MS INTERNATIONAL plc

Unaudited Interim Condensed
Group Financial Statements
31st October, 2019

EXECUTIVE DIRECTORS

Michael Bell

Michael O'Connell

Nicholas Bell

NON EXECUTIVE

Roger Lane-Smith

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COMPANY SECRETARY

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PRINCIPAL OPERATING DIVISIONS

'Defence'

'Forgings'

'Petrol Station Superstructures'

'Corporate Branding'

Chairman's Statement

We anticipated that the first half year, ended 31st October 2019, would be a challenging period and advised in September that, in the short term, we expected a substantial weakening in the Company's results. The half year shows a loss of £0.49m before taxation (2018 – £3.19m profit), on reduced revenue of £33.32m (2018 – £37.74m). Loss per share amounted to 2.5p (2018 profit per share – 15.2p). Notwithstanding, the balance sheet remained strong with net cash at £19.37m compared to £22.89m at the last year end.

Clearly, although not unforeseen, the performance has been disappointing in some areas of the group but elsewhere what is being achieved is quite pleasing, albeit the benefits are yet to be demonstrated in our results. Opportunities are undoubtedly there, while fresh ones continue to arise, so we are seriously endeavouring to ensure that we are in a positive and capable position to maximise prospects as and when presented.

Currently, many markets that we serve have tightened considerably owing, inter alia, to the well-chronicled effects of global political and economic instability that prevail. Moreover, such widespread tough conditions have been exacerbated by some sector specific issues impacting across the Company.

The 'Defence Divisions' domestic sector of the global market remains subdued reflecting the continuing financial restraints on Government spending. Many of the 'Forgings Divisions' international customers, engaged in the production of material handling capital equipment, are overstocked owing to their own sales languishing in the doldrums and this inevitably flows through to restrained demand from their respective spares parts departments. Both the 'Petrol Station Superstructures' and the 'Corporate Branding Divisions' Europe-wide customers are going through a period of business restructuring and the changes to ownership have inevitably resulted in pauses to once planned major investment programmes.

In order to confront these various issues, we have already made some very positive moves and, although costly to implement, we are beginning to see the benefits emerge. 'Defence', as a highly reputable and innovative SME, is firmly committed to defending our position for the long term in this important strategic market. Accordingly, we took great pride in launching at the recent London International Defence Equipment Exhibition a number of new and exciting products, emanating from our ambitious privately funded product development programmes. A relatively new and capable international business development team is already assembled and in place. Pleasingly, the response from both our existing loyal and potential new customers is most encouraging. Though there is a short term cost to implement these programmes, we are furthermore upgrading, refurbishing and re-equipping major parts of our substantial defence business facilities in anticipation of their ultimate success.

The 'Forgings Division' is undergoing a major restructuring. The new manufacturing facility in the United States is performing to plan and therefore the extensive product support programme provided to date by our UK facility is nearly complete. This will now afford us the opportunity to re-organise and optimise our UK based steel forging manufacturing operations, to meet both current and anticipated market demands.

The 'Petrol Station Superstructures Division' is well structured to contend with the major changes in station ownership across Europe. Whilst this market is undergoing change, a cool head is required but we are well equipped and organised to face the future with confidence.

Chairman's Statement

(continued)

The 'Corporate Branding Division' is contemporaneously being restructured and expanded to take full advantage of the changes referred to above. To that end, we have acquired two specialist corporate branding businesses in the Netherlands, Armada Janse bv and Reklaspits bv. Both businesses participate in the design; manufacture; installation and service of corporate branding that includes inter-alia illuminated advertising; media facades; way-finding signage in airports; public illumination and creative lighting solutions. We believe that both businesses will bring considerable additional high quality established resources to our existing branding operations and create opportunities for adding new retail customers and markets to our established customer base.

'Corporate Life' as such, certainly remains in '*Interesting Times*'. We believe, and are quietly confident, that we are doing all the right things for the Company, assisted by our attention to detail; a strong balance sheet; a firm commitment to do the job exceedingly well and to the very best of our ability; thereby protecting the interests and valuable assets of our shareholders at all times and delivering the benefit of long term, durable corporate ownership.

After some 50 years of service with the Company, David Pyle has retired his directorship. We thank him particularly for his loyal commitment and service to the Company and fondly wish him well for the future.

All such matters considered, the Board has declared a maintained interim dividend per share of 1.75p (2018 – 1.75p) payable to shareholders on the 10th January 2020.

Michael Bell **9th December, 2019**

Independent Review Report to MS INTERNATIONAL plc

Introduction

We have reviewed the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2019, which comprises the Interim condensed consolidated income statement, the Interim condensed consolidated statement of comprehensive income, the Interim condensed consolidated statement of financial position, the Interim consolidated statement of changes in equity, the Interim consolidated cash flow statement and the related notes. We have read the other information contained in the half-yearly financial report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. As disclosed in note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our Responsibility

Our responsibility is to express a conclusion to the Company on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Use of our report

This report is made solely to the company, as a body, in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 as a body, for our review work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
9th December, 2019

Interim condensed consolidated income statement

	Notes	**Half-year to 31st Oct., 2019 unaudited £'000**	Restated half-year to 27th Oct., 2018 unaudited £'000
Products		**26,067**	30,100
Contracts		**7,250**	7,642
Revenue	5	**33,317**	37,742
Cost of sales		**(24,910)**	(27,094)
Gross profit		**8,407**	10,648
Distribution costs		**(1,821)**	(1,571)
Administrative expenses		**(6,988)**	(5,811)
Operating (loss)/profit	5/6	**(402)**	3,266
Finance (cost)/income		**2**	2
Other finance costs – pension		**(82)**	(82)
(Loss)/profit before taxation		**(486)**	3,186
Tax income/(expense)	7	**66**	(679)
(Loss)/profit for the period attributable to equity holders of the parent		**(420)**	2,507
(Loss)/earnings per share: basic and diluted	8	**(2.5p)**	15.2p

The classification of expenses has been amended in the half-year to 27th October, 2018. There has been no impact on the overall consolidated income statement. Cost of sales has decreased by £292,000, distribution costs have increased by £6,000, and administrative expenses have increased by £286,000. The changes better represent the activities of the entities.

Interim condensed consolidated statement of comprehensive income

	Half-year to 31st Oct., 2019 unaudited £'000	Half-year to 27th Oct., 2018 unaudited £'000
(Loss)/profit for the period attributable to equity holders of the parent	**(420)**	2,507
Exchange differences on retranslation of foreign operations	**44**	(76)
Other comprehensive income/(loss) - items that will be reclassified subsequently to profit or loss	**44**	(76)
Remeasurement of defined benefit pension scheme liability	**(849)**	14
Deferred taxation on remeasurement of defined benefit pension scheme	**144**	(2)
Other comprehensive (loss)/income - items that will not be reclassified subsequently to profit or loss	**(705)**	12
Total comprehensive (loss)/income for the period attributable to equity holders of the parent	**(1,081)**	2,443

Interim condensed consolidated statement of financial position

	Notes	31st Oct., 2019 unaudited £'000	27th Oct., 2018 unaudited £'000	27th Apr., 2019 audited £'000
ASSETS				
Non-current assets				
Intangible assets		**4,303**	4,718	4,483
Property, plant and equipment	10	**20,352**	20,779	20,426
Right-of-use assets	11	**1,185**	–	–
Deferred income tax asset		**1,264**	1,052	1,156
		27,104	26,549	26,065
Current assets				
Inventories		**14,689**	15,643	12,624
Trade and other receivables		**9,335**	13,106	7,044
Income tax receivable		**3**	44	44
Prepayments		**1,708**	2,329	1,774
Cash and cash equivalents	13	**19,370**	16,646	22,886
		45,105	47,768	44,372
TOTAL ASSETS		**72,209**	74,317	70,437
EQUITY AND LIABILITIES				
Equity				
Share capital		**1,840**	1,840	1,840
Capital redemption reserve		**901**	901	901
Other reserve		**2,815**	2,815	2,815
Revaluation reserve		**6,055**	6,055	6,055
Special reserve		**1,629**	1,629	1,629
Currency translation reserve		**323**	445	279
Treasury shares		**(3,059)**	(3,059)	(3,059)
Retained earnings		**23,140**	24,000	25,338
Total Equity		**33,644**	34,626	35,798
Non-current liabilities				
Defined benefit pension liability	14	**7,434**	6,189	6,802
Deferred tax liabilities		**1,386**	1,595	1,567
Lease liabilities	12	**942**	–	–
		9,762	7,784	8,369
Current liabilities				
Trade and other payables		**27,747**	30,717	25,375
Current tax liabilities		**806**	1,190	895
Lease liabilities	12	**250**	–	–
		28,803	31,907	26,270
TOTAL EQUITY AND LIABILITIES		**72,209**	74,317	70,437

The interim condensed consolidated financial statements of the Group for the six months ended 31st October, 2019 were authorised for issue in accordance with a resolution of the Directors on 9th December, 2019 and signed on their behalf.

Michael O'Connell
Finance Director

Interim consolidated statement of changes in equity

	Share Capital £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation reserve £'000	Special reserve £'000	Currency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total unaudited £'000**
At 27th April, 2019	1,840	901	2,815	6,055	1,629	279	(3,059)	25,338	**35,798**
Loss for the period	–	–	–	–	–	–	–	(420)	**(420)**
Other comprehensive income/(loss)	–	–	–	–	–	44	–	(705)	**(661)**
	1,840	**901**	**2,815**	**6,055**	**1,629**	**323**	**(3,059)**	**24,213**	**34,717**
Dividend paid (note 9)	–	–	–	–	–	–	–	(1,073)	**(1,073)**
At 31st October, 2019	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**323**	**(3,059)**	**23,140**	**33,644**

	Share Capital £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation reserve £'000	Special reserve £'000	Currency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total unaudited £'000**
At 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	33,400
IFRS 15 opening adjustment	–	–	–	–	–	–	–	(144)	(144)
Profit for the period	–	–	–	–	–	–	–	2,507	2,507
Other comprehensive (loss)/income	–	–	–	–	–	(76)	–	12	(64)
	1,840	**901**	**2,815**	**6,055**	**1,629**	**445**	**(3,059)**	**25,073**	**35,699**
Dividend paid (note 9)	–	–	–	–	–	–	–	(1,073)	(1,073)
At 27th October, 2018	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**445**	**(3,059)**	**24,000**	**34,626**

	Share Capital £'000	Capital redemption reserve £'000	Other reserve £'000	Revaluation reserve £'000	Special reserve £'000	Currency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	**Total audited £'000**
At 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	33,400
IFRS 15 opening adjustment	–	–	–	–	–	–	–	(144)	(144)
Profit for the period	–	–	–	–	–	–	–	3,812	3,812
Other comprehensive (loss)/income	–	–	–	–	–	(242)	–	334	92
	1,840	**901**	**2,815**	**6,055**	**1,629**	**279**	**(3,059)**	**26,700**	**37,160**
Dividend paid (note 9)	–	–	–	–	–	–	–	(1,362)	(1,362)
At 27th April, 2019	**1,840**	**901**	**2,815**	**6,055**	**1,629**	**279**	**(3,059)**	**25,338**	**35,798**

Interim consolidated cash flow statement

	Half-year to 31st Oct., 2019 unaudited £'000	Half-year to 27th Oct., 2018 unaudited £'000
(Loss)/profit before taxation	**(486)**	3,186
Adjustments to reconcile profit before taxation to net cash flows from operating activities		
IFRS 15 opening adjustment	**–**	(144)
Depreciation charge	**782**	653
Amortisation charge	**332**	195
Profit on disposal of fixed assets	**(61)**	(46)
Finance costs	**84**	80
Foreign exchange movements	**(161)**	(275)
Increase in inventories	**(1,645)**	(3,977)
(Increase) / decrease in receivables	**(1,849)**	1,511
Decrease / (increase) in prepayments	**93**	(1,202)
(Decrease) / increase in payables	**(334)**	1,756
Increase in progress payments	**2,105**	909
Pension fund deficit reduction payments	**(300)**	(300)
Cash flows from operations	**(1,440)**	2,346
Net interest received	**14**	2
Taxes paid	**(126)**	(47)
Net cash flow from operating activities	**(1,552)**	2,301
Investing activities		
Purchase of property, plant and equipment	**(351)**	(593)
Sale of property, plant and equipment	**72**	133
Payments for acquisitions, net of cash acquired (note 16)	**(748)**	–
Payments for right-of-use assets	**(100)**	–
Net cash flows used in investing activities	**(1,127)**	(460)
Financing activities		
Dividend paid	**(1,073)**	(1,073)
Net cash flows used in financing activities	**(1,073)**	(1,073)
Movement in cash and cash equivalents	**(3,752)**	768
Opening cash and cash equivalents	**22,886**	15,866
Exchange differences on cash and cash equivalents	**236**	12
Closing cash and cash equivalents	**19,370**	16,646

Notes to the interim consolidated financial statements

1 Corporate information

MS INTERNATIONAL plc is a public limited company incorporated in England and Wales. The Company's ordinary shares are traded on the AIM market of the London Stock Exchange. The principal activities of the Company and its subsidiaries ("the Group") are the design, manufacture, construction and servicing of a range of engineering products and structures. These activities are grouped into the following divisions:

'Defence' – design, manufacture and service of defence equipment.

'Forging' – manufacture of steel forgings.

'Petrol Station Superstructures' – design, manufacture, construction, maintenance and restyling of petrol station superstructures.

'Corporate Branding' – design, manufacture, installation and service of petrol station and other brandings.

2 Basis of preparation and accounting policies

The consolidated condensed interim financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. They do not include all the information and disclosures required in annual financial statements in accordance with IFRS, and should therefore be read in conjunction with the Group's Annual Report for the year ended 27th April, 2019 and any public announcements made by MS INTERNATIONAL plc during the interim reporting period.

These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. The figures for the 52 weeks ended 27th April, 2019 do not constitute the Group's statutory accounts for the period but have been extracted from the statutory accounts. The auditor's report on those accounts, which have been filed with the Registrar of Companies, was unqualified and did not contain any statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been reviewed but not audited by the Group's auditor, Grant Thornton UK LLP. Their report is included on page 4.

The accounting policies are consistent with those applied in the Group Annual financial statements for the 52 weeks ended 27th April, 2019, except for the adoption of IFRS 16 'Leases', as set out in note 3. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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 balance sheet 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.

3 Changes 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 ending 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 Statement of financial position on 28th April, 2019.

3(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group 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.

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:

Notes to the interim consolidated financial statements

(continued)

3(a) Adjustments recognised on adoption of IFRS 16 (continued)

	£'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 Apr., 2019 £'000
Properties	755
Plant and equipment	26
Total right-of-use assets	**781**

3(b) Accounting policy for 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 Statment 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.

Notes to the interim consolidated financial statements

(continued)

4 Principal risks and uncertainties

The principal risks and uncertainties facing the Group for the remaining six months of the financial year are discussed below. Further details of the Group's risks and uncertainties can be found on page 6 of our Annual Report for the year ended 27 April, 2019 available from MS INTERNATIONAL plc's website: www.msiplc.com.

One of the Group's principal risk and uncertainties continues to be the level of customer demand for the Group's products and services. Customer demand is driven mainly by general economic conditions in addition to pricing, product quality and delivery performance of the Group in comparison to our competitors.

As the delay in the Brexit timeline was confirmed during the period, there continues to be considerable uncertainty in relation to the UK's future trading relationship with the EU. At the time of preparing these interim financial statements, the disclosure given in the Annual Report is still applicable and reflects the best understanding of how the withdrawal from the EU will impact the Group. As a result of the delay, 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.

Given that the Group has considerable financial resources together with long term contracts with a number of customers, the Directors believe that the Group is well placed to manage its business risk successfully despite the current uncertain economic outlook. 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 these interim financial statements.

5 Segment information

Primary reporting format – divisional segments

The following table presents revenue and profit information about the Group's divisions for the half-year periods ended 31st October, 2019 and 27th October, 2018.

	'Defence'		'Forgings'		'Petrol Station Superstructures'		'Corporate Branding'		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019 unaudited**	2018 unaudited
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue										
From external customers	**12,054**	9,010	**7,263**	7,764	**7,277**	7,677	**6,723**	13,291	**33,317**	37,742
From other segments	**–**	–	**–**	–	**145**	292	**95**	120	**240**	412
Segment revenue	**12,054**	9,010	**7,263**	7,764	**7,422**	7,969	**6,818**	13,411	**33,557**	38,154
Segment result	**42**	24	**54**	(232)	**291**	1,179	**(789)**	2,295	**(402)**	3,266
Net finance expense									**(84)**	(80)
Profit before taxation									**(486)**	3,186
Taxation									**66**	(679)
Profit for the period									**(420)**	2,507
Capital expenditure	**12**	10	**–**	332	**171**	164	**168**	53		
Depreciation	**112**	38	**327**	250	**171**	154	**172**	92		

The following table presents segment assets and liabilities of the Group's divisions for the half-year periods ended 31st October, 2019 and 27th October, 2018.

Segmental assets	**29,444**	28,248	**8,627**	5,327	**10,552**	11,059	**10,018**	11,066	**58,641**	55,700
Unallocated assets									**13,568**	18,617
Total assets									**72,209**	74,317
Segmental liabilities	**19,402**	20,093	**2,014**	2,382	**3,531**	4,510	**4,024**	4,115	**28,971**	31,100
Unallocated liabilities									**9,594**	8,591
Total liabilities									**38,565**	39,691

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

Notes to the interim consolidated financial statements

(continued)

6 Release of imparment provision

At 27th April, 2018, an impairment provision of £615,000, relating to the uncertainty of the recovery of certain indirect taxes due to the 'Corporate Branding' division, was made. Following the resolution of the uncertainty with the relevant authorities, the impairment provision of £615,000 was released at 27th October, 2018.

7 Tax expense

The major components of tax expense in the consolidated income statement are:

	Half-year to 31st Oct., 2019 unaudited £'000	Half-year to 27th Oct., 2018 unaudited £'000
Current tax charge	**79**	674
Current tax	**79**	674
Relating to origination and reversal of temporary differences	**(145)**	5
Deferred tax (income)/expense	**(145)**	5
Total tax (income)/expense reported in the Consolidated income statement	**(66)**	679

The UK corporation tax rate will remain at 19% until it reduces to 17% from April 2020. At 31st October, 2019 the rate reductions to 17% had been enacted. Deferred tax at 31st October, 2019 has therefore been provided at 17% or a blended rate depending upon when the underlying temporary timing differences are expected to unwind. Deferred tax in relation to intangibles recognised on the acquisition of 'Petrol Sign BV' has been provided at 25% being the main corporation tax rate in The Netherlands.

8 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 £420,000 (2018 - £2,507,000 profit);

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

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

There are no dilutive instruments in place.

9 Dividends paid and proposed

	Half-year to 31st Oct., 2019 unaudited £'000	Half-year to 27th Oct., 2018 unaudited £'000
Declared and paid during the half-year		
Dividend on ordinary shares		
Final dividend for 2019 – 6.50p (2018 – 6.50p)	**1,073**	1,073
Proposed for approval		
Interim dividend for 2020 – 1.75p (2019 – 1.75p)	**289**	289

Dividend warrants will be posted on 9th January, 2020 to those members registered on the books of the Company on 20th December, 2019.

Notes to the interim consolidated financial statements

(continued)

10 Property, plant and equipment

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 27th April, 2019	17,706	15,585	33,291
Additions	–	351	351
Disposals	–	(437)	(437)
Acquisition of subsidiary (note 16)	–	274	274
Exchange differences	3	(10)	(7)
At 31st October, 2019	**17,709**	**15,763**	**33,472**
Accumulated depreciation			
At 27th April, 2019	662	12,203	12,865
Depreciation charge for the period	160	531	691
Disposals	–	(426)	(426)
Exchange differences	(1)	(9)	(10)
At 31st October, 2019	**821**	**12,299**	**13,120**
Net book value at 31st October, 2019	**16,888**	**3,464**	**20,352**

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 27th April, 2018	17,534	15,536	**33,070**
Additions	–	593	**593**
Disposals	–	(670)	**(670)**
Exchange differences	105	78	**183**
At 27th October, 2018	**17,639**	**15,537**	**33,176**
Accumulated depreciation			
At 27th April, 2018	354	11,950	12,304
Depreciation charge for the period	156	497	653
Disposals	–	(583)	(583)
Exchange differences	–	23	23
At 27th October, 2018	**510**	**11,887**	**12,397**
Net book value at 27th October, 2018	**17,129**	**3,650**	**20,779**

Notes to the interim consolidated financial statements

(continued)

10 Property, plant and equipment (continued)

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 27th April, 2018	17,534	15,536	**33,070**
Additions	–	891	**891**
Disposals	–	(842)	**(842)**
Exchange differences	172	–	**172**
At 27th April, 2019	**17,706**	**15,585**	**33,291**
Accumulated depreciation			
At 27th April, 2018	354	11,950	**12,304**
Depreciation charge for the period	309	1,009	**1,318**
Disposals	–	(723)	**(723)**
Exchange differences	(1)	(33)	**(34)**
At 27th April, 2019	**662**	**12,203**	**12,865**
Net book value at 27th April, 2019	**17,044**	**3,382**	**20,426**

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,409	15,763	**21,172**
At 31st October, 2019	**17,709**	**15,763**	**33,472**
Analysis of cost or valuation			
At professional valuation 2018	12,300	–	**12,300**
At cost	5,339	15,537	**20,876**
At 27th October, 2018	**17,639**	**15,537**	**33,176**
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**

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

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 Interim Consolidated Financial Statements

11 Right-of-use assets

	Property £'000	Plant and equipment £'000	**Total £'000**
Cost or valuation			
At 27th April, 2019	–	–	**–**
IFRS 16 adjustment (note 3)	755	26	**781**
Additions	–	–	**–**
Acquisition of subsidiary (note 16)	501	–	**501**
Exchange differences	(8)	–	**(8)**
At 31st October, 2019	**1,248**	**26**	**1,274**
Accumulated depreciation			
At 27th April, 2019	–	–	**–**
Depreciation charge for the period	84	7	**91**
Exchange differences	(2)	–	**(2)**
At 31st October, 2019	**82**	**7**	**89**
Net book value at 31st October, 2019	**1,166**	**19**	**1,185**

12 Leasing

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 7 years from the Statement of financial position date.

The future minimum lease payments as at 31st October, 2019 were as follows:

	Within one year £'000	One to five years £'000	After five years £'000	**Total £'000**
At 31st October, 2019				
Lease payments	286	881	126	**1,293**
Finance charges	(36)	(63)	(2)	**(101)**
Net present values	**250**	**818**	**124**	**1,192**
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:

	6 months ended 31st Oct., 2019 £'000
Short-term leases	**62**
Leases of low value assets	**16**
Total	**78**

Notes to the Interim Consolidated Financial Statements

13 Cash and cash equivalents

For the purpose of the interim consolidated cash flow statement, cash and cash equivalents are comprised of the following:

	31st Oct., 2019 unaudited £'000	27 Oct., 2018 unaudited £'000	27th April, 2019 audited £'000
Cash at bank and in hand	**13,955**	11,273	17,151
Short term deposits	**5,415**	5,373	5,735
	19,370	16,646	22,886

14 Pension liability

The Company operates an employee pension 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 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.
- From 1st June, 2007 the Company has operated a defined contribution scheme for its UK employees which is administered by a UK pension provider. Member contributions are paid in line with this Scheme's documentation over the accounting period and the Company has no further obligations once the contributions have been made.
- During the period, the Scheme liability has increased by £684,000. A re-measurement loss of £849,000 (2018 – £14,000 gain) has been recognised through other comprehensive income and comprises of a £354,000 remeasurement gain compared to the interest income on the plan assets and a £1,644,000 actuarial loss due to changes in financial assumptions. This partially offset by a £441,000 liability experience gain in the period. The actuarial loss of £1,644,000 due to changes in financial assumptions primarily reflected the lower discount rate at the period end which increased the value placed on the Scheme's liabilities at 31st October, 2019. The interest cost on the net defined benefit liability of £82,000 has been recognised through the income statement. The Scheme's liabilities have been reduced by pension fund deficit payments in the period of £300,000 (2018 – £300,000).
- A £1,198,000 liability for unrecognised past service cost relating to GMP equalisation cost was recognised in the Consolidated income statement for the 52 weeks ended 27th April, 2019. This liability has been remeasured and is included in the Scheme's liabilities at 31st October, 2019.
- It may be some time before an agreed method for GMP calculations is approved. However, now that the estimated past service cost has been recognised in the Consolidated income statement for the year ended 27th April, 2019, further future changes to the estimate will be recognised in the Consolidated statement of comprehensive income.

15 Commitments and contingencies

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £4,637,538 at 31st October, 2019 (2018 – £3,197,739).

In the opinion of the Directors, no material loss will arise in connection with the above matters.

The Group and certain of its subsidiary undertakings are parties to legal actions and claims which have arisen in the normal course of business. The results of actions and claims cannot be forecast with certainty, but the directors believe that they will be concluded without any material effect on the net assets of the Group.

Notes to the Interim Consolidated Financial Statements

16 Business combinations

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'.

From the date of acquisition, 'Armada Janse BV' has contributed £504,000 to revenue and £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 £34,593,000 and the consolidated loss before tax would have been £543,000.

Additionally, 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.

The directors have considered the existence of intangible assets and the fair values of the assets acquired, and provisionally 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 £000	Armada Janse BV £000	Total £000
Plant and equipment	–	274	274
Right-of-use assets	–	501	501
Inventories	63	379	442
Receivables	–	482	482
Payables	–	(601)	(601)
Bank overdraft	–	(245)	(245)
Lease liabilities	–	(501)	(501)
Intangible assets (*)	144	7	151
Consideration and net assets acquired	**207**	**296**	**503**
Add back bank overdraft	–	245	245
Per cashflow	**207**	**541**	**748**

(*) The acquired Intangible assets of £151,000 have been written off in full to the consolidated income statement during the period.

Transaction costs of £79,000 arising from both acquisitions have been expensed and included in administrative expenses.

17 Events after the reporting date

On 13th 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.

The objective of the acquisition is to further expand and strengthen the Group's operations within the 'Corporate Branding' division. 'Reklaspits BV' provide illuminated lighting and wayfinding signage.

The Group is in the process of determining the fair values of the acquired assets of 'Reklaspits BV'. The valuation is expected to be completed before year-end.

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