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Benson Group plc . Report and accounts 1995

BENSON GROUP PLC

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IBC Shareholder information

Benson welcomes contact with its shareholders. If you have any enquiries about the Company or its products, please contact your Chairman, Richard Phillips, Benson Group plc, Bradfield House, Pope's Lane, Oldbury, West Midlands B69 4QT

Chairman's statement

I am very disappointed to be reporting unsatisfactory figures as a result of a collapse in profits of the Components Division. The Group made a pre-tax loss of £391,000 in the year to 31 May 1995 (1994: pre-tax profit of £233,000, after exceptional charges of £1,997,000) on sales of £38.57 million (1994: £28.27 million). The loss per share was 0.35 pence (1994: earnings 0.18 pence).

It has been necessary for me to make significant changes to the management of the Group. There are some key Board changes and, as a major step towards restoring profits and resuming growth, the Board intends to dispose of a number of businesses and to focus its activities on those that are larger and with higher growth potential. We are currently in discussion with several possible purchasers.

Operations – Products Division The improvement in sales and profitability of the Products Division continued, with a particularly strong performance from Benson Environmental. Stadex also made a useful contribution during its first five months in the Group. Sales rose to £17.92 million (1994: £9.39 million) and operating profits increased to £766,000 (1994: £106,000 loss). The benefits of the integration of the businesses which make up Benson Environmental have come through as planned and strong order books give some indication of further growth to come.

Operations – Components Division The profits of the Division collapsed primarily due to heavy losses occurring at Joseph Fray, and further details are given in the Operating Review. Sales for the Division increased to £20.65 million (1994: £18.88 million), whilst an operating loss of £454,000 was incurred compared to an operating profit of £1.63 million in 1994. At Fray, trading margins fell sharply due to much reduced productivity, technical difficulties with new products and higher overheads. The progress evident in the company at the half year proved short-lived; management control and financial reporting was weak. New management has therefore been installed, controls have been tightened, and the losses since the year end have been significantly reduced.

J R M Phillips *Chairman*

Chairman's statement

Margins in the presswork businesses also fell due to high levels of overtime and shiftwork caused by rising demand and they were affected by operational difficulties in integrating some new work. Production planning weakened and productivity reduced.

Both Realm and Hytex improved their operating performances, and orders for the Division as a whole are well ahead of last year.

Balance sheet Operating cash inflow for the year was £1.57 million, but as a result of investing activities of £1.23 million, and of interest, dividends and tax, gearing at May 1995 rose to 101%. Gearing at the year end was too high, and has been threatening to stifle the growth prospects of the Products Division. The proposed disposals are in part aimed at addressing this issue and reducing gearing to acceptable levels.

Acquisition and disposal In December 1994, the acquisition of Designstart Ltd., trading as Stadex Industries, was completed. Its subsequent performance was as expected, and continues to be satisfactory. Also in December 1994, the assets of the declining agricultural vehicle spares business were sold. In November, the Group acquired, sold and leased back certain properties, giving rise to a small profit and reduced borrowing.

Dividend The Board does not believe that it is in the best interests of the Group to pay a final dividend. The Board will consider an interim dividend in the light of trading and prospects at that time.

The Board We have recognised that stronger management is required at Board level. Nick Pritchard, Group Finance Director, has left to pursue his professional career and the opportunity has been taken to replace him with someone with more relevant operating experience. We have recruited Jim Owens from Crabtree, a Hanson subsidiary, as Group Finance Director. Jim was previously Group Finance Director of Edbro plc. Neil Johnson, previously Managing Director – Components Division, has also resigned from the Board to pursue other interests, and we wish both departing directors well. John Watkins, Managing Director of Benson Products Division, has also been appointed a main board director.

The Board was greatly saddened to announce the death of Jim Martin, one of our non-executive directors, in April, and it is our intention to find a replacement for him as soon as possible.

Strategy Following my appointment in 1990 and the subsequent rescue and rehabilitation of the Group, a number of acquisitions were made to build earnings growth and cash flow. This proved to be successful, allowing the dividend to be restored and to be increased each year until now.

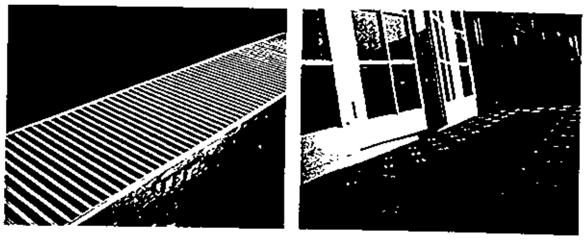
For some time it has been the Group's strategy to focus its activities on market leading products businesses and to make these the core of the Group. We now intend to accelerate action to give effect to this. Our medium term objective is to achieve profitable growth from fewer businesses, and to focus on those businesses which have the opportunity for the highest growth and return on capital invested. With substantially reduced gearing, Benson will be more able to finance the growth opportunities which currently exist in our chosen businesses. The management changes have been made and I believe that when the disposals have occurred, the key issues facing Benson will have been addressed.

The future Since the year end the Components Division has shown some signs of recovery. New management disciplines are now in place, cost control is tighter, new business has higher margins and financial reporting is more rigorous. In the Products Division, the order book has continued to grow ahead of last year and market share has increased.

Future development will centre around exploiting market leadership and premium brands, product development and overseas sales.

The scale of Benson Group needs to increase beyond the minimum acceptable size for a public company. Finding a suitable partner to achieve this could lead to greater liquidity of the shares or a beneficial exit for shareholders.

J R M Phillips *Chairman*
18 October 1995



Benson Environmental supplies a broad range of trench heating systems for commercial and retail property such as at Pinewood Studios.

Directors and advisers

J R M Phillips BA (Hons)
Chairman and Managing Director
Age 40. Formerly Business Development Director of Triplex Lloyd plc.
Appointed 22 May 1990.

R Green FCCA, ACMA
Director and Secretary
Age 52. Previously Finance Director of a number of Wolseley plc subsidiaries.
Appointed 1 June 1990.

J J Owens BCom (Hons), FCA
Finance Director
Age 43. Previously Finance Director of Crabtree Electrical Industries Ltd, a Hanson plc subsidiary.
Appointed 29 September 1995.

Professor T D Patten CBE, FEng, FIMechE, FRSE
Non-Executive Director
Age 69. Joined the Board in June 1991. He is also Chairman of Marine Technology Directorate Ltd and a non-executive director of Edinburgh Petroleum Services Ltd.

J F Watkins MA (Oxon)
Managing Director – Products Division
Age 42. Previously Managing Director of GEC and FKI subsidiaries.
Appointed 29 September 1995.

Secretary
R Green FCCA, ACMA

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Benson Group plc
Bradfield House
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Registered number
Registered in England
No 13273

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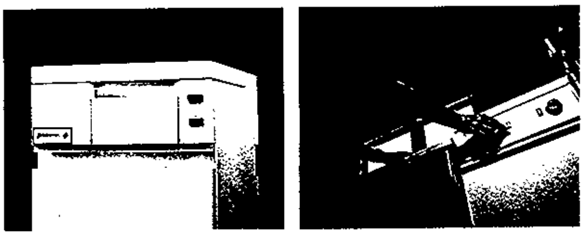
Noble Grossart Limited

Stockbrokers
Albert E Sharp
Edmund House
12 Newhall Street
Birmingham B3 3ER

Solicitors
Pinsent Curtis

Bankers
Lloyds Bank Plc

Auditors
KPMG



The Jetstreme range of high efficiency domestic oil fired boilers as supplied to Sheffield Park.

A comprehensive range of fan coil units for airconditioning applications including the BSI building in Chiswick.

Products division

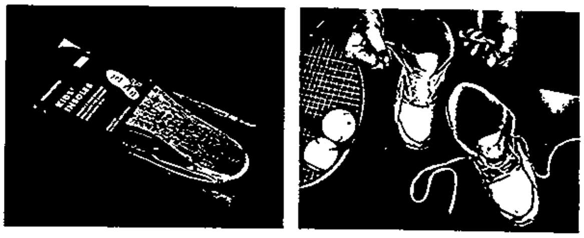
There was a strong improvement in the performance of the Products Division, especially *Benson Environmental* where, following last year's progress in the integration of Benson Environmental's operations, both turnover and profits rose significantly. Sales rose to £17.92 million (1994: £9.39 million) and operating profits increased to £766,000 (1994: £106,000 loss).

Benson Environmental has improved market share in most of its brands in a relatively static market for these products, and now has one of the broadest ranges of air temperature control equipment available in the U.K. During the year, the company commenced manufacturing mobile heaters for Andrews Sykes, further establishing Benson's leading position in the market.

Benson Environmental has further enhanced the strong brand and market positions with several new product offerings which include the Diffusion modular trench heating system, Savanna door curtain range, Perrymatic commercial boilers and Heatstreme combination domestic boiler. A full range of unit, cabinet and mobile industrial heaters has also been introduced with European market approvals, including a Benson Heating low pressure hot water unit heater.

Order books at the year end were substantially ahead of last year as a result of the awards to Benson Environmental of the NatWest Tower fan coil contract and the Andrews Sykes mobile heater contract.

A broad range of electric and low pressure hot water heater air door barriers for retail and commercial property such as Waterstones book shops.



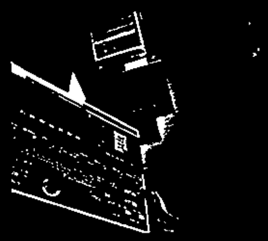
Stadex's new range of insoles for children addresses a growing market.

Products division

County-York was formed to consolidate the County 4x4 transit conversion activity and York Towbars after the sale of the agricultural vehicle spares business. Whilst increased shipments of Transits occurred and a licence agreement was reached in the Czech Republic, sales were limited as a consequence of Ford's change of van during the year.

Stadex Industries was added to the Division in December and produced a useful operating profit during the first five months of Benson's ownership. This follows losses in the previous year during which time Stadex's principal competitor was purchased and integrated into the company. In the first weeks following the acquisition by Benson there were further losses, but profitability was restored by significant cost savings, improved productivity and reduced overheads. Cash management was improved and the business contributed positively to Group cash flow.

The outlook for the Division is encouraging with strengthening order books, volumes and margins.



A range of gas fired unit heaters for factory and warehouse space heating shown here at the Quinton Hazell factory in Colwyn Bay.

Mobile heaters for Andrews Sykes used in a variety of applications where temporary heating is required.

1
Ideal for new and refurbishment projects, our complete range of fan coils represents 30 years of experience in design and testing.

2
Offering high performance at low cost, the unit is available as either gas or oil fired and is suitable for industrial or commercial premises.

3
A high quality and efficient space saving unit heater, it covers a wide range of heat outputs at a low capital cost.

4
Our complete range of gas and oil pressure cast iron boilers is a brand synonymous with quality, durability and longevity.

5
Available as LPHW or electric, our broad range of overdoor heaters is suitable for the majority of applications and offers outstanding value.

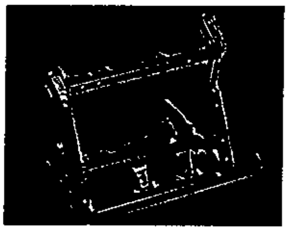
6
A discrete, energy efficient system which involves laying pipework within a floor screed. Especially suitable for applications with high ceilings.

7
A very efficient oil fired boiler which combines streamlined good looks with a well proven design and construction.

8
An attractive, space saving alternative to radiators, the unit offers a number of different finishes and covers a wide range of outputs.

9
Purpose built for instant heat in any location, an extensive range offers the flexibility to solve the heating problems of today's working environment.

10
Meeting the demand for efficient and controllable handling of air in factories, sports halls and warehouses, the unit can be either ceiling or wall mounted.




Astco manufactures the front fascia support structure of the new Range Rover 4x4 vehicle.


A steering column support bracket manufactured by Astco.

Components division

The Division manufactures components utilised in a wide variety of market sectors; automotive, domestic appliance, communications and food and drink customers predominate.

More favourable economic conditions in the U.K., buoyant export markets and new business resulted in an increase in turnover from £18.88 million to £20.65 million.

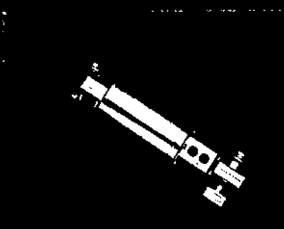
However, heavy losses at *Joseph Fray* and margin pressures in other businesses experienced in the first half intensified in the second half, resulting in an operating loss of £454,000 (1994: £1.63 million profit).

The Pressworkers, trading as *Astco* and *Priest Jackson Pressings*, were affected by operational disruption caused by rapid turnover growth and the introduction of new business led to reduced productivity. Raw material price increases and other cost pressures further depressed margins in the period.

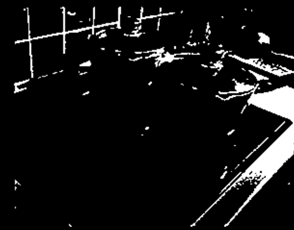
The strength of tractor and 4x4 markets, and an influx of new business which progressively comes on stream in the period 1996 to 1998, will give the opportunity for future growth of the business.

However, capacity balancing, selective capital investment and increased cost control are required to yield a progressive recovery of the margins.

The losses which emerged at Joseph Fray were unacceptably high, particularly in the second half of 1994/5. Management control of operations was weak, and this led to sharply reduced productivity and poor production planning and materials procurement.



Realm Products' hygienic valves for the brewing, food and dairy sectors.



Priest Jackson Pressings manufactures heating element cans for ceramic cooker tops.

1 Badges for a range of well known marques including MG and Triumph.

2 Two off per vehicle fitted on the rear spring mounting struts for Jaguar latest model X300.

3 This chrome plated zinc die casting is incorporated in all IBC's Frontera vehicles.

4 Produced either as battery box or battery box/footstep in many varied forms for various tractor models.

5 Passenger airbag bracket (Vauxhall Astra/Opel Kadet) contains the airbag and operating mechanism within the dashboard.

6 Highly complex pressing incorporating laser cut gear change gate for tractor application.

7 Rubber product incorporated in a vehicle for LDV.

8 Centre console mounting (Land Rover Discovery). Mounts beneath trim onto transmission tunnel and encloses hand-brake lever.

9 Support bracket for radio and centre dashboard. (Rover 200/400).

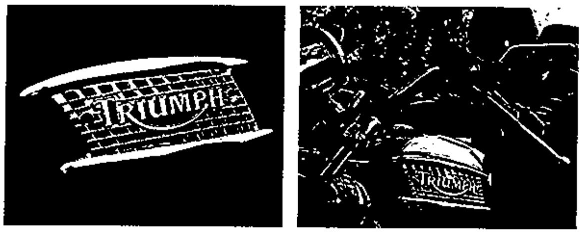
10 Ashtray (Rover 200/400).

11 Motorola cellular telephone cases are made by Joseph Fray.

12 Air cleaner support and mounting bracket (Honda Accord). Under bonnet part to support air cleaner to main bodywork.

13 Supports steering column and tilt and slide adjustment for steering wheel (Ford Galaxy and Volkswagen Sharon).

Tractor components



Joseph Fray supplies the badges for the new Triumph Thunderbird motorcycle.

Components division

The new business introduced was technically difficult to manufacture so scrap and material costs rose. Overheads also climbed in order to support higher levels of anticipated turnover.

At the half year, there were some signs of management actions producing an improved performance but this was short-lived. Management was therefore changed and since the year end this has resulted in the losses being reduced.

Export orders underpinned a solid year for *Realm Products*. Of particular significance were the first direct sales into Japan, with a large contract for Coca Cola via Mitsubishi.

The Monarch range of valves is now firmly established in the marketplace and has helped drive export volumes up to 15% of sales in the period. Further penetration of export markets is planned next year.

Manufacturing capacity has been increased through selective capital investment in plant and machinery for Realm's new facility, and it is now firmly established as one of the leading U.K. suppliers of hygienic valve systems.

The outlook for Realm remains positive as a result of a record order book at year end and a number of large contracts in prospect for 1995/96.

Hytex Duo staged a significant profits recovery in the period thanks to the full year impact of the Barwell business acquired in the previous year. With high contribution margins and under-utilised plant, Hytex remains sensitive to volume changes.

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 the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They have 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 accounts on pages 12 to 32.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 May 1995 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants

Registered Auditors

2 Cornwall Street

Birmingham B3 2DL

18 October 1995

Group profit and loss account

for the year ended 31 May 1995

	Note	Continuing operations 1995 £000	Continuing operations 1994 £000
Turnover			
Continuing operations		**35,378**	28,272
Acquisition	3	**3,195**	–
	1, 2	**38,573**	28,272
Cost of sales		**30,214**	19,998
Gross profit		**8,359**	8,274
Distribution costs		**3,121**	1,762
Administrative expenses		**4,926**	4,986
		8,047	6,748
Operating profit	4, 6	**312**	1,526
Continuing operations		**220**	1,526
Acquisition	3	**92**	–
Profit on disposal of fixed assets	6	**191**	–
Loss on disposal of business	6	**(129)**	(763)
Profit before interest		**374**	763
Interest payable and similar charges	7	**765**	530
(Loss)/profit on ordinary activities before taxation	1	**(391)**	233
Taxation charge	8	**81**	–
(Loss)/profit on ordinary activities after taxation being the (loss)/profit for the financial year		**(472)**	233
Dividends on equity shares	9	**172**	431
Transfer from reserves	22	**(644)**	(198)
(Loss)/earnings per share	10	**(0.35p)**	0.18p

Movements in reserves are set out in note 22 to the accounts.

The reconciliation of the movements in shareholders' funds and the statement of recognised gains and losses are set out on page 15.

Group balance sheet

as at 31 May 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Fixed assets					
Intangible assets	12		**392**		476
Tangible assets	13		**9,614**		8,301
			10,006		8,777
Current assets					
Stocks	16	**6,079**		4,279	
Debtors – amounts falling due within one year	17	**9,349**		7,842	
– amounts falling due after more than one year	17	**560**		342	
Cash at bank		**411**		–	
		16,399		12,463	
Creditors – amounts falling due within one year	18	**(18,991)**		(13,374)	
Net current liabilities			**(2,592)**		(911)
Total assets less current liabilities			**7,414**		7,866
Creditors – amounts falling due after more than one year	19		**(437)**		(655)
Provisions for liabilities and charges	20		**–**		(7)
			6,977		7,204
Capital and reserves					
Called up share capital	21		**3,577**		3,262
Share premium account	22		**7,397**		7,397
Revaluation reserve	22		**812**		1,223
Other reserves	22		**(8,004)**		(7,878)
Profit and loss account	22		**3,195**		3,200
Equity shareholders' funds			**6,977**		7,204

The accounts on pages 12 to 32 were approved by the board of directors on 18 October 1995 and signed on its behalf by:

J R M Phillips
R Green
Directors

R Green

Company balance sheet

as at 31 May 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Fixed assets					
Tangible assets	14		75		85
Investments	15		8,246		6,611
			8,321		6,696
Current assets					
Debtors – amounts falling due within one year	17	2,673		3,305	
– amounts falling due after more than one year	17	6,909		6,773	
Cash at bank		616		–	
		10,198		10,078	
Creditors – amounts falling due within one year	18	(6,436)		(4,612)	
Net current assets			3,762		5,466
Total assets less current liabilities			12,083		12,162
Creditors – amounts falling due after more than one year	19		(11)		(43)
			12,072		12,119
Capital and reserves					
Called up share capital	21		3,577		3,262
Share premium account	22		7,397		7,397
Profit and loss account	22		1,098		1,460
Equity shareholders' funds			12,072		12,119

The accounts on pages 12 to 32 were approved by the board of directors on 18 October 1995 and signed on its behalf by:

J R M Phillips
R Green
Directors

Reconciliation of the movements in shareholders' funds

for the year ended 31 May 1995

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
(Loss)/profit for the financial year	**(472)**	233	**(190)**	842
Dividends	**(172)**	(431)	**(172)**	(431)
	(644)	(198)	**(362)**	411
Nominal value of shares issued during the year	**315**	25	**315**	25
Revaluation of fixed assets	**–**	400	**–**	–
Goodwill arising on acquisition	**(879)**	(807)	**–**	–
Merger relief arising on acquisition	**757**	–	**–**	–
Goodwill taken to profit and loss account on disposal of the agricultural vehicle spares business	**224**	717	**–**	–
Movements in shareholders' funds	**(227)**	137	**(47)**	436
Shareholders' funds at beginning of year	**7,204**	7,067	**12,119**	11,683
Shareholders' funds at end of year	**6,977**	7,204	**12,072**	12,119

Group statement of total recognised gains and losses

for the year ended 31 May 1995

	1995	1994
	£000	£000
(Loss)/profit for the financial year	**(472)**	233
Surplus on the revaluation of properties	**–**	400
Total recognised losses and gains for the year	**(472)**	633

Group historical cost profits and losses

for the year ended 31 May 1995

	1995	1994
	£000	£000
(Loss)/profit on ordinary activities before taxation	**(391)**	233
Revaluation reserve realised on fixed asset disposal	**400**	–
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	**11**	11
Historical cost profit on ordinary activities before taxation	**20**	244
Historical cost (loss)/profit for the year after taxation	**(61)**	244

Group cash flow statement

for the year ended 31 May 1995

	Note	1995 £000	1995 £000	1994 £000	1994 £000
Net cash inflow from operating activities	below		1,567		2,339
Net cash outflow from return on investment and servicing of finance					
Interest paid		(807)		(520)	
Dividends paid		(472)		(391)	
			(1,279)		(911)
Taxation			(172)		(129)
Net cash inflow before investing activities			116		1,299
Investing activities					
Purchase of tangible fixed assets		(1,253)		(615)	
Purchase of business	24(iii)	(2,282)		(1,639)	
Sale of tangible fixed assets		2,350		88	
Sale of business		(49)		404	
Net cash outflow from investing activities			(1,234)		(1,762)
Net cash outflow before financing			(1,118)		(463)
Financing					
Issue of ordinary share capital	24(ii)	–		(25)	
Fixed assets refinanced	24(ii)	–		(463)	
Capital element of finance lease repayments	24(ii)	619		753	
Net cash outflow from financing			619		265
Decrease in cash and cash equivalents	24(i)		(1,737)		(728)
			(1,118)		(463)

Note

Reconciliation of operating profit to net cash inflow from operating activities

	1995 £000	1994 £000
Operating profit	312	1,526
Depreciation and amortisation	1,254	927
Exceptional items	–	308
Profit on sale of fixed assets	(21)	(14)
Stocks increase	(758)	(266)
Debtors increase	(1,146)	(1,249)
Creditors increase	1,926	1,107
	1,567	2,339

Accounting policies

as at 31 May 1995

Basis of preparation The Group meets its day to day working capital requirements through an overdraft facility which is repayable on demand.

The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. The directors have recently completed discussions with the Group's banker which has agreed to provide facilities in line with the projected cash flow requirements. The facility is due for renewal by 30 June 1996.

The directors consider that, on the basis of the projected cash flow information and their discussions with the Group's banker, the Group will continue to operate within the facility currently agreed and within the renewed facility which they expect will be agreed by no later than 30 June 1996.

On this basis, the directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Basis of accounting The accounts have been prepared under the historical cost accounting rules modified to include the revaluation of land and buildings and in accordance with applicable Accounting Standards.

Basis of consolidation The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings. The accounts are all made up to 31 May each year. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of businesses acquired or disposed of during a year are included in the Group profit and loss account from or up to the effective date of acquisition or disposal.

Where merger accounting has been applied, the difference between the nominal value of the shares issued and the nominal value of the shares acquired (merger reserve) is debited or credited to reserves.

Investments in subsidiary undertakings In the Company's balance sheet, investments in subsidiary undertakings are stated at cost less provisions for permanent diminution in value.

Where the consideration for the acquisition of a subsidiary undertaking includes shares in a company to which the provisions of Section 131 of the Companies Act 1985 apply, cost represents the nominal value of shares issued together with the fair value of any additional consideration given and costs. In the consolidated financial statements, the excess of the fair value of the consideration shares issued over their nominal value (merger relief) is credited to other reserves.

Goodwill Goodwill arising on the acquisition of subsidiary undertakings and unincorporated businesses, representing the excess of the fair value 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 attributable goodwill previously taken to reserve.

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

Fixed assets and 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% per annum
Short leasehold buildings	Period of lease
Plant, furniture and equipment	Between 10% and 33⅓% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

Research and development expenditure Product development costs in respect of the County 4x4 Ford Transit conversion are included in intangible fixed assets and are amortised over a six year product life.

The cost of research and other development expenditure is written off as incurred.

Hire purchase and leased assets 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 on a straight line basis over the life of the lease.

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 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' service lives with the Group.

Notes to the accounts

1 **Segmental analysis**	Turnover		(Loss)/profit before taxation		Net assets	
	1995	1994	**1995**	1994	**1995**	1994
	£000	£000	**£000**	£000	**£000**	£000
Products division	**17,921**	9,389	**766**	(106)	**8,461**	6,705
Components division	**20,652**	18,883	**(454)**	1,632	**3,945**	5,097
Items not attributable to a specific division	**–**	–	**62**	(763)	**582**	14
	38,573	28,272	**374**	763	**12,988**	11,816
Interest payable			**(765)**	(530)		
(Loss)/profit before taxation			**(391)**	233		
Net borrowings excluding hire purchase and leasing liabilities					**(6,118)**	(4,380)
Taxation					**107**	68
Dividend payable					**–**	(300)
					6,977	7,204

All turnover, results and net assets originated in the U.K.

2 **Turnover by geographical destination**	**1995**	1994
	£000	£000
United Kingdom	**35,636**	25,632
Rest of Europe	**2,162**	2,143
Asia	**347**	226
North & South America	**276**	113
Africa	**132**	136
Australasia	**20**	22
	38,573	28,272

3 **Analysis of acquisition and disposal**

Acquisition

The results of Designstart Limited (trading as Stadex Industries), which was acquired on 30 December 1994, and whose accounting reference date prior to acquisition was 31 December, were as follows:

	From 30 December 1994 to 31 May 1995	**From 1 January 1994 to 30 December 1994**	For the year ended 31 December 1993
	£000	**£000**	£000
Profit/(loss) after taxation	**29**	**(669)**	(536)

The total figures for 1995 include the following in respect of acquisitions: cost of sales £2,698,000, gross profit £497,000, distribution costs £211,000, administrative expenses £194,000 and interest payable and similar charges £63,000.

The total figures for 1994 include exceptional cost of sales of £394,000.

Disposal

There were no discontinued operations within the meaning of FRS3.

The result of the agricultural vehicle spares business, which was disposed of during the year, was not significant.

4 Operating profit

Operating profit is stated after charging:	1995 £000	1994 £000
Depreciation of tangible fixed assets	**1,170**	900
Amortisation of intangible fixed assets	**84**	27
Auditors' remuneration	**82**	76
Hire of plant and machinery	**133**	98
Other operating leases – land and buildings	**647**	339
– other	**111**	130

Remuneration paid to auditors KPMG in relation to non-audit services amounts to £111,000 (1994: £96,000) of which £65,000 (1994: £59,000) has been included in acquisition and disposal costs.

5 Employees

The average number of persons employed by the Group by category was:	1995 Number	1994 Number
Manufacture	**677**	540
Sales and service	**73**	48
Administration	**109**	119
	859	707

Employee costs:	1995 £000	1994 £000
Wages and salaries	**10,664**	8,279
Social security charges	**909**	762
Pension costs	**50**	13
	11,623	9,054

Directors' emoluments:	1995 £000	1994 £000
Fees	**8**	16
Emoluments – salary and benefits	**297**	287
– performance related pay	**–**	52
Pension costs in respect of executive directors	**–**	–
Compensation for loss of office	**–**	18
	305	373

	1995 £	1994 £
Chairman and highest paid director – salary and benefits	**96,337**	99,138
– performance related pay	**–**	35,000
	96,337	134,138

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.

5 Employees continued

Directors' emoluments excluding pension contributions fell into the following bands:

	1995 Number	1994 Number
£0 – £5,000	1	–
£5,001 – £10,000	2	2
£10,001 – £15,000	–	1
£55,001 – £60,000	1	–
£60,001 – £65,000	1	1
£65,001 – £70,000	–	2
£80,001 – £85,000	1	–
£95,001 – £100,000	1	–
£130,001 – £135,000	–	1

Information in relation to directors' share options is given in note 25.

6 Exceptional Items

Operating Items

In 1994, exceptional operating costs of £536,000 and £698,000 were charged to cost of sales and administrative expenses respectively. These related to the major reorganisation of Benson Environmental following the acquisition of Diffusion and the relocation of the Barwell business and other items.

Non-operating Items	1995 £000	1994 £000
Sales of properties		
Proceeds of sales less professional costs	2,319	–
Book values as at date of disposal	(2,128)	–
Profit on sales	191	–
Disposal of the agricultural vehicle spares business (1994: Wolverhampton Pressings)		
Net assets divested	(1,172)	(450)
Proceeds less costs of disposal	1,267	404
Attributable goodwill previously written off against reserves	(224)	(717)
Loss on disposal	(129)	(763)

There is no tax charge in respect of any of the above non-operating exceptional items

7 Interest payable and similar charges	1995 £000	1994 £000
Bank overdraft and acceptance credits	370	209
Invoice discounting	242	171
Hire purchase and finance lease agreements	141	148
Other	12	2
	765	530

8 Taxation

The taxation charge is made up as follows:	1995 £000	1994 £000
U.K. Corporation tax at 33% (1994: 33%)	–	38
Deferred tax credit	(17)	(38)
Under provision for previous years	17	–
Irrecoverable ACT written off	81	–
	81	–

The taxation charge, which includes ACT arising during the year, reflects the availability of brought forward tax losses and other timing differences not recognised in deferred taxation.

9 Dividends on equity shares

	1995 £000	1994 £000
Paid 0.12 pence per share (1994: 0.1 pence per share)	172	131
Proposed Nil pence per share (1994: 0.23 pence per share)	–	300
	172	431

10 (Loss)/earnings per share

The calculation of (loss)/earnings per share is based on the loss on ordinary activities after taxation of £472,000 (1994: profit of £233,000) divided by 135,762,196 (1994: 130,408,470) being the weighted average number of ordinary shares in issue during the year.

11 (Loss)/profit attributable to parent company

	1995 £000	1994 £000
The (loss)/profit for the financial year dealt with in the accounts of the parent company is	(190)	842

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

12 Intangible assets

	Product development costs £000
Cost:	
At 31 May 1994 and 31 May 1995	**503**
Amortisation:	
At 31 May 1994	27
Amortisation charge during the year	84
At 31 May 1995	**111**
Net book value:	
At 31 May 1995	**392**
At 31 May 1994	476

13 Fixed assets

Group	Land & buildings Freehold £000	Long leasehold £000	Short leasehold £000	Plant equipment & vehicles £000	Total £000
Cost or valuation:					
At 31 May 1994	1,723	1,028	250	7,784	10,785
New business	–	–	–	2,889	2,889
Additions at cost	–	–	850	901	1,751
Disposals	–	(1,028)	(1,100)	(160)	(2,288)
At 31 May 1995	**1,723**	–	–	**11,414**	**13,137**
Depreciation:					
At 31 May 1994	–	–	–	2,484	2,484
Provided in the year	30	–	–	1,140	1,170
Disposals	–	–	–	(131)	(131)
At 31 May 1995	**30**	–	–	**3,493**	**3,523**
Net book value:					
At 31 May 1995	**1,693**	–	–	**7,921**	**9,614**
At 31 May 1994	1,723	1,028	250	5,300	8,301

Land and buildings were revalued on the basis of open market value for existing use by the directors as at 31 May 1994.

The historical cost and depreciation of land and buildings is:	**1995 £000**	1994 £000
Historical cost	**1,078**	1,956
Depreciation based on cost	**(197)**	(179)
Net historical cost value	**881**	1,777

The gross depreciable value of fixed assets is £12,826,000 (1994: £10,474,000). Included in the net book value of plant, equipment and vehicles at 31 May 1995 is £1,522,000 (1994: £1,687,000) of assets held under finance leases and hire purchase agreements on which depreciation of £291,000 (1994: £260,000) has been charged in the year.

14 Fixed assets

Company	Furniture equipment & vehicles £000
Cost:	
At 31 May 1994	138
Additions at cost	33
Transfers from Group undertakings	8
Disposals	(6)
At 31 May 1995	**173**
Depreciation:	
At 31 May 1994	53
Provided in the year	38
Transfers from Group undertakings	8
Disposals	(1)
At 31 May 1995	**98**
Net book value:	
At 31 May 1995	**75**
At 31 May 1994	85

Included in the net book value of furniture, equipment and vehicles at 31 May 1995 is £36,000 (1994: £53,000) of assets held under finance leases and hire purchase agreements on which depreciation of £23,000 (1994: £20,000) has been charged in the year.

15 Fixed assets investments

Company	Shares £000	Loans £000	Total £000
Cost:			
At 31 May 1994	8,485	1,600	10,085
Additions	1,713	–	1,713
At 31 May 1995	**10,198**	**1,600**	**11,798**
Provisions:			
At 31 May 1994	1,874	1,600	3,474
Provided in the year	78	–	78
At 31 May 1995	**1,952**	**1,600**	**3,552**
Net book value:			
At 31 May 1995	**8,246**	**–**	**8,246**
At 31 May 1994	6,611	–	6,611

The cost of the additions of £1,713,000 in relation to the acquisition of Designstart Limited represents the nominal value of the shares issued together with the fair value of additional consideration and costs. The provisions of Section 131 of the Companies Act 1985 relating to merger relief have been applied.

At 31 May 1995, the Group undertakings, all of which are wholly owned and registered in England and Wales, comprised:

Products division:
Benson Environmental Limited
Diffusion Environmental Systems Limited*
Benson Heating Limited*
Pakaway Perrymatics Limited*
Energy Technique Limited*
County Tractors Limited
Bamfords International Limited
Designstart Limited (trading as Stadex Industries)
County-York Limited

Components division:
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 and that marked ** which became a subsidiary of Associated Steels and Tools Company Limited with effect from 31 May 1995.
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 of the Companies Act 1985.

16 Stocks

Group	**1995 £000**	1994 £000
Raw materials and consumables	**3,414**	1,662
Work in progress	**1,669**	1,265
Finished goods	**996**	1,352
	6,079	4,279

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

17 Debtors

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Amounts falling due within one year				
Trade debtors	**7,834**	6,507	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,960**	2,828
Other debtors	**1,119**	1,063	**711**	472
Corporation tax recoverable	**–**	34	**–**	–
Prepayments and accrued income	**396**	238	**2**	5
	9,349	7,842	**2,673**	3,305
Amounts falling due after more than one year				
Amounts owed by subsidiary undertakings	**–**	–	**6,500**	6,500
Pension fund prepayment	**82**	132	**82**	52
ACT recoverable	**195**	210	**195**	221
Other debtors	**283**	–	**132**	–
	560	342	**6,909**	6,773
Total debtors	**9,909**	8,184	**9,582**	10,078

18 Creditors – amounts falling due within one year

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Bank overdraft and acceptance credits	**4,495**	3,008	**4,449**	2,636
Invoice discounting	**2,033**	1,372	**–**	–
Hire purchase and leasing liabilities	**520**	540	**35**	22
Trade creditors	**9,056**	5,897	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**1,393**	1,137
Other creditors and accruals	**1,672**	927	**408**	312
Corporation tax	**88**	221	**43**	98
Other tax and social security	**1,127**	1,109	**108**	107
Proposed dividend	**–**	300	**–**	300
	18,991	13,374	**6,436**	4,612

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 trade debtors of £3,849,000 (1994: £2,644,000) and guaranteed by Benson Group plc.

19 Creditors – amounts falling due after more than one year

	Group		Company	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Hire purchase and finance lease liabilities due				
– between one and two years	**254**	426	**9**	14
– between two and five years	**183**	229	**2**	29
	437	655	**11**	43

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

20 Provisions for liabilities and charges

Deferred tax – Group	£000
At 31 May 1994	7
Profit and loss account	(17)
ACT recoverable	10
At 31 May 1995	**–**

	Amounts provided		Amounts not provided	
	1995	1994	**1995**	1994
	£000	£000	**£000**	£000
Accelerated capital allowances	**–**	17	**492**	234
Available tax losses and general provisions	**–**	–	**(492)**	(234)
Revaluation of fixed assets	**–**	–	**714**	972
ACT recoverable	**–**	(10)	**(166)**	(85)
	–	7	**548**	887

Total tax losses estimated at £4.3 million (1994: £6.6 million) are available to carry forward against future profits of certain Group undertakings. Losses estimated at £2.8 million have lapsed following the disposal of the agricultural vehicle spares business. Losses acquired with the acquisition of Designstart Limited potentially available and included in the £4.3 million above are estimated at £1.6 million.

21 Share capital

	1995 £000	1994 £000
Authorised		
196,000,000 2.5 pence ordinary shares (1994: 170,000,000)	**4,900**	4,250
Allotted called up and fully paid		
143,092,169 2.5 pence ordinary shares (1994: 130,472,169)	**3,577**	3,262

Changes in the year

(i) Authorised

The authorised share capital of the Company was increased to £4,900,000 with effect from 30 December 1994 by the creation of an additional 26,000,000 ordinary shares of 2.5 pence each.

(ii) Allotted called up and fully paid

On 30 December 1994, pursuant to a resolution of the directors on 29 December 1994 in accordance with the authority given to them by an ordinary resolution passed at an Extraordinary General Meeting of the Company on the same day, 12,620,000 ordinary shares of 2.5 pence each were issued in part satisfaction of the purchase consideration for the entire issued ordinary share capital of 1,500,000 shares of £1 each in Designstart Limited at a price of 8.5 pence. The nominal value issued was £315,500 and the consideration received was £1,072,700.

22 Reserves

Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit & loss account £000
At 31 May 1994	7,397	1,223	(7,878)	3,200
Reallocation of goodwill written off in previous years	–	–	(228)	228
	7,397	1,223	(8,106)	3,428
Goodwill taken to profit and loss account on disposal of agricultural vehicle spares business	–	–	224	–
Goodwill arising on acquisition of Designstart Limited	–	–	(879)	–
Merger relief arising on acquisition of Designstart Limited	–	–	757	–
Transfer on realisation	–	(411)	–	411
Retained loss for the year	–	–	–	(644)
At 31 May 1995	**7,397**	**812**	**(8,004)**	**3,195**

	1995 £000	1994 £000 (restated)
Other reserves comprise:		
Cumulative goodwill written off attributable to continuing operations	**(8,323)**	(7,668)
Merger reserve	**(1,246)**	(1,246)
Merger relief	**1,565**	808
	(8,004)	(8,106)

22 Reserves continued

The cumulative goodwill written off at 31 May 1994, which was stated in the 1994 accounts at £9,324,000, has been restated to eliminate £1,656,000 in respect of goodwill relating to activities which had been terminated prior to 31 May 1990.

Company	Share premium account £000	Profit & loss account £000
At 31 May 1994	7,397	1,460
Loss for the year	–	(362)
At 31 May 1995	**7,397**	**1,098**

23 Acquisition and disposal

Acquisition

A summary of the fair value of the business acquired, which was purchased on 30 December 1994, is set out below. Adjustments have been made to align the accounting policies between the company acquired and the Group.

	Designstart Limited trading as Stadex Industries			Diffusion Environmental Systems Limited
	Book values 1995 £000	**Fair value adjustments 1995 £000**	**Fair value acquired 1995 £000**	1994 £000
Tangible fixed assets	**3,092**	**(203)**	**2,889**	347
Stocks	**1,301**	**(75)**	**1,226**	361
Debtors	**1,388**	**–**	**1,388**	1,019
Cash at bank	**–**	**–**	**–**	27
Bank overdraft	**(891)**	**–**	**(891)**	–
Invoice discounting	**(1,334)**	**–**	**(1,334)**	–
Creditors	**(1,687)**	**–**	**(1,687)**	(805)
Taxation	**–**	**–**	**–**	(90)
	1,869	**(278)**	**1,591**	859
Goodwill			**879**	807
Total consideration			**2,470**	1,666
The consideration was satisfied by:				
Cash			**–**	1,500
Shares issued			**1,072**	–
Transferred value of agricultural vehicle spares business			**1,355**	–
Acquisition costs net of contribution receivable from vendor			**43**	166
			2,470	1,666

23. Acquisition and disposal continued

Disposal

A summary of the disposal of the agricultural vehicle spares business, which was sold on 30 December 1994, is set out below.

	Agricultural vehicle spares business 1995 £000	Wolverhampton Pressings Co. Limited 1994 £000
Tangible fixed assets	**19**	180
Stocks	**184**	268
Debtors	**969**	375
Creditors	**–**	(373)
	1,172	450
Attributable goodwill	**224**	717
Loss on disposal	**(129)**	(763)
	1,267	404
satisfied by:		
Cash	**–**	450
Transferred value	**1,355**	–
Disposal costs	**(88)**	(46)
	1,267	404

The transferred value of £1,355,000 is shown as part of the consideration for the acquisition.

24 Notes to the cash flow statement

(i) Analysis of changes in cash and cash equivalents

	1995 £000	1994 £000
Bank balances:		
Balance at beginning of year	**–**	–
Net cash inflow	**411**	–
Balance at end of year	**411**	–
Bank overdraft and acceptance credits:		
Balance at beginning of year	**(3,008)**	(2,178)
Net cash outflow	**(1,487)**	(830)
Balance at end of year	**(4,495)**	(3,008)
Advances under invoice discounting:		
Balance at beginning of year	**(1,372)**	(1,474)
Net cash (outflow)/inflow	**(661)**	102
Balance at end of year	**(2,033)**	(1,372)
Total net cash outflow	**(1,737)**	(728)

24 Notes to the cash flow statement continued

(ii) Analysis of changes in financing during the year	Share capital incl. premium 1995 £000	Finance lease obligations 1995 £000	Share capital incl. premium 1994 £000	Finance lease obligations 1994 £000
Balance at beginning of year	**10,659**	**1,195**	10,634	861
Cash flows from financing	–	**(619)**	25	(753)
Fixed assets refinanced	–	–	–	463
Finance leases acquired by purchase of business	–	**91**	–	–
Finance leases entered into during the year	–	**290**	–	624
Nominal value of shares issued for non-cash consideration	**315**	–	–	–
Balance at end of year	**10,974**	**957**	10,659	1,195

(iii) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of business	1995 £000	1994 £000
Cash consideration	–	(1,666)
Cash at bank	–	27
Bank overdraft	**(891)**	–
Invoice discounting	**(1,334)**	–
Acquisition costs	**(57)**	–
Net outflow of cash and cash equivalents in respect of the purchase of businesses	**(2,282)**	(1,639)

25 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 1995		Holding at 31 May 1994	
	Fully paid ordinary shares	Share options	Fully paid ordinary shares	Share options
J R M Phillips	**345,485**	**2,071,100**	234,365	2,071,100
R Green	**443,625**	**327,333**	443,625	327,333
N R Johnson	**291,500**	**303,555**	291,500	303,555
Professor T D Patten	**20,000**	–	20,000	–
J N D Pritchard	**60,000**	**300,000**	30,000	300,000

25 Directors' interests continued

The share options held by the directors at the beginning and end of the year were:

	Option price	Number reserved
J R M Phillips		
4 August 1992 expiring 2002	17.5p	500,000
6 September 1991 expiring 2001	11.5p	500,000
22 May 1990 expiring 1997	9.3p	1,071,100
R Green		
4 August 1992 expiring 2002	17.5p	150,000
6 September 1991 expiring 2001	11.5p	75,000
26 October 1990 expiring 2000	9.3p	26,778
1 June 1990 expiring 2000	9.3p	53,555
16 September 1992 exercisable for six months from 16 September 1997	15.0p	22,000
N R Johnson		
4 August 1992 expiring 2002	17.5p	150,000
6 September 1991 expiring 2001	11.5p	100,000
26 November 1990 expiring 2000	9.3p	53,555
J N D Pritchard		
6 September 1993 expiring 2003	15.0p	300,000

The market price of the shares at the end of the year was 9.25 pence.

The market price of the shares during the year has ranged from a low of 8.5 pence to a high of 16.0 pence.

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 and 22,000 granted to R Green under the Employees' Savings Related Share Option Scheme on 16 September 1992.

During the period from 1 June 1995 to 18 October 1995 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.

26 Share options

Executive share options	Option price	Number reserved
31 March 1995 expiring 2005	8.5p	120,000
16 February 1994 expiring 2004	15.5p	60,000
6 September 1993 expiring 2003	15.0p	300,000
16 August 1993 expiring 2003	18.5p	550,000
27 May 1993 expiring 2003	17.0p	250,000
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	74,977
31 May 1989 expiring 1999	23.2p	101,068
20 February 1987 expiring 1997	22.9p	72,192

The above share options, which include the directors' options shown in note 25, 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 granted for a consideration of £1.

Employees' savings related share option scheme	Option price	Number reserved
53 employees granted 16 September 1992	15.0p	415,900

27 Commitments

(i) Operating leases

Annual commitments at 31 May 1995 are as follows:

Group	Land & buildings 1995 £000	Other 1995 £000	Land & buildings 1994 £000	Other 1994 £000
Expiring as follows:				
Within one year	–	96	–	34
Between two and five years	238	88	12	76
In more than five years	858	–	550	–

Company

The Company had operating lease commitments in respect of land and buildings at 31 May 1995 of £53,000 (1994: £39,000).

(ii) Capital

Group

At 31 May 1995, amounts contracted but not provided for amounted to £6,000 (1994: £144,600). In addition expenditure of £154,000 had been authorised for which contracts had not been placed (1994: £12,500).

Company

The Company had no capital commitments at 31 May 1995 (1994: £Nil).

28 Pensions

The Group operates a principal pension scheme providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The charge is determined by an independent professionally qualified actuary on the basis of actuarial reviews from time to time. The last such review for this purpose was carried out as at 1 May 1994, and used the Projected Unit Method. The main assumptions were that: dividends would increase by 6% pa; future investments would earn 10% pa; and pensionable earnings would increase at 7.5% pa. The review showed the market value of the scheme's assets to be £4,729,000 and that the actuarial value of the assets represented 141% of the benefits that had accrued to members (allowing for expected future increases in pensionable earnings).

The variation in cost is derived by amortising the SSAP24 surplus as at 1 June 1993 over 11 years (the average expected remaining working lives of active members of the scheme) on a straight line basis.

	1995 £000	1994 £000
Regular cost	289	264
Variation in cost	(239)	(251)
	50	13

The amount of pension prepayment included in debtors due after more than one year is £82,000 (1994: £132,000).

Directors' report

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

Business review The Group's results are shown in the profit and loss account on page 12. Further information concerning the operation of the Group for the year and future development is contained in the Chairman's statement and the operating review. The proposed transfer from reserves is set out in note 22 to the accounts.

Dividends An interim dividend of 0.12 pence per ordinary share was paid on 28 April 1995.
The directors do not recommend the payment of a final dividend (1994: final dividend 0.23 pence making a total of 0.33 pence for the year).

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

	Ordinary shares	% interest
Thama Holdings Limited	12,696,923	8.87
Baring Brothers Trust Company Limited	9,550,000	6.67
Pilot Investment Trust plc	9,500,000	6.64
Royal London Asset Management Limited	5,460,509	3.82
British Gas Staff Pension Scheme	5,430,000	3.79
General Accident Executor and Trustee Company Limited	5,302,500	3.71

Acquisition On 30 December 1994, the Group acquired the entire issued share capital of Designstart Limited for a total consideration of £2,427,700 which was satisfied by the issue of 12,620,000 ordinary shares of 2.5 pence each at a price of 8.5 pence each and the transfer of the business referred to under 'Disposal' at a value of £1,355,000. Further consideration of up to £150,000, dependent upon the availability of tax losses, may become payable.

Disposal On 30 December 1994, the Group sold the agricultural vehicle spares business formerly carried on by County Tractors Limited and Bamfords International Limited to Thama Holdings Limited for £1,355,000 as part consideration for the acquisition of the entire issued share capital of Designstart Limited.

Property transactions During the year, the Group purchased the property occupied by its subsidiary undertaking, Priest Jackson Pressings Limited, and sold that property and the property occupied by its subsidiary undertaking, Joseph Fray Limited, to Commerce International Properties Limited. Priest Jackson Pressings Limited and Joseph Fray Limited entered into leases with Commerce International Properties Limited for those same properties for a period of 22 years, which are guaranteed by the Company.

Future developments Information on future developments is contained in the Chairman's statement and the operating review.

Directors The present directors are shown on page 4. The following directors served during the year:

J R M Phillips
R Green
N R Johnson (resigned 29 September 1995)
J S W Martin (appointed 15 February 1995, died 9 April 1995)
J N D Pritchard (resigned 29 September 1995)
J V T Wheeler (retired 15 February 1995)
Professor T D Patten, CBE

In addition, J F Watkins and J J Owens were appointed as directors on 29 September 1995.
Under the Articles of Association Professor T D Patten retires by rotation and, being eligible, offers himself for re-election.
Professor T D Patten does not have a service contract with the Group.
J F Watkins and J J Owens, having been appointed since the last Annual General Meeting, retire and, being eligible, offer themselves for election. Neither have service contracts with the Group.
Directors' interests and changes thereto since 31 May 1995 are shown in note 25 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, which during the year consisted 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.

Directors' report

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.
After making enquiries as described in the basis of preparation paragraph on page 17, the directors have a reasonable expectation that the Company 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 Company does not comply with paragraph 4.3 of the code being the requirement to establish an audit committee of at least three non-executive directors. From 1 June 1994 to 9 April 1995, the Company had two non-executive directors both of whom were members of the Audit Committee. Following the death of Mr J S W Martin, from 9 April 1995 to 31 May 1995, the number of non-executive directors on the Audit Committee was reduced to one. The Board is seeking to replace Mr J S W Martin so that there will be two non-executive directors but do not consider that the appointment of a third non-executive director would provide additional benefit to the Audit Committee or the Board as a whole.
With the exception of the matter referred to above, the Company has complied throughout the financial year with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance that were in force for the year. The only element of the code not in force was that relating to reporting on internal controls which will be effective for the next financial year of the Company.

Allotments of relevant securities Two of the three existing general authorities of the directors under Section 80 of the Companies Act 1985 to allot unissued shares of the Company are due to expire on 22 August 1996, and accordingly the directors consider it prudent to take a new authority under that Section for the permitted maximum five year period to allot unissued shares of the Company up to a maximum nominal amount of £1,192,434 (being not more than one third of the issued ordinary share capital of the Company as at 18 October 1995) in substitution for all three existing authorities. An ordinary resolution to this effect will be proposed as special business as resolution 6 at the Annual General Meeting. The directors have no present intention of exercising this proposed authority.

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 7 to be proposed at the Annual General Meeting would authorise the directors until the next Annual General Meeting or (if earlier) 1 December 1996 to make such allotments up to a maximum of 7,154,000 ordinary shares (representing not more than 5% of the issued share capital of the Company as at 18 October 1995). The directors have no present intention of exercising this power.

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 12 to 15 to the accounts.
Land and buildings were revalued by the directors as at 31 May 1994 on the basis of existing use (see note 13).
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 On 6 February 1995, the Company's auditors changed the name under which they practice to KPMG and accordingly have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for their reappointment as auditors of the Company and the determination of their remuneration is to be proposed at the Annual General Meeting.

R Green

On behalf of the Board

R Green *Secretary*
18 October 1995

Notice of meeting

Notice is hereby given that the one hundred and sixteenth Annual General Meeting of Benson Group plc will be held at The Birmingham Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, on 11 December 1995 at 12.15 p.m. for the following purposes:

1 To receive the Accounts for the year ended 31 May 1995 together with the directors' and auditors' reports thereon.

2 To re-elect Professor T D Patten as a director.

3 To elect J F Watkins as a director.

4 To elect J J Owens as a director.

5 To reappoint the auditors and to authorise the directors to fix their remuneration.

6 As special business to consider and, if thought fit, pass the following ordinary resolution:
"THAT, in substitution for all existing authorities, the directors be hereby generally and unconditionally authorised, in accordance with Section 80 of the Companies Act 1985, to allot relevant securities (as defined in that Section) up to a maximum aggregate nominal amount of relevant securities of £1,192,434 (being not more than one third of the issued ordinary share capital of the Company as at 18 October 1995) and this authority will (unless renewed) expire five years from the date on which this resolution is passed, but the Company may before this authority expires make an offer or agreement which would or might require relevant securities to be allotted after this authority expires."

7 As special business to consider and, if thought fit pass, the following special resolution:
"THAT, subject to resolution 6 above being passed, the directors be hereby given power in accordance with Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by that resolution as if Section 89(1) of the Act did not apply to the allotment, provided that this power is limited to:

(i) the allotment of equity securities in connection with an offer (whether by way of a rights issue, open offer or otherwise) to the holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to exclusions or other arrangements which the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matters; and

(ii) the allotment (otherwise than under paragraph (i) above) of equity securities up to an aggregate nominal amount of £178,850, and will (unless renewed) expire on 1 December 1996 or (if earlier) at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed, but the Company may, before this power expires, make an offer or agreement which would or might require equity securities to be allotted after this power expires.

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 11.15 a.m. until its conclusion.

Dated this 18 day of October 1995.

R Green

On behalf of the Board

R Green *Secretary*

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

Group directory

Benson Group plc
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Tel: 0121 544 1777
Fax: 0121 544 0599

Richard Phillips *Chairman and Managing Director*
Ron Green *Director and Company Secretary*
Jim Owens *Finance Director*
John Watkins *Managing Director – Products Division*
Derek Wilkes *Financial Controller*

Components division
Associated Steels & Tools Company Limited (Astco)
Union Mill Street, Horseley Fields
Wolverhampton, West Midlands WV1 3DP
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Fax: 01902 454084

Roy Clark *Commercial Director*
Charlie Sharman *Quality Director*
Geoffrey Taylor *Finance Director*
John Little *Engineering Director*
Stuart Coyne *Operations Director*

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

Peter Claytor *Sales Director*
Brian Husselbee *Works Director*
Richard Ball *Finance Director*
John Chadaway *Technical Director*
Alfred Holmes *Quality Director*

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

John Park *Managing Director*
Jim Ferguson *Finance Director*
Jeremy Farrow *Sales Director*
Dr Ranjit Sinha *Operations Director*

Hytex Duo Limited
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Rotherham S61 4RJ
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Fax: 01709 369165

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

Realm Products Limited
Gladstone Road, Croydon
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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
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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*
David Hawkes *Warm Air Business Unit Director*
David Henderson *Domestic Products Business Unit Director*
Kenneth Wilcock *Quality Director*
Derek Hoggart *Air Conditioning Business Unit Director*
Sheila Owens *Commercial Heating Business Unit Director*

County-York Limited
Ludlow Road, Knighton
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01547 528534
Fax: 01547 528985

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

Designstart Limited
Coed Aben Road
Wrexham Industrial Estate
Wrexham, Clwyd
Tel: 01978 660266
Fax: 01978 660316

Tom Godden *Divisional Manager – Adhesives*
Colin Jones *Financial Controller*
Fritz Hollaender *Divisional Manager – Foam Fabrics*