MS INTERNATIONAL plc

Annual Report 2020

Company Registration Number 00653735

Contents

The year in brief

	2020 Total £'000	2019 Total £'000
Revenue	**61,153**	77,708
(Loss)/profit before taxation	**(3,253)**	4,787
(Loss)/earnings per share: basic and diluted	**(15.1p)**	23.1p
Dividends payable per share	**3.50p**	8.25p

Financial Calendar Key Dates

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

Chairman's statement

Results and Review

A year ago, in my Chairman's Statement, I stated that we were approaching 'very interesting times'. At that juncture, we were reasonably confident of making good progress throughout the coming year, although it later became evident that global, political and economic uncertainty was gathering momentum and our businesses would not be immune from its effects, as evidenced in our half year results.

What we could not foresee was the advent of the 'Covid-19' pandemic and the devastating effects that it would have on the whole global economy, let alone our diverse businesses. The imposed restrictions on movement in terms of personnel and goods seriously impacted both our national and widespread international trading activities.

Nevertheless, our commitment to research and development across our 'Defence' business continued unabated. During the period we expended some £2.00m (2019 – £0.96m) on expanding our portfolio of small/medium calibre naval and land based stabilised weapon systems.

I am however, bitterly disappointed to report a loss before taxation for the year ending 30th April, 2020, amounting to £3.25m (2019 – profit £4.79m) and a loss per share of 15.1p (2019 – profit per share 23.1p) on revenue of £61.15m (2019 – £77.71m). Notwithstanding, the all-important balance sheet has remained strong with cash at a very healthy £16.30m (2019 – £22.89m) and no borrowings, excluding lease liabilities.

Outlook

Whilst prospects for the global economy are most uncertain and the current downturn could be prolonged, we remain keenly confident in the future success of our businesses. We believe that what we have been doing, and will continue to do, particularly in terms of developing innovative and creative new products while simultaneously upgrading existing ones, is the proven, right approach for the markets we serve that will deliver long term rewards. Furthermore, we will strive to expand our services beyond the current customer base into market sectors that have similar product requirements.

'**Defence**' – we will continue to invest in new product development, not only for naval applications but also suitable for wider land-based systems. Recent innovations have attracted considerable attention across international markets, and it is most pleasing to report that some very exciting opportunities are now being converted into much more serious sales prospects.

'**Forgings**' – our UK operations have been restructured to align with the changing requirements of the national and international markets we serve. We continue to invest in our highly successful United States based manufacturing operations and we are progressively gaining market share.

'**Petrol Station Superstructures**' – pent-up demand that resulted from the pandemic 'close-down' is starting to be unleashed as markets open up again for new construction and essential maintenance work on existing sites. Our UK based operations will directly benefit as will those we have in Poland, from where we design, supply, erect and maintain petrol station structures across many parts of eastern and northern Europe.

'**Petrol Station Branding**' – our UK and much larger European mainland operations should also achieve a similar strong recovery as international borders are reopened. The two signage and corporate branding businesses we acquired in the Netherlands last year both serve broader sectors than our traditional customer base. They will greatly assist the expansion of the division to include other signage markets such as 'Hospitality', – hotels and conference centres; 'Automotive' – motor car showrooms; 'Wayfinding' – relating to airports, holiday theme parks etc., thus adding to our strong petrol station market position. The enlarged division will be addressed as the MSI-Sign Group.

Chairman's statement

Outlook continued

It is appropriate on this occasion to express my appreciation to all our employees, for their understanding and commitment to the business, during what has been a most challenging and disruptive year for everyone.

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

We remain committed to moving the business forward again and with the unprecedented experience of the past three months almost behind us, we have the resilience, experience and dedication, along with a great team of people, to achieve our aim. Most importantly, we also enjoy significantly strong financial resources to support and develop opportunities as they arise.

At present the global outlook may be unclear, but with recent positive steps out of the 'lockdown', we are confident that we have the wherewithal not only to progressively recover but also to prosper and take advantage of many exciting opportunities.

All matters considered the Board recommends the payment of a prudent final dividend of 1.75p per share (2019 – 6.5p) making a total for the year of 3.5p (2019 – 8.25p). The final dividend is expected to be paid on 14th August, 2020, to those shareholders on the register at the close of business on 17th July, 2020.

Michael Bell

Michael Bell
30th June, 2020

Directors

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

Nicholas Bell

Non-executive

Roger Lane-Smith – Age 74

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

David Hansell – Age 75

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

Company Secretary

David Kirkup FCA

Registered Office

Balby Carr Bank

Doncaster

DN4 8DH

England

Company Registration Number 00653735

Advisors

Independent Auditor

Grant Thornton UK LLP
1 Holly Street
Sheffield
S1 2GT

Registrars and Transfer Office

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

Solicitors

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

Nominated Advisors

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

Brokers

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

Bankers

Lloyds Bank
First Floor
14 Church Street
Sheffield
S1 1HP

Strategic report

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

Strategy

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

Business review

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

A review of the operations of the Company and subsidiaries and their position at 30th April, 2020 are provided in the Chairman's Statement.

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

The Group incurred a loss before taxation of £3.253m (2019 – profit before taxation – £4.787m). The effect of Covid-19 on the business for the year is estimated to be a reduction in turnover of £3.91m.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group relate to levels of customer demand for the Group's products and services. Customer demand is driven mainly by general economic conditions but also by pricing, product quality and delivery performance of MS INTERNATIONAL plc and in comparison with our competitors.

The detrimental effect of Covid-19 on the business has continued into 2020/21. The Group has taken measures, including furloughing employees and temporary closures of some operations, to minimise the adverse impact. The Group will continue to be faced with the resulting uncertainty until normal conditions resume.

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

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

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

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

Sterling exchange rates against other currencies can influence pricing. The principal financial risks and uncertainties in the business are set out in note 27 "Financial Instruments" to these Group financial statements.

Key performance indicators

	2020	2019	Change
	£'000	£'000	%
Revenue	**61,153**	77,708	(21.3)
(Loss)/profit before taxation	**(3,253)**	4,787	(168.0)
(Loss)/earnings per share	**(15.1p)**	23.1p	(165.4)

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

Strategic report

Continued

Cash flow

The Group had a cash outflow from operating activities of £3.33m (2019 – £9.07m inflow). This was before capital expenditure of £0.72m (2019 – £0.89m) and acquisition costs of £1.18m for the specialist corporate branding businesses in The Netherlands.

Research and initial development costs of £2.0m (2019 – £0.96m) were expended during the year, primarily on the continuing development of the portfolio of small to medium calibre naval, land-based and other stabilised weapon systems that the 'Defence' business offers to its worldwide customer base.

Closing cash and cash equivalents were £16.1m (2019 – £22.9m) including customer progress payments on account of £13.37m (2019 – £13.65m).

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 57 to 59.

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

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

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

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

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

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

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

Strategic report

Continued

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

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

By order of the Board,

David Kirkup
Secretary

30th June, 2020

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the directors to prepare such financial statements for each financial year. Under that law, the directors have prepared Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the directors' have elected to prepare Parent Company financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group 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 the Group and Parent Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- 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.

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 2020 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and company statement of changes in equity, the Consolidated and company statements of financial position, the Consolidated and company cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of the relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with these particular events.

Conclusions relating to going concern

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

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

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

Continued

In our evaluation of the directors' conclusions, we considered the risks associated with the group and parent company's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group and parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and parent company will continue in operation.

Overview of our audit approach

- Overall materiality: £335,000, which represents 0.5% of the group's revenue;
- Key audit matters were identified as:
  - Non-contract revenue has a potential for misstatement
  - Contract revenue has a potential for misstatement
  - Going concern
- Audit scope:
  - A full scope audit was performed of the financial statements of the company, and all components determined to be significant.
  - A specified audit procedures approach was adopted for components not considered to be significant.
  - The components where we performed full or specified audit procedures accounted for 98% of revenue and 98% of gross profit.

Key audit matters

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

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

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

Continued

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

Key Audit Matter - Group and parent	How the matter was addressed in the audit - Group and parent
Going concern As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	We undertook procedures to evaluate management's assessment of the impact of Covid-19 on the company's forecasted earnings before interest and tax (EBIT) and net assets. This included, but was not restricted to: ● Obtaining management's original forecasts covering the period to July 2021. We assessed how these forecasts were compiled, including assessing their accuracy by validating the reasonableness of underlying assumptions; ● Assessing the reliability of management's forecasting by comparing the accuracy of actual financial performance to the forecast information; ● Obtaining management's revised forecasts prepared to assess the potential impact of Covid-19. We evaluated the assumptions applied, including the reduction in revenue and the resulting effect on the forecasted EBIT and net assets during the estimated period of Covid-19, for reasonableness and determined whether they had been applied accurately. We also considered whether the assumptions are consistent with our understanding of the business; ● Assessing management's cash position along with the level of subsequent trade to determine the impact of the pandemic on the net asset position. This assessment included the corroboration of mitigating actions taken by management to relevant documentation and evaluation of their application in the revised forecasts for accuracy; ● Performing sensitivity analysis on management's revised forecasts to determine the reduction in EBIT and net assets that would lead to elimination of the headroom in their original cash flow forecasts; and ● Assessing the adequacy of the going concern disclosures included within the financial statements. . **Key observations** Based on the procedures performed, we have identified no issues regarding management's assessment of the impact of Covid-19 on the company's forecasted EBIT and net assets. We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

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

Continued

Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£335,000 which is 0.5% of group total revenues. 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.	£268,000 which is 0.8% of total assets, capped at component materiality which is 80% of group materiality. This benchmark is considered the most appropriate because this is the most relevant performance measure to the stakeholders of the parent company, as this is identified as a KPI within the Strategic report.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and all other related party transactions.
Communication of misstatements to the audit committee	£16,750 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£13,400 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

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

- an evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. We based our assessment as to the significance of the components by reference to the percentage of the group's total assets, revenues and gross profit. We did not identify any significant components based on qualitative factors, such as specific uses or concerns over specific components
- we deemed the parent company to be a significant component and performed a full comprehensive audit
- we conducted planning and interim visits, and evaluated the group's internal controls environment including its IT systems and controls
- we evaluated the risk associated with the components of the group and selected the 6 components which were material to the group for full scope audit or specified audit procedures. We performed full scope audit procedures on 2 of these components which were identified as significant to the group and specified audit procedures on the remaining 4 components which were not considered significant to the group. Full scope audit procedures were performed for entities comprising 64% of external revenues and 64% of gross profit. Specified audit procedures, including over revenue, were performed over components accounting for a further 26% of revenue and 26% of gross profit.
- In the current year we have reduced the number of components where we have performed full scope audit or specified audit procedures in comparison to the prior. This is due to the composition of the components this year and assessing the coverage of work where sufficient audit evidence is achieved.

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

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

Continued

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Continued

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

Use of our report

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

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

30 June 2020

Consolidated income statement

For the period ended 30th April, 2020

Continuing operations	Notes	**2020 Total £'000**	2019 Total £'000
Revenue	3/4	**61,153**	77,708
Cost of sales		**(48,275)**	(56,131)
Gross profit		**12,878**	21,577
Distribution costs		**(3,455)**	(3,537)
Administrative expenses		**(12,542)**	(11,846)
		(15,997)	(15,383)
Group operating (loss)/profit before exceptional items		**(3,119)**	6,194
Past service pension costs	8	**–**	(1,198)
Group operating (loss)/profit	4/5	**(3,119)**	4,996
Interest received	7	**133**	93
Interest paid	7	**(103)**	(116)
Other finance costs - pensions	24	**(164)**	(186)
		(134)	(209)
(Loss)/profit before taxation		**(3,253)**	4,787
Taxation	9	**762**	(975)
(Loss)/profit for the period attributable to equity holders of the parent		**(2,491)**	3,812
(Loss)/earnings per share: basic and diluted	10	**(15.1p)**	23.1p

Consolidated statement of comprehensive income

For the period ended 30th April, 2020

	2020 Total £'000	2019 Total £'000
(Loss)/profit for the period attributable to equity holders of the parent	**(2,491)**	3,812
Exchange differences on retranslation of foreign operations	**(55)**	(242)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(55)**	(242)
Remeasurement (losses)/gains on defined benefit pension scheme	**(2,197)**	403
Deferred taxation on remeasurement on defined benefit scheme	**545**	(69)
Deferred taxation on revaluation surplus on land and buildings	**(110)**	–
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods	**(1,762)**	334
Total comprehensive (loss)/income for the period attributable to equity holders of the parent	**(4,308)**	3,904

Consolidated and company statement of changes in equity

For the period ended 30th April, 2020

	Share capital £'000	Capital redemption reserve £'000	Other reserves £'000	Revaluation reserve £'000	Share Premium account £'000	Currrency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total shareholders' funds £'000**
(a) Group									
At 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	**33,400**
IFRS 15 adjustment	–	–	–	–	–	–	–	(144)	**(144)**
Profit for the period	–	–	–	–	–	–	–	3,812	**3,812**
Other comprehensive (loss)/income	–	–	–	–	–	(242)	–	334	**92**
Total comprehensive (loss)/income	–	–	–	–	–	(242)	–	4,146	**3,904**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	1,840	901	2,815	6,055	1,629	279	(3,059)	25,338	**35,798**
Loss for the period	–	–	–	–	–	–	–	(2,491)	**(2,491)**
Other comprehensive loss	–	–	–	–	–	(55)	–	(1,762)	**(1,817)**
Total comprehensive loss	–	–	–	–	–	(55)	–	(4,253)	**(4,308)**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 30th April, 2020	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**224**	**(3,059)**	**19,723**	**30,128**
(b) Company									
At 28th April, 2018	1,840	901	1,565	6,055	1,629	–	(3,059)	18,627	**27,558**
IFRS 15 adjustment	–	–	–	–	–	–	–	(144)	**(144)**
Reserve transfer (note 12(e))	–	–	6,055	(6,055)	–	–	–	–	**–**
Loss for the period	–	–	–	–	–	–	–	(233)	**(233)**
Other comprehensive income	–	–	–	–	–	–	–	334	**334**
Total comprehensive income	–	–	–	–	–	–	–	101	**101**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 27th April, 2019	1,840	901	7,620	–	1,629	–	(3,059)	17,222	**26,153**
Profit for the period	–	–	–	–	–	–	–	1,366	**1,366**
Other comprehensive loss	–	–	–	–	–	–	–	(1,608)	**(1,608)**
Total comprehensive loss	–	–	–	–	–	–	–	(242)	**(242)**
Dividends paid (note 11)	–	–	–	–	–	–	–	(1,362)	**(1,362)**
At 30th April, 2020	**1,840**	**901**	**7,620**	**–**	**1,629**	**–**	**(3,059)**	**15,618**	**24,549**

Consolidated and company statements of financial position

At 30th April, 2020

		Group		Company	
		2020	2019	**2020**	2019
	Notes	**£'000**	£'000	**£'000**	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	**20,111**	20,426	**1,121**	1,265
Right-of-use assets	13	**1,214**	–	**5,943**	–
Intangible assets	14	**4,140**	4,483	**–**	–
Investments in subsidiaries	15	**–**	–	**18,036**	15,036
Deferred income tax asset	17	**1,875**	1,156	**1,875**	1,241
		27,340	26,065	**26,975**	17,542
Current assets					
Inventories	18	**15,857**	12,624	**1,543**	1,462
Trade and other receivables	19	**4,589**	7,044	**15,433**	22,489
Income tax receivable		**719**	44	**139**	21
Prepayments		**1,775**	1,774	**296**	299
Cash and cash equivalents	20	**16,125**	22,886	**–**	–
		39,065	44,372	**17,411**	24,271
TOTAL ASSETS		**66,405**	70,437	**44,386**	41,813
EQUITY AND LIABILITIES					
Equity					
Share capital	22	**1,840**	1,840	**1,840**	1,840
Capital redemption reserve	23	**901**	901	**901**	901
Other reserves	23	**2,815**	2,815	**7,620**	7,620
Revaluation reserve	23	**6,055**	6,055	**–**	–
Share premium account	23	**1,629**	1,629	**1,629**	1,629
Currency translation reserve	23	**224**	279	**–**	–
Treasury shares	23	**(3,059)**	(3,059)	**(3,059)**	(3,059)
(Loss)/profit for the period		**(2,491)**	3,812	**(979)**	(233)
Retained earnings brought forward		**22,214**	21,526	**16,597**	17,455
TOTAL EQUITY SHAREHOLDERS' FUNDS		**30,128**	35,798	**24,549**	26,153
Non-current liabilities					
Defined benefit pension liability	24	**8,563**	6,802	**8,563**	6,802
Deferred income tax liability	17	**1,641**	1,567	**–**	–
Lease liabilities	26	**893**	–	**5,609**	–
		11,097	8,369	**14,172**	6,802
Current liabilities					
Bank overdraft	20	**–**	–	**391**	582
Trade and other payables	25	**24,679**	25,375	**4,891**	8,276
Income tax payable		**165**	895	**–**	–
Lease liabilities	26	**336**	–	**383**	–
		25,180	26,270	**5,665**	8,858
TOTAL EQUITY AND LIABILITIES		**66,405**	70,437	**44,386**	41,813

These financial statements on pages 17 to 55 were approved by the Board of Directors on 30th June, 2020, and signed on its behalf by

Michael Bell,
Executive Chairman

Michael O'Connell,
Finance Director

Consolidated and company cash flow statements

For the period ended 30th April, 2020

		Group		Company	
		2020	2019	**2020**	2019
	Note	**£'000**	£'000	**£'000**	£'000
(Loss)/profit before taxation		**(3,253)**	4,787	**1,129**	(312)
Adjustments to reconcile profit before taxation to net cash inflow/(outflow) from operating activities					
Past service pension costs		**–**	1,198	**–**	1,198
IFRS 15 working capital adjustment		–	(144)	**–**	(144)
Depreciation charge	12/13	**1,671**	1,318	**1,001**	551
Amortisation charge	14/16	**631**	375	**–**	–
Net increase of impairment in investment in subsidiary undertaking	15	**–**	–	**–**	168
Profit on sale of fixed assets		**(104)**	(80)	**(93)**	(60)
Dividends received		**–**	–	**(2,345)**	(690)
Finance costs		**134**	209	**412**	249
Foreign exchange gains/(losses)		**10**	(460)	**–**	–
Increase in inventories		**(1,445)**	(958)	**(81)**	(445)
Decrease/(increase) in receivables		**3,019**	7,573	**4,057**	(1,384)
Decrease/(increase) in prepayments		**25**	(647)	**3**	36
(Decrease)/increase in payables		**(1,021)**	(1,849)	**(3,462)**	1,992
(Decrease)/increase in progress payments		**(1,611)**	(828)	**571**	80
Pension fund payments		**(600)**	(600)	**(600)**	(600)
Cash (invested in)/generated from operating activities		**(2,544)**	9,894	**592**	639
Net interest received/(paid)		**66**	(23)	**(59)**	(63)
Taxation (paid)/received		**(848)**	(797)	**30**	(36)
Net cash (outflow)/inflow from operating activities		**(3,326)**	9,074	**563**	540
Investing activities					
Payments for acquisitions, net of cash acquired	16	**(1,178)**	–	**–**	–
Dividends received from subsidiaries		**–**	–	**1,895**	690
Purchase of property, plant and equipment	12	**(721)**	(891)	**(409)**	(284)
Proceeds on disposal of property, plant and equipment	12	**128**	199	**101**	176
Net cash (outflow)/inflow from investing activities		**(1,771)**	(692)	**1,587**	582
Financing activities					
Lease payments	21	**(268)**	–	**(597)**	–
Dividends paid	11	**(1,362)**	(1,362)	**(1,362)**	(1,362)
Net cash outflow from financing activities		**(1,630)**	(1,362)	**(1,959)**	(1,362)
(Decrease)/increase in cash and cash equivalents		**(6,727)**	7,020	**191**	(240)
Opening cash and cash equivalents/(bank overdraft)		**22,886**	15,884	**(582)**	(342)
Exchange differences on cash and cash equivalents		**(34)**	(18)	**–**	–
Closing cash and cash equivalents/(bank overdraft)	20	**16,125**	22,886	**(391)**	(582)

Notes to the financial statements

For the period ended 30th April, 2020

1 Authorisation of financial statements and statement of compliance with IFRSs

The Group's and Company's financial statements of MS INTERNATIONAL plc (the 'Company') for the year ended 30th April, 2020 were authorised for issue by the board of the directors on 30th June, 2020 and the statements of financial position were signed on the board's behalf by Michael Bell and Michael O'Connell. MS INTERNATIONAL plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements of the Group and Company for the year ended 30th April, 2020 applied in accordance with the provisions of the Companies Act 2006.

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

2 Accounting policies

Basis of preparation

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

The Group continues to adopt the going concern basis of accounting in the preparation of the financial statements. Forecasts have been prepared and reviewed for the 15 months following the reporting date and these demonstrate adequate headroom available to the Group during the forecasted period. The directors have also assessed the impact of possible sensitivities, including a 10% fall in forecasted revenue across the Group, and headroom remains sufficient. The current environment brought about by Covid-19 creates uncertainty over the phasing of demand from customers, the impact of any future lockdowns in the geographical areas in which the Group operates, and other possible difficulties in the general economic environment. The Group has plans in place to manage the foreseeable challenges and the directors continue to conclude that the adoption of the going concern basis of accounting remains appropriate.

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

Contract revenue

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

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

Pension

Measurement of defined benefits obligations requires estimation of future changes in salaries and inflation, as well as mortality rates and the selection of a suitable discount rate. The calculation of GMP equalisation included estimation of the related past service cost (see note 24).

Impairment of non-financial assets

The Group's impairment test for goodwill and intangible assets with indefinite useful lives is based either on fair value less costs to sell or a value-in-use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model (see note 14).

Basis of consolidation

Up until the financial period ended 27th April, 2019, the consolidated financial statements comprised the financial statements of MS INTERNATIONAL plc and its subsidiaries as at the Saturday nearest to the 30th April.

Subsequently, with effect from the current financial year commencing 28th April, 2019, the consolidated financial statements have been prepared to 30th April and will continue to be prepared to 30th April for each accounting year thereafter.

Notes to the financial statements

Continued

2 Accounting policies (continued)

Basis of consolidation (continued)

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

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

Change in accounting policies

The Group has adopted IFRS 16 'Leases' from 28th April, 2019, using the standard's modified retrospective approach. As permitted by the standard, comparatives for the period ended 27th April, 2019 have not been restated and are therefore still reported under IAS 17. Reclassifications and adjustments arising from the new leasing rules have been recognised in the opening Consolidated statement of financial position on 28th April, 2019.

Adjustments recognised on adoption of IFRS16

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to leases which had previously been reported as 'operating leases' under the principles of IAS 17. The Group has measured these liabilities at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rate, as at the transition date. At the transition date, the weighted average incremental borrowing rate applied to the lease liabilities was 3.6%.

At the date of initial application, being 28th April, 2019, the Group has chosen to measure right-of-use assets at an amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets.

On transition to IFRS 16, the Group has opted to apply the exemption of not recognising a right-of-use asset or lease liability for any leases previously accounted for as an operating lease with a remaining lease term of less than 12 months. These leases will be expensed on a straight-line basis over the remaining term of the lease.

Group

The following is a reconciliation of total operating lease commitments, as disclosed in the Annual Report for the period ended 27th April, 2019, to the lease liabilities recognised under IFRS 16 at 28th April, 2019:

	£'000
Total operating lease commitments disclosed at 27th April, 2019	**921**
Lease with remaining lease term of less than 12 months	(54)
Low value leases	(3)
Other adjustments	(3)
Operating lease liabilities before discounting	**861**
Discounted using incremental borrowing rate	(80)
Lease liabilities recognised under IFRS 16 as at 28th April, 2019	**781**
Of which are:	
Current lease liabilities	150
Non-current lease liabilities	631
Lease liabilities recognised under IFRS 16 as at 28th April, 2019	**781**

The recognised right-of-use assets as at 28th April, 2019 relate to the following types of asset:

	28th April, 2019 £'000
Properties	755
Plant and equipment	26
Total right-of-use assets	**781**

Notes to the financial statements

Continued

2 Accounting policies (continued)

Adjustments recognised on adoption of IFRS16 (continued)

Company

The following is a reconciliation of total operating lease commitments for the period ended 27th April, 2019, to the lease liabilities recognised under IFRS 16 at 28th April, 2019:

	£'000
Total operating lease commitments at 27th April, 2019	**7,877**
Discounted using incremental borrowing rate	(1,477)
Lease liabilities recognised under IFRS 16 as at 28th April, 2019	**6,400**
Of which are:	
Current lease liabilities	408
Non-current lease liabilities	5,992
Lease liabilities recognised under IFRS 16 as at 28th April, 2019	**6,400**

The recognised right-of-use assets as at 28th April, 2019 relate to the following types of asset:

	28th April, 2019 **£'000**
Properties	6,400
Total right-of-use assets	**6,400**

The Company's investments in subsidiaries

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

Foreign currency translation

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and 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 main functional currencies of the Group's overseas subsidiaries are the US Dollar, the Euro, the Polish Zloty and the Brazilian Real. As at the reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the statement of financial position date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Property, plant and equipment

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

Property other than freehold land – over 50 years

Plant and equipment – over 3 to 10 years

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

Intangible assets

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

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

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

Tradename – over 10 to 20 years

Design database – over 10 years

Customer relationships – over 8 to 10 years

Software costs – over 3 to 5 years

Non-compete agreement – over 3 years

Order backlog – over 1 year

Development costs – over 5 years

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

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Leased assets – operating leases

Up until 27th April, 2019 payments made under operating leases within the Group were charged to profit or loss on a straight-line basis over the term of the lease.

From 28th April, 2019, 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 projects' development phase are recognised as intangible assets, provided they meet the following recognition requirements:

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

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

Inventories

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

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

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

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Trade and other receivables

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

Treasury shares

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank, on short-term deposit and in hand.

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

Trade and other payables

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

Pension schemes

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

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

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Business combinations

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 either in the income statement or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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

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

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

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

Revenue

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

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

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

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

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

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

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

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

'Defence'

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

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

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

'Forgings'

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

'Petrol Station Superstructures'

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

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

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

'Corporate Branding'

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Revenue (continued)

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

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

Government grants

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

Taxes

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

Current tax

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

Deferred income tax

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

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

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

Dividends payable

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

Notes to the financial statements

Continued

2 Accounting policies (continued)

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and are 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, several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have been adopted early by the Group.

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

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

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

3 Revenue

	2020	2019
	£'000	£'000
Sale of goods	**49,166**	61,447
Contract revenues	**11,858**	15,819
	61,024	77,266
Rendering of services	**129**	442
Goods and services transferred at a point in time	**61,153**	77,708

Notes to the financial statements

Continued

4 Segment information

The following table presents revenue and profit and certain assets and liability information regarding the Group's divisions for the periods ended 30th April, 2020 and 27th April, 2019. The reporting format is determined by the differences in manufacture and services provided by the Group. The 'Defence' division is engaged in the design, manufacture and service of defence equipment. The 'Forgings' division is engaged in the manufacture of forgings. The 'Petrol Station Superstructures' division is engaged in the design, manufacture, construction, branding, maintenance and restyling of petrol station superstructures. The 'Corporate Branding' division is engaged in the design, manufacture, installation and service of corporate brandings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

	'Defence'		'Forgings'		'Petrol Station Superstructures'		'Corporate Branding'		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Revenue										
From external customers	**23,464**	26,678	**11,482**	15,695	**11,910**	15,871	**14,297**	19,464	**61,153**	77,708
From other segments	**–**	–	**–**	–	**386**	450	**123**	226	**509**	676
Segment revenue	**23,464**	26,678	**11,482**	15,695	**12,296**	16,321	**14,420**	19,690	**61,662**	78,384
Segment result	**(289)**	2,836	**(340)**	(442)	**3**	2,055	**(2,493)**	1,745	**(3,119)**	6,194
Past service pension costs									**–**	(1,198)
Net finance costs									**(134)**	(209)
(Loss)/profit before taxation									**(3,253)**	4,787
Taxation									**762**	(975)
(Loss)/profit for the period									**(2,491)**	3,812
Segmental assets	**26,666**	29,942	**3,570**	8,988	**8,382**	10,787	**10,740**	9,291	**49,358**	59,008
Unallocated assets (see below)									**17,047**	11,429
Total assets									**66,405**	70,437
Segmental liabilities	**16,639**	19,500	**1,285**	6,125	**2,274**	4,330	**4,922**	2,806	**25,120**	32,761
Unallocated liabilities (see below)									**11,157**	1,878
Total liabilities									**36,277**	34,639
Capital expenditure	**80**	67	**62**	406	**293**	196	**286**	118	**721**	787
Depreciation	**222**	77	**620**	517	**346**	488	**235**	365	**1,423**	1,447

Unallocated assets include certain fixed assets (including all UK properties – see note 12(e)), intangible assets, 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.

Geographical analysis

The following table presents revenue and expenditure and certain assets and liabilities information by geographical segment for the periods ended 30th April, 2020 and 27th April, 2019. The Group's geographical segments are based on the location of the Group's assets. Revenue from external customers is based on the geographical location of its customers.

	United Kingdom		Europe		Americas		Rest of the World		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
External revenue	**21,036**	30,755	**30,748**	33,143	**8,401**	9,572	**968**	4,238	**61,153**	77,708
Non-current assets	**17,803**	17,637	**5,017**	3,832	**4,520**	4,596	**–**	–	**27,340**	26,065
Current assets	**29,004**	34,301	**8,378**	7,670	**1,683**	2,401	**–**	–	**39,065**	44,372
Liabilities	**30,473**	31,701	**5,051**	2,260	**753**	679	**–**	–	**36,277**	34,640
Capital expenditure	**477**	350	**244**	190	**–**	351	**–**	–	**721**	891

Notes to the financial statements

Continued

4 Segment information (continued)

Information about major customers

	2020 £'000	2019 £'000
Revenue from major customers arising from sales reported in the 'Defence' segment:		
Customer 1	**–**	10,871
Customer 1	**12,633**	–
Revenue from major customers arising from sales reported in the 'Corporate Branding' segment:		
Customer 1	**–**	11,905
Customer 1	**3,841**	–

5 Group operating profit

This is stated after charging:	2020 £'000	2019 £'000
Fees payable to the Group's auditor and associates		
For the audit of the Group's financial statements	**71**	66
For the audit of the Group's subsidiary companies' financial statements	**32**	75
For audit related services	**15**	14
Depreciation – owned assets	**1,423**	1,318
Depreciation – right-of-use assets	**248**	–
Amortisation of intangible assets	**631**	375
Government grant: furlough income	**(240)**	–
Reversal of impairment of uncertain indirect tax receivable	**–**	(615)
Foreign exchange losses/(gains)	**112**	(6)
Cost of inventories recognised as an expense	**36,606**	38,570
Research and development costs	**2,077**	958

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

6 Employee Information

The average number of employees, including executive directors, during the period was:	2020 Number	2019 Number
Production	**252**	264
Technical	**66**	65
Distribution	**45**	27
Administration	**85**	91
	448	447

(a) Staff costs

Including executive directors, employment costs were as follows:	2020 £'000	2019 £'000
Wages and salaries	**16,893**	17,609
Social security costs	**2,629**	1,934
Other pension costs	**870**	666
	20,392	20,209

Notes to the financial statements

Continued

6 Employee Information (continued)

(b) Directors' emoluments

	2020 £'000	2019 £'000
Aggregate directors' emoluments (note 30)	**1,300**	1,672
Pension contributions	**33**	47
	1,333	1,719

Directors' emoluments are considered further within the Directors' remuneration report presented on pages 68 to 70.

7 Net finance costs

	2020 £'000	2019 £'000
Bank interest cost	**(70)**	(87)
Other interest	**(33)**	(29)
Bank interest revenue	**133**	93
	30	(23)

8 Past service pension costs

	2020 £'000	2019 £'000
Guaranteed minimum pension equalisation adjustment (note 24).	**–**	1,198
	–	1,198

9 (a) Taxation

The charge for taxation comprises:

	2020 £'000	2019 £'000
Current tax		
United Kingdom corporation tax	**(510)**	540
Adjustments in respect of previous years	**165**	(16)
Foreign corporation tax	**(203)**	635
Group current tax	**(548)**	1,159
Deferred income tax		
Origination and reversal of temporary differences	**(95)**	(247)
Adjustments in respect of prior years	**(153)**	63
Change in tax rate	**34**	–
Group deferred income tax (note 17)	**(214)**	(184)
Tax on (loss)/profit	**(762)**	975
Tax relating to items charged or credited to other comprehensive income:		
Deferred income tax		
Deferred income tax on measurement gains on pension scheme current year	**545**	69
Deferred income tax on revaluation surplus on land and buildings	**(110)**	–
Deferred income tax in the Consolidated statement of comprehensive income	**435**	69

Notes to the financial statements

Continued

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

The tax assessed for the period differs to the standard rate of corporation tax in the UK (19%) (2019 – 19%). The differences are explained below:

	2020	2019
	£'000	£'000
(Loss)/profit before tax	**(3,253)**	4,787
(Loss)/profit multiplied by standard rate of corporation tax of 19% (2019 – 19%)	**(618)**	910
Expenses not deductible for tax purposes	**(420)**	(102)
Adjustments in respect of overseas tax rates	**230**	120
Current tax adjustment in respect of prior periods	**165**	(16)
Deferred income tax adjustment in respect of prior periods	**(153)**	63
Deferred income tax adjustment in respect of change in rate	**34**	–
Total tax charge for the period	**(762)**	975

9 (c) Factors affecting future tax charge

A change to the main UK corporation tax rate was enacted in a budget resolution on 17th March, 2020. From 1st April, 2020 the rate remains at 19%, cancelling the previously enacted rate reduction to 17%. Deferred income tax at 30th April, 2020 has therefore been provided at 19%. Deferred income tax in relation to intangibles recognised on the acquisition of 'MSI-Sign Group B.V.' has been provided at 25%, being the main corporation tax rate in The Netherlands.

10 Earnings per share

The calculation of basic earnings per share is based on:

(a Loss for the period attributable to equity holders of the parent of £2,491,000 (2019 – profit of £3,812,000).

(b) 16,504,691 (2019 – 16,504,691) ordinary shares, being the weighted average number of ordinary shares in issue.

This represents 18,396,073 (2019 – 18,396,073) being the weighted average number of ordinary shares in issue less 1,891,382 (2019 – less 1,891,382) being the weighted average number of shares both held within the ESOT 245,048 (2019 – 245,048) and purchased by the Company 1,646,334 (2019 – 1,646,334).

The share options issued in the period do not have a dilutive effect on the loss for the period.

11 Dividends paid and proposed

	2020	2019
	£'000	£'000
Declared and paid during the year		
On ordinary shares		
Final dividend for 2019: 6.50p (2018 – 6.50p)	**1,073**	1,073
Interim dividend for 2020: 1.75p (2019 – 1.75p)	**289**	289
	1,362	1,362
Proposed for approval by shareholders at the AGM		
Final dividend for 2020: 1.75p (2019 – 6.50p)	**289**	1,073

Notes to the financial statements

Continued

12 Property, plant and equipment

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
(a) Group			
Cost or valuation			
At 28th April, 2018	17,534	15,536	**33,070**
Additions	–	891	**891**
Disposals	–	(842)	**(842)**
Exchange differences	172	–	**172**
At 27th April, 2019	17,706	15,585	**33,291**
Additions	–	721	**721**
Disposals	–	(736)	**(736)**
Acquisition (note 16)	–	351	**351**
Exchange differences	40	(63)	**(23)**
At 30th April, 2020	**17,746**	**15,858**	**33,604**
Accumulated depreciation			
At 28th April, 2018	354	11,950	**12,304**
Depreciation charge for the period	309	1,009	**1,318**
Disposals	–	(723)	**(723)**
Exchange differences	(1)	(33)	**(34)**
At 27th April, 2019	662	12,203	**12,865**
Depreciation charge for the period	316	1,107	**1,423**
Disposals	–	(712)	**(712)**
Exchange differences	(8)	(75)	**(83)**
At 30th April, 2020	**970**	**12,523**	**13,493**
Net book value at 30th April, 2020	**16,776**	**3,335**	**20,111**
Net book value at 27th April, 2019	17,044	3,382	**20,426**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,446	15,858	**21,304**
At 30th April, 2020	**17,746**	**15,858**	**33,604**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,406	15,585	**20,991**
At 27th April, 2019	17,706	15,585	**33,291**

Notes to the financial statements

Continued

12 Property, plant and equipment (continued)

(b) Company

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 28th April, 2018	12,300	10,335	**22,635**
Additions	–	284	**284**
Disposals	–	(859)	**(859)**
Transfer to 'MS INTERNATIONAL Estates Ltd' (note 12(e))	(12,300)	(477)	**(12,777)**
At 27th April, 2019	–	9,283	**9,283**
Additions	–	409	**409**
Disposals	–	(662)	**(662)**
At 30th April, 2020	**–**	**9,030**	**9,030**
Accumulated depreciation			
At 28th April, 2018	–	8,592	**8,592**
Depreciation charge for the period	–	551	**551**
Disposals	–	(743)	**(743)**
Transfer to 'MS INTERNATIONAL Estates Ltd' (note 12(e))	–	(382)	**(382)**
At 27th April, 2019	–	8,018	**8,018**
Depreciation charge for the period	–	544	**544**
Disposals	–	(653)	**(653)**
At 30th April, 2020	**–**	**7,909**	**7,909**
Net book value at 30th April, 2020	**–**	**1,121**	**1,121**
Net book value at 27th April, 2019	–	1,265	**1,265**
Analysis of cost or valuation			
At professional valuation 2018	–	–	**–**
At cost	–	9,030	**9,030**
At 30th April, 2020	**–**	**9,030**	**9,030**
Analysis of cost or valuation			
At professional valuation 2018	–	–	**–**
At cost	–	9,283	**9,283**
At 27th April, 2019	–	9,283	**9,283**

(c) Within the Group, depreciation has not been charged on freehold land which is included at a book value of £5,170,652 (2019 – £5,170,652) at 30th April, 2020. The Company does not hold any freehold land.

(d) On 11th November, 2018, 26th July, 2017 and 28th March, 2018 the Group's land and buildings, which consist of manufacturing and office facilities in the UK, Poland and USA were valued by Dove Haigh Phillips (UK), KonSolid-Nieruchomosci (Poland) and Real Estate & Appraisal Services Inc. (USA). Management determined that these constitute one class of asset under IFRS 13 (designated as level 3 fair value assets), based on the nature, characteristics and risks of the properties.

If land and buildings were valued using the cost method, carrying amounts would be £11,263,000 (2018 – £11,292,000) at 30th April, 2020.

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

Notes to the financial statements

Continued

12 Property, plant and equipment (continued)

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

(e) On 30th April, 2018, the freehold property in the UK was transferred from the Company to 'MS INTERNATIONAL Estates Ltd', a wholly owned subsidiary of the Group, at the balance sheet value as at 27th April, 2019. In addition certain plant and equipment relating to the maintenance and functioning of the freehold property was transferred from the Company to 'MS INTERNATIONAL Estates Ltd' at net book value. This transfer has resulted in the transfer of the revaluation reserve of £6,055,000 to other reserves in the Company.

13 Right-of-use assets

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Group			
Cost or valuation			
At 27th April, 2019	–	–	**–**
IFRS 16 adjustment (note 2)	755	26	**781**
Additions	162	24	**186**
Acquisition of subsidiary (note 16)	501	–	**501**
Exchange differences	(15)	–	**(15)**
At 30th April, 2020	**1,403**	**50**	**1,453**
Accumulated depreciation			
At 27th April, 2019	–	–	**–**
Depreciation charge for the period	228	20	**248**
Exchange differences	(9)	–	**(9)**
At 30th April, 2020	**219**	**20**	**239**
Net book value at 30th April, 2020	**1,184**	**30**	**1,214**

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Company			
Cost or valuation			
At 27th April, 2019	–	–	**–**
IFRS 16 adjustment (note 2)	6,400	–	**6,400**
At 30th April, 2020	**6,400**	**–**	**6,400**
Accumulated depreciation			
At 27th April, 2019	–	–	**–**
Depreciation charge for the period	457	–	**457**
At 30th April, 2020	**457**	**–**	**457**
Net book value at 30th April, 2020	**5,943**	**–**	**5,943**

Notes to the financial statements

Continued

14 Intangible assets

Group	Goodwill £'000	Trade name £'000	Design database £'000	Non-complete £'000	Customer relationship £'000	Order backlog £'000	Development costs £'000	Software costs £'000	**Group £'000**
Cost									
At 28th April, 2018	2,780	1,044	1,370	52	2,643	328	279	330	**8,826**
Exchange differences	(16)	(3)	–	(1)	(32)	(4)	–	–	**(56)**
At 27th April, 2019	2,764	1,041	1,370	51	2,611	324	279	330	**8,770**
Acquisition (note 16)	271	–	–	–	–	–	–	–	**271**
Exchange differences	8	1	–	–	14	1	–	–	**24**
At 30th April, 2020	**3,043**	**1,042**	**1,370**	**51**	**2,625**	**325**	**279**	**330**	**9,065**
Amortisation									
At 28th April, 2018	–	393	1,085	49	1,469	328	279	330	**3,933**
Amortisation during the year	–	61	137	3	174	–	–	–	**375**
Exchange differences	–	(1)	–	(1)	(13)	(6)	–	–	**(21)**
At 27th April, 2019	–	453	1,222	51	1,630	322	279	330	**4,287**
Amortisation during the year	271	61	137	–	162	–	–	–	**631**
Exchange differences	–	–	–	–	4	3	–	–	**7**
At 30th April, 2020	**271**	**514**	**1,359**	**51**	**1,796**	**325**	**279**	**330**	**4,925**
Net book value at 30th April, 2020	**2,772**	**528**	**11**	**–**	**829**	**–**	**–**	**–**	**4,140**
Net book value at 27th April, 2019	2,764	588	148	–	981	2	–	–	**4,483**

Company	Software costs £'000	**Total £'000**
Cost		
At 28th April, 2018	85	**85**
Additions	–	**–**
At 27th April, 2019	85	**85**
Additions	–	**–**
At 30th April, 2020	**85**	**85**
Amortisation		
At 28th April, 2018	85	**85**
Amortisation during the year	–	**–**
At 27th April, 2019	85	**85**
Amortisation during the year	–	**–**
At 30th April, 2020	**85**	**85**
Net book value at 30th April, 2020	**–**	**–**
Net book value at 27th April, 2019	–	**–**

Notes to the financial statements

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14 Intangible assets (continued)

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 2020 £'000	Goodwill 2019 £'000
'Petrol Station Superstructures' division	**2,064**	2,064
'Corporate Branding' division	**708**	700
	2,772	2,764

Group

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

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

Detailed 5 year management forecast.

A growth in cashflows estimated for 5 years, and a growth rate of 2% assumed thereafter.

Cash flows were discounted at a rate of 12.2%.

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

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

15 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on pages 71 and 72.

Company	**2020 £'000 Cost**	**2020 £'000 Impairment**	**2020 £'000 Net book value**
At 28th April, 2018	16,998	(1,794)	15,204
Impairment in investment in 'MSI-Forks Garfos Industria Ltda'	–	(101)	(101)
Impairment in investment in 'MSI-Defence Systems Inc.'	–	(67)	(67)
At 27th April, 2019	16,998	(1,962)	15,036
Recapitalisation of 'MS INTERNATIONAL Estates Ltd'	3,000	–	3,000
At 30th April, 2020	**19,998**	**(1,962)**	**18,036**

Notes to the financial statements

Continued

16 Business combinations

In August 2019 the Group paid €230,000 for the trade, intellectual property rights and inventory of the price-display units division of ‘Schauf GmbH’, a German company which specialises in supplying price-display units for petrol stations.

On 11th September, 2019 the Group acquired 100% of the issued share capital and voting rights of ‘Armada Janse BV’, a company based in the Netherlands, from Armada Group BV. The consideration for the acquisition was €339,000 and was paid in cash on completion. Additionally, €281,000 owing by ‘Armada Janse BV’ to Armada Group BV was repaid on completion.

‘Armada Janse BV’ provides illuminated advertising, media facades, signage, public illumination and creative lighting solutions. The acquisition will further strengthen the Group’s position in the petrol station branding market and provide opportunities in general retail and automotive markets. Accordingly, the division’s name has been changed from ‘Petrol Station Brandings’ to ‘Corporate Branding’.

On 1st November, 2019 the trade and assets of ‘Armada Janse BV’ were hived up into ‘MSI-Sign Group BV’. From the date of acquisition ‘Armada Janse BV’ has contributed £2,376,000 to revenue and up to the date of the hive up it contributed £nil to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year the consolidated revenue of the Group would have been £62,429,000 and the consolidated loss before tax would have been £3,311,000.

Additionally, on 12th November, 2019 the Group acquired the trade and assets of the wayfinder business of ‘Reklaspits BV’, a company based in the Netherlands, for a cash consideration of €500,000. ‘Reklaspits BV’ provide illuminated lighting and wayfinding signage. The objective of the acquisition is to further expand and strengthen the Group’s operations within the ‘Corporate Branding’ division.

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

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

	‘Schauf’	‘Armada Janse BV’	‘Reklaspits BV’	**Total**
	£’000	£’000	£’000	**£’000**
Plant and equipment	–	274	77	**351**
Right-of-use assets	–	501	–	**501**
Inventories	63	379	71	**513**
Receivables	–	482	162	**644**
Payables	–	(601)		**(601)**
Bank overdraft	–	(245)		**(245)**
Lease liabilities	–	(501)		**(501)**
Intangible assets (*)	144	7	120	**271**
Consideration and net assets acquired	**207**	**296**	**430**	**933**
Add back bank overdraft	–	245	–	**245**
Per cashflow	**207**	**541**	**430**	**1,178**

(*) The acquired intangible assets of £271,000 have been written off in full to the Consolidated income statement during the period.

Transaction costs of £86,000 arising from the acquisitions have been expensed and included in administrative expenses.

Notes to the financial statements

Continued

17 Deferred income tax

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

	2020 £'000	2019 £'000
Taxation deferred by capital allowances	**(65)**	(16)
Taxation on other temporary differences	**29**	–
Taxation on intangibles	**(141)**	(82)
Taxation on defined benefits pension	**82**	(149)
Adjustments in respect of prior periods	**(153)**	63
Adjustment in respect of change in rate	**34**	–
	(214)	(184)

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Taxation on pension liability	**1,627**	1,156	**1,627**	1,156
Taxation deferred by capital allowances	**225**	–	**225**	55
Taxation on other temporary differences	**23**	–	**23**	30
Deferred income tax asset	**1,875**	1,156	**1,875**	1,241

The movements on the deferred income tax asset are:

Group	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on pension liability £'000	**Total £'000**
At 28th April, 2018	–	–	1,092	**1,092**
Included in the Consolidated income statement	–	–	133	**133**
Included in the Consolidated statement of comprehensive income	–	–	(69)	**(69)**
At 27th April, 2019	–	–	1,156	**1,156**
Reclassed to deferred income tax asset	55	30	–	**85**
Included in the Consolidated income statement	171	(8)	(74)	**89**
Included in the Consolidated statement of comprehensive income	–	–	545	**545**
At 30th April, 2020	**226**	**22**	**1,627**	**1,875**

Notes to the financial statements

Continued

17 Deferred income tax (continued)

Company	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on pension liability £'000	**Total £'000**
At 28th April, 2018	–	–	1,092	**1,092**
Included in the Consolidated income statement	–	–	133	**133**
Included in the Company statement of comprehensive income	–	–	(69)	**(69)**
Reclassified to deferred income tax asset	55	30	–	**85**
At 27th April, 2019	55	30	1,156	**1,241**
Included in the Consolidated income statement	171	(8)	(74)	**89**
Included in the Company statement of comprehensive income	–	–	545	**545**
At 30th April, 2020	**226**	**22**	**1,627**	**1,875**

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

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Taxation deferred by capital allowances	**333**	277	**–**	–
Taxation on other temporary differences	**7**	(30)	**–**	–
Taxation on intangible assets	**254**	383	**–**	–
Taxation on buildings revaluation	**1,047**	937	**–**	–
Deferred income tax liability	**1,641**	1,567	**–**	–

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 28th April, 2018	247	(30)	471	937	**1,625**
Included in the Consolidated income statement	31	(1)	(82)	–	**(52)**
Included in the Consolidated statement of comprehensive income	–	–	(6)	–	**(6)**
At 27th April, 2019	278	(31)	383	937	**1,567**
Reclassed to deferred income tax asset	55	30	–	–	**85**
Included in the Consolidated income statement	–	7	(132)	–	**(125)**
Included in the Consolidated statement of comprehensive income	–	1	3	110	**114**
At 30th April, 2020	**333**	**7**	**254**	**1,047**	**1,641**

Notes to the financial statements

Continued

17 Deferred income tax (continued)

Company	Taxation deferred by capital allowances £'000	Taxation on other temporary differences £'000	Taxation on intangible assets £'000	Taxation on buildings revaluation £'000	**Total £'000**
At 28th April, 2018	247	(30)	–	937	**1,154**
Included in the Company income statement	54	–	–	–	**54**
Transferred to Group company	(356)	–	–	(937)	**(1,293)**
Reclassified to deferred income tax asset	55	30	–	–	**85**
At 27th April, 2019	–	–	–	–	**–**
At 30th April, 2020	**–**	**–**	**–**	**–**	**–**

Deferred taxation has been provided at the rate enacted at the reporting date of 19% except for the deferred income tax relating to the amortised intangibles arising on the acquisition of 'MSI-Sign Group B.V.', which has been provided at 25%.

The Group and Company also have capital losses of £4,350,000 (2019 – £4,350,000).

18 Inventories

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Raw materials	**7,934**	5,593	**649**	744
Work in progress	**7,327**	6,641	**790**	610
Finished goods	**596**	390	**104**	108
	15,857	12,624	**1,543**	1,462

	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Inventory write downs during the year	**168**	155	**38**	32

19 Trade and other receivables

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**4,413**	6,913	**932**	3,456
Retentions on contracts	**–**	113	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**14,422**	19,029
Other receivables	**176**	18	**79**	4
	4,589	7,044	**15,433**	22,489

The aggregate amount of costs incurred and recognised profits to date on contracts is £11,858,000 (2019 – £15,819,000).

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

	Group		**Company**	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**1,551**	3,674	**838**	2,751
Euro	**2,319**	2,141	**94**	701
US dollar	**349**	778	**–**	–
Other currencies	**194**	320	**–**	4
	4,413	6,913	**932**	3,456

Notes to the financial statements

Continued

19 Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally on 30 day terms and are shown net of provision for impairment. The aged analysis of trade receivables after impairment is as follows:

Group	Total £'000	Not past due £'000	< 30 days £'000	30-60 days £'000	60-90 days £'000	> 90 days £'000
2020	**4,413**	**2,745**	**343**	**211**	**327**	**787**
2019	6,913	6,245	505	148	13	2

As at 30th April, 2020 trade receivables at a nominal value of £109,000 (2019 – £105,000) were impaired and fully provided. Bad debts of £62,000 (2019 – £65,000) were recovered and bad debts of £68,000 (2019 – £52,000) were incurred.

Company	Total £'000	Not past due £'000	< 30 days £'000	30-60 days £'000	60-90 days £'000	> 90 days £'000
2020	**932**	**865**	**54**	**3**	**7**	**3**
2019	2,764	2,649	40	81	–	(6)

As at 30th April, 2020 trade receivables at a nominal value of £73,000 (2019 – £51,000) were impaired and fully provided. Bad debts of £33,000 (2019 – £20,000) were recovered and bad debts of £55,000 (2019 – £39,000) were incurred.

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

	Group		Company	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**–**	113	**–**	–
	–	113	**–**	–

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

	Total £'000	Up to 6 months £'000	6-12 months £'000	12-18 months £'000	18-24 months £'000
Group					
2020	**–**	**–**	**–**	**–**	**–**
2019	113	93	20	–	–
Company					
2020	**–**	**–**	**–**	**–**	**–**
2019	–	–	–	–	–

(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 (2019 – £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:

	2020 £'000	2019 £'000
Amounts due from companies backed by liquid assets	**7,530**	7,219
Amounts due from 'MS INTERNATIONAL Estates Limited'	**6,892**	11,810
	14,422	19,029

Notes to the financial statements

Continued

20 Cash and cash equivalents/bank overdraft

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash at bank and in hand	**16,125**	17,151	**–**	–
Short-term deposits	**–**	5,735	**–**	–
Bank overdraft	**–**	–	**(391)**	(582)
	16,125	22,886	**(391)**	(582)

21 Net funds

Analysis of net funds

	Group 2020 £'000	Group 2019 £'000
Cash and cash equivalents	**16,125**	22,886
Lease liabilities	**(1,229)**	–
	14,896	22,886

Group movement in net funds

	Cash/bank overdraft	Lease liabilities	Total
Net funds as at 28th April, 2018	15,884	–	**15,884**
Cash flows	7,020	–	**7,020**
Foreign exchange adjustments	(18)	–	**(18)**
Net funds as at 27th April, 2019	22,886	–	**22,886**
Recognised on adoption of IFRS 16	–	(781)	**(781)**
Net funds as at 28th April, 2019	22,886	(781)	**22,105**
Cash flows	(6,727)	268	**(6,459)**
Foreign exchange adjustments	(34)	6	**(28)**
Leases on acquisition (note 16)	–	(501)	**(501)**
New leases	–	(185)	**(185)**
Other changes	–	(36)	**(36)**
Net funds as at 30 April, 2020	**16,125**	**(1,229)**	**14,896**

22 Issued capital

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2019 – 35,000,000)	**3,500**	3,500	**3,500**	3,500
Allotted, issued and fully paid – 18,396,073 (2019 – 18,396,073)	**1,840**	1,840	**1,840**	1,840

Notes to the financial statements

Continued

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 – Company

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

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

Revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same assets previously recognised in equity. This also includes the impact of the change in the enacted corporation tax rate from 17% to 19% on the related deferred income tax provision from prior year.

Share premium account

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

Currency translation reserve

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

Treasury shares

	2020	2019
	£'000	£'000
Employee Share Ownership Trust	**100**	100
Shares in treasury (see below)	**2,959**	2,959
	3,059	3,059

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

The trust has purchased an aggregate 245,048 (2019 – 245,048) ordinary shares, which represents 1.3% (2019 – 1.3%) of the issued share capital of the Company at an aggregate cost of £100,006. The market value of the shares at 30th April, 2020 was £338,000 (2019 – £505,000). The Company has made payments of £nil (2019 – £nil) into the ESOT bank accounts during the period. During the period 1,575,000 (2019 – nil) options have been granted over shares (note 31). Details of the outstanding share options for directors are included in the Directors' remuneration report.

The assets, liabilities, income and costs of the ESOT have been incorporated into the Company's financial statements. Total ESOT costs charged to the income statement in the period amounts to £8,000 (2019 – £7,000). During the period no options on shares were exercised (2019 – nil) and no shares were purchased (2019 – nil).

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

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

Notes to the financial statements

Continued

24 Pension liability

The Company operates an employee defined benefits scheme called the MS INTERNATIONAL plc Retirement and Death Benefits Scheme (the Scheme). IAS 19 requires disclosure of certain information about the Scheme as follows:-

- Until 5th April, 1997 the Scheme provided defined benefits and these liabilities remain in respect of service prior to 6th April, 1997. From 6th April, 1997 until 31st May, 2007 the Scheme provided future service benefits on a defined contribution basis.
- The last formal valuation of the Scheme was performed at 5th April, 2017 by a professionally qualified actuary.
- From 6th April, 2016 the Company directly pays the expenses of the Scheme. With effect from April 2018 the deficit reduction payments paid into the Scheme by the Company have been increased to £600,000 per annum. The deficit reduction contributions are paid on a quarterly basis with the first paid on 3rd April, 2018 and the last due for payment on or before 5th January, 2027. The total deficit reduction payments made in the year were £600,000 (2019 – £600,000).
- From 1st June, 2007 the Company has operated a defined contributions scheme for its UK employees which is administered by a UK pension provider.

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

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

Assumptions

	2020	2019
Discount rate at year-end	**1.70%**	2.50%
Future salary increases	**3.00%**	3.80%
Pension increases – RPI inflation	**2.50%**	3.20%
Pension increases – CPI inflation	**1.60%**	2.00%
Life expectancy of current pensioners (from age 65)	**20.9 yrs**	20.7 yrs
Life expectancy of future pensioners (from age 65)	**22.2 yrs**	22.6 yrs

A 0.5% reduction in the discount rate would lead to an increase in past service liabilities of around £1.9m

Members living around 1 year longer than expected would lead to an increase in past service liabilities of around £1.5m

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

The average duration of the scheme is 11 years.

GMP Equalisation

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

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

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

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

Notes to the financial statements

Continued

24 Pension liability (continued)

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

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

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

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

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

Statement of financial position

	2020	2019
	£'000	£'000
Present value of obligations	**30,816**	30,264
Fair value of plan assets	**22,253**	23,462
Net liability	**8,563**	6,802

Income statement

	2020	2019
	£'000	£'000
Interest on net liabilities	**164**	186
Administration expenses	**–**	–
Total income statement cost	**164**	186

Change in defined benefit obligation

	2020	2019
	£'000	£'000
Opening defined benefit obligation	**30,264**	29,568
Interest cost	**743**	808
Experience gains arising on scheme liabilities	**(502)**	11
Changes in financial assumptions underlying the present value of scheme liabilities	**79**	(660)
Actuarial losses on scheme liabilities	**1,959**	916
Benefits paid	**(1,727)**	(1,577)
Past service costs	**–**	1,198
Defined benefit obligation	**30,816**	30,264

Notes to the financial statements

Continued

24 Pension liability (continued)

Change in fair value of plan assets

	2020 £'000	2019 £'000
Opening fair value of plan assets	**23,462**	23,147
Interest income on assets	**579**	622
Actual return on assets less amount included in net interest	**(661)**	670
Deficit reduction contributions by employer	**600**	600
Benefits paid	**(1,727)**	(1,577)
Fair value of plan assets	**22,253**	23,462

Statement of comprehensive income

	2020 £'000	2019 £'000
Actual return on assets less amounts included in net interest	**(661)**	670
Remeasurement losses	**(1,536)**	(267)
Total statement of comprehensive income	**(2,197)**	403

	2020 £'000	2019 £'000
Expected deficit reduction contributions into the Scheme during next accounting year:	**600**	600

Breakdown of plan assets

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

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

Notes to the financial statements

Continued

25 Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**4,238**	5,349	**915**	3,122
Amounts owed to subsidiary undertakings	**–**	–	**1,076**	2,808
Other payables	**3,679**	3,435	**795**	592
Accruals	**3,392**	2,943	**1,068**	1,288
Progress payments	**13,370**	13,648	**1,037**	466
	24,679	25,375	**4,891**	8,276

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

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

26 Lease liabilities

(a) 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 6 years from the Statement of financial position date.

The future minimum lease payments are as follows:

	Within one one year £'000	One to five five years £'000	After five years £'000	**Total £'000**
At 30th April, 2020				
Lease payments	**370**	**872**	**73**	**1,315**
Finance charges	**(34)**	**(51)**	**(1)**	**(86)**
Net present values	**336**	**821**	**72**	**1,229**
At 27th April, 2019				
Lease payments	176	504	181	**861**
Finance charges	(26)	(49)	(5)	**(80)**
Net present values	150	455	176	**781**

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.

The expenses relating to payments not included in the measurement of a lease liability are included in the consolidated income statement as follows:

	2020 £'000
Short-term leases	**120**
Leases of low value assets	**24**
Total	**144**

Notes to the financial statements

Continued

26 Lease liabilities (continued)

(b) Company

The Company has entered into three property leases with 'MS INTERNATIONAL Estates Ltd'. The remaining duration of these leases are 13 years.

The future minimum lease payments are as follows:

	Within one one year £'000	One to five five years £'000	After five years £'000	**Total £'000**
At 30th April, 2020				
Lease payments	**560**	**2,240**	**4,480**	**7,280**
Finance charges	**(177)**	**(588)**	**(523)**	**(1,288)**
Net present values	**383**	**1,652**	**3,957**	**5,992**
At 27th April, 2019				
Lease payments	597	2,240	5,040	**7,877**
Finance charges	(189)	(636)	(652)	**(1,477)**
Net present values	408	1,604	4,388	**6,400**

27 Financial instruments

Management of financial risks

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

Funding risk

At the reporting date the Group had cash and cash equivalents of £16.13m and the Company had an overdraft of £0.38m (2019 – Group balance of £22.89m and Company overdraft of £0.58m).

Interest rate risk

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

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

	Increase/decrease in basis points	Effect on profit before tax £'000
2020	**+50**	**27**
Sterling	**-50**	**(27)**
2019	+50	25
Sterling	-50	(25)

Notes to the financial statements

Continued

27 Financial instruments (continued)

The interest rate profile of the financial assets of the Group and Company as at 30th April, 2020 was as follows:

	Group		Company	
	Floating rate financial assets/ (liabilities) £'000	Total £'000	Floating rate financial assets/ (liabilities) £'000	Total £'000
2020				
Sterling	**14,987**	**14,987**	**2,908**	**2,908**
US Dollar	**(1,300)**	**(1,300)**	**(3,796)**	**(3,796)**
Euro	**2,215**	**2,215**	**491**	**491**
Other	**223**	**223**	**6**	**6**
Total	**16,125**	**16,125**	**(391)**	**(391)**
2019				
Sterling	16,444	16,444	(1,831)	(1,831)
US Dollar	1,591	1,591	36	36
Euro	4,757	4,757	1,212	1,212
Other	94	94	1	1
Total	22,886	22,886	(582)	(582)

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, 2020 these currency exposures are as follows:-

	Net foreign currency monetary assets/(liabilities)			
Presentational currency of Group operations	Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
2020				
Sterling	**6**	**(1,949)**	**1,627**	**(316)**
Total	**6**	**(1,949)**	**1,627**	**(316)**
2019				
Sterling	4	1,254	1,528	2,786
Total	4	1,254	1,528	2,786

Notes to the financial statements

Continued

27 Financial instruments (continued)

Functional currency of Company operations	Net foreign currency monetary assets/(liabilities) Sterling £'000	US Dollar £'000	Euro £'000	Total £'000
2020				
Sterling	**–**	**3,134**	**613**	**3,747**
Total	**–**	**3,134**	**613**	**3,747**
2019				
Sterling	–	43	1,426	1,469
Total	–	43	1,426	1,469

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 30th April, 2020 and 27th April, 2019.

Credit risk

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

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

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

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

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

28 Capital commitments

	Group **2020** **£'000**	Group 2018 £'000	Company **2020** **£'000**	Company 2019 £'000
Contracted but not provided in the financial statements	**34**	70	**34**	70
	34	70	**34**	70

29 Contingent liabilities

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £4,434,000 at 30th April, 2020 (2019 – £4,280,000).

Notes to the financial statements

Continued

30 Related party transactions

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

Purchases of goods and services £824,000 (2019 – £9,653,000)

Sales of goods and services £5,923,252 (2019 – £8,608,000)

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, 2020.

Amounts owed by the Company £1,076,000 (2019 – £2,808,000)

Amounts owed to the Company £14,422,000 (2019 – £19,029,000)

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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Short-term employee benefits	**1,300**	1,672	**1,161**	1,533
Pension contributions	**33**	47	**33**	47
See Directors' remuneration report on pages 68 to 70	**1,333**	1,719	**1,194**	1,580

31 Share-based payments

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

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

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 675,000 UK non 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 amounts at three, four and years after the date of the grant but are subject to meeting a share price target of £2 per share for 90 consecutive days.

Under the terms of the MS INTERNATIONAL plc Company Share Option Plan, a total of 400,000 UK non 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 following table illustrates the number and movements of weighted average exercise prices (WAEP) in share options during the year;

	Long Term Incentive Plan	Company Share Option Scheme	Total
At 28th April, 2019	–	–	**–**
Options granted during the year	500,000	1,075,000	**1,575,000**
Options lapsed	–	–	**–**
Outstanding as at 30th April, 2020	**500,000**	**1,075,000**	**1,575,000**

The expense recognised for share options during the year is £nil (2019 – £nil).

Notes to the financial statements

Continued

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, 2020 and 27th April, 2019.

Capital comprises equity attributable to the equity holders of the parent company £30,128,000 (2018 – £35,798,000).

Summary of Group results 2016 – 2020

CONSOLIDATED INCOME STATEMENT

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Group revenue	**61,153**	77,708	68,085	53,823	49,282
Group operating (loss)/profit	**(3,119)**	4,996	4,253	1,771	1,856
Finance costs	**(134)**	(209)	(214)	(245)	(174)
(Loss)/profit before taxation	**(3,253)**	4,787	4,039	1,526	1,682
Taxation	**762**	(975)	(653)	(28)	(98)
(Loss)/profit for the period	**(2,491)**	3,812	3,386	1,498	1,584

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Assets employed					
Intangible assets	**4,140**	4,483	4,893	5,301	5,671
Property, plant and equipment	**20,111**	20,426	20,766	19,099	15,955
Right-of-use assets	**1,214**	–	–	–	–
Other net current (liabilities) / assets	**(2,240)**	(4,784)	(1,171)	(2,907)	1,534
Cash and cash equivalents	**16,125**	22,886	15,866	15,210	12,758
	39,350	43,011	40,354	36,703	35,918
Financed by					
Ordinary share capital	**1,840**	1,840	1,840	1,840	1,840
Reserves	**28,288**	33,958	31,560	27,201	26,220
Shareholders' funds	**30,128**	35,798	33,400	29,041	28,060
Net non-current liabilities	**9,222**	7,213	6,954	7,662	7,858
	39,350	43,011	40,354	36,703	35,918

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

Strategy

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

Communications with shareholders

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

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

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

Corporate Social Responsibility and Stakeholder engagement

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

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

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

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

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

The Board and its committees

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

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

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

Corporate governance statement

Continued

The Board and its committees (continued)

Roger Lane-Smith is the designated Senior Independent Director.

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

Board Meetings are scheduled in advance. The Board meets at least quarterly throughout the year. The number of meetings and members attendance of Board and Committee Meetings during the financial year ended 30th April, 2020 was as follows:

	Board	Audit Committee	Remuneration Committee
Number of meetings	4	–	–
Michael Bell	4	–	–
Michael O'Connell	4	–	–
Nicholas Bell	4	–	–
Roger Lane-Smith	4	2	1
David Pyle (retired 30 September, 2019)	1	–	–
David Hansell	4	–	–

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

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

The Board is supported by an Audit Committee and a Remuneration Committee. Roger Lane-Smith is Chairman of both committees. David Pyle served on both committees until his retirement on 30th September, 2019.

David Hansell will join Roger Lane-Smith on both the Audit and Remuneration Committees with effect from 1st July, 2020.

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

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

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

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

Board experience, skills and evaluation

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

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

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

Corporate governance statement

Continued

Board experience, skills and evaluation (continued)

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

Risk Management

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

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

Audit Committee report

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

Committee governance

Roger Lane-Smith served as Chairman of the Audit Committee throughout the year under review. David Pyle served on the Audit Committee until his retirement on 30th September, 2019. Both have considerable experience in senior financial and commercial operational roles and both have extensive knowledge of the Group's operations and related financial risks and internal control.

David Hansell will join Roger Lane-Smith on the Audit Committee with effect from 1st July, 2020.

The committee meets twice a year. The meetings are held with the external auditor at which representatives of the Group's financial management team are present.

Key responsibilities

The committee is required to:

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

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

Internal control and risk management

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

External audit

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

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

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

Significant reporting issues and judgements

The Audit Committee considered whether the 2020 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 2020 Annual Report met these requirements.

Audit Committee report

Continued

Significant reporting issues and judgements (continued)

The key issues and accounting policies considered by the Audit Committee in relation to the 2020 Annual Report were:

- The adoption of IFRS 16 'Leases' for the year ended 30th April, 2020 and the disclosures made in respect of the changes to the financial statements.
- The factors used for the impairment assessment of the carrying value of the Group's intangible assets
- The impact of Covid-19 on the Group's results for the year ended 30th April, 2020 and its future financial performance.

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

Roger Lane-Smith
Chairman Audit Committee
30th June, 2020

Remuneration Committee report

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

Committee governance

Roger Lane-Smith served as Chairman of the Remuneration Committee throughout the year under review. David Pyle served on the Remuneration Committee until his retirement on 30th September, 2019. Both have considerable experience in senior financial and commercial operational roles and have extensive knowledge of the Group's operations.

David Hansell will join Roger Lane-Smith on the Remuneration Committee with effect from 1st July, 2020.

The committee meets as required.

Key responsibilities

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

Review of Directors' remuneration packages

It has been a considerable time since the Remuneration Committee reviewed the remuneration packages of the directors.

The packages were reviewed in 2013 or on date of appointment, if later.

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

However, a review of the salary remuneration for the directors was now due. After taking into account various factors including inflation since 2013 or date of appointment, if later, in October 2019 the Remuneration Committee proposed the following increases for consideration by the Board:

The salary of the Executive Chairman, Michael Bell, to be increased from £400,000 p.a. to £500,000 p.a. with effect from 1st November, 2019;

The salary of the Group Finance Director, Michael O'Connell, to be increased from £225,000 p.a. to £300,000 p.a. with effect from 1st November, 2019.

The salary of the executive director, Nicholas Bell, to be increased from £200,000 p.a. to £250,000 p.a. with effect from 1st November, 2019.

The fees of the non-executive director, David Hansell, to be increased from £50,000 p.a. to £60,000 p.a. with effect from 1st November, 2019.

These proposals were presented to the Board and together with a proposal to increase the fees for the Senior Independent Director, Roger-Lane Smith from £40,000 p.a. to £80,000 p.a. with effect from 1st November, 2019. The Board approved the proposals at a board meeting on 9th December, 2019.

Share options

In conjunction with the executive Board, the Remuneration Committee reviewed the Share Option Schemes. It was proposed to terminate the existing 1991 MS INTERNATIONAL plc Employee Share Option Scheme and replace it with the 2020 MS INTERNATIONAL plc Long Term Incentive Plan and the 2020 MS INTERNATIONAL plc Company Share Option Plan.

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

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

Remuneration Committee Report

Continued

Share options (continued)

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

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

Roger Lane-Smith

Chairman Remuneration Committee
30th June, 2020

Report of the directors

The directors present their report and the Group financial statements for the period ended 30th April, 2020. The directors present their corporate governance statement on pages 57 to 59 of this report.

1 Principal activities and business review

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

2 Results and dividends

The loss after taxation for the period attributable to shareholders amounted to £2,491,000 (2019 - profit after taxation £3,812,000). The directors recommend a final dividend of 1.75 pence per share (2019 - 6.50 pence per share), making a total of 3.50 pence per share (2019 - 8.25 pence per share).

3 Going concern

The Group has considerable financial resources together with long-term contracts with a number of customers. As a consequence, the directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook.

After making enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

4 Directors

The names of the directors of the Company at 30th June, 2020 are shown on page 5.

All of the directors served throughout the year except for David Pyle who retired on 30th September, 2019.

5 Substantial interests in shares

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

	% of share capital held at 30th April, 2020	% of share capital held at 30th June, 2020
Cavendish Asset Management	17.5%	17.5%
Michael Bell	16.1%	16.1%
Ms Adrienne Bell	13.1%	13.1%
David Pyle	10.5%	10.5%
Michael O'Connell	9.4%	9.4%
Mrs Patricia Snipe	4.9%	4.9%

Apart from these, the directors have not been formally notified of any other notifiable shareholdings in excess of 3% of share capital held on 30th June, 2020.

6 Employee involvement

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

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

Report of the directors

Continued

7 Employment of disabled persons

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

8 Carbon and energy reporting

In October 2018, the UK government's The Companies (Directors Report) and Limited Liability Partnership (Energy and Carbon Reporting) Regulations 2018 were implemented for financial periods beginning on or after 1st April, 2019.

As an AIM listed company, MS INTERNATIONAL plc has to report on its UK energy usage and carbon emissions.

The Company elected to choose the year ended 27th April, 2019 as its base reporting year. It's UK energy consumption included electricity, natural gas, LPG, production gases and fuel for transport directly purchased by the Company within the UK.

The total UK energy use for the base year and the financial year ended 30th April, 2020 were collated in kilowatt hours and converted to CO2 tonnes using government conversion factors. In total, the Company consumed 11.6m kilowatt hours in the year ended 27th April, 2019, which is the equivalent of 2,384 tonnes of CO2 emissions. The total consumption reduced by 28% for the year ended 30th April, 2020 to 8.36m kilowatt hours, which is the equivalent of 1,696 tonnes of CO2 emissions.

The Company has adopted CO2 tonnes consumed per £ of UK sales as its key energy intensity ratio. The ratio has reduced from 46.83 CO2 tonnes per £m of UK sales in the year ended 27th April, 2019 to 41.48 CO2 tonnes per £m of UK sales in the year ended 30th April, 2020.

The reduction in consumption has been largely due to significant reductions in electricity and natural gas consumption at its Doncaster site as a result of improvements in heat treatment and air compressor usages, the upgrade of power factor correction equipment, and the decommissioning of a production line including a gas tempering table.

The planned energy saving projects for the year commencing 1st May, 2020 include identifying and targeting the major electricity consumption processes at the Doncaster site with an aim to reduce consumption by 3% for the processes identified. In addition, hybrid and fully electric vehicles will be purchased to replace existing company owned vehicles where practical.

9 Additional information for shareholders

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

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

At 30th June, 2020 the Company's issued share capital comprised:

	Number	£'000	% of total share capital
Ordinary shares of 10p each	18,396,073	1,840	100
Ordinary shares of 10p each held in treasury	1,646,334	165	8.95
Ordinary shares of 10p each not held in treasury	16,749,739	1,675	91.05

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

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

Report of the directors

Continued

9 Additional information for shareholders (continued)

Ordinary shares

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

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

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

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

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

Company share schemes

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

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.

10 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 1,674,973 ordinary shares in the market (which represents approximately 10 per cent of the issued ordinary share capital of the Company (excluding treasury shares) as at 30th June, 2020. 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 10th November, 2021 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 30th June, 2020, the Company holds 1,646,334 ordinary shares of 10p each in treasury which represents 8.95% of the total number of ordinary shares of 10p each issued.

Resolution 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.

Report of the directors

Continued

10 Special business at the Annual General Meeting (continued)

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.

11 Auditors

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

12 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.

13 We confirm that to the best of our knowledge:

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

By order of the Board,

David Kirkup
Company Secretary

30th June, 2020

Directors' remuneration report

Information not subject to audit

Policy on remuneration of executive directors

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

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

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

1. Basic salary

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

2. Performance related annual bonus

   An annual bonus is paid depending on achievement of profitability targets. Bonus payments achieved for 2019/2020 amounted in total to nil % (2019 - 53.9%) of total executive basic salaries.

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

3. Share Options

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

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

4. Pension contributions

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

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

Non-executive directors

The level of the non-executive directors' remuneration has been determined by the Board as an annual fee and is paid monthly. The Board takes into account any proposals made by the Remuneration Committee in determining the annual fee for non-executive directors. There are no formal service contracts between the Company and any of the non-executive directors.

Directors' remuneration report

Continued

Information subject to audit

Emoluments of directors

Directors' remuneration in respect of the period to 30th April, 2020.

	2020 Basic salary and fees £	2019 Basic salary and fees £	**2020 Additional salary £**	2019 Additional salary £	**2020 Other benefits £**	2019 Other benefits £	**2020 Bonus £**	2019 Bonus £	**2020 Total £**	2019 Total £
Michael Bell	**441,917**	400,000	**–**	–	**60,464**	56,527	**–**	222,480	**502,381**	679,007
Michael O'Connell	**257,500**	225,000	**–**	–	**18,151**	30,481	**–**	111,240	**275,651**	366,721
Nicholas Bell	**221,083**	200,000	**–**	–	**24,092**	21,689	**–**	111,240	**245,175**	332,929
David Pyle	**20,833**	50,000	**–**	–	**3,858**	14,849	**–**	–	**24,691**	64,849
David Hansell	**54,250**	50,000	**138,700**	138,700	**–**	–	**–**	–	**192,950**	188,700
Roger Lane-Smith	**58,916**	40,000	**–**	–	**–**	–	**–**	–	**58,916**	40,000

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

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

Pension contributions	**2020 Total £**	2019 Total £
Michael Bell	–	–
Michael O'Connell	–	–
Nicholas Bell	33,163	46,686
Roger Lane-Smith	–	–
David Pyle	–	–
David Hansell	–	–

Directors' share options

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

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

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

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

Directors' remuneration report

Continued

Information subject to audit

Directors' share options (continued)

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

QCA code

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

By order of the Board,

David Kirkup
Secretary

30th June, 2020

List of subsidiaries

(1) Principal operating subsidiaries by divisions			Country of Incorporation
'Defence'			
MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.	England & Wales
MSI-Defence Systems US LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Design, manufacture and service of defence equipment.	USA
'Forgings'			
MSI-Forks Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.	England & Wales
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.	England & Wales
MSI-Forks LLC	1298 Galleria Boulevard, Rock Hill, SC 29730 USA	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.	USA
MSI-Forks Garfos Industriais Ltda.	Rua Professor Campos de Oliveira, 310 São Paulo Brazil	Manufacture of fork-arms for the fork lift truck, construction, agricultural and quarrying equipment industries.	Brazil
'Petrol Station Superstructures'			
Global-MSI plc	Balby Carr Bank, Doncaster DN4 8DH England	Design, manufacture and construction of petrol station superstructures.	England & Wales
Global-MSI Sp. z o.o.	Ul. Działowskiego 13, 30-339 Krakow Poland	Design, manufacture and construction of petrol station superstructures.	Poland
'Corporate Branding'			
MSI-Sign Group B.V.	De Hoef 8 5311 GH Gameren The Netherlands	The design, manufacture, installation and service of corporate branding, including media facades, way-finding signage, public illumination, creative lighting solutions and the complete appearance of petrol station superstructures.	The Netherlands
Armada Janse B.V.	Fabrieksstraat 102 6021 RE, Budel, Netherlands	Design, restyling, production and installation of illuminated signage	The Netherlands
Petrol Sign GmbH	Owiedenfeldstrasse 1 30559 Hannover Anderton Germany	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.	Germany
Petrol Sign Ltd.	Balby Carr Bank, Doncaster DN4 8DH England	Design, restyling, production and installation of the complete appearance of petrol station superstructures and forecourt.	England & Wales

List of subsidiaries

Continued

'Estates'

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

NOTES

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

(2) Non-operating subsidiaries

Conder Ltd.

Global-MSI (Overseas) Ltd.

MDM Investments Ltd.

Mechforge Ltd.

MSI-Petrol Sign Ltd.

Petrol Sign-MSI Ltd.

NOTES

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

Notice of Annual General Meeting and Covid-19

In view of the UK Government's current measures and guidelines on limiting travel to essential travel only and no public gatherings, the Board has decided that it is neither practical nor desirable to hold the Company's Annual General Meeting in its usual format.

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

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

The Annual General Meeting will be held at the Company's registered office at Balby Carr Bank, Doncaster, DN4 8DH. The meeting will be restricted to two attendees, the Executive Chairman and the Group Finance Director, both of whom are shareholders for the purposes of forming a quorum. Both attendees will exercise all appropriate social distancing measures in attending the meeting. All other directors, the Company Secretary, and other professional advisors, including the external auditor, will not be asked to attend the meeting.

Under Article 52 of the Company's Articles of Association, the Chairman of the meeting has the power to secure the safety of all people attending the Annual General Meeting.

The Company advises that no other shareholders must attend the Annual General Meeting in person and any shareholder seeking to attend the meeting will be refused entry as the attendance of any additional shareholders would potentially breach the UK Government's current guidelines on public gatherings.

Shareholders are encouraged to exercise their vote on the resolutions set out in the Notice of Annual General Meeting by submitting a form of proxy.

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

You are advised to appoint the Chairman of the meeting as your proxy to ensure your vote is counted. Other named proxies will not be allowed to attend the Annual General Meeting.

At the Annual General Meeting, the resolutions will be put to a vote on a poll rather than a show of hands.

Shareholders are invited to submit written questions by post to the Company Secretary at the Company's registered office or email to 2020AGM@msiplc.com by noon on Thursday 6th August, 2020.

Answers to questions will not be provided at the Annual General Meeting but as soon as practical thereafter.

David Kirkup
Company Secretary
17th July, 2020

Registered office:
Balby Carr Bank
Doncaster
DN4 8DH
England

Registered in England and Wales No. 00653735

Notice of Annual General Meeting

Notice is given that the sixtieth annual general meeting of MS INTERNATIONAL plc ("Company") will be held at the Company's registered office, Balby Carr Bank, Doncaster on 10th August, 2020 at 12 noon to consider and, if thought fit, to pass the following resolutions. Resolutions 1 to 8 will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

As ordinary business:

1. To receive the Company's annual accounts and directors' and auditors' reports for the period ended 30th April, 2020.
2. To approve the directors' remuneration report for the period ended 30th April, 2020.
3. To declare a final dividend for the period ended 30th April, 2020 of 1.75p per ordinary share of 10p each in the capital of the Company, to be paid on 14th August, 2020 to shareholders whose names appear on the register as at close of business on 17th July, 2020.
4. To re-elect as a director of the Company, Michael O'Connell, a director retiring by rotation. Michael O'Connell is aged 70 years old and joined the Company in 1980, becoming a director in 1985.
5. To reappoint as a non-executive director of the Company, Roger Lane-Smith who was appointed as a director on 21st January, 1983. He is a non-executive director of Timpson Group plc, Lomond Capital Partners, Mostyn Estates Limited and a number of other private companies.
6. To reappoint as a non-executive director of the Company, David Hansell, who was appointed to the Board as a director on 3rd June, 2014. David joined the Company in 1962 becoming a director in 2014.
7. To reappoint Grant Thornton UK LLP as the external auditor of the Company.
8. To authorise the directors to determine the remuneration of the external auditor.

As special business:

9. That, pursuant to section 701 of the Companies Act 2006 ("2006 Act"), the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of £0.10 each in the capital of the Company ("Shares"), provided that:

   (a) the maximum aggregate number of Shares which may be purchased is 1,674,973;

   (b) the minimum price (excluding expenses) which may be paid for a Share is £0.10;

   (c) the maximum price (excluding expenses) which may be paid for a Share is the higher of:

      (i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which the purchase is made; and

      (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out,

   and (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 10th November, 2021 (whichever is the earlier), save that the Company may enter into a contract to purchase shares before this authority expires under which such purchase will or may be completed or executed wholly or partly after this authority expires and may make a purchase of shares pursuant to any such contract as if this authority had not expired.

Notice of Annual General Meeting

Continued

As special business: (continued)

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

By Order of the Board

....

David Kirkup

Secretary

17th July, 2020

Registered office:

Balby Carr Bank

Doncaster

DN4 8DH

Registered in England and Wales No. 00653735

Notes

Entitlement to attend and vote

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at close of business on 6th August, 2020 (or, if the meeting is adjourned, no later than close of business two days prior to any adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

Proxies

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

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

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

   As a result of the UK Government's restrictions on public gatherings neither you, nor your proxy, will be permitted to attend the meeting.

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

   To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company's registrar, Link Asset Services, PXS, 34 Beckenham Road, Kent, BR3 4TU, no later than 12 noon on 6th August, 2020 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting).

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

Notice of Annual General Meeting

Continued

Notes (continued)

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by Link Asset Services (ID RA10) no later than 12 noon on 6th August, 2020 (or, if the meeting is adjourned, no later than 48 hours before the time of any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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

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

Corporate representatives

5. A shareholder which is a corporation is entitled to authorise one or more persons to be its representative(s). However, as a result of the UK Government's restrictions on public gatherings the representative(s) will not be permitted to attend the meeting. The Corporation is encouraged to appoint the Chairman of the meeting as its representative to ensure its votes are counted

Total voting rights

6. As at 30th June, 2020, the Company's issued share capital consists of 18,396,073 ordinary shares of 10p each, carrying one vote each. The Company holds 1,646,334 ordinary shares in treasury. Therefore, the total voting rights in the Company as at 30th June, 2020 are 16,749,739.

Nominated Persons

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

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

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

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

Notice of Annual General Meeting

Continued

Notes (continued)

Questions at the meeting

8. Shareholders have the right to ask questions at the meeting relating to the business being dealt with at the meeting in accordance with section 319A of the 2006 Act. The Company must answer any such question unless:

   (a) to do so would interfere unduly with the preparation for the meeting or would involve the disclosure of confidential information; or

   (b) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

Documents available for inspection

9. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends

   (a) Copies of the service contracts of the executive directors; and

   (b) Particulars of transactions of directors in the shares of the Company.

Biographical details of directors

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

Dividend warrants

11. Dividend warrants will be sent by first class post on 13th August, 2020 to those members registered on the books of the Company on 17th July, 2020. There may be postal delays as a result of the current Covid-19 restrictions and dividend warrants may be received by shareholders later than usual.

MSI