April, 2021 and 30th April, 2020. The reporting format is determined by the differences in manufacture and services provided by the Group. The 'Defence' division is engaged in the design, manufacture, and service of defence equipment. The 'Forgings' division is engaged in the manufacture of forgings. The 'Petrol Station Superstructures' division is engaged in the design, manufacture, construction, branding, maintenance, and restyling of petrol station superstructures. The 'Corporate Branding' division is engaged in the design, manufacture, installation, and service of corporate brandings.

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'		'Corporate Branding'		Total	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000	**2021 £'000**	2020 £'000
Segmental revenue										
Total revenue	**27,078**	23,464	**9,970**	11,482	**11,774**	12,296	**12,972**	14,420	**61,794**	61,662
Revenue from other segments	**–**	–	**–**	–	**(145)**	(386)	**(110)**	(123)	**(255)**	(509)
Revenue from external customers	**27,078**	23,464	**9,970**	11,482	**11,629**	11,910	**12,862**	14,297	**61,539**	61,153
Segment result										
Operating profit/(loss)	**2,570**	(289)	**425**	(340)	**448**	3	**(1,657)**	(2,493)	**1,786**	(3,119)
Share of net profit of joint venture									**28**	–
Net finance costs									**(222)**	(134)
Profit/(loss) before taxation									**1,592**	(3,253)
Taxation									**(415)**	762
Profit/(loss) for the year									**1,177**	(2,491)
Segmental assets										
Assets attributable to segments	**35,414**	26,666	**4,066**	3,570	**8,492**	8,382	**8,468**	10,740	**56,440**	49,358
Unallocated assets*									**17,952**	17,047
Total assets									**74,392**	66,405
Segmental liabilities										
Liabilities attributable to segments	**24,795**	16,639	**2,445**	1,285	**2,970**	2,274	**3,510**	4,922	**33,720**	25,120
Unallocated liabilities*									**9,636**	11,157
Total liabilities									**43,356**	36,277
Other segmental information										
Capital expenditure	**440**	80	**24**	62	**131**	293	**186**	286	**781**	721
Depreciation	**176**	222	**545**	620	**377**	346	**263**	235	**1,361**	1,423
Amortisation	**–**	–	**–**	–	**55**	180	**182**	180	**237**	360
Impairment	**–**	–	**–**	–	**–**	–	**348**	–	**348**	–

* Unallocated assets include certain fixed assets (including all UK properties), current assets and deferred income tax assets. Unallocated liabilities include the defined pension benefit scheme liability, the deferred income tax liability, and certain current liabilities.

Assets and liabilities attributable to segments comprise the assets and liabilities of each segment adjusted to reflect the elimination of the cost of investment in subsidiaries and the provision of financing loans provided by MS INTERNATIONAL plc.

Revenue between segments is determined on an arm's length basis. Segment results, assets, and liabilities include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

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 years ended 30th April, 2021 and 30th April, 2020. The Group's geographical segments are based on the location of the Group's assets.

	United Kingdom		Europe		Americas		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
External revenue by origin	**41,191**	39,191	**12,987**	14,538	**7,361**	7,424	**61,539**	61,153
Non-current assets	**17,373**	17,803	**3,706**	5,017	**3,764**	4,520	**24,843**	27,340
Current assets	**39,457**	29,004	**6,899**	8,378	**3,193**	1,683	**49,549**	39,065
Liabilities	**32,516**	30,473	**3,729**	5,051	**7,111**	753	**43,356**	36,277
Capital expenditure	**644**	477	**137**	244	**–**	–	**781**	721

Revenue disaggregated by destination is shown as follows:

	2021		2020	
	£'000	**%**	£'000	%
United Kingdom	**22,259**	**36%**	21,036	34%
Europe	**26,574**	**43%**	30,748	50%
USA & South America	**7,361**	**12%**	8,401	14%
Rest of World	**5,345**	**9%**	968	2%
Total revenue	**61,539**	**100%**	61,153	100%

The Group's largest customer, which is reported in the 'Defence' division, contributed 14.9% to the Group's revenue (2020: 20.7% in the 'Defence' division). Only one other customer, also in the 'Defence' division, contributed more than 10% to the Group's revenue with a contribution of 11.3% (2020: 13.0% in the 'Defence' division).

5 Group operating profit

	2021	2020
Profit/(loss) before taxation is stated after charging/(crediting):	**£'000**	£'000
Depreciation of tangible assets – owned assets	**1,361**	1,423
Depreciation of right-of-use assets	**305**	248
Amortisation of intangible assets acquired on business combinations	**237**	360
Impairment of intangible assets	**348**	–
Profit on sale of tangible assets	**(74)**	(104)
Short-term and low value leases	**135**	144
Government grant: coronavirus job retention income	**(1,690)**	(240)
Foreign exchange losses	**209**	112
Cost of inventories recognised as an expense	**29,880**	36,606
Research and development costs	**1,064**	2,077
Defined contribution pension expense	**217**	220
Share options expense	**29**	–
Past service pension costs: guaranteed minimum pension equalisation adjustment (note 24)	**205**	–
Fees payable to the Group's auditor and associates:		
For the audit of the Group's financial statements	**86**	71
For the audit of the Group's subsidiary companies' financial statements	**60**	32
For audit related services	**15**	15

Total administrative expenses are included within Group operating profit.

Notes to the financial statements

Continued

6 Employee Information

The average number of employees, including executive directors, during the period was as follows:

	2021 Number	2020 Number
Production	**243**	252
Technical	**72**	66
Distribution	**32**	45
Administration	**96**	85
	443	448

(a) Staff costs

Including executive directors, employment costs were as follows:

	2021 £'000	2020 £'000
Wages and salaries	**17,420**	17,133
Coronavirus job retention scheme income	**(1,690)**	(240)
Social security costs	**3,263**	2,629
Pension costs	**557**	870
Share options expense	**29**	–
	19,579	20,392

The Coronavirus job retention scheme income has been received in the following countries:

	2021 £'000	2020 £'000
UK	**313**	240
The Netherlands	**1,113**	–
USA	**254**	–
Poland	**10**	–
	1,690	240

(b) Directors' emoluments

	2021 £'000	2020 £'000
Aggregate directors' emoluments (note 30)	**1,570**	1,300
Pension contributions	**42**	33
Share option expense	**13**	–
	1,625	1,333

Directors' emoluments are considered further within the Directors' remuneration report presented on pages 73 to 75.

Notes to the financial statements

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7 Finance income and expense

	2021 £'000	2020 £'000
Bank interest income	**10**	133
Finance income	**10**	133
Bank overdraft interest	**(60)**	(67)
Interest on leases	**(30)**	(36)
Other interest	**(2)**	–
Interest paid	**(92)**	(103)
Pension scheme interest	**(140)**	(164)
Finance expense	**(232)**	(267)
Net finance expense	**(222)**	(134)

8 (a) Taxation

The charge for taxation comprises:

	2021 £'000	2020 £'000
Current tax		
United Kingdom corporation tax	**410**	(510)
Adjustments in respect of previous years	**25**	165
Foreign corporation tax	**30**	(203)
Group current tax expense/(credit)	**465**	(548)
Deferred tax (note 17)		
Origination and reversal of temporary differences	**(40)**	(95)
Adjustments in respect of previous years	**(10)**	(153)
Difference in applicable tax rate	**–**	34
Group deferred tax credit	**(50)**	(214)
Total tax expense/(credit) on profit/(loss)	**415**	(762)

Tax relating to items charged or credited to other comprehensive income:

	2021 £'000	2020 £'000
Deferred tax charged/(credited) through other comprehensive income		
Deferred tax on measurement gains on pension scheme current year	**(230)**	545
Deferred tax on revaluation surplus on land and buildings	**–**	(110)
Deferred tax in the Consolidated statement of comprehensive income	**(230)**	435

Notes to the financial statements

Continued

8 (b) Factors affecting the tax charge for the year

The tax charge/(credit) assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020 – 19%). The differences are explained below:

	2021	2020
	£'000	£'000
Profit/(loss) before tax	**1,592**	(3,253)
Profit/(loss) multiplied by standard rate of corporation tax of 19% (2020 – 19%)	**302**	(618)
Effects of:		
Expenses not deductible for tax purposes	**(164)**	(420)
Adjustments in respect of overseas tax rates	**262**	230
Current tax adjustment in respect of previous years	**25**	165
Deferred tax adjustment in respect of previous years	**(10)**	(153)
Deferred tax adjustment in respect of different applicable rates	**–**	34
Total taxation expense/(credit) for the year	**415**	(762)

8 (c) Factors affecting future tax charge

The March 2021 Budget announced an increase in the UK standard rate of corporation tax to 25% from 1st April, 2023. The legislation received Royal Assent on 10th June, 2021 so was substantively enacted after the reporting date. Deferred tax at 30th April, 2021 has therefore been provided at 19%.

The overall effect of the forthcoming increase in the main UK corporation tax rate to 25%, had it been enacted at the reporting date, would have led to an increase in the deferred tax asset of approximately £510,000 and an increase in the deferred tax liability of approximately £450,000. The increase in the main rate of UK corporation tax from April 2023 is unlikely to have a material effect on the annual tax charge in the Group's accounts arising from the reversal of timing differences recognised through the Consolidated income statement.

Deferred tax in relation to intangibles recognised on the acquisition of 'MSI-Sign Group B.V.' has been provided at 25%, being the main corporation tax rate in The Netherlands.

9 Earnings per share

The calculation of basic earnings per share of 7.2p (2020 – loss per share of 15.1p) is based on the profit for the year attributable to equity holders of the parent of £1,177,000 (2020 – loss of £2,491,000) and on a weighted average number of ordinary shares in issue of 16,342,816 (2020 – 16,504,491). At 30th April, 2021 there were 380,000 (2020 – 400,000) potentially dilutive shares on option with a weighted average effect of 391,667 (2020 – 400,000) giving a diluted earnings per share of 7.0p (2020 – loss per share of 15.1p).

	2021	2020
	£'000	£'000
Number of ordinary shares in issue at start of the year	**18,396,073**	18,396,073
Cancellation of ordinary shares during the year	**(555,000)**	–
Number of ordinary shares in issue at the end of the year	**17,841,073**	18,396,073
Weighted average number of shares in issue	**18,234,198**	18,396,073
Less weighted average number of shared held in the ESOT	**(245,048)**	(245,048)
Less weighted average number of shares purchased by the Company	**(1,646,334)**	(1,646,334)
Weighted average number of shares to be used in basic EPS calculation	**16,342,816**	16,504,691
Weighted average number of the 380,000 (2020 – 400,000) potentially dilutive shares	**391,667**	400,000
Weighted average diluted shares	**16,734,483**	16,904,691
Profit/(loss) for the year attributable to equity holders of the parent in £	**1,177,000**	(2,491,000)
Basic earnings/(loss) per share	**7.2p**	(15.1p)
Diluted earnings/(loss) per share	**7.0p**	(15.1p)

The prior year diluted loss per share is the same as the basic loss per share as the impact of potential dilutive shares is anti-dilutive and therefore not recognised.

Notes to the financial statements

Continued

10 Dividends paid and proposed

	2021 £'000	2020 £'000
Declared and paid during the year:		
Final dividend for 2020: 1.75p (2019 – 6.50p)	**289**	1,073
Interim dividend for 2021: 1.75p (2020 – 1.75p)	**289**	289
	578	1,362
Proposed for approval by shareholders at the AGM:		
Final dividend for 2021: 6.5p (2020 – 1.75p)	**1,073**	289

11 Property, plant, and equipment

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
(a) Group			
Cost or valuation			
At 27th April, 2019	17,706	15,585	**33,291**
Additions	–	721	**721**
Disposals	–	(736)	**(736)**
Acquisition	–	351	**351**
Exchange differences	40	(63)	**(23)**
At 30th April, 2020	17,746	15,858	**33,604**
Additions	234	547	**781**
Disposals	–	(756)	**(756)**
Acquisition (note 16)	–	30	**30**
Exchange differences	(389)	(173)	**(562)**
At 30th April, 2021	**17,591**	**15,506**	**33,097**
Accumulated depreciation			
At 27th April, 2019	662	12,203	**12,865**
Depreciation charge for the year	316	1,107	**1,423**
Disposals	–	(712)	**(712)**
Exchange differences	(8)	(75)	**(83)**
At 30th April, 2020	970	12,523	**13,493**
Depreciation charge for the year	311	1,050	**1,361**
Disposals	–	(733)	**(733)**
Exchange differences	(39)	(98)	**(137)**
At 30th April, 2021	**1,242**	**12,742**	**13,984**
Net book value at 30th April, 2021	**16,349**	**2,764**	**19,113**
Net book value at 30th April, 2020	16,776	3,335	20,111
Analysis of cost or valuation			
At professional valuation	**12,300**	**–**	**12,300**
At cost	**5,291**	**15,506**	**20,797**
At 30th April, 2021	**17,591**	**15,506**	**33,097**
Analysis of cost or valuation			
At professional valuation	12,300	–	12,300
At cost	5,446	15,858	21,304
At 30th April, 2020	17,746	15,858	33,604

Notes to the financial statements

Continued

11 Property, plant, and equipment (continued)

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
(b) Company			
Cost or valuation			
At 27th April, 2019	–	9,283	**9,283**
Additions	–	409	**409**
Disposals	–	(662)	**(662)**
At 30th April, 2020	–	9,030	**9,030**
Additions	–	252	**252**
Disposals	–	(620)	**(620)**
At 30th April, 2021	**–**	**8,662**	**8,662**
Accumulated depreciation			
At 27th April, 2019	–	8,018	**8,018**
Depreciation charge for the year	–	544	**544**
Disposals	–	(653)	**(653)**
At 30th April, 2021	–	7,909	**7,909**
Depreciation charge for the year	–	438	**438**
Disposals	–	(620)	**(620)**
At 30th April, 2021	**–**	**7,727**	**7,727**
Net book value at 30th April, 2021	**–**	**935**	**935**
Net book value at 30th April, 2020	–	1,121	1,121
Analysis of cost or valuation			
At professional valuation	**–**	**–**	**–**
At cost	**–**	**8,662**	**8,662**
At 30th April, 2021	**–**	**8,662**	**8,662**
Analysis of cost or valuation			
At professional valuation	–	–	–
At cost	–	9,283	9,283
At 30th April, 2020	–	9,283	9,283

(c) Within the Group, depreciation has not been charged on freehold land which is included at a book value of £4,326,000 (2020 – £4,683,000) at 30th April, 2021. The Company does not hold any freehold land.

(d) On 11th November, 2017, 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 £10,901,000 (2020 - £11,263,000) at 30th April, 2021.

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 Polish property was valued based on the income approach, converting anticipated future benefits in the form of rental income into present value. The US 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 Polish and US property valuations were sufficiently close to their carrying value such that the valuations were not processed.

Notes to the financial statements

Continued

11 Property, plant, and equipment (continued)

(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.

12 Leases

(a) Right-of-use assets

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Group			
Cost or valuation			
At 30th April, 2019	–	–	**–**
IFRS 16 adjustment	755	26	**781**
Additions	162	24	**186**
Acquisition of subsidiary	501	–	**501**
Exchange differences	(15)	–	**(15)**
At 30th April, 2020	1,403	50	**1,453**
Disposal	(517)	(29)	**(546)**
Exchange differences	9	–	**9**
At 30th April, 2021	**895**	**21**	**916**
Accumulated depreciation			
At 30th April, 2019	–	–	**–**
Depreciation charge for the year	228	20	**248**
Exchange differences	(9)	–	**(9)**
At 30th April, 2020	219	20	**239**
Depreciation charge for the year	288	17	**305**
Disposals	(127)	(24)	**(151)**
Exchange differences	(7)	–	**(7)**
At 30th April, 2021	**373**	**13**	**386**
Net book value at 30th April, 2021	**522**	**8**	**530**
Net book value at 30th April, 2020	1,184	30	1,214

Notes to the financial statements

Continued

12 Leases (continued)

(a) Right-of-use assets (continued)

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Company			
Cost or valuation			
At 30th April, 2019	–	–	**–**
IFRS 16 adjustment	6,400	–	**6,400**
At 30th April, 2020	6,400	–	**6,400**
Additions	–	–	**–**
At 30th April 2021	**6,400**	**–**	**6,400**
Accumulated depreciation			
At 30th April, 2019	–	–	**–**
Depreciation charge for the year	457	–	**457**
At 30th April, 2020	457	–	**457**
Depreciation charge for the year	457	–	**457**
At 30th April 2021	**914**	**–**	**914**
Net book value at 30th April, 2021	**5,486**	**–**	**5,486**
Net book value at 30th April, 2020	5,943	–	5,943

(b) Lease liabilities

Group

The Group has entered into commercial leases on certain properties and motor vehicles. The remaining duration of these leases are from 1 year up to 5 years from the Statement of financial position date.

The future minimum lease payments are as follows:

	Within one year £'000	**One to five years £'000**	**After five years £'000**	**Total £'000**
At 30th April, 2021				
Lease payments	**178**	**402**	**–**	**580**
Finance charges	**(13)**	**(22)**	**–**	**(35)**
Net present values	**165**	**380**	**–**	**545**
At 30th April, 2020				
Lease payments	370	872	73	1,315
Finance charges	(34)	(51)	(1)	(86)
Net present values	336	821	72	1,229

The Group has elected not to recognise a lease liability for short-term or low value leases. Payments for such leases are expensed to profit or loss on a straight-line basis.

Notes to the financial statements

Continued

12 Leases (continued)

(b) Lease liabilities (continued)

Group

Lease expenses have been charged to the Consolidated income statement as follows:

	2021 £'000	2020 £'000
Expenses relating to lease payments not classified as a lease liability:		
Short-term leases	**110**	120
Leases of low value assets	**25**	24
Total	**135**	144

	2021 £'000	2020 £'000
Expenses relating to lease payments classified a lease liability:		
Depreciation on right-of-use assets	**305**	248
Lease interest	**30**	36
Total	**335**	284

Company

The Company has entered into three property leases with 'MS INTERNATIONAL Estates Ltd'. The remaining duration of these leases are 12 years.

The future minimum lease payments are as follows:

	Within one year £'000	One to five years £'000	After five years £'000	Total £'000
At 30th April, 2021				
Lease payments	**560**	**2,240**	**3,920**	**6,720**
Finance charges	**(165)**	**(538)**	**(408)**	**(1,111)**
Net present values	**395**	**1,702**	**3,512**	**5,609**
At 30th April, 2020				
Lease payments	560	2,240	4,480	7,280
Finance charges	(177)	(588)	(523)	(1,288)
Net present values	383	1,652	3,957	5,992

Notes to the financial statements

Continued

13 Intangible assets

Group	Goodwill £'000	Trade name £'000	Design database £'000	Non-complete agreement £'000	Customer relationships £'000	Order backlog £'000	Development costs £'000	Software costs £'000	**Group £'000**
Cost									
At 27th April, 2019	2,764	1,041	1,370	51	2,611	324	279	330	**8,770**
Acquisition	271	–	–	–	–	–	–	–	**271**
Exchange differences	8	1	–	–	14	1	–	–	**24**
At 30th April, 2020	3,043	1,042	1,370	51	2,625	325	279	330	**9,065**
Acquisition	8	–	–	–	–	–	–	–	**8**
Exchange differences	(1)	–	–	–	(2)	–	–	–	**(3)**
At 30th April, 2021	**3,050**	**1,042**	**1,370**	**51**	**2,623**	**325**	**279**	**330**	**9,070**
Amortisation									
At 27th April, 2019	–	453	1,222	51	1,630	322	279	330	**4,287**
Amortisation during year	–	61	137	–	162	–	–	–	**360**
Written off during year	271	–	–	–	–	–	–	–	**271**
Exchange differences	–	–	–	–	4	3	–	–	**7**
At 30th April, 2020	271	514	1,359	51	1,796	325	279	330	**4,925**
Amortisation during year	–	62	11	–	164	–	–	–	**237**
Written off during year	8	–	–	–	–	–	–	–	**8**
Impairment	348	–	–	–	–	–	–	–	**348**
Exchange differences	–	(1)	–	–	(5)	–	–	–	**(6)**
At 30th April, 2021	**627**	**575**	**1,370**	**51**	**1,955**	**325**	**279**	**330**	**5,512**
Net book value at 30th April, 2021	**2,423**	**467**	**–**	**–**	**668**	**–**	**–**	**–**	**3,558**
Net book value at 30th April, 2020	2,772	528	11	–	829	–	–	–	4,140

Goodwill acquired through business combinations and licences has been allocated for impairment testing purposes to the 'Petrol Station Superstructures' division and the 'Corporate Branding' division, which are both 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 2021 £'000	Goodwill 2020 £'000
'Petrol Station Superstructures' division	**2,064**	2,064
'Corporate Branding' division	**359**	708
	2,423	2,772

The performance of the 'Petrol Station Superstructures' division and the 'Corporate Branding' division are the lowest levels at which goodwill is monitored for internal management purposes.

At the reporting date, 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 2 year management forecast.

A growth in cashflows estimated for 2 years, and a growth rate of 2% assumed from year 3.

Cash flows were discounted at a rate of 12.2%.

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.

Notes to the financial statements

Continued

13 Intangible assets (continued)

Impairment testing (continued)

Based on the above assumptions, the value-in-use calculated for the 'Petrol Station Superstructures' division did not indicate the need for impairment and no reasonably possible changes in any of the key assumptions used would cause the carrying value of the unit to exceed its recoverable amount.

The value-in-use calculation for the 'Corporate Branding' division indicated an impairment of €400,000. The Board believe this to be appropriate given that the business has suffered losses in the previous two years, partly as a result of Covid-19 related travel restrictions. It is believed that the business is well positioned to be able to return to profitability and the Directors will therefore make a further assessment on the remaining goodwill balance at the April 2022 year end.

Sensitivities to reasonably possible changes in assumptions have been considered and are summarised below:

- a 1 percentage point reduction in the growth rate from year 3 would increase impairment by £41,000
- a 1 percentage point increase in the growth rate from year 3 would decrease impairment by £50,000
- a 0.5 percentage point increase in the discount factor would increase impairment by £98,000
- a 0.5 percentage point decrease in the discount factor would decrease impairment by £108,000

14 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on pages 76 and 77.

Company	**Cost**	**Impairment**	**Net book value**
At 27th April, 2019	16,998	(1,962)	15,036
Recapitalisation of 'MS INTERNATIONAL Estates Ltd'	3,000	–	3,000
At 30th April, 2020	19,998	(1,962)	18,036
Transfer of investment in 'MSI-Forks LLC' to 'MS INTERNATIONAL USA Inc'	(723)	–	(723)
At 30th April, 2021	**19,275**	**(1,962)**	**17,313**

15 Investment in joint venture

The investment in joint venture is held by MSI-Sign Group B.V. in Consorzio Archigia-Petrolsign, a company registered in Italy. The Group hold a 50% shareholding and voting rights in Consorzio Archigia-Petrolsign.

	Group £'000	**Company £'000**
At 30th April, 2020	–	–
Investment in share capital	9	–
Equity accounted share of net profits	28	–
Exchange differences	(1)	–
At 30th April, 2021	**36**	**–**

During the year the Group made sales of £1,260,000 to Consorzio Archigia-Petrolsign.

Notes to the financial statements

Continued

16 Business combinations

In April 2021 the Group acquired the trade, intellectual property rights and inventory of OTT Kuntsoffe GmbH, a company based in Germany, for a cash consideration of €105,000.

OTT Kuntsoffe GmbH specialise in the design, production, installation and maintenance of processed plastic products, including, displays for the retail industry, company logos, exhibition displays, text for illuminated signs, lettering, numbering for hotel rooms, and other custom products. It is believed that the acquisition will expand and strengthen the Group's operations within the 'Corporate Branding' division, providing further opportunities and a broader product offering.

The directors have considered the existence of intangible assets and the fair values of the assets acquired, and believe there are no fair value adjustments necessary.

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition were:

	OTT
	£'000
Plant and equipment	30
Inventories	51
Intangible assets (*)	8
Consideration and net assets acquired	**89**

(*) The acquired intangible assets of £8,000 have been written off in full to the Consolidated income statement during the period.

Transaction costs of £11,000 arising from the acquisition have been expensed and are included in administrative expenses.

17 Deferred income tax

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

	2021	2020
	£'000	£'000
Taxation deferred by capital allowances	**(24)**	(65)
Taxation on other temporary differences	**(13)**	29
Taxation on intangibles	**(51)**	(141)
Taxation on defined benefits pension	**48**	82
Adjustments in respect of prior periods	**(10)**	(153)
Adjustment in respect of change in rate	**–**	34
Deferred income tax	**(50)**	(214)

The deferred income tax assets included in the Consolidated and Company statements of financial position are:

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Taxation on pension liability	**1,348**	1,627	**1,348**	1,627
Taxation deferred by capital allowances	**216**	225	**216**	225
Taxation on other temporary differences	**42**	23	**36**	23
Deferred tax asset	**1,606**	1,875	**1,600**	1,875

Notes to the financial statements

Continued

17 Deferred income tax (continued)

The movements on the deferred income tax asset are:

Group	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on pension liability £'000	**Total £'000**
At 27th April, 2019	–	–	1,156	**1,156**
Reclassed to deferred tax asset	55	30	–	**85**
Included in the Consolidated income statement	171	(8)	(74)	**89**
Included in the Consolidated statement of comprehensive income	–	–	545	**545**
At 30th April, 2020	226	22	1,627	**1,875**
Included in the Consolidated income statement	(10)	20	(49)	**(39)**
Included in the Consolidated statement of comprehensive income	–	–	(230)	**(230)**
At 30th April, 2021	**216**	**42**	**1,348**	**1,606**

Company	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on pension liability £'000	**Total £'000**
At 27th April, 2019	55	30	1,156	**1,241**
Included in the Consolidated income statement	171	(8)	(74)	**89**
Included in the Company statement of comprehensive income	–	–	545	**545**
At 30th April, 2020	226	22	1,627	**1,875**
Included in the Consolidated income statement	(10)	14	(49)	**(45)**
Included in the Company statement of comprehensive income	–	–	(230)	**(230)**
At 30th April, 2021	**216**	**36**	**1,348**	**1,600**

The deferred income tax liabilities included in the statement of Consolidated and Company statements of financial position are:

	Group		**Company**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Taxation deferred by capital allowances	**302**	333	**–**	–
Taxation on other temporary differences	**–**	7	**–**	–
Taxation on intangible assets	**204**	254	**–**	–
Taxation on buildings revaluation	**1,047**	1,047	**–**	–
Deferred tax liability	**1,553**	1,641	**–**	–

Notes to the financial statements

Continued

17 Deferred income tax (continued)

The movements on the deferred income 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 27th April, 2019	278	(31)	383	937	**1,567**
Reclassed to deferred tax asset	55	30	–	–	**85**
Included in the Consolidated income statement	–	7	(132)	–	**(125)**
Included in the Consolidated statement of comprehensive income	–	1	3	110	**114**
At 30th April, 2020	333	7	254	1,047	**1,641**
Included in the Consolidated income statement	(31)	(7)	(51)	–	**(89)**
Included in the Consolidated statement of comprehensive income	–	–	1	–	**1**
At 30th April, 2021	**302**	**–**	**204**	**1,047**	**1,553**

Deferred income taxation has been provided at the rate enacted at the reporting date of 19% except for the deferred income tax relating to the amortised intangibles arising on the acquisition of 'MSI-Sign Group B.V.', which has been provided at 25%, being the main rate of corporation tax in the Netherlands. On 10th June, 2021 legislation to increase the UK standard rate of corporation tax from 19% to 25% received Royal Assent and was therefore enacted after the reporting date.

18 Inventories

	Group		**Company**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Raw materials	**5,892**	7,934	**453**	649
Work in progress	**6,258**	7,327	**992**	790
Finished goods	**273**	596	**53**	104
	12,423	15,857	**1,498**	1,543

Details of the Group's inventory provision are as follows:

	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Inventory provision at the reporting date	**387**	419	**9**	29
Inventory provision (released)/expensed during the year	**(32)**	168	**20**	38

19 Trade and other receivables

	Group		**Company**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Trade receivables (net of allowance for expected credit losses)	**8,764**	4,413	**2,184**	932
Amounts owed by subsidiary undertakings	**–**	–-	**13,872**	14,422
Amounts owed by joint venture	**150**	–	**–**	–
Other receivables	**455**	176	**79**	79
	9,369	4,589	**16,135**	15,433

Notes to the financial statements

Continued

19 Trade and other receivables (continued)

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

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Sterling	**6,112**	1,551	**1,675**	838
Euro	**1,692**	2,319	**509**	94
US dollar	**695**	349	**–**	–
Other currencies	**265**	194	**–**	–
	8,764	4,413	**2,184**	932

Trade receivables are non-interest bearing and are generally on 30 day 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
2021	**8,764**	**7,268**	**1,381**	**102**	**28**	**(15)**
2020	4,413	2,745	343	211	327	787

As at 30th April, 2021 trade receivables at a nominal value of £43,000 (2020 - £109,000) were impaired and fully provided. Bad debts of £81,000 (2020 - £62,000) were recovered and bad debts of £16,000 (2020 - £68,000) were incurred.

Company	Total £'000	Not past due £'000	< 30 days £'000	30-60 days £'000	60-90 days £'000	> 90 days £'000
2021	**2,184**	**2,033**	**122**	**28**	**–**	**1**
2020	932	865	54	3	7	3

As at 30th April, 2021 trade receivables at a nominal value of £11,000 (2020 - £73,000) were impaired and fully provided. Bad debts of £69,000 (2020 - £33,000) were recovered and bad debts of £7,000 (2020 - £55,000) were incurred.

(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 has been no impairment recognised on intercompany receivables (2020 - £nil).

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 reporting date can be categorised as:

	2021	2020
	£'000	£'000
Amounts due from companies backed by liquid assets	**7,587**	7,530
Amounts due from 'MS INTERNATIONAL Estates Limited'	**6,285**	6,892
	13,872	14,422

Notes to the financial statements

Continued

20 Cash and cash equivalents/bank overdraft

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash at bank and in hand	**17,390**	16,125	**943**	–
Bank overdraft	**–**	–	**–**	(391)
Cash and cash equivalents	**17,390**	16,125	**943**	(391)
Restricted cash held in Escrow - maturing in more than 90 days	**6,165**	–	**–**	–
Total cash	**23,555**	16,125	**943**	(391)

The balance held in Escrow provides security to Lloyds Bank plc in respect of any guarantees, indemnities, and performance bonds given by the Group in the ordinary course of business.

21 Net funds

Analysis of net funds

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash and cash equivalents (note 20)	**17,390**	16,125	**943**	–
Bank overdraft	**–**	–	**–**	(391)
Restricted cash held in Escrow	**6,165**	–	**–**	–
Lease liabilities (note 12)	**(545)**	(1,229)	**(5,609)**	(5,992)
	23,010	14,896	**(4,666)**	(6,383)

Group movement in net funds

	Cash/bank overdraft (note 20)	Restricted cash held in escrow (note 20)	Lease liabilities (note 12)	Total
Net funds as at 27th April, 2019	22,886	–	–	**22,886**
Recognised on adoption of IFRS 16	–	–	(781)	**(781)**
Cash flows	(6,727)	–	268	**(6,459)**
Foreign exchange adjustments	(34)	–	6	**(28)**
Leases on acquisition	–	–	(501)	**(501)**
New leases	–	–	(185)	**(185)**
Other changes	–	–	(36)	**(36)**
Net funds as at 30th April, 2020	16,125	–	(1,229)	**14,896**
Cash flows	1,306	6,165	327	**7,798**
Foreign exchange adjustments	(41)	–	(16)	**(57)**
Lease cancellation	–	–	402	**402**
Other changes	–	–	(29)	**(29)**
Net funds as at 30th April, 2021	**17,390**	**6,165**	**(545)**	**23,010**

Notes to the financial statements

Continued

21 Net funds (continued)

Company movement in net funds

	Cash/bank overdraft (note 20)	Restricted cash held in escrow (note 20)	Lease liabilities (note 12)	Total
Net funds as at 27th April, 2019	(582)	–	–	**(582)**
Recognised on adoption of IFRS 16	–	–	(6,400)	**(6,400)**
Cash flows	191	–	597	**788**
Other changes	–	–	(189)	**(189)**
Net funds as at 30th April, 2020	(391)	–	(5,992)	**(6,383)**
Cash flows	1,334	–	560	**1,894**
Other changes	–	–	(177)	**(177)**
Net funds as at 30th April, 2021	**943**	**–**	**(5,609)**	**(4,666)**

22 Issued capital

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2020 – 35,000,000)	**3,500**	3,500	**3,500**	3,500
Allotted, issued and fully paid – 17,841,073 (2020 – 18,396,073)	**1,784**	1,840	**1,784**	1,840

23 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

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.

Special reserve

The special reserve is a distributable reserve created following the cancellation of a share premium account by way of court order in March 1993.

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.

Notes to the financial statements

Continued

23 Reserves (continued)

Treasury shares

	2021 £'000	2020 £'000
Employee Share Ownership Trust	**100**	100
Shares in treasury (see below)	**2,689**	2,959
	2,789	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 (2020 – 245,048) ordinary shares, which represents 1.5% (2020 – 1.3%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 30th April, 2021 was £380,000 (2020 – £338,000). The Company has made payments of £nil (2020 – £nil) into the ESOT bank accounts during the period. During the year, no options have been granted over shares (2020 – 1,575,000) (note 31). 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 £3,000 (2020 – £8,000). During the year, no options on shares were exercised (2020 – nil) and no shares were purchased (2020 – nil).

On 11th December, 2013 the Company purchased 1,000,000 of its shares with a further 646,334 shares being purchased on 30th January, 2014.

On 15th January, 2021 the Company purchased 555,000 of its own 10p ordinary shares for a consideration of £636,000. The shares were cancelled on the same date at a weighted average price of £163.33 per share, totalling £906,000.

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

	Number	£'000
Purchase of 1,000,000 shares from the Group's pension scheme on 11th December, 2013	1,000,000	1,722
Purchase of 646,334 shares on 30th January, 2014	646,334	1,237
Purchase of 555,000 shares on 15th January, 2021	555,000	636
Consideration paid for purchase of own shares	**2,201,334**	**3,595**
Cancellation of 555,000 shares at weighted average rate	(555,000)	(906)
Net value of treasury shares	**1,646,334**	**2,689**

Notes to the financial statements

Continued

24 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 7th May, 2021 by a professionally qualified actuary.
- From 6th April, 2016 the Company directly pays the expenses of the Scheme. The total pension scheme expenses incurred by the Company during the year were £217,000 (2020: £220,000).
- With effect from May 2021 the deficit reduction contributions paid into the Scheme by the Company have been increased to £900,000 per annum. The deficit reduction contributions will be paid on a quarterly basis with the first being paid on or after 1st July, 2021 and the last being due for payment on or before 1st April, 2028. The total deficit reduction payments made in the year were £600,000 (2020 – £600,000).
- 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

	2021	2020
Discount rate at year-end	**1.90%**	1.70%
Future salary increases	**3.80%**	3.00%
Pension increases – RPI inflation	**3.30%**	2.50%
Pension increases – CPI inflation	**2.40%**	1.60%
Life expectancy of current male pensioners (from age 65)	**21.2 yrs**	20.9 yrs
Life expectancy of current female pensioners (from age 65)	**22.8 yrs**	23.6 yrs
Life expectancy of future male pensioners (from age 65)	**23.6 yrs**	22.2 yrs
Life expectancy of current female pensioners (from age 65)	**24.4 yrs**	25.0 yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £1.87m.

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.25m.

A 0.5% decrease in the inflation assumptions would lead to a decrease in past service liabilities of around £0.6m.

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

The average duration of the scheme is 12 years.

GMP Equalisation

The defined benefits scheme was contracted out of the State Earnings Related Pension Scheme (SERPS) between 1990 and 1997 under the condition that the scheme provided a "Guaranteed Minimum Pension" to its members. 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.

Notes to the financial statements

Continued

24 Pension liability (continued)

In general, occupational pension schemes have had to provide equal benefits for men and women since May 1990. However, as 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. This uncertainty was addressed in a High Court ruling on 26th October, 2018, which confirmed that schemes were required to equalise GMPs in order to equalise benefits for men and women.

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 already receive their pension.

In the period ended 27th April, 2019, an expense of £1.198m was recognised in the Consolidated income statement for unrecognised past service costs arising on GMP equalisation, representing an estimated 4.2% in the Scheme's liability.

A further court case was heard in 2020 concerning whether historic statutory transfer values paid out of the scheme before 2018 need to be equalised. On 20th November, 2020 the court ruling confirmed that all transfers with GMPs built up between 17th May, 1990 and 5th April, 1997 need to be equalised. As a result of this ruling, a further £205,000 of previously unrecognised past service cost has been calculated and recognised in the Consolidated income statement for the year ended 30th April, 2021.

Statement of financial position

	2021	2020
	£'000	£'000
Present value of obligations	**30,336**	30,816
Fair value of plan assets	**23,241**	22,253
Net liability	**7,095**	8,563

Income statement

	2021	2020
	£'000	£'000
Interest on net liabilities	**140**	164
Administration expenses	**–**	–
Total income statement cost	**140**	164

Change in defined benefit obligation

	2021	2020
	£'000	£'000
Opening defined benefit obligation	**30,816**	30,264
Interest cost	**509**	743
Experience gains arising on scheme liabilities	**(22)**	(502)
Changes in financial assumptions underlying the present value of scheme liabilities	**298**	79
Actuarial losses on scheme liabilities	**116**	1,959
Net benefits paid	**(1,586)**	(1,727)
Past service costs	**205**	–
Defined benefit obligation	**30,336**	30,816

Notes to the financial statements

Continued

24 Pension liability (continued)

Change in fair value of plan assets

	2021	2020
	£'000	£'000
Opening fair value of plan assets	**22,253**	23,462
Interest income on assets	**369**	579
Remeasurement gains/(losses) on scheme assets	**1,605**	(661)
Deficit reduction contributions by employer	**600**	600
Net benefits paid	**(1,586)**	(1,727)
Fair value of plan assets	**23,241**	22,253

Statement of comprehensive income

	2021	2020
	£'000	£'000
Actual return on assets less amounts included in net interest	**1,605**	(661)
Remeasurement losses	**(392)**	(1,536)
Statement of comprehensive income	**1,213**	(2,197)

	2021	2020
	£'000	£'000
Expected deficit reduction contributions into the Scheme during next accounting year:	**900**	600

Breakdown of plan assets

	Plan assets	**Asset allocation**
Breakdown of assets at 30th April, 2021	**£'000**	
Equities – UK market	**450**	**2%**
Growth Fund	**15,150**	**65%**
Bond fund	**1,876**	**8%**
Gilts – fixed interest	**2,890**	**13%**
Gilts – index linked	**2,609**	**11%**
Cash/other	**266**	**1%**
	23,241	**100%**

	Plan assets	Asset allocation
Breakdown of assets at 30th April 2020	£'000	
Equities – UK market	377	2%
Growth Fund	12,859	58%
Bond fund	2,809	12%
Gilts – fixed interest	3,365	15%
Gilts – index linked	2,652	12%
Cash/other	191	1%
	22,253	100%

Notes to the financial statements

Continued

25 Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade payables	**5,495**	4,238	**2,487**	915
Amounts owed to subsidiary undertakings	**–**	–	**1,098**	1,076
Amounts owed to joint ventures	**10**	–	**–**	–
Other payables	**1,089**	3,679	**429**	795
Accruals	**5,816**	3,392	**1,220**	1,068
	12,410	11,309	**5,234**	3,854

26 Contracts with customers

The Group and Company have recognised the following assets and liabilities relating to contracts with customers:

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Current contract assets	**1,998**	–	**–**	–
Current contract liabilities	**(21,192)**	(13,370)	**(874)**	(1,036)
Net contract liabilities	**(19,194)**	(13,370)	**(874)**	(1,036)

Contract assets include contract commission costs, which were held within work in progress in the prior year. The prior year comparative has not been restated.

A reconciliation of the movements in contract liabilities during the year shown below:

	Group	Company
	£'000	**£'000**
Contract liabilities as at 30th April, 2020	13,370	1,036
New contract liabilities	37,680	3,759
Revenue recognised in the year:		
– that was included in the contract liability balance as at 30th April, 2020	(6,341)	(989)
– relating to new contract liabilities in the year	(23,756)	(2,932)
Other movements	259	–
Exchange differences	(20)	–
Contract liabilities as at 30th April, 2021	**21,192**	**874**

Of the existing contracts that were unsatisfied or partially unsatisfied at 30th April, 2021, revenue is expected to be recognised as follows:

	Group	Company
	£'000	**£'000**
2022	11,024	853
2023	10,130	–
2024	–	–
2025	38	21
Total	**21,192**	**874**

Notes to the financial statements

Continued

27 Financial instruments

Management of financial risks

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

Funding risk

At the reporting date the Group had a cash and cash equivalents balance of £17.39m with a further £6.17m of restricted cash held in Escrow. The Company had a cash and cash equivalents balance of £0.94m (2020 – Group balance of £16.13m and Company overdraft of £0.38m).

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 daily 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.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the impact on the profit before tax would be an increase of £25,000 and £13,000 respectively (2020: £27,000).

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 30th April, 2021 these currency exposures are as follows:-

Group	**Sterling**	**US Dollar**	**Euro**	**Others**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
2021					
Cash and cash equivalents	**8**	**2,883**	**2,101**	**41**	**5,033**
Trade and other receivables	**–**	**–**	**654**	**4**	**658**
Trade and other payables	**–**	**(5)**	**(529)**	**–**	**(534)**
Total	**8**	**2,878**	**2,226**	**45**	**5,157**
2020					
Cash and cash equivalents	6	(1,467)	1,391	28	(42)
Trade and other receivables	–	247	287	(1)	533
Trade and other payables	–	(729)	(50)	(2)	(781)
Total	6	(1,949)	1,628	25	(290)

Notes to the financial statements

Continued

27 Financial instruments (continued)

Company	Sterling £'000	US Dollar £'000	Euro £'000	Others £'000	Total £'000
2021					
Cash and cash equivalents	**–**	**(1,138)**	**1,279**	**13**	**154**
Trade and other receivables	**–**	**1,571**	**2,613**	**–**	**4,184**
Trade and other payables	**–**	**(19)**	**(522)**	**–**	**(541)**
Total	**–**	**414**	**3,370**	**13**	**3,797**
2020					
Cash and cash equivalents	–	(3,796)	491	6	(3,299)
Trade and other receivables	–	6,930	123	–	7,053
Trade and other payables	–	–	(1)	–	(1)
Total	–	3,134	613	6	3,753

The Group and Company's exposure to a 5% exchange rate fluctuation on its foreign currency monetary assets and liabilities would be as follows:

	Sterling £'000	US Dollar £'000	Euro £'000	Others £'000	Total £'000
Group	–	137	94	2	233
Company	–	20	160	1	181

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 30th April, 2021 and 30th April, 2020.

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.

28 Capital commitments

	Group		Company	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Contracted but not provided in the financial statements	**–**	34	**–**	34

29 Contingent liabilities

The Group is contingently liable in respect of guarantees, indemnities, and performance bonds given in the ordinary course of business amounting to £6,165,000 at 30th April, 2021 (2020 – £4,434,000).

Notes to the financial statements

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30 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 £824,000 (2020 – £824,000)
Sales of goods and services £4,591,000 (2020 – £5,923,000)

The following balances between the Company and other subsidiaries in the Group are included in the Company statement of financial position as at 30th April, 2021.

Amounts owed by the Company £1,098,000 (2020 – £1,076,000)
Amounts owed to the Company £13,871,000 (2020 – £14,422,000)

The following transactions took place, during the year, between the Group and the joint venture:

Purchases of goods and services £nil (2020 – £nil)
Sales of goods and services £1,260,000 (2020: £1,685,000)

The following balances between the Group and the joint venture are included in the Company statement of financial position as at 30th April, 2021.

Amounts owed by joint venture £150,000 (2020 – £578,000)
Amounts owed to joint venture £9,000 (2020 – £9,000)

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	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Short-term employee benefits	**1,570**	1,300	**1,431**	1,161
Pension contributions	**42**	33	**42**	33
See Directors' remuneration report on pages 73 to 75	**1,612**	1,333	**1,473**	1,194

31 Share-based payments

On 30th April 2020, the 1991 MS INTERNATIONAL plc unapproved Employee Share Option Scheme was terminated and replaced with the 2020 MS INTERNATIONAL plc Long Term Incentive Plan and the 2020 MS INTERNATIONAL plc Company Share Option Plan.

Under the terms of the MS INTERNATIONAL plc Long Term Incentive Plan, a total of 500,000 share options were granted to two executive directors on 30 April, 2020 at a price of £nil. The options are exercisable in two equal amounts at two and three years after the date of the grant but are subject to meeting a share price performance target of £3 per share for 90 consecutive days.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 675,000 UK non tax-advantaged share options were granted to certain directors and employees on 30 April, 2020 at a price of £1.41. The options are exercisable in three equal amounts at three, four and five years after the date of the grant but are subject to meeting a share price target of £2 per share for 90 consecutive days.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 400,000 UK tax-advantaged share options were granted to certain directors and employees on 30 April, 2020 at a price of £1.41. The options are exercisable in three equal instalments at three, four, and five years after the date of the grant. There is no share price performance target for these options.

The contractual life of all of the options is 10 years and there are no cash settlement alternatives.

Notes to the financial statements

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31 Share-based payments (continued)

The following tables illustrate the number and weighted average exercise prices (WAEP) of share options during the year:

	Long Term Incentive Plan		Company Share Option Plan		Total	
	Number	WAEP	Number	WAEP	Number	WAEP
Outstanding at 30th April, 2020	500,000	–	1,075,000	£1.41	1,575,000	£0.96
Granted in year	–	–	–	–	–	–
Forfeited/lapsed in year	–	–	(75,000)	(£1.41)	(75,000)	(£1.41)
Exercised in year	–	–	–	–	–	–
Outstanding at 30th April, 2021	**500,000**	**–**	**1,000,000**	**£1.41**	**1,500,000**	**£0.94**

	Long Term Incentive Plan		Company Share Option Plan		Total	
	Number	WAEP	Number	WAEP	Number	WAEP
Outstanding at 27th April, 2019	–	–	–	–	–	–
Granted in year	500,000	–	1,075,000	£1.41	1,575,000	£0.96
Forfeited/lapsed in year	–	–	–	–	–	–
Exercised in year	–	–	–	–	–	–
Outstanding at 30th April, 2020	**500,000**	**–**	**1,075,000**	**£1.41**	**1,575,000**	**£0.96**

The Group recognised a total charge of £29,000 (2020 – £nil) in relation to equity-settled share-based payment transactions. There are no share options exercisable at the end of the year in either the LTIP or CSOP share option schemes.

The fair value of awards granted under these share plans are determined using the Black Scholes and Monte Carlo valuation models. The fair value of share options and the assumptions used are shown in the table below:

	Long Term Incentive Plan	Company Share Option Plan - type 1	Company Share Option Plan - type 2		
			Tranche 1	Tranche 2	Tranche 3
Valuation model	Monte Carlo	Monte Carlo	Black Scholes	Black Scholes	Black Scholes
Number of shares under option	500,000	620,000	126,667	126,667	126,666
Fair value	£0.06	£0.09	£0.12	£0.13	£0.13
Share price at grant	£1.38	£1.38	£1.38	£1.38	£1.38
Exercise price	£0.00	£1.41	£1.41	£1.41	£1.41
Dividend yield	5.9%	5.9%	5.9%	5.9%	5.9%
Expected volatility	25%	25%	26%	26%	26%
Expected life	6.0 years	5.0 years	3.0 years	4.0 years	5.0 years
Risk-free interest rate	0.06%	0.09%	0.04%	0.06%	0.09%

The weighted average fair value of options outstanding at the end of the year is £0.09 (2020: £0.09)

32 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 30th April, 2021 and 30th April, 2020.

Capital comprises equity attributable to the equity holders of the parent company £31,036,000 (2020 – £30,128,000).

Summary of Group results 2017 – 2021

CONSOLIDATED INCOME STATEMENT

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Group revenue	**61,539**	61,153	77,708	68,085	53,823
Group operating profit/(loss)	**1,786**	(3,119)	4,996	4,253	1,771
Share of joint venture profit	**28**	–	–	–	–
Finance costs	**(222)**	(134)	(209)	(214)	(245)
Profit/(loss) before taxation	**1,592**	(3,253)	4,787	4,039	1,526
Taxation	**(415)**	762	(975)	(653)	(28)
Profit/(loss) for the year	**1,177**	(2,491)	3,812	3,386	1,498

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 £'000	2020 £'000	2019 £'000	2018 £'000	2017 £'000
Assets employed:					
Intangible assets	**3,558**	4,140	4,483	4,893	5,301
Property, plant, and equipment	**19,113**	20,111	20,426	20,766	19,099
Right-of-use assets	**530**	1,214	–	–	–
Investments	**36**	–	–	–	–
Other net current liabilities	**(8,334)**	(2,240)	(4,784)	(1,171)	(2,907)
Cash, cash equivalents and restricted cash	**23,555**	16,125	22,886	15,866	15,210
	38,458	39,350	43,011	40,354	36,703
Financed by:					
Ordinary share capital	**1,784**	1,840	1,840	1,840	1,840
Reserves	**29,252**	28,288	33,958	31,560	27,201
Shareholders' funds	**31,036**	30,128	35,798	33,400	29,041
Net non-current liabilities	**7,422**	9,222	7,213	6,954	7,662
	38,458	39,350	43,011	40,354	36,703

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 April 2018 QCA Corporate Governance Code with effect from 28th September, 2018. The Chairman assumes principal responsibility for corporate governance.

The Board

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 Board is chaired by the Executive Chairman Michael Bell, who has no other significant commitments and is responsible for the operation, strategic focus, and direction of the business. The executive directors include Michael O'Connell and Nicolas Bell. There are two non-executive directors, Roger Lane-Smith and David Hansell, with Roger Lane-Smith being designated as Senior Independent Director.

The two non-executive directors devote sufficient time to fulfil their responsibilities to the Company. 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.

The Board meets at least quarterly throughout the year to direct and assess the overall strategy and operating performance of the Group. All directors have full and timely access to all relevant information to allow them to carry out their responsibilities. Executive directors, except for Company business trips and holidays, meet on a daily basis when possible. Additionally, each of the divisional operations have monthly review meetings which are attended by the Executive Chairman and the Group Financial Director.

The Board is supported by an Audit Committee and a Remuneration Committee. Roger Lane-Smith is Chairman of both committees while David Hansell has served on both committees since 1st July, 2020.

The Audit Committee normally meets twice a year and has the responsibility for reviewing the interim statements, the annual report, and the effectiveness of the system of internal controls with the Group's external auditor. The external auditor has direct access to the Committee without all of 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, including share option schemes, of each of the executive directors and non-executive directors not on the Remuneration Committee.

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.

The number of meetings and members attendance of Board and Committee meetings during the financial year ended 30th April, 2021 was as follows:

	Board	Audit Committee	Remuneration Committee
Number of meetings in the year	4	2	–
Michael Bell	4	–	–
Michael O'Connell	4	–	–
Nicholas Bell	4	–	–
Roger Lane-Smith	4	2	–
David Hansell	4	1	–

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.

Corporate governance statement

Continued

Board experience, skills, and evaluation (continued)

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.

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 also a contract evaluation process to ensure directors approval for all major sales contracts.

QCA Code

Details of how the Company has addressed the ten principles of the QCA Code in compliance with AIM Rule 26 are set out below:

1 Establish a strategy and business model which promotes long-term value for shareholders

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 'Corporate Branding', each holding a leading position in its specialist market.

2 Seek to understand and meet shareholder needs and expectations

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 (d.kirkup@msiplc.com). The Board also contacts significant institutional investors as and when appropriate.

3 Take into account wider stakeholder needs and expectations

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.

Corporate governance statement

Continued

QCA Code (continued)

3 Take into account wider stakeholder needs and expectations (continued)

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.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board reviews the effectiveness of the system of internal controls, and together with operational management, identifies and evaluates 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.

5 Maintain the Board as a well-functioning, balanced team led by the chair

Details of how the Board functions and its members are included in the 'The Board' section of this Corporate governance statement.

The Board is supported by an Audit Committee and a Remuneration Committee, both chaired by Roger Lane-Smith. David Hansell, a non-executive director, also serves on both the Audit Committee and the Remuneration Committee. The Board as a whole operates as the Nominations Committee as and when required.

6 Ensure that between them the directors have the necessary up-to-date experience, skills, and capabilities

Details of the directors experience, skills and capabilities can be found in the 'Board experience, skills, and evaluation' section of this Corporate governance statement.

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

While there is no formal evaluation process in place, the Chairman periodically meets with executive and non-executive directors to discuss their performance and ensure that their respective contributions remain effective.

8 Promote a corporate culture that is based on ethical values and behaviours

The Group's four operating divisions hold leading positions within their specialist markets and have long-standing reputations as being highly competent and professional organisations with innovation and quality being integral to this. This reputation has been established over many years through leadership and the reinforcement of ethical principles by directors, manager and employees.

9 Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board maintains corporate governance policies and processes that are appropriate to the size and structure of the Group. The responsibility for corporate governance rests with the Board as a whole, with the Chairman assuming principal responsibility. The effectiveness of policies and processes are reviewed and adapted as necessary.

10 Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board communicates its corporate governance policies through the Annual Report and through the Group website (www.msiplc.com).

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 (d.kirkup@msiplc.com). The Board also contacts significant institutional investors as and when appropriate.

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

Roger Lane-Smith served as Chairman of the Audit Committee throughout the year under review. David Hansell joined Roger Lane-Smith on the Audit Committee with effect from 1st July, 2020. Both 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 representatives of the Group's financial management team are 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 services performed by Grant Thornton UK LLP relates only to the Group's external audit. All other non-audit work is performed by independent accountancy firms which will enhance the Group's governance.

The Audit Committee has reviewed the services provided and work undertaken by Grant Thornton UK LLP and is satisfied with their performance in carrying out and completing the external audit.

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 2021 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 2021 Annual Report met these requirements.

Audit Committee report

Continued

Significant reporting issues and judgements (continued)

The key issues and accounting policies considered by the Audit Committee in relation to the 2021 Annual Report were:

- The factors used for the impairment assessment of the carrying value of the Group's intangible assets
- The impact of Covid-19 on the Group's results for the year ended 30th April, 2021 and its future financial performance.

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.

Roger Lane-Smith
Chairman
Audit Committee
21st June, 2021

Remuneration Committee report

The Remuneration 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

Roger Lane-Smith served as Chairman of the Remuneration Committee throughout the year under review. David Hansell joined Roger Lane-Smith on the Remuneration Committee with effect from 1st July, 2020. Both have considerable experience in senior financial and commercial operational roles and have extensive knowledge of the Group's operations.

The committee meets as required and no meetings were held during the financial year.

Key responsibilities

The committee has the responsibility for making recommendations to the Board on the remuneration packages, including share option schemes, of each executive director and non-executive directors not on the Remuneration Committee.

Review of directors' remuneration packages

The directors' remuneration packages were reviewed in the previous financial year and the proposals put forward by the Remuneration Committee in October 2019 were approved at a board meeting on 9th December, 2019.

The Remuneration Committee believes that the current basic salaries for the Executive Directors remain appropriate.

The Remuneration Committee believes that the bonus award system for Executive Directors had worked reasonably effectively since its introduction in 2013 and there is no reason to amend or change this element of the remuneration package for the executive directors.

However, the Remuneration Committee have recognised the contribution made by the Executive Directors in leading and guiding the Company through an extremely difficult period resulting from the global pandemic, by awarding an exceptional performance bonus of £50,000 to each of Michael Bell and Michael O'Connell and £25,000 to Nicholas Bell for the year ended 30th April, 2021.

Share options

In April 2020 the existing 1991 MS INTERNATIONAL plc Employee Share Option Scheme was terminated and replaced with the 2020 MS INTERNATIONAL plc Long Term Incentive Plan and the 2020 MS INTERNATIONAL plc Company Share Option Plan.

The reason for both 2020 plans is to encourage, incentivise, and reward the executive directors and certain key employees to remain with the Company and to promote the development of the Group's strategic aims, adding long-term shareholder value.

Under the terms of the MS INTERNATIONAL plc Long Term Incentive Plan, a total of 500,000 share options were granted to two executive directors on 30th April, 2020 at a price of £nil. The options are exercisable in two equal amounts at two and three years after the date of the grant but are subject to meeting a share price performance target of £3 per share for 90 consecutive days.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 675,000 UK tax unapproved share options were granted to certain directors and employees on 30th April, 2020 at a price of £1.41. The options are exercisable in three equal amounts at three, four and years after the date of the grant but are subject to meeting a share price target of £2 per share for 90 consecutive days.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 400,000 UK tax approved share options were granted to certain directors and employees on 30th April, 2020 at a price of £1.41. The options are exercisable in three equal instalments at three, four and five years after the date of the grant. There is no share price performance target for these options.

Roger Lane-Smith

Chairman
Remuneration Committee
21st June, 2021

Report of the directors

The directors present their report together with the Group financial statements for the year ended 30th April, 2021. The directors present their Corporate governance statement on pages 62 to 64 of this report.

1 Principal activities and business review

The principal activities of the divisions within the Group are:

- 'Defence': the design and manufacture of defence equipment.
- 'Forgings': the manufacture of fork-arms and open die forgings
- 'Petrol Station Superstructures': the design, manufacture, and construction of petrol station superstructures
- 'Corporate Branding': the design, manufacture, installation, and service of corporate branding, including media facades, way-finding signage, public illumination, creative lighting solutions and the complete appearance of petrol station superstructures and forecourts.

The Group has subsidiary companies in overseas locations but the Company does not have any overseas branches.

A review of the Group's trading, performance and future prospects are contained in the Chairman's statement on pages 3 to 5 and Strategic report on pages 8 to 10.

2 Results and dividends

The profit for the year attributable to shareholders amounted to £1,177,000 (2020 – loss after tax of £2,491,000). The directors recommend a final dividend of 6.50 pence per share (2020 – 1.75 pence per share), making a total of 8.25 pence per share (2020 – 3.50 pence per share).

3 Going concern

The financial statements have been prepared on a going concern basis. The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 3 to 5 and Strategic report on pages 8 to 10.

At 30th April, 2021, the Group held cash and cash equivalents of £17.39m with a further £6.17m of restricted cash held in an Escrow account maturing in greater than 90 days. The Group also has a number of large long-term contracts with certain customers and a healthy orderbook. As such, the Directors are satisfied that the Group has sufficient liquidity to meet its current liabilities and working capital requirements.

The performance of the Group is dependent on a number of external factors and the wider economic environment. The Covid-19 pandemic has created uncertainty when assessing these factors, particularly with regards to the uncertainty over the phasing of demand from customers, the impact of future lockdowns, and government imposed travel restrictions.

Forecasts have been prepared for the 18 months following the reporting date, which the Directors believe reflect a reasonable expectation, based on the information available at the date of signing these financial statements. The forecasts have been assessed for the potential impact of possible sensitivities, including a 10% fall in the forecasted revenue across the Group and a 10% increase in material prices. In all scenarios the Group has sufficient headroom to be able to continue to meet its liabilities as they fall due.

As a result, the Directors consider there to be no material uncertainties that could cast significant doubt on the Group's ability to continue to operate as a going concern. They believe that the Group has sufficient financial resources to continue operating for the foreseeable future, being at least 18 months from the reporting date. As a result, the Directors continue to adopt the going concern basis of accounting in preparation of these financial statements.

4 Financial risk management and exposure

The main financial risks faced by the Group include currency risks, funding risks, interest rate risks, and credit risks. Details of these exposures can be found in note 27 to the financial statements.

Report of the directors

Continued

5 Research and development

During the year the Group has incurred research and development costs of £1,064,000 (2020: £2,077,000).

6 Post balance sheet events

There are no material post balance sheet events to note.

7 Directors

The names of the directors of the Company at 21st June, 2021 are shown on page 6.

All of the directors served throughout the year and up to the date of this report.

8 Substantial interests in shares

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

	% of share capital held at 30th April, 2021	% of share capital held at 21st June, 2021
Michael Bell	17.5%	17.5%
Ms Adrienne Bell	13.6%	13.6%
Stonehage Fleming Investment Management	13.2%	13.2%
David Pyle	10.9%	10.9%
Michael O'Connell	9.5%	9.5%
Administrators of the estate of Mrs Patricia Snipe deceased	5.0%	5.0%

Apart from these, the directors have not been formally notified of any other notifiable shareholdings in excess of 3% of share capital held on 21st June, 2021.

9 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.

10 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.

11 Carbon and energy reporting

In October 2018, the UK government's The Companies (Directors Report) and Limited Liability Partnership (Energy and Carbon Reporting) Regulations 2018 were implemented for financial periods beginning on or after 1st April, 2019. As an AIM listed company, MS INTERNATIONAL plc has to report on its UK energy usage and carbon emissions.

Energy consumption in the UK includes electricity, natural gas, LPG, production gases and fuel for transport directly purchased by the Group within the UK.

The total UK energy use for the base year, being the year ended 30th April, 2020, and the financial year ended 30th April, 2021 were collated in kilowatt hours and converted to tCO_2e using government 2020 standard conversion factors published on 9th June, 2020. In total, the company consumed 8.5m kilowatt hours in the year ended 30th April, 2020, which is the equivalent of 1,734 tonnes of CO2 emissions. The total consumption reduced by 11.3% for the year ended 30th April, 2021 to 7.5m kilowatt hours, which is the equivalent of 1,629 tonnes of CO2 emissions.

Report of the directors

Continued

11 Carbon and energy reporting (continued)

The Company has adopted CO_2 tonnes consumed per £ of UK sales as its key energy intensity ratio. The ratio has reduced from 42.28 CO_2 tonnes per £1m of UK sales in the year ended 30th April, 2020 to 36.71 CO_2 tonnes per £1m of UK sales in the year ended 30th April, 2021.

The reduction in consumption has been largely due to projects undertaken at both the Doncaster and Norwich sites. At the Doncaster site, projects have targeted the top six highest energy consuming processes to deliver an 8% reduction in electricity consumption against an initial target of 3%. At the Norwich site projects that have reduced energy consumption by 5% include the replacement of sodium halide and fluorescent lighting with LED lighting, the replacement of inefficient air-conditioning units, and the replacement of high level gas heaters with more energy efficient heaters. Across both sites the use of video conferencing has reduced the number of journeys taken.

The planned energy saving projects for the year commencing 1st May, 2021 include the installation of a solar panel array, completion of the LED light replacement programme, and the fitting of occupancy sensors to lighting systems in low footfall areas. In addition, hybrid and fully electric vehicles will continue to be purchased to replace existing company owned vehicles where practical.

12 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. On 15th January, 2021 555,000 ordinary shares of 10p each were purchased by the Company for a total consideration of £636,236 and were subsequently cancelled.

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

At 21st June, 2021 the Company's issued share capital comprised:

	Number	£'000	% of total share capital
Ordinary shares of 10p each	17,841,073	1,784	100
Ordinary shares of 10p each held in treasury	1,646,334	165	9.2
Ordinary shares of 10p each not held in treasury	16,194,739	1,619	90.8

The above figure (16,194,739 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.

Report of the directors

Continued

12 Additional information for shareholders (continued)

Company share schemes

The Employee Share Ownership Trust holds 1.51% 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.

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.

13 Special business at the Annual General Meeting

Resolution 9: Purchase by the Company of its own shares

Resolution 9, 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 1,619,473 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 21st June, 2021. 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 29th October, 2022 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 9 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. At 21st June, 2021, the Company holds 1,646,334 ordinary shares of 10p each in treasury which represents 9.2% of the total number of ordinary shares of 10p each issued.

Resolution 10: Notice period for general meetings

Resolution 10 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 10 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.

14 Auditors

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

Report of the directors

Continued

15 Directors' statement as to disclosure of information to auditors

The directors who were members of the Board at the time of approving the Report of the directors are listed on page 6. 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.

16 We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006, 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
Company Secretary

21st June, 2021

Directors' remuneration report

Information not subject to audit

Policy on remuneration of executive directors

The Remuneration Committee which, currently, comprises the non-executive director Roger Lane-Smith and David Hansell, 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 2020/2021 amounted in total to 16.4 % (2020 – nil) of total executive basic salaries.

The Remuneration Committee consider the £205,000 charge to the Consolidated income statement for past service pension costs and the £348,000 impairment of goodwill 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 30th April, 2021 has been based on the Group profit before past service pension costs and taxation of £2,145,000.

In addition, the Remuneration Committee have recognised the contribution made by the Executive Directors in leading and guiding the Company through an extremely difficult period resulting from the global pandemic, by awarding an exceptional performance bonus of £50,000 each to Michael Bell and Michael O'Connell and £25,000 to Nicholas Bell for the year ended 30th April, 2021.

3. Share Options

Directors are eligible to participate in the 2020 MS INTERNATIONAL plc Long Term Incentive Plan and the 2020 MS INTERNATIONAL plc Company Share Option Plan. The Remuneration Committee is responsible for granting options.

On 30th April, 2020, 500,000 share options were granted to two executive directors under the terms of the 2020 MS INTERNATIONAL plc Long Term Incentive Plan and 325,000 share options were granted to four directors under the terms of the 2020 MS INTERNATIONAL plc Company Share Option Plan.

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.

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. The Board takes into account any proposals made by the Remuneration Committee in determining the annual fee for non-executive directors. There are no formal service contracts between the Company and any of the non-executive directors.

Directors' remuneration report

Continued

Information subject to audit

Emoluments of directors

Directors' remuneration in respect of the period to 30th April, 2021.

	2021 Basic salary and fees £	2020 Basic salary and fees £	2021 Additional salary £	2020 Additional salary £	2021 Other benefits £	2020 Other benefits £	2021 Bonus £	2020 Bonus £	2021 Total £	2020 Total £
Michael Bell	**491,917**	441,917	**–**	–	**58,504**	60,464	**72,140**	–	**622,561**	502,381
Michael O'Connell	**295,250**	257,500	**–**	–	**7,230**	18,151	**61,070**	–	**363,550**	275,651
Nicholas Bell	**246,083**	221,083	**–**	–	**25,015**	24,092	**36,070**	–	**307,168**	245,175
David Pyle	**–**	20,833	**–**	–	**–**	3,858	**–**	–	**–**	24,691
David Hansell	**59,250**	54,250	**138,700**	138,700	**–**	–	**–**	–	**197,950**	192,950
Roger Lane-Smith	**78,917**	58,916	**–**	–	**–**	–	**–**	–	**78,917**	58,916

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 year 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	2021 Total £	2020 Total £
Michael Bell	**–**	–
Michael O'Connell	**–**	–
Nicholas Bell	**42,323**	33,163
Roger Lane-Smith	**–**	–
David Pyle	**–**	–
David Hansell	**–**	–

Directors' share options

The directors have the following interests in share options granted on 30 April, 2020 in the Long Term Incentive Plan and Company Share Option Plan:

Director	Date issued	Exercise Price	Long Term Incentive Plan	Exercise Price	Company Share Option Plan	Total
Michael Bell	30th April, 2020	£nil	300,000	£1.41	100,000	**400,000**
Michael O'Connell	30th April, 2020	£nil	200,000	£1.41	75,000	**275,000**
Nicholas Bell	30th April, 2020	–	–	£1.41	75,000	**75,000**
David Hansell*	30th April, 2020	–	–	£1.41	75,000	**75,000**

* in relation to his additional executive duties carried out on behalf of the 'Defence' division

The share options granted under the Long Term Incentive Plan are exercisable in two equal instalments after two and three years of the date of the grant. The options are subject to meeting a share price performance target of £3 per share for 90 consecutive days.

Directors' remuneration report

Continued

Information subject to audit

Directors' share options (continued)

The share options granted under the Company Share Option Plan are exercisable in three equal instalments after three, four, and five years of the date of the grant. The UK non tax-advantaged options are subject to meeting a share price performance target of £2 per share for 90 consecutive days. There is no share price performance target for the 20,000 UK tax-advantaged share options granted to each director.

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
Company Secretary

21st June, 2021

List of subsidiaries

(1) Principal operating subsidiaries by divisions			Country of Incorporation
'Defence'			
MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.	England & Wales
MSI-Defence Systems US LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Design, manufacture and service of defence equipment.	USA
'Forgings'			
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-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.	England & Wales
MSI-Forks LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.	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
'Petrol Station Superstructures'			
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
'Corporate Branding'			
MSI-Sign Group B.V.	De Hoef 8 5311 GH Gameren The Netherlands	The design, manufacture, installation and service of corporate branding, including media facades, way-finding signage, public illumination, creative lighting solutions and the complete appearance of petrol station superstructures.	The Netherlands
Armada Janse B.V.	De Hoef 8 5311 GH Gameren The Netherlands	Design, restyling, production and installation of illuminated signage	The Netherlands
MSI-Sign Group GmbH	Wohlenbergstrasse 6 30179 Hannover, 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

List of subsidiaries

Continued

'Estates'

MS INTERNATIONAL Estates Ltd.	Balby Carr Bank, Doncaster DN4 8DH England	Property holding company of the Group's UK properties.	England & Wales
MS INTERNATIONAL Estates LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Property holding company of the Group's USA property.	USA

NOTES

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

(2) 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 and Covid-19

The Company takes this opportunity to provide an update in relation to its Annual General Meeting to be held on 29th July, 2021 at 12 noon at The Holiday Inn, Warmsworth, Doncaster.

The Company considers safeguarding its shareholders and employees and complying with the UK Government's current measures and guidelines to be paramount.

The Company's proposals for the forthcoming Annual General Meeting are set out below based on the UK Government's current restrictions on public gatherings.

The UK Government announced on 14th June, 2021 that the current restrictions in force will extend until 19th July, 2021 and thereafter current restrictions will be relaxed. This indicates that it will be possible to hold the Annual General Meeting as an open meeting with shareholders present in person.

The Company looks forward to the opportunity to welcoming shareholders in person to its Annual General Meeting and is planning for this accordingly.

The Company is constantly monitoring the situation. In the event that the UK Government announces that the present restrictions are extended beyond 29th July, 2021 the Company will notify shareholders of any change in the arrangements for the Annual General Meeting by issuing an RNS shareholder announcement which will also be included on the Company's website www.msiplc.com under Regulatory Announcements.

It would be beneficial if shareholders wishing to attend the Annual General Meeting on 29th July, 2021 contact the Company Secretary by sending an email to d.kirkup@msiplc.com to confirm their intention to attend the Annual General Meeting.

The Company understands that due to the Covid related current circumstances, shareholders may be reluctant to attend an open meeting Annual General Meeting. Consequently, the Company strongly encourages shareholders to exercise their vote on the resolutions set out in the Notice of Annual General Meeting by submitting a form of proxy.

Details of how to obtain a hard copy form of proxy and the latest time for proxies to be lodged are in the Notes to the Annual General Meeting.

You are advised to appoint the Chairman of the meeting as your proxy to ensure your vote is counted.

David Kirkup
Company Secretary
6th July, 2021

Registered office:
Balby Carr Bank
Doncaster
DN4 8DH
England

Registered in England and Wales No. 00653735

Notice of Annual General Meeting

Notice is given that the sixty-first annual general meeting of MS INTERNATIONAL plc ("Company") will be held at The Holiday Inn, Warmsworth, Doncaster on 29th July, 2021 at 12 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

As ordinary business:

1. To receive the Company's annual accounts and directors' and auditors' reports for the year ended 30th April, 2021.

2. To approve the directors' remuneration report for the year ended 30th April, 2021.

3. To declare a final dividend for the year ended 30th April, 2021 of 6.5p per ordinary share of 10p each in the capital of the Company, to be paid on 10th August, 2021 to shareholders whose names appear on the register as at close of business on 16th July, 2021.

4. To re-elect as a director of the Company, Nicholas Bell, a director retiring by rotation. Nicholas is aged 46 years old and joined the Company in 1999, becoming a director in 2014.

5. To reappoint as a non-executive director of the Company, Roger Lane-Smith who was appointed as a director on 21st January, 1983. He is a non-executive director of Timpson Group plc, Mostyn Estates Limited, and a number of other private companies.

6. 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.

7. To reappoint Grant Thornton UK LLP as the external auditor of the Company.

8. To authorise the directors to determine the remuneration of the external auditor.

As special business:

9. 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) (a) the maximum aggregate number of Shares which may be purchased is 1,619,473;

   (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 29th October, 2022 (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.

Notice of Annual General Meeting

Continued

As special business: (continued)

10. 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

Company Secretary

6th July, 2021

Registered office:

Balby Carr Bank

Doncaster

DN4 8DH

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 16th July, 2021 (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 27th July, 2021 (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.

Notice of Annual General Meeting

Continued

Notes (continued)

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 27th July, 2021 (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 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 21st June, 2021, the Company's issued share capital consists of 17,841,073 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 21st June, 2021 are 16,194,739.

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.

Notice of Annual General Meeting

Continued

Notes (continued)

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.

Dividend warrants

11. Dividend warrants will be sent by first class post on 10th August, 2021 to those members registered on the books of the Company on 16th July, 2021.