653735

The Year in Brief

	2002		2001	
		As restated	As restated	As restated*
	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000
Turnover: Group and share of joint venture	**35,687**	32,866	2,994	35,860
Profit/(loss) on ordinary activities before taxation	**2,511**	2,170	(3,104)	(934)
Profit/(loss) on ordinary activities after taxation	**1,693**	1,388	(2,254)	(866)
Earnings/(loss) per share	**8.1p**	6.6p	(10.8p)	(4.2p)
Dividend per share	**1.55p**			1.33p

*Year 2001 comparatives have been restated for the adoption of FRS 19 "Deferred Tax"

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

MSI

Chairman's Statement

Introduction

In 2002 we faced up to, and overcame with remarkable success, the many challenges that arose in the world-wide markets that we serve. In the circumstances, it is pleasing to report that the Group maintained its forward momentum.

We enlarged our market share during a period of global economic weakness and achieved growth in both sales and profit margins, which resulted in a healthy advance in pre-tax profits and earnings per share. In addition, the Group's net cash position was at a record year-end level. Such are the clear tangible indicators of the progress that the Group has attained.

Accordingly, for the period ended April 27th 2002, the Group's continuing businesses produced a 16% increase in profit before tax to £2.51m (2001 - £2.17m), on sales 9% higher at £35.69m (2001 - £32.87m). Earnings per share rose by 23% to 8.1p (2001 - 6.6p).

The consolidated net cash position of the Group advanced yet again, this time by 25% to £3.48m (2001 - £2.79m). This was after considerable capital expenditure on the upgrading of our manufacturing capabilities, development work and the programmed refurbishment of our freehold properties. Added to that, we purchased 1,257,719 of the Company's own shares for cancellation at a cost of £0.65m.

In all, the year has produced a satisfying set of results. Furthermore, we perceive that our real successes in commercial terms have stretched beyond the 'snap-shot' financial figures for the year.

Operating Divisions

The defence division's phased bulge in its order book provided the basis for a record sales figure much higher than earlier years. The outcome was an excellent performance. The order book is now returning to a more regular and sustainable level. The growing political uncertainties in the world have led to defence becoming more important on the international agenda, and yet individual government budget restraints invariably lead to frustrating delays in the placing of defence contracts.

The forgings division demonstrated increased sales levels, despite the prevailing soft trading conditions, particularly in the United States. Whilst steadfastly defending our market positions against competitors driven by a need to fill under utilised capacity, there were occasions when unacceptable margins necessitated a resolute 'walking away' from some business that had become unattractive in the short term. The order book of this division is traditionally short-term and makes the future somewhat difficult to predict. Nevertheless, the division is a world leader in its chosen markets and will respond quickly to take advantage of any upturn.

Global-MSI, our joint venture company that designs, manufactures and constructs petrol station canopies for retailers across Europe, traded strongly, producing an outstanding performance. Although the order book is relatively strong, it is again short term, and when coupled with the vagaries of the oil industry offers little in the way of certainty over a twelve month period. That said, Global-MSI is the market leader in the industry.

Outlook

We have focused the Group on its strengths and the resulting achievements of the past two years have successfully enhanced shareholder value. It would be very disappointing after such progress, if the persistent weakness within our markets continued for too long.

Nevertheless we will strive to continue building on the progress of last year although, given the economic background at this point, it seems prudent and realistic to temper expectations for the coming year.

All matters considered, the Board recommends the payment of a 17% increase in the final dividend to 1.17p (2001 - 1.00p) making a total for the year of 1.55p (2001 - 1.33p).

Michael Bell

Michael Bell
Executive Chairman
June 19th 2002

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 56
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

Balby Carr Bank,
Doncaster,
DN4 8DH
England

Auditors

Ernst & Young LLP

Registrars and Transfer Office

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

Solicitors

DLA

Stockbrokers

Old Mutual Securities

Report of the Directors

The Directors present their report and Group accounts for the 52 weeks ended April 27th, 2002.

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 27th, 2002, 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 £1,693,000. It is recommended that a final dividend of 1.17 pence per share be paid (2001 - 1.00 pence per share), making a total of 1.55 pence per share (2001 - 1.33 pence per share).

4 Directors

The names of the directors of the Company at April 27th, 2002 are shown on page 3.

In accordance with the Articles of Association Roger Lane-Smith retires by rotation and, being eligible, offers himself for re-election.

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 26 and 27, according to the register required to be kept under section 325 of the Companies Act 1985, were as follows:

	10p Ordinary shares	
	At April 27th, 2002 Held Beneficially	At April 28th, 2001 Held Beneficially
Michael Bell	2,904,924	2,724,924
Roger Lane-Smith	53,000	53,000
Michael O'Connell	677,675	677,675
David Pyle	1,012,275	1,012,275

At April 27th, 2002, Michael Bell held options on 1,017,000 Ordinary shares (2001 - Nil), Michael O'Connell held options on 500,000 Ordinary shares (2001 - Nil) and David Pyle held options on 500,000 Ordinary shares (2001 - Nil) under the Company's employee share option scheme. Full disclosure of directors' share options is given in the Remuneration Report on pages 26 and 27.

6 Substantial interests in shares

As at May 31st, 2002, the directors had been advised of the following notifiable interests:-

	% of share capital held
Aberdeen Asset Managers Limited	18.0
Cavendish Asset Management Limited	16.0
The Trustee of the Group's employee share ownership trust	10.0
The Trustee of the Group's pension scheme	8.0
Mrs Patricia Snipe	4.1

Apart from these, and the holdings of Michael Bell and his family, David Pyle and his family and Michael O'Connell, the directors have not been formally notified of any other notifiable shareholdings in excess of 3% on May 31st, 2002.

Report of the Directors

Continued

7 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.

8 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.

9 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 2002 are 74 (2001 - 66).

10 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 2,217,421 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.

11 Auditors

A resolution to reappoint the auditors, Ernst & Young LLP, will be proposed at the Annual General Meeting.

By order of the Board,
David Pyle, Secretary

June 19th, 2002

Statement of 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.

Independent Auditors' Report to the Members of MS INTERNATIONAL plc

We have audited the Group's accounts for the 52 weeks ended April 27th, 2002, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 26. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

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 1985. 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 Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the seven provisions of the Combined Code specified by the Listing Rules and we report if it does not. We are not required to consider whether the Board's Statement's on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited accounts. This other information comprises the Directors' Report, Chairman's Statement, Remuneration Report, Internal Control Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 27th, 2002 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 LLP

Ernst & Young LLP
Registered Auditor

Leeds
June 19th, 2002

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. In preparing these accounts, the Group has adopted the disclosures in accordance with the transitional provisions of FRS 17 "Retirement Benefits". The Group has changed its accounting policies to comply with FRS 19 ""Deferred Tax". This change in accounting policy is reflected by way of a prior year adjustment and details of the effect of this are disclosed in note 18 to the accounts.

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 FRS 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 FRS 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.

Statement of Accounting Policies

Continued

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

Deferred tax is fully provided for in respect of the taxation effect of all timing differences between the treatment of certain items for taxation and accounting purposes. This accounting policy has been amended to comply with the requirements of FRS 19 "Deferred Tax".

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 27th, 2002

*Year 2001 comparatives have been restated for the adoption of FRS 19 (see note 18)

	Note	2002 Total £000	2001 As restated Continuing £000	2001 As restated Discontinued £000	2001 As restated* Total £000
Turnover: Group and share of joint venture		**35,687**	32,866	2,994	35,860
Less: Share of joint venture turnover		**(5,250)**	(5,648)	-	(5,648)
Group turnover	1	**30,437**	27,218	2,994	30,212
Operating profit/(loss)	1/2	**2,106**	1,948	(2,293)	(345)
Share of operating profit of joint venture		**405**	197	-	197
		2,511	2,145	(2,293)	(148)
Exceptional items:					
Profit/(loss) on sale of tangible fixed assets:					
Group		-	9	(18)	(9)
Joint venture		-	1	-	1
(Loss) on sale/closure of businesses:					
Net assets less sale proceeds/closure costs		-	-	(305)	(305)
Goodwill previously written off to reserves		-	-	(488)	(488)
Profit/(loss) on ordinary activities before interest		**2,511**	2,155	(3,104)	(949)
Interest receivable:					
Group	3	**108**	144	-	144
Joint venture		**6**	1	-	1
Interest payable:					
Group	4	**(114)**	(130)	-	(130)
Profit/(loss) on ordinary activities before taxation		**2,511**	2,170	(3,104)	(934)
Tax on profit/(loss) on ordinary activities	5	**(818)**	(782)	850	68
Profit/(loss) on ordinary activities after taxation		**1,693**	1,388	(2,254)	(866)
Dividends	6	**(298)**			(292)
Retained profit/(loss) for the Group and its share of joint venture		**1,395**			(1,158)
Earnings/(loss) per share, basic and fully diluted	7	**8.1p**	6.6p	(10.8p)	(4.2p)

Group Statement of Recognised Gains and Losses

	Note	2002 £000	2001 As restated* £000
Profit/(loss) for the financial period		**1,693**	(866)
Translation differences on foreign currency net investments		**2**	(67)
Prior year adjustment	18	**(463)**	-
Total gains/(losses) recognised since last annual report		**1,232**	(933)

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.

Balance Sheets

At April 27th, 2002

		Group		Company	
		2002	2001	**2002**	2001
*Year 2001 comparatives have been restated for the adoption of FRS 19 (see note 18)			As restated*		As restated*
	Note	**£000**	£000	**£000**	£000
Assets employed					
Fixed assets					
Tangible assets	10	**7,671**	6,222	**7,608**	6,160
Investment in subsidiary undertakings	11	**-**	-	**6,801**	6,823
Investment in joint venture	12	**-**	-	**50**	50
Joint venture:					
Share of gross assets	12	**1,712**	1,621	**-**	-
Share of gross liabilities	12	**(1,196)**	(1,284)	**-**	-
Investment in own shares	13	**759**	266	**759**	266
		8,946	6,825	**15,218**	13,299
Current assets					
Stocks	14	**2,745**	2,666	**2,179**	2,002
Debtors	15	**4,233**	7,041	**4,912**	7,806
Group pension scheme prepayment					
- due after more than one year	9	**6,888**	6,938	**6,888**	6,938
Cash at bank and in hand		**4,763**	2,789	**4,699**	2,713
		18,629	19,434	**18,678**	19,459
Creditors - amounts falling due within one year	16	**10,547**	9,944	**17,519**	16,940
Net current assets		**8,082**	9,490	**1,159**	2,519
Total assets less current liabilities		**17,028**	16,315	**16,377**	15,818
Creditors - amounts falling due after more than one year	17	**209**	217	**209**	217
Provisions for liabilities and charges	18	**3,076**	3,107	**3,076**	3,107
Total assets less liabilities		**13,743**	12,991	**13,092**	12,494
Capital and reserves					
Called up share capital	21	**2,217**	2,343	**2,217**	2,343
Capital redemption reserve	22	**524**	398	**524**	398
Revaluation reserve	22	**1,853**	1,853	**1,853**	1,853
Other reserves	22	**4,654**	4,652	**4,353**	4,369
Special reserve	22	**1,487**	1,487	**1,588**	1,588
Profit and loss account	22	**3,008**	2,258	**2,557**	1,943
Equity shareholders' funds	22	**13,743**	12,991	**13,092**	12,494

These accounts were approved by the Board of Directors on June 19th, 2002

Michael Bell } Directors
Michael O'Connell }

Michael Bell

M. O'Connell

Group Cash Flow Statement

For the 52 weeks ended April 27th, 2002

	2002 £000	2002 £000	2001 £000	2001 £000
Operating profit/(loss)	**2,106**		(345)	
Closure costs	**-**		(305)	
Depreciation charge	**619**		625	
Foreign exchange gains	**-**		(33)	
RSA grant release	**(38)**		(37)	
(Increase)/decrease in stocks	**(614)**		1,320	
Decrease/(increase) in debtors	**2,780**		(1,187)	
Increase in creditors	**379**		550	
Decrease in progress payments	**(1,367)**		(25)	
Increase in provisions	**65**		117	
Provisions utilitised	**(180)**		(65)	
Cash flow from operating activities		**3,750**		615
Dividends received from joint venture		**155**		50
Interest paid		**(11)**		(8)
Taxation received/(paid)		**31**		(236)
Purchase of tangible fixed assets	**(2,077)**		(556)	
Sale of tangible fixed assets	**9**		58	
Shares purchased by ESOT	**(518)**		(160)	
Loan repaid by joint venture	**-**		75	
Capital expenditure and financial investment		**(2,586)**		(583)
Dividends paid		**(289)**		(254)
Cash inflow/(outflow) before financing		**1,050**		(416)
Cash inflow/(outflow) before financing		**1,050**		(416)
Financing				
Purchase of own shares	**(467)**		-	
Increase in short term bank loans	**1,286**		-	
Repayments of capital element of finance leases and hire purchase contracts	**(216)**		(83)	
New leases	**296**		322	
Share options exercised	**25**		492	
		924		731
Increase in cash (note 25)		**1,974**		315

Reconciliation of net cash flow to movement in net funds

	Note	2002 £000	2001 £000
Increase in cash		**1,974**	315
Increase in short term bank loans		**(1,286)**	-
Repayments of capital element of finance leases and hire purchase contracts		**216**	83
Changes in net funds resulting from cash flow		**904**	398
New leases		**(296)**	(322)
Movement in net funds		**608**	76
Net funds at April 28th, 2001	25	**2,441**	2,365
Net funds at April 27th, 2002	25	**3,049**	2,441

Notes on the Accounts

1 Turnover and operating profit/(loss)

		2002 Total £000	2001 Continuing £000	2001 Discontinued £000	2001 Total £000
(a)	Summary				
	Turnover	**39,392**	37,097	2,994	40,091
	Inter company sales	**(3,705)**	(4,231)	-	(4,231)
	Turnover: Group and share of joint venture	**35,687**	32,866	2,994	35,860
	Less: Share of joint venture turnover	**(5,250)**	(5,648)	-	(5,648)
		30,437	27,218	2,994	30,212
	Cost of sales	**(23,632)**	(20,522)	(3,789)	(24,311)
	Gross profit	**6,805**	6,696	(795)	5,901
	Net operating expenses				
	Distribution costs	**(1,290)**	(1,119)	(1,242)	(2,361)
	Administrative expenses	**(3,409)**	(3,629)	(256)	(3,885)
		(4,699)	(4,748)	(1,498)	(6,246)
	Operating profit/(loss)	**2,106**	1,948	(2,293)	(345)

(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

	2002 £000	2001 £000
Operating profit is stated after charging/(crediting):		
Auditors' remuneration		
As auditors - UK (Company £55,000, 2001 £65,000)	**55**	65
As auditors - overseas	**3**	3
Non audit work - UK	**41**	33
Bad debt	**-**	881
Depreciation	**619**	625
Foreign exchange losses	**8**	5
Hire of plant and machinery	**76**	50
Other operating leases	**267**	308
Redundancy	**15**	28
RSA grant release	**(38)**	(37)

3 Interest receivable

	2002 £000	2001 £000
Group:		
Bank interest	**108**	139
Other	**-**	5
	108	144
Joint venture:		
Bank interest	**6**	1
	114	145

Notes on the Accounts

Continued

4 Interest payable

	2002 £000	2001 £000
Group:		
On bank loans and overdrafts	60	101
Finance lease and hire purchase contracts	26	10
Employee share ownership trust	24	8
Other interest	4	11
	114	130

5 (a) Tax on profit/(loss) on ordinary activities

	2002 £000	2001 As restated £000
The charge/(credit) for taxation comprises:		
United Kingdom corporation tax		
Current	643	(133)
Deferred	82	(52)
Adjustments in respect of prior years - Corporation tax	(4)	(29)
Adjustments in respect of prior years - Deferred tax	2	41
	723	(173)
Share of joint venture's tax	95	105
	818	(68)

The Group has adopted FRS 19 "Deferred Tax" in 2002. The deferred tax credit for 2001 reflects the deferred tax that would have been recognised at April 28th, 2001, had deferred tax been calculated on the FRS 19 basis for that period

(b) Factors affecting the tax charge for the year

The tax assessed for the period differs to the standard rate of corporation tax in the U.K. (30%). The differences are explained below:-

	2002 £000	2001 As restated £000
Profit/(loss) on ordinary activities before tax	2,511	(934)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 30%	753	(280)
Effects of:		
Expenses not deductible for tax purposes	67	212
Depreciation for period in excess of capital allowances	(82)	33
Short term timing differences	-	19
Adjustment in respect of prior periods	(4)	(41)
Current tax charge for period including share of joint venture's current tax	734	(57)

6 Dividends

	2002 £000	2001 £000
On Ordinary shares:		
Interim of 0.38p per share - paid (2001 - 0.33p)	88	77
Final of 1.17p per share - proposed (2001 - 1.00p)	259	234
Less receivable by ESOT	(49)	(19)
	298	292

Notes on the Accounts

Continued

7 Earnings per share

The calculation of earnings per share is based on:

(a) Group profit on ordinary activities after taxation of £1,693,000 (2001 - loss £866,000) and

(b) 21,040,016 (2001 - 20,716,478) Ordinary shares, being the weighted average number of Ordinary shares in issue. This represents 23,111,467 (2001 - 23,431,929) Ordinary shares, being the weighted average number of Ordinary shares in issue less 2,071,451 (2001 - 2,715,451) Ordinary shares being the weighted average number of shares held within the ESOT.

A diluted earnings per share figure based on share options outstanding is not provided as the effect on earnings per share is not significant.

8 Employee information

	2002 Number	2001 Number
The average number of employees, including executive directors, during the period was:		
Production	**261**	306
Technical	**37**	42
Distribution	**28**	25
Administration	**49**	58
	375	431

	2002 £000	2001 £000
Their employment costs were as follows:		
Wages and salaries	**8,785**	9,208
Social Security costs	**800**	891
Other pension costs (see note 9)	**256**	168
	9,841	10,267

Details of directors remuneration, pension contributions and share options for each director are included in the Remuneration Report on pages 26 and 27

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 SSAP 24 pension charge to the profit and loss account is £50,000 (2001 - £52,000). The prepayment of £6,888,000 (2001 - £6,938,000) continues to be carried forward.

The pension scheme operated for employees of the German subsidiary undertaking was closed in the year ended April 28th, 2001. A payment of £Nil (2001 - £137,000) was made to an insurance company during the year to transfer the future pension liability of these employees. The company paid post retirement benefits of £Nil (2001- £8,000).

Pension contributions of £6,000 (2001 - £4,000) were paid in respect of employees of the American subsidiary undertaking during the year ended April 27th, 2002.

Details of contributions to personal pension contracts on behalf of the directors are given in the Remuneration Report on pages 26 and 27.

Notes on the Accounts

Continued

FRS17 disclosures

Initial disclosures in accordance with the transitional arrangements for the implementation of FRS 17 are set out below in respect of the UK defined benefits scheme. The information is for disclosure purposes only - pension costs have been recognised in the accounts in line with SSAP 24 as described above. The main assumptions which have been used to calculate the scheme's liabilities under FRS 17 are as follows:

	% p.a.
Inflation	2.75
Rate of increase in salaries	4.25
Rate of increase for pensions in payment and deferred pensions	0.00
Rate of increase for deferred pensions subject to statutory revaluation	2.75
Discount rate	5.80

The assets and liabilities in the scheme at April 27th, 2002 were as follows:

	Expected rate of return % p.a.	Fair value £000
Equities	8.17	13,407
Government Bonds	5.23	2,515
Corporate Bonds	5.80	3,576
Cash	4.00	450
Fair value of assets		19,948
Actuarial value of liabilities		19,160
Surplus		788
Related deferred tax liability		(236)
Net pension asset		552

The effect of FRS 17 on the balance sheet and profit and loss account is as follows:

(i)	Net assets	£000
	Net assets excluding net pension asset at April 27th, 2002	8,921
	Pension scheme asset	552
	Net assets including pension scheme asset	9,473
(ii)	Profit and loss account reserve	£000
	Profit and loss account	3,058
	Pension scheme asset	552
	Profit and loss account	3,610

Notes on the Accounts

Continued

10 Tangible fixed assets

(a) Group

	Freehold property £000	Plant and equipment £000	Total £000
Cost or valuation			
At April 28th, 2001	5,571	5,124	10,695
Additions	-	2,077	2,077
Disposals	-	(196)	(196)
At April 27th, 2002	5,571	7,005	12,576
Accumulated depreciation			
At April 28th, 2001	810	3,663	4,473
Depreciation charge for the period	68	551	619
Disposals	-	(187)	(187)
At April 27th, 2002	878	4,027	4,905
Net book value at April 27th, 2002	4,693	2,978	7,671
Net book value at April 28th, 2001	4,761	1,461	6,222
Analysis of cost or valuation			
At professional valuation 1989	4,965	-	4,965
At cost	606	7,005	7,611
	5,571	7,005	12,576

(b) Company

	Freehold property £000	Plant and equipment £000	Total £000
Cost or valuation			
At April 28th, 2001	5,571	4,973	10,544
Additions	-	2,041	2,041
Disposals	-	(177)	(177)
At April 27th, 2002	5,571	6,837	12,408
Accumulated depreciation			
At April 28th, 2001	810	3,574	4,384
Depreciation charge for the period	68	517	585
Disposals	-	(169)	(169)
At April 27th, 2002	878	3,922	4,800
Net book value at April 27th, 2002	4,693	2,915	7,608
Net book value at April 28th, 2001	4,761	1,399	6,160
Analysis of cost or valuation			
At professional valuation 1989	4,965	-	4,965
At cost	606	6,837	7,443
	5,571	6,837	12,408

(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 27th, 2002.

(d) Plant and equipment with a net book value of £282,617 (Company £282,617) is the subject of hire purchase contracts. Depreciation of £51,595 (Company £51,595) was charged on these assets during the period.

(e) At April 27th, 2002 plant and equipment in the course of construction and not being depreciated amounted to £1,115,951 (2001 - £Nil)

(f) 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.

(g) In accordance with FRS 15 the transitional provisions have been adopted and as a consequence the valuations of freehold properties have not been updated.

Notes on the Accounts

Continued

11 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on page 28.

			Company	
	2002	**2002**	**2002**	2001
	£000	**£000**	**£000**	£000
	Gross	**Diminution in value**	**Net**	Net
At April 28th, 2001	**8,828**	**(2,005)**	**6,823**	6,823
Additions	**68**	**-**	**68**	-
Movement in provisions for diminution in value	**-**	**(68)**	**(68)**	-
Elimination	**(22)**	**-**	**(22)**	-
At April 27th, 2002	**8,874**	**(2,073)**	**6,801**	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.

	2002	2001
	£000	£000
The Group's interest in the net assets of the joint venture are:		
Share of fixed assets	**231**	263
Share of current assets	**1,481**	1,358
Share of gross assets	**1,712**	1,621
Share of gross liabilities:		
Amounts falling due within one year	**(1,196)**	(1,284)
Share of net assets	**516**	337

	Group	Company
	£000	£000
At April 28th, 2001	337	50
Share of profit retained by joint venture	175	-
Share of foreign exchange gains	4	-
At April 27th, 2002	516	50

13 Investment in own shares

	Group	Company
	£000	£000
At April 28th, 2001	266	266
Share options exercised during the year	(25)	(25)
Shares purchased during the year	518	518
At April 27th, 2002	759	759

During 1991 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 2,217,000 Ordinary shares, which represents 10% of the issued share capital of the Company at an aggregate cost of £759,000. The market value of the shares at April 27th, 2002 was £1,363,455. The ESOT was financed by a bank overdraft which was guaranteed by the Company. The Company has made payments of £Nil (2001 - £590,000) into the ESOT bank account during the period to clear the bank overdraft. Options over 2,217,000 (2001 - 320,000) shares have been granted to Group employees, including 2,017,000 granted to executive directors.

The assets, liabilities, income and costs of the ESOT have been incorporated into the Company's financial statements. Total ESOT costs charged to the profit and loss account in 2002 amounted to £26,000 (2001 - £21,000), of which interest expenses were £18,000 (2001 - £15,000). The trust received dividends on the shares amouting to £32,000 (2001 - £33,000). During the year share options valued at £25,000 (2001 - £492,000) were exercised and additional shares purchased at a cost of £518,000 (2001 - £160,000). The bank overdraft of the ESOT at April 27th, 2002 amounted to £487,000 (2001 - £Nil).

Notes on the Accounts

Continued

14 Stocks

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Raw materials	**1,174**	1,062	**1,146**	1,034
Work in progress	**3,155**	2,501	**3,148**	2,496
Finished goods	**686**	838	**155**	207
	5,015	4,401	**4,449**	3,737
Progress payments	**(2,270)**	(1,735)	**(2,270)**	(1,735)
	2,745	2,666	**2,179**	2,002

15 Debtors - amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade debtors	**3,152**	5,309	**2,689**	4,591
Amounts recoverable on contracts	**560**	119	**560**	119
Amounts owed by subsidiary undertakings	-	-	**1,162**	1,437
Amounts owed by joint venture	**40**	18	**40**	14
Corporation tax recoverable	-	92	-	151
Other debtors	**58**	244	**112**	298
Prepayments and accrued income	**423**	1,259	**349**	1,196
	4,233	7,041	**4,912**	7,806

16 Creditors - amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans and overdrafts	**1,286**	-	**1,286**	-
Trade creditors	**4,288**	4,504	**4,282**	4,475
Amounts owed to subsidiary undertakings	-	-	**7,030**	7,069
Amounts owed to joint venture	**20**	-	**20**	-
Corporation tax	**577**	-	**558**	-
Other taxation and social security costs	**448**	553	**451**	553
Proposed dividend	**259**	234	**259**	234
Other creditors	**912**	712	**911**	710
Obligations under finance leases and hire purchase contracts	**230**	145	**230**	145
Accruals	**1,655**	984	**1,620**	942
Deferred income	**8**	46	**8**	46
Progress payments	**864**	2,766	**864**	2,766
	10,547	9,944	**17,519**	16,940

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

17 Creditors - amounts falling due after more than one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Obligations under finance leases and hire purchase contracts repayable between one and two years	**173**	131	**173**	131
Obligations under finance leases and hire purchase contracts repayable between two and five years	**25**	72	**25**	72
Accruals	**11**	14	**11**	14
	209	217	**209**	217

Notes on the Accounts

Continued

18 Provisions for liabilities and charges

	Deferred taxation As restated £000	Other provisions As restated £000	Total As restated £000
Group			
At April 28th, 2001	2,563	544	3,107
Utilised	-	(180)	(180)
Arising during the year	84	65	149
At April 27th, 2002	2,647	429	3,076

	Deferred taxation As restated £000	Other provisions As restated £000	Total As restated £000
Company			
At April 28th, 2001	2,563	544	3,107
Utilised	-	(180)	(180)
Arising during the year	84	65	149
At April 27th, 2002	2,647	429	3,076

The Group has adopted FRS 19 "Deferred Tax" in these accounts. The change in accounting policy is reflected by way of a prior year adjustment, the effects of which are shown in the table below.

	Provisions for liabilities and charges £000	Profit and loss account £000	Shareholders funds £000
Group			
2001 as previously reported	2,644	2,721	13,454
Adoption of FRS 19 at April 29th, 2000	454	(454)	(454)
During year ended April 28th, 2001	9	(9)	(9)
Adoption of FRS 19 at April 28th, 2001	463	(463)	(463)
2001 restated	3,107	2,258	12,991
Company			
2001 as previously reported	2,644	2,406	12,957
Adoption of FRS 19 at April 29th, 2000	454	(454)	(454)
During year ended April 28th, 2001	9	(9)	(9)
Adoption of FRS 19 at April 28th, 2001	463	(463)	(463)
2001 restated	3,107	1,943	12,494

	2002		2001	
	Full potential liability	**Provision made**	Full potential liability	Provision made
(a) Group	**£000**	**£000**	£000	£000
Taxation deferred by capital allowances	**606**	**606**	509	46
Short term timing differences	**(25)**	**(25)**	(26)	(26)
Taxation on Group pension scheme prepayment	**2,066**	**2,066**	2,080	2,080
	2,647	**2,647**	2,563	2,100

	2002		2001	
	Full potential liability	**Provision made**	Full potential liability	Provision made
(b) Company	**£000**	**£000**	£000	£000
Taxation deferred by capital allowances	**606**	**606**	509	46
Short term timing differences	**(25)**	**(25)**	(26)	(26)
Taxation on Group pension scheme prepayment	**2,066**	**2,066**	2,080	2,080
	2,647	**2,647**	2,563	2,100

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 £3.48m (2001 - £2.79m) (note 25). The Group has available a bank multicurrency overdraft facility of £1.5m which is renewable on September 30th, 2002. 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 FRS 13, 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 27th, 2002 was as follows:

	Total £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest paid £000
2002			
Sterling	209	198	11
	209	198	11
2001			
Sterling	217	203	14
	217	203	14

The fixed rate financial liabilities relate to finance leases, which bear a weighted average rate of interest of 6.43%. No significant differences exist between the book value and the fair value of the above financial liabilities as at April 27th, 2002.

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

Notes on the Accounts

Continued

20 Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Amounts payable:				
Within one year	**230**	145	**230**	145
In two to five years	**173**	131	**173**	131
After five years	**25**	72	**25**	72
	428	348	**428**	348

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

	2002	2001
Group	**£000**	£000
Operating leases which expire:		
Within one year	**41**	27
In two to five years	**57**	128
	98	155

	2002	2001
Company	**£000**	£000
Operating leases which expire:		
Within one year	**41**	27
In two to five years	**57**	128
	98	155

21 Called up share capital

	2002	2001
	£000	£000
Ordinary shares at 10p each		
Authorised - 35,000,000 (2001 - 35,000,000)	**3,500**	3,500
Allotted, issued and fully paid - 22,174,210 (2001 - 23,431,929)	**2,217**	2,343

During the year the Company redeemed 1,257,719 of its own Ordinary shares at market prices as follows:

Date	Number of shares purchased	Price paid per share
July 26th, 2001	150,000	37p
December 4th, 2001	280,000	44p
January 11th, 2002	100,000	47p
January 11th, 2002	137,719	44p
March 27th, 2002	300,000	60p
April 25th, 2002	290,000	61.5p

These purchases were made in accordance with resolutions empowering the directors to purchase shares passed at the Annual General Meeting held on August 6th, 2001. The prices paid were no greater than 105% of the average market price for the 10 days immediately preceding purchase.

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
(a) Group							
At April 28th, 2001	2,343	398	1,853	4,652	1,487	2,721	13,454
Prior year adjustment	-	-	-	-	-	(463)	(463)
As restated	2,343	398	1,853	4,652	1,487	2,258	12,991
Profit attributable to members	-	-	-	-	-	1,693	1,693
Dividends	-	-	-	-	-	(298)	(298)
Foreign exchange adjustments in retranslation of overseas investments	-	-	-	2	-	-	2
Repurchase of shares	(126)	126	-	-	-	(645)	(645)
At April 27th, 2002	2,217	524	1,853	4,654	1,487	3,008	13,743

	Share capital £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Special reserves £000	Profit and loss account £000	Total £000
(b) Company							
At April 28th, 2001	2,343	398	1,853	4,369	1,588	2,406	12,957
Prior year adjustment	-	-	-	-	-	(463)	(463)
As restated	2,343	398	1,853	4,369	1,588	1,943	12,494
Profit attributable to members	-	-	-	-	-	1,557	1,557
Dividends	-	-	-	-	-	(298)	(298)
Foreign exchange adjustments in retranslation of overseas investments	-	-	-	(16)	-	-	(16)
Repurchase of shares	(126)	126	-	-	-	(645)	(645)
At April 27th, 2002	2,217	524	1,853	4,353	1,588	2,557	13,092

Details of shares redeemed by the Company during the year are set out in note 21.

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 £1,557,000 (2001 - loss £546,000).

At April 27th, 2002 the Group's share of post acquisition retained profits of the joint venture amounted to £507,000 (2001 - £332,000).

The total amount of goodwill written off to Group reserves on business acquisitions continuing within the Group, amounts to £2,733,000 (2001 - £2,733,000).

Notes on the Accounts

Continued

24 Capital commitments

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Contracted	**90**	316	**90**	316
Authorised but not contracted for	**338**	-	**338**	-
	428	316	**428**	316

25 Analysis of net funds

	2002	Cash flows	2001
	£000	£000	£000
Cash at bank and in hand	**4,763**	1,974	2,789
Bank loans and overdrafts	**(1,286)**	(1,286)	-
	3,477	688	2,789
Finance leases and hire purchase contracts	**(428)**	(80)	(348)
Net funds at April 27th, 2002	**3,049**	608	2,441

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 £688,000 at April 27th, 2002 (2001 - £845,000)

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

Summary of Group Results 1998 - 2002

	2002	2001 As restated	2000	1999	1998
	£000	£000	£000	£000	£000
Turnover	**39,392**	40,091	35,253	38,909	37,841
Inter company sales	**(3,705)**	(4,231)	(3,018)	(3,084)	(2,520)
Turnover: Group and share of joint venture	**35,687**	35,860	32,235	35,825	35,321
Less: Share of joint venture turnover	**(5,250)**	(5,648)	(3,797)	(5,109)	(5,508)
Group turnover	**30,437**	30,212	28,438	30,716	29,813
Continuing businesses	**30,437**	27,218	24,833	25,687	24,250
Discontinued businesses	**-**	2,994	3,605	5,029	5,563
Group turnover	**30,437**	30,212	28,438	30,716	29,813
PROFIT AND LOSS ACCOUNTS					
Operating profit/(loss)	**2,106**	(345)	1,212	813	566
Share of profit of joint venture	**405**	197	10	374	523
	2,511	(148)	1,222	1,187	1,089
Exceptional items	**-**	(801)	8	10	(159)
Interest	**-**	15	(16)	(80)	(150)
Profit/(loss) on ordinary activities before taxation	**2,511**	(934)	1,214	1,117	780
Tax on profit/(loss) on ordinary activities	**(818)**	68	(371)	(392)	(199)
Profit/(loss) on ordinary activities after taxation	**1,693**	(866)	843	725	581
Dividends	**(298)**	(292)	(249)	(247)	(186)
Retained profit/(loss)	**1,395**	(1,158)	594	478	395
BALANCE SHEETS					
Assets employed					
Tangible fixed assets	**7,671**	6,222	6,358	6,428	6,600
Investment in joint venture	**516**	337	403	368	456
Investment in own shares	**759**	266	598	598	598
Net current (liabilities)/assets (excluding bank balances and overdrafts and group pension scheme prepayment)	**(2,864)**	(720)	49	1,618	2,395
Bank balances	**3,477**	2,789	2,474	1,529	322
	9,559	8,894	9,882	10,541	10,371
Financed by					
Ordinary share capital	**2,217**	2,343	2,343	2,741	2,741
Reserves	**11,526**	10,648	11,839	11,875	11,371
Shareholders' funds	**13,743**	12,991	14,182	14,616	14,112
Group pension scheme prepayment (net of deferred taxation)	**(4,822)**	(4,858)	(4,893)	(4,893)	(4,823)
	8,921	8,133	9,289	9,723	9,289
Creditors - amounts falling due after more than one year	**209**	217	78	139	173
Provisions for liabilities and charges	**429**	544	515	568	434
Bank loans	**-**	-	-	111	475
	9,559	8,894	9,882	10,541	10,371

2001 includes the closure of the structural steelwork and steel fabrication business. Results for the years prior to 2001 have not been restated to reflect the effects of FRS 19 "Deferred Tax".

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.

The Board consists of three executive directors, one of whom is the Chairman, and one non executive director, Roger Lane-Smith, who is senior partner of DLA, the Group's solicitors. 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 5th, 2002 can be found in the Notice of the Meeting on page 29.

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 26 and 27. Nomination Committee matters are dealt with by the Board as a whole.

The directors have a 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 Control

The Board is responsible for establishing and maintaining the Group's system of internal control. Internal control systems are designed to meet the particular needs of the Company concerned bearing in mind the resources available and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss. The key procedures which the directors have established with a view to providing effective internal control are 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 Board has reviewed the effectiveness of the system of internal controls and together with operational management, has identified and evaluated the critical business and financial risks of the Group. These risks are continually reviewed. Where appropriate, action is taken to manage the risks.

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.

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 27th, 2002 was as follows:

	2002 Basic salary and fees £	2001 Basic salary and fees £	**2002 Other benefits £**	2001 Other benefits £	**2002 Bonus £**	2001 Bonus £	**2002 Total £**	2001 Total £
Michael Bell	**199,312**	190,729	**27,497**	34,484	**75,500**	-	**302,309**	225,213
Michael O'Connell	**114,152**	109,236	**12,737**	16,396	**37,750**	-	**164,639**	125,632
David Pyle	**114,152**	109,236	**13,740**	19,406	**37,750**	-	**165,642**	128,642
Roger Lane-Smith	**6,900**	10,050	**-**	-	**-**	-	**6,900**	10,050

Pension Contributions

	2002 Total £	2001 Total £
Michael Bell	**90,693**	47,369
Michael O'Connell	**59,392**	32,950
David Pyle	**49,693**	27,540
Roger Lane-Smith	**-**	-

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.

Remuneration Report

Directors' share options

Options under the employee share option scheme were granted to main board directors during the year ended April 27th, 2002. Details of directors' options at April 27th, 2002 granted under the employee share option scheme and April 28th, 2001 are set out below. The market price of the Company's shares at April 27th, 2002 was 61.50p and the range during the period was 32.00p to 61.50p.

	Exercise price	Michael Bell	Michael O'Connell	David Pyle	Total
Employee share ownership trust Exercisable between: August 6th, 2003 to August 5th, 2008	34.9p	1,017,000	500,000	500,000	2,017,000
Total options granted during the year		1,017,000	500,000	500,000	2,017,000
Total share options at April 28th, 2001		-	-	-	-
Total share options at April 27th, 2002		1,017,000	500,000	500,000	2,017,000

Principal Operating Subsidiaries

MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.
MSI-Mechforge Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of fork arms for the fork lift truck, construction and agricultural equipment industries.
MSI-Mechforge Inc.	2604 Kee Moore Drive, Chester SC 29706 USA	Sale and part manufacture of fork arms to the fork lift truck, construction and agricultural equipment industries.
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Open die forgings.

Joint Venture

Global-MSI plc	Balby Carr Bank, Doncaster, DN4 8DH England	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 princially in America.

   All companies have been included in the Group consolidated accounts.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the forty second 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 5th, 2002 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 27th, 2002.
2. To declare a final dividend.
3. To re-elect as a director of the Company, R Lane-Smith, a director retiring by rotation.
4. To reappoint Ernst & Young LLP 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 £1,282,579 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 5, 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 £110,871.05.

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 2,217,421 (representing 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 12th, 2002

Balby Carr Bank,
Doncaster,
DN4 8DH
England

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 6th, 2002 to those members registered on the books of the Company on August 9th, 2002.
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).

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