MS INTERNATIONAL plc

Unaudited Interim Condensed
Group Financial Statements
27th October, 2018

MSI

EXECUTIVE DIRECTORS

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PRINCIPAL OPERATING DIVISIONS

Defence

Forgings

Petrol Station Branding

Petrol Station Superstructures

MSI

Chairman's Statement

For the first half year ended 27th October 2018, profit before taxation increased to £3.19m (2017 – £1.64m), on revenue of £37.74m (2017 – £34.63m). Earnings per share amounted to 15.2p (2017 – 7.8p).

It was a period of admirable progress for the Group overall, with operating divisions confronting changing market conditions with timely and appropriate action to ensure they took advantage of opportunities as they arose.

That determined approach to their respective markets is backed by the Group's strategy of continued investment in each of the divisions to ensure they are at their most effective. Such investment remains a priority and the rewards of this approach are evident in our latest results. Despite that ongoing investment, our long-established policy and commitment to fostering and maintaining a robust balance sheet has been validated with further growth in net cash to £16.65m, compared to £15.87m at the last year end.

Notable and most encouraging performances were achieved by the 'Forgings'; 'Petrol Station Superstructures' and 'Petrol Station Branding', divisions. However, our 'Defence' division – as a constituent part of the depressed UK defence equipment industry – is contending with the consequences of a seriously subdued home market, aggravated by a persistent lack of any real clarity, as to future demand.

The 'Defence' division is countering the effect of the challenges to the domestic market by focusing efforts on its international marketing activities in addition to our own investment in private venture funding of the design and development of both our new and existing weapon systems to meet the varied requirements and perceived opportunities outside of the UK. It is an essential, if costly strategy, but one which should enrich our international presence and reputation leading to enhanced sales.

The 'Forgings' division is making very good progress, reflecting the increasing benefits of a much improved inter-company supply chain between the UK and our maturing production capability at the new manufacturing and marketing facility in the United States. Operations in South America are holding their own at a time when some rather problematic national economic circumstances are prevailing in that region of the world.

The 'Petrol Station Superstructures' division is reaping the benefits of a marked recovery in both UK and mainland European markets. This division remains very well positioned to take full advantage of the growing number of opportunities coming through.

The 'Petrol Station Branding' division has continued to prosper and, in particular, grow the business across both an expanding customer base and additional regional markets. As a result, the division is making a welcome and substantial contribution to the Group's financial performance, pleasingly exceeding our expectations since the acquisition and subsequent expansion of the division from its Netherlands base into both Germany and the UK.

All such matters considered, the Board has declared a maintained interim dividend per share of 1.75p (2017 – 1.75p) payable to shareholders on the 4th January 2019.

Michael Bell **3rd December 2018**

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 26 weeks ended 27 October 2018 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.

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.

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 26 weeks ended 27 October 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
3rd December 2018

Interim condensed consolidated income statement

	Notes	**26 weeks ended 27th Oct., 2018 Unaudited £'000**	26 weeks ended 28th Oct., 2017 Unaudited £'000
Products		**30,100**	28,173
Contracts		**7,642**	6,456
Revenue	4	**37,742**	34,629
Cost of sales		**(27,386)**	(25,926)
Gross profit		**10,356**	8,703
Distribution costs		**(1,565)**	(1,575)
Administrative expenses		**(5,525)**	(5,354)
Operating profit	4/5	**3,266**	1,774
Finance income/(cost)		**2**	(43)
Other finance costs – pension		**(82)**	(91)
Profit before taxation		**3,186**	1,640
Tax expense	6	**(679)**	(356)
Profit for the period attributable to equity holders of the parent		**2,507**	1,284
Earnings per share: basic and diluted	7	**15.2p**	7.8p

Interim condensed consolidated statement of comprehensive income

	26 weeks ended 27th Oct., 2018 Unaudited £'000	26 weeks ended 28th Oct., 2017 Unaudited £'000
Profit for the period attributable to equity holders of the parent	**2,507**	1,284
Exchange differences on retranslation of foreign operations	**(76)**	215
Other comprehensive income-items that will be reclassified subsequently to profit or loss	**(76)**	215
Remeasurement of defined benefit pension scheme liability	**14**	1,268
Deferred taxation on remeasurement of defined benefit pension scheme	**(2)**	(216)
Other comprehensive income - items that will not be reclassified subsequent to profit or loss	**12**	1,052
Total comprehensive income for the period attributable to equity holders of the parent	**2,443**	2,551

Interim condensed consolidated statement of financial position

	Notes	26 weeks ended 27th Oct., 2018 Unaudited £'000	26 weeks ended 28th Oct., 2017 Unaudited £'000
ASSETS			
Non-current assets			
Intangible assets		**4,718**	4,893
Property, plant and equipment	9	**20,779**	20,766
Deferred income tax asset		**1,052**	1,092
		26,549	26,751
Current assets			
Inventories		**15,643**	11,666
Trade and other receivables		**13,106**	14,617
Income tax receivable		**44**	114
Prepayments		**2,329**	1,127
Cash and cash equivalents	10	**16,646**	15,866
		47,768	43,390
TOTAL ASSETS		**74,317**	70,141
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,840**	1,840
Capital redemption reserve		**901**	901
Other reserve		**2,815**	2,815
Revaluation reserve		**6,055**	6,055
Special reserve		**1,629**	1,629
Currency translation reserve		**445**	521
Treasury shares		**(3,059)**	(3,059)
Retained earnings		**24,000**	22,698
Total Equity		**34,626**	33,400
Non-current liabilities			
Defined benefit pension liability	11	**6,189**	6,421
Deferred tax liabilities		**1,595**	1,625
		7,784	8,046
Current liabilities			
Trade and other payables		**30,717**	28,052
Current tax liabilities		**1,190**	643
		31,907	28,695
TOTAL EQUITY AND LIABILITIES		**74,317**	70,141

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 28th April, 2018	1,840	901	2,815	6,055	1,629	521	(3,059)	22,698	**33,400**
IFRS 15 opening adjustment (note 2)	–	–	–	–	–	–	–	(144)	**(144)**
Profit for the period	–	–	–	–	–	–	–	2,507	**2,507**
Other comprehensive income/(loss)	–	–	–	–	–	(76)	–	12	**(64)**
	1,840	**901**	**2,815**	**6,055**	**1,629**	**445**	**(3,059)**	**25,073**	**35,699**
Dividend paid (note 8)	–	–	–	–	–	–	–	(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 Unaudited £'000**
At 29th April, 2017	1,840	901	2,815	4,257	1,629	696	(3,059)	19,962	29,041
Profit for the period	–	–	–	–	–	–	–	1,284	1,284
Other comprehensive income	–	–	–	–	–	215	–	1,052	1,267
	1,840	**901**	**2,815**	**4,257**	**1,629**	**911**	**(3,059)**	**22,298**	**31,592**
Dividend paid (note 8)	–	–	–	–	–	–	–	(1,073)	(1,073)
At 28th October, 2017	**1,840**	**901**	**2,815**	**4,257**	**1,629**	**911**	**(3,059)**	**21,225**	**30,519**

Interim consolidated cash flow statement

	26 weeks ended 27th Oct., 2018 Unaudited £'000	26 weeks ended 28th Oct., 2017 Unaudited £'000
Profit before taxation	**3,186**	1,640
Adjustments to reconcile profit before taxation to net cash flows from operating activities		
IFRS 15 opening adjustment (note 2)	**(144)**	–
Depreciation charge	**653**	628
Amortisation charge	**195**	254
Profit on disposal of fixed assets	**(46)**	(75)
Finance costs	**80**	134
Foreign exchange movements	**(263)**	79
Increase in inventories	**(3,977)**	(1,548)
Decrease in receivables	**1,511**	963
Increase in prepayments	**(1,202)**	(15)
Increase in payables	**1,756**	770
Increase/(decrease) in progress payments	**909**	(1,359)
Pension fund deficit reduction payments	**(300)**	(159)
Cash flows from operations	**2,358**	1,312
Net interest received/(paid)	**2**	(43)
Taxes paid	**(47)**	(157)
Net cash flow from operating activities	**2,313**	1,112
Investing activities		
Purchase of property, plant and equipment	**(593)**	(829)
Sale of property, plant and equipment	**133**	115
Net cash flows used in investing activities	**(460)**	(714)
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	**780**	(675)
Opening cash and cash equivalents	**15,866**	15,210
Closing cash and cash equivalents	**16,646**	14,535

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 forgings.

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

Petrol Station Branding – design and installation of the complete appearance of petrol stations.station superstructures.

The interim condensed consolidated financial statements of the Group for the twenty six weeks ended 27th October, 2018 were authorised for issue in accordance with a resolution of the Directors on 3rd December, 2018.

2 Basis of preparation and accounting policies

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The consolidated condensed set of financial statements included in this half-yearly financial report which has not been audited has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union. The accounting policies are consistent with those applied in the Group Annual financial statements for the 52 weeks ended 28th April, 2018, except as stated below following the adoption of IFRS 15 and IFRS 9.

The interim financial information has been reviewed by the Group's auditors, Grant Thornton UK LLP, their report is included on page 4. These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 28th April, 2018.

IFRS 15 Revenue from contracts with customers has been adopted and applied retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 28th April, 2018. Previously revenue on contracts within the Petrol Station Structure Division was recognised based on the stage of completion of site activity. On applying IFRS15 revenue on these contracts will be recognised at the completion of the contract. The effect of this change was a reduction of retained earnings of £144,000 as at the 28th April, 2018, being the net of a reduction in revenue of £488,000 and an increase in work in progress of £344,000, with a balance sheet effect of increasing inventories by £344,000, reducing receivables by £22,000 and payables by £466,000. If IFRS15 had been applied to the period ended 28th October, 2017 then revenue would have been reduced by £538,000, profit before taxation by £168,000, inventories increased by £370,000, accounts receivable reduced by £80,000 and payables reduced by £457,000.

IFRS 9 Financial instruments has been adopted. This adoption has no effect on revenue, profits or balance sheet items. There are no other accounting standards or interpretations that have become effective in the current reporting period which have had a material effect on the net assets, results and disclosures of the Group.

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.

The figures for the year ended 28th April, 2018 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.

Notes to the interim consolidated financial statements

(continued)

3 Principal risks and uncertainties

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

Additionally the prosperity of the Group is underpinned by the intellectual property rights of the products which have been developed in house and funded by the Group at considerable cost. Challenges to the ownership of our intellectual property rights have increasingly become a risk. Such threats are monitored and vigorously confronted and defended as they arise.

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 these interim financial statements.

4 Segment information

Primary reporting format – divisional segments

The following table presents revenue and profit information about the Group's divisions for the periods ended 27th October, 2018 and 28th October, 2017.

	Defence		Forgings		Petrol Station Superstructures		Petrol Station Branding		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018 Unaudited**	2017 Unaudited
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Revenue										
From external customers	**9,010**	9,133	**7,764**	7,029	**7,677**	6,500	**13,291**	11,967	**37,742**	34,629
From other segments	**–**	–	**–**	–	**292**	146	**120**	103	**412**	249
Segment revenue	**9,010**	9,133	**7,764**	7,029	**7,969**	6,646	**13,411**	12,070	**38,154**	34,878
Segment result	**24**	289	**(232)**	(512)	**1,179**	109	**2,295**	1,888	**3,266**	1,774
Net finance expense									**(80)**	(134)
Profit before taxation									**3,186**	1,640
Taxation									**(679)**	(356)
Profit for the period									**2,507**	1,284
Capital expenditure	**10**	–	**332**	479	**164**	59	**53**	129		
Depreciation	**38**	79	**250**	240	**154**	161	**92**	80		

The following table presents segment assets and liabilities of the Group's divisions for the periods ended 27th October, 2018 and 28th October, 2017.

	Defence 2018	Defence 2017	Forgings 2018	Forgings 2017	Petrol Station Superstructures 2018	Petrol Station Superstructures 2017	Petrol Station Branding 2018	Petrol Station Branding 2017	Total 2018	Total 2017
Segmental assets	**28,248**	28,366	**5,327**	4,374	**11,059**	10,052	**11,066**	7,692	**55,700**	50,484
Unallocated assets									**18,617**	12,930
Total assets									**74,317**	63,414
Segmental liabilities	**20,093**	16,476	**2,382**	1,658	**4,510**	2,849	**4,115**	3,142	**31,100**	24,125
Unallocated liabilities									**8,591**	8,770
Total liabilities									**39,691**	32,895

Unallocated assets includes certain fixed assets, intangible assets, current assets and deferred tax assets. Unallocated liabilities includes the defined benefit pension scheme liability and certain current liabilities which primarily relate to operations of Group functions.

Notes to the interim consolidated financial statements

(continued)

5 Release of imparment provision

At 28th April, 2018, an impairment provision of £615,000, relating to the uncertainty of the recovery of certain indirect taxes due to the Petrol Station Branding division, was made. Following the resolution, with the relevant authorities, of the uncertainty the impairment provision of £615,000 was released at 27th October, 2018.

6 Tax expense

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

	26 weeks ended 27th Oct., 2018 Unaudited £'000	26 weeks ended 28th Oct., 2017 Unaudited £'000
Current tax charge	**674**	481
Current tax	**674**	481
Relating to origination and reversal of temporary differences	**5**	(125)
Deferred tax	**5**	(125)
Total income expense reported in the consolidated income statement	**679**	356

The UK corporation tax rate will remain at 19% until it reduces to 17% from April 2020. At 27th October, 2018 the rate reductions to 17% had been enacted. Deferred tax at 27th October, 2018 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.

7 Earnings per share

The calculation of basic earnings per share is based on:

(a) Profit for the period attributable to equity holders of the parent of £2,507,000 (2017 – £1,284,000);

(b) 16,504,691 (2017 – 16,504,691) Ordinary shares, being the number of Ordinary shares in issue.

This represents 18,396,073 (2017 – 18,396,073) being the number of Ordinary shares in issue less 245,048 (2017 – 245,048) being the number of shares held within the ESOT and less 1,646,334 (2017 – 1,646,334) being the number of shares purchased by the Company.

8 Dividends paid and proposed

	26 weeks ended 27th Oct., 2018 Unaudited £'000	26 weeks ended 28th Oct., 2017 Unaudited £'000
Declared and paid during the 26 week period		
Dividend on ordinary shares		
Final dividend for 2018 – 6.50p (2017 – 6.50p)	**1,073**	1,073
Proposed for approval		
Interim dividend for 2019 – 1.75p (2018 – 1.75p)	**289**	289

Dividend warrants will be posted on 3rd January, 2019 to those members registered on the books of the Company on 14th December, 2018.

Notes to the interim consolidated financial statements

(continued)

9 Property, plant and equipment

	Freehold property £'000	Plant and equipment £'000	**Total £'000**
At 28th 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**
At 28th 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**
At 29th April, 2017	16,010	15,751	**31,761**
Additions	–	829	**829**
Disposals	–	(677)	**(677)**
Exchange differences	28	60	**88**
At 28th October, 2017	16,038	15,963	**32,001**
At 29th April, 2017	557	12,105	**12,662**
Depreciation charge for the period	94	535	**629**
Disposals	–	(637)	**(637)**
Exchange differences	9	36	**45**
At 28th October, 2017	660	12,039	**12,699**
Net book value at 28th October, 2017	15,378	3,924	**19,302**
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 2014	12,221	–	**12,221**
At cost	3,817	15,963	**19,780**
At 27th October, 2017	16,038	15,963	**32,001**

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.

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.

Notes to the interim consolidated financial statements

(continued)

10 Cash and cash equivalents

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

	27th Oct., 2018 Unaudited £'000	28th April, 2018 Audited £'000
Cash at bank and in hand	**11,273**	7,504
Short term deposits	**5,373**	8,362
	16,646	15,866

11 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 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 one 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 reduced by £232,000. A re-measurement gain of £14,000 (2017 – £1,268,000) has been recognised through other comprehensive income and comprises of a £604,000 remeasurement loss compared to the interest income on the plan assets on plan assets and a £618,000 actuarial gain due to changes in financial assumptions. The actuarial gain comprises of a £453,000 gain which primarily reflected the higher discount rate in the period which decreased the value placed on the Scheme's liabilities at the period end. In addition there was a £165,000 resulting from changes in the mortality assumption. The interest cost on the net defined benefit liability of £82,000 has been recognised through the income statement. The liability is reduced by deficit reduction payments in the period of £300,000 (2017 – £159,000).
- On 26th October, 2018 a High Court judgement ruled that guaranteed minimum pensions (GMP's) for pensionable service between 1990 and 1997 were required to be equalised for members of contracted out pension schemes.

  However, the judgement did not set out a methodology for how this equalisation process should occur across all pension schemes. The Trustee Directors and the Company are consulting with the Scheme's advisors on how best to implement the equalisation process.

  Whilst broad industry wide estimates have suggested potential increases in pension schemes' liabilities of between 0% – 3%, any additional liability will be primarily dependent upon the Scheme membership profile and methodology adopted for calculating equalised GMP's.

  Given the uncertainty relating to the calculation methodology to be adopted and the short period of time since the judgement it has not been possible to accurately quantify any increase in the Scheme's liabilities for inclusion in these financial statements.

  Any increase in the Scheme's liabilities arising from this judgement will be included in the annual financial statements for the year ending on 27th April, 2019.

Notes to the interim consolidated financial statements

(continued)

12 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 £3,197,73 at 27th October, 2018 (2017 – £2,410,677).

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.

MSI