

683735

## The Year in Brief

	2000	1999
	£000	£000
Turnover: Group and share of joint venture	32,235	35,825
Profit on ordinary activities before taxation	1,214	1,117
Profit on ordinary activities after taxation	843	725
Earnings per share	3.8p	2.9p
Dividend per share	1.20p	1.00p

### Financial Calendar Key Dates

Annual results announced	June
Annual General Meeting	August
Final dividend payable	September
Half-year results announced	December
Interim dividend payable	February



A50 \*AKSCUZM\* 0192  
COMPANIES HOUSE 28/11/00

## Chairman's Statement

### Results

I am pleased to report that MS International plc has achieved higher profits, a significant increase in earnings per share and excellent cash generation, despite a trading environment which can only be described as tough.

Pre-tax profits increased to £1.21m (1999 - £1.12m), after reorganisation costs associated with an acquisition during the year, even though turnover was lower at £32.24m (1999 - £35.82m). Earnings per share increased by 31% to 3.8p (1999 - 2.9p).

These results confirm that the Group has established a much improved earnings base for the future, while our commitment to enhancing margins and reducing the working capital requirements of the business, has been successfully translated into very positive cash generation. At the year end, net cash had risen to £2.47m (1999 - £1.42m), after the purchase of 3,975,000 of the Company's own shares at a cost of £1.03m, reported at the interim stage.

The defence and forgings divisions together demonstrated considerable margin improvement although combined sales were marginally lower than the previous year. However, extreme fluctuations in demand in the specialist steel fabrications division resulted in a year when the famine in orders was longer, and more damaging, than the late feast was able to redeem. In addition, this division's profits were dented by a one-off reorganisation charge of £115,000 relating to an acquisition of a leading competitor to our joint venture business - Global-MSI plc.

I believe the overall achievement is a commendable performance, despite the relentless pressures that resulted from the many negative effects of the gradual, but incessant weakening of the "Euroland" currencies. Disadvantaged by the weakness, the Group conceded some sales volume in our world-wide markets to competitors from that region.

The defence division remained a consistent contributor to both turnover and profit. After some delays in receiving orders the order book was reinvigorated in the latter part of the year but such delays inevitably make forecasting and budgeting a challenging task, notwithstanding the difficulties they bring in achieving planned operational activity and efficiencies.

The forgings division made excellent progress. The fork arm business intensified its determination to overcome the currency mismatch with a notable good all round performance throughout the operation. Added to that the open-die forgings business had another good year emanating from better utilisation of facilities that formed part of last year's capital investment programme. It is satisfying to see that our results compare more than just favourably with those of our competitors in the industry.

It was, however, a very difficult and unsatisfactory year for the specialist steel fabrications division, a trend very much in common with results already reported by others in this depressed sector. Following competitive tendering successes, contract award dates became protracted, and start date delays on a number of contracts compounded the frustrations. These conditions made it difficult to maintain the momentum of volume without conceding some margin.

Global-MSI plc - our joint venture company - had, with a certain astuteness, predicted a continuing depressed level of new building for petrol station outlets across Europe. Action was taken and as a consequence, the full detrimental effects on the business were minimised, while we awaited the restructured petrol retailers to initiate a new building programme cycle. The weak market for forecourt canopies did create a positive opportunity for us. Global-MSI plc acquired the business and assets of Conder Ltd. Though loss making, Conder was a formidable and long time competitor. That business has now been rationalised and the core quality of the remainder integrated into Global-MSI plc.

### Outlook

We have welcomed the recent recovery of the "Euroland" currencies, which should assist in restoring a measure of our competitiveness. It would be too presumptuous to assume that we can recover, in the short term, the business from those customers who, although perhaps reluctant to change, had little alternative but to seek supplies from countries operating with a more favourable exchange rate. We will, however, take every opportunity to maximise the potential that a more positive exchange rate would offer us.

The defence and forgings divisions are both well placed to maintain their positive positions. The specialist steel fabrications division is forecasting an improvement in trading conditions, with an enlarged Global-MSI plc in particular, looking to return to a much better level of activity.

The Group order book is strong at £26.57m (1999 - £23.71m), the balance sheet is in good shape and there are some opportunities to be taken. These factors should provide a good platform to build for the future, and strengthen the trading position of the Group's existing businesses and enhance earnings, although markets will undoubtedly remain fiercely competitive.

The Board recommends the payment of an increased final dividend of 0.90p per share (1999 - 0.75p), making a total for the year of 1.20p (1999 - 1.00p), payable to shareholders on September 11th, 2000.

*Michael Bell*

Michael Bell  
June 29th, 2000

# Directors and Advisers

## Directors

### Executive

Michael Bell ARICS (Chairman)  
Michael O'Connell FCA (Finance)  
David Pyle (Administration and Secretary)

### Non Executive

Roger Lane-Smith - Age 54  
Appointed a director on January 21st, 1983. He is senior partner of DLA and is also a director of a number of other companies.

---

### Registered Office

Carr Hill,  
Balby,  
Doncaster,  
South Yorkshire,  
DN4 8DH

---

### Auditors

Ernst & Young

---

### Registrars and Transfer Office

Capita IRG Plc,  
Bourne House,  
34 Beckenham Road,  
Beckenham,  
Kent,  
BR3 4TU

---

### Solicitors

DLA

---

### Stockbrokers

Greig Middleton & Co. Limited

---

## Report of the Directors

The directors present their report and Group accounts for the 52 weeks ended April 29th, 2000.

### 1 Principal activities of the Group

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

### 2 Business review

A review of the operations of the Company, subsidiaries and joint venture during the period, and their position at April 29th, 2000, and indications of future developments in the business are provided in the Chairman's Statement.

### 3 Results and dividends

The profit for the period attributable to shareholders amounted to £843,000. It is recommended that a final dividend of 0.90 pence per share be paid (1999 - 0.75 pence per share), making a total of 1.20 pence per share (1999 - 1.00 pence per share).

### 4 Directors

The names of the directors of the Company at April 29th, 2000 are shown on page 3.

In accordance with the Articles of Association David Pyle retires by rotation and, being eligible, offers himself for re-election. David Pyle has a service contract with the Company which entitles him to two years notice of termination.

### 5 Directors' interests

The interests of the directors in the shares of the Company, other than the options to acquire ordinary shares which are listed in the Remuneration Report on pages 23 and 24, according to the register required to be kept under section 325 of the Companies Act 1985, were as follows:

	10p ordinary shares			
	At April 29th, 2000		At May 1st, 1999	
	Held beneficially	As trustee	Held beneficially	As trustee
Michael Bell	1,350,924	200,000*	1,216,924	200,000*
Roger Lane-Smith	53,000	200,000*	53,000	200,000*
Michael O'Connell	31,000	-	31,000	-
David Pyle	365,600	-	365,600	-

#### \* Joint holding

At April 29th, 2000, Michael Bell held options on 990,000 ordinary shares (1999 - 990,000), Michael O'Connell held options on 646,675 ordinary shares (1999 - 646,675) and David Pyle held options on 646,675 ordinary shares (1999 - 646,675) under the Company's executive and employee share option schemes. Full disclosure of directors' share options is given in the Remuneration Report on pages 23 and 24.

### 6 Substantial interests in shares

As at April 29th, 2000, the directors had been advised of the following notifiable interests:

	% of share capital held
Abtrust Fund Managers Limited	16.1
The Trustee of the Group's pension scheme	15.9
Cavendish Asset Management Limited	14.7
The Trustee of the Group's employee share ownership trust	11.6
Mrs Patricia Snipe	3.9

Apart from these, and the holdings of Michael Bell and his family, the directors have not been formally notified of any other notifiable shareholdings in excess of 3% on May 31st, 2000.

### 7 Company purchase of own shares

During the period a total 3,975,000 10p ordinary shares, being 14.5% of the total issued share capital, were acquired for a consideration of £1,032,000. The shares acquired were cancelled. The directors considered that the loss of interest on the cash utilised to acquire the shares set against the reduction in the number of shares in issue would improve the earnings per share.

### 8 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.

During the period the company and various subsidiaries maintained profit related pay schemes to encourage employees' involvement in the performance of the Company in which they are employed.

# Report of the Directors

## 9 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.

---

## 10 Creditor payment policy

It is the Group's policy to abide by the terms of payment agreed with suppliers of all goods and services properly supplied and invoiced to the Group. The terms may be the suppliers' standard terms or such other terms agreed with the supplier for specific transactions as appropriate. The creditor days for 2000 are 76 (1999 - 63).

---

## 11 Year 2000 compliance

Prior to December 31st, 1999, the Company took appropriate steps to review the computer and date dependent systems critical to the Company's ongoing operations and preparation of financial information. The review established the impact, if any, which the Year 2000 might have on the accuracy of calculations, data processing and financial reporting. Although it is not possible to guarantee that no Year 2000 problems remain, the Company believes that its internal systems are Year 2000 compliant. The Company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers.

Contingency plans have been developed to minimise the risk of disruption. Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a potential of Year 2000 impacting the business, however, the directors do not expect this to be significant.

---

## 12 Special business at the Annual General Meeting

Resolution 5, which will be proposed as an Ordinary Resolution, renews the authority contained in the Articles of Association for the directors to issue the authorised but unissued share capital. No issue will be made which will effectively alter control of the Company without consent of shareholders in General Meeting.

Resolution 6, which will be proposed as a Special Resolution, extends the directors' authority to issue shares in the Company for cash. This resolution, in accordance with the Investors Protection Committee Guidelines, is limited to 5% of the issued ordinary share capital and is for a maximum period of 15 months. There is no intention at the present time to exercise this power if obtained.

Resolution 7 in the Notice of Annual General Meeting, which will be proposed as a Special Resolution, empowers the directors to purchase up to 2,343,193 shares (10% of the issued share capital of the Company) through market purchases on The London Stock Exchange. Before the Board would use its authority to purchase shares in the Company, pursuant to the powers given in this resolution, it undertakes that it will only do so if there will be a resultant increase in the earnings per share. There is no intention at the present time to exercise this power, if obtained.

---

## 13 Auditors

A resolution to re-appoint the auditors, Ernst & Young, will be proposed at the Annual General Meeting.

By order of the Board,  
David Pyle, Secretary

June 29th, 2000



## Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the Auditors

To the Members of MS International plc

We have audited the accounts on pages 7 to 21 and 25 which have been prepared under the historical cost convention (as modified by the revaluation of freehold property) and the accounting policies set out on page 7.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report. As described above this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the UK Listing Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the corporate governance statement on page 22 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

### Base of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at April 29th, 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young*

Ernst & Young  
Registered Auditor

Leeds  
June 29th, 2000

# Statement of Accounting Policies

## 1 Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain freehold property. The accounts comply with applicable UK accounting standards.

## 2 Basis of consolidation

The Group profit and loss account and balance sheet include the audited accounts of the Company and all its subsidiary undertakings, all of which are companies, made up to the end of the financial period. The Group profit and loss account includes the result of companies and businesses acquired or disposed of during the period from the deemed date of acquisition or up to the effective date of disposal. Intra-Group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only. Goodwill, all of which relates to acquisitions prior to May 1st, 1999, has been set off directly against reserves and has not been reinstated on implementation of Financial Reporting Standard 10 "Goodwill and Intangible Assets".

If a subsidiary, joint venture or business is subsequently sold or closed, any goodwill arising on acquisition that was written off to reserves is taken into account in determining the profit or loss on closure.

## 3 Joint venture

The joint venture is accounted for in accordance with Financial Reporting Standard 9 "Associates and Joint Ventures". Accordingly, the Group's share of operating profit, interest and taxation of the joint venture is included in the consolidated profit and loss account, and the Group's share of gross assets and gross liabilities is included in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the undertaking concerned made up to the end of the financial period.

## 4 Foreign currencies

- (a) Exchange differences arising from normal trading transactions are accounted for in arriving at the operating profit.
- (b) The results of overseas subsidiaries are translated at an average rate for the period for inclusion in the consolidated profit and loss account.
- (c) Assets and liabilities of overseas subsidiaries are translated at the rates of exchange prevailing at the balance sheet date for inclusion in the consolidated balance sheet.
- (d) Exchange differences arising on translation of the Group's net investment in overseas subsidiaries, including loans, and on associated foreign currency borrowings in so far as they are not matched by those of overseas investments are dealt with through reserves.

## 5 Depreciation

Depreciation is calculated to write off the cost or valuation of tangible fixed assets over the expected useful lives of the assets concerned in equal annual instalments. The principal annual rates used for this purpose are:

Freehold Buildings, 2% Plant and Equipment, 12.5% Motor Vehicles, 33.3%.

Freehold land is not depreciated.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

## 6 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value, on a first in, first out basis. In the case of work in progress and finished goods, cost comprises direct expenditure together with production related overheads calculated on the basis of a normal level of activity. Provision is made for obsolescent, slow-moving and defective stocks.

Progress payments received and receivable are deducted from the balance sheet value of stocks and work in progress to which they relate. Any excess progress payments are included in creditors.

## 7 Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

## 8 Research and development expenditure

Research and development expenditure is written off in the year in which it is incurred.

## 9 Contracts

Profit is taken when the manufacture of equipment to be provided under the terms of a short-term contract is completed, despatched or held for despatch. Long-term contracts are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract. Allowance is made for contract price adjustments to the extent that they can be ascertained and are not in dispute and provision is made on specific contracts for known or expected losses and rectification and maintenance costs where appropriate.

## 10 Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Group, are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease.

## 11 Deferred taxation

Provision is made for deferred taxation using the liability method on all timing differences, including differences relating to pensions, to the extent that it is probable that the liability will crystallise.

## 12 Pension scheme

The Group operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Until April 6th, 1997, the scheme provided defined benefits and these liabilities continue in respect of services prior to April 6th, 1997. The regular annual cost relating to the defined benefits liabilities is assessed in accordance with the advice of a qualified actuary using the projected unit method which calculates the cost of fully providing for members' pension entitlements accruing over the next twelve months. Actuarial variations are amortised using the percentage of pensionable salaries method. Notional interest on the pension prepayment carried forward in debtors is deducted in arriving at the regular annual cost.

## 13 Turnover

Turnover (which excludes VAT and sales between Group companies), comprises the following:

- (a) sales (other than contract sales) of goods and services at invoice value and;
- (b) contract sales value of work completed in the year determined where appropriate by reference to the total estimated contract sales value.

## Group Profit and Loss Account

For the 52 weeks ended April 29th, 2000

	Note	2000 £000	1999 £000
Turnover: Group and share of joint venture		32,235	35,825
Less: Share of joint venture turnover		(3,797)	(5,109)
<b>Group turnover</b>	1	<b>28,438</b>	<b>30,716</b>
Operating profit	1/2	1,212	813
Share of operating profit of joint venture		10	374
		<b>1,222</b>	<b>1,187</b>
Exceptional items:			
Profit on sale of tangible fixed assets:			
Group		5	3
Joint venture		3	7
Profit on ordinary activities before interest		1,230	1,197
Interest receivable:	3		
Group		126	32
Joint venture		9	19
Interest payable:	4		
Group		(151)	(131)
Profit on ordinary activities before taxation		1,214	1,117
Tax on profit on ordinary activities	5	(371)	(392)
Profit on ordinary activities after taxation		843	725
Dividends	6	(249)	(247)
Retained profit for the Group and its share of joint venture		594	478
Earnings per share	7	3.8p	2.9p

## Group Statement of Recognised Gains and Losses

	2000 £000	1999 £000
Profit for the financial period	843	725
Translation differences on foreign currency net investments	4	26
Total gains recognised since last annual report	847	751

### Historical cost profits and losses

There is no material difference between the result as disclosed in the profit and loss account and the result which would have been reported had the Group prepared the accounts on an unmodified historical cost basis.

Auditors' report page 6

# Balance Sheets

At April 29th, 2000

	Note	Group		Company	
		2000 £000	1999 £000	2000 £000	1999 £000
<b>Assets employed</b>					
<b>Fixed assets</b>					
Tangible assets	10	6,358	6,428	6,318	6,389
Investment in subsidiary undertakings	11	-	-	6,823	6,823
Investment in joint venture	12	-	-	125	50
Joint venture:					
Share of gross assets	12	1,587	1,383	-	-
Share of gross liabilities	12	(1,184)	(1,015)	-	-
Investment in own shares	13	598	598	598	598
		<b>7,359</b>	<b>7,394</b>	<b>13,864</b>	<b>13,860</b>
<b>Current assets</b>					
Stocks	14	3,870	4,530	3,336	3,992
Debtors	15	5,717	6,402	6,305	6,914
Group pension scheme prepayment - due after more than one year	9	6,990	6,990	6,990	6,990
Cash at bank and in hand		3,165	2,447	3,000	2,406
		<b>19,742</b>	<b>20,369</b>	<b>19,631</b>	<b>20,302</b>
Creditors - amounts falling due within one year	16	10,229	10,232	17,096	17,281
Net current assets		<b>9,513</b>	<b>10,137</b>	<b>2,535</b>	<b>3,021</b>
<b>Total assets less current liabilities</b>					
Creditors - amounts falling due after more than one year	17	78	250	78	156
Provisions for liabilities and charges	18	2,612	2,665	2,612	2,665
Total assets less liabilities		<b>14,182</b>	<b>14,616</b>	<b>13,709</b>	<b>14,060</b>
<b>Capital and reserves</b>					
Called up share capital	21	2,343	2,741	2,343	2,741
Capital redemption reserve	22	398	-	398	-
Revaluation reserve	22	2,368	2,368	1,187	1,187
Other reserves	22	4,719	4,715	4,283	4,379
Special reserve	22	1,487	1,487	1,588	1,611
Profit and loss account	22	2,867	3,305	3,910	4,142
Equity shareholders' funds	22	<b>14,182</b>	<b>14,616</b>	<b>13,709</b>	<b>14,060</b>

These accounts were approved by the Board of Directors on June 29th, 2000

Michael Bell }  
Michael O'Connell } Directors

*Michael Bell*

Auditors' report page 6

*M. O'Connell*

# Group Cash Flow Statement

For the 52 weeks ended April 29th, 2000

	2000 £000	2000 £000	1999 £000	1999 £000
Operating profit	1,212		813	
Depreciation charge	533		545	
Foreign exchange losses	4		26	
RSA grant release	(38)		(37)	
Decrease/(increase) in stocks	2,212		(1,131)	
Decrease in debtors	674		511	
(Increase) in creditors	(1,081)		(465)	
(Decrease)/increase in progress payments	(274)		1,815	
Increase in provisions	119		275	
Provisions utilised	(151)		(209)	
<b>Cash flow from operating activities</b>		<b>3,210</b>		<b>2,143</b>
Dividends received from joint venture		51		100
Interest received/(paid)		26		(80)
Taxation paid		(417)		(148)
Purchase of tangible fixed assets	(469)		(391)	
Sale of tangible fixed assets	11		21	
Loans (paid)/repaid (to)/from joint venture	(75)		209	
<b>Capital expenditure and financial investment</b>		<b>(533)</b>		<b>(161)</b>
Dividends paid		(268)		(220)
<b>Cash inflow before financing</b>		<b>2,069</b>		<b>1,634</b>
<b>Cash inflow before financing</b>		<b>2,069</b>		<b>1,634</b>
Financing				
Purchase of own shares	(1,032)		-	
Long-term bank loans repaid	(111)		(364)	
Repayments of capital element of finance loans and hire purchase contracts	(75)		(63)	
New leases	94		-	
		(1,124)		(427)
<b>Increase in cash (note 25)</b>		<b>945</b>		<b>1,207</b>

## Reconciliation of net cash flow to movement in net funds

	2000 £000	1999 £000
Increase in cash	945	1,207
Cash flow from decrease in bank loans	111	364
Repayments of capital element of finance loans and hire purchase contracts	75	63
<b>Changes in net funds resulting from cash flow</b>	<b>1,131</b>	<b>1,634</b>
New leases	(94)	-
<b>Movement in net funds</b>	<b>1,037</b>	<b>1,634</b>
Net funds/(debt) at May 1st, 1999 (note 25)	1,328	(306)
<b>Net funds at April 29th, 2000 (note 25)</b>	<b>2,365</b>	<b>1,328</b>

Auditors' report page 6

# Notes on the Accounts

## 1 Turnover and operating profit

	2000 Total £000	1999 Total £000
(a) Summary		
Turnover	35,253	38,909
Inter company sales	(3,018)	(3,084)
Turnover: Group and share of joint venture	32,235	35,825
Less: Share of joint venture turnover	(3,797)	(5,109)
Cost of sales	28,438 (22,404)	30,716 (24,461)
Gross profit	6,034	6,255
Net operating expenses		
Distribution costs	(1,397)	(1,478)
Administrative expenses	(3,425)	(3,964)
	(4,822)	(5,442)
Operating profit	1,212	813

(b) The class of business of the Group is engineering. In the opinion of the directors, the disclosure of any analysis of this class of business or any other segmental information would be seriously prejudicial to the interests of the Group.

## 2 Operating profit

	2000 £000	1999 £000
Operating profit is stated after charging:		
Depreciation	533	545
Auditors' remuneration		
As auditors – UK (Company £65,000, 1999 £65,000)	65	65
As auditors – overseas	5	5
Non audit work – UK	27	88
Hire of plant and machinery	48	66
Other operating leases	285	279
Redundancy and closure costs	124	148
Foreign exchange losses	–	26
and after crediting:		
Foreign exchange gains	42	–
RSA grant release	37	37

## 3 Interest receivable

	2000 £000	1999 £000
Group:		
Bank interest	125	32
Other	1	–
Joint venture:		
Bank interest	9	19

## 4 Interest payable

	2000 £000	1999 £000
Group:		
On bank loans and overdrafts	96	77
Finance lease and hire purchase contracts	4	9
Employee share ownership trust	37	45
Other interest	14	–
	151	131

## Notes on the Accounts

Continued

### 5 Tax on profit on ordinary activities

	2000 £000	1999 £000
The charge for taxation comprises:		
United Kingdom corporation tax		
Current	415	380
Deferred	(21)	(92)
Adjustments in respect of prior years – Corporation tax	(70)	(86)
Adjustments in respect of prior years – Deferred tax	–	48
	<hr/> 324	<hr/> 250
Share of joint venture's tax	47	142
	<hr/> 371	<hr/> 392

### 6 Dividends

	2000 £000	1999 £000
On ordinary shares:		
Interim of 0.3p per share – paid (1999 – 0.25p)	70	69
Final of 0.9p per share – proposed (1999 – 0.75p)	211	205
Less receivable by ESOT	(32)	(27)
	<hr/> 249	<hr/> 247

### 7 Earnings per share

The calculation of earnings per share is based on:

- (a) group profit on ordinary activities after taxation of £843,000 (1999 - profit £725,000) and
- (b) 25,124,110 ordinary shares, being the weighted average number of ordinary shares in issue throughout the period (1999 – 27,406,929), less 2,720,350 ordinary shares held within the ESOT (1999 – 2,720,350)

As none of the employee share options are dilutive potential ordinary shares, a diluted earnings per share is not required.

### 8 Employee information

	2000 Number	1999 Number
The average number of employees, including executive directors, during the period was:		
Production	318	329
Technical	47	43
Distribution	23	22
Administration	60	65
	<hr/> 448	<hr/> 459
	<hr/> 2000	<hr/> 1999
	£000	£000
Their employment costs were as follows:		
Wages and salaries	8,716	8,841
Social security costs	833	826
Other pension costs (see note 9)	116	113
	<hr/> 9,665	<hr/> 9,780

Details of directors remuneration, pension contributions and share options for each director are included on pages 23 and 24.

# Notes on the Accounts

Continued

## 9 Pension scheme

The Group operates a defined contribution pension scheme for eligible UK employees. Until April 6th, 1997, the scheme provided defined benefits and these liabilities remain in respect of service prior to April 6th, 1997. The assets of the scheme are held in a separate trustee administered fund.

The latest valuation of the scheme for the purpose of determining pension cost was made as at April 5th, 1999 by a professionally qualified actuary. The major assumption used in the valuation is that the return on the scheme's assets will exceed salary increases by 2% per annum. Pensions once in payment were valued at a rate of 5.5% per annum.

The market value of the scheme's assets at April 5th, 1999 amounted to £22.1 million and the actuarial value of these assets was sufficient to cover 128% of the value of the defined benefits which had accrued at that time, allowing for expected future increases in pensionable earnings for active members. In the light of the surplus revealed by the valuation, no company contributions are currently being paid to the scheme other than contracted-out minimum contributions.

The existing prepayment of £6,990,000 continues to be carried forward. No pension cost has been recognised in the year because the actuarial variation arising from the 1999 valuation together with interest on the prepayment of £6,990,000 fully offsets the regular cost of benefits accrued during the year.

The pensions scheme operated for employees of the German subsidiary undertaking is closed to new members. The liability to provide benefits to existing employees was assessed in 1999 in accordance with the latest available evidence. £128,000 (1999 - £80,000) is carried forward in creditors. The company paid post retirement benefits of £9,000 (1999 - £9,000).

# Notes on the Accounts

Continued

## 10 Tangible fixed assets

	Freehold property £000	Plant and equipment £000	Total £000
<b>(a) Group</b>			
Cost or valuation			
At May 1st, 1999	5,571	5,761	11,332
Additions	—	469	469
Disposals	—	(55)	(55)
<b>At April 29th, 2000</b>	<b>5,571</b>	<b>6,175</b>	<b>11,746</b>
Accumulated depreciation			
At May 1st, 1999	666	4,238	4,904
Depreciation charge for the period	72	461	533
Disposals	—	(49)	(49)
<b>At April 29th, 2000</b>	<b>738</b>	<b>4,650</b>	<b>5,388</b>
<b>Net book value at April 29th, 2000</b>	<b>4,833</b>	<b>1,525</b>	<b>6,358</b>
<b>Net book value at May 1st, 1999</b>	<b>4,905</b>	<b>1,523</b>	<b>6,428</b>
Analysis of cost or valuation			
At professional valuation 1989	4,965	—	4,965
At cost	606	6,175	6,781
	5,571	6,175	11,746
<b>(b) Company</b>			
Cost or valuation			
At May 1st, 1999	5,571	5,679	11,250
Additions	—	446	446
Disposals	—	(40)	(40)
<b>At April 29th, 2000</b>	<b>5,571</b>	<b>6,085</b>	<b>11,656</b>
Accumulated depreciation			
At May 1st, 1999	666	4,195	4,861
Depreciation charge for the period	72	439	511
Disposals	—	(34)	(34)
<b>At April 29th, 2000</b>	<b>738</b>	<b>4,600</b>	<b>5,338</b>
<b>Net book value at April 29th, 2000</b>	<b>4,833</b>	<b>1,485</b>	<b>6,318</b>
<b>Net book value at May 1st, 1999</b>	<b>4,905</b>	<b>1,484</b>	<b>6,389</b>
Analysis of cost or valuation			
At professional valuation 1989	4,965	—	4,965
At cost	606	6,085	6,691
	5,571	6,085	11,656

- (c) Depreciation has not been charged on freehold land which is included at a book value of £2,437,000 (company £2,437,000) at April 29th, 2000.
- (d) Plant and equipment with a net book value of £140,565 (company £140,565) is the subject of hire purchase contracts. Depreciation of £25,008 (company £25,008) was charged on these assets during the period.
- (e) Freehold property has been the subject of a series of professional valuations over the years. The revalued amounts have been included in the accounting records and particulars of historical cost have not been maintained. Accordingly, in the opinion of the directors, it is not practicable to determine what the net book value of these properties would now be if a strict historical cost basis of accounting for these assets had been used.
- (f) In accordance with FRS15 the transitional provisions have been adopted and as a consequence the valuations of freehold properties have not been updated.



# Notice of Meeting

**NOTICE IS HEREBY GIVEN** that the fortieth Annual General Meeting of the members of MS International plc will be held at Doncaster Moat House, Warmsworth, Doncaster at 12.00 noon on August 7th, 2000 to transact the following business:

## As Ordinary business

1. To receive and adopt the directors' report and the audited accounts for the 52 weeks ended April 29th, 2000.
2. To declare a final dividend.
3. To re-elect as a director of the company, D Pyle, a director retiring by rotation.
4. To reappoint Ernst & Young as auditors and to authorise the directors to fix their remuneration.

## As Special business

5. To consider as an Ordinary Resolution:

That the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities up to an aggregate nominal amount of £1,156,807.10 during the period commencing on the date of the passing of this Resolution for a period expiring (unless previously renewed, varied or revoked by the Company in General Meeting) five years after the passing of this Resolution but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require securities to be allotted after such expiry and the directors may allot relevant securities pursuant to any such offer or agreement. Words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings in this Resolution.

6. To consider as a Special Resolution:

That subject to the passing of Resolution 6, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash as if sub-section (1) of Section 89 of the Act did not apply to such allotment provided that this power shall be limited:

- (a) to any allotment of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holdings subject only to the directors having a right to make such arrangements in connection with such rights issue as they deem necessary or expedient:
  - (i) to deal with equity securities representing fractional entitlements; and
  - (ii) to deal with equity securities which the directors consider it necessary or expedient to exclude from the offer on account of either legal problems under law of any territory or the requirements of any recognised regulatory body or any other Stock Exchange.
- (b) to the allotment (other than pursuant to sub-paragraph (a) of this Resolution) of equity securities up to an aggregate nominal value of £117,159.64.

and shall expire fifteen months after the passing of this Resolution or on the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, whichever first occurs, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

7. To consider as a Special Resolution:

That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of Ordinary shares of 10p in the capital of the Company ("Ordinary shares") provided that:

- (a) the maximum number of Ordinary shares hereby authorised to be purchased is 2,343,193 (representing approximately 10% of the Company's issued share capital);
- (b) the minimum price which may be paid for Ordinary shares is 10p per Ordinary share;
- (c) the maximum price which may be paid for Ordinary shares is an amount equal to 105% of the average of the middle market prices shown in the quotations for Ordinary shares in the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the Ordinary shares are purchased;
- (d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and
- (e) the Company may make a contract to purchase Ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary shares in pursuance of any such contract.

By order of the Board  
David Pyle  
Secretary  
July 14th, 2000

Carr Hill  
Balby  
Doncaster  
South Yorkshire  
DN4 8DH

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. The appointment of a proxy will not preclude a member from attending the meeting and voting in person if he/she wishes.
2. Dividends warrants will be posted on September 8th, 2000 to those members registered on the books of the Company on August 11th, 2000.
3. In accordance with the requirements of the London Stock Exchange, there will be available for inspection at the registered office of the Company during the usual hours of business from the date of this notice and at Doncaster Moat House, Warmsworth, Doncaster, for fifteen minutes prior to and until the conclusion of the Annual General Meeting:

- (a) Particulars of transactions of directors in the shares of the Company, and
- (b) copies of all contracts of service whereunder directors of the Company are employed by the Company or any subsidiary (other than contracts expiring or determinable by the employing Company without payment of compensation within one year).



## Principal Operating Subsidiaries

<b>MSI-Defence Systems Ltd</b>	Salhouse Road, Norwich, Norfolk NR7 9AY	Design, manufacture and service of defence equipment.
<b>MSI-Mech Construction Ltd</b>	Carr Hill, Balby, Doncaster, South Yorkshire DN4 8DH	Design, manufacture and erection of structural steelwork and steel fabrication.
<b>MSI-Mechforge Ltd.</b>	Carr Hill, Balby, Doncaster, South Yorkshire DN4 8DH	Manufacture of fork arms for the fork lift truck, construction and agricultural equipment industries.
<b>MSI-Mechforge Inc.</b>	2604 Kee Moore Drive, Chester, SC 29706 USA	Sale of fork arms to the fork lift truck, construction and agricultural equipment industries.
<b>MSI-Quality Forgings Ltd</b>	Carr Hill, Balby, Doncaster, South Yorkshire DN4 8DH	Open die forgings.

## Joint Venture

<b>Global-MSI plc</b>	Carr Hill, Balby, Doncaster, South Yorkshire DN4 8DH	Design and construction of petrol station forecourt canopies and infrastructure products.
-----------------------	--	---

### NOTES

1. 100% of the equity is held in all cases, except for the joint venture Global-MSI plc, where only 50% is held. The equity is held by MS International plc in all cases.
2. All companies are registered in England and Wales with the exception of MSI-Mechforge Inc. which is registered in America and all operate principally in the United Kingdom except for MSI-Mechforge Inc. which operates principally in America.  
All companies have been included in the group consolidated accounts.

# Remuneration Report

## Constitution and composition

The Remuneration Committee was established in 1994, in order to review the remuneration of the Group's executive directors and is the responsibility of the non executive director.

## Policy on remuneration of executive directors

The Remuneration Committee 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 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. In May 1999 the executive directors' salaries were adjusted for inflation over the three year period, the directors having foregone salary increases in 1997 and 1998.

The executive directors have the use of fully expensed company cars, receive death in service benefit cover, private health and disability insurance. Performance related share options may, from time to time, be granted as an incentive to eligible executive directors.

## Emoluments of directors

Directors' remuneration in respect of the period to April 29th, 2000 was as follows:

	Basic salary and fees £	Other benefits £	Bonus £	Total 2000 £	Total 1999 £
Michael Bell	185,625	21,731	22,950	230,306	209,852
Michael O'Connell	106,313	15,687	12,050	134,050	120,028
David Pyle	106,313	14,432	12,050	132,795	119,637
Roger Lane-Smith	8,600	-	-	8,600	6,650
Alan Kaye	-	-	-	-	6,667

## Pension contributions

	Total 2000 £	Total 1999 £
Michael Bell	46,750	45,202
Michael O'Connell	32,650	31,900
David Pyle	27,180	26,280
Roger Lane-Smith	-	-
Alan Kaye	-	-

The pension contributions are paid to personal pension contracts.

## Service contracts

Prior to June 1996, each of the three executive directors had four year rolling contracts. These notice periods were reduced without compensation in June 1996. In recognition of this Michael Bell has a three year rolling contract. Michael O'Connell and David Pyle each have two year rolling contracts.

David Pyle is proposed for re-election at the forthcoming Annual General Meeting, the unexpired term on his service contract is two years.

# Remuneration Report

Continued

## Directors' share options

No options under the Company's executive share option schemes were granted to or exercised by main board directors during the year ended April 29th, 2000. Details of directors' options at April 29th, 2000 and May 1st, 1999 are set out below. The market price of the Company's shares at April 29th, 2000 was 23.5p and the range during the period was 21.5p to 26.5p.

	Exercise price	Michael Bell	Michael O'Connell	David Pyle	Total
<b>Employee share ownership trust</b>					
<b>Exercisable between:</b>					
February 10th, 1994 to February 9th, 2002	21p	417,000	279,000	279,000	975,000
April 28th, 1994 to April 27th, 2002	22p	291,000	193,000	193,000	677,000
September 8th, 1995 to September 7th, 2003	22p	132,000	88,000	88,000	308,000
July 29th, 1999 to July 28th, 2004	22p	150,000	86,675	86,675	323,350
<b>Total Employee share ownership trust</b>		<b>990,000</b>	<b>646,675</b>	<b>646,675</b>	<b>2,283,350</b>
<b>Total share options at April 29th, 2000 and May 1st, 1999</b>		<b>990,000</b>	<b>646,675</b>	<b>646,675</b>	<b>2,283,350</b>

## Corporate Governance

The Group is committed to high standards of corporate governance appropriate to its size and structure. The Board is accountable to the Company's shareholders for good corporate governance and accordingly have given careful consideration to the principles in section one of the Combined Code prepared by the Committee on Corporate Governance chaired by Sir Ronald Hampel.

The Board consists of three executive directors, one of whom is the Chairman, and one independent non executive director. Whilst this does not fully comply with the Combined Code's requirements for at least one third of directors to be non executive and for an audit committee to comprise at least three non executive directors with the majority of the committee members being independent non executive directors, having given consideration to the size of the Group, the Board consider the current structure gives adequate corporate governance. Day to day control of subsidiary and joint venture operations is vested in individual company managing directors, supported by their respective financial directors.

The Board meets regularly throughout the year and has overall responsibility for Group strategy, ensuring adequate funding, acquisitions and divestment policy, approval of major capital expenditure projects and reviews the trading performance and annual budgets of its operating subsidiaries and joint venture.

The Board recognises the importance of communication with all shareholders and is ready, where practicable, to discuss relevant matters with all shareholders. Inter alia, the Board uses the Annual General Meeting to communicate with shareholders and welcomes their constructive participation. Details of the Annual General Meeting to be held on August 7th, 2000 can be found in the Notice of the Meeting on page 26.

The non executive director, within defined terms of reference, is responsible for Audit and Remuneration Committee matters. The Remuneration Report is set out on pages 23 and 24. Nomination Committee matters are dealt with by the Board as a whole.

The directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

It is the Board's view that the Company complied with the provisions set out in section one of the Combined Code throughout the year save, where indicated, in the Remuneration Report and above.

## Internal Financial Control

The Board is responsible for establishing and maintaining the Group's system of internal financial control. Internal control systems are designed to meet the particular needs of the 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 financial control are as follows:

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. There is a clearly decentralised structure which delegates authority, responsibility and accountability, including responsibility for internal financial control, to management of the operating companies.

Responsibility levels and delegation of authority and authorisation levels throughout the Group are set out in the corporate accounting and procedures manual.

There is a comprehensive system for reporting financial results. Monthly accounts are prepared on a timely basis. They include profit and loss account, balance sheet, cash flow and capital expenditure reporting with comparisons to budget and forecast. The budget is prepared annually and revised forecasts are produced 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 executive director approval for all major sales contracts.

The Turnbull Committee issued its guidance on Internal Control late in 1999. The Group will put into place the necessary procedures to comply with that guidance for the year ending April 28th, 2001. As permitted under the provisions of the Code, in the current report the Board continues to review and report on the effectiveness of the Group's systems of Internal Financial Control.

## Summary of Group Results 1996-2000

	2000 £000	1999 £000	1998 £000	1997 £000	1996 £000
Turnover	35,253	38,909	37,841	40,953	36,300
Intercompany sales	(3,018)	(3,084)	(2,520)	(1,916)	(1,178)
Turnover: Group and share of joint venture	<b>32,235</b>	35,825	35,321	39,037	
Less: Share of joint venture turnover	<b>(3,797)</b>	(5,109)	(5,508)	(4,507)	
<b>Group turnover</b>	<b>28,438</b>	30,716	29,813	34,530	35,122
<b>PROFIT AND LOSS ACCOUNTS</b>					
Operating profit/(loss)	1,212	813	566	(274)	929
Share of profit/(loss) of joint venture	10	374	523	62	(28)
	<b>1,222</b>	1,187	1,089	(212)	901
Exceptional items	8	10	(159)	(4,920)	39
Interest	(16)	(80)	(150)	(423)	(430)
Profit/(loss) on ordinary activities before taxation	<b>1,214</b>	1,117	780	(5,555)	510
Tax on profit/(loss) on ordinary activities	<b>(371)</b>	(392)	(199)	(150)	(201)
Profit/(loss) on ordinary activities after taxation	<b>843</b>	725	581	(5,705)	309
Dividends	<b>(249)</b>	(247)	(186)	(164)	(164)
Retained profit/(loss)	<b>594</b>	478	395	(5,869)	145
<b>BALANCE SHEETS</b>					
Assets employed					
Tangible fixed assets	6,358	6,428	6,600	7,851	10,822
Investment in joint venture	403	368	456	614	695
Investment in own shares	598	598	598	598	598
Net current assets (excluding bank balances and overdrafts and group pension scheme prepayment)	49	1,618	2,395	862	3,798
Bank balances and (overdrafts)	2,474	1,529	322	(663)	(5,763)
	<b>9,882</b>	10,541	10,371	9,262	10,150
Financed by					
Ordinary share capital	2,343	2,741	2,741	2,741	2,741
Reserves	11,839	11,875	11,371	10,926	11,761
Shareholders' funds	<b>14,182</b>	14,616	14,112	13,667	14,502
Group pension scheme prepayment (net of deferred taxation)	<b>(4,893)</b>	(4,893)	(4,823)	(4,683)	(4,683)
	<b>9,289</b>	9,723	9,289	8,984	9,819
Creditors - amounts falling due after more than one year	78	139	173	204	197
Provisions for liabilities and charges	515	568	434	74	134
Bank loans	-	111	475	-	-
	<b>9,882</b>	10,541	10,371	9,262	10,150

1997 reflects restructuring involving the disposal of three non-strategic businesses. Exceptional items includes £4.90m relating to goodwill on the acquisition of these businesses, previously written off to reserves in the 1980s. Consequently this write off does not affect Shareholders funds.

# Notes on the Accounts

Continued

## 22 Movement on reserves and reconciliation of movements in shareholders' funds

Movements in reserves are as follows:

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Special reserves £000	Profit and loss account £000	Total £000
<b>(a) Group</b>							
At May 1st, 1999	2,741	—	2,368	4,715	1,487	3,305	14,616
Profit attributable to members	—	—	—	—	—	843	843
Dividends	—	—	—	—	—	(249)	(249)
Foreign exchange adjustments in retranslation of overseas investments	—	—	—	4	—	—	4
Repurchase of shares	(398)	398	—	—	—	(1,032)	(1,032)
<b>At April 29th, 2000</b>	<b>2,343</b>	<b>398</b>	<b>2,368</b>	<b>4,719</b>	<b>1,487</b>	<b>2,867</b>	<b>14,182</b>
<b>(b) Company</b>							
At May 1st, 1999	2,741	—	1,187	4,379	1,611	4,142	14,060
Profit attributable to members	—	—	—	—	—	1,026	1,026
Dividends	—	—	—	—	—	(249)	(249)
Arising in the year	—	—	—	—	(23)	23	—
Repurchase of shares	(398)	398	—	—	—	(1,032)	(1,032)
Foreign exchange adjustments in retranslation of overseas investments	—	—	—	(96)	—	—	(96)
<b>At April 29th, 2000</b>	<b>2,343</b>	<b>398</b>	<b>1,187</b>	<b>4,283</b>	<b>1,588</b>	<b>3,910</b>	<b>13,709</b>

During the period the Company redeemed 1,425,000 ordinary shares at a market price of 24.5p and 2,550,000 ordinary shares at a market price 26.775p.

## 23 Profit and loss account

In accordance with exemptions allowed by section 230(3) of the Companies Act 1985 the Company has not presented its own profit and loss account. The profit for the financial period dealt with in the accounts of the Company was £1,026,000 (1999 – profit £1,710,000).

At April 29th, 2000 the Group's share of post acquisition retained profits of the joint venture amounted to £288,000 (1999 – £328,000).

The total amount of goodwill written off to Group reserves on business acquisitions continuing within the Group, amounts to £3,224,000 (1999 – £3,224,000).

## 24 Capital commitments

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Contracted	55	—	36	—

## 25 Analysis of net funds

	2000 £000	Cash flows £000	1999 £000
Cash at bank and in hand	3,165	718	2,447
Bank overdraft	(691)	227	(918)
	<b>2,474</b>	<b>945</b>	<b>1,529</b>
Bank loan	—	111	(111)
Finance leases and hire purchase contracts	(109)	(19)	(90)
	<b>2,365</b>	<b>1,037</b>	<b>1,328</b>

## 26 Contingent liabilities

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £1,452,000 at April 29th, 2000 (1999 – £1,452,000).

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

## Notes on the Accounts

Continued

### 20 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Amounts payable:				
Within one year	45	45	45	43
In two to five years	35	45	35	31
After five years	29	-	29	-
	<b>109</b>	<b>90</b>	<b>109</b>	<b>74</b>

Annual commitments under non-cancellable operating leases are as follows:

Group	Land and Buildings		Other	
	2000 £000	1999 £000	2000 £000	1999 £000
Operating leases which expire:				
Within one year	-	-	87	92
In two to five years	-	-	189	205
	-	-	<b>276</b>	<b>297</b>

Company	Land and Buildings		Other	
	2000 £000	1999 £000	2000 £000	1999 £000
Operating leases which expire:				
Within one year	-	-	87	92
In two to five years	-	-	189	205
	-	-	<b>276</b>	<b>297</b>

### 21 Called up share capital

	2000 £000	1999 £000
Ordinary shares at 10p each		
Authorised - 35,000,000 (1999 - 35,000,000)	3,500	3,500
Allotted, issued and fully paid - 23,431,929 (1999 - 27,406,929)	2,343	2,741

On August 3rd, 1999 the Company purchased 1,425,000 of its own shares at a price of 24.5p per share. On October 7th, 1999 the Company purchased 2,550,000 of its own shares at a price of 26.775p per share.

These purchases were made in accordance with resolutions empowering the directors to purchase shares passed at the Annual General Meetings held on August 9th, 1999 and August 10th, 1998. The prices paid for the purchases were no greater than 105% of the average mid-market price for the 10 days immediately preceding purchase.

# Notes on the Accounts

Continued

## 19 Derivatives and other financial instruments

### Management of financial risks

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

### Funding risk

At the year end the Group had net cash of £2.47m and a bank loan repayable after more than one year of £Nil (1999 – £0.11m) (note 25). The Group has available a bank multicurrency overdraft facility of £1.5m which is renewable on June 30th, 2001. This facility is maintained to meet projected working capital requirements.

### Interest rate risk

The bank multicurrency overdraft and loan are both at floating rates of interest. This position is monitored constantly by the Board to ensure any risk is minimised.

### Foreign currency risk

Exposure to risk is incurred by the Group 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.
- (3) converting future receivables into sterling through the multicurrency overdraft.
- (4) using forward rate transactions.

In accordance with FRS13, the disclosures below exclude short term debtors and creditors. The interest rate profile of the financial liabilities, falling due after more than one year, as at April 29th, 2000 was as follows:

	Total £000	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities on which no interest paid £000
2000				
Sterling	78	64	–	14
	<hr/>	<hr/>	<hr/>	<hr/>
	78	64	–	14
	<hr/>	<hr/>	<hr/>	<hr/>
1999				
Sterling	157	32	111	14
US Dollars	13	13	–	–
Deutschemarks	80	–	–	80
	<hr/>	<hr/>	<hr/>	<hr/>
	250	45	111	94
	<hr/>	<hr/>	<hr/>	<hr/>

The floating rate financial liabilities represent a sterling denominated bank loan that bears interest based on base rates and is repayable by July, 2000.

The fixed rate financial liabilities relate to finance leases, which in the case of sterling bear interest at 9.50%, 8.5% and 7.11% and in the case of the US dollar, bear interest at 10.99% (see note 20).

No significant differences exist between the book value and the fair value of the above financial liabilities as at April 29th, 2000.

The maturity of financial liabilities is set out in notes 16 and 17.

## Notes on the Accounts

Continued

### 18 Provisions for liabilities and charges

	Deferred taxation £000	Other provisions £000	Total £000
<b>Group</b>			
At May 1st, 1999	2,141	524	2,665
Release for the period	(21)	-	(21)
Utilised	-	(151)	(151)
Arising during the year	-	119	119
<b>At April 29th, 2000</b>	<b>2,120</b>	<b>492</b>	<b>2,612</b>
<b>Company</b>			
At May 1st, 1999	2,141	524	2,665
Release for the period	(21)	-	(21)
Utilised	-	(151)	(151)
Arising during the year	-	119	119
<b>At April 29th, 2000</b>	<b>2,120</b>	<b>492</b>	<b>2,612</b>

Following the disposal of certain businesses in 1997 provision is made for future costs, the amount and timing of which are uncertain. No deferred tax liability is expected to arise in the foreseeable future on the realisation of property and accordingly this is not provided or quantified

	2000		1999	
	Full potential liability £000	Provision made £000	Full potential liability £000	Provision made £000
<b>(a) Group</b>				
Taxation deferred by capital allowances	539	85	556	113
Short term timing differences	(62)	(62)	(69)	(69)
Taxation on Group pension scheme prepayment	2,097	2,097	2,097	2,097
	<b>2,574</b>	<b>2,120</b>	<b>2,584</b>	<b>2,141</b>
<b>(b) Company</b>				
Taxation deferred by capital allowances	539	85	556	113
Short term timing differences	(62)	(62)	(69)	(69)
Taxation on Group pension scheme prepayment	2,097	2,097	2,097	2,097
	<b>2,574</b>	<b>2,120</b>	<b>2,584</b>	<b>2,141</b>

# Notes on the Accounts

Continued

## 15 Debtors – amounts falling due within one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Trade debtors	5,155	5,722	4,775	5,149
Amounts recoverable on contracts	62	157	62	157
Amounts owed by subsidiary undertakings	–	–	975	1,093
Amounts owed by joint venture	6	4	6	4
Other debtors	34	38	33	57
Prepayments and accrued income	460	481	454	454
	<b>5,717</b>	<b>6,402</b>	<b>6,305</b>	<b>6,914</b>

## 16 Creditors – amounts falling due within one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loans and overdrafts	691	918	691	918
Trade creditors	4,100	4,798	4,083	4,775
Amounts owed to subsidiary undertakings	–	–	7,095	7,139
Corporation tax	307	379	265	353
Other taxation and social security costs	485	748	485	753
Proposed dividend	211	205	211	205
Other creditors	739	512	611	503
Obligations under finance leases and hire purchase contracts	45	45	45	43
Accruals	893	1,109	852	1,074
Deferred income	83	121	83	121
Progress payments	2,675	1,397	2,675	1,397
	<b>10,229</b>	<b>10,232</b>	<b>17,096</b>	<b>17,281</b>

## 17 Creditors – amounts falling due after more than one year

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Bank loan	–	111	–	111
Other creditors	–	80	–	–
Obligations under finance leases and hire purchase contracts repayable between one and two years	35	24	35	10
Obligations under finance leases and hire purchase contracts repayable between two and five years	29	21	29	21
Accruals	14	14	14	14
	<b>78</b>	<b>250</b>	<b>78</b>	<b>156</b>

The bank loans and overdrafts in notes 16 and 17 are secured by fixed and floating charges over the assets of the Company and certain subsidiary undertakings.

## Notes on the Accounts

Continued

### 11 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on page 25

	2000		Company	
	2000 £000	2000 £000	2000 £000	1999 £000
At May 1st, 1999	8,828	(2,005)	6,823	6,823
Movement in provisions for diminution in value	-	-	-	-
	8,828	(2,005)	6,823	6,823

### 12 Investment in joint venture

The Group holds a 50% interest in the issued ordinary share capital of Global-MSI plc, a company which is registered in England and Wales but which operates throughout Europe.

	2000 £000	1999 £000
The Group's interest in the net assets of the joint venture are:		
Share of fixed assets	368	180
Share of current assets	1,219	1,203
Share of liabilities		
Amounts falling due within one year	(1,184)	(1,015)
Share of net assets including a loan from MS International plc of £75,000 (1999 - £Nil)	403	368
	Group £000	Company £000
At May 1st, 1999	368	50
Share of (loss) retained by joint venture	(40)	-
Loan from MS International plc	75	75
At April 29th, 2000	403	125

### 13 Investment in own shares

	Group £000	Company £000
At April 29th, 2000 and May 1st, 1999	598	598

During 1992 the Company established an Employee Share Ownership Trust ("ESOT"). The trustee of the ESOT is Cater Allen Nominees (Jersey) Limited, 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 2,720,350 ordinary shares, which represents 11.6% of the issued share capital of the Company at an aggregate cost of £598,000. The market value of the shares at April 29th, 2000 was £639,282. The ESOT is financed by a bank overdraft which is guaranteed by the Company. The Company has made payments of £18,000 into the ESOT bank account during the period to enable the ESOT to remain within agreed bank facilities. Options over 2,653,350 shares have been granted to Group employees, including 2,283,350 to executive directors.

Following publication of UITF 13 "Accounting for Employee Share Ownership Trusts" the assets, liabilities, income and costs of the ESOT have been incorporated into the Company's financial statements. Total ESOT costs charged to profit and loss account in 2000, net of dividends received on the shares of £29,000 (1999 - £24,000), amounts to £42,000 (1999 - £50,000) of which the interest expenses amounted to £37,000 (1999 - £46,000). The bank overdraft of the ESOT at April 29th, 2000 amounted to £580,000 (1999 - £585,000).

### 14 Stocks

	Group		Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Raw materials	2,411	4,123	2,402	3,585
Work in progress	2,618	3,614	2,609	3,614
Finished goods	692	196	176	196
	5,721	7,933	5,187	7,395
Progress payments	(1,851)	(3,403)	(1,851)	(3,403)
	3,870	4,530	3,336	3,992