MS INTERNATIONAL plc

Annual Report 2022

Company Registration Number 00653735

MSI

Contents

The year in brief

	2022 Total £'000	2021 Total £'000
Revenue	**74,524**	61,539
Profit before taxation	**5,967**	1,592
Earnings per share: basic	**30.9p**	7.2p
Earnings per share: diluted	**29.6p**	7.0p
Dividends payable per share	**9.25p**	8.25p

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 a pleasure to report that, for the year ended 30th April 2022, the Company attained considerable progress across the Group's divisions, resulting in a significantly improved pre-tax profit of £5.97m (2021 – £1.59m) on increased revenue of £74.52m (2021 – £61.54m).

Basic earnings per share amounted to 30.9p (2021 – 7.2p). The balance sheet was further strengthened with cash and cash equivalents rising to £18.1m (2021 – £17.4m).

The Group has made a strong recovery post the many constraints imposed by Covid. This, I believe, demonstrates the tangible benefits of operating an optimistic, long-term investment and support strategy, that we practice daily, to support and encourage the respective management teams that directly oversee the operations of our diverse businesses.

During the period under review, two common themes continued to feature across all divisions, namely the prolonged negative effects of the global pandemic and extended periods of limited availability of materials and components. Such issues required close and constant monitoring by our management teams to ensure sustained high-quality sales output. A job well done by everyone.

'Defence' – This was a remarkable year of great achievements for this division, highlighted by the phased manufacture and delivery of the first 7 of 8 No MSI-DS30mm naval weapon systems to the United States Navy. This was achieved in a timely manner to facilitate our customer's comprehensive test and certification programme of the MSI product. The anticipated successful prototype testing of the MSI weapon system, is the precursor to a highly prized sole source 'Follow-on Production Contract'. Presently, all trials are going to plan and positive progress is being made.

In the UK, our new 'state of the art' Norwich manufacturing facility is in the final phase of completion, whilst, in the United States of America, we are in the early stages of our programme to establish an appropriate product support resource for our weapon systems, along-side our contemporary forging facilities, in South Carolina. These projects are essential to support our perceived growing defence opportunities in the United States.

We also firmly believe that our 'state of the art' weapon system will significantly enhance the capability and protection of the Royal Navy, once a forward-looking decision is made to upgrade their existing historic, small calibre weapons systems. We stand ready, with our modern manufacturing facilities and proven international capabilities, to work with the UK MOD to meet such requirements.

'Forgings' – This division also performed extremely well, successfully navigating the disrupted, and constantly changing, international business environment. There is little doubt that having established contemporary automated 'local' production facilities – in the UK and both North and South America, – successfully enabled MSI to welcome and secure many customers that had previously procured product from China.

'Petrol Station Superstructures' mobility hubs – Operations in both the UK and the Poland performed resiliently against a prevailing uncertain backdrop. Despite the challenges, the division continued to make great progress, pleasingly exceeding management's revenue forecasts. Many forecourt operators have continued to develop their sites to incorporate a substantial grocery store and catering facility and Global-MSI designed, manufactured and erected many such structures during the period.

As with all construction orientated businesses, the negative impact of the lack of readily available materials and their associated fluctuating costs, became a major factor in terms of managing day to day operations. Such disruptive circumstances necessitated some contracts to be re-negotiated to the mutual satisfaction of all parties.

Chairman's statement

Results and Review (continued)

'Corporate Branding' – This division traded at similar levels to the prior year, as commercial activity remained seriously constrained across mainland Europe's national borders. We took action to restructure the division's operations in both The Netherlands and Germany and much has been achieved as a result, leaving it better geared to the current needs of the market. Pleasingly, the UK based business has continued to prosper, gaining market share and expanding operational capabilities and facilities.

Outlook

'Defence' – Foremost, we look forward with confidence to a favourable report on our 30mm naval weapon system, presently on approval test by the US Navy.

Furthermore, recent events have served to focus attention on the need for appropriate national security to combat potential lethal land-based threats. We believe that, as our additional 'in-house' product developments come to fruition, there will be numerous opportunities across international markets to supply our, tested and proven, land-based defence equipment.

'Forgings' – Demand for our high quality, forged products is increasing, as customers seek assured and dependable security of supply. To that end, we will continue to invest in further automating our manufacturing facilities in the UK, the United States and South America.

'Petrol Station Superstructures' – The markets we serve are vigorously embracing change, not only in the development of providing and dispensing alternative fuel types but also in broadening their provision of services to include groceries and catering facilities. The development expertise and scale of the buildings required to dispense such services are most appropriate to the designs, manufacturing and erection skills of Global-MSI. We expect further growth opportunities for both our UK and Polish operations.

'Corporate Branding' – We have completed restructuring in The Netherlands and Germany and expanded our UK operations. So, now that inter-country business activity across mainland Europe has been restored, we are cautiously optimistic that we will achieve a more profitable division this year.

Pleasingly, we have already received instructions from a number of major customers to speedily recommence projects, that they had put 'on hold', owing to the scale and duration of the pandemic.

Summary

We believe that we have placed each of our businesses in a strong and exciting position within the markets which we serve. Close monitoring of performance and further support in the development of new products and services will, no doubt, bring further rewards.

All matters considered the Board recommends the payment of a final dividend of 7.5p per share (2021 – 6.5p) making a total for the year of 9.25p (2021 – 8.25p).

The final dividend is expected to be paid on the 12th August 2022, to those shareholders on the register at the close of business on the 15th July 2022.

Michael Bell

Michael Bell
27th June 2022

Directors

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

Non-executive

Roger Lane-Smith – Age 76

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

David Hansell – Age 77

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

Shelley Ashcroft ACMA

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

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10th Floor
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29 Wellington Street
Leeds
LS1 4DL

Solicitors

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

Nominated Advisors

Shore Capital & Corporate Limited
Cassini House
57 St James's Street
London
SW1A 1LD

Brokers

Shore Capital & Corporate Limited
Cassini House
57 St James's Street
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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 is engaged in the design and manufacture of specialist engineering products and the provision of related services.

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 registered a profit before taxation of £5.97m (2021 – £1.59m) after an impairment of intangible assets of £0.35m (2021: £0.35m) as detailed in note 14.

During the year, the Group settled a contractual dispute, the terms of which are confidential. The amount received has been recognised in other income. The Group has incurred £0.6m of legal costs in the current year in relation to this matter. These costs are included in administrative expenses.

A review of the operations of the Company and subsidiaries and their position at 30th April, 2022 are provided in the Chairman's Statement.

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

Key performance indicators

	2022	2021
	£'000	£'000
Revenue	**74,524**	61,539
Profit before taxation	**5,967**	1,592
Basic earnings per share	**30.9p**	7.2p

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

Cash flow

Cash generated from operating activities before taxation and interest was £0.39m (2021 – £9.38m). This was before capital expenditure of £2.70m (2021 – £0.78m) and a cash inflow from a decrease in restricted cash held in Escrow of £5.01m (2021 – an increase of £6.17m).

Research and initial development costs of £1.4m (2021 – £1.0m) 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' division offers to its worldwide customer base.

Closing cash and cash equivalents were £18.09m (2021 – £17.39m) and customer progress payments on account were £18.33m (2021 – £21.19m). The Group also had a further £1.16m (2021 – £6.17m) of restricted cash held within an Escrow account maturing after 90 days.

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, profits, and net assets are denominated in currencies other than Sterling, such as 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 against each other where possible and any surpluses are 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, ensuring that balances are transferred around the group when required, and engaging 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"
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 its employees. Working practices were adapted to meet government guidelines and to ensure social distancing. ● As Covid-19 restrictions are eased and the world reopens, the Board remains alert and ready to respond to potential future variants which could see the reintroduction of certain restrictions. ● The Board monitors cash balances on a daily basis and reviews three month cash forecasts on a weekly basis to ensure that any potential issues can be identified promptly.
Inflationary pressures There is a risk to the Group of increasing inflation in the countries in which it operates. Both raw materials prices and energy prices have increased significantly over the past year. As the Group has a number of long-term contracts, rapid increases in prices could impact the profitability of the contract.	● The impact of raw materials prices is monitored regularly at a divisional level and reported to the Board. Where possible increases are passed to the customer. ● With regards to customers under long-term contracts, such contracts include a clause to allow for raw materials price increases. ● There are a number of projects and energy saving initiatives across the Group to reduce energy consumption as outlined in section 11 of the Report of the directors.

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 61 to 62.

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. It is the responsibility of divisional management teams to ensure that good relationships are maintained with employees, customers, and suppliers and to report regularly to the executive directors regarding these relationships.

The Board considers the remuneration, incentive schemes, and employment procedures in place across the Group's operating companies to be appropriate. Employees are fairly rewarded in relation to their local communities and the Group identifies opportunities for employee development where possible.

The Group's divisions maintain good long-term supplier relationships by contracting on standard terms and conditions, and ensuring payment is made on a prompt basis. These relationships with key suppliers ensure the quality and continuity in the supply chain.

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

The Board believes that 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. 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. Consequently, the Board aims to ensure all of its operations minimise harm and contribute as far as practical to local communities.

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 year results, the publication of the full year audited Report and Accounts, and the inclusion of other regulatory announcements on the Company's website.

By order of the Board,

Shelley Ashcroft
Company Secretary

27th June, 2022

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 UK adopted International Accounting Standards. The directors have elected to prepare Parent Company financial statements under UK adopted International Accounting Standards.

Under company law the directors must not approve the financial statements 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 UK adopted International Accounting Standards 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 UK adopted International Accounting Standards 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 2022 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and company statement of changes in equity, the Consolidated and company statements of financial position, the Consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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 2023, 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;
- Applying additional worst-case scenario sensitivities to assess the potential impact of possible changes in the assumptions to the business performance and position. 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

Conclusions relating to going concern (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.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £476,000, which represents 0.6% of the group's revenues.

Parent company: £300,000, which represents 0.6% of the parent company's total assets.

Key audit matters were identified as:

- Forging and Corporate Branding revenue has a potential for misstatement. Same as previous year; and
- Defence and Petrol Station Superstructures revenue has a potential for misstatement. Same as previous year.

Our auditor's report for the year ended 30 April 2021 included no key audit matter that have not been reported as a key audit matter in our current year's report.

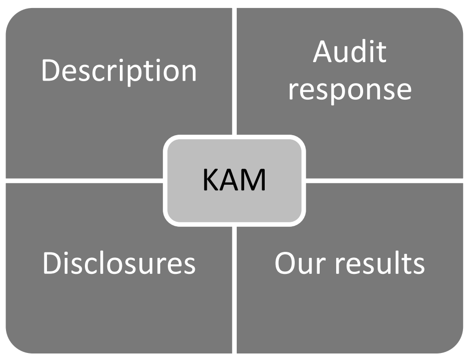
An audit of the financial information of the component using component materiality (full scope audit) was performed on the financial statements of the company and all components determined to be significant.

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 92% 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.

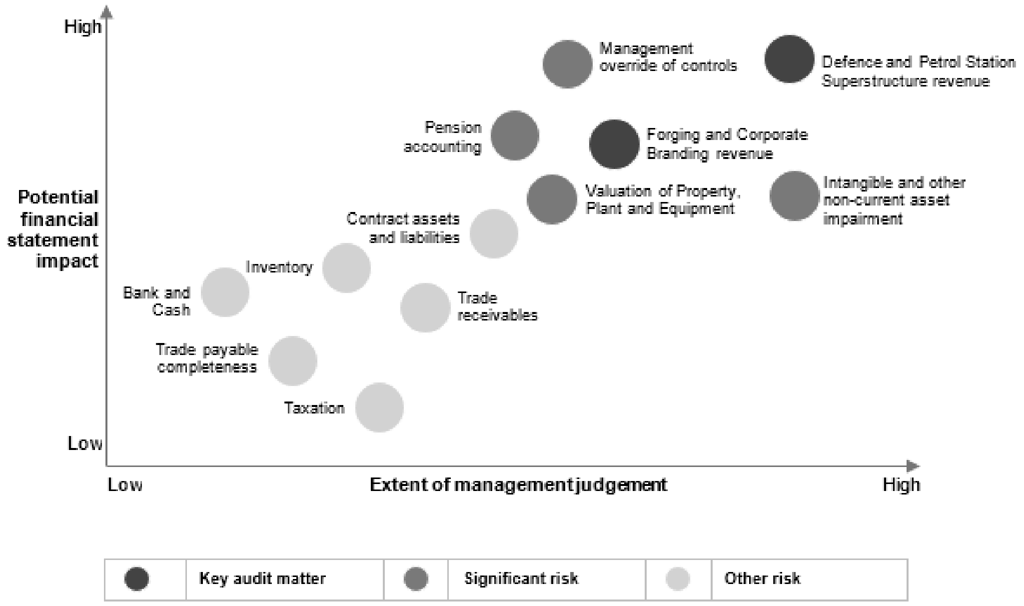


Independent auditor's report to the members of MS INTERNATIONAL plc

Continued

Key audit matters (continued)

In the graph below, we have presented the key audit matters, significant risks and other risks relevant 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 as one of the most significant assessed risks of material misstatement due to fraud and error.

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. There is a significant risk that management may record revenue fictitiously or in advance of the criteria for revenue recognition being satisfied.

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

Relevant disclosures in the Annual Report and Accounts 2022

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 agreeing a sample of the revenue recorded in the period to supporting documentation and assessing adherence to the policy adopted;
- using automated data analytics on the revenue populations to identify and assess any unusual transactions which are not in line with our knowledge or expectation of a revenue transaction;
- selecting a sample of revenue transactions and agreeing to supporting documentation to verify the occurrence of the revenue including shipping documentation, sales invoices and cash receipts; and
- assessing revenue around the year end to determine whether it has been included in the correct period using trend analysis and agreeing a sample of transactions around the year end to shipping documents.

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 matters (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 fraud or error. This is based on the opportunity for revenue to be recognised in the incorrect period which is increased around the year end based on the period of the contracts or the opportunity to record revenue before control is transferred. 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 agreeing a sample of the revenue recorded in the period to supporting documentation and assessing for adherence to the policy adopted; ● using automated data analytics on the revenue populations to identify and assess any unusual transactions which are not in line with our knowledge or expectation of a revenue transaction; ● selecting 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 progress and 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 progress on the contract.
Relevant disclosures in the Annual Report and Accounts 2022 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	£476,000 which is 0.6% of revenue.	£300,000 which is 0.6% of total assets.
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 0.6% 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 higher than the level that we determined for the year ended 30 April 2021 to reflect the performance in the year and change in the economic environment.	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 parent company, based on there being no Statement of comprehensive income in the financial statements. 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 higher than the level that we determined for the year ended 30 April 2021 to reflect the change in the position of the Company year on year and change in the economic environment.

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

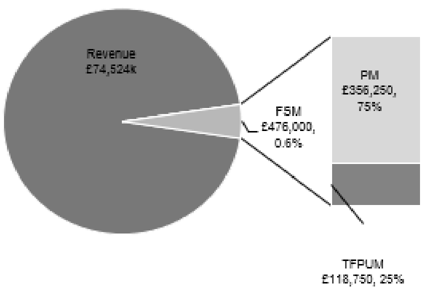
Continued

Our application of materiality (continued)

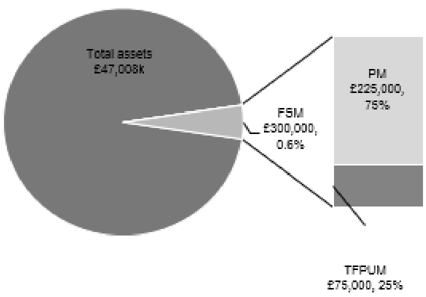
Materiality measure	Group	Parent
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£357,000 is 75% of financial statement materiality.	£225,000 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	£23,800 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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 5 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 70% coverage on the revenue balance. We selected a further 5 components to give us coverage over an additional 22% of the revenue balance.

Communications with component auditors

- all audit work was performed by Grant Thornton UK LLP.

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 70% per cent of consolidated revenues and 106% 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 and the Netherlands 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	61%	70%	106%
Specified audit procedures	5	37%	22%	-3%
Analytical procedures	6	2%	8%	-3%

Other information

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

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

We have nothing to report in this regard.

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

Continued

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.

Matter 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.

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.

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

Continued

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

- 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.

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

  – understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;

  – knowledge of the industry in which the Group and parent company operate; and

  – understanding of the legal and regulatory frameworks applicable to the Group and the parent company.

- 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.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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.

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

27 June 2022

Consolidated income statement

For the year ended 30th April, 2022

Continuing operations	Notes	2022 Total £'000	2021 Total £'000
Revenue	3/4	**74,524**	61,539
Cost of sales		**(54,121)**	(44,218)
Gross profit		**20,403**	17,321
Distribution costs		**(3,304)**	(2,581)
Administrative expenses		**(12,097)**	(12,954)
Other operating income	6	**1,185**	–
		(14,216)	(15,535)
Group operating profit	4/5	**6,187**	1,786
Share of net profit of joint venture	16	**–**	28
Interest received	8	**1**	10
Interest paid	8	**(95)**	(92)
Other finance costs-pensions	8	**(126)**	(140)
		(220)	(222)
Profit before taxation		**5,967**	1,592
Taxation	9	**(1,035)**	(415)
Profit for the year attributable to equity holders of the parent		**4,932**	1,177
Basic earnings per share	10	**30.9p**	7.2p
Diluted earnings per share	10	**29.6p**	7.0p

Consolidated statement of comprehensive income

For the year ended 30th April, 2022

	Notes	2022 Total £'000	2021 Total £'000
Profit for the year attributable to equity holders of the parent		**4,932**	1,177
Exchange differences on retranslation of foreign operations		**(603)**	(38)
Net other comprehensive loss to be reclassified to profit or loss in subsequent years		**(603)**	(38)
Remeasurement gains on defined benefit pension scheme	24	**1,601**	1,213
Deferred tax on remeasurement on defined benefit scheme	9	**(145)**	(230)
Revaluation of land and buildings	12	**3,868**	–
Deferred tax on revaluation surplus on land and buildings	9	**(798)**	–
Net other comprehensive income not being reclassified to profit or loss in subsequent years		**4,526**	983
Total comprehensive income for the year attributable to equity holders of the parent		**8,855**	2,122

Consolidated and company statement of changes in equity

For the year ended 30th April, 2022

	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 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 11)	–	–	–	–	–	–	–	(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**
Profit for the year	–	–	–	–	–	–	–	4,932	**4,932**
Other comprehensive income/(loss)	–	–	–	3,868	–	(603)	–	658	**3,923**
Total comprehensive income/(loss)	–	–	–	3,868	–	(603)	–	5,590	**8,855**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,316)	**(1,316)**
At 30th April, 2022	**1,784**	**957**	**2,815**	**9,923**	**1,629**	**(417)**	**(2,789)**	**24,673**	**38,575**
(b) Company									
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 11)	–	–	–	–	–	–	–	(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**
Profit for the year	–	–	–	–	–	–	–	3,362	**3,362**
Other comprehensive income	–	–	–	–	–	–	–	1,232	**1,232**
Total comprehensive income	–	–	–	–	–	–	–	4,594	**4,594**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,316)	**(1,316)**
At 30th April, 2022	**1,784**	**957**	**7,620**	**–**	**1,629**	**–**	**(2,789)**	**19,859**	**29,060**

Consolidated and company statements of financial position

At 30th April, 2022

		Group		Company	
		2022	2021	**2022**	2021
	Notes	**£'000**	£'000	**£'000**	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	21	**24,537**	19,113	**1,017**	935
Right-of-use assets	13	**1,479**	530	**5,029**	5,486
Intangible assets	14	**3,002**	3,558	**–**	–
Investments in subsidiaries	15	**–**	–	**18,126**	17,313
Investment in joint venture	16	**34**	36	**–**	–
Deferred income tax asset	17	**1,435**	1,606	**1,374**	1,600
		30,487	24,843	**25,546**	25,334
Current assets					
Inventories	18	**16,327**	12,423	**2,592**	1,498
Trade and other receivables	19	**11,396**	9,369	**15,394**	16,135
Contract assets	26	**1,773**	1,998	**–**	–
Income tax receivable		**6**	194	**–**	141
Prepayments		**1,352**	2,010	**218**	543
Cash and cash equivalents	20	**18,092**	17,390	**3,258**	943
Restricted cash held in Escrow	20	**1,158**	6,165	**–**	–
		50,104	49,549	**21,462**	19,260
TOTAL ASSETS		**80,591**	74,392	**47,008**	44,594
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**1,784**	1,784	**1,784**	1,784
Capital redemption reserve	23	**957**	957	**957**	957
Other reserves	23	**2,815**	2,815	**7,620**	7,620
Revaluation reserve	23	**9,923**	6,055	**–**	–
Special reserve	23	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	23	**(417)**	186	**–**	–
Treasury shares	23	**(2,789)**	(2,789)	**(2,789)**	(2,789)
Retained earnings		**24,673**	20,399	**19,859**	16,581
TOTAL EQUITY SHAREHOLDERS' FUNDS		**38,575**	31,036	**29,060**	25,782
Non-current liabilities					
Defined benefit pension liability	24	**4,720**	7,095	**4,720**	7,095
Deferred income tax liability	17	**2,578**	1,553	**–**	–
Lease liabilities	13	**1,158**	380	**4,807**	5,214
		8,456	9,028	**9,527**	12,309
Current liabilities					
Trade and other payables	25	**14,176**	12,410	**7,068**	5,234
Contract liabilities	26	**18,329**	21,192	**622**	874
Income tax payable		**702**	561	**324**	–
Lease liabilities	13	**353**	165	**407**	395
		33,560	34,328	**8,421**	6,503
TOTAL EQUITY AND LIABILITIES		**80,591**	74,392	**47,008**	44,594

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 £3,362,000 (2021 – £1,548,000).

The financial statements on page 20 to 58 of MS INTERNATIONAL plc, registered number 00653735, were approved by the Board of Directors on 27th June, 2022 and signed on its behalf by:

Michael Bell,
Executive Chairman

Michael O'Connell,
Finance Director

Consolidated and company cash flow statements

For the year ended 30th April, 2022

		Group		Company	
		2022	2021	**2022**	2021
	Note	**£'000**	£'000	**£'000**	£'000
Profit before taxation		**5,967**	1,592	**2,509**	92
Adjustments to reconcile profit before taxation to cash generated from operating activities:					
Past service pension costs		–	205	**–**	205
Depreciation charge of owned assets and right-of-use assets	12/13	**1,746**	1,666	**931**	895
Amortisation charge	14	**227**	237	**–**	–
Impairment of goodwill	14	**349**	348	**–**	–
Write off of acquired goodwill	14	**–**	8	**–**	–
Profit on sale of fixed assets		**(169)**	(74)	**(163)**	(61)
Share of net profit of joint venture	16	**–**	(28)	**–**	–
Termination of lease		**–**	(7)	**–**	–
Finance costs	8	**220**	222	**292**	366
Foreign exchange (losses)/gains		**(142)**	516	**–**	–
(Increase)/decrease in inventories		**(3,657)**	3,377	**(1,094)**	44
(Increase)/decrease in receivables		**(1,541)**	(6,834)	**19**	37
Decrease/(increase) in prepayments		**611**	(237)	**325**	(246)
Increase in payables		**1,340**	1,162	**1,518**	1,296
(Decrease)/increase in progress payments		**(3,660)**	7,824	**(252)**	(163)
Pension fund payments	24	**(900)**	(600)	**(900)**	(600)
Cash generated from operating activities		**391**	9,377	**3,185**	1,865
Net interest paid		**(43)**	(52)	**(1)**	(49)
Taxation (paid)/received		**(447)**	460	**151**	–
Net cash (outflow)/inflow from operating activities		**(99)**	9,785	**3,335**	1,816
Investing activities					
Payments for acquisitions, net of cash acquired		**–**	(89)	**–**	–
Dividends received from subsidiaries		**–**	–	**1,249**	1,498
Purchase of property, plant and equipment	12	**(2,703)**	(781)	**(578)**	(268)
Purchase of intangible assets	14	**(54)**	–	**–**	–
Proceeds on disposal of property, plant and equipment		**227**	97	**185**	62
Decrease/(increase) in cash held in the Escrow account maturing in more than 90 days	20	**5,007**	(6,165)	**–**	–
Net cash inflow/(outflow) from investing activities		**2,477**	(6,938)	**856**	1,292
Financing activities					
Purchase of own shares	23	**–**	(636)	**–**	(636)
Lease payments		**(405)**	(327)	**(560)**	(560)
Dividends paid	11	**(1,316)**	(578)	**(1,316)**	(578)
Net cash outflow from financing activities		**(1,721)**	(1,541)	**(1,876)**	(1,774)
Increase in cash and cash equivalents		**657**	1,306	**2,315**	1,334
Opening cash and cash equivalents/(bank overdraft)		**17,390**	16,125	**943**	(391)
Exchange differences on cash and cash equivalents		**45**	(41)	**–**	–
Closing cash and cash equivalents	20	**18,092**	17,390	**3,258**	943

Notes to the financial statements

For the period ended 30th April, 2022

1 Authorisation of financial statements and statement of compliance with UK adopted International Accounting Standards

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, 2022 were authorised for issue by the Board of Directors on 27th June, 2022 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, 2022 have been prepared in accordance with UK adopted International Accounting Standards.

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 and Strategic report on pages 3 to 4 and 7 to 9 respectively.

At 30th April, 2022, the Group held cash and cash equivalents of £18.09m with a further £1.12m 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 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. Despite the easing of Covid-19 restrictions, the Group still faces challenges and uncertainties. The increase in inflation, the cost and supply of raw materials, and soaring energy prices are all challenges for the Group. However, management remain vigilant and are regularly monitoring the impact of these external factors in order to mitigate any impact upon the business.

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)

(a) Contract revenue

Judgement is required in determining the recognition of revenue either at a point in time or over time. Where contracts contain multiple performance obligations, revenue is measured over time only if the group's performance does not create an asset with an alternative use to the Group. The majority of contracts within the Group do not meet this criteria and therefore revenue recognition is judged to be at a point in time. This assessment is detailed further in the accounting policy for revenue.

(b) 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.

(c) Impairment of non-financial assets

The Group's impairment test for intangible assets with indefinite useful lives and goodwill 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 14).

(d) 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.

(e) Valuation of land and buildings

Land and buildings are held at fair value less depreciation and impairment. Fair value is an area of judgement as it is based on periodic valuations by external independent valuers, which are determined from market-based evidence.

(f) Leased assets

Leased assets and liabilities are measured at the present value of total lease payments, discounted using the interest rate implicit in the lease, or if that cannot be determined, the Group's incremental borrowing rate. Management is therefore required to make a judgement to determine the discount rate for each individual lease.

Basis of consolidation

The Group financial statements incorporate the results of MS INTERNATIONAL plc, the results of 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 by virtue of shareholdings. The Company holds, directly or indirectly, 100% of the share capital and 100% of the voting rights of all subsidiaries. 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentational 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.

The functional currencies of the Group's overseas subsidiaries are the US Dollar, the Euro, the Polish Zloty, the Brazilian Real and the Argentinean Peso. The assets and liabilities of the overseas subsidiaries are translated into the presentational 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 translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Property, plant, and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

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

Additionally, accumulated depreciation as at the 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.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Business combinations (continued)

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

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

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

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

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

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 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.

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.

Pension schemes

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Pension schemes (continued)

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

The value of a net pension liability is restricted to the sum of the present value of contracted deficit reduction contributions. Where the present value of contracted deficit reduction contributions exceeds the net pension liability, the surplus is recognised as a further liability within the financial statements in accordance with IFRIC 14.

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, construction, and maintenance 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 within current liabilities in the Statement of financial position.

'Defence'

The 'Defence' division enters into contracts with its customers to provide defence equipment. Most contracts 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 division 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:

- 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

The division also provides support contracts to customers in which invoices are billed monthly and revenue is recognised over time.

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

'Forgings'

Revenue from the sale of fork-arms and open die forgings is recognised at a point in time upon delivery of the products, either when or as the 'Forgings' division 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 'Petrol Station Superstructures' division 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 division 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 division is entitled to reward for performance to date. In order to establish the entitlement for performance to date, the division considers if it has an enforceable right to payment for performance completed to date and the division'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 division in advance of the delivery of the product. These are classified as contract liabilities, which are only recognised as revenue once the performance obligation has been satisfied.

'Corporate Branding'

The 'Corporate Branding' division 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 upon completion of the 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 division in advance of the goods being delivered. These are classified as contract liabilities and 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 years ended 30th April, 2022 and 30th April, 2021 the Group has received Covid-19 related government grants in the UK, the Netherlands, USA and Poland. 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 7.

Taxes

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

Current tax

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

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. Increases/decreases in deferred income tax assets and liabilities arising from changes to tax rates enacted or substantively enacted at the statement of financial position date are recognised immediately in the Consolidated income statement or the Consolidated statement of comprehensive income.

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 at the AGM.

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 and category is as follows:

	2022	2021
	£'000	£'000
Revenue recognised at a point in time	**72,438**	61,373
Revenue recognised over time	**1,795**	–
Rendering of services	**291**	166
Total revenue	**74,524**	61,539

During the year the Group recognised £11,306,000 (2021 – £6,341,000) of revenue that was included in the contract liability balance at 30th April, 2021 (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, 2022 and 30th April, 2021. 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 therefore not allocated to operating segments.

	'Defence'		'Forgings'		'Petrol Station Superstructures'		'Corporate Branding'		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Segmental revenue										
Total revenue	**30,219**	27,078	**16,482**	9,970	**15,143**	11,774	**13,009**	12,972	**74,853**	61,794
Revenue from other segments	**–**	–	**–**	–	**(245)**	(145)	**(84)**	(110)	**(329)**	(255)
Revenue from external customers	**30,219**	27,078	**16,482**	9,970	**14,898**	11,629	**12,925**	12,862	**74,524**	61,539
Segment result										
Operating profit	**4,123**	2,570	**2,245**	425	**1,074**	448	**(1,255)**	(1,657)	**6,187**	1,786
Share of net profit of joint venture									**–**	28
Net finance costs									**(220)**	(222)
Profit before taxation									**5,967**	1,592
Taxation									**(1,035)**	(415)
Profit for the year									**4,932**	1,177
Segmental assets										
Assets attributable to segments	**33,393**	35,414	**7,883**	4,066	**9,380**	8,492	**8,050**	8,468	**58,706**	56,440
Unallocated assets*									**21,885**	17,952
Total assets									**80,591**	74,392
Segmental liabilities										
Liabilities attributable to segments	**23,643**	24,795	**3,547**	2,445	**3,109**	2,970	**3,591**	3,510	**33,890**	33,720
Unallocated liabilities*									**8,126**	9,636
Total liabilities									**42,016**	43,356
Other segmental information										
Capital expenditure	**1,933**	440	**389**	24	**195**	131	**186**	186	**2,703**	781
Depreciation	**210**	176	**561**	545	**714**	377	**261**	263	**1,746**	1,361
Amortisation	**10**	–	**–**	–	**43**	55	**174**	182	**227**	237
Impairment	**–**	–	**–**	–	**–**	–	**349**	348	**349**	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, 2022 and 30th April, 2021. The Group's geographical segments are based on the location of the Group's assets.

	United Kingdom		Europe		USA		South America		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
External revenue by origin	**41,665**	41,191	**11,599**	12,987	**18,917**	5,934	**2,343**	1,427	**74,524**	61,539
Non-current assets	**20,160**	17,373	**4,327**	3,706	**5,913**	3,751	**87**	13	**30,487**	24,843
Current assets	**37,235**	39,457	**6,147**	6,899	**6,024**	2,306	**698**	887	**50,104**	49,549
Liabilities	**28,380**	32,516	**4,112**	3,729	**9,223**	7,081	**301**	30	**42,016**	43,356
Capital expenditure	**2,377**	644	**133**	137	**193**	–	**–**	–	**2,703**	781

Revenue disaggregated by destination is shown as follows:

	2022		2021	
	£'000	**%**	£'000	%
United Kingdom	**31,287**	**42%**	22,259	36%
Europe	**17,103**	**23%**	26,574	43%
USA	**19,406**	**26%**	5,934	10%
South America	**2,421**	**3%**	1,427	2%
Rest of World	**4,307**	**6%**	5,345	9%
Total revenue	**74,524**	**100%**	61,539	100%

The Group's largest customer, which is reported in the 'Defence' division, contributed 14.2% to the Group's revenue (2021 – 14.9% in the 'Defence' division from a different customer). Only one other customer, also in the 'Defence' division, contributed more than 10% to the Group's revenue with a contribution of 11.4% (2021 – 11.3% in the 'Defence' division).

5 Group operating profit

Profit before taxation is stated after charging/(crediting):	**2022** **£'000**	2021 £'000
Depreciation of tangible assets – owned assets	**1,375**	1,361
Depreciation of right-of-use assets	**371**	305
Amortisation of intangible assets	**227**	237
Impairment of intangible assets	**349**	348
Profit on sale of tangible assets	**(169)**	(74)
Short-term and low value leases	**91**	135
Government grant: Covid-19 job retention income	**(1,636)**	(1,690)
Foreign exchange (gains)/losses	**(1,028)**	209
Cost of inventories recognised as an expense	**40,560**	29,880
Research and development costs	**1,416**	1,064
Defined contribution pension expense	**237**	217
Share options expense	**29**	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	**101**	86
For the audit of the Group's subsidiary companies' financial statements	**61**	60
For audit related services	**15**	15

Total administrative expenses are included within Group operating profit.

Notes to the financial statements

Continued

6 Other operating income

	2022 £'000	2021 £'000
Settlement of contractual dispute	**1,185**	–
	1,185	–

During the year, the Group settled a contractual dispute, the terms of which are confidential. The amount received has been recognised in other income. The Group has incurred £0.6m of legal costs in the current year in relation to this matter. These costs are included in administrative expenses.

7 Employee Information

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

	Group		Company	
	2022 Number	2021 Number	**2022 Number**	2021 Number
Production	**252**	243	**74**	73
Technical	**71**	72	**23**	24
Distribution	**26**	32	**2**	5
Administration	**98**	96	**39**	32
	447	443	**138**	134

(a) Staff costs

Including executive directors, employment costs were as follows:

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Wages and salaries	**18,942**	17,420	**7,139**	6,123
Covid-19 job retention scheme income	**(1,636)**	(1,690)	**–**	(313)
Social security costs	**3,233**	3,263	**722**	647
Pension costs	**570**	557	**352**	344
Share options expense	**29**	29	**29**	29
	21,138	19,579	**8,242**	6,830

The Covid-19 job retention scheme income has been received in the following countries:

	2022 £'000	2021 £'000
UK	**–**	313
The Netherlands	**1,310**	1,113
USA	**251**	254
Poland	**75**	10
	1,636	1,690

(b) Directors' emoluments

	2022 £'000	2021 £'000
Aggregate directors' emoluments (note 30)	**1,810**	1,570
Pension contributions	**52**	42
	1,862	1,612

Directors' emoluments are considered further within the Directors' remuneration report presented on pages 71 and 72.

Notes to the financial statements

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8 Finance income and expense

	2022 £'000	2021 £'000
Bank interest income	**1**	10
Finance income	**1**	10
Bank overdraft interest	**(44)**	(60)
Interest on leases	**(51)**	(30)
Other interest	**–**	(2)
Interest paid	**(95)**	(92)
Pension scheme interest	**(126)**	(140)
Finance expense	**(221)**	(232)
Net finance expense	**(220)**	(222)

9 (a) Taxation

The charge for taxation comprises:

	2022 £'000	2021 £'000
Current tax		
United Kingdom corporation tax	**667**	410
Adjustments in respect of previous years	**(10)**	25
Foreign corporation tax	**120**	30
Group current tax expense	**777**	465
Deferred tax (note 17)		
Origination and reversal of temporary differences	**261**	(40)
Adjustments in respect of previous years	**(5)**	(10)
Adjustments in respect of difference in applicable tax rate	**2**	–
Group deferred tax expense/(credit)	**258**	(50)
Total tax expense on profit	**1,035**	415

Tax relating to items charged to other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax charged through other comprehensive income		
Deferred tax on measurement gains on pension scheme current year	**(145)**	(230)
Deferred tax on revaluation surplus on land and buildings	**(798)**	–
Deferred tax in the Consolidated statement of comprehensive income	**(943)**	(230)

Notes to the financial statements

Continued

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

The tax charge assessed for the year is lower than (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021 – 19%). The differences are explained below:

	2022	2021
	£'000	£'000
Profit before tax	**5,967**	1,592
Profit multiplied by standard rate of corporation tax of 19% (2021 – 19%)	**1,134**	302
Effects of:		
Expenses not deductible for tax purposes	**(247)**	(164)
Adjustments in respect of overseas tax rates	**161**	262
Current tax adjustment in respect of previous years	**(10)**	25
Deferred tax adjustment in respect of previous years	**(5)**	(10)
Deferred tax adjustment in respect of different applicable rates	**2**	–
Total taxation expense for the year	**1,035**	415

9 (c) Factors affecting future tax charge

The rate of corporation tax in the UK will remain at 19% until April 2023 when it will increase to 25%. As the changes have been enacted as at 30th April, 2022, deferred income tax has been provided at 25% or a blended rate depending upon when the underlying temporary timing differences are expected to unwind.

Deferred tax in relation to intangibles recognised on the acquisition of 'MSI-Sign Group B.V.' has been provided at 25.8%, being the main corporation tax rate in The Netherlands.

10 Earnings per share

The calculation of basic earnings per share of 30.9p (2021 – 7.2p) is based on the profit for the year attributable to equity holders of the parent of £4,932,000 (2021 – £1,177,000) and on a weighted average number of ordinary shares in issue of 15,949,691 (2021 – 16,342,816). At 30th April, 2022 there were 1,055,000 (2021 – 380,000) dilutive shares on option with a weighted average effect of 716,575 (2021 – 391,667) giving a diluted earnings per share of 29.6p (2021 – 7.0p).

	2022	2021
	£'000	£'000
Number of ordinary shares in issue at start of the year	**17,841,073**	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**	17,841,073
Weighted average number of shares in issue	**17,841,073**	18,234,198
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	**15,949,691**	16,342,816
Weighted average number of the 1,055,000 (2021 – 380,000) dilutive shares	**716,575**	391,667
Weighted average diluted shares	**16,666,266**	16,734,483
Profit for the year attributable to equity holders of the parent in £	**4,932,000**	1,177,000
Basic earnings per share	**30.9p**	7.2p
Diluted earnings per share	**29.6p**	7.0p

Notes to the financial statements

Continued

11 Dividends paid and proposed

	2022	2021
	£'000	£'000
Declared and paid during the year:		
Final dividend for 2021: 6.5p (2020 – 1.75p)	**1,037**	289
Interim dividend for 2022: 1.75p (2021 – 1.75p)	**279**	289
	1,316	578
Proposed for approval by shareholders at the AGM:		
Final dividend for 2022: 7.5p (2021 – 6.5p)	**1,196**	1,037

12 Property, plant and equipment

(a) Group

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 30th April, 2020	17,746	15,858	**33,604**
Additions	234	547	**781**
Disposals	–	(756)	**(756)**
Acquisition	–	30	**30**
Exchange differences	(389)	(173)	**(562)**
At 30th April, 2021	17,591	15,506	**33,097**
Additions	1,205	1,498	**2,703**
Disposals	–	(978)	**(978)**
Revaluation	2,296	–	**2,296**
Exchange differences	276	80	**356**
At 30th April, 2022	**21,368**	**16,106**	**37,474**
Accumulated depreciation			
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**
Depreciation charge for the year	303	1,072	**1,375**
Disposals	–	(920)	**(920)**
Revaluation	(1,572)	–	**(1,572)**
Exchange differences	27	43	**70**
At 30th April, 2022	**–**	**12,937**	**12,937**
Net book value at 30th April, 2022	**21,368**	**3,169**	**24,537**
Net book value at 30th April, 2021	16,349	2,764	19,113
Analysis of cost or valuation			
At professional valuation	**21,368**	**–**	**21,368**
At cost	**–**	**16,106**	**16,106**
At 30th April, 2022	**21,368**	**16,106**	**37,474**
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

Notes to the financial statements

Continued

12 Property, plant, and equipment (continued)

(b) Company

	Plant and equipment £'000	**Total £'000**
Cost or valuation		
At 30th April, 2020	9,030	**9,030**
Additions	252	**252**
Disposals	(620)	**(620)**
At 30th April, 2021	8,662	**8,662**
Additions	578	**578**
Disposals	(796)	**(796)**
At 30th April, 2022	**8,444**	**8,444**
Accumulated depreciation		
At 30th April, 2020	7,909	**7,909**
Depreciation charge for the year	438	**438**
Disposals	(620)	**(620)**
At 30th April, 2021	7,727	**7,727**
Depreciation charge for the year	474	**474**
Disposals	(774)	**(774)**
At 30th April, 2022	**7,427**	**7,427**
Net book value at 30th April, 2022	**1,017**	**1,017**
Net book value at 30th April, 2021	935	**935**
Analysis of cost or valuation		
At professional valuation	**–**	**–**
At cost	**8,444**	**8,444**
At 30th April, 2022	**8,444**	**8,444**
Analysis of cost or valuation		
At professional valuation	–	–
At cost	8,662	8,662
At 30th April, 2021	8,662	8,662

(c) Within the Group depreciation has not been charged on freehold land which is included at a book value of £5,828,000 (2021 - £4,326,000) at 30th April, 2022. The Company does not hold any freehold land.

(d) At 30th April, 2022 the Group's land and buildings, which consist of manufacturing and office facilities in the USA, Poland, and UK were valued by Real Estate & Appraisal Services Inc (USA), KonSolid-Nieruchomosci (Poland) and Dove Haigh Phillips (UK). 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 £13,772,000 (2021 – £12,364,000) at 30th April, 2022.

The properties in the UK 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.

Notes to the financial statements

Continued

13 Leases

(a) Right-of-use assets

Group	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 30th April, 2020	1,403	50	**1,453**
Disposals	(517)	(29)	**(546)**
Exchange differences	9	–	**9**
At 30th April, 2021	895	21	**916**
Additions	1,327	–	**1,327**
Disposals	–	(11)	**(11)**
Exchange differences	(4)	–	**(4)**
At 30th April, 2022	**2,218**	**10**	**2,228**
Accumulated depreciation			
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**
Depreciation charge for the year	365	6	**371**
Disposals	–	(11)	**(11)**
Exchange differences	3	–	**3**
At 30th April, 2022	**741**	**8**	**749**
Net book value at 30th April, 2022	**1,477**	**2**	**1,479**
Net book value at 30th April, 2021	522	8	530

Notes to the financial statements

Continued

13 Leases (continued)

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

Company

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 30th April, 2020	6,400	–	**6,400**
Additions	–	–	**–**
At 30th April, 2021	6,400	–	**6,400**
Additions	–	–	**–**
At 30th April, 2022	**6,400**	**–**	**6,400**
Accumulated depreciation			
At 30th April, 2020	457	–	**457**
Depreciation charge for the year	457	–	**457**
At 30th April, 2021	914	–	**914**
Depreciation charge for the year	457	–	**457**
At 30th April, 2022	**1,371**	**–**	**1,371**
Net book value at 30th April, 2022	**5,029**	**–**	**5,029**
Net book value at 30th April, 2021	5,486	–	5,486

(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, 2022				
Lease payments	**402**	**1,227**	**–**	**1,629**
Finance charges	**(49)**	**(69)**	**–**	**(118)**
Net present values	**353**	**1,158**	**–**	**1,511**
At 30th April, 2021				
Lease payments	178	402	–	580
Finance charges	(13)	(22)	–	(35)
Net present values	165	380	–	545

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

13 Leases (continued)

(b) Lease liabilities (continued)

Group

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

	2022 £'000	2021 £'000
Expenses relating to lease payments not classified as a lease liability:		
Short-term leases	**66**	110
Leases of low value assets	**25**	25
Total	**91**	135
Expenses relating to lease payments classified a lease liability:		
Depreciation on right-of-use assets	**371**	305
Lease interest	**51**	30
Total	**422**	335

Company

The Company has entered into three property leases with 'MS INTERNATIONAL Estates Ltd'. The remaining duration of these leases is 11 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, 2022				
Lease payments	**560**	**2,240**	**3,360**	**6,160**
Finance charges	**(153)**	**(487)**	**(306)**	**(946)**
Net present values	**407**	**1,753**	**3,054**	**5,214**
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

Notes to the financial statements

Continued

14 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 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**
Additions	–	–	–	–	–	–	–	54	**54**
Exchange differences	(25)	(6)	–	(2)	(56)	(7)	–	–	**(96)**
At 30th April, 2022	**3,025**	**1,036**	**1,370**	**49**	**2,567**	**318**	**279**	**384**	**9,028**
Amortisation									
At 30th April, 2020	271	514	1,359	51	1,796	325	279	330	**4,925**
Amortisation during the 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**
Amortisation during the year	–	61	–	–	156	–	–	10	**227**
Impairment	349	–	–	–	–	–	–	–	**349**
Exchange differences	(15)	(4)	–	(2)	(34)	(7)	–	–	**(62)**
At 30th April, 2022	**961**	**632**	**1,370**	**49**	**2,077**	**318**	**279**	**340**	**6,026**
Net book value at 30th April, 2022	**2,064**	**404**	**–**	**–**	**490**	**–**	**–**	**44**	**3,002**
Net book value at 30th April, 2021	2,423	467	–	–	668	–	–	–	3,558

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 2022 £'000	Goodwill 2021 £'000
'Petrol Station Superstructures' division	**2,064**	2,064
'Corporate Branding' division	**–**	359
	2,064	2,423

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.

During the year management have conducted two value-in-use calculations to assess for impairment. At 31st October, 2021 the value-in-use calculation for the 'Corporate Branding' division indicated an impairment of £349,000, which was expensed to the Consolidated income statement. The Board believed this was appropriate given that the business had suffered losses in the previous two years, partly as a result of Covid-19 travel restrictions.

Notes to the financial statements

Continued

14 Intangible assets (continued)

Impairment testing (continued)

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, which are consistent with the prior year:

- 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.

Based on the above assumptions, the value-in-use calculated at the reporting date for the 'Petrol Station Superstructures' division and the 'Corporate Branding' 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.

Sensitivities to reasonably possible changes in assumptions have been considered for the 'Corporate Branding' division and are summarised below:

- a 1 percentage point reduction in the growth rate from year 3 would not indicate a need for impairment
- a 1 percentage point increase in the discount factor would not indicate a need for impairment
- a 1 percentage point reduction in the growth rate from year 3 combined with a 1 percentage point increase in the discount factor would not indicate a need for impairment.
- a 5% reduction in management's forecasted profit before tax would not indicate a need for impairment.

15 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on pages 73 and 74.

Company	Cost	Impairment	Net book value
At 30th April, 2020	19,998	(1,962)	18,036
Transfer of investment in 'MSI-Forks LLC' to 'MS INTERNATIONAL Inc'	(723)	–	(723)
At 30th April, 2021	19,275	(1,962)	17,313
Investment in 'MS INTERNATIONAL Inc'	813	–	813
At 30th April, 2022	**20,088**	**(1,962)**	**18,126**

16 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 holds a 50% shareholding with 50% of the voting rights in Consorzio Archigia-Petrolsign.

	Group £'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
Equity accounted share of net profits	–
Exchange differences	(2)
At 30th April, 2022	**34**

During the year the Group made sales of £683,000 (2021 – £1,260,000) to Consorzio Archigia-Petrolsign.

Notes to the financial statements

Continued

17 Deferred income tax

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

	2022	2021
	£'000	£'000
Taxation deferred by capital allowances	**190**	(24)
Taxation on other temporary differences	**(43)**	(13)
Taxation on intangibles	**(33)**	(51)
Taxation on defined benefits pension	**147**	48
Adjustments in respect of prior year	**(5)**	(10)
Adjustment in respect of change in rate	**2**	–
Deferred income tax expense/(credit)	**258**	(50)

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

	Group		**Company**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Taxation deferred by capital allowances	**183**	216	**183**	216
Taxation on other temporary differences	**119**	42	**58**	36
Taxation on pension liability	**1,133**	1,348	**1,133**	1,348
Deferred tax asset	**1,435**	1,606	**1,374**	1,600

The movements on the deferred income tax asset are:

Group	Taxation deferred by capital allowances	Taxation on other temporary differences	Taxation on pension liability	**Total**
	£'000	£'000	£'000	**£'000**
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**
Included in the Consolidated income statement	(33)	77	(70)	**(26)**
Included in the Consolidated statement of comprehensive income	–	–	(145)	**(145)**
At 30th April, 2022	**183**	**119**	**1,133**	**1,435**

Notes to the financial statements

Continued

17 Deferred income tax (continued)

Company

Company	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on pension liability £'000	**Total £'000**
At 30th April, 2020	226	22	1,627	**1,875**
Deferred tax included in the Consolidated income statement	(10)	14	(49)	**(45)**
Deferred tax included in the Consolidated statement of comprehensive income	–	–	(230)	**(230)**
At 30th April, 2021	216	36	1,348	**1,600**
Deferred tax included in the Consolidated income statement	(33)	22	(70)	**(81)**
Deferred tax included in the Consolidated statement of comprehensive income	–	–	(145)	**(145)**
At 30th April, 2022	**183**	**58**	**1,133**	**1,374**

The deferred tax liabilities included in the Consolidated statement of financial position are:

	Group	
	2022 £'000	2021 £'000
Taxation deferred by capital allowances	**549**	302
Taxation on intangible assets	**184**	204
Taxation on buildings revaluation	**1,845**	1,047
Deferred tax liability	**2,578**	1,553

There were no tax liabilities (2021 – nil) included in the Company statement of financial position.

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 30th April, 2020	333	7	254	1,047	**1,641**
Deferred tax included in the Consolidated income statement	(31)	(7)	(51)	–	**(89)**
Exchange differences on retranslation included in the Consolidated statement of comprehensive income	–	–	1	–	**1**
At 30th April, 2021	302	–	204	1,047	**1,553**
Deferred tax included in the Consolidated income statement	247	–	(15)	–	**232**
Deferred tax included in the Consolidated statement of comprehensive income	–	–	–	798	**798**
Exchange differences on retranslation included in the Consolidated statement of comprehensive income	–	–	(5)	–	**(5)**
At 30th April, 2022	**549**	**–**	**184**	**1,845**	**2,578**

Deferred income taxation has been provided at the rate enacted at the reporting date of 25% or a blended rate depending upon when the underlying temporary timing differences are expected to unwind.

Notes to the financial statements

Continued

18 Inventories

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Raw materials	**7,211**	5,892	**1,765**	453
Work in progress	**8,562**	6,258	**679**	992
Finished goods	**554**	273	**148**	53
	16,327	12,423	**2,592**	1,498

Details of the Group and Company's inventory provisions are as follows:

	Group	Company
	£'000	**£'000**
At 30th April, 2020	451	29
Inventory provision released during the year	(32)	(20)
Exchange differences	(2)	–
At 30th April, 2021	417	9
Inventory provision expensed/(released) during the year	147	(5)
Exchange differences	(2)	–
At 30th April, 2022	**562**	**4**

19 Trade and other receivables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade receivables (net of allowance for expected credit losses)	**10,167**	8,764	**2,366**	2,184
Amounts owed by subsidiary undertakings	**–**	–	**13,024**	13,872
Amounts owed by joint venture	**228**	130	**–**	–
Other receivables	**1,001**	475	**4**	79
	11,396	9,369	**15,394**	16,135

(a) Trade receivables

Trade receivables are denominated in the following currencies.

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Sterling	**5,554**	6,112	**1,576**	1,675
Euro	**1,786**	1,692	**790**	509
US dollar	**2,406**	695	**–**	–
Other currencies	**421**	265	**–**	–
	10,167	8,764	**2,366**	2,184

Notes to the financial statements

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19 Trade and other receivables (continued)

(a) Trade receivables (continued)

Trade receivables are non-interest bearing, generally have 30 day terms, and are shown net of provision for expected credit losses. The aged analysis of trade receivables after provision for expected credit losses is as follows:

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Not past due	**7,234**	7,268	**2,316**	2,033
< 30 days	**2,062**	1,381	**24**	122
30-60 days	**64**	102	**19**	28
60-90 days	**11**	28	**8**	–
> 90 days	**796**	(15)	**(1)**	1
Total	**10,167**	8,764	**2,366**	2,184

In the Group, trade receivables with a nominal value of £52,000 (2021 – £43,000) were impaired and fully provided as at 30th April, 2022. During the year, bad debts of £20,000 (2021 – £81,000) were recovered and bad debts of £29,000 (2021 – £16,000) were incurred.

In the Company, trade receivables with a nominal value of £33,000 (2021 – £11,000) were impaired and fully provided as at 30th April, 2022. During the year, bad debts of £7,000 (2021 – £69,000) were recovered and bad debts of £29,000 (2021 – £7,000) were incurred.

(b) Amounts owed by joint venture

Amounts owed by joint venture are non-interest bearing and have 30 day terms. The aged analysis of amounts owed by joint venture net of provision for expected credit losses as follows:

	Group	
	2022	2021
	£'000	£'000
Not past due	**135**	50
< 30 days	**47**	33
30-60 days	**34**	41
60-90 days	**12**	6
Total	**228**	130

At 30th April, 2022 there was no provision for expected credit losses relating to amounts owed by joint venture (2021 – nil).

(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 (2021 – 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:

	2022	2021
	£'000	£'000
Amounts due from companies backed by liquid assets	**7,099**	7,587
Amounts due from 'MS INTERNATIONAL Estates Limited'	**5,925**	6,285
	13,024	13,872

Notes to the financial statements

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20 Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents	**18,092**	17,390	**3,258**	943
Restricted cash held in Escrow – maturing in more than 90 days	**1,158**	6,165	**–**	–
Total cash	**19,250**	23,555	**3,258**	943

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents (note 20)	**18,092**	17,390	**3,258**	943
Restricted cash held in Escrow	**1,158**	6,165	**–**	–
Lease liabilities (note 13)	**(1,511)**	(545)	**(5,214)**	(5,609)
	17,739	23,010	**(1,956)**	(4,666)

Group movement in net funds

	Cash and cash equivalents (note 20)	Restricted cash held in escrow (note 20)	Lease liabilities (note 13)	Total
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)**
Leases on acquisition	–	–	402	**402**
Other changes	–	–	(29)	**(29)**
At 30th April, 2021	17,390	6,165	(545)	**23,010**
Cash flows	657	(5,007)	405	**(3,945)**
Foreign exchange adjustments	45	–	7	**52**
New leases	–	–	(1,327)	**(1,327)**
Other changes	–	–	(51)	**(51)**
At 30th April, 2022	**18,092**	**1,158**	**(1,511)**	**17,739**

Company movement in net funds

	Cash and cash equivalents (note 20)	Lease liabilities (note 13)	Total
At 30th April, 2020	(391)	(5,992)	**(6,383)**
Cash flows	1,334	560	**1,894**
Other changes	–	(177)	**(177)**
At 30th April, 2021	943	(5,609)	**(4,666)**
Cash flows	2,315	560	**2,875**
Other changes	–	(165)	**(165)**
At 30th April, 2022	**3,258**	**(5,214)**	**(1,956)**

Notes to the financial statements

Continued

22 Issued capital

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2021 – 35,000,000)	**3,500**	3,500	**3,500**	3,500
Allotted, issued and fully paid – 17,841,073 (2021 – 17,841,073)	**1,784**	1,784	**1,784**	1,784

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.

Treasury shares

The treasury shares reserve is detailed as follows:

	2022	2021
	£'000	£'000
Employee Share Ownership Trust	**100**	100
Shares in treasury (see below)	**2,689**	2,689
	2,789	2,789

The Employee Share Ownership Trust ("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 trustee of the ESOT is Appleby Trust (Jersey) Ltd, an independent company registered in Jersey.

The trust has purchased an aggregate 245,048 (2021 – 245,048) ordinary shares, which represents 1.5% (2021 – 1.5%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 30th April, 2022 was £728,000 (2021 – £380,000). The Company has not made any payments (2021 – nil) into the ESOT bank accounts during the year. 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 year amounts to £1,000 (2021 – £3,000). During the year, no options have been granted over shares (2021 – nil), no options on shares were exercised (2021 – nil) and no shares were purchased (2021 – nil) (note 31).

Notes to the financial statements

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23 Reserves (continued)

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**

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.
- From 1st June, 2007 the Company has operated a defined contributions scheme for its UK employees which is administered by a UK pension provider.
- The last formal valuation of the Scheme was performed at 7th May, 2021 by a professionally qualified actuary.
- The Company directly pays the expenses of the Scheme. The total pension scheme expenses incurred by the Company during the year were £237,000 (2021: £217,000).
- Deficit reduction contributions paid into the Scheme by the Company are £900,000 per annum. The deficit reduction contributions are paid on a quarterly basis with the first having been 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 £900,000 (2021 – £600,000).
- At 30th April, 2022 the present value of the contracted future deficit reduction contributions was £4,720,000, which was greater than the net scheme liability of £3,594,000. As the Company does not have an unconditional right to the economic benefits arising from this surplus, a liability of £1,126,000 has been recognised within the financial statements in accordance with IFRIC 14.

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	**2022**	2021
Discount rate at year–end	**3.10%**	1.90%
Future salary increases	**4.30%**	3.80%
Pension increases – RPI inflation	**3.80%**	3.30%
Pension increases – CPI inflation	**2.90%**	2.40%
Life expectancy of current male pensioners (from age 65)	**21.2 yrs**	21.2 yrs
Life expectancy of current female pensioners (from age 65)	**23.6 yrs**	23.6 yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £1.49m.

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.07m.

A 0.5% decrease in the inflation assumptions would lead to a decrease in past service liabilities of around £0.49m.

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

The average duration of the scheme is 11.5 years.

Notes to the financial statements

Continued

24 Pension liability (continued)

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 (GMP) to its members. In broad terms, this replicated the pension which the members would have earned under SERPS.

In October 2018, the High Court ruled that schemes were required to equalise GMPs between men and women. As a result, 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,

In November 2020 a court ruling confirmed that historic statutory transfer values paid out of schemes before 2018 also 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

	2022	2021
	£'000	£'000
Present value of obligations	**(26,164)**	(30,336)
Fair value of plan assets	**22,570**	23,241
Liability arising from IFRIC 14	**(1,126)**	–
Net liability	**(4,720)**	(7,095)

Income statement

	2022	2021
	£'000	£'000
Interest on net liabilities	**126**	140
Administration expenses	**–**	–
Total income statement cost	**126**	140

Change in defined benefit obligation

	2022	2020
	£'000	£'000
Opening defined benefit obligation	**(30,336)**	(30,816)
Interest cost	**(561)**	(509)
Experience (losses)/gains arising on scheme liabilities	**(67)**	22
Changes in financial assumptions underlying the present value of scheme liabilities	**26**	(298)
Actuarial gains/(losses) on scheme liabilities	**3,344**	(116)
Net benefits paid	**1,430**	1,586
Past service costs	**–**	(205)
Defined benefit obligation	**(26,164)**	(30,336)

Change in fair value of plan assets

	2022	2021
	£'000	£'000
Opening fair value of plan assets	**23,241**	22,253
Interest income on assets	**435**	369
Remeasurement (losses)/gains on scheme assets	**(576)**	1,605
Deficit reduction contributions by employer	**900**	600
Net benefits paid	**(1,430)**	(1,586)
Fair value of plan assets	**22,570**	23,241

Notes to the financial statements

Continued

24 Pension liability (continued)

Statement of comprehensive income

	2022	2021
	£'000	£'000
Return on plan assets (below)/in excess of that recognised in net interest	**(576)**	1,605
Remeasurement gains/(losses)	**3,303**	(392)
Remeasurement loss arising from IFRIC 14 liability	**(1,126)**	–
Total remeasurement gains credited to Statement of comprehensive income	**1,601**	1,213

	2022	2021
	£'000	£'000
Expected deficit reduction contributions into the Scheme during next accounting year:	**900**	900

Breakdown of plan assets

	Plan assets	**Asset allocation**
Breakdown of assets at 30th April, 2022	**£'000**	
Equities – UK market	**841**	**4%**
Growth Fund	**10,226**	**45%**
Bond fund	**5,434**	**24%**
Credit Investment Fund	**3,822**	**17%**
LDI	**1,961**	**9%**
Cash/other	**286**	**1%**
	22,570	**100%**

	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%

Notes to the financial statements

Continued

25 Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Trade payables	**6,997**	5,495	**3,200**	2,487
Amounts owed to subsidiary undertakings	**–**	–	**1,970**	1,098
Amounts owed to joint ventures	**8**	9	**–**	–
Other payables	**1,120**	1,090	**437**	429
Accruals	**6,051**	5,816	**1,461**	1,220
	14,176	12,410	**7,068**	5,234

26 Contracts with customers

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

	Group		Company	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Current contract assets	**1,773**	1,998	**–**	–
Current contract liabilities	**(18,329)**	(21,192)	**(622)**	(874)
Net contract liabilities	**(16,556)**	(19,194)	**(622)**	(874)

At 30th April, 2022 there was no provision for expected credit losses relating to contract assets (2021 – nil).

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

	Group	Company
	£'000	**£'000**
Contract liabilities as at 30th April, 2021	21,192	874
New contract liabilities	31,325	5,062
Revenue recognised in the year:		
– that was included in the contract liability balance as at 30th April, 2021	(11,306)	(874)
– relating to new contract liabilities in the year	(23,413)	(4,440)
Other movements	(259)	–
Exchange differences	790	–
Contract liabilities as at 30th April, 2022	**18,329**	**622**

Of the existing contracts that were unsatisfied or partially unsatisfied at 30th April, 2022, revenue is expected to be recognised as follows:

	Group	Company
	£'000	**£'000**
2023	11,182	622
2024	7,147	–
Total	**18,329**	**622**

Notes to the financial statements

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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 £18,092,000 with a further £1,158,000 of restricted cash held in Escrow (2021 – £17,390,000 with £6,165,000 in Escrow). The Company had a cash and cash equivalents balance of £3,258,000 (2021 – £943,000).

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 not maximising interest income on cash balances.

If interest rates had been 0.5% higher/lower and all other variables were held constant, there would have been nil impact on the profit before tax (2021 – £25,000 and £13,000 respectively).

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, 2022 these currency exposures are as follows:-

Group	**Sterling £'000**	**US Dollar £'000**	**Euro £'000**	**Others £'000**	**Total £'000**
2022					
Cash and cash equivalents	**8**	**3,899**	**2,041**	**38**	**5,986**
Trade and other receivables	**–**	**–**	**918**	**–**	**918**
Trade and other payables	**–**	**(96)**	**(1,663)**	**(1)**	**(1,760)**
Total	**8**	**3,803**	**1,296**	**37**	**5,144**
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

Notes to the financial statements

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27 Financial instruments (continued)

Company	Sterling £'000	US Dollar £'000	Euro £'000	Others £'000	Total £'000
2022					
Cash and cash equivalents	**–**	**524**	**1,039**	**12**	**1,575**
Trade and other receivables	**–**	**3,882**	**3,701**	**–**	**7,583**
Trade and other payables	**–**	**(899)**	**(1,210)**	**–**	**(2,109)**
Total	**–**	**3,507**	**3,530**	**12**	**7,049**
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

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	8	3,622	1,234	32	4,896
Company	–	3,339	3,362	12	6,713

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 30th April, 2022 and 30th April, 2021.

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 and contract assets are written off (i.e. derecognised) when there is no reasonable expectation of recovery.

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

28 Capital commitments

	Group		Company	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Contracted but not provided in the financial statements	**47**	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 £1,293,000 at 30th April, 2022 (2021 – £4,165,000).

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 £1,225,000 (2021 – £824,000)
Sales of goods and services £5,345,000 (2021 – £4,591,000)

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, 2022.

Amounts owed to the Company £13,024,000 (2021 – £13,872,000)
Amounts owed by the Company £1,970,000 (2021 – £1,098,000)

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

Purchases of goods and services £nil (2021 – £nil)
Sales of goods and services £683,000 (2021 – £1,260,000)

The following balances between the Group and the joint venture are included in the Consolidated statement of financial position as at 30th April, 2022.

Amounts owed by joint venture £228,000 (2021 – £130,000)
Amounts owed to joint venture £8,000 (2021 – £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	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
Short-term employee benefits	**1,810**	1,570	**1,671**	1,431
Pension contributions	**52**	42	**52**	42
Social security costs	**203**	177	**185**	159
Share option expense	**13**	13	**13**	13
See Directors' remuneration report on pages 70 to 72	**2,078**	1,802	**1,921**	1,645

31 Share-based payments

The Group operates two employee share option schemes: MS INTERNATIONAL plc Long Term Incentive Plan and the MS INTERNATIONAL plc Company Share Option Plan.

Under the terms of the MS INTERNATIONAL plc Long Term Incentive Plan, options are exercisable at a price of nil 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. At the reporting date, this target had not been met.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, options are exercisable in three equal amounts at three, four and five years after the date of grant at a price of £1.41. Of the 1,000,000 share options outstanding at the 30th April, 2022, there was a total of 620,000 non tax-advantaged share options and 380,000 tax-advantaged share options. The non-tax advantaged share options are subject to meeting a share price target of £2 per share for 90 consecutive days. This was achieved on 29th October, 2021. The tax-advantaged options do not have a share price target.

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 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.

The contractual life of all of the options is 10 years and there are no cash settlement alternatives. The weighted average remaining contractual life is 8 years.

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 Number	Long Term Incentive Plan WAEP	Company Share Option Plan Number	Company Share Option Plan WAEP	Total Number	Total 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
Granted in year	–	–	–	–	–	–
Forfeited/lapsed in year	–	–	–	–	–	–
Exercised in year	–	–	–	–	–	–
Outstanding at 30th April, 2022	**500,000**	**–**	**1,000,000**	**£1.41**	**1,500,000**	**£0.94**

The Group recognised a total charge of £29,000 (2021 – £29,000) in relation to equity-settled share-based payment transactions. At 30th April, 2022 there were no share options exercisable in either the LTIP or CSOP share option schemes (2021 – nil).

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 (2021: £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, 2022 and 30th April, 2021.

Capital comprises equity attributable to the equity holders of the parent company £38,575,000 (2021 – £31,036,000).

Summary of Group results 2018 – 2022

CONSOLIDATED INCOME STATEMENT

	2022	2021	2020	2019	2018
	£'000	£'000	£'000	£'000	£'000
Group revenue	**74,524**	61,539	61,153	77,708	68,085
Group operating profit/(loss)	**6,187**	1,786	(3,119)	4,996	4,253
Share of joint venture profit	**–**	28	–	–	–
Finance costs	**(220)**	(222)	(134)	(209)	(214)
Profit/(loss) before taxation	**5,967**	1,592	(3,253)	4,787	4,039
Taxation	**(1,035)**	(415)	762	(975)	(653)
Profit/(loss) for the year	**4,932**	1,177	(2,491)	3,812	3,386

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2022	2021	2020	2019	2018
Assets employed:					
Intangible assets	**3,002**	3,558	4,140	4,483	4,893
Property, plant and equipment	**24,537**	19,113	20,111	20,426	20,766
Right-of-use assets	**1,479**	530	1,214	–	–
Investments	**34**	36	–	–	–
Other net current liabilities	**(2,706)**	(8,334)	(2,240)	(4,784)	(1,171)
Cash, cash equivalents, and restricted cash	**19,250**	23,555	16,125	22,886	15,866
Current net assets employed	**45,596**	38,458	39,350	43,011	40,354
Financed by:					
Ordinary share capital	**1,784**	1,784	1,840	1,840	1,840
Reserves	**36,791**	29,252	28,288	33,958	31,560
Shareholders' funds	**38,575**	31,036	30,128	35,798	33,400
Net non-current liabilities	**7,021**	7,422	9,222	7,213	6,954
	45,596	38,458	39,350	43,011	40,354

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 Nicholas 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 and David Hansell are members of both committees, with Roger Lane-Smith serving as Chairman.

The Audit Committee normally meets two or three times 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 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 and bonuses, of each of the executive directors.

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, 2022 was as follows:

	Board	Audit Committee	Remuneration Committee
Number of meetings in the year	6	3	1
Michael Bell	6	–	–
Michael O'Connell	6	–	–
Nicholas Bell	6	–	–
Roger Lane-Smith	4	3	1
David Hansell	4	3	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 directors routinely attend the AGM and are available to answer any questions raised by shareholders. Shareholders can engage with the Company between AGMs by contacting the Company Secretary, Shelley Ashcroft (shelley.ashcroft@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 report.

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, managers, 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, Shelley Ashcroft (shelley.ashcroft@msiplc.com). The Board also contacts significant institutional investors as and when appropriate.

Audit Committee report

Committee governance

Roger Lane-Smith and David Hansell were members of the Audit Committee throughout the year under review, with Roger Lane-Smith serving as Chairman. Both have considerable experience in senior financial and commercial operational roles with extensive knowledge of the Group's operations, related financial risks and internal control.

The committee meets two or three times 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 advise 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 2022 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 2022 Annual Report met these requirements.

The key issues and accounting policies considered by the Audit Committee in relation to the 2022 Annual Report were:

- The factors used for the impairment assessment of the carrying value of the Group's intangible assets
- The revenue recognition of contract accounting.

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
27th June, 2022

Remuneration Committee report

Committee governance

Roger Lane-Smith and David Hansell were members of the Remuneration Committee throughout the year under review, with Roger-Lane Smith serving as Chairman. Both have considerable experience in senior financial and commercial operational roles with extensive knowledge of the Group's operations.

The committee meets as required. One meeting was 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 and bonuses, of each executive director.

Review of directors' remuneration packages

The Remuneration Committee believes that the current basic salaries and bonus award system for the executive directors remain appropriate.

The Remuneration Committee has approved the award of bonuses in line with the executive directors' bonus scheme rules. Total bonus to be paid to the executive directors amounts to £399,000.

Share options

There are currently two share options plans in place in which the executive directors hold share options: MS INTERNATIONAL plc Long Term Incentive Plan (LTIP) and MS INTERNATIONAL plc Company Share Option Plan (CSOP).

Two executive directors have been granted a total of 500,000 shares under the LTIP scheme at a price of £nil. These 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. At the reporting date, the share price performance target of £3 had not been met.

Three executive directors have been granted a total of 60,000 tax advantaged share options and 210,000 non-tax advantaged share options under the CSOP scheme at a price of £1.41. The options are exercisable in three equal instalments at three, four and five years after the date of grant. The tax advantaged share options are not subject to any share price performance targets. The non-tax advantaged share options are subject to meeting a share price target of £2 per share for 90 consecutive days. The share price target was met on 29th October, 2021.

Roger Lane-Smith

Chairman
Remuneration Committee
27th June, 2022

Report of the directors

The directors present their report together with the Group financial statements for the year ended 30th April, 2022. The directors present their Corporate governance statement on pages 60 to 62 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 and Strategic report on pages 3 to 4 and 7 to 9 respectively.

2 Results and dividends

The profit for the year attributable to shareholders amounted to £4,932,000 (2021 – £1,177,000). The directors recommend a final dividend of 7.5 pence per share (2021 – 6.5 pence per share), making a total of 9.25 pence per share (2021 – 8.25 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 and Strategic report on pages 3 to 4 and 7 to 9 respectively.

At 30th April, 2022, the Group held cash and cash equivalents of £18.09m with a further £1.12m 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 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. Despite the easing of Covid-19 restrictions, the Group still faces challenges and uncertainties. The increase in inflation, the cost and supply of raw materials, and soaring energy prices are all challenges for the Group. However, management remain vigilant and are regularly monitoring the impact of these external factors in order to mitigate any impact upon the business.

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 £1,416,000 (2021: £1,064,000).

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 27th June, 2022 are shown on page 5.

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, 2022	% of share capital held at 27th June, 2022
Michael Bell	17.5%	17.5%
Ms Adrienne Bell	13.6%	13.6%
Stonehage Fleming Investment Management	13.3%	13.3%
David Pyle	10.9%	10.9%
Michael O'Connell	9.2%	9.2%
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 27th June, 2022.

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

As an AIM listed company, MS INTERNATIONAL plc has to report on its UK energy usage and carbon emissions. This includes all companies within the Group that reside in the United Kingdom.

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, 2021, and the financial year ended 30th April, 2022 were collated in kilowatt hours and converted to tCO_2e using government 2021 standard conversion factors published on 9th June, 2020. In the year ended 30th April, 2021 7.55m kilowatt hours were consumed within the UK, which is the equivalent of 1,629 tonnes of CO_2 emissions. While the total consumption in kilowatt hours increased slightly in the year ended 30th April, 2022 to 7.81m kilowatt hours, there has been an overall reduction in CO_2 emissions by 33.38 $CO_2$2 to the equivalent of 1,595 tonnes of CO_2 emissions. This is mainly as a result of reductions in the use of LPG and transport diesel of 11 tonne and 12 tonne respectively.

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 36.71 CO_2 tonnes per £1m of UK sales in the year ended 30th April, 2021 to 30.30 CO_2 tonnes per £1m of UK sales in the year ended 30th April, 2022.

The reduction in consumption has been largely due to projects undertaken at both the Doncaster and Norwich sites. At the Doncaster site, the compressed air control system has been upgraded to include automatic switching at the start and end of each shift. In addition, a separate air compressor for the heat treatment furnace doors has been fitted, which enables the main door compressors to be turned off outside of factory working hours. At the Norwich site projects that have reduced energy consumption 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. Plans to install a solar panel array have been submitted and are currently waiting approval. 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, 2022 include the potential replacement of existing furnace burners with higher efficiency options and the commencement of a Carbon Footprint Report with the aim of identifying further areas for energy saving. 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 27th June, 2022 the Company's issued share capital comprised:

	Number	£'000	% of total share
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 27th June, 2022. 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 28th October, 2023 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 27th June, 2022, 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 5. 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 UK adopted International Accounting Standards, 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,

Shelley Ashcroft
Company Secretary

27th June, 2022

Directors' remuneration report

Information not subject to audit

Policy on remuneration of executive directors

The Remuneration Committee currently comprises Roger Lane-Smith and David Hansell. It aims to ensure that remuneration packages and service contracts are competitive and are 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. Total bonus payments achieved for the year ended 30th April, 2022 amounted to 38.0% (2021 – 16.4%) of total executive basic salaries.

The Remuneration Committee consider the £349,000 charge to the Consolidated income statement for the 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, 2022 has been based on an adjusted Group profit before impairment and taxation of £6,326,000.

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 355,000 share options were granted to four directors under the terms of the 2020 MS INTERNATIONAL plc Company Share Option Plan.

4. Pension contributions

Pension contributions are calculated as a percentage of basic pay and bonus only. The executive directors have full discretion as to how they choose to invest their pension contributions. All pension contributions for executive directors over the age of 65 ceased from 30th April, 2015.

5. Other benefits

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 year to 30th April, 2022.

	2022 Basic salary and fees £	2021 Basic salary and fees £	**2022 Additional salary £**	2021 Additional salary £	**2022 Other benefits £**	2021 Other benefits £	**2022 Bonus £**	2021 Bonus £	**2022 Total £**	2021 Total £
Michael Bell	**500,000**	491,917	**–**	–	**66,935**	58,504	**199,262**	72,140	**766,197**	622,561
Michael O'Connell	**300,000**	295,250	**–**	–	**8,079**	7,230	**99,631**	61,070	**407,710**	363,550
Nicholas Bell	**250,000**	246,083	**–**	–	**7,560**	25,015	**99,631**	36,070	**357,191**	307,168
David Hansell	**60,000**	59,250	**138,700**	138,700	**–**	–	**–**	–	**198,700**	197,950
Roger Lane-Smith	**80,000**	78,917	**–**	–	**–**	–	**–**	–	**80,000**	78,917

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	**2022 Total £**	2021 Total £
Michael Bell	**–**	–
Michael O'Connell	**–**	–
Nicholas Bell	**52,445**	42,323
Roger Lane-Smith	**–**	–
David Hansell	**–**	–

Directors' share options

Share options

The directors have the following interests in share options granted in the Long Term Incentive Plan and Company Share Option Plan:

		Long Term Incentive Plan		**Company Share Option Plan**		
Director	**Date issued**	**Exercise Price**	**Number**	**Exercise Price**	**Number**	**Total Number**
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. At the reporting date, the share price target had not been met.

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. On 29th October, 2021 the share price performance target had been met. 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,

Shelley Ashcroft
Company Secretary

27th June, 2022

List of subsidiaries

(1) Principal operating subsidiaries by division

Company	Registered address	Description	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 forecourts.	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 forecourts.	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-trading subsidiaries

Conder Ltd.

Global-MSI (Overseas) Ltd.

M D M Investments Ltd.

Mechforge Ltd.

MS INTERNATIONAL Inc

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 with the exception of MS INTERNATIOANAL Inc, which is registered in the USA.
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 and MS INTERNATIONAL Inc, which is a holding company for the trading companies within the USA.

MSI