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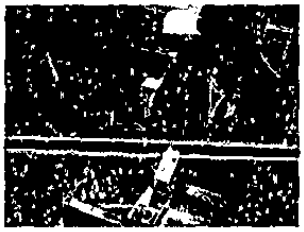
focused for growth



Benson Group plc

Report and Accounts 1994

Benson has two Divisions, Products and Components, clearly focused on three major markets; environmental, automotive, and consumer.
Each of the Group's core businesses compete successfully with the best in Europe, each has strength in its markets, and each market shows significant signs of recovery. Benson intends to develop further in its key markets organically, by forming trading partnerships and by acquisition.

Pre-tax Profits before exceptional items up 16% to £2.23m (1993: £1.92m)

Turnover increased to £28.3m (1993: £25.8m)

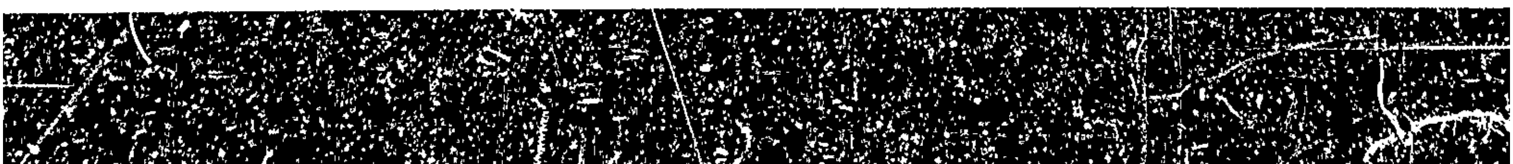
Earnings per share before exceptional items up 18% to 1.71p (1993: 1.45p)

Earnings per share after exceptional items 0.18p (1993: 1.45p)

Final dividend increased to 0.23p proposed (1993: 0.2p)

VW/Audi and Andrews Sykes to place significant orders with the Group

Refocused divisional structure



Chairman's statement

Operating profits before exceptional items were up 13% to £2.76 million (1993: £2.45 million) and operating margins were increased to 9.8% (1993: 9.5%). Earnings per share before exceptional items were up 18% to 1.71p (1993: 1.45p).

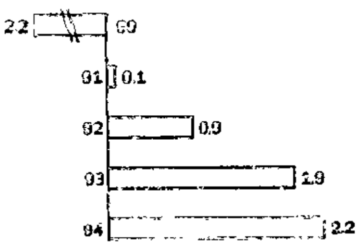
J R M Phillips
Chairman

I am pleased to report the fourth consecutive year of growth. Pre tax profits, before exceptional items, rose 16% to £2.23 million (1993: £1.92 million) in the year to May 1994 on sales increased to £28.27 million (1993: £25.78 million).

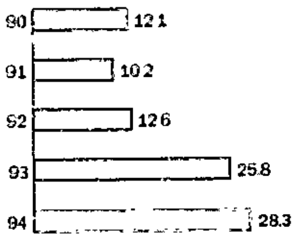
Operating profits before exceptional items were up 13% to £2.76 million (1993: £2.45 million) and operating margins were increased to 9.8% (1993: 9.5%). Earnings per share before exceptional items were up 18% to 1.71p (1993: 1.45p)

Exceptional non recurring costs relating primarily to the acquisitions and integration of Diffusion and Barwell, and the disposal of Wolverhampton Pressings, were £2.0 million. In previous periods such costs were taken directly through the balance sheet and so did not affect the profit and loss account. The profit before tax after treatment of these costs in this way was £0.23 million and earnings per share 0.18p.

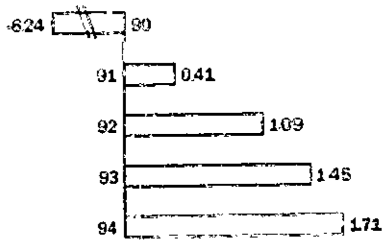
Operations - Products Division I am particularly pleased to report a strong improvement in the performance of the Products Division, and especially Benson Environmental Ltd. where both turnover and profits rose significantly. John Watkins and his new management team have successfully pushed through the agreed strategy of margin improvement and product range development to good effect. As planned a year ago, and foreshadowed at the half year stage, this has resulted in both higher profits and improved return on capital employed. Benson's heating and air conditioning interests are now grouped



Profit before tax and exceptional items: £million



Turnover: £million



Earnings per share before exceptional items: Pence

together as one business, Benson Environmental Ltd., which enjoys both strong brands and market positions at a time when there are significant signs of a pick-up in UK demand for these products. The Group will continue to focus on its proven strengths, where the benefits of economies of scale, enhanced marketing and product development can accrue.

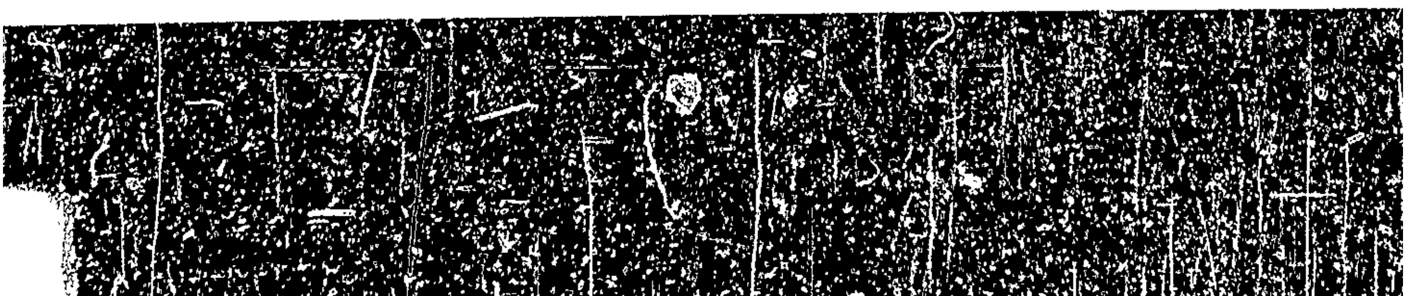
Operations - Components Division   Turnover in the Components Division rose, after adjusting for the effect of the disposal of Wolverhampton Pressings, by 12%.
Higher automotive volumes assisted the results positively through both strengthened schedules and new business won. Demand for metal finishing in the domestic appliance sector remained steady. Capital spend by Realm's customers in the food and drink industry faltered, but margins remained good and there are now signs of a strengthening of demand.

Recent developments   Benson's position in its chosen sectors continues to improve. In particular I am proud to announce that, since the year end, Astco has become one of the first pressing businesses in the UK to become an approved supplier to VW/Audi in Germany. VW/Audi is due to commence ordering significant quantities of components for new models commencing 1995/6.
I am also pleased to announce that, since the year end, Benson Environmental Ltd. has reached agreement with Andrews Sykes plc for Benson to manufacture the majority of Andrews Sykes' heater range. Andrews Sykes is to cease assembly at Wolverhampton and is transferring hea' volumes of approximately £2 million per annum to Benson's heating plant at Knighton.

Divisional structure   The Group is now organised into two Divisions, Products and Components, each with a managing director. These Divisions are clearly focused on three major markets; environmental, automotive, and consumer. Each market represents about one-third of Group turnover.

Acquisitions   There were two acquisitions made for cash during the year. Certain fixed assets and stock of Barwell International Ltd. were acquired for £148,000 and successfully integrated into Hytex, improving its profitability and prospects. The acquisition in February of Diffusion Environmental Systems Ltd. for £1.5 million provided the opportunity for the Group to develop its heating and air conditioning business significantly, and simultaneously achieve overhead reductions through the integration of the business of Energy Technique into Diffusion's operation in Surrey.
Two further businesses were integrated during the year; Kampmann UK, a commercial heating supplier, and Benson BTS the building energy management systems partnership with Siemens.

Disposal   As indicated in last year's statement, Wolverhampton Pressings Company Ltd. was sold in August 1993, because the Board considered it would not provide a satisfactory return to shareholders.



The acquisition in February of Diffusion Environmental Systems Ltd. for £1.5 million provided the opportunity for the Group to develop its heating and air conditioning business significantly.

Chairman's statement

As stated at the half year, and on the basis of the latest accounting treatment, £717,000 of goodwill written off direct to reserves following its acquisition in 1987 has been brought back through the profit and loss account this year. This adjustment has no effect on the cash or balance sheet of the Group but has reduced the reported profit by £717,000.

Balance sheet Operating cash inflow was £2,339,000 against £655,000 last year. The pattern of selective new investment and acquisition has continued with £1 million being invested in capital plant (1993: £1.2 million) and £1.6 million in acquisitions. Total debt rose so that at the year end it was £5.57 million (1993: £4.51 million). Borrowings at the year end were lower than at the half year in November and as expected gearing also fell from that point. Further details are given in the Financial Review, included in the annual report for the first time.

Dividend The Directors are pleased to recommend a further increase in dividend of 0.03p to 0.23p making a total of 0.33p for the year (1993: 0.3p).

Management and board The strengthening of the senior management which took place last year has given added impetus to the Group s path of growth. Benson has a capable team with the ambition and skills needed to drive the Group forward.
I would like to express my thanks to the Group's committed employees for their efforts in the past year. There have been many challenges to which they have risen with the usual vigour, enthusiasm, skill and good humour which characterises our people.

The future After the recovery and development of the business in the recession, the year under review has been one of consolidation, steady growth and selective investment. The Board now looks forward to seeing further benefits flowing through in the near future.
The Group's activities have been focused more tightly into core businesses of larger scale serving defined markets. Management has markedly increased profitability, and return on capital employed and investment, through the difficult years of the recession. The record of the management over the last four years shows that it is well used to taking sound strategic decisions and extracting satisfactory margins from its businesses. As the economic background improves future growth can be expected in the Group's chosen markets, where management can add value.
Within the Group's simplified Divisional structure, the core businesses compete successfully with the best in Europe; they have the strength in their markets to enable them to grow, and their markets now show significant signs of recovery.

Richard Phillips

J R M Phillips
Executive Chairman

Directors and advisers

J R M Phillips BA (hons)
Executive Chairman
Age 39. Formerly Business Development Director of Triplex Lloyd plc.
Appointed 22 May 1990.

J N D Pritchard FCA
Finance Director Age 47.
Previously a partner in KPMG Peat Marwick. Appointed 1 September 1993.

R Green FCCA, ACMA
Director and Secretary
Age 51. *Previously Finance* Director of a number of Wolseley plc subsidiaries.
Appointed 1 June 1990.

N R Johnson MA (Oxon), MBA, MIM, CEng
Managing Director Components Division
Age 39. Held executive positions in the UK and USA.
Appointed 27 September 1990.

Professor TD Patten CBE, FEeng, FIMechE, FRSE
Non-Executive Director
Age 68. Joined the board in June 1991. He is also a non-executive director of Dunedin Enterprise Investment Trust PLC and Edinburgh Petroleum Services Ltd., and a past *President* of the Institution of Mechanical Engineers.

J V T Wheeler MA(Cantab), MIMechE, FIAgrE
Non-Executive Director
Age 62. Previous Chairman and *Chief* Executive Benson Group plc. Resigned as Chairman 22 May 1990.

Secretary
R Green FCCA, ACMA

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Newlands Drive
Witham
Essex CM8 2UL

Merchant bankers
Noble Grossart Limited

Stockbrokers
De Zoete and Bevan Limited
Ebbgate *House*
2 Swan Lane
London EC4R 3TS

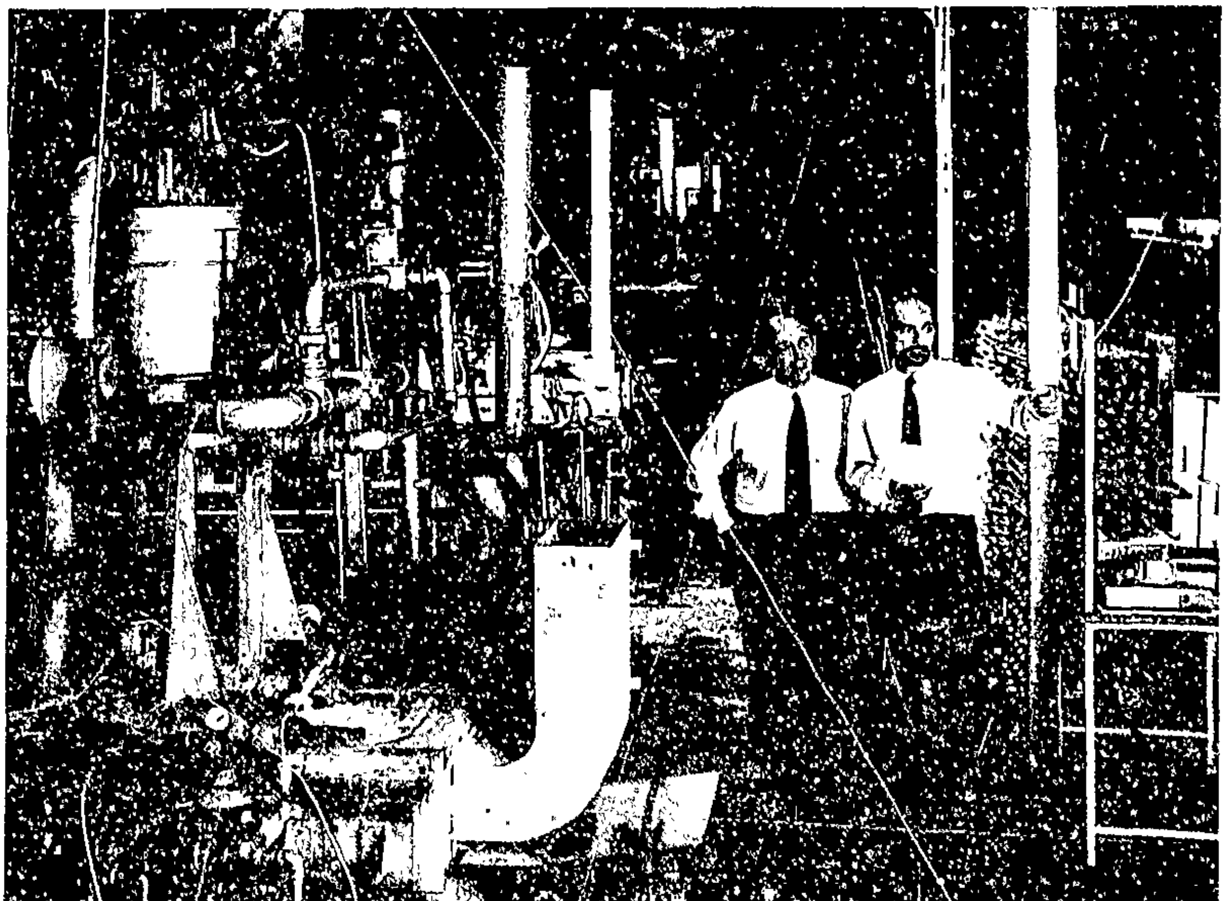
Solicitors
Pinsent & Co

Bankers
Barclays Bank plc
N M Rothschild & Sons Limited

Auditors
KPMG Peat Marwick

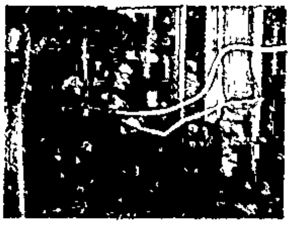
Components division

With significant surplus capacity, the Division is well geared operationally to increases in sales volume, and order books are showing solid increases as the businesses enter the new year.



Automotive

Main picture: [illegible]



The Division supplies components to reputable customers world-wide in the automotive, domestic appliance and food and drink markets.

In the face of unsympathetic market conditions, the continuing businesses achieved turnover growth of 12% at £18.67 million (1993: £16.61 million).

Operating profit before exceptional items was reduced to £1.80 million (1993: £2.45 million) as margins in parts of the Division were under pressure. However, a healthy 9.5% was achieved against 13.4% last year. With significant surplus capacity, the Division is well geared operationally to increases in sales volume, and order books are showing solid increases as the businesses enter the new year.

Astco, which makes pressed and welded metal components for the automotive industry, benefited from firm order books at its largest customers and substantial new business won in the face of fierce competition. Turnover rose 62% partly as a result of the full year impact of the Prola acquisition which had been successfully absorbed into a new satellite facility the previous year.

Rover Group remains the single largest customer, and Astco has benefited from the success of Discovery and other models. Astco now supplies Honda and Toyota and also increased its business with the large "first tier" O.E.M. suppliers such as GKN, Ranton and Torrington. Both the new Range Rover and Mondeo use Astco parts and, since the year end, Astco has won business for both the Ford and Vauxhall air bag programmes.

With these quality ratings, positive management attitudes and highly trained flexible workforce, Astco's customers have recognised that it can compete with world class suppliers. With European automotive volumes increasing, tight control of costs will ensure that the company continues to grow.

Priest Jackson Pressings experienced strong demand in the agricultural vehicle market which, together with the full year impact of acquired business, drove its sales up 39% in the year. Despite the volume increases, due to market pressures it was difficult to increase margins.

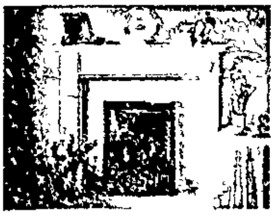
With the capability to produce high quality components of substantial size and complexity, and a policy of investing in presswork assets, PJP is winning new business on new and existing model lines. Its components will appear on the latest Jaguar model and on an increasing number of Ford New Holland products.

PJP has won Ford Q1 status as a key supplier to Jaguar, achieving one of the highest scores within the sector.

Domestic appliances

Domestic heating appliances for Hepworth and Blue Circle use decorative trim from Joseph Fray

Joseph Fray supply components to enhance the decorative appeal of consumer products world wide.



Food and drink

Realm's fluid control components for the food and drink industry are used by Bass and St Ivel.

Realm is developing its product range into niche growth markets in fluid control and the outlook is good for 1994/5.

Components division

Joseph Fray supplies components to enhance the decorative appeal of consumer products world-wide. Profits reduced in the year as the company experienced difficulties in meeting customer demand. Several senior management changes have taken place during the year which will improve production responsiveness and marketing focus.

With a very broad sector spread from telecommunications to domestic appliances and a high quality customer base including Blue Circle and Hepworth, Motorola and IBC, Fray is now becoming positioned to take advantage of improvements in product demand which are already apparent. The longer term development opportunities are encouraging.

Hytex Duo, which manufactures rubber mouldings for a variety of sectors, recovered strongly in the year due to improving demand for its products. Sales volumes increased by 20%, and the company has a growing order book for its moulded rubber products.

Hytex has under utilised capacity and strong margins and now benefits from increased demand.

In the year, the business acquired certain fixed assets and stock of a competitor, Barwell International Ltd., together with a well established order book which was absorbed into existing operations. This should further increase the profits and prospects for Hytex.

Static capital spend programmes by customers held back volume growth at *Realm Products*. Whilst base business remained solid and margins firm, the company did not benefit from a large contract as it had in the previous year.

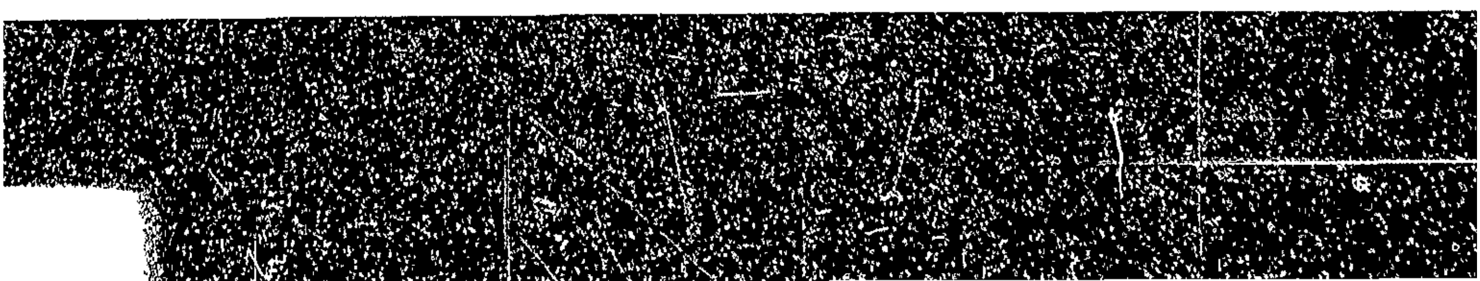
Realm is now firmly established as one of the leading suppliers into the hygienic valve market. It has enhanced its image with a carefully planned marketing strategy highlighting the capacity of the company, its new products and flexible management team.

In the year, the company relocated from its old split site to a new factory in Croydon with an improved plant layout and more modern facilities.

Realm is developing its range into niche growth markets in fluid control and the outlook is good with a number of large capital projects by customers in prospect for 1994/5.

N R Johnson

Managing Director - Components Division

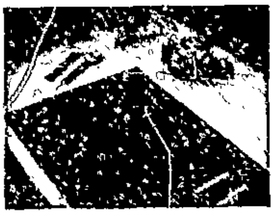


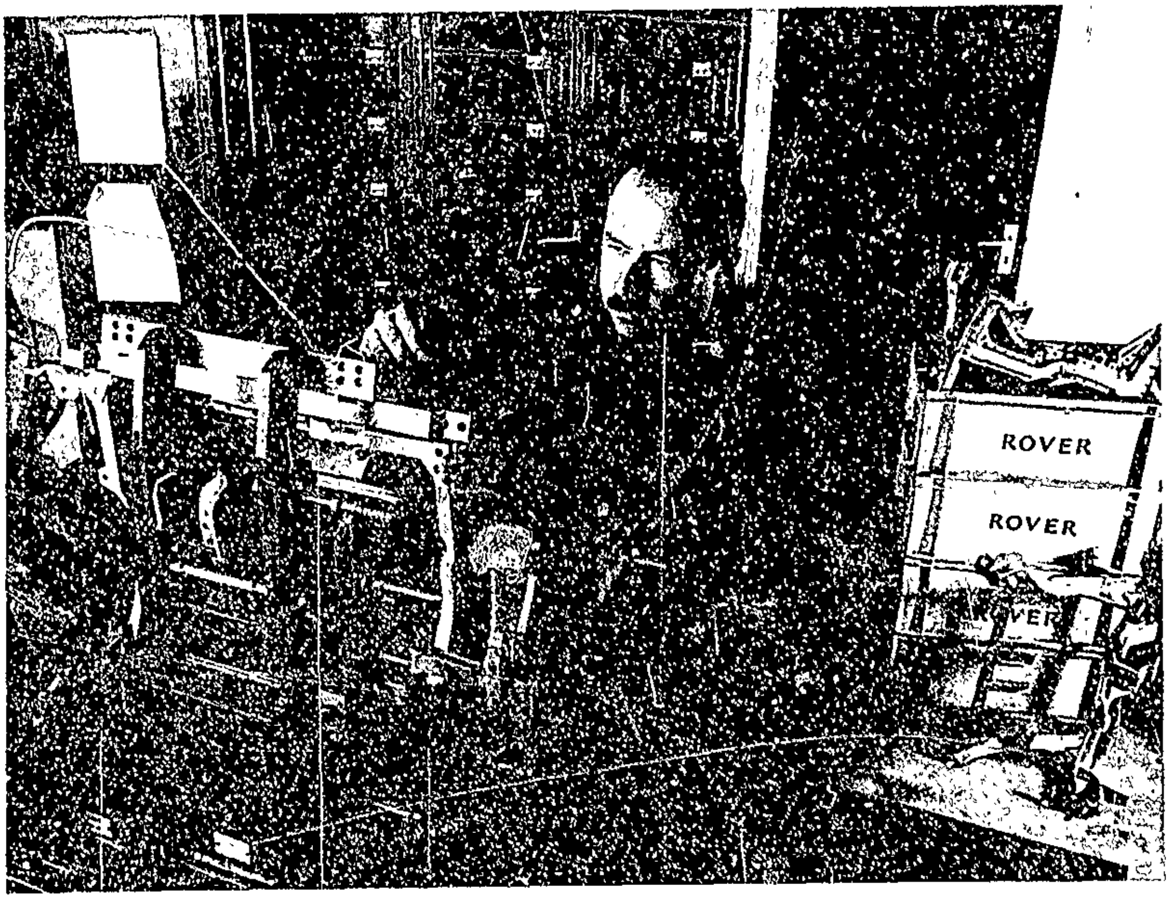
Domestic appliances

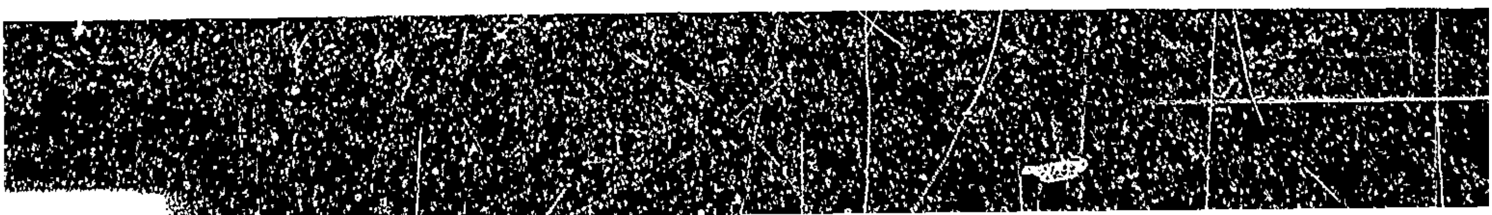
Metal components for domestic appliances are supplied by Priest Jackson Pressings to Ceramaspeed for a growing world wide ceramic hob market.

Priest Jackson have one of the highest quality standards in the sector.

Main picture: Astro quality standards allow it to compete with world class suppliers.

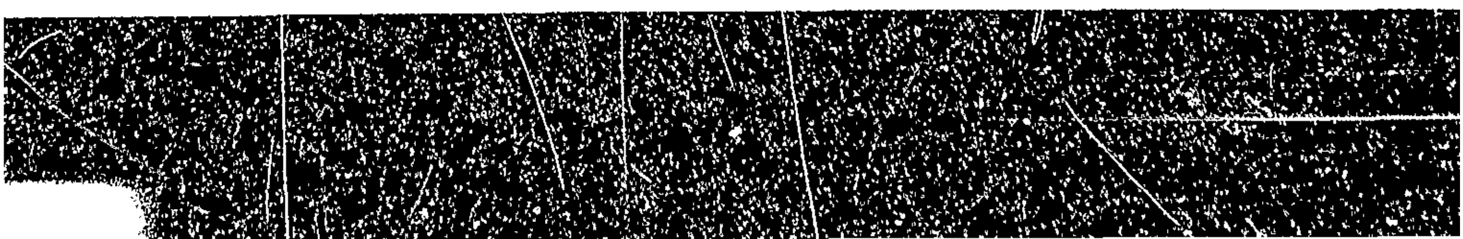






Products division

The past twelve months have seen considerable improvements in the performance of the businesses of this Division. The combined sales were £9.39 million (1993: £7.55 million), margins increased to 10.2% and operating profits before exceptional items were up significantly to £0.96 million (1993: £2,000 loss).

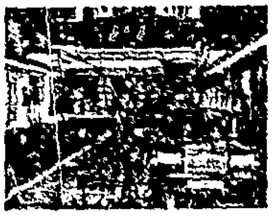


Main picture: John Watkins (second left) managing director of Benson Products Division with directors of Benson Environmental: Chris Lamb, Richard Smeed, Leigh Stimpson and Sheila Owens.

Environmental control

Fan assisted variable air volume units from Benson Environmental.

Benson Environmental, the clear UK market leader in fan coil units, keeps customers cool at the Savoy.



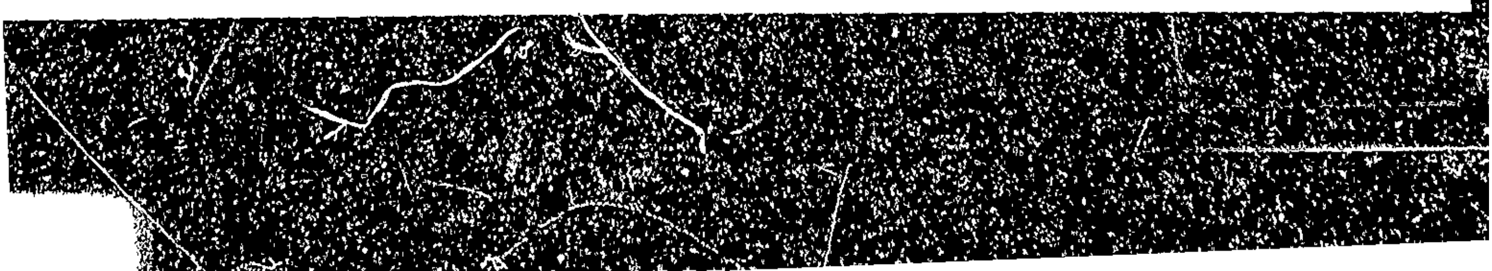
The previously named Environmental Control and Vehicle Engineering Divisions have been brought together to form the Products Division.

The past twelve months have seen considerable improvements in the performance of the businesses of this Division. The combined sales were £9.30 million (1993: £7.55 million), margins increased to 10.2% and operating profits before exceptional items were up significantly to £0.96 million (1993: £2,000 loss).

All the heating and air conditioning interests of the Group now operate under one company structure, Benson Environmental Ltd. This draws together the industrial, commercial and domestic heating businesses with the air conditioning operations into one business. The businesses of Benson Heating, Pakaway, Jetaire, Jetstreme, Diffusion and Energy Technique are operated under one company management structure in two locations. In this way, Benson is able to focus its management and financial resources with shared marketing, service and product development and to further develop what has become one of the broadest ranges of heating, ventilation and air conditioning in the UK. Benson is now able to claim market leadership with some products and strong brand positioning with others, and this is already having a positive effect in the marketplace.

New management has been introduced at subsidiary company director level and with it improved control. The priority has been to reduce operating costs, improve gross margins, and market products where the gross margins are higher. Thus, on static turnover in Benson Heating, the industrial heating business gross margins improved substantially. A domestic heating operation was formed during the year within which the Jetstreme boiler increased its sales and the product range was widened to include the sale of imported radiators. An agreement was reached with Texaco to supply Jetstreme boilers under their brand name.

During the year an important acquisition was completed. Diffusion Environmental Systems, acquired from API plc in February 1994, is a market leader in fan coils and commercial heating terminal units.

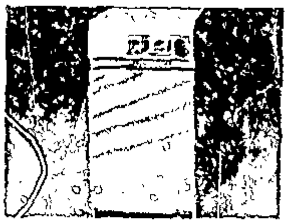


Environmental control - Domestic appliances

[illegible] Environmental's Jetstream [illegible] heaters for domestic heating are taking an increasing market share

Environmental control

Benson Environmental's Diffusion air curtains for temperature control at Marks & Spencer are manufactured in Surrey



Products division

By the end of the financial year, Benson Group's existing air conditioning unit company, Energy Technique, had been relocated from its premises in Eastleigh to Diffusion's premises in South West London, and considerable savings on overhead have been achieved. The combined activity is the clear market leader for terminal units in the UK.

Marketing agreements with Kampmann and Siemens have been established. Benson Environmental Ltd. has become the exclusive UK. distributor for a niche range of commercial heating products, and has already supplied the new underfloor heating for Waterloo station. With Siemens, the company has formed Benson Building Technology Systems which takes it into building energy management, marketing Siemens Siclimat X Building Automation Systems in the UK.

York Towbars introduced a range of new towbar designs and continues to enjoy a reputation for high quality towbars. A license agreement was reached with SEM Engineering for the marketing by SEM of a high speed haulage tractor under the *County* name with County holding exclusive parts distribution rights. Significant sales of County and Bamford spares to the UK distributor, DEC Agricultural, positively affected the results.

The County 4X4 Transit conversion was successfully launched. Sales commenced in the latter few months of the financial year to excellent customer and press reaction. The order book going into the new year was over £250,000 and steps have been taken to develop this market further at home and overseas.

The prospects for the Division for 1994/5 are most encouraging given the full year effect of improvements in the business in the past *twelve months, and signs that the commercial property market* is slowly improving.

J F Watkins

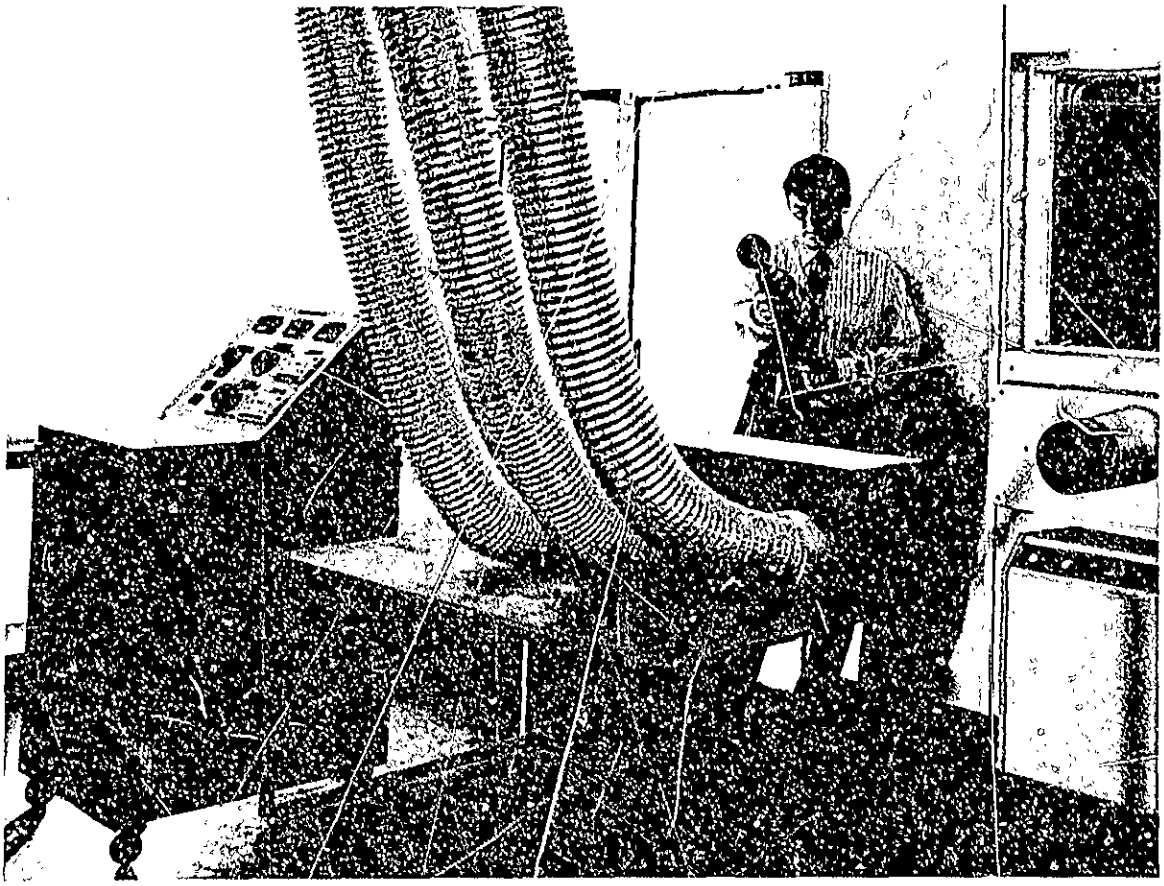
Managing Director - Products Division

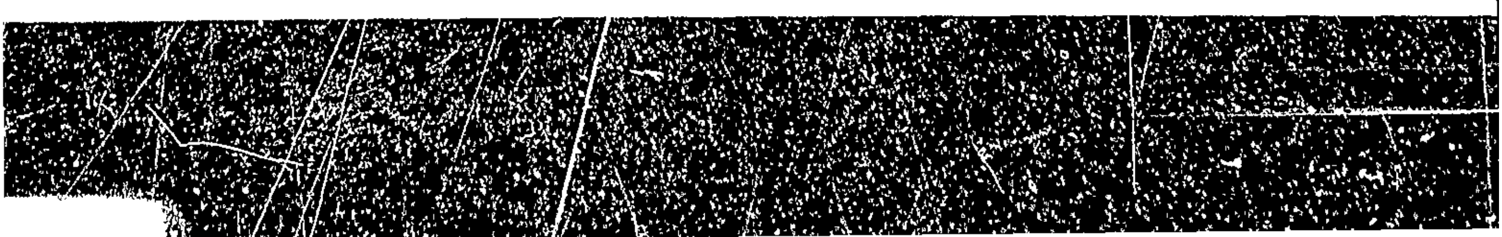
Automotive

Benson Products' four wheel drive conversion for Ford Transits are unique in Europe.

The product was successfully launched to excellent customer and press reaction.

Main picture: Peter Campbell engineering director of Benson Environmental testing for product noise levels in the Environmental Testing Chamber





Financial review

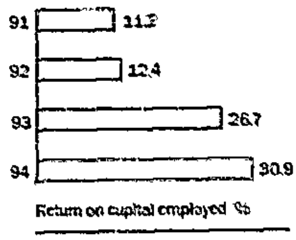
Results In keeping with emerging practice, the Group has dealt with reorganisation costs arising from acquisitions as exceptional items in the profit and loss account, instead of these costs being charged through pre-acquisition provisions in the balance sheet. The profit and loss account on page 16 has been presented in columns to show how the results for the year have been affected by these and other exceptional items. In the left hand column, the results shown are comparable with the previous year. The middle column of the year under review contains the exceptional items:

	£000
disposal of Wolverhampton Pressings	763
major reorganisation of Benson Environmental following the acquisition of Diffusion	912
relocation of Barwell from Cambridge to Rotherham and other items	322
	1,997

Apart from the actual costs incurred on the divestment, and because the cash consideration received matched the net assets consolidated at 31 May 1993, the disposal of Wolverhampton Pressings had no effect on shareholders' funds. This is because the goodwill written off in the current year has been written back as a credit to reserves; this goodwill had been eliminated when the company was first acquired. The cash impact of the above exceptional items, due also to some asset write-downs involving the reorganisation of Barwell and Diffusion, was approximately £900,000.

The year's results are shown in the third column, giving earnings per share of 0.18 pence. Earnings before exceptional items are 1.71 pence against 1.45 pence last year.

Dividend The interim dividend of 0.1 pence per share was paid on 11 April 1994. The final dividend of 0.23 pence is proposed to be paid in November 1994, making 0.33 pence for the year. The dividend proposed represents a 15% increase on the previous year, making a 10% increase for the year and, as last year, is covered approximately 5 times by earnings before exceptional items.



Return on capital employed %

J N D Pritchard

Cash flow Movements in cash flow are shown on page 20, from which can be seen that operating activities generated £2.3 million, £1 million of which has been used to service finance and pay taxation. £2.8 million has been invested:

£1.2 million on fixed assets primarily plant

£1.6 million in acquiring Diffusion Environmental.

Half of the capital expenditure on plant was financed by finance leases. Interest has been covered by operating profits before exceptional items 5.2 times compared to 4.7 times in the previous year.

Balance sheet Gearing at 31 May 1994 was 77%, up from 64% in May 1993. Adding the costs of the acquisition and of the consequent reorganisation means that the Group has spent £2.2 million altogether on the Diffusion project which increased gearing as planned. Without the capital and associated exceptional costs of this project gearing would have decreased to 38% at the year end.

The management of working capital is tightly controlled within the Group; the fixed and working capital needed for each business is closely monitored and plans are aimed at further increasing the return to shareholders.

In the last four years the Return on Capital Employed (measured before exceptional items) of the Group has increased as shown by the chart above.

Taxation Every effort is made to take advantage of the significant taxation losses available to the Group. No tax charge arises this year due to losses brought forward and other timing differences. Notwithstanding the quantity of losses forward, the Group can only expect to benefit where profits are earned from the same trades which caused the losses in the first place. The outcome of this will be a progressive increase each year in the tax charge borne by the Group as the Group's profits grow.

J N D Pritchard

Finance Director

Group balance sheet

as at 31 May 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Intangible assets	11		476		-
Tangible assets	12		8,301		7,690
			8,777		7,690
Current assets					
Stocks	15	4,279		4,128	
Debtors - amounts falling due within one year	16	7,842		6,311	
- amounts falling due after more than one year	16	342		120	
		12,463		10,559	
Creditors - amounts falling due within one year	17	(13,374)		(10,740)	
Net current liabilities			(911)		(181)
Total assets less current liabilities			7,866		7,509
Creditors - amounts falling due after more than one year	18		(655)		(438)
Provisions for liabilities and charges	19		(7)		(4)
			7,204		7,067
Capital and reserves:					
Called up share capital	20		3,262		3,256
Share premium account	21		7,397		7,378
Revaluation reserve	21		1,223		834
Merger reserve			(1,246)		(1,246)
Goodwill elimination reserve	21		(7,132)		(6,325)
Other reserve	21		500		-
Profit and loss account	21		3,200		3,170
			7,204		7,067

The accounts on pages 16 to 35 were approved by the Board on 19 August 1994 and signed on its behalf by:

J R M Phillips

J N D Pritchard

Directors

Company balance sheet

as at 31 May 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Fixed assets					
Tangible assets	13		85		73
Investments	14		6,611		4,662
			6,696		4,735
Current assets					
Debtors - amounts falling due within one year	16	3,305		4,202	
- amounts falling due after more than one year	16	6,773		6,175	
Creditors - amounts falling due within one year	17	(4,612)		(3,399)	
Net current assets			5,466		6,978
Total assets less current liabilities			12,162		11,713
Creditors - amounts falling due after more than one year	18		(43)		(30)
			12,119		11,683
Capital and reserves:					
Called up share capital	20		3,262		3,256
Share premium account	21		7,397		7,378
Profit and loss account	21		1,460		1,049
			12,119		11,683

The accounts on pages 16 to 35 were approved by the Board on 19 August 1994 and signed on its behalf by:

J R M Phillips

J N D Pritchard

Directors

Reconciliation of the movements in shareholders' funds

for the year ended 31 May 1994

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Profit for the financial year	233	1,886	842	734
Dividends	(431)	(391)	(431)	(391)
	(198)	1,495	411	343
Shares issued during the year	25	-	25	-
Revaluation of fixed assets	400	-	-	-
Goodwill on acquisition during the year	(807)	(1,359)	-	-
Restoration of pre-1991 goodwill on disposal of Group undertaking	717	-	-	-
Movements in shareholders' funds	137	136	436	343
Shareholders' funds at beginning of year	7,067	6,931	11,683	11,340
Shareholders' funds at end of year	7,204	7,067	12,119	11,683

Statement of total recognised gains and losses

for the year ended 31 May 1994

	1994 £000	1993 £000
Profit for the financial year	233	1,886
Surplus on the revaluation of properties	400	-
Total recognised gains and losses for the year	633	1,886

Group cash flow statement

for the year ended 31 May 1994

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Net cash flow from operating activities	below		2,339		655
Net cash flow from return on investments					
and servicing of finance					
Interest paid		(520)		(496)	
Dividends paid		(391)		(261)	
			(911)		(757)
Taxation			(129)		53
Net cash flow before investing activities			1,299		(49)
Net cash flow from investing activities					
Purchase of fixed assets		(615)		(622)	
Purchase of business	23(iii)	(1,639)		(468)	
Sale of fixed assets		88		240	
Sale of business		404		-	
			(1,762)		(850)
Net cash flow before financing			(463)		(899)
Net cash flow from financing					
Capital repayments under finance leases and hire purchase	23(ii)	753		614	
Fixed assets refinanced	23(ii)	(463)		-	
Issue of ordinary shares	23(ii)	(25)		-	
Acquisition costs capitalised		-		90	
			265		704
Decrease in cash and cash equivalents	23(i)		(728)		(1,603)
			(463)		(899)

Note

Net cash flow from operating activities

	1994 £000	1993 £000
Operating profit	1,526	2,448
Depreciation and amortisation	927	756
Exceptional items	308	-
Profit on sale of fixed assets	(14)	(53)
Stock (increase)/decrease	(266)	373
Debtors increase	(1,249)	(783)
Creditors increase/(decrease)	1,107	(2,086)
	2,339	655

Accounting policies

Basis of accounting
The accounts have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards.

Basis of consolidation
The Group accounts incorporate the accounts of the Company and all its subsidiary undertakings. The results of businesses acquired or disposed of during a year are included in the Group accounts from or up to the effective date of acquisition or disposal. The assets and liabilities acquired during a year are included in the Group accounts at their fair value, reflecting their condition at the date of acquisition and aligning accounting policies with those of existing subsidiary undertakings of the Company.
In the Group accounts, where the merger relief provisions of the Companies Act 1985 apply, the premium arising on the shares issued is credited to other reserves against which the goodwill arising on the acquisition is written off. Goodwill on other acquisitions is eliminated from shareholders' funds.
The merger reserve arising under merger accounting, which represents the difference between the nominal value of the shares issued as consideration and the nominal value of the shares acquired, is carried forward on consolidation as a debit item.

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and unincorporated businesses, representing the excess of the fair values of the consideration given over the fair value of the separable net assets acquired, is written off against reserves on acquisition.
On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserve.

Turnover
Turnover represents the amount receivable in respect of goods delivered to customers during the year net of value added tax.

Depreciation
Depreciation is provided on the cost or valuation of fixed assets on a straight line basis in order to write them down to estimated realisable value over their estimated useful lives as follows:

	Rate
Freehold and long leasehold buildings	2%
Short leasehold buildings	Period of lease
Plant, furniture and equipment	10%, 20% and 33⅓%
Motor vehicles	25%

Research and development expenditure
Product development costs in respect of the County 4 x 4 Ford Transit conversion are included in intangible fixed assets and are amortised over a 6 year product life.
The cost of research and other development expenditure is written off as incurred.

Hire purchase and leased assets
Fixed assets acquired under hire purchase and finance lease contracts are recorded in the balance sheet as fixed tangible assets at their equivalent capital value and are depreciated over the useful life of the asset and the corresponding liability is recorded as a creditor. Interest is charged to the profit and loss account on a straight line basis. Payments under operating leases are charged to the profit and loss account in the year to which the payments relate.

Stocks
Stocks have been valued consistently at the lower of cost and net realisable value with due allowance being made for obsolete and slow moving items. In the case of work in progress and finished stocks, cost consists of direct materials, labour and appropriate works overheads.

Deferred taxation
Provision is made for deferred taxation only to the the extent that it is probable that an actual liability will crystallise.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate of exchange, differences being taken to the profit and loss account. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Pensions
The Group operates contributory defined benefit pension schemes covering a number of its permanent employees. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' services lives with the Group.

Notes to the accounts

1 Segmental analysis

	Turnover		Operating profit			Net assets	
			Before exceptional items	After exceptional items			
	1994	1993	1994	1994	1993	1994	1993
(i) By class of business (all UK)	£000	£000	£000	£000	£000	£000	£000
Components Division	18,883	18,232	1,799	1,632	2,450	5,097	4,989
Products Division	9,389	7,551	961	(106)	(2)	6,705	5,727
Items not attributable to a specific division	-	-	-	-	-	235	274
	28,272	25,783	2,760	1,526	2,448	12,037	10,990
Net borrowings excluding hire purchase and leasing liabilities						(4,380)	(3,652)
Taxation liabilities and dividends payable						(453)	(271)
						7,204	7,067

	1994	1993
(ii) Turnover by geographical destination	£000	£000
United Kingdom	25,632	21,524
Rest of Europe	2,143	3,906
Asia	226	181
North & South America	113	52
Africa	136	53
Australasia	22	67
	28,272	25,783

2 Analysis of acquisition

Profit before tax includes the following amounts in respect of this acquisition made during the year:	From date of acquisition to 31 May 1994 £000	From beginning of financial period to date of acquisition £000	For preceding financial year £000
Diffusion Environmental Systems Limited	127	78	199

The current financial period of the business commenced on 3 October 1993.

The total figures for 1994 include the following in respect of acquisitions:- cost of sales £793,000, gross profit £473,000, distribution costs £154,000, administrative expenses £170,000, interest received £7,000 and exceptional items £29,000.

No significant operations were discontinued during the year.

3 Operating profit

In April 1994 spares stock held at a cost value of £500,000 against which provisions of £306,000 were held, was sold to a newly appointed UK agricultural spares distributor, DEC Agricultural Limited, for £825,000 excluding VAT. The provisions were therefore written back to the profit and loss account. At 31 May 1994 this amount is unpaid and is included in Group trade debtors.

DEC Agricultural Limited is a new business whose main asset is the spares stock in question. Formal arrangements have been made with DEC Agricultural Limited to repay these amounts within 180 days of the original sale. The debt is to be secured by a charge over the stock and debtors of DEC Agricultural Limited and a second charge over an associated company. The directors believe that no provision is required to be made at 31 May 1994 for non payment of this debt.

Operating profit is stated after charging/(crediting):	1994 £000	1993 £000
Depreciation of tangible fixed assets	800	756
Amortisation of intangible fixed assets	27	-
Auditors' remuneration	76	83
Hire of plant and machinery	98	32
Other operating leases - land and buildings	339	297
- other	130	46
Loss/(profit) on sale of fixed assets	12	(53)

Remuneration paid to auditors KPMG Peat Marwick in relation to non-audit services amounts to £96,000 (1993: £44,000) of which £59,000 (1993: Nil) has been included in acquisition and disposal costs.

4 Employees

The average number of persons employed by the Group by category was:	1994 Number	1993 Number
Manufacture	540	553
Sales and service	48	56
Administration	119	138
	707	747

Employee costs:	1994 £000	1993 £000
Wages and salaries	8,279	8,143
Social security charges	762	706
Pension contributions	13	32
	9,054	8,881

Directors' emoluments:	1994 £000	1993 £000
Fees	16	17
Emoluments - salary and benefits	287	248
- performance related pay	52	85
Pension contributions in respect of executive directors	-	-
Compensation for loss of office	18	-
	373	350

4 Employees continued	1994 £000	1993 £000
Chairman and highest paid director - salary and benefits	99,138	88,459
- performance related pay	35,000	40,000
	134,138	128,459

Performance related pay is at the discretion of the Remuneration Committee and is based principally upon the performance of each director, having regard to the profit performance of the Group as a whole linked to earnings per share.

Directors' emoluments excluding pension contributions fell into the following bands:	1994 Number	1993 Number
£5,001 - £10,000	2	1
£10,001 - £15,000	1	-
£15,001 - £20,000	-	1
£55,001 - £60,000	-	1
£60,001 - £65,000	1	-
£65,001 - £70,000	2	1
£70,001 - £75,000	-	1
£125,001 - £130,000	-	1
£130,001 - £135,000	1	-

5 Exceptional items	1994 £000	1993 £000
Major reorganisation of Benson Environmental following the acquisition of Diffusion		
costs charged to cost of sales	431	
costs charged to administrative expenses	481	
	912	-
Relocation of Barwell business and other items		
costs charged to cost of sales	105	
costs charged to administrative expenses	217	
	322	-
Loss on disposal of Wolverhampton Pressings		
Net assets divested	450	
Proceeds less costs of disposal	(404)	
Goodwill written off in 1989 when the business was originally acquired (note 21)	717	
	763	-
Total	1,997	-

6 Interest payable and similar charges	1994 £000	1993 £000
Bank overdraft and acceptance credits	209	162
Invoice discounting	171	210
Hire purchase and finance lease agreements	148	154
Other	2	-
	530	526

7 Taxation The taxation charge is made up as follows:	1994 £000	1993 £000
UK Corporation tax at 33% (1993: 33%)	38	-
Deferred tax	(38)	105
Over provision for previous years	-	(69)
	-	36

The taxation charge for the current year is low due to the availability of brought forward tax losses and other timing differences not recognised in deferred taxation.

8 Dividends	1994 £000	1993 £000
Paid 0.1 pence per share (1993: 0.1 pence)	131	131
Proposed 0.23 pence per share (1993: 0.2 pence per share)	300	260
	431	391

9 Earnings per share

The calculation of earnings per share, before and after exceptional items, is based on the profit on ordinary activities after taxation of £2,230,000 and £233,000 respectively (1993: £1,886,000) divided by 130,408,470 being the weighted number of ordinary shares in issue during the year (1993: divided by 130,232,459 being the number of ordinary shares in issue throughout the year). The fully diluted earnings per share is not materially different.

10 Profit attributable to parent company	1994 £000	1993 £000
The profit for the financial year dealt with in the accounts of the parent company is	842	734

As permitted by S.230(4) of the Companies Act 1985 a separate profit and loss account of the Company is not presented.

11 Intangible assets

	Product development costs £000
At 31 May 1993	-
Transfer from current assets	282
Expenditure during the year	221
	503
Amortisation charge during the year	(27)
At 31 May 1994	476

During the year the directors re-assessed the project which is now of a longer term nature and as a consequence the costs which were included in current assets in 1993 have been transferred to intangible assets and have been amortised in accordance with the accounting policy on page 21.

12 Fixed assets

	Land & buildings			Plant	
Group	Freehold £000	Long leasehold £000	Short leasehold £000	equipment & vehicles £000	Total £000
Cost or valuation:					
At 31 May 1993	1,893	862	138	6,613	9,506
Revaluation	(170)	113	250	-	193
Reclassification	-	-	(127)	127	-
New businesses	-	-	-	709	709
Additions at cost	-	53	-	965	1,018
Disposal of business	-	-	-	(460)	(460)
Other disposals	-	-	(11)	(170)	(181)
At 31 May 1994	1,723	1,028	250	7,784	10,785
Depreciation:					
At 31 May 1993	138	19	16	1,643	1,816
Revaluation	(170)	(37)	-	-	(207)
Reclassification	-	-	(14)	14	-
New businesses	-	-	-	362	362
Provided in the year	32	18	-	850	900
Disposal of business	-	-	-	(280)	(280)
Other disposals	-	-	(2)	(105)	(107)
At 31 May 1994	-	-	-	2,484	2,484
Net book value:					
At 31 May 1994	1,723	1,028	250	5,300	8,301
At 31 May 1993	1,755	843	122	4,970	7,690

12 Fixed assets continued

Land and buildings were revalued on the basis of existing use by the directors as at 31 May 1994. DTZ Debenham Thorpe have advised the directors on appropriate property values to be used in these accounts.

The historical cost and depreciation of land and buildings is:

	1994 £000	1993 £000
Historical cost	1,956	1,041
Depreciation based on cost	(179)	(121)
Net historical cost value	1,777	920

The gross depreciable value of fixed assets is £10,474,000 (1993: £9,231,000). Included in the net book value of plant equipment and vehicles at 31 May 1994 is £1,687,000 of assets held under finance leases and hire purchase agreements on which depreciation of £260,000 has been charged in the year.

13 Fixed assets

Company	Furniture equipment & vehicles £000
Cost:	
At 31 May 1993	108
Additions at cost	47
Transfers from Group undertakings	8
Disposals	(25)
At 31 May 1994	138
Depreciation:	
At 31 May 1993	35
Provided in the year	32
Transfers from Group undertakings	1
Disposals	(15)
At 31 May 1994	53
Net book value:	
At 31 May 1994	85
At 31 May 1993	73

Included in the net book value of furniture equipment and vehicles at 31 May 1994 is £53,000 of assets held under finance leases and hire purchase agreements on which depreciation of £20,000 has been charged in the year.

14 Fixed assets investments

Company	£000
Shares in subsidiary undertakings:	
Cost:	
At 31 May 1993	7,476
Disposals	(657)
Additions	1,666
At 31 May 1994	8,485
Provisions:	
At 31 May 1993	2,814
Reduction	(940)
At 31 May 1994	1,874
Net book value at 31 May 1994	6,611
Net book value at 31 May 1993	4,662
Loans to subsidiary undertakings:	
Cost:	
At 31 May 1993	1,084
Transfer from inter company debtors	516
At 31 May 1994	1,600
Provisions:	
At 31 May 1993	1,084
Increase	516
At 31 May 1994	1,600
Net book value at 31 May 1993 and 31 May 1994	-
Total at 31 May 1994	6,611
Total at 31 May 1993	4,662

At 31 May 1994, the Group undertakings, all of which are wholly owned and registered in England and Wales comprised:

Benson Environmental Limited
Diffusion Environmental Systems Limited*
Benson Heating Limited*
Pakaway Perrymatics Limited*
Energy Technique Limited *
County Tractors Limited
Bamfords International Limited
York Towbars Limited
Hytex Duo Limited
Realm Products Limited
Joseph Fray Limited
Priest Jackson Pressings Limited
Associated Steels and Tools Company Limited

All shares held are ordinary shares and are held by Benson Group plc except for those Group undertakings marked * which became subsidiaries of Benson Environmental Limited with effect from 31 May 1994.

All Group undertakings operate in the United Kingdom and are engaged in manufacturing.

Dormant Group undertakings have been excluded from the above list by virtue of Section 231 and Schedule 5 of the Companies Act 1985.

15 Stocks

Group	1994 £000	1993 £000
Raw materials and consumables	1,662	2,002
Work in progress	1,265	878
Finished goods	1,352	1,248
	4,279	4,128

The estimated replacement cost of stocks is not materially different from that stated.

16 Debtors

	Group		Company	
	1994 £000	1993 £000	1994 £000	1993 £000
Amounts falling due within one year				
Trade debtors	6,507	5,199	-	-
Amounts owed by subsidiary undertakings	-	-	2,828	4,166
Other debtors	1,063	470	472	36
Corporation tax recoverable	34	34	-	-
Prepayments and accrued income	238	608	5	-
	7,842	6,311	3,305	4,202
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	-	-	6,500	6,000
Pension fund prepayment	132	52	52	52
ACT recoverable	210	68	221	123
	342	120	6,773	6,175

17 Creditors - amounts falling due within one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Bank overdraft and acceptance credits	3,008	2,178	2,636	1,317
Invoice discounting	1,372	1,474	-	-
Trade creditors	5,897	4,603	-	-
Amounts owed to subsidiary undertakings	-	-	1,137	1,315
Other creditors and accruals	927	914	312	279
Tax and social security	1,109	775	107	89
Corporation tax	221	113	98	113
Hire purchase and leasing liabilities	540	423	22	26
Proposed dividend	300	260	300	260
	13,374	10,740	4,612	3,399

The Group has provided its bankers with cross guarantees and debentures to provide fixed and floating charges on substantially all of the assets of the Group as security for the bank overdraft and acceptance credits.

Hire purchase and leasing liabilities are secured on the related assets.

Advances under invoice discounting are secured on the related debtors and guaranteed by Benson Group plc.

18 Creditors - amounts falling due after more than one year

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Hire purchase and finance lease liabilities due				
- between one and two years	426	310	14	18
- between two and five years	229	128	29	12
	655	438	43	30

19 Provisions for liabilities and charges

Reorganisation and rationalisation - Group	£000
At 31 May 1993	4
Utilised	(4)
At 31 May 1994	-

Deferred tax - Group	£000
At 31 May 1993	-
Profit and loss account	(38)
Arising on acquisitions	-
ACT recoverable	45
At 31 May 1994	7

	Amounts provided		Amounts not provided	
	1994 £000	1993 £000	1994 £000	1993 £000
Accelerated capital allowances	17	124	234	-
Available tax losses and general provisions	-	(69)	(234)	(55)
Revaluation of fixed assets	-	-	972	828
ACT recoverable	(10)	(55)	(307)	(170)
	7	-	665	603

In addition to the amount of tax losses recognised above, further tax losses estimated at £6.6 million (1993: £6.4 million) are available to carry forward against future profits of certain Group undertakings.

20 Share capital

Authorised	1994 £000	1993 £000
170,000,000 2½p ordinary shares (1993: 170,000,000)	4,250	4,250
Allotted called up and fully paid		
130,472,169 2½p ordinary shares (1993: 130,232,459)	3,262	3,256

Changes in the year - Allotted called up and fully paid

On 6 September 1993, new ordinary shares were issued pursuant to the terms of the Executive Share Option Scheme as follows:

Total number of shares	Aggregate nominal value £	Price per share	Total consideration received £
107,110	2,678	9.3 pence	9,961
132,600	3,315	11.5 pence	15,249
239,710	5,993		25,210

21 Reserves

Group	Share premium account £000	Revaluation reserve £000	Goodwill elimination reserve £000	Other reserve £000	Profit & loss account £000
At 31 May 1993	7,378	834	(6,325)	-	3,170
Arising on shares issued	19	-	-	-	-
Restoration of pre-1991 goodwill on disposal of Group undertaking	-	-	-	500	217
Business acquired	-	-	(807)	-	-
Revaluation current year	-	400	-	-	-
Retained profit for the year	-	-	-	-	(198)
Transfer in respect of realisation	-	(11)	-	-	11
At 31 May 1994	7,397	1,223	(7,132)	500	3,200

Reserves are arrived at after writing off cumulative goodwill on the acquisition of Group undertakings to 1 June 1991 amounting to £2,192,000 (1993: £2,909,000). Since 1 June 1991 all goodwill is separately identified within the goodwill elimination reserve.

Company	
At 31 May 1993	1,049
Retained profit for the year	411
At 31 May 1994	1,460

22 Acquisitions and disposals

Acquisitions during the year, which have been accounted for under the acquisition method of accounting, and disposals were as follows:
Diffusion Environmental Systems Limited acquired 14 February 1994.
Wolverhampton Pressings Limited sold 13 August 1993.
A summary of the businesses acquired and disposed of and associated goodwill treatment comprises:

	Acquisition Diffusion Environmental			Disposal Wolverhampton Pressings	
	Book values 1994 £000	Fair value adjustments 1994 £000	Fair value acquired 1994 £000	1994 £000	Acquisitions 1993 £000
Tangible fixed assets	145	202	347	180	1,261
Stocks	332	29	361	268	260
Debtors	893	126	1,019	375	61
Cash at bank	27	-	27	-	-
Creditors	(657)	(148)	(805)	(373)	(1,186)
Provisions	-	-	-	-	(1,599)
Taxation	(90)	-	(90)	-	-
	650	209	859	450	(1,203)
Goodwill			807	717	1,569
			1,666	1,167	366
satisfied by:					
Cash			1,500	450	305
Acquisition/disposal costs			166	(46)	90
Refund due			-	-	(29)
			1,666	404	366

On 26 August 1993, the Group acquired certain fixed assets, stocks and the order book from Barwell International Limited for a consideration of £148,000.

23 *Notes to the cash flow statement*

(i) Analysis of changes in cash and cash equivalents

Bank overdraft and acceptance credits:	1994 £000	1993 £000
Balance at 31 May 1993	2,178	189
Net cash outflow	830	1,989
Balance at 31 May 1994	3,008	2,178
Advances under invoice discounting:		
Balance at 31 May 1993	1,474	1,860
Net cash (inflow)	(102)	(386)
Balance at 31 May 1994	1,372	1,474
Total net cash flow	(728)	(1,603)

(ii) Analysis of changes in financing during the year	Share capital incl. premium 1994 £000	Finance lease obligations 1994 £000	Share capital incl. premium 1993 £000	Finance lease obligations 1993 £000
Balance at 31 May 1993	10,634	861	10,634	742
Cash flows from financing	25	(753)	-	(614)
Fixed assets refinanced	-	463	-	-
Finance leases acquired by purchase of businesses	-	-	-	326
Finance leases entered into during the year	-	624	-	407
	10,659	1,195	10,634	861

(iii) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of business	1994 £000	1993 £000
Cash consideration	(1,666)	(305)
Cash at bank held by acquired business	27	(163)
Net outflow of cash and cash equivalents in respect of the purchase of businesses	(1,639)	(468)

Notes to the accounts

24 Directors' interests

The directors who held office at the year end had the following interests in the share capital of the Company and held the following options in respect of such capital:

	Holding at 31 May 1994		Holding at 31 May 1993 or later date of appointment		Share option movements in the year		
	Fully paid ordinary shares	Share options	Fully paid ordinary shares	Share options	Granted	Exercised	Waived
J R M Phillips	234,365	2,071,100	224,365	2,071,100	-	-	-
R Green	443,625	305,333	443,625	305,333	-	-	-
N R Johnson	291,500	303,555	291,500	303,555	-	-	-
Professor T D Patten	20,000	-	20,000	-	-	-	-
J N D Pritchard	30,000	300,000	-	-	300,000	-	-
J V T Wheeler	2,423,160	-	2,423,160	-	-	-	-

All shareholdings are beneficial with the exception of 660,000 ordinary shares held by J V T Wheeler.

The above options to directors are all granted pursuant to the Company's Inland Revenue approved Executive Share Option Scheme except for J R M Phillips' option on 1,071,100 ordinary shares granted on 22 May 1990.

During the period from 1 June 1994 to 19 August 1994 there were no changes in the interests of directors.

At no time during the year did any director have a material interest in any contract with the Group.

R Green has 22,000 options outstanding under the Employees' Savings Related Share Option Scheme.

25 Share options

Executive share options	Option price	Number reserved
16 February 1994 expiring 2004	15.5p	110,000
6 September 1993 expiring 2003	15.0p	300,000
16 August 1993 expiring 2003	18.5p	580,000
27 May 1993 expiring 2003	17.0p	280,000
4 August 1992 expiring 2002	17.5p	1,335,000
24 April 1992 expiring 2002	16.0p	165,000
6 September 1991 expiring 2001	11.5p	715,000
26 November 1990 expiring 2000	9.3p	53,555
26 October 1990 expiring 2000	9.3p	37,489
1 June 1990 expiring 2000	9.3p	53,555
22 May 1990 expiring 1997	9.3p	1,071,100
18 May 1990 expiring 2000	9.3p	85,688
31 May 1989 expiring 1999	23.2p	115,506
20 February 1987 expiring 1997	22.9p	72,192

The above share options are all granted pursuant to the Company's Inland Revenue approved Executive Share Option Scheme except for J R M Phillips' option on 1,071,100 ordinary shares granted on 22 May 1990.

Each of the above options has been issued for a consideration of £1.

Following receipt of notice of exercise of executive share options on 17 August 1993, on 6 September 1993 ordinary shares were allotted to R N Walker as follows:

107,110 at 9.3p each

132,600 at 11.5p each

Employees' savings related share option scheme	Option price	Number reserved
68 employees granted 16 September 1992	15.0p	494,100
2 employees granted 18 December 1989	15.2p	21,262

26 Commitments (i) Operating leases Annual commitments at 31 May 1994 are as follows: Group	Land & buildings 1994 £000	Other 1994 £000	Land & buildings 1993 £000	Other 1993 £000
Expiring as follows:				
Within one year	-	34	98	14
Between two and five year	12	76	-	36
In more than five years	260	-	296	-

The Company had no operating lease commitments at 31 May 1994 (1993: Nil).

(ii) *Capital*

Group

Amounts contracted but not provided for amounted to £144,600 (1993: £3,200). In addition expenditure of £12,500 had been authorised for which contracts had not been placed (1993: £116,350).

27 *Pensions*

The Group operates a principal pension scheme providing benefits based on final pensionable earnings, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The assets of the scheme are held separately from those of the Group. The contributions to the scheme have been determined by an independent qualified actuary using the Projected Unit Method.

The latest actuarial valuation was carried out by independent, qualified actuaries at 1 May 1992.

The actuarial valuation assumptions which have the most significant effect on the results of the valuation were that the investment returns would be 10.0% per annum, earnings would increase by 8.5% per annum and that equity dividends would increase by 5.0% per annum.

A recent actuarial review at 1 May 1994 was also undertaken for accounts purposes. The principal assumptions made in that review were that investment returns would be 10% per annum, that earnings would increase at 7.5% per annum and that equity dividends would increase by 6% per annum. The review made allowance for assets at market value of £4,729,000 and the actuarial valuation of those assets represented 141% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The pension charge for the year includes an allowance in respect of the amortisation of surpluses that are being recognised over the average remaining service lives of the employees, as set out below.

	1994 £000	1993 £000
Pension contributions payable	264	214
Amortisation of surplus	(251)	(182)
	13	32
Average remaining service lives	11 years	15 years

The amount of pension prepayment included in debtors due after more than one year is £132,000 (1993: £52,000), the increase being attributable to the fair value adjustment made on the acquisition of Diffusion.

Average remaining service lives have been reduced as the transfer of the former Thama scheme members into the Group scheme increased the average age of the enlarged scheme.

Directors' report

Principal activities The principal activities of the Group during the year were the manufacture and design of environmental control products and engineered components for the automotive domestic appliance and food and drink industries.

Results The Group's results are shown in the profit and loss account on page 16. Further information on the results for the year is contained in the Chairman's Statement, the financial review and the operating reviews. The proposed transfer from reserves is set out in note 21 to the accounts.

Dividends An interim dividend of 0.1 pence per ordinary share was paid on 11 April 1994.
The directors recommend the payment of a final dividend of 0.23 pence per ordinary share, making a total of 0.33 pence for the year (1993: 0.3p)

Substantial shareholdings The Board has been advised of the following significant interests in the issued share capital of the Company:

	Ordinary shares	% interest
Pilot Investment Trust plc	7,850,000	6.02
Royal London Asset Management Limited	5,460,509	4.19
General Accident Executor and Trustee Company Limited	5,352,500	4.10
British Gas Pension Funds	4,050,000	3.10

Acquisitions On 26 August 1993, the Group acquired certain fixed assets, stock and an order book from Barwell International Limited for £148,000 in cash. On 14 February 1994, the Group acquired the entire issued share capital of Diffusion Environmental Systems Limited for £1,500,000 in cash.

Disposal On 13 August 1993, the entire issued share capital of Wolverhampton Pressings Company Limited was sold for £450,000 in cash.

Future developments Information on future developments is contained in the Chairman's Statement and the operating reviews.

Directors The present directors are shown on page 5. The following directors served during the year:

J R M Phillips
R Green
N R Johnson
Professor T D Patten, C.B.E
J N D Pritchard (appointed 1 September 1993)
J V T Wheeler
R N Walker (resigned 12 August 1993)

Under the Articles of Association N R Johnson and J V T Wheeler retire by rotation and, being eligible, offer themselves for re-election.
N R Johnson has a service contract with the Group which is terminable within one year. J V T Wheeler does not have a service contract with the Group.
Directors' interests and changes thereto since 31 May 1993 are shown in note 24 to the accounts.
The Company purchases insurance cover in respect of the personal liabilities which may be incurred by directors and officers of the Company and its subsidiary undertakings in the course of their employment within the Group.

Corporate governance The Board welcomes the general principles established by the Cadbury Committee. Benson is managed by a Main Board, consisting of the Chairman, three executive and two non-executive members, who retain responsibility for the formulation of corporate strategy, approval of acquisitions, disinvestments and major capital expenditure. Control of operational matters is delegated to an Executive Committee, comprising the executive directors and divisional managing directors. The membership of both the Board and the Committee by the executive directors thus ensures a strong link between the strategy and the implementation and both meet regularly to monitor performance and co-ordinate overall policy.
The Chairman and all non-executive directors constitute a Remuneration Committee, to advise on both Board and senior staff remuneration policy. The full Board forms an Audit Committee to review the half-year and annual financial statements and matters related to internal controls, including both the external audit and internal audit functions.
The Company does not comply with paragraph 4.3 of the Code. The Audit Committee includes the two non-executive directors of the Company. The Board considers the appointment of a third non-executive director would not provide additional benefit to the Audit Committee or the Board as a whole.
Having regard to the above in the opinion of the directors, Benson complies, as far as is appropriate given the Company's size and structure, with the Code of Best Practice of the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) apart from provisions relating to the reporting by directors on internal control and going concern. The directors are unable to confirm compliance with these provisions until the necessary guidance has been developed.

Allotments of shares for cash If the directors wish to allot unissued shares for cash (other than pursuant to an employee share scheme) section 89 of the Companies Act 1985 requires the directors to offer such shares in the first instance to existing shareholders in proportion to their holdings. There may be occasions when it would be in the best interests of the Company for the directors to be able to issue shares without a pre-emptive offer to existing shareholders. Resolution 8 to be proposed at the Annual General Meeting would authorise the directors until the next Annual General Meeting to make such allotments up to a maximum of 6,523,000 ordinary shares (representing approximately 5 per cent of the issued share capital of the Company).

Amendment to the rules of the Benson Executive Share Option Scheme and 1987 Sharesave Scheme The limitations currently applicable on the number or percentage of shares over which options may be granted under the Company's Schemes are:-

1. The total number of shares over which options to subscribe for new shares may be granted (and, which, if not exercised, have not lapsed) in any period of ten years under the Company's Executive and Sharesave Schemes must not exceed the lesser of:-
   (a) 4,785,000 shares in the Company (being 10% of the issued ordinary share capital as at 30th November 1990); and
   (b) 10% of the ordinary shares in issue from time to time.
2. The number of new shares over which options may be granted under the Executive Scheme (and, which, if not exercised, have not lapsed) in any period of ten years must not exceed 5% of the ordinary shares in issue from time to time.
3. The number of new shares over which options may be granted under the Sharesave Scheme when:-
   (a) added to the number of shares in respect of which rights to subscribe for shares have previously been granted (and, which, if not exercised have not ceased to be exercisable) under the 1987 Sharesave Scheme in that year and the two preceding years; and
   (b) added to the number of shares in respect of which rights to subscribe for shares have previously been granted (and if not exercised have not ceased to be exercisable) under the Executive Scheme in that year and the two preceding years must not exceed 3% of the ordinary shares in issue from time to time.
4. The market value (as at the date of grant) of shares over which options are held by any individual at any time, when added to the total market value (as at the time(s) of grant) of shares over which options have previously been granted to him/her under the Executive Scheme and any other executive share option scheme in any period of ten years ending on that day must not exceed 4 x his/her annual emoluments (broadly his/her salary excluding benefits-in-kind).

Resolutions 6 and 7 to be proposed at the Annual General Meeting would amend the rules of the Benson Group plc Executive Share Option Scheme and the Benson Group 1987 Sharesave Scheme so as to bring those Schemes into line with the existing rules of the London Stock Exchange and current practice by omitting the existing fixed numerical limit (currently 4,785,000 shares) on the number of shares in Benson Group plc over which options may be granted under those Schemes. The Schemes would remain subject, as now, to the percentage limits described above.

Employee involvement, participation and welfare Employee participation and involvement in matters which affect their interests has continued to be developed both at Group and subsidiary level during the financial year.

Employment of disabled people The Group gives equal consideration to applications for employment from disabled people. It is Group policy wherever practicable to continue to employ, train and promote the career development of existing employees who become disabled.

Fixed assets The movements of fixed assets during the year are set out in notes 11 to 14 to the accounts.
Following advice from DTZ Debenham Thorpe on appropriate property values, land and buildings were revalued by the directors as at 31 May 1994 on the basis of existing use (see note 12).
In the opinion of the directors, the market value of land and buildings within the Group is not significantly different from the revaluation which has been incorporated in the accounts.

Taxation The Company is not a close company within the meaning of s.414 of the Income and Corporation Taxes Act 1988.

Auditors A resolution for the reappointment of KPMG Peat Marwick as auditors of the Company and the determination of their remuneration is to be proposed at the Annual General Meeting.

On behalf of the Board
R Green
Secretary
19 August 1994

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates which are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Auditors' report

to members of Benson Group plc

We have audited the financial statements on pages 16 to 35.

Respective responsibilities of directors and auditors
As described above, the company's directors are responsible for the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental Uncertainty - Recoverability of Debt
In forming our opinion, we have considered the adequacy of disclosures made in the financial statements concerning the recovery of the amount due from DEC Agricultural Limited for £969,000 against which the directors consider no provision is necessary. Details of the circumstances relating to this fundamental uncertainty are described in note 3. Our opinion is not qualified in this respect.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 May 1994 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick

KPMG Peat Marwick
Chartered Accountants
Registered Auditors

Birmingham

19 August 1994

Notice of meeting

Notice is hereby given that the one hundred and fifteenth Annual General Meeting will be held at The Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, on 23 September 1994 at 12.15 p.m. for the following purposes:

1 To receive the Accounts for the year ended 31 May 1994 together with the Directors' and Auditors' reports thereon.

2 To declare a final dividend of 0.23 pence per share on the ordinary share capital of the Company in respect of the year ended 31 May 1994 payable on 4 November 1994 to shareholders on the register at the close of business on 6 October 1994.

3 To re-elect N R Johnson as a Director.

4 To re-elect J V T Wheeler as a Director.

5 To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

6 To consider and, if thought fit, to pass the following ordinary resolution:
THAT, subject to the approval of the Board of Inland Revenue, the rules of the Benson Group plc Executive Share Option Scheme be and they are hereby amended by the deletion from rule 2(i) of the words "the lesser of 4,785,000 representing 10% of the ordinary shares in issue on the date on which the Scheme was amended by resolution of the Directors on 30 November 1990 with the approval of the members of the Company in general meeting on 29 November 1990 or if less".

7 To consider and, if thought fit, to pass the following ordinary resolution:
THAT, subject to the approval of the Board of Inland Revenue, the rules of the Benson Group plc 1987 Sharesave Scheme be [illegible] they are hereby amended by the deletion from rule 6 of sub-clause 6(1) and by the deletion from rule 11(1) of sub-clause (a) [illegible]

8 To consider and, if thought fit, to pass the following special resolution:
THAT the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act) to allot equity securities (within the meaning of section 94(2) of the Act) of the Company pursuant to the authority conferred by special resolutions passed on 23 August 1991 and 2 March 1992 as if section 89(1) of the Act did not apply to such allotment provided that this power:
   (a) shall be limited to the allotment of equity securities in connection with or pursuant to an offer (whether by way of rights issue, open offer or otherwise) to the holders of ordinary shares in the Company in proportion (as nearly as may be) to their respective holdings of such shares subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or stock exchange in, any territory or otherwise up to an aggregate nominal amount of £163,075; and
   (h) shall expire at the earlier of 1 December 1995 and the conclusion of the Annual General Meeting of the Company in 1995.
   The Company may prior to the expiry of the power conferred by this resolution or any renewal thereof make any offer or agreement which would or might require equity securities to be allotted after such expiry.

9 To transact any other ordinary business of the Company.

Notes

Subject to the provisions of the Company's Articles of Association, a Member entitled to attend and vote at the above meeting may appoint a proxy or proxies, who need not be a Member of the Company, to attend and vote in his stead. To be effective this proxy must be lodged at the offices of Independent Registrars Group Limited not later than 48 hours before the time of the meeting. A proxy card is enclosed for the use of Members.

Particulars of the Directors' current contracts of service and the register of Directors' interests are available for inspection by Members during normal business hours at the Registered Office until the date of the Annual General Meeting and on that day at the place of the meeting from 11.15a.m. until its conclusion.

Dated this 19 day of August 1994.

On behalf of the Board

R Green
Secretary

Registered in England No. 13273
Ludlow Road
Knighton
Powys LD7 1LP

Group directory

Benson Group plc
Bradfield House, Pope's Lane
Oldbury, West Midlands B69 4QT
Tel: 0121 544 1777
Fax: 0121 544 0599

Richard Phillips *Executive Chairman*
Nick Pritchard *Finance Director*
Ron Green *Director and Company Secretary*
Neil Johnson *Managing Director - Components Division*
John Watkins *Managing Director - Products Division*
Derek Wilkes *Financial Controller*

Components division

Associated Steels & Tools Company Limited (ASTC)
Union Mill Street, Horseley Fields
Wolverhampton, West Midlands WV1 3QP
Tel: 01902 453173
Fax: 01902 454084

Ian Middleton *Managing Director*
Roy Clark *Commercial Director*
Charlie Sharman *Quality Director*
Geoffrey Taylor *Finance Director*
John Little *Engineering Director*

Priest Jackson Pressings Limited
Cakemore Road, Rowley Regis
Warley, West Midlands B65 0QS
Tel: 0121 559 5661
Fax: 0121 559 9571

John Park *Managing Director*
Peter Claytor *Sales Director*
Brian Husselbee *Works Director*
Richard Ball *Finance Director*
John Chadaway *Technical Director*

Joseph Fray Limited
PO Box 49, Middlemore Road
Smethwick, Warley
West Midlands B66 2ED
Tel: 0121 558 3991
Fax: 0121 558 2017

Richard Green *Managing Director*
Jim Ferguson *Finance Director*
Jeremy Farrow *Sales Director*
Dr Ranjit Sinha *Operations Director*
Tim Bridgewater *Quality Director*

Hytex Duo Limited
Mangham Road, Barbot Hall Industrial Estate
Rotherham S61 4RJ
Tel: 01709 363705
Fax: 01709 369165

Dr John Markham *Managing Director*
Derek Wilkes *Financial Controller*
Grenville Bennett *Sales Manager*
Robert Scanlan *Production Manager*

Realm Products Limited
Gladstone Road, Croydon
Surrey CR0 2BQ
Tel: 0181 689 5521
Fax: 0181 689 0245

David Harrison *Managing Director*
Iva Sejbl *Financial Controller*
Tony Rogers *Sales Director*
Keith Jafrato *Production Director*

Products division

Benson Environmental Limited

Diffusion House, 47 Central Avenue
West Molesey, Surrey KT8 2QZ
Tel: 0181 783 0033
Fax: 0181 783 0140

Ludlow Road, Knighton
Powys LD7 1LP
Tel: 01547 528534
Fax: 01547 520399

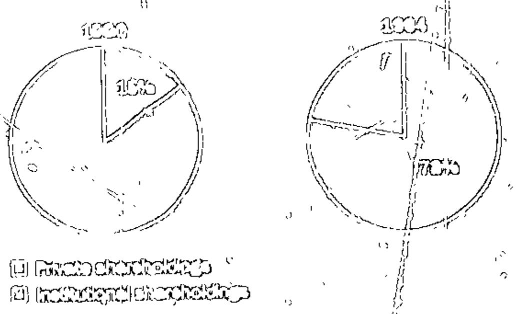
John Watkins *Managing Director*
Graham Parker *Finance Director*
Charles Muircroft *Operations Director*
Peter Campbell *Engineering Director*
Leigh Stimpson *Commercial Director*
Richard Smeed *Customer Support Director*
David Hawkes *Warm Air Business Unit Director*

County & York
Ludlow Road, Knighton
Powys LD7 1LP
Tel: 01547 520690
01547 528534
Fax: 01547 528985

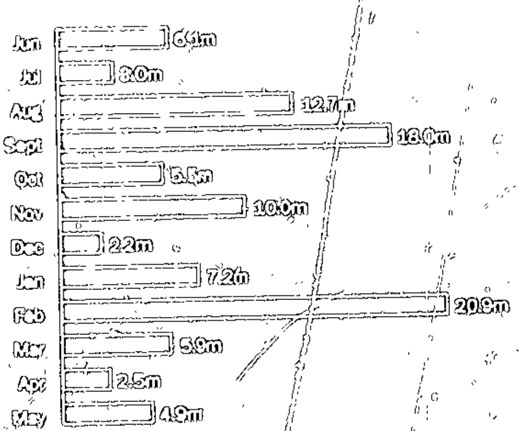
John Watkins *Managing Director*
Graham Parker *Finance Director*
Charles Muircroft *Operations Director*
Paul Stone *Director and General Manager*

Shareholder information

Increase in institutional shareholdings 1980-94



Monthly volume of shares traded



Total number of shares traded in the year ended 31 May 1994 98,916,378.
Average monthly volume of shares traded in the year ended 31 May 1994 8,243,032.
Number of shares in issue at 31 May 1994 130,47[illegible]05.

Daily share price listing

Financial Times (engineering vehicles)

Daily Mail (industrials)

Times (industrials)

Daily Telegraph (industrials)

Birmingham Post (engineering)

Topic (code: 280)

SEAQ (code: 50809)

EPIC (code: BEO)

Financial calendar

Annual report
Posted to shareholders August 1994

Annual general meeting
29 September 1994

Final dividend
Paid to shareholders 4 November 1994

Interim results
Announced February 1995

Final results
Announced August 1995

Annual general meeting
September 1995

Final dividend
Paid to shareholders November 1995