

MS INTERNATIONAL plc

Annual Report 2009

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The year in brief

	2009	2008
	Total £000	Total £000
Revenue	51,559	53,861
Profit before taxation	4,919	5,288
Earnings per share – basic	19.5p	22.0p
Dividend paid per share	4.50p	3.70p

Financial calendar key dates

Annual results announced	June
Annual General Meeting	July
Final dividend payable	August
Half-Year results announced	December
Interim dividend payable	February

Chairman's Statement

Results and review

If ever there was a time that truly heralded the virtues of operating a contemporary diverse engineering group, this is it. The significant growth from our Defence division almost totally compensated for the negative impact that some four months of intensifying global recession inflicted on our two Industrial Engineering divisions – forgings and petrol station forecourt structures. This impressive achievement by 'Defence' not only enabled the Group to report a reasonably robust set of results against a backdrop of deteriorating economic conditions but also elevated 'Defence' to become the major constituent part of the Group, accounting for half of total revenue.

For the year ended 2nd May, 2009, Group profit before taxation amounted to £4.92m (2008 – £5.29m) on revenue of £51.56m (2008 – £53.86m). Earnings per share were 19.5p (2008 – 22.0p).

Net cash and short term deposits at the year-end remained positive and amounted to £8.23m (2008 – £10.07m).

I highlighted the significant gains being achieved by 'Defence' in my interim statement and I am pleased to report that it continued to perform strongly in the second half with resulting full year revenue up by some 25% compared to the previous year, mainly reflecting higher sales to overseas naval end-users and shipbuilders.

This uplift in both revenue and profit from 'Defence' was particularly important at a time when 'Industrial Engineering' encountered the real severity of the global slowdown during the second half of the year. 'Industrial Engineering' order intake declined steeply in the second half of the year amid low industrial activity, market weakness and immense uncertainty. The effects spread progressively through the individual businesses and by the final quarter 'Industrial Engineering' was contending with austere trading conditions.

However, as part of our corporate risk assessment review earlier in the year, we had already determined that any reduction in customer demand in our specific markets throughout the world was the principal risk issue for the Group, most pertinent for 'Industrial Engineering' which operates on short lead time order books. Accordingly we were prepared to implement immediate and appropriate counter-measures in a timely manner to re-align costs with the sharp reduction in demand.

Whilst the eventuality was disappointing and seriously undermined our plans to take advantage of the many efficiency gains that were being attained, our long and well established in-house training, routines and investment programmes aimed at improving our effectiveness have continued unabated, with greater commitment and application from everyone.

Outlook

Clearly there is considerable value in the contribution that 'Defence' affords our diverse Group, bestowing growth, a long term order book and excellent cash flow visibility, especially in these recessionary and unpredictable times.

Substantial 'Defence' orders in hand at the year end have been boosted further lately, and amongst others, we have been awarded a four year contract by the UK Ministry of Defence to provide contractor logistic support, fleet wide, for their in-service MSI-DS 30mm naval gun systems. Elsewhere, in the global defence equipment market, we are encouraged by the number of very interesting opportunities that exist for us to win additional business.

Predicting how long 'Industrial Engineering' may have to endure depressed demand is difficult. Recovery may depend more upon there being a fundamental global spending upswing than any advantages purported to be offered by the perception of any sterling weakness. Notwithstanding, the Group has retained market share in the various markets that we serve and numerous opportunities to expand our positions are being exploited with a marked enthusiasm. The preservation of our broad spectrum of niche capabilities is important and currently any under-utilised plant and equipment is under a strict regime of upgrade/maintenance and care, but ready to be re-commissioned the instant there is an upturn anywhere in activity.

The positive counterbalance provided by 'Defence' should grant an element of protection to the Group until the economy and the global industrial engineering market sector in particular, recovers. Moreover, the Group will continue to benefit from being debt free and committed to the strategic importance of tight control of cash and working capital.

We will remain vigilant, focused on making positive, constructive decisions and taking actions to sharpen our operations and ensure that we are moving in the right direction, in order that we may position the Group to achieve long term success and profitable development once an economic recovery becomes firmly established.

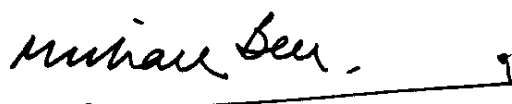
The record of progressive growth for the Group may have stalled temporarily, but we have the confidence, experience and resources that will assist us to withstand the present difficulties.

Chairman's Statement

Continued

Undoubtedly, future results will depend upon the degree and duration of this recession and whilst we are hopeful of an upturn, we are not anticipating that it will happen in the short term, so we are planning our business strategy based upon a continuing difficult market in the year ahead.

Accordingly, the Board recommends the payment of a maintained final dividend of 3.80p (2008 – 3.80p) making a total for the year of 4.50p (2008 – 4.50p).

A handwritten signature in black ink, reading "Michael Bell", followed by a horizontal line.

Michael Bell
16th June, 2009

Directors and advisers

Directors

Executive

Michael Bell ARICS (Executive Chairman)

Michael O'Connell FCA (Finance)

David Pyle (Administration and Secretary)

Non-executive

Roger Lane-Smith – Age 63

Appointed a director on 21st January, 1983. He is Deputy Chairman and non-executive director of JJB Sports plc. He is a non-executive director of W H Ireland Group plc, Dolphin Capital Investors Ltd, Timpson Group plc and a number of other private companies. He is also a senior consultant at DLA Piper UK LLP.

Registered Office

Balby Carr Bank,
Doncaster,
DN4 8DH
England

Auditors

Ernst & Young LLP,
1 Bridgewater Place,
Water Lane,
Leeds,
LS11 5QR

Registrars and Transfer Office

Capita Registrars,
The Registry,
34 Beckenham Road,
Beckenham,
Kent,
BR3 4TU

Solicitors

DLA Piper UK LLP,
3 Noble Street,
London,
EC2V 7EE

Bankers

Lloyds TSB,
1st Floor,
14 Church Street,
Sheffield,
S1 1HP

Report of the directors

The Directors present their report and the Group financial statements for the 52 weeks ended 2nd May, 2009.

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 2nd May, 2009, and indications of future developments are provided in the Chairman's Statement.

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

The principal financial risks and uncertainties in the business are set out in note 25 "Financial Instruments" to these Group Financial Statements.

Current economic conditions have impacted adversely activity levels of both the Forgings and the Petrol Station Forecourt Structures Divisions.

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

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

3 Key performance indicators, results and dividends

The directors report that the key performance indicators of revenue and profit before taxation have decreased by 4.3% and 7.0%, respectively. The profit after taxation for the period attributable to shareholders amounted to £3,518,000. The Directors recommend a final dividend of 3.80 pence per share be paid (2008 – 3.80 pence per share), making a total of 4.50 pence per share (2008 – 4.50 pence per share).

4 Directors

The names of the directors of the Company at 2nd May, 2009 are shown on page 5.

In accordance with the Articles of Association David Pyle retires by rotation and, being eligible, offers himself for re-election. In addition, Roger Lane-Smith retires from the board at the AGM and, being eligible, offers himself for re-election. The Chairman confirms that both David Pyle and Roger Lane-Smith continue to be effective and to demonstrate commitment to their roles, including the commitment of their time for the Board and Committee Meetings and their other duties.

5 Directors' interests

The interests of the directors in the shares of the Company, according to the register required to be kept under section 325 of the Companies Act 1985, were as follows:

	10p Ordinary shares	
	At 2nd May, 2009 Held Beneficially	At 3rd May, 2008 Held Beneficially
Michael Bell	4,500,173	4,475,173
Roger Lane-Smith	88,000	88,000
Michael O'Connell	1,503,682	1,503,682
David Pyle	1,822,859	1,822,859

Report of the directors

Continued

5 Directors' interests (continued)

At 2nd May, 2009, Michael Bell held options on 150,000 Ordinary shares (2008 – 150,000), Michael O'Connell held options on 75,000 Ordinary shares (2008 – 75,000) and David Pyle held options on 75,000 Ordinary shares (2008 – 75,000) under the Company's Enterprise Management Incentive share option scheme. Full disclosure of directors' share options is given in the Directors' remuneration report on page 46.

6 Substantial interests in shares

As at 16th June, 2009, the directors had been advised of the following notifiable interests:

	% of share capital held
Cavendish Asset Management Limited	13.5%
The Trustee of the Group's pension scheme	7.1%
Bank of New York (Nominees) Limited	6.9%
Mrs Patricia Snipe	4.4%

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 16th June, 2009.

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 Additional information for shareholders

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

At 2nd May, 2009 the Company's issued share capital comprised:

	Number	£000	% of total share capital
Ordinary shares of 10p each	18,396,073	1,840	100

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

Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting on page 49 specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting.

Report of the directors

Continued

9 Additional information for shareholders (continued)

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

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

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

Any director who has held office for more than three years since their last appointment must offer themselves up for re-election at the Annual General Meeting.

Company share schemes

The Employee Share Ownership Trust, holds 2.1% of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependants. The voting rights in relation to these shares are exercised by the trustee.

Change of control

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

10 Supplier 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 Group's creditor days for 2009 were 46 (2008 – 78).

11 Special business at the Annual General Meeting

Resolution 7, 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 8, 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 9, in the Notice of Annual General Meeting, which will be proposed as a Special Resolution, empowers the directors to purchase up to 1,839,607 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.

12 Auditors

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

Report of the directors

Continued

13 Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 5. Having made enquiries of fellow directors and of the Company's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
 - each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.
-

14 We confirm that to the best of our knowledge:

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

By order of the board,
David Pyle
Secretary
16th June, 2009



Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for the period. In preparing those Group financial statements the directors are required to:

- (i) select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- (ii) present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- (iii) provide additional disclosures when compliance with the specific requirement in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- (iv) state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. 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.

In addition, the directors are responsible for the preparation of the Directors' remuneration report in accordance with the relevant legislation and other requirements.

The above statement, which should be read in conjunction with the Statement of the Auditors' Responsibilities set out on page 10 is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

Independent auditors' report to the members of MS INTERNATIONAL plc

We have audited the financial statements of MS INTERNATIONAL plc for the year ended 2nd May, 2009 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Company Statements of Recognised Income and Expense and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

Independent auditors' report to the members of MS INTERNATIONAL plc

Continued

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 2nd May, 2009 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

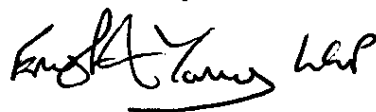
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 6, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Ernst & Young LLP
Registered Auditor
Leeds
16th June, 2009



Group income statement

For the 52 weeks ended 2nd May, 2009

	Notes	2009 Total £000	2008 Total £000
Revenue	3/4	51,559	53,861
Cost of sales		(39,139)	(40,393)
Gross profit		12,420	13,468
Distribution costs		(1,665)	(1,781)
Administrative expenses		(6,442)	(7,184)
		(8,107)	(8,965)
Group trading profit	4/5	4,313	4,503
Finance revenue	7	142	308
Finance costs	8	(6)	(8)
Other finance revenue – pensions	22	470	485
		606	785
Profit before taxation		4,919	5,288
Taxation	9	(1,401)	(1,355)
Profit for the period attributable to equity holders of the parent		3,518	3,933
Earnings per share: basic	10	19.5p	22.0p
diluted	10	18.9p	21.5p

Group statement of recognised income and expense

For the 52 weeks ended 2nd May, 2009

	Group		Company	
	2009 Total £000	2008 Total £000	2009 Total £000	2008 Total £000
Actuarial (losses)/gains on defined benefit pension scheme	(5,511)	548	(5,511)	548
Current taxation on actuarial (losses)/gains on defined benefit pension scheme	106	–	106	–
Deferred taxation on actuarial (losses)/gains on defined benefit pension scheme	1,437	(127)	1,437	(127)
Exchange differences on retranslation of foreign operations	158	120	–	–
Net (expense)/income recognised directly in equity	(3,810)	541	(3,968)	421
Profit attributable to equity holders of the parent	3,518	3,933	3,453	3,769
Total recognised income and expense for the period attributable to equity holders of the parent	(292)	4,474	(515)	4,190

Balance sheets

At 2nd May, 2009

		Group	Company		
		2009	2008	2009	2008
	Note	£000	£000	£000	£000
ASSETS					
Non-current assets					
Property, plant and equipment	12	15,810	16,101	15,103	15,269
Intangible assets	13	106	138	106	138
Investments in subsidiaries	14	-	-	6,869	6,869
Investment in joint venture	15	-	-	50	50
Defined benefit pension asset	22	-	1,856	-	1,856
		15,916	18,095	22,128	24,182
Current assets					
Inventories	17	3,989	5,104	3,242	3,779
Trade and other receivables	18	5,712	7,574	5,594	6,970
Prepayments		1,600	2,925	1,528	2,846
Cash and short-term deposits	19	8,234	10,071	7,027	9,209
		19,535	25,674	17,391	22,804
TOTAL ASSETS		35,451	43,769	39,519	46,986
EQUITY AND LIABILITIES					
Equity					
Equity share capital	20	1,840	1,845	1,840	1,845
Capital redemption reserve	21	901	896	901	896
Other reserve	21	1,565	1,565	1,565	1,565
Revaluation reserve	21	2,969	2,969	2,969	2,969
Special reserve	21	1,629	1,629	1,629	1,629
Currency translation reserve	21	127	(31)	-	-
Treasury shares	21	(391)	(391)	(391)	(391)
Retained earnings	21	10,860	12,131	8,911	10,247
		19,500	20,613	17,424	18,760
Non-current liabilities					
Defined benefit pension liability	22	2,805	-	2,805	-
Government grants		3	16	3	16
Deferred income tax liability	16	610	1,941	617	1,920
		3,418	1,957	3,425	1,936
Current liabilities					
Trade and other payables	24	11,977	20,606	17,951	25,754
Finance leases	23	-	4	-	-
Government grants		13	13	13	13
Income tax payable		543	576	706	523
		12,533	21,199	18,670	26,290
TOTAL EQUITY AND LIABILITIES		35,451	43,769	39,519	46,986

These accounts and notes on pages 15 to 40 were approved by the board of directors on 16th June, 2009 and signed on its behalf by

Michael Bell, Executive Chairman



Michael O'Connell, Finance Director



Cash flow statements

For the 52 weeks ended 2nd May, 2009

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trading profit	4,313	4,503	3,850	3,442
<i>Adjustments to reconcile trading profit to net cash in flow from operating activities</i>				
Depreciation charge	1,704	1,412	1,463	1,169
Amortisation charge	79	115	79	115
Diminution in value of subsidiaries	–	–	(1)	2
Foreign exchange gains	146	37	95	106
RSA grant release	(13)	(12)	(13)	(12)
Share based payments	90	205	90	205
Decrease/(increase) in inventories	1,342	(555)	556	(57)
Decrease/(increase) in receivables	1,862	(286)	1,376	(96)
Decrease/(increase) in prepayments	1,325	(816)	1,318	(821)
(Decrease)/increase in payables	(3,332)	771	(2,719)	600
(Decrease)/increase in progress payments	(5,524)	1,553	(5,103)	1,150
Provisions utilised	–	(113)	–	(113)
Pension fund	(380)	71	(380)	71
Cash generated from operating activities	1,612	6,885	611	5,761
Interest received	136	300	126	277
Taxation paid	(1,219)	(1,165)	(914)	(812)
Net cash inflow/(outflow) from operating activities	529	6,020	(177)	5,226
Investing activities				
Purchase of property, plant and equipment	(1,506)	(2,838)	(1,397)	(2,687)
Purchase of intangible assets	(47)	–	(47)	–
Sale of property, plant and equipment	102	88	100	86
Dividends received from joint venture	–	–	250	500
Net cash from investing activities	(1,451)	(2,750)	(1,094)	(2,101)
Financing activities				
Purchase of own shares	–	(308)	–	(308)
Repurchase of shares	(99)	(477)	(99)	(477)
Share options exercised	–	655	–	655
Dividends paid	(812)	(670)	(812)	(670)
Repayments of capital element of finance leases	(4)	(7)	–	–
Net cash flow from financing activities	(915)	(807)	(911)	(800)
(Decrease)/increase in cash and cash equivalents	(1,837)	2,463	(2,182)	2,325
Opening cash and cash equivalents	10,071	7,608	9,209	6,884
Closing cash and cash equivalents	8,234	10,071	7,027	9,209

Notes to the financial statements

At 2nd May, 2009

1 Authorisation of financial statements and statement of compliance with IFRSs

The Group's and Company's financial statements of MS INTERNATIONAL plc (the 'Company') for the year ended 2nd May, 2009 were authorised for issue by the board of the directors on 16th June, 2009 and the balance sheets were signed on the board's behalf by Michael Bell and Michael O'Connell. MS INTERNATIONAL plc is a public limited Company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as they apply to the financial statements of the Group and Company for the year ended 2nd May, 2009 applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the Group and by the Company are set out in note 2.

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

2 Accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for freehold properties which have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are the measurement of defined benefit pension obligations. Measurement of defined pension obligations requires estimation of future changes in salaries and inflation, as well as mortality rates, the expected return on assets and the selection of a suitable discount rate (see note 22).

An area of key judgement that management has made is in applying the Group's accounting policy relating to contract sales, when assessing the extent to which contract outcomes can be measured reliably.

Statement of compliance

The consolidated financial statements of MS INTERNATIONAL plc have been prepared in accordance with International Financial Reporting Standards (IFRSs).

Basis of consolidation

The consolidated financial statement comprises the financial statements of MS INTERNATIONAL plc and its subsidiaries as at the last Saturday nearest to the 30th April each period. The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies.

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

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

Interest in a joint venture

The Group has an interest in a joint venture which is a jointly owned entity and is accounted for using the proportionate consolidation. Under the proportionate consolidation, the balance sheet includes the Group's share of the joint venture's assets and liabilities and the income statement includes its share of the income and costs of the joint venture.

Notes to the financial statements

Continued

The Company's investments in subsidiaries

In its separate financial statements the Company's investments in subsidiaries are carried at cost. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

Foreign currency translation

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

The main functional currencies of the Group's overseas subsidiaries are the US\$ and the Brazilian Real. As at the reporting date, the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of the Group at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

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

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

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

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

- Property other than freehold land – over 50 years
- Plant and machinery – over 3 to 8 years
- Computer equipment – over 3 to 5 years
- Fixtures and fittings – over 3 to 8 years

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Notes to the financial statements

Continued

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. Following initial recognition the intangible asset is carried at its cost less any accumulated amortisation and accumulated impairment losses. Software costs are amortised over 3 to 5 years.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

Inventories

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

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

Raw Materials – purchase cost on a first-in, first-out basis;

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

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

Progress payments received and receivable are deducted from the value of raw materials and work in progress to which they relate. Any excess progress payments are included in trade and other payables.

Trade and other receivables

Trade receivables, which generally have 30 days terms, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Treasury shares

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

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand.

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

Notes to the financial statements

Continued

Pension Scheme

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

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the income statement as other finance income or expense. Actuarial gains and losses are recognised in full in the statement of recognised income and expense in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the sum of any unrecognised past service costs and the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

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

Revenue

Revenue represents the turnover, net of discounts, derived from services provided to customers and sales of products applicable to the period.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Revenue, in respect of products, is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably, this is usually on despatch.

Revenue from the provision of engineering services is recognised as the work is performed.

Contract sales are recognised by reference to the stage of completion. Stage of completion is measured by reference to the value of cost completed as a percentage of the total estimated value of the costs of the contract. Where the contract outcome cannot be measured reliably revenue is recognised only to the extent of the costs recognised that are recoverable.

Government grants

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

Notes to the financial statements

Continued

Taxes

Current tax

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

Deferred Tax

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

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

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

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

Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management are also required to use judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 31.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)

		Effective date
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1st January, 2009
IFRS 3	Business Combinations (revised January 2009)	1st July, 2009
IFRS 8	Operating segments	1st January, 2009
IAS 1	Presentation of Financial Statements (revised September 2008)	1st January, 2009
IAS 23	Borrowing Costs (revised March 2008)	1st January, 2009
IAS 27	Consolidated and Separate Financial Statements (revised January 2009)	1st July, 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1st July, 2009

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

Notes to the financial statements

Continued

3 Revenue

	2009 £000	2008 £000
Sale of goods	26,575	41,246
Sales of goods under contract accounting	24,556	11,945
	51,131	53,191
Rendering of services	428	670
	51,559	53,861

No revenue was derived from exchanges of goods or services (2008 – £Nil)

4 Segment information

(a) Primary reporting format – Divisional segments

The following table presents revenue and profit and certain assets and liability information regarding the Group's divisions for the periods ended 2nd May, 2009 and 3rd May, 2008. The reporting format is determined by the differences in manufacture and services provided by the Group. The Defence division is engaged in the design, manufacture and service of defence equipment. The Forgings division is engaged in the manufacture of forgings. The Petrol Station Forecourt Structures division is engaged in the design and construction of petrol station forecourt structures.

	Defence		Forgings		Petrol Station Forecourt Structures		Eliminations		Total	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
Revenue										
External	25,846	20,712	18,486	24,626	7,227	8,523	–	–	51,559	53,861
Inter-divisional	–	–	–	–	–	274	–	(274)	–	–
Total revenue	25,846	20,712	18,486	24,626	7,227	8,797	–	(274)	51,559	53,861
Segment result	3,406	2,052	984	1,870	(77)	581			4,313	4,503
Net finance revenue									606	785
Profit before taxation									4,919	5,288
Taxation									(1,381)	(1,355)
Profit for the period									3,538	3,933
Segmental assets	15,594	18,392	8,587	12,958	2,342	3,487			26,523	34,837
Unallocated assets									8,928	8,932
Total assets									35,451	43,769
Segmental liabilities	9,153	14,840	2,282	5,065	855	1,890			12,290	21,795
Unallocated liabilities									3,661	1,361
Total liabilities									15,951	23,156
Capital expenditure	289	1,590	725	872	100	253				
Depreciation	279	146	964	815	181	263				

Notes to the financial statements

Continued

(b) Secondary reporting format – Geographical segments

The following table presents revenue and expenditure and certain assets and liabilities information by geographical segment for the periods ended 2nd May, 2009 and 29th April, 2008. The Group's geographical segments are based on the location of the Group's assets. Revenue from external customers is based on the geographical location of its customers.

	Europe		North America		Rest of the World		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	£000	£000	£000	£000	£000	£000	£000	£000
Revenue								
External	43,990	43,547	3,329	3,661	4,240	6,653	51,559	53,861
Assets	33,945	41,824	927	1,158	579	787	35,451	43,769
Liabilities	15,908	23,107	96	96	(53)	(47)	15,951	23,156
Capital expenditure	1,497	2,809	–	14	9	15	1,506	2,838

5 Group operating profit

	2009	2008
	£000	£000
This is stated after charging/(crediting):		
Audit of the financial statements	69	63
Other fees for auditors		
Other assurance services	11	11
Taxation service	8	57
Depreciation	1,704	1,412
Amortisation of intangible assets	79	115
Foreign exchange gains	(316)	(90)
Hire of plant and machinery	392	504
Other operating leases – minimum lease payments	141	146
Cost of inventories recognised as an expense	35,187	36,070
RSA grant release	(13)	(13)
Redundancy and termination costs	737	78

6 Employee Information

	2009	2008
	Number	Number
The average number of employees, including executive directors, during the period was:		
Production	255	283
Technical	51	56
Distribution	26	32
Administration	53	53
	385	424

(a) Staff costs

	2009	2008
	£000	£000
Their, including executive directors, employment costs were as follows:		
Wages and salaries	11,576	12,241
Social Security costs	1,259	1,489
Other pension costs	804	714
Share option cost (note 31)	90	205
	13,729	14,649

Notes to the financial statements

Continued

(b) Directors' emoluments

	2009 £000	2008 £000
Aggregate directors' emoluments (note 30)	1,159	1,241

7 Finance revenue

	2009 £000	2008 £000
Bank interest	132	304
Other	10	4
	142	308

8 Finance costs

	2009 £000	2008 £000
Finance lease and hire purchase contracts	6	8
	6	8

9 (a) Taxation

	2009 £000	2008 £000
The charge for taxation comprises:		
Current tax		
United Kingdom corporation tax	1,212	1,333
Tax over provided in previous years	(18)	(188)
Foreign corporation tax	97	128
Group current tax	1,291	1,273
Deferred tax		
Origination and reversal of temporary differences (note 16)	52	205
Impact of reduction in deferred tax rate (30% to 28%)	–	(51)
Adjustments in respect of prior years	58	(72)
Group deferred tax	110	82
Tax on profit	1,401	1,355

(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. (28%). The differences are explained below:

	2009 £000	2008 £000
Profit before tax	4,919	5,288
Profit multiplied by standard rate of corporation tax of 28% (2008 – 30%)	1,377	1,586
Effects of:		
Expenses not deductible for tax purposes	(16)	80
Impact of reduction in deferred tax rate (30% to 28%)	–	(51)
Adjustment in respect of prior periods	40	(260)
Total tax charge for the period	1,401	1,355

Notes to the financial statements

Continued

10 Earnings per share

The calculation of basic earnings per share is based on:

- (a) Profit for the period attributable to equity holders of the parent of £3,518,000 (2008 – £3,933,000);
- (b) 18,020,015 (2008 – 17,845,762) Ordinary shares, being the weighted average number of Ordinary shares in issue.

This represents 18,415,153 (2008 – 18,544,065) Ordinary shares, being the weighted average number of Ordinary shares in issue less 395,048 (2008 – 698,303) Ordinary shares being the weighted average number of shares held within the ESOT.

The diluted earnings per share is based on:

- (a) Profit for the period attributable to equity holders of the parent of £3,518,000 (2008 – £3,933,000);
- (b) 18,569,601 (2008 – 18,268,458) Ordinary shares, being the diluted weighted average number of Ordinary shares in issue.

This represents 18,415,153 (2008 – 18,544,065) being the weighted average number of Ordinary shares in issue plus 154,449 (2008 – less 275,607) being the diluted weighted average number of shares held within the ESOT.

11 Dividends paid proposed

	2009 £000	2008 £000
Declared and paid during the year		
On Ordinary shares		
Final dividend for 2008: 3.80p (2007 – 3.00p)	686	544
Interim dividend for 2009: 0.70p (2008 – 0.70p)	126	126
	812	670
Proposed for approval by shareholders at the AGM		
Final dividend for 2009: 3.80p (2008 – 3.80p)	684	686

Notes to the financial statements

Continued

12 Property, plant and equipment

	Freehold property £000	Plant and equipment £000	Total £000
(a) Group			
Cost or valuation			
At 28th April, 2007	9,410	11,370	20,780
Additions	559	2,279	2,838
Disposals	–	(245)	(245)
Exchange differences	–	75	75
At 3rd May, 2008	9,969	13,479	23,448
Additions	235	1,271	1,506
Disposals	–	(738)	(738)
Exchange differences	–	47	47
At 2nd May, 2009	10,204	14,059	24,263
Accumulated depreciation			
At 28th April, 2007	103	6,001	6,104
Depreciation charge for the period	119	1,293	1,412
Disposals	–	(157)	(157)
Exchange differences	–	(12)	(12)
At 3rd May, 2008	222	7,125	7,347
Depreciation charge for the period	132	1,572	1,704
Disposals	–	(636)	(636)
Exchange differences	–	38	38
At 2nd May, 2009	354	8,099	8,453
Net book value at 2nd May, 2009	9,850	5,960	15,810
Net book value at 3rd May, 2008	9,747	6,354	16,101
Analysis of cost or valuation			
At professional valuation 2006	8,500	–	8,500
At cost	1,704	14,059	15,763
	10,204	14,059	24,263

Notes to the financial statements

Continued

(b) Company

	Freehold property £000	Plant and equipment £000	Total £000
Cost or valuation			
At 28th April, 2007	9,410	9,644	19,054
Additions	559	2,128	2,687
Disposals	-	(153)	(153)
At 3rd May, 2008	9,969	11,619	21,588
Additions	235	1,162	1,397
Disposals	-	(659)	(659)
At 2nd May, 2009	10,204	12,122	22,326
Accumulated depreciation			
At 28th April, 2007	103	5,114	5,217
Depreciation charge for the period	119	1,050	1,169
Disposals	-	(67)	(67)
At 3rd May, 2008	222	6,097	6,319
Depreciation charge for the period	132	1,331	1,463
Disposals	-	(559)	(559)
At 2nd May, 2009	354	6,869	7,223
Net book value at 2nd May, 2009	9,850	5,253	15,103
Net book value at 3rd May, 2008	9,747	5,522	15,269
Analysis of cost or valuation			
At professional valuation 2006	8,500	-	8,500
At cost	1,704	12,122	13,826
	10,204	12,122	22,326

- (c) Depreciation has not been charged on freehold land which is included at a book value of £4,320,000 (Company £4,320,000) at 2nd May, 2009.
- (d) The Group's land and buildings were independently valued by Knight Frank LLP as at 29th April, 2006, on the basis of an existing use value in accordance with the Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors.

This has given rise to a revaluation surplus of £3,396,000. Had the land and buildings not been revalued the carrying value would be £5,104,000.

Notes to the financial statements

Continued

13 Intangible assets

	Development costs £000	Software costs £000	Group £000	Company £000
Cost				
At 28th April, 2007	279	183	462	462
Additions	–	–	–	–
At 3rd May, 2008	279	183	462	462
Additions	–	47	47	47
At 2nd May, 2009	279	230	509	509
Amortisation				
At 28th April, 2007	139	70	209	209
Amortisation during the year	84	31	115	115
At 3rd May, 2008	223	101	324	324
Amortisation during the year	48	31	79	79
At 2nd May, 2009	271	132	403	403
Net book value at 2nd May, 2009	8	98	106	106
Net book value at 3rd May, 2008	56	82	138	138

14 Investment in subsidiary undertakings

Principal subsidiary undertakings are set out on page 47.

	2009 £000	2009 £000	2009 £000	2008 £000	2008 £000	2008 £000
Company	Cost	Impairment	Net Book Value	Cost	Impairment	Net Book Value
Investment in subsidiary undertakings	8,875	(2,006)	6,869	8,875	(2,006)	6,869

Notes to the financial statements

Continued

15 Investment in joint venture

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

The Group's financial statements have been prepared using the proportionate method of accounting for the interest of the Group in Global-MSI plc.

It is the opinion of the directors that the proportionate method of accounting rather than the equity method better reflects the substance and economic reality of our interest in the joint venture. Disclosing the Group's share of the assets, liabilities, revenue and costs of the joint venture provides a more complete understanding of the performance and position of the Group.

	2009 £000	2008 £000
Share of the joint venture's balance sheet		
Non-current assets	449	538
Current assets	1,943	2,999
Share of gross assets	2,392	3,537
Share of current liabilities:	(850)	(1,867)
Share of long term liabilities	(5)	(23)
Share of net assets	1,537	1,647
	Group £000	Company £000
At 28th April, 2007	1,452	50
Share of profit retained by joint venture	640	-
Share of foreign exchange gains	55	-
Share of dividend received	(500)	-
At 3rd May, 2008	1,647	50
Share of profit retained by joint venture	186	-
Share of foreign exchange gains	(46)	-
Share of dividend received	(250)	-
At 2nd May, 2009	1,537	50
Abbreviated income statement for Group's share of joint venture		
	2009 £000	2008 £000
Revenue	7,227	8,523
Expenses	(7,027)	(7,629)
Profit before taxation	200	894
Taxation	(14)	(254)
Profit for the period	186	640

Notes to the financial statements

Continued

16 Deferred income tax

The deferred income tax included in the Group income statement is as follows:

	2009	2008
	£000	£000
Taxation deferred by capital allowances	(65)	41
Temporary differences	(15)	40
Taxation on defined benefits pension	132	124
Impact of reduction in deferred tax rate (30% to 28%)	-	(51)
Adjustments in respect of prior periods	58	(72)
	110	82

The deferred income tax included in the balance sheet is as follows:

	2009	2008
	£000	£000
Group		
Taxation deferred by capital allowances	(1,094)	(1,116)
Temporary differences	79	75
Taxation on pension liability/(asset)	785	(520)
Taxation on buildings revaluation	(380)	(380)
Deferred income tax liability	(610)	(1,941)
	2009	2008
	£000	£000
Company		
Taxation deferred by capital allowances	(1,053)	(1,072)
Temporary differences	31	52
Taxation on pension liability/(asset)	785	(520)
Taxation on buildings revaluation	(380)	(380)
Deferred income tax liability	(617)	(1,920)

The Group and Company also has capital losses of £4,350,000 (2008 – £4,350,000).

17 Inventories

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Raw materials	2,710	3,242	2,529	2,769
Work in progress	860	1,359	664	839
Finished goods	662	973	141	282
	4,232	5,574	3,334	3,890
Progress payments	(243)	(470)	(92)	(111)
	3,989	5,104	3,242	3,779

Notes to the financial statements

Continued

18 Trade and other receivables

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade receivables	4,554	6,822	3,489	4,722
Retentions on contracts	1,153	742	1,104	587
Amounts owed by subsidiary undertakings	–	–	993	1,652
Amounts owed by joint venture	–	–	8	8
Other receivables	5	10	–	1
	5,712	7,574	5,594	6,970
Gross amounts due from customers for contract work – included above	1,215	810	1,029	436

The aggregate amount of costs incurred and recognised profits to date on contracts is £24,556,000 (2008 – £11,945,000).

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Sterling	3,699	5,727	3,124	4,365
Euro	462	567	365	357
US dollar	207	308	–	–
Other currencies	186	220	–	–
	4,554	6,822	3,489	4,722

Trade receivables are non-interest bearing and are generally on 30 days terms and are shown net of provision for impairment. The aged analysis of trade receivables not impaired is as follows:

Group	Total	Not past due	< 30 days	30-60 days	60-90 days	> 90 days
	£000	£000	£000	£000	£000	£000
2009	4,554	2,846	1,400	152	12	144
2008	6,822	5,088	1,389	265	23	57

As at 2nd May, 2009 trade receivables at a nominal value of £52,000 (2008 – £43,000) were impaired and fully provided for. Bad debts of £34,000 (2008 – £Nil) were incurred.

Company

2009	3,489	2,263	1,011	116	1	98
2008	4,722	3,589	894	222	11	8

As at 2nd May, 2009 trade receivables at a nominal value of £22,000 (2008 – £17,000) were impaired and fully provided for. Bad debts of £6,000 (2008 – £Nil) were incurred.

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Sterling	1,153	736	1,104	587
Other currencies	–	6	–	–
	1,153	742	1,104	587

Notes to the financial statements

Continued

18 Trade and other receivables (continued)

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

	Total	Up to 6	6-12	12-18	18-24
Group	£000	months £000	months £000	months £000	months £000
2009	1,153	1,059	94	-	-
2008	742	524	183	32	3
Company					
2009	1,104	1,029	75	-	-
2008	587	436	151	-	-

19 Cash

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Cash at bank and in hand	8,234	2,452	7,027	1,709
Short term deposits	-	7,619	-	7,500
	8,234	10,071	7,027	9,209

20 Issued capital

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Ordinary shares at 10p each				
Authorised – 35,000,000 (2008 – 35,000,000)	3,500	3,500	3,500	3,500
Allotted, issued and fully paid – 18,396,073 (2008 – 18,451,073)	1,840	1,845	1,840	1,845

During the year the Company redeemed 55,000 of its own Ordinary share at market prices as follows:

Date	Number of shares purchased	Price paid per share
6th August, 2008	15,000	180p
18th September, 2008	40,000	180p

Notes to the financial statements

Continued

21 Reconciliation of movement in equity

	Issued capital £000	Capital redemption reserve £000	Other reserve £000	Revaluation reserve £000	Special reserve £000	Currency translation reserve £000	Treasury shares £000	Retained earnings £000	Total £000
(a) Group									
At 28th April, 2007	1,871	870	1,544	2,942	1,629	(151)	(738)	8,719	16,686
Total recognised income and expense for the year	-	-	-	-	-	120	-	4,354	4,474
Dividends paid	-	-	-	-	-	-	-	(670)	(670)
Repurchase of shares (note 20)	(26)	26	-	-	-	-	-	(477)	(477)
Change in taxation rate	-	-	21	27	-	-	-	-	48
Share options	-	-	-	-	-	-	-	205	205
Exercise of share options	-	-	-	-	-	-	655	-	655
Purchase of own shares	-	-	-	-	-	-	(308)	-	(308)
At 3rd May, 2008	1,845	896	1,565	2,969	1,629	(31)	(391)	12,131	20,613
Total recognised income and expense for the year	-	-	-	-	-	158	-	(450)	(292)
Dividends paid	-	-	-	-	-	-	-	(812)	(812)
Repurchase of shares (note 20)	(5)	5	-	-	-	-	-	(99)	(99)
Share options	-	-	-	-	-	-	-	90	90
At 2nd May, 2009	1,840	901	1,565	2,969	1,629	127	(391)	10,860	19,500
(b) Company									
At 28th April, 2007	1,871	870	1,544	2,942	1,629	-	(738)	6,999	15,117
Total recognised income and expense for the year	-	-	-	-	-	-	-	4,190	4,190
Dividends paid	-	-	-	-	-	-	-	(670)	(670)
Repurchase of shares (note 20)	(26)	26	-	-	-	-	-	(477)	(477)
Change in taxation rate	-	-	21	27	-	-	-	-	48
Share options	-	-	-	-	-	-	-	205	205
Exercise of share options	-	-	-	-	-	-	655	-	655
Purchase of own shares	-	-	-	-	-	-	(308)	-	(308)
At 3rd May, 2008	1,845	896	1,565	2,969	1,629	-	(391)	10,247	18,760
Total recognised income and expense for the year	-	-	-	-	-	-	-	(515)	(515)
Dividends paid	-	-	-	-	-	-	-	(812)	(812)
Repurchase of shares (note 20)	(5)	5	-	-	-	-	-	(99)	(99)
Share options	-	-	-	-	-	-	-	90	90
At 2nd May, 2009	1,840	901	1,565	2,969	1,629	-	(391)	8,911	17,424

(1) Share Capital

The balance classified as share capital includes the nominal value on issue of the Company's equity share capital, comprising 10p Ordinary shares.

(2) Capital redemption reserve

The balance classified as capital redemption reserve represents the nominal value of issued share capital of the Company, repurchased.

(3) Other reserve

This is the revaluation reserve previously arising under UK GAAP which is now part of non-distributable retained reserves. This also includes the impact of the change in related deferred tax due to the change in corporation tax (30% to 28%).

Notes to the financial statements

Continued

(4) Revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same assets previously recognised in equity. This also includes the impact of the change in related deferred tax due to the change in corporation tax (30% to 28%).

(5) Special reserve

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

(6) Currency translation reserve

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

(7) Treasury shares

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

The trust has purchased an aggregate 395,048 Ordinary shares, which represents 2.1% of the issued share capital of the Company at an aggregate cost of £391,000. The market value of the shares at 2nd May, 2009 was £401,000. The Company has made payments of £Nil (2008 – £Nil) into the ESOT bank accounts during the period. No options over shares (2008 – 374,000) have been granted during the period. Details of the outstanding share options, for Directors are included in the Directors' Remuneration Report.

The assets, liabilities, income and costs of the ESOT have been incorporated into the Company's financial statements. Total ESOT costs charged to the income statement in the period amounts to £3,000 (2008 – £9,000). During the period no options were exercised (2008 – 1,912,521) and no shares were purchased (2008 – 153,500).

22 Pension (liability)/asset

The Company operates an employee defined benefit scheme called the MS International plc Retirement and Death Benefits Scheme ("the Scheme"). IAS19 requires disclosure of certain information about the Scheme as follows:

- The employer operates a defined contribution pension scheme. Until 5th April, 1997, the Scheme provided defined benefits and these liabilities remain in respect of service prior to 6th April, 1997. From 6th April, 1997 the Scheme provides future service benefits on a defined contribution basis.
- The last formal valuation of the Scheme was performed at 5th April, 2008 by a professionally qualified actuary.
- Members have paid contributions at a rate in line with the Scheme's documentation over the accounting period.
- The employer has paid members contributions to the defined contributions section of the Scheme, life assurance premiums and other Scheme expenses. In addition, from April 2006, the employer has paid £80,000 per annum to the defined benefit section of the scheme.

The Company's policy for recognising actuarial gains and losses is to recognise them immediately through the Statement of Recognised Income and Expense.

Notes to the financial statements

Continued

Assumptions

	2009	2008
Discount rate at year-end	6.75%	6.60%
Expected return on plan assets at year-end	7.46%	8.20%
Future salary increases	3.65%	5.20%
Future pension increases	3.00%	2.50%
Life expectancy of current pensioners (from age 65)	19.80%	19.80%
Life expectancy of future pensioners (from age 65)	21.90%	21.70%

Balance Sheet

	2009 £000	2008 £000
Present value of obligations	21,613	23,564
Fair value of plan assets	18,808	25,420
	2,805	(1,856)
Unrecognised actuarial gains/(losses)	-	-
Net liability/(asset)	2,805	(1,856)

Profit & Loss

	2009 £000	2008 £000
Current service cost	-	685
Interest on obligation	1,500	1,342
Expected return on plan assets	(1,970)	(1,827)
Total profit and loss (income)/cost	(470)	200

Change in defined benefit obligation

	2009 £000	2008 £000
Opening defined benefit obligation	23,564	24,557
Service cost	-	806
Interest cost	1,500	1,342
Actuarial gains	(1,768)	(1,616)
Transfer of liabilities from defined contribution section of scheme	20	-
Benefits paid	(1,703)	(1,525)
Defined benefit obligation	21,613	23,564

Change in fair value of plan assets

	2009 £000	2008 £000
Opening fair value of plan assets	25,420	25,451
Expected return	1,970	1,827
Actuarial losses	(7,259)	(1,068)
Contributions by employer	380	614
Contributions by employee	-	121
Benefits paid	(1,703)	(1,525)
Fair value of plan assets	18,808	25,420

Notes to the financial statements

Continued

Statement of Recognised Income and Expenses (SORIE)

	2009 £000	2008 £000
Actual return less Expected return on Assets	(7,259)	(1,068)
Experience gains and losses arising on scheme liabilities	598	523
Changes in Assumptions underlying the present value of scheme liabilities	1,170	1,093
Transfer of Liabilities from Defined Contribution section of Scheme	(20)	–
	(5,511)	548

	2009 £000	2008 £000
Expected Group contribution to plan during next accounting year	80	80

	Long-term expected return	Plan assets	Asset allocation
Breakdown of assets at 2nd May, 2009			
Equities	8.50%	12,682	68%
Alternative assets	8.50%	338	2%
Corporate Bonds	6.75%	2,883	15%
Gilts	4.30%	2,313	12%
Cash/other	0.50%	592	3%
	7.46%	18,808	100%

	Long-term expected return	Plan assets	Asset allocation
Breakdown of assets at 3rd May, 2008			
Equities	8.80%	18,755	74%
Corporate Bonds	6.60%	3,784	15%
Gilts	4.80%	2,772	11%
Cash/other	5.00%	109	–%
	8.02%	25,420	100%

23 Finance leases

Group	Obligations under finance leases £000
At 3rd May, 2008 – current	4
– non-current	–
Repaid during the period	(4)
At 2nd May, 2009	–

Notes to the financial statements

Continued

24 Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Trade payables	4,262	7,401	3,784	6,350
Amounts owed to subsidiary undertakings	–	–	7,030	7,030
Amounts owed to joint venture	–	–	20	2
Other payables	1,256	1,480	1,073	1,253
Accruals	2,080	2,049	1,828	1,819
Progress payments	4,379	9,676	4,216	9,300
	11,977	20,606	17,951	25,754
Gross amounts due to customers for contract work – included above	2,391	9,113	2,265	8,957

25 Financial instruments

Management of financial risks

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

Funding risk

At the year end the Group had net cash of £8.23m – Company £7.03m (2008 – £10.07m – Company £9.21m). The Group and Company have available a bank multicurrency overdraft facility of £3.1m which is renewable on 31st October, 2009.

Interest rate risk

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

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

	Increase/decrease in basis points	Effect on profit before tax
2009	+50	25
Sterling	-50	(25)
2008	+50	30
Sterling	-50	(30)

Notes to the financial statements

Continued

Interest rate risk profile

The interest rate profile of the financial liabilities of the Group and Company, as At 2nd May, 2009 was as follows:

	Group		Company	
	Fixed rate financial liabilities £000	Financial liabilities on which no interest paid £000	Total £000	Total £000
2009				
Sterling	-	-	-	-
Total	-	-	-	-
2008				
Sterling	4	-	4	-
Total	4	-	4	-

The fixed rate financial liabilities relate to finance leases, details of which are as follows:-

	Group		Company	
	Weighted average interest rate %	Weighted average period for which rate is fixed Years		
2009	-	-	-	-
2008	9.23	1.00	-	-

The maturity of financial liabilities is set out in note 23.

The interest rate profile of the financial assets of the Group and Company as at 2nd May, 2009 was as follows:

	Group		Company	
	Floating rate financial assets /(liabilities) £000	Total £000	Floating rate financial assets /(liabilities) £000	Total £000
2009				
Sterling	7,661	7,661	7,196	7,196
US Dollar	907	907	719	719
Euro	(334)	(334)	(888)	(888)
Total	8,234	8,234	7,027	7,027
2008				
Sterling	8,795	8,795	8,741	8,741
US Dollar	369	369	261	261
Euro	907	907	207	207
Total	10,071	10,071	9,209	9,209

Notes to the financial statements

Continued

Foreign currency risk

Exposure to risk is incurred by the Group and Company through overseas sales.

This exposure is minimised by the following:

- (1) invoicing in sterling where practicable.
- (2) using foreign currency received for purchases where appropriate.

Currency exposures

The table below shows the Group's and Company's currency exposures; i.e., those transactional exposures that give rise to the net currency gains and losses recognised in the income statement. Such exposures comprise the monetary assets and monetary liabilities of the Group and Company's that are not denominated in the operating (or "functional") currency of the operating unit involved.

As at 2nd May, 2009 these currency exposures are as follows:

Functional currency of Group operations	Group			
	Net foreign currency monetary assets/(liabilities)			
	Sterling £000	US Dollar £000	Euro £000	Total £000
2009				
Sterling	(721)	876	1,006	1,161
Total	(721)	876	1,006	1,161
2008				
Sterling	(721)	1,047	1,190	1,516
Total	(721)	1,047	1,190	1,516

Functional currency of Company operations	Company			
	Net foreign currency monetary assets/(liabilities)			
	Sterling £000	US Dollar £000	Euro £000	Total £000
2009				
Sterling	-	876	452	1,328
Total	-	876	452	1,328
2008				
Sterling	-	1,047	490	1,537
Total	-	1,047	490	1,537

Fair values

No significant differences exist between the book value and the fair value of the financial assets and liabilities as at 2nd May, 2009 and 3rd May, 2008.

Credit risk

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

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

26 Income statement

The profit for the financial period dealt with in the financial statements of the Company was £3,453,000 (2008 – £3,769,000).

Notes to the financial statements

Continued

27 Capital commitments

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Contracted but not provided in the financial statements	32	214	-	200
	32	214	-	200

28 Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Amounts payable				
Within one year	151	171	82	121
In two to five years	41	135	35	102
	192	306	117	223

The Group has entered into commercial leases on certain plant and equipment. These leases have an average duration of between one and two years.

29 Contingent liabilities

The Company is contingently liable in respect of guarantees, indemnities and performance bonds given in the ordinary course of business amounting to £6,826,388 at 2nd May, 2009 (2008 – £5,407,005)

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

30 Related party transactions

The following transactions took place, during the year, between the Group and Global-MSI plc, a company in which the Group holds a 50% interest.

Purchases of goods and services £185,059 (2008 – £577,792)

Sales of goods and services £872,510 (2008 – £1,116,973)

The following balances relating to the above transactions are included in the consolidated balance sheet as at 2nd May, 2009.

Amounts owed by joint venture £4,219 (2008 – £7,492)

Amounts owed to joint venture £10,195 (2008 – £1,603)

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

Sales of goods and services £2,459,777 (2008 – £2,932,593)

The following balances between the Company and other subsidiaries in the Group are included in the Company balance sheet as at 2nd May, 2009.

Amounts owed by the Company £7,030,000 (2008 – £7,030,000)

Amounts owed to the Company £933,000 (2008 – £1,652,000)

Sales and purchases between related parties are made at normal market prices. Terms and conditions for transactions with subsidiaries and the joint venture are unsecured and interest free. Balances are placed on inter-company accounts with no specified credit period.

Notes to the financial statements

Continued

30 Related party transactions (continued)

Key management personnel (main board directors) compensation

	Group		Company	
	2009	2008	2009	2008
	£000	£000	£000	£000
Share option cost	75	189	75	189
Short-term employee benefits	1,159	1,241	1,159	1,241
Post-employment benefits	447	480	447	480
	1,681	1,910	1,681	1,910

31 Share-based payments

Share options are granted to senior executives in two schemes; the Employee Share Option Scheme and the Enterprise Management Incentive Scheme. The exercise price of the option is no less than the market price of the shares on the date of the grant. The options vest after the executives have been in service for specified times of not less than one year from the date of grant. The contractual life of the options vary up to 10 years. There are no cash settlement alternatives.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in, share options during the year;

	2009 No	2009 WAEP	2008 No	2008 WAEP
1. Employee share option scheme				
Outstanding as at 3rd May, 2008	-	-	1,017,000	34.9p
Options exercised	-	-	(1,017,000)	34.9p
Outstanding as at 2nd May, 2009	-	-	-	34.9p
2. Enterprise management incentive scheme				
Outstanding as at 3rd May, 2008	374,000	194.0p	895,521	33.5p
Options exercised	-	-	(895,521)	33.5p
Options granted	-	-	374,000	194.0p
Outstanding as at 2nd May, 2009	374,000	194.0p	374,000	194.0p

The expense recognised for share options during the year is **£90,220** (2008 – £205,000).

The fair value of options granted during the year was **£nil** (2008 – 87.0p). This fair value is estimated at the date of grant using a standard Black Scholes model. The following table lists the inputs to the model;

	2009	2008
Dividend yield	-	1.60%
Expected share price volatility	-	35.00%
Risk-free interest rate	-	5.20%
Expected life of options	-	9.92 years
Weighted average share price	-	194.0p

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Notes to the financial statements

Continued

32 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the objectives, policies or processes during the years ended 2nd May, 2009 and 3rd May, 2008.

Capital comprises equity attributable to the equity holders of the parent company £19,500,000 (2008 – £20,613,000).

Summary of group results 2005 – 2009

	2009	2008	2007	2006	2005
	£000	£000	£000	(As restated) £000	(As restated) £000
Group revenue	51,559	53,861	47,878	44,435	38,241
INCOME STATEMENT					
Group trading profit	4,313	4,503	3,870	3,693	3,290
Finance	606	785	530	113	(1)
Profit before taxation	4,919	5,288	4,400	3,806	3,289
Taxation	(1,401)	(1,355)	(1,384)	(1,309)	(1,046)
Profit for the period	3,518	3,933	3,016	2,497	2,243
BALANCE SHEETS					
Assets employed					
Intangible assets	106	138	253	296	323
Tangible fixed assets	15,810	16,101	14,676	12,368	8,608
Other net current liabilities	(1,232)	(5,596)	(4,886)	(3,207)	(2)
Bank balances	8,234	10,071	7,608	5,907	1,385
	22,918	20,714	17,651	15,364	10,314
Financed by					
Ordinary share capital	1,840	1,845	1,871	1,871	1,886
Reserves	17,660	18,768	14,815	11,236	3,668
Shareholders' funds	19,500	20,613	16,686	13,107	5,554
Net non-current liabilities	3,418	101	965	2,257	4,760
	22,918	20,714	17,651	15,364	10,314

Corporate governance statement

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 has given careful consideration to the principles of the Combined Code on Corporate Governance.

The board consists of three executive directors, one of whom, Michael Bell, is the Executive Chairman and one non-executive director, Roger Lane-Smith. The Chairman has no other significant commitments. Day to day control of subsidiary and joint venture operations is vested in individual company managing directors, supported by their respective financial managers.

The board meets at least quarterly throughout the year to direct and control the overall strategy and operating performance of the Group. To enable them to carry out these responsibilities all directors have full and timely access to all relevant information. Executive directors, except for Company business trips and holidays, meet daily and the Chairman periodically meets with the non-executive director. Additionally subsidiary and joint venture operations have monthly board meetings which the main board chairman chairs and the main board financial director attends.

Procedures are in place for directors to seek independent advice at the expense of the Company. The Company Secretary is responsible to the board for ensuring that board procedures are complied with and for advising the board on all governance matters.

Details of the number of meetings of, and members attendance at the Board, Audit and Remuneration Committees are set out in the table below;

	Board	Audit Committee	Remuneration Committee
Number of meetings	6	2	1
Michael Bell	6	—	—
Roger Lane-Smith	4	2	1
Michael O'Connell	6	—	—
David Pyle	6	—	—

The Audit Committee consists of the non-executive director, Roger Lane-Smith. In the opinion of the board, the non-executive director has recent and relevant financial experience through his other directorships, and extensive experience in dealing with the City. All board members attend all meetings as appropriate. The external auditors have direct access to the Committee without the Executive directors being present.

The Audit Committee evaluates the Group's risk profile and reviews the Group's half and full year financial statements. The Audit Committee is responsible for recommendations for appointment, reappointment or removal of the external auditors. The auditors provide taxation services to the Group. This arrangement has been reviewed by the board and the audit committee and is not considered to affect the auditors objectivity and independence.

Arrangements by which staff can, in confidence, raise concerns about possible improprieties in financial and other matters – 'whistleblowing' procedures, with any of the Board of directors are in place.

The Audit Committee and the board have considered whether there is a need for an internal audit function and believes that the circumstances and size of the Group make such a function unnecessary.

The role and membership of the Remuneration Committee is set out in the Directors' remuneration report.

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 which covers the key areas of the Group's affairs including acquisitions and divestment policy, approval of budgets, capital expenditure, major buying and selling contracts and general treasury and risk management policies. There is a clearly decentralised structure which delegates authority, responsibility and accountability, including responsibility for internal financial 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.

Corporate governance statement

Continued

There is a comprehensive system for reporting financial results. Monthly accounts are prepared on a timely basis. They include income statement, balance sheet, cash flow and capital expenditure reporting with comparisons to budget and forecast. The budget is prepared annually and revised forecasts are 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 reviewed continually. Where appropriate, action is taken to manage the risks.

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.

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 23rd July, 2009 can be found in the Notice of Meeting on page 48.

The directors consider that the Group has not, during the year ended 2nd May, 2009, complied with the requirements of the Combined Code as follows.

- (1) Combined code provisions A.2.1; as the roles of Chairman and Chief Executive have been exercised by the Executive Chairman.
- (2) Combined code provision A.3.2 and A.3.3; as there are no independent non-executive directors.
- (3) Combined code provision A.4; as there is no separate nomination committee as nomination committee matters are dealt with by the board as a whole.
- (4) Combined code provision A.6.1; as there is no formal annual evaluation of the performance of the board and its committees and individual directors. The evaluation is made by the board on a continuous basis.
- (5) Combined code provision A.7.1; as the Executive Chairman is not subject to re-election. This is in accordance with the articles of association.
- (6) Combined code provision B.1.6; as executive directors have contract periods of more than one year.
- (7) Combined code provision B.2.1; as the Remuneration Committee does not consist of at least two members.
- (8) Combined code provision C.3.1; as the Audit Committee does not consist of at least two members.

The board consider that although the combined code is not complied with in its entirety, as shown above, the individual circumstances, size and simplicity of the Group does not warrant absolute compliance and that the current structure provides the appropriate level of corporate governance.

The terms of reference of the audit and remuneration committees explaining their role and the authority delegated to them by the board are available from the company secretary, on request.

On behalf of the board

David Pyle

Secretary

16th June, 2009



Directors' remuneration report

Information not subject to audit

Policy on remuneration of executive directors

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

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

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

1. Basic Salary

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

2. Performance related annual bonus

An annual bonus is paid depending on achievement of profitability targets. Bonus payments achieved for 2008/2009 amounted in total to 82.7% (2008 – 86.9%) of total executive basic salaries.

3. Share Options

Directors are eligible to participate in the Employee and the Enterprise Management Incentive share option schemes. The Remuneration Committee is responsible for granting options. Options have only been granted at an exercise price of not less than the price paid by the scheme to acquire the shares. Share options are issued without performance criteria and have no vesting period.

4. Pension contributions, usually calculated as a percentage of total emoluments, are paid for executive directors to personal retirement benefit schemes.

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

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. The contracts are terminable by the directors, in the case of Michael Bell at three years' notice and in the case of Michael O'Connell and David Pyle at two years' notice and by the Company with three years' notice in the case of Michael Bell and two years' notice in the case of Michael O'Connell and David Pyle. Directors are entitled to termination payments equivalent to the unexpired portion of the contract based on basic salary and benefits including bonus payments.

The dates of appointments are shown below:

Michael Bell – 9th July, 1980

Michael O'Connell – 4th February, 1985

David Pyle – 9th July, 1980

Non-executive director

The level of the non-executive director's remuneration has been determined by the board as an annual fee and is paid monthly. There is no formal service contract between the Company and the non-executive director.

Directors' remuneration report

Information not subject to audit

Performance Graph

The performance graph shows the accumulated value, by 2nd May, 2009, of £100 invested in MS INTERNATIONAL plc on 30th April, 2000 compared to the accumulated value of £100 invested in the FTSE Small Cap Index, over the same period. The other points plotted are the accumulated values at intervening year ends. The FTSE Small Cap Index is considered by the Board to be the most relevant index for comparison.

Information subject to audit

Emoluments of directors

Directors' remuneration in respect of the period to 2nd May, 2009

	2009	2008	2009	2008	2009	2008	2009	2008
	Basic salary	Basic salary	Other	Other	Bonus	Bonus	Total	Total
	and fees	and fees	benefits	benefits				
	£	£	£	£	£	£	£	£
Michael Bell	261,250	278,200	57,026	48,047	229,190	256,310	547,466	582,557
Michael O'Connell	146,667	156,000	32,867	37,149	114,595	128,155	294,129	321,304
David Pyle	146,667	156,000	26,047	25,782	114,595	128,155	287,309	309,937
Roger Lane-Smith	30,000	27,500	—	—	—	—	30,000	27,500

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

Pension Contributions

	2009	2008
	Total	Total
	£	£
Michael Bell	218,986	233,023
Michael O'Connell	112,945	122,456
David Pyle	114,924	123,975
Roger Lane-Smith	—	—

The pension contributions are paid to personal retirement benefit schemes.

Directors' remuneration report

Information not subject to audit

Directors' share options

No options under the Employee Share Option scheme were granted or were outstanding to main board directors during the year ended 2nd May, 2009

Details of directors' options at 2nd May, 2009 and 3rd May, 2008 granted under the Enterprise Management Incentive scheme are set out below. The directors' options were all granted at market price. The market price of the Company's shares at 2nd May, 2009 was 101.5p and the range during the period was 70.0p to 218.0p.

	Date Issued	Exercise price	Michael Bell	Michael O'Connell	David Pyle	Total
Enterprise management incentive scheme						
Exercisable between:						
1st October, 2008 to						
30th September, 2017	1st October, 2007	194.0p	150,000	75,000	75,000	300,000
Total share options at						
2nd May, 2009 and 3rd May, 2008			150,000	75,000	75,000	300,000

On behalf of the board

David Pyle
Secretary

16th June, 2009



Principal operating subsidiaries

MSI-Defence Systems Ltd.	Salhouse Road, Norwich, NR7 9AY England	Design, manufacture and service of defence equipment.
MSI-Forks Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of fork-arms for the fork lift truck, construction and agricultural equipment industries.
MSI-Forks Inc.	280 Mount Gallant Road, Rock Hill, SC 29730 USA	Distribution and part manufacture of fork-arms for the fork lift truck, construction and agricultural equipment industries.
MSI-Forks Garfos Industriais Ltda.	Rua Professor Campos de Oliveira, 310 São Paulo Brazil	Manufacture of fork-arms for the fork lift truck, construction and agricultural equipment industries.
MSI-Quality Forgings Ltd.	Balby Carr Bank, Doncaster, DN4 8DH England	Manufacture of open die forgings.
Global-MSI plc	Balby Carr Bank, Doncaster, DN4 8DH England	Design and construction of petrol station forecourt structures.

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-Forks Inc. which is registered in America and MSI-Forks Garfos Industriais Ltda which is registered in Brazil. All companies operate principally in the United Kingdom except for MSI-Forks Inc. and MSI-Forks Garfos Industriais Ltda which operate principally in the Americas.

All companies have been included in the Group consolidated accounts.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the forty-ninth Annual General Meeting of the members of MS INTERNATIONAL plc will be held at The Holiday Inn, Warmsworth, Doncaster at 12.00 noon on 23rd July, 2009 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 2nd May, 2009.
2. To approve the Directors' Remuneration Report for the 52 weeks ended 2nd May, 2009.
3. To declare a final dividend.
4. To re-elect as a director of the Company, David Pyle, a director retiring by rotation. David Pyle is aged 63 years and joined the Company in 1968, becoming a director in 1980.
5. To re-elect as a non-executive director of the Company, Roger Lane-Smith. Appointed a director on 21st January, 1983, he is Deputy Chairman and non-executive director of JJB Sports plc. He is a non-executive director of W H Ireland Group plc, Dolphin Capital Investors Ltd, Timpson Group plc and a number of other private companies. He is also a senior consultant at DLA Piper UK LLP.
6. To reappoint Ernst & Young LLP as auditors and to authorise the directors to fix their remuneration.

As Special business

7. 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 £1,654,892 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.
8. To consider as a Special Resolution:
That subject to the passing of Resolution 7, 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 £91,980.36
 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.
9. 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 1,839,607 (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
26th June 2009



Balby Carr Bank
Doncaster
DN4 8DH

Notice of Meeting

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder's name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The box on the Proxy Form must also be ticked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the Company's registrar so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
 2. Any person to whom this Notice is sent who is a person nominated under Section 146 of the CA 2006 to enjoy information rights (a Nominated Person) may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
 3. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
 4. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.
 5. As at 26th June, 2009, being the latest practicable date prior to the publication of this document, the Company's issued share capital consists of 18,396,073 ordinary shares, carrying one vote each. Therefore the total voting rights in the Company as at 23rd July, 2009 are 18,396,073.
 6. In order to facilitate voting by corporate representatives at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure.
- The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
7. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members at 6.00 p.m. on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company's register of members at 6.00 p.m. on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.
 8. Dividends warrants will be posted on 31st July, 2009 to those members registered on the books of the Company on 3rd July, 2009.
 9. 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 the Holiday Inn, 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).