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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services Act 1986 immediately.

Persons receiving this document should note that, in connection with the matters described herein, Albert E Sharp is acting for Benson Group plc and no one else and will not be responsible to anyone other than Benson Group plc for providing the protections afforded to customers of Albert E Sharp or advising them on the contents of this document.

Applications under the Open Offer may only be made by Qualifying Shareholders on the accompanying Application Form, which is personal to the shareholder(s) named thereon, and cannot be assigned, transferred or split except to satisfy *bona fide* market claims. If you have sold or transferred all of your Ordinary Shares in Benson Group plc please forward this document, the accompanying Application Form and form of proxy immediately to the purchaser or transferee or the stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Ordinary Shares in Benson Group plc prior to the ex-entitlement date, you are referred to the instructions regarding splitting set out in the accompanying Application Form.

Application has been made to the London Stock Exchange for the New Ordinary Shares proposed to be allotted in accordance with the terms set out in this document to be admitted to the Official List. It is expected that admission will become effective and that dealings in the New Ordinary Shares will commence on Wednesday 23 April 1997.

Benson Group plc

Proposed acquisition of Combat Engineering Limited

Proposed disposal of Realm Products Limited

Amendment of Share Option Schemes

Placing and Open Offer

by

Albert E Sharp

of 5,723,686 Offer Shares at 48p per share

A copy of this document, which comprises a prospectus relating to Benson Group plc, prepared in accordance with the Listing Rules made pursuant to Section 142 of the Financial Services Act 1986, has been delivered for registration to the Registrar of Companies in accordance with Section 149 of that Act.

Notice of an Extraordinary General Meeting of Benson Group plc to be held at the offices of Pinsent Curtis, 3 Colmore Circus, Birmingham B4 6BH at 10.00 a.m. on Friday 18 April 1997 is set out at the end of this document. The accompanying form of proxy should be completed and returned to Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR as soon as possible, but in any event so as to arrive not less than 48 hours before the time for holding the meeting.

The latest time and date for application and payment in full under the Open Offer is 3.00 p.m. on Thursday 17 April 1997. The procedure for application and payment is set out in Part 2 of this document and in the accompanying Application Form. If you have any queries about the procedure for application under the Open Offer, you should contact Independent Registrars Group Limited.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	1997
Record Date for the Open Offer	close of business on Tuesday 18 March
Application Forms despatched	Tuesday 25 March
Latest time and date for splitting (to satisfy *bona fide* market claims only)	3.00 pm on Tuesday 15 April
Latest time and date for receipt of forms of proxy	10.00 am on Wednesday 16 April
Latest time and date for application and payment in full	**3.00 pm on Thursday 17 April**
Extraordinary General Meeting	**10.00 am on Friday 18 April**
Completion of the Disposal	Tuesday 22 April
Dealings in the New Ordinary Shares commence	Wednesday 23 April
CREST stock accounts credited	Wednesday 23 April
Completion of the Acquisition	Wednesday 23 April
Definitive share certificates for New Ordinary Shares despatched by	Friday 25 April

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise

"Acquisition"	the proposed acquisition of the whole of the issued share capital of Combat
"Act"	the Companies Act 1985 (as amended)
"Application Form"	the personalised application form posted to shareholders with this document
"Benson" or "Company"	Benson Group plc
"Combat"	Combat Engineering Limited
"Combat Agreement"	the conditional agreement dated 25 March 1997, between the Vendors and Benson, details of which are set out in paragraph 10(a)(ii) of Part 8 of this document, relating to the acquisition of Combat
"certificated" or "in certificated form"	an Ordinary Share which is not in uncertificated form
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)
"Directors" or "Board"	the directors of Benson
"Disposal"	the proposed disposal of the whole of the issued share capital of Realm as described in this document
"EGM"	the extraordinary general meeting of the Company convened for 10.00 am on Friday 18 April 1997, notice of which is set out at the end of this document
"Enlarged Group"	the Group as enlarged by the Acquisition and following the Disposal
"Group"	Benson and its subsidiaries at the date of this document
"Hytex Duo"	Hytex Duo Limited, a former subsidiary of the Company
"Joseph Fray"	Joseph Fray Limited, a former subsidiary of the Company
" London Stock Exchange"	London Stock Exchange Limited

"New Ordinary Shares" or "Offer Shares"	5,723,686 Ordinary Shares to be issued pursuant to the Combat Agreement and the Placing Agreement which are the subject of the Placing and Open Offer
"Offer Price"	48p per New Ordinary Share
"Official List"	the Official List of the London Stock Exchange
"Open Offer"	the conditional offer made by Albert E Sharp to Qualifying Shareholders to subscribe for their allocation of Offer Shares as described in this document
"Option Shares"	8,685 ordinary shares of £1 each in Combat, representing approximately 6.1 per cent. of Combat's issued equity share capital, held by Mr J H Reeves, one of the Vendors
"Ordinary Shares"	ordinary shares of 25p each in the capital of Benson
"Placing"	the conditional placing of the Offer Shares by Albert E Sharp in accordance with the Placing Agreement
"Placing Agreement"	the conditional agreement dated 25 March 1997 between Albert E Sharp (1) and Benson (2) details of which are set out in paragraph 10(a)(iii) of Part 8 of this document
"Qualifying Shareholders"	holders of Ordinary Shares at the Record Date and others with a *bona fide* market claim (other than certain overseas shareholders excluded pursuant to the paragraph headed "Overseas Shareholders" set out in Part 2 of this document)
"Realm"	Realm Products Limited, a subsidiary of the Company
"Record Date"	close of business on 18 March 1997
"Share Option Schemes"	The Benson Group 1987 Sharesave Scheme, The Benson Group Executive Share Option Scheme, The Benson Group 1996 Approved Share Option Scheme and The Benson Group 1996 Unapproved Share Option Scheme
"Shareholders"	holders of Ordinary Shares
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Vendors"	3i Group plc, J H Reeves and others, being the shareholders of Combat.

PART 1

LETTER FROM THE CHAIRMAN OF BENSON GROUP plc

BENSON GROUP plc

(Registered in England and Wales No 13273)

Directors:
D M Rhead (Chairman)
N F Luckett (Deputy Chairman)
J J Owens (Finance Director)
B W Baker (Non-Executive Director)
G R Mackenzie (Non-Executive Director)

Registered Office and Head Office:
Bradfield House
Pope's Lane
Oldbury
West Midlands
B69 4QT

25 March 1997

To: The holders of Ordinary Shares and, for information only, to holders of options under the Share Option Schemes.

Dear Shareholder

Proposed acquisition of Combat, proposed disposal of Realm, amendment of Share Option Schemes and Placing and Open Offer

INTRODUCTION

It was announced today that the Company has conditionally agreed to acquire Combat for a total consideration of £4.25 million. The principal activity of Combat is the manufacture of a range of warm air heaters for use in industrial, commercial and retail environments. Benson will acquire all of the issued share capital of Combat, other than the Option Shares, for a consideration of £4.03 million, to be satisfied as to approximately £2.75 million by the allotment of 5,723,686 New Ordinary Shares pursuant to the Placing and Open Offer, as to £1.10 million by way of loan notes to be issued to the Vendors and the balance of £0.18 million from the Company's own resources. Options have been entered into entitling Benson to acquire the Option Shares for a maximum consideration of £0.22 million. The New Ordinary Shares to be issued as consideration for the Acquisition will be offered to Qualifying Shareholders on the basis of 1 Offer Share for every 5 Ordinary Shares. The Placing and Open Offer has been underwritten by Albert E Sharp. The Company also announced today the proposed disposal of Realm to its management for a maximum consideration of £1.0 million.

Completion of the Acquisition is conditional on the Placing Agreement becoming unconditional in all respects: the conditions of the Placing Agreement include a requirement that the Disposal is completed.

The purpose of this document is to provide you with details of the Acquisition, the Placing and Open Offer and the Disposal, to explain the background to and reasons for the Acquisition and the Disposal and to explain the proposed changes to the rules of two of the Share Option Schemes. The size of the Acquisition is such that shareholder approval will be required. As the Disposal is to a newly incorporated company in which three directors of Realm, D C Harrison, A R Rogers and K Jafrato will hold 22.9 per cent. of that company's issued share capital, shareholder approval is also required. An Extraordinary General Meeting of the Company is being convened at which Shareholders will be asked to consider and pass the resolutions necessary to approve the Acquisition, to implement the Placing and Open Offer, to approve the Disposal and amend the rules of two of the Share Option Schemes.

BACKGROUND TO AND REASONS FOR THE ACQUISITION

Following our appointment to the Board in December 1995, Nigel Luckett and I first organised and completed a successful rights issue to repair the balance sheet of a group then in grave financial difficulty. We subsequently developed a strategy to rebuild the Group, focusing initially on its core heating and ventilation equipment manufacturing businesses. In line with this strategy we confirmed with our interim results in January 1997 the disposals of Joseph Fray and Hytex Duo which were peripheral to our mainstream activities and which were sold in November 1996. We were also able to announce the return to profit of the Group on continuing activities. Today we have announced the proposed disposal of Realm, another peripheral activity of the Group.

Much has already been achieved in a short time and your Directors are now intending, with the proposed acquisition of Combat, to take an important step to improve significantly the competitive position of the Group's heating and ventilation businesses. Combat's range of warm air heating products for use in industrial, commercial and retail environments is complementary to the air conditioning products produced by the Group at its operations in West Molesey. Combat and the Group's West Molesey operation sell primarily via specifiers to contractors and end users whilst customers of the Group's Knighton operation are distributors and wholesalers. In particular Combat's range of unit heaters, where, according to the Building Services Research and Information Association Quarterly Statistical Bulletin (December 1996), it is one of the top three suppliers in the UK, enhances the range of products available to the Group whilst the addition of Combat's range of cabinet heaters to those produced at Knighton combines two of the top three suppliers in the UK.

Your Directors have noted that it is increasingly important to be able to offer a wide range of both heating and ventilation products to existing and potential customers. The acquisition of Combat achieves this objective and it is intended that Combat will work closely with both West Molesey and Knighton, under the overall direction of Leigh Stimpson, Managing Director, Benson Environmental, to maximise sales opportunities across the enlarged existing and target customer base. Combat has been traditionally strongest serving industrial customers, moving more recently to supply commercial and retail facilities with their heating requirements. West Molesey's business on the other hand has focused on the commercial market. As a result the combination of the businesses should provide them with greater opportunities for cross-referrals and incremental business. Your Directors have been particularly impressed with Combat's sales and marketing expertise which we expect to use to improve our own marketing and sales distribution at Knighton.

The acquisition of Combat will produce significant benefits including greater efficiencies from combined purchasing and increased export penetration from a greater export sales resource and the addition of good calibre sales staff, which can only be justified by an operation of the combined scale of Combat and Benson. Furthermore, Combat has a servicing and spares operation which, it is intended, will be extended to cover the Group's existing customers at its Knighton facility where no such operation currently exists. The servicing and spares centre for the combined Knighton and Combat operations will be based at Bilston.

INFORMATION ON COMBAT

The business of Combat was established in 1966, and it now has 93 employees located at Bilston in the West Midlands. Formerly a division of Harsco (U.K.) Limited, a subsidiary of Harsco Corporation, the business was acquired in October 1994 in a management buyout backed by 3i Group plc.

Combat manufactures a range of warm air heaters for use in industrial, commercial and retail environments. Combat offers a full design, manufacture, installation and maintenance package and any of its models can be customised to fit most individual heating projects. Heaters are natural gas, LPG or oil fired.

Combat's core products are cabinet and unit heaters. Cabinet heaters are aimed principally at the traditional replacement sector where heaters will typically last between ten and 15 years. Unit heaters, on the other hand, are designed principally to address the market for new buildings. In addition, Combat manufactures a comprehensive range of ancillary components such as flues, destratification fans and purpose fabricated ductwork.

Products are manufactured from a variety of steel-based raw materials with the manufacture of heat exchangers and burner components being out-sourced to Combat's specification. The manufacturing process is driven from design to fabrication by a Radan computer integrated manufacturing system.

Combat has a large customer base with the top ten customers accounting for less than 20 per cent. of sales and the largest single customer accounting for approximately five per cent. Combat sells direct to end users as well as to heating contractors and through distributors. As the company has grown since the management buyout, a greater marketing focus has been given to the contractor and distributor sales channels in order to access larger markets. The success of this strategy has been borne out in that sales to end users, as a percentage of total sales, have reduced over the past three years. Of the top ten customers in 1996, three were distributors, four heating engineers, and three end users. Other specifiers, such as consultants or architects, are also sometimes in a position to make the purchasing decision on behalf of the end user. Furthermore, an important source of Combat's turnover in the year to August 1996 was servicing and spares with most of the major customers being party to service agreements.

Combat's products already have the required European "CE marking" approvals for most European countries. This specifies conformity to European law for performance, safety and quality. The Group intends to devote increased resources to exports and the implementation of this strategy has recently commenced. Potential agents for Combat have been identified in the Czech Republic and Hungary and the first export orders for Hungary have been taken, manufactured and delivered.

The summarised financial record of Combat, which is extracted from the Accountants' Report in Part 3 of this document, is set out below:

	Period ended 31 August 1995 £000	**Year ended 31 August 1996 £000**
Turnover	5,461	6,499
Operating profit	352	480
Profit before taxation	292	418

The operating profits in each year were made after certain non-recurring costs in relation to the remuneration of the chairman and highest paid director, both of whom will retire on completion. In the year ended 31 August 1996, these non-recurring costs amounted to £107,000 (1995: £86,000). Further details are provided in Note 5.5 of the Accountants' Report in Part 3 of this document.

Trading in the current year to 31 August 1997 is progressing satisfactorily.

PRINCIPAL TERMS OF THE ACQUISITION

The Company has entered into a conditional agreement today to acquire the entire issued share capital of Combat, other than the Option Shares held by Mr John Reeves (which represent approximately 6.1 per cent. of the issued equity share capital of Combat), for a consideration of £4.03 million which will be satisfied by the allotment of the New Ordinary Shares, the issue to the Vendors of £1.10 million of loan notes and £0.18 million in cash from Benson's own resources. These New Ordinary Shares will be offered pursuant to the Open Offer to Qualifying Shareholders at the Offer Price to raise approximately £2.75 million for payment to the Vendors. The loan notes are guaranteed by Midland Bank plc and bear interest at a rate of one per cent. below LIBOR. The loan notes are redeemable at the option of the holders on one month's notice given at any time on or after 1 December 1997 and must be redeemed by 30 April 2007.

The consideration may be decreased by a sum equal to the amount (if any) by which the net assets of Combat at completion fall short of £1.391 million. Combat is to be acquired free of debt.

The Combat Agreement also contains cross-options by which Benson can acquire, or be required to acquire, the Option Shares for a maximum consideration of £0.22 million, payable in cash. The cross-options are exercisable by Mr Reeves from 22 May 1998 to 28 August 1998 and by the Company from 1 October 1998 to 31 December 1998.

Following completion of the Acquisition, the principal individual shareholder and managing director of Combat, Mr John Hathaway, who is 58 years old, will retire from the business as will the non executive chairman. The other executive directors comprising Mr Alf Moore, operations director, Mr John Reeves, sales and marketing director and Mr Steve Rice, finance director will all remain with Combat and enter into new service agreements with the company.

The Combat Agreement is conditional, *inter alia,* on the passing of resolution 1 set out in the Notice of Extraordinary General Meeting at the end of this document and the Placing Agreement becoming unconditional in all respects other than any conditions which would be satisfied on completion of the Acquisition taking place.

Further details of the terms of the Combat Agreement are set out in paragraph 10(a)(ii) of Part 8 of this document.

INFORMATION ON THE DISPOSAL

Realm, based in Croydon, Surrey is a manufacturer of hygienic valves for the food and drink industry. The business has been owned by the Group since 1991.

The company is relatively small in a market dominated by much larger, international groups. The market in which it operates is highly price competitive and gross margins have declined considerably. In addition, end customers are increasingly requiring "turn-key" solutions to their process engineering requirements which can only be satisfied by larger groups.

In the year ended 31 May 1996 Realm achieved a profit before tax of £0.52 million (1995: £0.13 million) on turnover of £4.03 million (1995: £2.48 million). Realm's success in that year was materially influenced by a number of large profitable contracts. Further historic financial information relating to Realm is set out in Part 4 of this document. Since then Realm has experienced more difficult trading conditions and the Board expects a materially lower contribution from Realm in the current financial period.

It is your Directors' stated strategy to focus the Group on businesses and markets which are expanding and where high added value can be earned and to divest activities which do not measure up to our performance standards. As a result your Directors have accepted an offer, conditional on Shareholders' approval, from the management of Realm, to acquire Realm for an initial consideration of £0.75 million payable in cash on completion with a further £75,000 payable 18 months after completion. Depending on the profitability of Realm in the period up to 31 May 2000, up to a further £175,000 is payable. In addition, approximately £301,000 of intra-group indebtedness will be repaid by Realm on completion.

Further details of the agreement relating to the Disposal are set out in paragraph 10(a)(iv) of Part 8 of this document.

THE PLACING AND OPEN OFFER

The Offer Shares have been conditionally placed by Albert E Sharp with institutional investors at the Offer Price subject to recall to satisfy valid applications under the Open Offer by Qualifying Shareholders.

In order to provide Qualifying Shareholders with the opportunity to participate in this issue, your Board has arranged for Albert E Sharp to invite applications for the Offer Shares on the basis of

1 Offer Share for every 5 Ordinary Shares held on the Record Date

The New Ordinary Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares, including the right to receive the final dividend and any other distributions hereafter declared, made or paid for the ten month period ending 31 March 1997.

The Open Offer is not a rights issue and Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Any Offer Shares not applied for under the Open Offer will be taken up by the institutional investors with whom they have been conditionally placed.

Full details of the Open Offer (including the conditions to which it is subject) are set out in Part 2 of this document and in the enclosed Application Form.

SHARE OPTION SCHEMES

The rules of The Benson Group Executive Share Option Scheme and The Benson Group 1987 Sharesave Scheme currently permit the Directors to adjust subsisting options following a variation in the issued share capital of the Company only where that variation takes the form of a capitalisation or rights issue or a reduction, subdivision or consolidation of the capital of the Company. Resolution 3 set out in the Notice of Extraordinary General Meeting at the end of this document would amend the rules of those schemes so as to allow the Directors, in their absolute discretion, to adjust subsisting options following any variation in the issued share capital of the Company. This amendment would bring these schemes into line with the share option schemes adopted by the Company in 1996.

CURRENT TRADING AND PROSPECTS

In my interim statement to shareholders in January 1997, I explained that we were continuing with the programme announced in August 1996 to restore Benson to an acceptable level of profitability and that order books were at satisfactory levels to enable further progress to be made in the second half of the year.

Order books, costs and selling prices remain at similar levels, for both the Group and for Combat, and your Directors are confident of a satisfactory outcome for the ten month period ending 31 March 1997, following our announcement of our change in financial year end.

EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting of the Company has been convened for 10.00 am on Friday 18 April 1997. At the meeting three resolutions will be proposed as follows:

1) to approve the Acquisition, increase the ordinary share capital of the Company, confer on the Directors authority to allot Ordinary Shares, and confer on the Directors power to allot equity securities as if section 89 of the Companies Act 1985 did not apply to such allotment (subject to certain restrictions);
2) to approve the Disposal; and
3) to amend the rules of The Benson Group Executive Share Option Scheme and of The Benson Group 1987 Sharesave Scheme.

Following the proposed increase in authorised share capital, the issue of New Ordinary Shares pursuant to the Placing and Open Offer and Acquisition and taking account of the Ordinary Shares reserved and to be reserved for issue under the terms of the Share Option Schemes, there will remain unissued and unreserved 11,455,481 Ordinary Shares, representing approximately 24.4 per cent. of the increased authorised ordinary share capital. Your Board believes that it is desirable to maintain such a margin of unissued share capital to preserve flexibility for the future. Save, however, for the issue of the New Ordinary Shares under the proposals set out in this document, the grant of options over Ordinary Shares under the Share Option Schemes and the issue of Ordinary Shares on the exercise of options, your Board has no present intention of issuing any Ordinary Shares and no such issue which would effectively change control of the Company will be made within one year of the date of this document without prior approval of the shareholders in general meeting.

Mr David Harrison, a member of the management team acquiring Realm, who holds 5,000 Ordinary Shares, has agreed to abstain, and has undertaken to take all reasonable steps to ensure that his associates abstain, from voting on resolution 2.

DIRECTORS' INTENTIONS

Certain of the Directors (Mr David Rhead, Mr Jim Owens and Mr Graham Mackenzie), who own in aggregate 265,000 Ordinary Shares representing 0.93 per cent. of the Company's issued ordinary share capital, have undertaken to take up their entitlements to Offer Shares amounting in aggregate to 53,000 Offer Shares.

Mr Nigel Luckett and Mr Bryan Baker, who own in aggregate 262,500 Ordinary Shares representing 0.92 per cent. of the Company's issued ordinary share capital, have undertaken not to take up their entitlements to Offer Shares amounting in aggregate to 52,500 Offer Shares.

Details of the Directors' holdings as they are expected to be following the Acquisition and the Placing and Open Offer are set out in paragraph 4(a) of Part 8 of this document.

FURTHER INFORMATION

Your attention is drawn to the information set out in Parts 2 to 8 of this document.

ACTION TO BE TAKEN

A form of proxy is enclosed for use by Shareholders at the EGM. You are requested to complete this form in accordance with the instructions printed thereon as soon as possible. To be valid, completed forms of proxy must be received by Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1BR not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending the meeting and voting in person if you so choose.

If you wish to apply for Offer Shares in accordance with the terms of the Open Offer, you should complete and return the Application Form together with your payment, having read the letter from Albert E Sharp in Part 2 of this document.

RECOMMENDATION

Your Directors, who have been advised by Albert E Sharp, consider that the terms of the Acquisition, the Placing and Open Offer and the amendments to the rules of two of the Company's share option schemes are in the best interests of the Company and its shareholders as a whole. In providing advice to the Board, Albert E Sharp has taken into account the Directors' commercial assessments of the Acquisition and Placing and Open Offer. Accordingly, your Directors unanimously recommend you to vote in favour of resolutions 1 and 3 to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 527,500 Ordinary Shares representing approximately 1.84 per cent. of the Company's issued share capital.

Your Directors, who have been so advised by Albert E Sharp, consider that the terms of the Disposal are fair and reasonable so far as shareholders as a whole are concerned. In providing advice to the Board, Albert E Sharp has taken into account the Directors' commercial assessment of the Disposal. Accordingly, your Directors unanimously recommend you to vote in favour of resolution 2 to be proposed at the Extraordinary General Meeting, as they intend to do in respect of their own beneficial holdings of 527,500 Ordinary Shares representing approximately 1.84 per cent. of the Company's issued share capital.

Yours sincerely

David M Rhead
Chairman

PART 2

LETTER FROM ALBERT E SHARP

ALBERT E SHARP

Temple Court 35 Bull Street Birmingham B4 6ES
(Registered in England No. 2284499)

Member of the London Stock Exchange Limited and regulated by The Securities and Futures Authority Limited

25 March 1997

To Qualifying Shareholders and, for information only, to the holders of options under the Share Option Schemes

Dear Sir or Madam

Open Offer of 5,723,686 Offer Shares at 48p per Offer Share

As explained in the letter from your Chairman, which appears in Part 1 of this document, Qualifying Shareholders are invited to acquire Offer Shares at the Offer Price. Your attention is drawn to that letter and to Parts 3 to 8 of this document and the terms and conditions set out in the Application Form.

If you do not wish to apply for Offer Shares you should not complete or return the Application Form. You are nevertheless requested to complete and return the enclosed form of proxy.

The Open Offer is not a rights issue and Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Any Offer Shares not applied for under the Open Offer will be taken up by the institutional investors with whom they have been conditionally placed.

THE OPEN OFFER

Albert E Sharp, as agent for the Company, hereby invites Qualifying Shareholders to apply for, on and subject to the terms and conditions set out in this document and in the accompanying Application Form, Offer Shares at 48p per Offer Share payable in full in cash on application, free of all expenses and stamp duty on the following basis:

1 Offer Share for every 5 Ordinary Shares

held on the Record Date and so in proportion for any greater or lesser number of Ordinary Shares held. Fractions of Offer Shares will not be allotted and entitlements will be rounded down to the nearest whole number of Offer Shares. Offer Shares representing fractional entitlements will be aggregated and taken up under the Placing. Applications will be disregarded to the extent that they exceed such *pro rata* entitlement and any monies paid in excess of the amount due in respect of any application made will be returned to the applicant without interest.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive the final dividend and any other distributions hereafter declared, made or paid for the ten month period ending 31 March 1997.

The allotment and issue of the New Ordinary Shares will be made upon and be subject to the terms and conditions set out in this document and in the Application Form. Holders of Ordinary Shares in certificated and uncertificated form will be treated in the same way for the purposes of the Open Offer. Accordingly, Qualifying Shareholders will only be entitled to participate in the Open Offer in accordance with the procedure set out below in this Part 2, whether they hold Ordinary Shares in certificated form or uncertificated form.

Application has been made to the London Stock Exchange for admission of the Offer Shares to the Official List. Dealings are expected to commence on Wednesday 23 April 1997.

Qualifying Shareholders may only apply for Offer Shares on the enclosed Application Form which is personal to the shareholder(s) named thereon. The Application Form is not a document of title and cannot be traded. Application Forms may not be assigned, transferred or split except to satisfy *bona fide* market claims in relation to purchases through the market "cum entitlement" which have not been registered.

Shareholders who have recently sold all or part of their registered holdings are advised to consult their stockbroker or other professional adviser authorised under the Financial Services Act 1986 as soon as possible since the benefit arising under the Open Offer may be claimed from them by the purchaser(s) under the rules of the London Stock Exchange.

CONDITIONS OF THE OPEN OFFER

The Open Offer is subject to the satisfaction of the following conditions which must be satisfied by not later than 30 April 1997:

a) the passing, at an Extraordinary General Meeting of the Company, of resolution 1 set out in the Notice of Extraordinary General Meeting set out at the end of this document;

b) completion of the Acquisition;

c) the Placing Agreement having become unconditional in all respects and not being rescinded or terminated in accordance with its terms; and

d) the London Stock Exchange admitting the New Ordinary Shares to the Official List.

Under the Placing Agreement, Albert E Sharp has agreed, as agent for the Company, to procure subscribers for or, failing which, itself to subscribe for any Offer Shares not taken up pursuant to the Open Offer. The Placing Agreement is described more fully in paragraph 10(a)(iii) of Part 8 of this document.

PROCEDURE FOR APPLICATION

The enclosed Application Form shows the number of Ordinary Shares registered in your name(s) on the Record Date. It also shows your maximum *pro rata* entitlement to participate in the Open Offer and the amount you should pay if you wish to take up your entitlement in full. An application for more than your maximum entitlement will be treated as an application for your maximum entitlement. You may apply for fewer Offer Shares than your maximum entitlement, should you so wish.

Qualifying Shareholders wishing to apply for any of the Offer Shares should complete the enclosed Application Form in accordance with the instructions on it and post it in the accompanying reply paid envelope, together with a remittance for the full amount payable on application, to Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ so as to arrive not later than 3.00 p.m. on Thursday 17 April 1997.

Cheques or bankers' drafts should be made payable to Independent Registrars Group Limited a/c Benson Group plc and crossed "A/C Payee only". Cheques and bankers' drafts must be drawn in sterling on a bank in the British Isles which is either a settlement member of the Cheque & Credit Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques and bankers' drafts to be cleared through facilities provided for the members of either of those companies or committees and must bear the appropriate sorting code in the top right hand corner. No application will be considered unless these requirements are fulfilled. Cheques and bankers' drafts are liable to be presented for payment upon receipt and it is a term of the Open Offer that cheques will be honoured on first presentation. Applications will be irrevocable, will not be acknowledged and receipts will not be issued. If cheques or bankers' drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account. If all the conditions of the Open Offer have not been fulfilled by 30 April 1997, application monies will be returned, without interest, by crossed cheque in favour of the applicant(s) through the post as soon as is practical after that date.

All documents and remittances sent by post by or to an applicant, or as the applicant may direct, will be sent at the applicant's own risk.

The instructions, notes and other terms set out in the Application Form form part of the terms of the Open Offer. Albert E Sharp reserves the right, in its absolute discretion, to treat any application not strictly complying with the terms of the Open Offer as nevertheless valid.

MONEY LAUNDERING REGULATIONS 1993

To ensure compliance with the Money Laundering Regulations 1993 (the "Regulations"), it is a term of the Open Offer that Independent Registrars Group Limited may, at its absolute discretion, require verification of identity from any person completing an Application Form (the "Subscriber") and, without prejudice to the generality of the foregoing, in particular any person who either (i) tenders payment by way of a cheque or bankers' draft drawn on an account in the name of any person or persons other than the Subscriber or (ii) appears to Independent Registrars Group Limited to be acting on behalf of some other person.

For Subscribers resident in the United Kingdom this may involve verification of names and addresses through a reputable agency. For Subscribers who are not resident in the United Kingdom, verification of identity may be sought from the Subscriber's bankers or from other reputable institutions or professional advisers in the Subscriber's country of residence.

By lodging an Application Form, each Qualifying Shareholder undertakes to provide such evidence of identity at the time of lodging an Application Form or, in the absolute discretion of the Company, within a reasonable time thereafter (in each case to be determined at the absolute discretion of the Company and Independent Registrars Group Limited) as may be required to ensure compliance with the Regulations.

If satisfactory evidence of identity has not been received by Independent Registrars Group Limited within a reasonable period of time, then the Application Form in question may be rejected, in which event the application will not proceed any further and the application monies (without interest) will be returned to the bank account on which the cheque was drawn.

Where possible Subscribers should make payment by their own cheque. If a third party cheque, bankers' draft or building society cheque is used, the Subscriber should:

(a) write his/her name and address on the back of the draft or cheque and, in the case of an individual, record his/her date of birth against his/her name; and

(b) ask the bank or building society (if relevant) to endorse on the reverse of the draft or cheque the full name and account number of the person whose account number is being debited and stamp such endorsement.

The above information is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting Independent Registrars Group's right to require verification of identity as indicated above).

UK TAXATION

The information on UK taxation set out below is based on current legislation and is for general guidance only. **If you are in any doubt as to your tax position, you should consult your own personal professional adviser without delay.**

(a) *Capital gains tax*

It is understood that the Inland Revenue takes the view that, in circumstances such as these, the issue of New Ordinary Shares under the Open Offer by the Company to Qualifying Shareholders up to each Shareholder's *pro rata* entitlement will be treated as a reorganisation of the share capital for the purposes of UK taxation of capital gains.

Accordingly for the purposes of UK taxation of capital gains, the New Ordinary Shares issued will normally be treated as part of the same asset as Shareholders' existing holdings of Ordinary Shares and the amounts of the subscription monies paid for the New Ordinary Shares will constitute an addition to the base cost of a Qualifying Shareholder's enlarged holding of shares in the Company. The subscription monies for the New Ordinary Shares will be indexed from the date on which payment was made. A Shareholder may, depending on his circumstances, incur a liability to taxation if he sells all or some of the New Ordinary Shares allotted to him as this may constitute a disposal for the purposes of UK taxation on capital gains.

(b) *Stamp duty*

(i) No stamp duty or stamp duty reserve tax will be payable on the issue of New Ordinary Shares to Qualifying Shareholders pursuant to the Open Offer.

(ii) The subsequent transfer on sale of New Ordinary Shares will be subject to *ad valorem* stamp duty at the rate of 50p for every £100 or part of £100 of the actual consideration paid and stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the consideration paid. However where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it became unconditional) the stamp duty paid will cancel the SDRT liability and any SDRT paid can be recovered.

(c) *Income Tax*

Under the relevant UK taxation legislation, no tax will be withheld at source from dividend payments made by the Company but, when paying a dividend, the Company usually has to account to the Inland Revenue for an amount of advance corporation tax ("ACT") at a rate which is currently 25 per cent. of the dividend paid.

Shareholders resident in the UK for taxation purposes (other than corporate shareholders) are entitled to a tax credit equal to the ACT attributable to the dividend and are liable to income tax on the aggregate amount of the dividend and any tax credit attributable to the dividend. The tax credit is available to be set against any income tax payable. Dividend income will be treated as the top slice of an individual's income and will be liable to income tax (if at all) at either the lower rate (currently 20 per cent.) or the higher rate (currently 40 per cent.) depending upon the individual's circumstances. The tax credit will discharge the liability to income tax of an individual shareholder who is subject to United Kingdom income tax at the lower or basic rate only. Higher rate taxpayers will be able to offset the tax credit against their liability to tax and (at current rates of tax) will have a further liability to income tax of 20 per cent. of the gross dividend. Individual shareholders resident in the UK whose total income tax liability is less than the aggregate of the amount of income tax deducted from other income paid to them and the tax credit in respect of dividends are entitled to an appropriate repayment of tax from the UK Inland Revenue in most circumstances.

A UK resident corporate shareholder is not liable to corporation tax or income tax in respect of dividends received from the Company and such dividends will be available to frank dividends paid by such a corporate shareholder.

A non-UK resident shareholder is not generally entitled to recover the tax credit in respect of any dividend received. However, the tax credit will normally be available to set off against any liability to UK tax. However, an entitlement to the tax credit, or part of it, may be available if there is an appropriate provision granting such entitlement in any applicable double taxation agreement. Individual shareholders who are not resident in the United Kingdom but who are Commonwealth citizens, nationals of states within the European Economic Area, individuals resident in the Isle of Man or the Channel Islands or fall into certain other categories of person within Section 278 Income and Corporation Taxes Act 1988 are entitled to a tax credit which they may set off against their total United Kingdom income tax liability or, in appropriate cases, reclaim in cash. A non-UK resident shareholder may also be subject to foreign taxation on dividend income under whatever local law to which that person is subject.

The above statements assume that the Company will not pay dividends as foreign income dividends. The Company has no present intention of paying foreign income dividends.

These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. If you are in any doubt as to your tax position or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

OVERSEAS SHAREHOLDERS

General

The making of the Open Offer to persons who are resident in, or citizens of, countries other than the United Kingdom ("Overseas Shareholders") may be affected by the law or regulatory requirements of the relevant jurisdictions. Such persons should satisfy themselves as to the full observance of governmental and other consents and that all requisite formalities are adhered to and they are advised to consult their professional advisers as to whether they require any governmental or other consents or need to observe any applicable legal requirements to enable them to apply for Offer Shares.

No person receiving a copy of this document or the Application Form in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him/her nor should he/she in any event complete an Application Form unless, in the relevant territory, such an invitation or offer can lawfully be made to him/her or the Application Form can lawfully be completed without compliance with any unfulfilled registration or other legal requirements.

The Company reserves the right to treat as invalid any application or purported application to subscribe for Offer Shares pursuant to the Open Offer, which appears to the Company or its agent to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation of any jurisdiction or which does not include the warranties set out in the Application Form.

United States and Canada

The Offer Shares now being offered have not been and are not intended to be registered or qualified under the Securities Act of 1933 (as amended) of the United States of America ("the Securities Act") or under the securities law of any province or territory of Canada and may not be offered, sold, renounced, transferred, delivered, assigned, exchanged or otherwise disposed of, directly or indirectly, in the United States of America (including all the states and the District of Columbia), its territories, possessions and other areas subject to its jurisdiction ("US") or Canada (collectively "North America") or to or for the account or benefit of any person who is a citizen or resident of North America or is a corporation, partnership or other entity created or organised in or under any law of the US or Canada ("a North American Person").

Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Shareholders with registered addresses in North America since to do so would require compliance with the relevant securities laws of North America. Applications from any person who appears to be or whom the Company or Albert E Sharp has reason to believe to be a North American Person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a North American person or the agent of a North American person he/she should not seek to take up his/her allocation.

Australia
The Open Offer is not being made in the Commonwealth of Australia, its states, territories or possessions ("Australia") nor will an Application Form, any advertisement or other offering material in relation to the Open Offer or the Offer Shares be distributed directly or indirectly in Australia. The Offer Shares have not been and will not be available for purchase by any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia). Applications sent from or postmarked in Australia will be deemed to be invalid.

South Africa
Shareholders with registered addresses in South Africa will require the approval of the South African Exchange Control Authorities if they wish to accept the Open Offer.

SETTLEMENT AND DEALINGS

The result of the Open Offer is expected to be announced on or about Friday 18 April 1997 and, subject to the Open Offer becoming unconditional in all respects, dealings in the New Ordinary Shares are expected to commence for normal settlement on Wednesday 23 April 1997.

It is expected that CREST accounts will be credited on Wednesday 23 April 1997 and definitive share certificates will be despatched by Friday 25 April 1997. No temporary documents of title will be issued and, pending despatch of share certificates, transfers will be certified against the share register.

FURTHER INFORMATION

Your attention is drawn to the further information set out in Part 1 and Parts 3 to 8 of this document.

Yours faithfully

A J Kitchingman
Director
Albert E Sharp

PART 3

ACCOUNTANTS' REPORT ON COMBAT

KPMG Audit Plc
2 Cornwall Street
Birmingham
B3 2DL
United Kingdom

The Directors
Benson Group plc
Bradfield House
Pope's Lane
Oldbury
West Midlands
B69 4QT

The Directors
Albert E Sharp
Temple Court
35 Bull Street
Birmingham
B4 6ES

25 March 1997

Dear Sirs

Combat

Combat Engineering Limited ("the Company") was incorporated on 3 August 1994 and commenced trading on 14 October 1994 when it acquired the trade and assets of the Combat division ("the Division") of Harsco (UK) Limited.

We have examined the Division's unaudited consolidation packs for the years ended 31 December 1993 and 31 December 1994, used in the preparation of the audited financial statements of Harsco (UK) Limited for those years, the unaudited completion balance sheet and profit and loss account of the Division at 13 October 1994, prepared in connection with the acquisition referred to above, and the audited financial statements of the Company for the period from 3 August 1994 to 31 August 1995 and for the year ended 31 August 1996. Our examination has been carried out in accordance with the Auditing Guideline: Prospectuses and the reporting accountant.

Coopers & Lybrand were auditors of Harsco (UK) Limited for the two years ended 31 December 1994 and of the Company for the period ended 31 August 1995 and for the year ended 31 August 1996.

No audited financial statements of the Company have been made up in respect of any period subsequent to 31 August 1996.

For the purposes of this report, the term "Combat" hereafter refers to the Company or the Division, as appropriate.

The financial information in respect of Combat set out in paragraphs 1 to 5, prepared on the basis described in note 5.1, is based on the unaudited consolidation packs, unaudited completion balance sheet and profit and loss account and audited financial statements referred to above to which no adjustments were considered necessary.

In our opinion the financial information gives, for the purposes of the prospectus of Benson Group plc dated 25 March 1997, a true and fair view of the results and cash flows and of the state of affairs of Combat for the periods and as at the dates stated.

1. **Profit and loss accounts**

The profit and loss accounts of Combat for the year ended 31 December 1993, the period ended 13 October 1994, the period ended 31 August 1995 and the year ended 31 August 1996 are as follows:

	Note	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Turnover - continuing operations	5.2	4,719	3,762	5,461	6,499
Cost of sales		(3,633)	(2,921)	(4,168)	(4,819)
Gross profit		1,086	841	1,293	1,680
Distribution costs		(406)	(323)	(494)	(597)
Administrative expenses		(746)	(433)	(447)	(603)
Operating (loss)/ profit – continuing operations		(66)	85	352	480
Interest receivable and similar income		–	–	22	14
Interest payable and similar charges	5.4	(19)	(11)	(82)	(76)
(Loss)/profit on ordinary activities before taxation	5.5	(85)	74	292	418
Tax on (loss)/profit on ordinary activities	5.6	–	–	(81)	(109)
(Loss)/profit for the financial period		(85)	74	211	309
Dividends	5.7	–	–	(53)	(85)
Retained (loss)/ profit for the financial period	5.17	(85)	74	158	224

Combat had no recognised gains or losses during the period under review other than those set out in the above profit and loss accounts.

2. Balance sheets

The balance sheets of Combat at 31 December 1993, 13 October 1994, 31 August 1995 and 31 August 1996 are as follows:

		At 31 December 1993 £000	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Fixed assets					
Intangible fixed assets	5.8	–	–	141	131
Tangible fixed assets	5.9	148	101	130	367
		148	101	271	498
Current assets					
Stocks and work in progress	5.10	631	998	797	855
Debtors	5.11	1,625	1,295	1,179	1,293
Cash at bank and in hand		122	1	270	15
		2,378	2,294	2,246	2,163
Creditors: amounts falling due within one year	5.12	(1,208)	(1,003)	(1,265)	(1,157)
Net current assets		1,170	1,291	981	1,006
Total assets less current liabilities		1,318	1,392	1,252	1,504
Creditors: amounts falling due after more than one year					
Borrowings	5.13	–	–	(637)	(637)
Provisions for liabilities and charges	5.14	–	–	(2)	(30)
Net assets		1,318	1,392	613	837
Capital and reserves					
Called up share capital	5.15	–	–	147	147
Divisional paid up capital	5.15	6	6	–	–
Share premium account	5.16	–	–	308	308
Profit and loss account	5.17	1,312	1,386	158	382
		1,318	1,392	613	837
Equity shareholders' funds		1,318	1,392	163	387
Non-equity shareholders' funds		–	–	450	450
Shareholders' funds		1,318	1,392	613	837

3. **Cash flow statements**

The cash flow statements of Combat for the year ended 31 December 1993, the period ended 13 October 1994, the period ended 31 August 1995 and the year ended 31 August 1996 are as follows:

	Note	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Cash inflow/(outflow) from operating activities	5.20	322	(170)	815	219
Returns on investments and servicing of finance					
Interest received		–	–	22	14
Interest paid		(19)	(11)	(82)	(76)
Dividends paid		–	–	(19)	(67)
Net cash outflow from returns on investments and servicing of finance		(19)	(11)	(79)	(129)
Taxation					
Tax paid		–	–	(5)	(71)
Investing activities					
Purchase of trade and assets		–	–	(1,602)	–
Purchase of tangible fixed assets		(10)	–	(64)	(234)
Net cash outflow from investing activities		(10)	–	(1,666)	(234)
Net cash inflow/(outflow) before financing		293	(181)	(935)	(215)
Financing					
Issue of ordinary shares		–	–	100	–
Issue of "A" ordinary shares		–	–	43	–
Issue of redeemable preference shares		–	–	450	–
Preliminary expenses		–	–	(145)	–
Senior term loan – advanced		–	–	650	–
– repaid		–	–	(300)	(40)
Other loan		–	–	407	–
Net cash inflow/(outflow) from financing	5.22	–	-	1,205	(40)
Net increase/(decrease) in cash and cash equivalents	5.21	293	(181)	270	(255)

4. **Reconciliations of movements in shareholders' funds**

The reconciliations of movements in shareholders' funds of Combat for the year ended 31 December 1993, the period ended 13 October 1994, the period ended 31 August 1995 and the year ended 31 August 1996 are as follows:

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
(Loss)/profit for the financial period	(85)	74	211	309
Dividends	–	–	(53)	(85)
	(85)	74	158	224
New share capital issued	–	–	147	–
Premium paid on issue	–	–	446	–
Preliminary expenses net of tax	–	–	(138)	–
Elimination of pre-acquisition reserves arising on the management buyout	–	–	(1,392)	
Opening shareholders' funds	1,403	1,318	1,392	613
Closing shareholders' funds	1,318	1,392	613	837

5. **Notes**

5.1 *Accounting policies*

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information set out herein:

Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable UK Accounting Standards.

The present structure of Combat was established on 14 October 1994 by way of a management buyout, prior to which the activities of Combat were undertaken as a division of Harsco (UK) Limited. As a result of the change in ownership and capital structure, interest payable, taxation and capital employed prior to the management buyout on 14 October 1994 are not comparable with subsequent periods, although for the purposes of this report, financial information in respect of both pre and post buyout periods is presented together. There are no material differences between the accounting policies of Benson Group and of Combat.

Intangible fixed assets

Purchased know-how is amortised through the profit and loss account over its estimated useful economic life of 15 years.

Tangible fixed assets

The cost of tangible fixed assets represents purchase cost, together with any incidental expenses of acquisition.

Depreciation is provided to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	% per annum
Plant and machinery	10–33.3
Motor vehicles	25
Furniture, fixtures and fittings	20–33.3

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Deferred income

Income received in respect of maintenance contracts is apportioned over the period of the contract. Costs in respect of such contracts are charged as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes transport and handling costs.

In the case of manufactured products, costs include all direct expenditure and production overheads based on the normal level of activity.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the relevant balance sheet date.

All foreign exchange differences arising have been taken to the profit and loss account in the period in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that in the opinion of the directors it is probable that a liability will crystallise.

Pension costs

Combat operates a defined contribution scheme. Pension costs are accounted for on the basis of charging contributions in the period to which they relate.

5.2 ***Turnover***

The analysis of turnover by geographical destination is as follows:

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
By geographical destination:				
UK	4,706	3,637	5,374	6,394
Other EC countries	13	125	87	105
	4,719	3,762	5,461	6,499

5.3 ***Staff costs and numbers***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Wages and salaries	1,020	859	1,127	1,399
Social security costs	93	78	114	150
Other pension costs	19	–	53	67
	1,132	937	1,294	1,616

The average numbers of employees (including directors) during the periods were as follows:

	Year ended 31 December 1993 Number	Period ended 13 October 1994 Number	Period ended 31 August 1995 Number	Year ended 31 August 1996 Number
Production	56	51	56	58
Selling & distribution	25	25	24	24
Administration	7	9	9	10
	88	85	89	92

5.4 ***Interest payable and similar charges***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Interest on bank overdraft and loans	19	11	48	34
Interest on other loans	–	–	34	42
	19	11	82	76

5.5 ***(Loss)/profit on ordinary activities before taxation***

The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Depreciation of tangible fixed assets	76	47	35	42
Amortisation of intangible fixed assets	–	–	9	10
Auditors' remuneration – audit	11	11	8	8
– non-audit	3	3	12	11
Directors' emoluments – chairman and highest paid director	6	6	86	107
– others	107	85	157	172
Operating leases	111	101	116	138
Quality certification costs in respect of new legislation	–	–	–	46
Profit on disposal of fixed assets	–	–	–	(45)

For the purposes of this report, "directors" for periods prior to the management buyout comprises the senior management of Combat who were appointed directors following the buyout.

The emoluments of the chairman and the highest paid director (excluding pension contributions) were as follows:

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Chairman	60	60	14	16
Highest paid director	60	60	72	91

The emoluments of all directors were as follows:

£000	Year ended 31 December 1993 Number	Period ended 13 October 1994 Number	Period ended 31 August 1995 Number	Year ended 31 August 1996 Number
0 – 5	–	–	1	–
10 – 15	–	–	1	–
15 – 20	–	–	–	1
25 – 30	–	3	–	–
30 – 35	2	–	–	–
35 – 40	1	–	–	–
45 – 50	–	–	3	–
50 – 55	–	–	–	3
55 – 60	1	1	–	–
70 – 75	–	–	1	–
80 – 85	–	–	–	1

5.6 ***Tax on (loss)/profit on ordinary activities***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
UK corporation tax	–	–	76	84
Deferred taxation	–	–	5	25
	–	–	81	109

There was no taxation charge for the year ended 31 December 1993 and for the period ended 13 October 1994 as for these periods Combat operated as a division of Harsco (UK) Limited.

5.7 ***Dividends***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Dividends on equity shares:				
'A' ordinary - paid	–	–	–	8
'A' ordinary - proposed	–	–	16	34
Dividends on non-equity shares:				
Preference - paid	–	–	19	25
Preference - proposed	–	–	18	18
	–	–	53	85

5.8 ***Intangible fixed assets***

	Know-how £000
Cost	
At 1 January 1994 and 13 October 1994	–
Additions	150
At 31 August 1995	150
Depreciation	
At 1 January 1994 and 13 October 1994	–
Amortisation for the period	(9)
At 31 August 1995	(9)
Net book value at 31 August 1995	141
Cost	
At 1 September 1995 and 31 August 1996	150
Depreciation	
At 1 September 1995	(9)
Amortisation for the year	(10)
At 31 August 1996	(19)
Net book value at 31 August 1996	131

Know-how comprises the manufacturing data, specifications and drawings, research materials and technical information used exclusively in the business of Combat.

5.9 ***Tangible fixed assets***

	Plant and machinery £000	Motor vehicles £000	Furniture, fixtures and fittings £000	Total £000
Cost				
At 1 January 1994 and 13 October 1994	526	37	327	890
Depreciation				
At 1 January 1994	(451)	(37)	(254)	(742)
Charge for the period	(21)	–	(26)	(47)
At 13 October 1994	(472)	(37)	(280)	(789)
Net book value				
At 13 October 1994	54	–	47	101

5.9 ***Tangible fixed assets*** *(continued)*

	Plant and machinery £000	Motor vehicles £000	Furniture, fixtures and fittings £000	Total £000
Cost				
At 13 October 1994	526	37	327	890
Additions	7	11	46	64
Adjustments on acquisition (see below)	(472)	(37)	(280)	(789)
At 31 August 1995	61	11	93	165
Depreciation				
At 13 October 1994	(472)	(37)	(280)	(789)
Charge for the period	(12)	(1)	(22)	(35)
Adjustment on acquisition (see above)	472	37	280	789
At 31 August 1995	(12)	(1)	(22)	(35)
Net book value				
At 31 August 1995	49	10	71	130
Cost				
At 1 September 1995	61	11	93	165
Additions	236	7	36	279
At 31 August 1996	297	18	129	444
Depreciation				
At 1 September 1995	(12)	(1)	(22)	(35)
Charge for the year	(20)	(3)	(19)	(42)
At 31 August 1996	(32)	(4)	(41)	(77)
Net book value				
At 31 August 1996	265	14	88	367

5.10 ***Stocks and work in progress***

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Raw materials	679	549	569
Work in progress	31	80	84
Finished goods	288	168	202
	998	797	855

5.11 ***Debtors***

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Amounts falling due within 1 year			
Trade debtors	1,260	1,096	1,212
Prepayments	35	82	68
	1,295	1,178	1,280
Amounts falling due after 1 year			
Advanced corporation tax recoverable	–	1	13
	1,295	1,179	1,293

5.12 ***Creditors: amounts falling due within one year***

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Bank overdraft	61	–	–
Bank loan (secured) (note 5.13)	–	120	80
Trade creditors	790	680	640
Other taxes including social security	58	280	292
Other creditors	36	95	55
Accruals and deferred income	58	56	38
Proposed dividends	-	34	52
	1,003	1,265	1,157

5.13 ***Creditors: amounts falling due after one year***

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Senior term loan (secured)	–	230	230
Other loans (secured)	–	407	407
	–	637	637
Loans are repayable as follows:			
Senior term loan (secured)			
Between 1 and 2 years	–	160	160
Between 2 and 5 years	–	70	70
	–	230	230
Other loan (secured)			
Between 2 and 5 years	–	137	137
In 5 years or more	–	270	270
	–	407	407

The senior term loan is secured by a fixed and floating charge over the assets of Combat. Interest is charged quarterly at an annual rate of 2.25% above LIBOR. The other loan is secured by a second fixed and floating charge over the assets of Combat. Interest is charged quarterly at an annual rate of 3% above the higher of 5% and LIBOR.

5.14 ***Provisions for liabilities and charges***

The full potential liability and amounts provided for deferred taxation, calculated at 33%, are set out below:

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Accelerated capital allowances	–	7	31
Other timing differences	–	(2)	(1)
	–	5	30
Advance corporation tax recoverable	–	(3)	–
	–	2	30

5.15 ***Share capital***

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Authorised, allotted, called up and fully paid			
100,000 ordinary shares of £1 each	–	100	100
42,857 ordinary 'A' shares each of £1 each	–	43	43
450,000 cumulative redeemable preference shares of 1p each	–	4	4
Divisional paid up capital	6	–	–
	6	147	147

Dividend entitlement

Dividends on the preference shares are cumulative. These are fixed at 9.5% of the subscription price, (£1), payable half yearly on 31 March and 30 September.

'A' ordinary shares are entitled to:

- A cumulative net cash dividend of 8.0% of net profit earned in a financial year.

'Net Profit' is profit on ordinary activities before taxation adjusted to:-

(i) disregard any provisions for dividends or other distributions, transfers to reserves, charges to goodwill and extraordinary items; and

(ii) add back emoluments in excess of £250,000 in the aggregate (index linked) payable to all directors or former directors interested in shares in Combat (other than any director appointed by 3i plc) and connected persons.

- A cumulative net cash compensatory dividend: a further dividend payable on each share of such sum (if any) which equals:-

(i) the total emoluments paid to shareholding directors and connected persons in excess of £250,000 (index linked) after deduction of income tax at the basic rate on that excess sum.

(ii) divided by the number of ordinary shares held by such persons.

Ordinary shares are entitled to:

- a dividend provided that the dividends on the preference shares and 'A' ordinary shares have been paid in full and any preference shares which have fallen due for redemption have been redeemed and provided that the profits of Combat available for distribution are not less than £500,000. Dividends may be paid (if declared) on each ordinary share equal to the amount of the participating dividend on each 'A' ordinary share.

'A' ordinary shares and ordinary shares are entitled to a further dividend. Subject to the prior agreement of the 'A' ordinary shareholders, dividends may be paid (if declared) on both classes as if they were all shares of the same class.

Conversion and redemption rights

Conversion of 'A' ordinary shares: They may be converted into ordinary shares on the basis of one ordinary share for each 'A' ordinary share at any time when decided by the holders of 75% of the 'A' ordinary shares.

Redemption of non-equity shares: These are preference shares which are redeemable on the following dates at £1.00 in cash per share together with all arrears and accruals of dividends:

Date	**Number of shares to be redeemed**
30 September 1997	50,000
30 September 1998	50,000
30 September 1998	75,000
30 September 1999	75,000
30 September 2000	100,000
30 September 2001	100,000

Combat may redeem preference shares earlier in amounts of not less than 25,000 shares with the prior consent of the holders of a 75% majority of the preference shares. All preference shares shall be redeemed before a sale or flotation of Combat.

Priority and amounts receivable upon a winding up.

On a winding up of Combat, the following order of payments would be made to shareholders out of surplus assets:

Firstly, payment of £1 per preference share and any arrears and accruals of dividends to the preference shareholders. Secondly, £1 per 'A' ordinary share together with any arrears of dividends and accruals of dividend to the 'A' ordinary shareholders. Thirdly, payment of £1 per share to ordinary shareholders. Any surplus would then be payable to 'A' ordinary shareholders and ordinary shareholders as if their shares were the same class of share.

5.16 ***Reserves***

	£000
Share premium account	
At 1 January 1993, 1 January 1994 and 13 October 1994	–
Premium on shares issued on 14 October 1994	446
Preliminary expenses net of taxation	(138)
At 31 August 1995 and 31 August 1996	308

5.17 ***Profit and loss account***

	£000
At 1 January 1993	1,397
Retained loss for the financial year	(85)
At 31 December 1993	1,312
Retained profit for the financial period	74
At 13 October 1994	1,386
Restructuring on 14 October 1994	(1,386)
Retained profit for the financial period	158
At 31 August 1995	158
Retained profit for the financial year	224
At 31 August 1996	382

5.18 *Capital commitments*

	At 13 October 1994 £000	At 31 August 1995 £000	At 31 August 1996 £000
Contracted	–	15	13

5.19 *Lease commitments*

Combat had financial commitments in respect of non-cancellable operating leases as follows:

	At 13 October 1994		At 31 August 1995		At 31 August 1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring within one year	–	120	–	24	–	9
Expiring in two to five years	–	99	–	100	–	121
Expiring in over five years	–	–	73	–	73	–
	–	219	73	124	73	130

5.20 ***Reconciliation of operating profit to net cash inflow/(outflow) from operating activities***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Operating profit	(66)	85	352	480
Depreciation	76	47	35	42
Profit on disposal of tangible fixed assets	–	–	–	(45)
Amortisation of intangible fixed assets	–	–	9	10
Decrease/(increase) in stocks	303	(366)	201	(58)
(Increase)/decrease in debtors	(48)	330	116	(102)
Increase/(decrease) in creditors	57	(266)	102	(108)
Net cash inflow/(outflow) from operating activities	322	(170)	815	219

5.21 *Analysis of changes in cash and cash equivalents*

	Cash £000	Overdraft £000	Net £000
Balance at 1 January 1993	–	(172)	(172)
Net cash flow	121	172	293
Balance at 31 December 1993	121	–	121
Net cash flow	(121)	(60)	(181)
Balance at 13 October 1994	–	(60)	(60)
Retained by vendor on completion	–	60	60
Net cash flow	270	–	270
Balance at 31 August 1995	270	–	270
Net cash flow	(255)	–	(255)
Balance at 31 August 1996	15	–	15

5.22 ***Analysis of changes in financing***

	Year ended 31 December 1993 £000	Period ended 13 October 1994 £000	Period ended 31 August 1995 £000	Year ended 31 August 1996 £000
Senior term loan				
Balance at beginning of period	–	–	–	350
Additional loan finance	–	–	650	–
Repayment of loan finance	–	–	(300)	(40)
Balance at end of period	–	–	350	310
Other loan				
Balance at beginning of period	–	–	–	407
Additional loan finance	–	–	407	–
Balance at end of period	–	–	407	407
Share capital and share premium				
Balance at beginning of period	6	6	6	455
Non-cash adjustment on acquisition	–	–	(6)	–
Issue of shares	–	–	448	–
Deferred taxation on preliminary expenses	–	–	7	–
Balance at end of period	6	6	455	455
Net cash inflow/(outflow) from financing	–	–	1,205	(40)

Yours faithfully

KPMG Audit Plc

Chartered accountants

PART 4

FINANCIAL INFORMATION RELATING TO REALM

The financial information below is extracted without material adjustment from the audited financial statements of Realm for the two financial years ended 31 May 1996. The financial information concerning Realm does not constitute statutory financial statements within the meaning of Section 240 of the Act. Statutory accounts for each of the two years ended 31 May 1996 have been delivered to the Registrar of Companies. The auditors reported under Section 235 of the Act in respect of each set of statutory accounts and in each case the audit report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

1. Profit and Loss Accounts

	Year to 31 May 1995 £000	Year to 31 May 1996 £000
Turnover	2,475	4,027
Cost of sales	(1,350)	(2,755)
Gross profit	1,125	1,272
Distribution costs	(338)	(366)
Administrative expenses	(656)	(407)
Operating profit	131	499
Interest receivable	-	21
Interest payable	(4)	(4)
Retained profit on ordinary activities before and after taxation	127	516

2. Balance Sheets

		At 31 May 1995 £000		At 31 May 1996 £000
Fixed assets				
Tangible assets		370		341
Current assets				
Stocks	680		456	
Debtors – amounts owed by other Group undertakings	–		412	
– other	646		618	
Cash at bank and in hand	306		–	
	1,632		1,486	
Creditors: amounts falling due within one year				
– borrowings	(33)		(440)	
– amounts owed to other Group undertakings	(381)		(7)	
– other	(1,061)		(644)	
Net current assets		157		395
Total assets less current liabilities		527		736
Creditors: amounts falling due after more than one year		(313)		(6)
Net assets		214		730
Capital and reserves				
Share capital		-		500
Profit and loss account		214		230
Equity shareholders' funds		214		730

PART 5

FINANCIAL INFORMATION RELATING TO BENSON

The financial information in this Part 5 is extracted without material adjustment from the audited financial statements of Benson for the three financial years ended 31 May 1996. The financial information concerning the Group does not constitute statutory financial statements within the meaning of Section 240 of the Act. Statutory accounts for each of the three years ended 31 May 1996 have been delivered to the Registrar of Companies. The auditors reported under Section 235 of the Act in respect of each set of statutory accounts and in each case the audit report was unqualified and did not contain a statement under Section 237(2) or (3) of the Act.

GROUP PROFIT AND LOSS ACCOUNTS

Years ended 31 May

	Note	Continuing operations Total 1994	Continuing operations Total 1995	Before Exceptional items 1996	Exceptional items 1996	**Continuing operations Total 1996**
		£000	£000	£000	£000	**£000**
Turnover	2 & 3	28,272	38,573	44,296	–	**44,296**
Cost of sales		(19,998)	(30,214)	(37,883)	(2,069)	**(39,952)**
Gross profit		8,274	8,359	6,413	(2,069)	**4,344**
Distribution costs		(1,762)	(3,121)	(3,500)	–	**(3,500)**
Administrative expenses		(4,986)	(4,926)	(3,723)	(1,056)	**(4,779)**
Operating profit/(loss)	4–7	1,526	312	(810)	(3,125)	**(3,935)**
Profit on disposal of fixed assets	5	–	191	–	–	**–**
Loss on disposal of business	5	(763)	(129)	–	–	**–**
Profit/(loss) before interest		763	374	(810)	(3,125)	**(3,935)**
Interest payable	8	(530)	(765)	(1,006)	–	**(1,006)**
Profit/(loss) on ordinary activities before taxation	2	233	(391)	(1,816)	(3,125)	**(4,941)**
Taxation	9	–	(81)	–	(184)	**(184)**
Profit/(loss) on ordinary activities after taxation		233	(472)	(1,816)	(3,309)	**(5,125)**
Dividends on equity shares	10	(431)	(172)	–	–	**–**
Transfer from reserves	22	(198)	(644)	(1,816)	(3,309)	**(5,125)**
Earnings/(loss) per share:						
Before exceptional items	11	0.18p	(3.9p)			**(12.3p)**
After exceptional items	11	0.18p	(3.5p)			**(34.7p)**

The loss per share has been shown both before and after exceptional items because of the materiality of the exceptional items for the year ended 31 May 1996.

GROUP BALANCE SHEETS

as at 31 May

	Note	1994	1995	**1996**
		£000	£000	**£000**
Fixed assets				
Intangible assets	13	476	392	**–**
Tangible assets	14	8,301	9,614	**8,458**
		8,777	10,006	**8,458**
Current assets				
Stocks	16	4,279	6,079	**4,880**
Debtors	17	8,184	9,909	**9,217**
Cash in hand and at bank		–	411	**5**
		12,463	16,399	**14,102**
Creditors – amounts falling due within one year	18	(13,374)	(18,991)	**(15,015)**
Net current liabilities		(911)	(2,592)	**(913)**
Total assets less current liabilities		7,866	7,414	**7,545**
Creditors – amounts falling due after more than one year	19	(655)	(437)	**(438)**
Provisions for liabilities and charges	20	(7)	–	**–**
		7,204	6,977	**7,107**
Capital and reserves				
Called up share capital	21	3,262	3,577	**7,155**
Share premium account	22	7,397	7,397	**–**
Revaluation reserve	22	1,223	812	**801**
Other reserves	22	(7,878)	(8,004)	**1,070**
Profit and loss account	22	3,200	3,195	**(1,919)**
Equity shareholders' funds		7,204	6,977	**7,107**

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Years ended 31 May

	1994	1995	**1996**
	£000	£000	**£000**
Profit/(loss) for the financial year	233	(472)	**(5,125)**
Dividends	(431)	(172)	–
	(198)	(644)	**(5,125)**
Shares issued during the year	25	315	**5,255**
Revaluation of fixed assets	400	–	–
Goodwill arising on acquisition	(807)	(879)	–
Merger relief arising on acquisition	–	757	–
Goodwill on disposal of agricultural vehicle spares business	717	224	–
Movements in shareholders' funds	137	(227)	**130**
Shareholders' funds at beginning of year	7,067	7,204	**6,977**
Shareholders' funds at end of year	7,204	6,977	**7,107**

GROUP STATEMENTS OF TOTAL RECOGNISED GAINS AND LOSSES

Years ended 31 May

	1994	1995	**1996**
	£000	£000	**£000**
Profit/(loss) for the financial year	233	(472)	**(5,125)**
Surplus on the revaluation of properties	400	–	–
Profit/(Loss) for the financial year	633	(472)	**(5,125)**

GROUP HISTORICAL COST PROFITS AND LOSSES

Years ended 31 May

	1994	1995	**1996**
	£000	£000	**£000**
Profit/(loss) on ordinary activities before taxation	233	(391)	**(4,941)**
Revaluation reserve realised on fixed asset disposal	–	400	–
Difference between historical cost depreciation charge and actual	11	11	**11**
Historical cost profit/(loss) on ordinary activities before taxation	244	20	**(4,930)**
Historical cost profit/(loss) for the year after taxation	244	(61)	**(5,114)**

GROUP CASH FLOW STATEMENTS

Years ended 31 May

	Note	1994	1995	**1996**
		£000	£000	**£000**
Net cash inflow/(outflow) from operating activities	24	2,339	1,567	**(2,165)**
Net cash outflow from returns on investments and servicing of finance				
Interest paid		(520)	(807)	**(943)**
Dividends paid		(391)	(472)	**–**
		(911)	(1,279)	**(943)**
Taxation		(129)	(172)	**(88)**
Net cash inflow/(outflow) before investing activities		1,299	116	**(3,196)**
Investing Activities				
Purchase of tangible fixed assets		(615)	(1,253)	**(273)**
Purchase of business		(1,639)	(2,282)	**–**
Sale of tangible fixed assets		88	2,350	**82**
Sale of business		404	(49)	**–**
Net cash outflow from investing activities		(1,762)	(1,234)	**(191)**
Net cash outflow before financing		(463)	(1,118)	**(3,387)**
Financing				
Issue of ordinary share capital	21 & 24	25	–	**5,255**
Fixed assets refinanced		463	–	**–**
Capital element of finance lease repayments	24	(753)	(619)	**(574)**
Net cash (outflow)/inflow from financing		(265)	(619)	**4,681**
(Decrease)/increase in cash and cash equivalents	24	(728)	(1,737)	**1,294**

NOTES TO THE ACCOUNTS

1. Accounting policies

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, which are all made up to 31 May each year. Unless otherwise stated, the acquisition method of accounting has been adopted, with the results of businesses acquired or disposed of 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.

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 reserves.

Turnover
Turnover represents the amounts 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 buildings	2% per annum
Plant, furniture and equipment	Between 10% and 33⅓% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

Investments in subsidiary undertakings
Investments in subsidiary undertakings are stated at cost less provisions for permanent diminution in value.

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. The corresponding liability is recorded as a creditor and interest is charged to profits on a straight line basis. Payments under operating leases are charged to profits on a straight line basis over the life of the lease.

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

Research and development expenditure
Product development costs for the County 4 x 4 Ford Transit conversion included in intangible assets is written off over its estimated useful life. Other research and development expenditure is written off as incurred.

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

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

Pensions
The Group operates a contributory defined benefit pension scheme covering a number of its permanent employees. Contributions to the scheme are charged to profits so as to spread the cost of pensions over employees' service lives with the Group.

2. Segmental analysis

	Turnover		(Loss)/profit before tax		Net assets	
	1995	**1996**	1995	**1996**	1995	**1996**
	£000	**£000**	£000	**£000**	£000	**£000**
Environmental Division						
Before exceptional items			1,070	**85**		
Exceptional items			–	**(932)**		
	15,396	**18,590**	1,070	**(847)**	5,132	**5,426**
Metal Pressings Division						
Before exceptional items			127	**286**		
Exceptional items			–	**(175)**		
	12,715	**13,323**	127	**111**	2,601	**2,759**
Other activities						
Before exceptional items			(249)	**(808)**		
Exceptional items			62	**(1,056)**		
	10,462	**12,383**	(187)	**(1,864)**	5,727	**5,190**
Central costs						
Before exceptional items			(636)	**(373)**		
Exceptional items			–	**(962)**		
	–	**–**	(636)	**(1,335)**	484	**(890)**
	38,573	**44,296**	374	**(3,935)**	13,944	**12,485**
Interest payable			(765)	**(1,006)**		
Loss before tax			(391)	**(4,941)**		
Borrowings					(7,074)	**(5,574)**
Taxation					107	**196**
					6,977	**7,107**

In 1996 the segmental structure was altered and the 1995 comparatives restated, the original analysis between 1995 and 1994 was:

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

3. Turnover by geographical destination

	1994	1995	**1996**
	£000	£000	**£000**
United Kingdom	25,632	35,636	**39,968**
Rest of Europe	2,143	2,162	**2,548**
Asia	226	347	**1,247**
North & South America	113	276	**256**
Africa	136	132	**185**
Australasia	22	20	**92**
	28,272	38,573	**44,296**

4. Operating (loss)/profit

	1994	1995	**1996**
	£000	£000	**£000**
Operating (loss)/profit is stated after charging:			
Depreciation of tangible fixed assets	900	1,170	**1,715**
Amortisation of intangible fixed assets	27	84	**392**
Auditors' remuneration	76	82	**60**
Hire of plant and machinery	98	133	**62**
Other operating leases – land and buildings	339	647	**1,018**
– other	130	111	**360**

Remuneration paid to our auditors KPMG in relation to non-audit services amounted to £100,000 in respect of the year ended 31 May 1996 (1995: £111,000, 1994: £96,000) of which nil (1995: £65,000, 1994: £59,000) was included in acquisition and disposal costs and £50,000 (1995 and 1994: nil) was included in share issue expenses.

5. Exceptional items

	1994	1995	**1996**
	£000	£000	**£000**
Stock write downs	–	–	**1,173**
Irrecoverable claims and head office reorganisation costs	–	–	**880**
Debtor provisions	–	–	**140**
Fixed asset write downs	–	–	**377**
4 x 4 development expenditure written off	–	–	**392**
Redundancies	–	–	**163**
Corporation tax	–	–	**184**
Profit on sale of properties	–	(191)	**–**
Loss on disposal of agricultural vehicle spares business	–	129	**–**
Loss on disposal of Wolverhampton Pressings Limited	763	–	**–**
	763	(62)	**3,309**

The exceptional costs relating to stock and debtor provisions and fixed asset write downs, reflect the prudent application of the Group's existing accounting policies.

6. Employees

	1994	1995	**1996**
	Number	Number	**Number**
The average number of persons employed by the Group by category was:			
Manufacture	540	677	**721**
Sales and service	48	73	**96**
Administration	119	109	**64**
	707	859	**881**

6. Employees *(continued)*

Employee costs:	1994 £000	1995 £000	**1996 £000**
Wages and salaries	8,279	10,664	**12,064**
Social security charges	762	909	**1,061**
Pension costs	13	50	**54**
	9,054	11,623	**13,179**

7. Directors

(a) **Remuneration**	1994 £000	1995 £000	**1996 £000**
Fees	16	8	**28**
Emoluments - salary and benefits	287	297	**293**
- performance related pay	52	–	**–**
Pension costs in respect of executive directors	–	–	**16**
Compensation for loss of office	18	–	**150**
	373	305	**487**
Current chairman's remuneration since 19 December 1995	–	–	**35**
Former chairman and highest paid director to 19 December 1995	134	96	**60**

	Total 1995 £000	Salaries and fees £000	Benefits £000	Loss of office £000	**Total 1996 £000**	Pension contributions 1995 £000	Pension contributions **1996 £000**
Executive directors							
D M Rhead	–	33	2	–	**35**	–	**3**
N F Luckett	–	33	1	–	**34**	–	**–**
J J Owens	–	43	5	–	**48**	–	**4**
	–	109	8	–	**117**	–	**7**
Non-executive							
B W Baker	–	3	–	–	**3**	–	**–**
Former directors							
J R M Phillips	96	55	5	45	**105**	–	**3**
J N D Pritchard	81	37	3	–	**40**	–	**–**
N R Johnson	62	21	2	65	**88**	–	**–**
R Green	58	42	6	–	**48**	–	**3**
T D Patten	5	6	–	–	**6**	–	**–**
J F Watkins	–	22	2	40	**64**	–	**3**
J V T Wheeler	3	–	–	–	**–**	–	**–**
	305	183	18	150	**351**	–	**9**
	305	295	26	150	**471**	–	**16**

Between 19 December 1995 and 31 March 1996, Mr N F Luckett received fees for his services as a non-executive director. From 31 March 1996 onwards, Mr N F Luckett's remuneration is by way of salary, following his appointment as executive Deputy Chairman.

Benefits in kind comprise principally the use of a company car and private medical insurance.

7. Directors *(continued)*

Directors emoluments excluding pension contributions fell into the following bands:	1994 Number	1995 Number	**1996 Number**
£0– £5,000	–	1	**1**
£5,001– £10,000	2	2	**1**
£10,001– £15,000	1	–	**–**
£20,001– £25,000	–	–	**2**
£30,001– £35,000	–	–	**1**
£35,001– £40,000	–	–	**1**
£40,001– £45,000	–	–	**1**
£45,001– £50,000	–	–	**2**
£55,001– £60,000	–	1	**–**
£60,001– £65,000	1	1	**1**
£65,001– £70,000	2	–	**–**
£80,001– £85,000	–	1	**–**
£95,001– £100,000	–	1	**–**
£130,001– £135,000	1	–	**–**

(b) Interests in shares

The present directors had the following interests in 25p ordinary shares of the Company at 31 May 1996:

	1996 Number	Date appointed Number
D M Rhead	**150,000**	25,000
N F Luckett	**200,000**	25,000
J J Owens	**40,000**	4,000
B W Baker	**62,500**	Nil

(c) Share options

The present directors had the following interests in share options (issued for nil consideration) of the Company at 31 May 1996:

	Date granted	*Number of ordinary shares*	*Exercise price (pence)*	*Date exercisable*	*Expiry date*
1986 Approved scheme					
J J Owens	3 October 1995	30,000	42.5	3 October 1998	2 October 2005
1996 Approved scheme					
D M Rhead	14 May 1996	62,500	48	14 May 1999	13 May 2006
N F Luckett	14 May 1996	62,500	48	14 May 1999	13 May 2006
J J Owens	14 May 1996	30,000	48	14 May 1999	13 May 2006
1996 Unapproved scheme					
D M Rhead	14 May 1996	137,500	48	14 May 1999	13 May 2003
N F Luckett	14 May 1996	137,500	48	14 May 1999	13 May 2003

8. Interest payable and other similar charges

	1994	1995	1996
	£000	£000	**£000**
Bank overdraft and acceptance credits	209	370	**519**
Invoice discounting	171	242	**386**
Hire purchase and finance lease agreements	148	141	**101**
Other	2	12	**–**
	530	765	**1,006**

9. Taxation

	1994	1995	1996
	£000	£000	**£000**
UK Corporation tax at 33%	38	–	**–**
Corporation tax included in exceptional costs	–	–	**184**
Deferred tax credit	(38)	(17)	**–**
Under provision for previous years	–	17	**–**
Irrecoverable ACT written off	–	81	**–**
	–	81	**184**

10. Dividends on equity shares

	1994	1995	1996
	£000	£000	**£000**
Dividend paid of 1.2 pence per share in 1995 (1994: 0.1 pence per share)	131	172	**–**
1994 Proposed 0.23 pence per share	300	–	**–**
	431	172	**–**

11. Loss per share

The calculation of (loss)/earnings per share, before exceptional charges of £3,309,000 in respect of the year ended 31 May 1996 (1995: credits of £62,000, 1994: Nil), is based on the loss on ordinary activities after taxation of £1,816,000 (1995: loss of £534,000, 1994: profit of £233,000) divided by 14,749,101 (1995: 13,576,220, 1994: 130,408,470), being the weighted average number of ordinary shares in issue during the year.

12. Loss attributable to parent company

	1994	1995	1996
	£000	£000	**£000**
The loss for the financial year dealt with in the accounts of the Company is:	842	(190)	**(6,675)**

13. Intangible assets

	Product development costs £000
Cost:	
At 31 May 1995 and 1996	**503**
Amortisation:	
At 31 May 1995	111
Amortisation charge during the year	392
At 31 May 1996	**503**
Net book value:	
At 31 May 1996	**–**
At 31 May 1995	392

14. Fixed assets

	Freehold land & buildings £000	Plant equipment & vehicles £000	**Total £000**
Cost or valuation:			
At 31 May 1994	3,001	7,784	10,785
New business	–	2,889	2,889
Additions	850	901	1,751
Disposals	(2,128)	(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**
Cost or valuation:			
At 31 May 1995	1,723	11,414	13,137
Additions	–	641	641
Disposals	–	(810)	(810)
At 31 May 1996	**1,723**	**11,245**	**12,968**
Depreciation:			
At 31 May 1995	30	3,493	3,523
Provided in the year	29	1,686	1,715
Disposals	–	(728)	(728)
At 31 May 1996	**59**	**4,451**	**4,510**
Net book value:			
At 31 May 1996	**1,664**	**6,794**	**8,458**
At 31 May 1995	1,693	7,921	9,614
At 31 May 1994	3,001	5,300	8,301

All land and buildings were revalued on the basis of open market value for existing use at 31 May 1994.

14. Fixed assets *(continued)*

The historical cost and depreciation of land and buildings is:	1995 £000	**1996** **£000**
Historical cost	1,078	**1,078**
Depreciation based on cost	(197)	**(215)**
Net historical cost value	881	**863**

The gross depreciable value of fixed assets at 31 May 1996 was £12,657,000 (1995: £12,826,000). Included in the net book value of plant, equipment and vehicles at 31 May 1996 is £1,261,000 (1995: £1,522,000) of assets held under finance leases and hire purchase agreements on which depreciation of £283,000 (1995: £291,000) has been charged in the year.

15. Subsidiary undertakings

At 31 May 1996, the Group undertakings, all of which are wholly owned and registered in England and Wales, comprised:

Subsidiary	*Principal activity*
Benson Environmental Limited	Air conditioning and heating systems
Realm Products Limited	Hygienic valves
Euroform Pressings Limited	Pressings for automotive and domestic appliances
Designstart Limited (trading as Stadex Industries)	Water based adhesives and foam products
Joseph Fray Limited	Metal finishings
County-York Limited	4 x 4 conversions and towbars
Hytex Duo Limited	Rubber mouldings

All shares held are ordinary shares and are held by the Company. All Group undertakings operate in the United Kingdom and are engaged in manufacturing. Dormant Group undertakings have been excluded.

16. Stocks

	1995 £000	**1996** **£000**
Raw materials and consumables	3,414	**2,179**
Work in progress	1,669	**1,251**
Finished goods	996	**1,450**
	6,079	**4,880**

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

17. Debtors

	1995 £000	**1996** **£000**
Amounts falling due within one year		
Trade debtors	7,834	**7,913**
Pension fund prepayment	–	**200**
Other debtors	1,119	**374**
Corporation tax recoverable	–	**1**
Prepayments and accrued income	396	**534**
	9,349	**9,022**
Amounts falling due after more than one year		
Pension fund prepayment	82	**–**
ACT recoverable	195	**195**
Other debtors	283	**–**
	560	**195**
Total debtors	9,909	**9,217**

18. Creditors – amounts falling due within one year

	1995 £000	**1996 £000**
Bank overdraft and acceptance credits	4,495	**1,932**
Invoice discounting	2,033	**2,896**
Hire purchase and leasing liabilities	520	**313**
Trade creditors	9,056	**6,930**
Other creditors and accruals	1,672	**1,957**
Corporation tax	88	**–**
Other tax and social security	1,127	**987**
	18,991	**15,015**

The Group has provided its existing 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. Advances under invoice discounting are secured on the related trade debtors of £4,252,000 at 31 May 1996 (1995: £3,849,000).

19. Creditors – amounts falling due after more than one year

	1995 £000	**1996 £000**
Hire purchase and finance lease liabilities due:		
– between one and two years	254	**195**
– between two and five years	183	**243**
	437	**438**

20. Provisions for liabilities and charges

	Amounts provided		Potential liability	
	1995 £000	**1996 £000**	1995 £000	**1996 £000**
Deferred tax				
Accelerated capital allowances	–	–	492	**360**
Available tax losses	–	–	(492)	**(360)**
Revaluation of fixed assets	–	–	714	**679**
ACT recoverable	–	–	(166)	**(192)**
	–	–	548	**487**

In addition to the above, there are tax losses estimated at £6.9 million at 31 May 1996 (1995: £4.3 million) available to carry forward against future profits of certain Group undertakings.

21. Share Capital

	1995 £000	**1996 £000**
Authorised		
38,000,000 (1995: 19,600,000) ordinary shares of 25 pence each	4,900	**9,500**
Allotted called up and fully paid		
28,618,434 (1995: 14,309,217) ordinary shares of 25 pence each	3,577	**7,155**

21. Share Capital *(continued)*

Changes in the year

(i) Authorised

At an extraordinary general meeting held on 22 April 1996 in connection with a rights issue to raise £5.2 million (net of expenses), a share consolidation was approved of 1 new ordinary share of 25 pence each for every 10 ordinary shares held of 2.5 pence each, together with an increase in the authorised share capital to £9,500,000 by the creation of an additional 18,400,000 ordinary shares of 25 pence each. Comparative figures for the number of shares have been adjusted accordingly.

(ii) Allotted called up and fully paid

By way of a rights issue completed in May 1996, the Company raised £5,255,000 (net of expenses of £480,000), by the issue of 14,309,217 fully paid ordinary shares of 25 pence each, with an aggregate nominal value of £3,578,000.

22. Reserves

	Share Premium account £000	Revaluation reserve £000	Other reserves £000	Profit & loss account £000
At 31 May 1993	7,378	834	(6,325)	3,170
Arising on issue of shares	19	–	–	–
Restriction 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**	**(6,632)**	**3,200**
Prior year adjustment – merger reserve	–	–	(1,246)	–
At 31 May 1994 (Restated)	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**
Shares issued	1,677	–	–	–
Court approved capital reduction	(9,074)	–	9,074	–
Transfer on realisation	–	(11)	–	11
Loss for the year	–	–	–	(5,125)
At 31 May 1996	**–**	**801**	**1,070**	**(1,919)**

The cancellation of the share premium account was approved by the High Court on 24 May 1996. Other reserves are non-distributable until such time as the conditions of the Court Order have been fulfilled.

Cumulative goodwill previously written off against Group other reserves amounts to £8,323,000 at both 31 May 1995 and 1996.

23. Commitments

(i) Operating lease commitments	Land & buildings 1995 £000	Land & buildings 1996 £000	Other 1995 £000	Other 1996 £000
Annual commitments expiring :				
Within one year	–	**12**	96	**66**
Between two and five years	238	**235**	88	**296**
In more than five years	858	**866**	–	**9**

(ii) Capital commitments	1995 £000	1996 £000
Authorised	154	**131**
Committed	6	**168**

24. Notes to the cash flow statement

(i) Analysis of changes in cash and cash equivalents	1994 £000	1995 £000	1996 £000
Bank balances:			
Balance at beginning of year	–	–	**411**
Net cash inflow/(outflow)	–	411	**(406)**
Balance at end of year	–	411	**5**
Bank overdraft and acceptance credits:			
Balance at beginning of year	(2,178)	(3,008)	**(4,495)**
Net cash (outflow)/inflow	(830)	(1,487)	**2,563**
Balance at end of year	(3,008)	(4,495)	**(1,932)**
Advances under invoice discounting:			
Balance at beginning of year	(1,474)	(1,372)	**(2,033)**
Net cash inflow/(outflow)	102	(661)	**(863)**
Balance at end of year	(1,372)	(2,033)	**(2,896)**
Total net cash inflow (outflow)/inflow	(728)	(1,737)	**1,294**

(ii) Analysis of changes in financing	Share capital 1994 £000	Share capital 1995 £000	Share capital 1996 £000	Finance lease obligations 1994 £000	Finance lease obligations 1995 £000	Finance lease obligations 1996 £000
Balance at beginning of year	10,634	10,659	**10,974**	861	1,195	**957**
Cash flows from financing	25	–	**5,255**	(753)	(619)	**(574)**
Capital reduction	–	–	**(9,074)**	–	–	**–**
Fixed assets refinanced				463		
Finance leases from businesses acquired	–	–	–	–	91	–
Finance leases entered into during the year	–	–	–	624	290	**368**
Shares issued for non-cash consideration	–	315	–	–	–	–
Balance at end of year	10,659	10,974	**7,155**	1,195	957	**751**

24. Notes to the cash flow statement *(continued)*

(iii) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of businesses	1994 £000	1995 £000	**1996 £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	(1,639)	(2,282)	–

(iv) Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	1994 £000	1995 £000	**1996 £000**
Operating (loss)/profit	1,526	312	**(810)**
Depreciation and amortisation	927	1,254	**2,107**
Exceptional items	308	–	**(3,309)**
Profit on sale of fixed assets	(14)	(21)	–
Stocks (increase)/reduction	(266)	(758)	**1,199**
Debtors (increase)/reduction	(1,249)	(1,146)	**692**
Creditors (increase)/(reduction)	1,107	1,926	**(2,044)**
Net cash inflow/(outflow) from operating activities	2,339	1,567	**(2,165)**

25. Pensions

The Group currently 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 profits 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 was carried out as at 1 May 1995, 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 was £4,480,000 and the actuarial value of the assets represented 128% of the benefits accrued to members (allowing for expected future increases in pensionable earnings).

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

	1994 £000	1995 £000	**1996 £000**
Regular cost	264	289	**230**
Variation in cost	(251)	(239)	**(179)**
Pension charge in the accounts	13	50	**51**

Contributions to the scheme are based on triennial actuarial valuations and interim actuarial recommendations, commissioned by the trustees. The last valuation was carried out at 1 May 1994 and the main actuarial assumptions used were that dividends would increase by 5% pa, future investments would earn 9.5% pa and pensionable earnings would increase at 7.5% pa. As a result of the actuarial recommendations, contributions recommenced during the year ended 31 May 1996 and the difference between contributions paid and the pension charge is included in pension prepayments, which amounted to £200,000 at 31 May 1996 (1995: £82,000, 1994: £132,000).

PART 6

INTERIM STATEMENT OF BENSON FOR THE SIX MONTHS ENDED 30 NOVEMBER 1996

The following is the full text of the interim statement of Benson released on 15 January 1997.

CHAIRMAN'S STATEMENT

My first opportunity to address the shareholders of Benson Group arose on the publication of the interim results for the six months ended 30 November 1995, incorporated in the Rights Issue Circular dated 29 March 1996. At that time, your group faced many difficulties and there remained many challenges to overcome on the road to recovery. It is pleasing, therefore, to report ahead of schedule a profit before tax and exceptional items, on continuing operations, of £0.845m for the six months ended 30 November 1996, compared with a loss of £0.559m for the previous period to 30 November 1995.

Turnover from continuing activities was only marginally ahead of last year, but most significantly, continuing activities achieved an operating profit before exceptional items of £1.209m, compared with an operating loss of £0.085m in the corresponding period. Earnings per share on continuing activities amounted to 2.7p, after exceptional items, compared with a loss of 22.1p in the corresponding period.

Although the six months to 30 November 1996 shows a loss after tax of £0.719m, compared with a loss after tax of £3.537m in the corresponding period, the current loss is stated after a loss on the disposal and write-off of goodwill previously provided, on the sale of Joseph Fray and Hytex Duo, amounting to £1.413m.

Dividend

As a result of the encouraging turnaround in Benson Group's performance, your Board has declared an interim dividend of 0.5p per share, which is covered 5.3 times by earnings per share of 2.7p, based on profit on continuing activities, after exceptional items and the results of discontinued activities. The dividend will be paid on 10 March 1997, to shareholders on the register on 31 January 1997.

Divisional performance

Environmental-Turnover rose slightly to £10m from £9.7m in the corresponding period, but operating profits increased to £0.890m from £0.562m a year ago. Realm Products has produced lower profits for the current six months compared with a year ago when it benefited from a number of substantial one-off contracts. West Molesey has continued to operate at high levels of operational performance and achieved excellent results. At Knighton, considerable progress has been made in the stricter control of labour and materials, and the elimination of unprofitable work. There is every prospect of Knighton breaking even in the current year, which following last year's heavy losses, would represent a very satisfactory result.

Metal Pressings-Turnover rose 12% to £7.4m from £6.6m and operating profit increased to £0.538m from £0.091m in the corresponding period. Significant cost reductions are being achieved by the creation of one streamlined company. We are now committed to move to a new site during 1997, from the three existing locations at Wolverhampton, Bushbury and Cradley Heath. This proposed move into modern rented facilities will enable major cost savings to be achieved through tighter operational control, reduced working capital, and the capacity to undertake additional work. Improving quality and customer service is now the prime objective of Euroform Pressings.

Other Activities-Turnover rose marginally to £4.7m from £4.3m, and an operating profit of £0.140m was achieved, compared with a loss of £0.109m a year ago. It is pleasing to report that Stadex made a small operating profit compared with heavy losses in the previous year, although much further operational improvement is required to justify the investment in this business. County York has undertaken a thorough review of its engineering processes, and subject to production continuity of supplier components, has the order levels to achieve acceptable profits in the second half of the year.

Discontinued activities

As previously announced, Joseph Fray and Hytex Duo were sold in November 1996. Following detailed analysis of these businesses, which were peripheral to the group's mainstream operations, it was felt that resources and management time would be better employed in other areas, despite the profit and loss impact of the disposals.

Cash flow and gearing

The operating profit, after exceptional items, of £1.072m, together with depreciation of £0.601m, produced a gross cash inflow from operations of £1.673m. Due to the elimination of creditor pressure following the Rights Issue, and seasonal variations in Benson Environmental, working capital increased by £3.946m, resulting in a cash outflow from operations during the period of £2.273m. Other movements resulted in a net outflow of £0.258m.

Following the appointment of Midland Bank as bankers in September 1996, we took the opportunity to arrange part of our debt on a medium term basis, and also capped our interest rate exposure for the next three years. At the year end we expect that the increased level of gearing of 116% at 30 November 1996 will reduce to a level in the region of that at 31 May 1996, which was 78%.

Year end

After careful review, your Board has decided to change the year end to 31 March, which will avoid the holiday interruptions at interim and full year reporting times, and be less disruptive than 31 May. Accordingly, we shall next be reporting on the ten month results to 31 March 1997.

People

Real success can only be achieved through the efforts of the group's employees, and I am sure that shareholders will join the Board in thanking our employees for their support in helping to action the group turnaround.

Prospects

We shall continue with the programme announced in August 1996 to restore Benson Group to an acceptable level of profitability. Order books are at satisfactory levels to enable further progress to be made in the second half of the year. As promised, we have returned to the dividend list at the earliest opportunity, and we look forward to the establishment of a dividend policy commensurate with improving profitability in the years ahead. In order to achieve this objective, we shall focus Benson Group on those expanding markets where high added value can be earned, and divest activities which do not measure up to our performance standards.

David Rhead

D. M. Rhead
Executive Chairman
15 January 1997

GROUP PROFIT AND LOSS ACCOUNTS

	Continuing operations	Discontinued operations	**6 months ended 30 November 1996 Unaudited**	6 months ended 30 November 1995 Unaudited	Year ended 31 May 1996 Audited
	£000	£000	**£000**	£000	£000
Turnover	22,069	1,793	**23,862**	22,713	44,296
Cost of sales					
Before exceptional items	(18,061)	(1,652)	**(19,713)**	(18,575)	(37,883)
Exceptional items	(15)	–	**(15)**	(2,082)	(2,069)
Gross profit	3,993	141	**4,134**	2,056	4,344
Distribution costs					
Before exceptional items	(1,487)	(72)	**(1,559)**	(1,848)	(3,500)
Exceptional items	(64)	–	**(64)**	–	–
Administrative expenses					
Before exceptional items	(1,312)	(116)	**(1,428)**	(2,375)	(3,723)
Exceptional items	(11)	–	**(11)**	(762)	(1,056)
Operating profit/(loss)					
Before exceptional items	1,209	(47)	**1,162**	(85)	(810)
Exceptional items	(90)	–	**(90)**	(2,844)	(3,125)
	1,119	(47)	**1,072**	(2,929)	(3,935)
Loss on disposal of businesses					
Loss on book value	–	(698)	**(698)**	–	–
Goodwill previously provided	–	(715)	**(715)**	–	–
	–	(1,413)	**(1,413)**	–	–
Profit/(loss) before interest	1,119	(1,460)	**(341)**	(2,929)	(3,935)
Interest payable	(364)	(19)	**(383)**	(474)	(1,006)
Profit/(loss) on ordinary activities before taxation	755	(1,479)	**(724)**	(3,403)	(4,941)
Corporation tax recovered			**5**	–	–
Exceptional taxation charge			–	(134)	(184)
Loss on ordinary activities after taxation			**(719)**	(3,537)	(5,125)
Dividends on equity shares			**(143)**	–	–
Transfer from reserves			**(862)**	(3,537)	(5,125)
Earnings per share:					
Profit/(loss) before exceptional items and losses on disposal of businesses			**2.7p**	(3.9p)	(12.3p)
Profit/(loss) on continuing activities after exceptional items			**2.7p**	(22.1p)	(31.1p)
(Loss) after exceptional items			**(2.5p)**	(24.7p)	(34.7p)

GROUP BALANCE SHEETS

	30 November 1996 Unaudited	30 November 1995 Unaudited	31 May 1996 Audited
	£000	£000	£000
Fixed assets			
Tangible assets	**7,453**	8,610	8,458
Current assets			
Stocks	**4,962**	5,515	4,880
Debtors	**11,881**	10,964	9,217
Cash in hand and at bank	**–**	–	5
	16,843	16,479	14,102
Creditors - amounts falling due within one year:			
Borrowings	**(5,350)**	(9,540)	(5,141)
Other creditors	**(9,231)**	(11,710)	(9,874)
Net current assets/(liabilities)	**2,262**	(4,771)	(913)
Total assets less current liabilities	**9,715**	3,839	7,545
Creditors - amounts falling due after more than one year:			
Borrowings	**(2,755)**	(399)	(438)
Provisions for liabilities and charges	**–**	–	–
	6,960	3,440	7,107
Capital and reserves			
Called up share capital	**7,155**	3,577	7,155
Share premium account	**–**	7,397	–
Revaluation reserve	**801**	812	801
Other reserves	**1,785**	(8,004)	1,070
Profit and loss account	**(2,781)**	(342)	(1,919)
Equity shareholders' funds	**6,960**	3,440	7,107

GROUP CASH FLOW STATEMENTS

	6 months ended 30 November 1996 Unaudited	6 months ended 30 November 1995 Unaudited	Year ended 31 May 1996 Audited
	£000	£000	£000
1 Decrease in cash in period			
Cashflow from operating activities	**(2,273)**	(2,151)	(2,165)
Returns on investment and servicing of finance	**(383)**	(474)	(943)
Taxation	**5**	(88)	(88)
Capital expenditure	**(183)**	(152)	(191)
Disposal of businesses	**535**	–	–
Cash outflow before financing	**(2,299)**	(2,865)	(3,387)
Equity financing	**–**	–	5,255
Medium term loan drawndown	**2,400**	–	–
Finance leases repaid	**(437)**	(131)	(574)
Decrease in cash during period	**(336)**	(2,996)	1,294

	Continuing operations	Discontinued operations	**6 months ended 30 November 1996 Unaudited**	6 months ended 30 November 1995 Unaudited	Year ended 31 May 1996 Audited
	£000	£000	**£000**	£000	£000
2 Reconciliation of operating profit to operating cash flows					
Operating profit/(loss)	1,209	(47)	**1,162**	(85)	(810)
Exceptional items	(90)	–	**(90)**	(2,844)	(3,309)
Depreciation and amortisation	523	78	**601**	1,548	2,107
Stocks	(440)	(75)	**(515)**	564	1,199
Debtors	(3,457)	(35)	**(3,492)**	(1,250)	692
Creditors	(51)	112	**61**	(84)	(2,044)
	(2,306)	33	**(2,273)**	(2,151)	(2,165)

	6 months ended 30 November 1996 Unaudited	6 months ended 30 November 1995 Unaudited	Year ended 31 May 1996 Audited
	£000	£000	£000
3 Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in period	**(336)**	(2,996)	1,294
Medium term loan drawndown	**(2,400)**	–	–
New finance leases	**(307)**	(151)	(368)
Finance lease repayments	**437**	282	574
Transferred on disposal of businesses	**75**	–	–
Movement in net debt	**(2,531)**	(2,865)	1,500
Net debt at start of period	**(5,574)**	(7,074)	(7,074)
Net debt at end of period	**(8,105)**	(9,939)	(5,574)

SEGMENTAL ANALYSIS

	6 months ended 30 November 1996 Unaudited		6 months ended 30 November 1995 Unaudited		Year ended 31 May 1996 Audited	
	Turnover	**Loss before tax**	Turnover	Loss before tax	Turnover	Loss before tax
	£000	**£000**	£000	£000	£000	£000
Environmental Division						
Before exceptional items		**890**		562		85
Exceptional items		**(11)**		(825)		(932)
	10,002	**879**	9,724	(263)	18,590	(847)
Metal Pressings Division						
Before exceptional items		**538**		91		286
Exceptional items		**(10)**		(231)		(175)
	7,366	**528**	6,581	(140)	13,323	111
Other activities						
Before exceptional items		**140**		(109)		(409)
Exceptional items		**(89)**		(880)		(918)
	4,701	**51**	4,250	(989)	8,316	(1,327)
Central costs						
Before exceptional items		**(359)**		(396)		(373)
Exceptional items		**20**		(762)		(962)
	–	**(339)**	–	(1,158)	–	(1,335)
	22,069	**1,119**	20,555	(2,550)	40,229	(3,398)
Discontinued activities	**1,793**	**(47)**	2,158	(379)	4,067	(537)
	23,862	**1,072**	22,713	(2,929)	44,296	(3,935)
Interest payable		**(383)**		(474)		(1,006)
Profit/(loss) before disposals		**689**		(3,403)		(4,941)
Loss on disposals		**(1,413)**		–		–
Loss before tax		**(724)**		(3,403)		(4,941)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	6 months ended 30 November 1996 Unaudited	6 months ended 30 November 1995 Unaudited	Year ended 31 May 1996 Audited
	£000	£000	£000
Loss for the period	**(719)**	(3,537)	(5,125)
Dividends	**(143)**	–	–
Shares issued during the period	**–**	–	5,255
Goodwill previously provided	**715**	–	–
Movements in shareholders' funds	**(147)**	(3,537)	130
Shareholders' funds at beginning of period	**7,107**	6,977	6,977
Shareholders' funds at end of period	**6,960**	3,440	7,107

NOTES TO THE ACCOUNTS

1. 31 May 1996 comparatives

The figures for the year ended 31 May 1996 do not constitute the full statutory accounts for the group. The full accounts, which did not contain a statement under Section 237(2) or (3) of the Companies Act 1985 and on which the auditors gave an unqualified report, have been filed with the Registrar of Companies.

2. Earnings per share

The calculation of earnings per share, before exceptional charges of £90,000 (1995: £2,978,000) and losses on disposal of businesses of £1,413,000, is based on a profit after taxation of £784,000 (1995: losses of £559,000), divided by 28,618,434 (1995: 14,309,217), being the weighted average number of ordinary shares in issue during the period.

The calculation of earnings per share on continuing activities, after exceptional charges of £90,000 (1995: £2,832,000), is based on a profit after taxation of £760,000 (1995: loss of £3,158,000), divided by 28,618,434 (1995: 14,309,217), being the weighted average number of ordinary shares in issue during the period.

The calculation of loss per share, after exceptional charges of £90,000 (1995: £2,978,000) and losses on disposal of businesses of £1,413,000, is based on a loss after taxation of £719,000 (1995: £3,537,000), divided by 28,618,434 (1995: 14,309,217), being the weighted average number of ordinary shares in issue during the period.

3. Posting to shareholders

This interim report will be posted to shareholders on 16 January 1997.

PART 7

PRO FORMA STATEMENT OF COMBINED NET ASSETS

Set out below is a pro forma statement of the combined net assets of the Enlarged Group following the Acquisition, the Disposal and the Placing and Open Offer and is prepared on the basis of the notes set out below. This pro forma is provided for illustrative purposes only and because of its nature cannot give a complete picture of the financial position of the Enlarged Group.

	Group 31/5/96 £000	Combat 31/8/96 £000	Joseph Fray 31/5/96 £000	Hytex Duo 31/5/96 £000	Realm 31/5/96 £000	Adjust-ments £000	Pro forma £000
Fixed assets							
Intangible assets	–	131	–	–	–	–	131
Tangible assets	8,458	367	(550)	(386)	(341)	–	7,548
	8,458	498	(550)	(386)	(341)	–	7,679
Current assets							
Stocks	4,880	855	(239)	(121)	(456)	–	4,919
Debtors	9,217	1,293	(737)	(230)	(1,030)	75	8,588
Cash at bank and in hand	5	15	(400)	–	–	380	–
	14,102	2,163	(1,376)	(351)	(1,486)	455	13,507
Creditors (amounts falling due within one year)							
– borrowings	(4,828)	(80)	423	118	440	475	(3,452)
– other	(10,187)	(1,077)	768	206	651	–	(9,639)
Net current (liabilities)/assets	(913)	1,006	(185)	(27)	(395)	930	416
Total assets less current liabilities	7,545	1,504	(735)	(413)	(736)	930	8,095
Creditors (amounts falling due after more than one year) – borrowings	(438)	(637)	78	10	6	(1,320)	(2,301)
Provisions for liabilities and charges	–	(30)	–	–	–	–	(30)
	7,107	837	(657)	(403)	(730)	(390)	5,764

Notes:

1. The net assets of the Group are extracted from the audited consolidated balance sheet as at 31 May 1996 set out in Part 5.
2. The net assets of Combat are extracted from the audited balance sheet as at 31 August 1996 set out in the accountants' report set out in Part 3.
3. The net assets of Joseph Fray and Hytex Duo, which were disposed of on 29 November 1996, are extracted from the respective company balance sheets as at 31 May 1996 set out in their audited statutory accounts.
4. The net assets of Realm are extracted from the balance sheet as at 31 May 1996 set out in Part 4.
5. Adjustments have been made to reflect:
   (i) the payment of the cash consideration payable on completion of the Acquisition of £0.18 million, the issue of loan notes of £1.10 million and the consideration of £0.22 million to acquire the Option Shares;
   (ii) the receipt of the cash consideration on completion of the Disposal of £0.75 million and deferred consideration of £0.075 million;
   (iii) the Company's estimated expenses of £360,000 (exclusive of VAT) relating to the Acquisition, the Placing and Open Offer and the Disposal;
   (iv) the payment of a dividend of £0.65 million prior to disposal.
6. The adjustment of £380,000 to cash at bank and in hand has been allocated as follows:

	£000
Cash consideration on acquisition	(183)
Cash consideration on disposal	750
Expenses	(360)
Dividend	648
Overdraft set-off	(475)
	380

7. No account has been taken of the trading results of the Group since 31 May 1996 or of Combat since 31 August 1996 or of Realm, Joseph Fray and Hytex Duo since 31 May 1996 nor of any other event save as disclosed above.
8. There are no significant differences between the accounting policies of the Group and of Combat.

PART 8

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors (whose names are set out in paragraph 2(b) below) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and the Directors

(a) The Company is the holding company for a group of companies involved principally in the supply of air temperature control equipment and latex foam products, together with a range of components for the automotive and domestic appliance industries.

(b) The Directors and their respective functions are as follows:-

David Michael Rhead	*Executive Chairman*
Nigel Frederick Luckett	*Executive Deputy Chairman*
James Joseph Owens	*Finance Director*
Bryan William Baker	*Non-executive Director*
Graham Roche Mackenzie	*Non-executive Director*

The business address of all the Directors is the registered office of the Company at Bradfield House, Pope's Lane, Oldbury, West Midlands B69 4QT.

3. Share Capital

(a) The following table shows the authorised and issued share capital of the Company as at 24 March 1997 (being the latest practicable date prior to the publication of this document) and as it is expected to be following the Acquisition and the Placing and Open Offer:

	Present		Proposed	
Authorised	*Number*	*£*	*Number*	*£*
Ordinary Shares	38,000,000	9,500,000	47,000,000	11,750,000
Issued and fully paid				
Ordinary Shares	28,618,434	7,154,609	34,342,120	8,585,530

(b) On 25 March 1994 the issued share capital of the Company consisted of 130,472,169 ordinary shares of 2.5p each. Since that date the following changes to the issued share capital of the Company have taken place:-

(i) On 30 December 1994 12,620,000 ordinary shares of 2.5p each were issued at a price of 8.5p each as part of the consideration in respect of the acquisition of the entire issued share capital of Designstart Limited.

(ii) On 28 March 1996 one ordinary share of 2.5p was issued at a price of 6p.

(iii) On 22 April 1996 every 10 ordinary shares of 2.5p each in the capital of the Company were consolidated into one Ordinary Share.

(iv) On 13 May 1996 14,309,217 Ordinary Shares were issued at a price of 40p each pursuant to a rights issue.

(c) The provisions of Section 89 (1) of the Act (to the extent not disapplied pursuant to Section 95 of the Act) confer on shareholders rights of pre-emption in respect of the allotment of equity securities (within the meaning of Section 94 of the Act) which are to be paid up in cash.

(d) By a special resolution passed on 22 April 1996, the Directors were generally and unconditionally authorised to allot and to make offers or agreements to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £5,922,695 for a period expiring five years from that date.

(e) By a special resolution passed on 10 September 1996, the Directors were empowered to allot equity securities (within the meaning of Section 94 of the Act) as if Section 89(1) of the Act did not apply to the allotment. This power is limited to the allotment of equity securities:-

(i) in connection with an offer (whether by way of rights issue, open offer or otherwise) to the holders of Ordinary Shares 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 £357,730;

and will (unless renewed) expire on 10 December 1997 or (if earlier) at the conclusion of the annual general meeting of the Company in 1997.

(f) On the passing of resolution 1 to be proposed at the EGM:-

(i) the authorised share capital of the Company will be increased from £9,500,000 to £11,750,000 by the creation of 9,000,000 new Ordinary Shares (being a 23.7 per cent. increase in the current authorised share capital);

(ii) the Directors will be generally and unconditionally authorised to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £4,595,391.50 (being equal to 64.2 per cent. of the issued ordinary share capital as at 24 March 1997) for a period of five years from the date on which the resolution is passed; and

(iii) the Directors will be empowered to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority referred to in (ii) above as if Section 89(1) of the Act did not apply to the allotment, provided that this power will be limited to:-

(i) the allotment of 395,806 ordinary shares of 25p each in connection with the Placing and Open Offer (as defined in the circular to shareholders dated 25 March 1997 containing the notice of this meeting);

(ii) the allotment of equity securities in connection with any other offer (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to any 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 or the requirements of any regulatory body or stock exchange in any territory; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £429,276.50 (representing approximately 5 per cent. of the enlarged issued share capital following the Acquisition and the Placing and Open Offer) and will expire 15 months after the passing of the resolution or (if earlier) at the conclusion of the 1997 annual general meeting.

(g) Following the Placing and Open Offer (assuming no Ordinary Shares have been issued since 24 March 1997 (being the latest practicable date prior to the publication of this document) on the exercise of options granted under the Share Option Schemes) 12,657,880 Ordinary Shares will remain authorised but unissued, of which 1,202,399 will be reserved for issue on the exercise of existing outstanding options granted under the Share Option Schemes. The Directors will have authority to allot 18,381,566 Ordinary Shares, representing approximately 53.5 per cent. of the enlarged issued ordinary share capital of the Company, pursuant to the authority referred to in (f)(ii) above.

(h) The issue premium per Offer Share at the Offer Price of 48p is 23p.

(i) The following options granted under the Share Option Schemes to subscribe for a total of 1,202,399 Ordinary Shares were outstanding in favour of employees or former employees of the Group at 24 March 1997 (being the latest practicable date prior to publication of this document):-

(i) The Benson Executive Share Option Scheme

Date of grant	*Exercise period*	*No. of Ordinary Shares under option*	*Exercise price (p per share)*
27.2.87	20.2.90 -19.2.97	7,219	229.0
31.5.89	31.5.92 - 30.5.99	8,663	232.0
18.5.90	18.5.93 - 17.5.2000	6,427	93.0
27.5.93	27.5.96 - 26.5.2003	5,000	170.0
3.10.95	3.10.98 - 2.10.2005	36,000	42.5

Options granted under the terms of the scheme are normally only exercisable after three years and before ten years from the date of grant. Options under this scheme were granted for a consideration of £1.

(ii) The Benson Group 1987 Sharesave Scheme

Date of grant	*Exercise period*	*No. of Ordinary Shares under option*	*Exercise price (p per share)*
16.9.92	16.9.97 - 15.3.98	24,150	150.0
16.9.92	16.9.99 - 15.3.2000	5,940	150.0

Options granted under the scheme are normally exercisable in accordance with the individual savings contract within six months from completion of the five or seven years savings contract.

(iii) The Benson Group 1996 Approved Share Option Scheme

Date of grant	*Exercise period*	*No. of Ordinary Shares under option*	*Exercise price (p per share)*
14.5.96	14.5.99 - 13.5.2006	559,365	48.0
9.8.96	9.8.99 - 8.8.2006	150,000	48.0

Options granted under the terms of the 1996 Approved Share Option Scheme are normally only exercisable after three years and before ten years from the date of grant. The exercise of options is subject to the satisfaction of performance related conditions.

(iv) The Benson Group 1996 Unapproved Share Option Scheme

Date of grant	*Exercise period*	*No. of Ordinary Shares under option*	*Exercise price (p per share)*
14.5.96	14.5.99 - 13.5.2003	359,635	48.0
9.8.96	9.8.99 - 8.8.2006	40,000	48.0

Options granted under the terms of the 1996 Approved Share Option Scheme are normally only exercisable after three years and before seven years from the date of grant. The exercise of options is subject to the satisfaction of performance related conditions.

(i) Under the provisions of The Benson Group 1996 Approved Share Option Scheme and The Benson Group 1996 Unapproved Share Option Scheme, the number of Ordinary Shares subject to options and the exercise price may at the discretion of the Directors be adjusted to take account of the Placing and Open Offer, such adjustments to be confirmed by the auditors of the Company as fair and reasonable, and, in the case of The Benson Group 1996 Approved Share Option Scheme, approved by the Inland Revenue.

(j) Save as disclosed in this paragraph 3:-

(i) during the three years immediately preceding the date of this document, there has been no change in the amount of the issued share capital of the Company and no material change in the share capital of any company which was at that time a subsidiary of the Company (other than intra-group issues by wholly owned subsidiaries, *pro rata* issues by partly-owned subsidiaries and changes in the capital structure of subsidiaries which remained wholly-owned throughout that period);

(ii) during the three years immediately preceding the date of this document, no discounts or other special terms have been granted by the Company or any subsidiary of the Company in connection with the issue or sale of any share capital of the Company; and

(iii) no share capital of the Company is under option or is agreed, conditionally or unconditionally, to be put under option.

4. Directors' and Other Interests

(a) The interests of the Directors and their immediate families (all of which are beneficial) in the share capital of the Company which have been notified by each Director to the Company pursuant to Sections 324 or 328 of the Act or which are required pursuant to Section 325 of the Act to be entered into the register kept in accordance with that section, or which are interests of a person connected with a Director (within the meaning of Section 346 of the Act) which would be required to be disclosed if the connected person was a director and the existence of which is known or could with reasonable due diligence be ascertained by that Director, were as at 24 March 1997 (being the latest practicable date prior to the publication of this document) and are expected following the Placing and Open Offer to be as follows:-

	Present			*Immediately following the Placing and Open Offer*		
	Number of Ordinary Shares	*Percentage of issued Ordinary Shares*	*Number of Ordinary Shares under option*	*Number of Ordinary Shares*	*Percentage of issued Ordinary Shares*	*Number of Ordinary shares under option*
D M Rhead	200,000	0.70	200,000	240,000	0.70	200,000
N F Luckett	200,000	0.70	200,000	200,000	0.58	200,000
J J Owens	40,000	0.14	60,000	48,000	0.14	60,000
B W Baker	62,500	0.22	–	62,500	0.18	–
G R Mackenzie	25,000	0.09	–	30,000	0.09	–

Save as disclosed above, none of the Directors of the Company, nor any person connected with a Director (within the meaning of Section 346 of the Act), has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

(b) The aggregate of the remuneration paid and benefits in kind granted to the Directors by the Group in the financial year ended 31 May 1996 amounted to £471,000 of which £351,000 related to former directors of the Company. The Directors estimate that the emoluments payable to the Directors under the arrangements in force at the date of this document for the current ten month financial period will amount to approximately £240,000. The total amount of the Directors' emoluments will not be varied in consequence of the Acquisition.

(c) There are no existing or proposed service agreements between any Director and any member of the Group other than the agreements made available for inspection at the annual general meeting of the Company on 10 September 1996, which have not subsequently been varied.

(d) No Director had or has any interest in any subsisting contract or arrangement entered into by any member of the Group which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by any member of the Group during the current or immediately preceding financial year or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

(f) There are no outstanding loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

(g) As at 24 March 1997 (being the latest practicable date prior to publication of this document), the Directors were not aware of any notifiable interests in three per cent. or more of the issued share capital of the Company other than those set out below:-

	Number of Ordinary Shares	*Percentage of issued Ordinary Shares*
Pilot Investment Trust plc	2,526,000	8.83
Baring Trust Company Limited	1,794,504	6.27
British Gas Staff Pension Scheme	1,386,000	4.84
S G Warburg & Co Ltd	1,250,000	4.37
Guinness Flight UK Smaller Companies Trust	1,144,000	4.00
Royal London Asset Management Limited	1,092,100	3.82
Royal Exchange Trust Company Limited	940,000	3.28

The Company is not aware of the intentions of the shareholders listed above in relation to the Open Offer.

(h) The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

5. Share Option Schemes

Set out below is a summary of the main provisions of the Share Option Schemes. The Share Option Schemes comprise The Benson Group 1987 Sharesave Scheme ("the SAYE Scheme"), The Benson Executive Share Option Scheme ("the 1990 Scheme"), The Benson Group 1996 Approved Share Option Scheme ("the Approved Scheme") and The Benson Group 1996 Unapproved Share Option Scheme ("the Unapproved Scheme"), which were approved by the Company in general meeting on 10 November 1987, 29 November 1990 and 22 April 1996 respectively. The SAYE Scheme and the 1990 Scheme are administered by the Directors, whilst the Approved and Unapproved Schemes are administered by the remuneration committee of the Directors ("the Committee").

(a) The Benson Group 1987 Sharesave Scheme
The SAYE Scheme provides for the grant of options to subscribe for shares to qualifying employees of the Company and of any participating subsidiary ("participating companies").

(i) *Eligibility*
Options may only be granted to any person who is an employee of a participating company, is required to devote not less than 16 hours a week on average to the performance of his or her duties and who has been so employed for such qualifying period (not exceeding five years less 38 days) as the Directors may determine from time to time ("eligible employees").

(ii) *Grant of Options*
Invitations to apply for options under the SAYE Scheme may be issued within the period of 21 days following the announcement of the Company's annual or half-year results or a change in legislation relating to such schemes. No option may be granted after 6 November 1997. Options are non-transferable and no consideration is payable on the grant of an option. Benefits under the SAYE Scheme are not pensionable.

(iii) *Savings Contracts*
Any eligible employee who applies for an option must enter into an Inland Revenue approved "save-as-you-earn" contract ("the Savings Contract") with a savings body which operates an SAYE contractual savings scheme (certain banks and building societies) and which has been approved by the Directors. Under the Savings Contract the eligible employee agrees to make 60 monthly savings contributions of a fixed amount of not less than (currently) £10 or more than (currently) £150. After making such contributions the eligible employee may apply for repayment of his or her savings contributions, in addition to which he or she will receive a tax-free bonus of an amount equal to (currently) nine (for a five year option) monthly savings contributions. Alternatively, and if permitted by the Directors, the eligible employee may elect when applying for a five year option not to apply for the repayment of his or her savings contributions until after seven years when he or she will receive a total tax-free bonus of an amount equal to (currently) 18 monthly savings contributions. The eligible employee may then apply the proceeds of the Savings Contract in exercising his or her option.

(iv) *The Exercise Price*

The exercise price of an option is determined by the Directors but cannot be less than the higher of:-

(1) 90 per cent. of the average of the middle-market quotations of an ordinary share for the three business days immediately preceding the date of issue of invitations as derived from the London Stock Exchange Daily Official List; and

(2) the nominal value of an ordinary share.

(v) *Exercise of Options*

Options may only be exercised once and normally only during the period of six months after the date on which the optionholder first becomes entitled to repayment of his or her savings contributions plus bonus, ie at the end of five or seven years as appropriate ("the Bonus Date").

If an optionholder ceases to be employed by any participating company before his or her option has been exercised or has lapsed, that option will normally lapse immediately.

However, if:-

(1) the optionholder leaves by reason of injury, disability, redundancy or retirement on reaching pensionable age or his or her contractual retirement age; or

(2) the company or business in which he or she works leaves the Group; or

(3) the optionholder retires with the consent of the Directors more than three years after the relevant date of grant but before the ages referred to in (1) above

then the option may be exercised within the period of six months thereafter, and if it is not then exercised it will lapse. If an optionholder leaves employment for any reason after three years the option may be exercised within the period of six months thereafter.

If an optionholder dies before the Bonus Date, his or her personal representatives may exercise the option during the period of 12 months after the date of death or, if the optionholder dies during the period of six months after the Bonus Date, during the period of 12 months after the Bonus Date.

(vi) *Limit on the Grant of Options*

The shares over which options to subscribe for shares may be granted under the SAYE Scheme and any other employees' share scheme in any period of ten years (leaving out of account options which have lapsed) may not exceed 10% of the ordinary share capital of the Company in issue on that day. The number of shares over which rights to subscribe may be granted on any day when added to shares over which options have been granted under the Company's other employee share schemes (and which, if not exercised, have not lapsed) in any period of three years ending on that day may not exceed 3% of the ordinary share capital of the Company in issue on that day.

(vii) *Reconstruction, Winding-up and Takeover of the Company*

Early exercise of options within specified periods is permitted in the event of a reconstruction or takeover of the Company or notice being given to shareholders of a resolution for the voluntary winding-up of the Company. If the Company is the subject of a successful takeover bid optionholders may, with the consent of the acquiring company, exchange their unexercised options for corresponding rights to acquire shares in the new holding company instead of exercising their options early.

(viii) *Rights Attaching to Shares*

Shares issued upon the exercise of options granted under the SAYE Scheme will rank equally in all respects with all other ordinary shares of the Company for the time being in issue (save as regards any rights attaching to ordinary shares by reference to a record date prior to the allotment of such shares) and application to the London Stock Exchange will be made for those shares to be admitted to the Official List.

(ix) *Variation of Share Capital*

In the event of any alteration of the issued ordinary share capital of the Company by way of a capitalisation or rights issue, sub-division, consolidation or reduction of capital, the Directors may make such adjustment as they consider appropriate to the total number of ordinary shares subject to any option, and/or the exercise price of any option.

However:-

(1) no such adjustment may be made without prior approval of the Inland Revenue;

(2) except in the case of a capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable;

(3) the exercise price per ordinary share payable upon the exercise of any option may not be reduced below the nominal value of a share.

(x) *Alteration of the SAYE Scheme*

The Directors may alter or add to the SAYE Scheme but may not make any alteration or addition to the advantage of optionholders to specific rules in the SAYE Scheme relating to eligibility, limits, exercise and rights attaching to the shares without the prior approval of shareholders in general meeting except for amendments which are necessary to comply with or take account of any requirements of any statutory or regulatory provisions or which are necessary to maintain Inland Revenue approval of the SAYE Scheme. No amendment to the SAYE Scheme will take effect without the prior approval of the Inland Revenue.

(b) The Benson Group Executive Share Option Scheme

The 1990 Scheme provided for the grant of options to subscribe for shares. No further options may be granted under the 1990 Scheme.

(i) *Eligibility*

Options could only be granted to full-time directors and employees of the Company and any subsidiary. The Directors had a discretion as to the selection of executives to whom options could be granted.

(ii) *Grant of Options*

Invitations to apply for options could be issued at any time after shareholders approved the 1990 Scheme. The consideration for the grant was £1. No option could be granted after 31 May 1996. Options are not transferable. Benefits under the 1990 Scheme are not pensionable.

(iii) *The Exercise Price*

The price per share at which shares may be acquired upon the exercise of an option was not less than the higher of:-

(1) the middle market quotation of an ordinary share for the day on which the option was granted as derived from the London Stock Exchange Daily Official List; and

(2) the nominal value of an ordinary share.

(iv) *Exercise of Options*

An option is exercisable normally only after the third anniversary of the date of grant and cannot in any event be exercised later than the tenth anniversary of the date of grant.

If the optionholder leaves the Group by reason of injury, disability, sickness or redundancy the option may be exercised within the period of six months thereafter and if not then exercised will lapse. If an optionholder retires his or her option may be exercised within 18 months thereafter. If an optionholder then dies his or her option may be exercised by his or her personal representatives within 12 months thereafter. If an optionholder leaves the Group for any other reason then the option may only be exercised with the approval of the Directors.

(v) *Winding-up and Takeover of the Company*
Early exercise of options within specified periods is permitted in the event of a change of control of the Company in consequence of a general offer to shareholders. In the event of notice being given to shareholders of a resolution for the voluntary winding-up of the Company, options may be exercised within the period of 28 days of the date of the resolution. Otherwise all unexercised options will lapse upon the commencement of a winding-up.

(vi) *Rights Attaching to Shares*
Shares issued upon the exercise of options will rank equally in all respects with all other ordinary shares of the Company for the time being in issue (save as regards any rights attaching to ordinary shares by reference to a record date prior to the exercise of such option) and application to the London Stock Exchange will be made for those shares to be admitted to the Official List.

(vii) *Limit on the Issue of ordinary shares under the 1990 Scheme*
The number of shares over which rights to subscribe may be granted on any day under the 1990 Scheme (and which, if not exercised, have not lapsed) in any period of ten years ending on that day may not exceed 5% of the ordinary share capital of the Company in issue on that day.

The aggregate market value (as at the date(s) of grant) of ordinary shares over which unexercised options may be held by any individual on any day under the 1990 Scheme and any other Company executive share option schemes could not have exceeded four times his or her annual emoluments (excluding benefits-in-kind) from companies within the Group.

(viii) *Variation of Share Capital*
In the event of any alteration of the issued ordinary share capital of the Company by way of a capitalisation or rights issue, sub-division, consolidation or reduction of the ordinary share capital of the Company, the Directors may make such adjustment as they consider appropriate to the total number of ordinary shares subject to any option, and/or the exercise price payable upon the exercise of any option. However:-

(1) no such adjustment to options may be made without the prior approval of the Inland Revenue;

(2) any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable.

(ix) *Alteration of the 1990 Scheme*
The Directors may alter or add to the 1990 Scheme to comply with or take account of any change in legislation or statutory regulations or any other requirements of the Inland Revenue or the London Stock Exchange or to obtain or maintain favourable tax treatment for the Company or participants in the Scheme but may not make any alteration or addition to the rules regarding eligibility, limits, the exercise periods or the rights attaching to the shares without the prior approval of shareholders in general meeting. Any amendment to the 1990 Scheme will not take effect until the Inland Revenue have confirmed that it will not affect the approved status of that scheme.

(c) The Approved Scheme and the Unapproved Scheme ("the 1996 Schemes")
The 1996 Schemes provide for the grant of options to acquire shares by purchase and, subject to limitations set out in paragraph (viii) below, by subscription to eligible employees in the Company and any subsidiary. Benefits under the 1996 Schemes are not pensionable.

(i) Eligibility
Options may only be granted to full-time directors and employees of the Company and any subsidiary. The Committee has a discretion as to the selection of executives to whom options may be granted.

(ii) *Grant of Options*

Options may only be granted within the period of 42 days following the announcement of the Company's annual or half-yearly results, or within the period of 14 days after a new employee first joins the Group. No option may be granted on or after 22 April 2006. Options may not be granted to any executive who is within two years of the date on which he or she is due to retire under the terms of his or her contract of employment. Options are not transferable.

(iii) *Exercise Price*

The price per share at which shares may be acquired upon the exercise of an option shall be determined by the Committee at the time of grant but shall be not less than the higher of:-

(1) the average of the middle market quotations of a share for the three dealing days immediately preceding the date of grant as derived from the London Stock Exchange Daily Official List; and

(2) in the case of options to subscribe for shares, the nominal value of a share.

(iv) *Exercise of Options*

An option is exercisable normally only after the third anniversary of the date of grant (or such later time as the Committee may determine at the time of grant) and cannot in any event be exercised later than the seventh (or, in the case of options granted under the Approved Scheme, the tenth) anniversary of the date of grant.

Except in the event of a takeover, demerger, reconstruction, or winding-up of the Company, an option may not be exercised on any occasion unless the performance-related condition to which it is subject is then satisfied.

If, after the performance target has been met, the optionholder leaves the Group by reason of injury, disability, redundancy, retirement on reaching his or her contractual retirement age, or the company or business in which he or she works leaving the Group, the option may be exercised within the period of six months thereafter and if not then exercised will lapse. If an optionholder dies, his or her option may be exercised by his or her personal representatives within 12 months thereafter but if death occurs before the performance target is met, an option may only be so exercised if the Committee is of the opinion that the target is likely to be met and then only in relation to a proportion of the period over which performance is measured as falls before the date of death. If an optionholder leaves the Group for any other reason then the option may only be exercised with the approval of the Committee and within the period of six months thereafter or such shorter period as the Committee may allow.

(v) *Reconstruction, winding-up and takeover of the Company*

Early exercise of options within specified periods is permitted in the event of a demerger (with the consent of the Committee), reconstruction or change of control of the Company in consequence of a general offer to shareholders. In the event of notice being given to shareholders of a resolution for the voluntary winding-up of the Company, options may be exercised within the period of six months beginning with the passing of the resolution to wind-up the Company. Otherwise, all unexercised options will lapse upon the commencement of a winding-up.

(vi) *Rights attaching to shares*

Shares issued upon the exercise of options will rank equally in all respects with all other ordinary shares of the Company for the time being in issue (save as regards any rights attaching to ordinary shares by reference to a record date prior to the allotment or transfer of such shares) and application to the London Stock Exchange will be made for those shares to be admitted to the Official List.

(vii) *Performance-related conditions of exercise*

The exercise of an option will normally be conditional upon the attainment of a performance-related condition. The performance-related condition of exercise to be imposed will be determined by the Committee at the time of grant. The Committee may from time to time vary any such performance-related conditions as they apply to outstanding options if, in their opinion, to do so would more effectively achieve the objective of affording realistic incentives to optionholders.

(viii) Limit on the issue of ordinary shares under the 1996 Schemes

The number of ordinary shares over which rights to subscribe may be granted on any day under the 1996 Schemes when added to ordinary shares over which options have been granted under other Company executive share option schemes (and which, if not exercised, have not lapsed) in any period of ten years ending on that day, may not exceed five per cent. of the ordinary share capital of the Company in issue on that day.

The number of ordinary shares over which rights to subscribe may be granted on any day under the Share Option Schemes, when added to ordinary shares which have been issued or over which rights to subscribe have been granted (and have neither been exercised nor lapsed) in the period of ten years ending on that day under any other Company employees' share scheme, may not exceed ten per cent. of the ordinary share capital of the Company in issue on that day.

Save as mentioned in the paragraph below, the aggregate market value (as at the date(s) of grant) of ordinary shares over which unexercised options may be held by any individual on any day under the 1996 Schemes and other Company executive share schemes may not exceed four times his or her annual emoluments (excluding benefits-in-kind) from companies within the Group.

Under the Approved Scheme the aggregate market value of shares (as at the date(s) of grant) over which unexercised options may be held under the Approved Scheme (and any other Inland Revenue-approved executive share option scheme) by an individual at any time will be limited to £30,000 (leaving out of account shares in respect of which options were granted on or after 17 July 1995 but before 26 April 1996).

(ix) Variation of Share Capital

In the event of any alteration of the issued ordinary share capital of the Company by way of a capitalisation or rights issue, sub-division, consolidation or reduction or any other variation in the ordinary share capital of the Company, the Committee may make such adjustment as they consider appropriate to the total number of ordinary shares subject to any option, and/or the exercise price payable upon the exercise of any option. However:-

(i) no such adjustment to options granted under the Approved Scheme may be made without the prior approval of the Inland Revenue;

(ii) except in the case of a capitalisation issue, any such adjustment must be confirmed in writing by the auditors of the Company to be in their opinion fair and reasonable;

(iii) the exercise price per ordinary share payable upon the exercise of any option to subscribe for ordinary shares may not be reduced below the nominal value of a share.

(x) Alteration of the 1996 Schemes

The Directors may alter or add to the 1996 Schemes but may not make any alteration or addition to the advantage of present or future optionholders without the prior approval of shareholders in general meeting except for minor amendments for the purposes of administration of the 1996 Schemes or to take account of any change in legislation or which are necessary or appropriate to obtain or maintain favourable tax or regulatory treatment for participants in the 1996 Schemes, the Company or any company within the Group. Any amendment to the Approved Scheme will not take effect until the Inland Revenue has confirmed that it will not affect the approved status of that scheme.

6. Memorandum and Articles of Association

(a) The objects of the Company are set out in clause 4 of its memorandum of association. Its principal objects are to act as a general commercial company and to carry on any trade or business and to do all things incidental or conducive thereto.

(b) The articles of association of the Company contain provisions, *inter alia,* to the following effect:-

(i) **Voting rights**
Subject to disenfranchisement as provided in (iv) below and subject to any special terms as to voting on which any shares may be issued (no such shares currently being in issue), on a show of hands every member present in person (or, being a corporation, present by a duly authorised representative) shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share of which he is the holder.

(ii) **Transfer of shares**
The Ordinary Shares are in registered form. All transfers of shares must be effected by a transfer in writing in any usual form or any other form approved by the Directors or without a written transfer pursuant to the CREST Regulations. The Directors may only refuse to register a transfer of a share held in uncertificated form in the circumstances provided by the CREST Regulations. The instrument of transfer of a share held in certificated form shall be executed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The Directors may refuse to register any transfer of a partly paid share held in certificated form and may also refuse to register any instrument of transfer of a share held in certificated form unless:

(1) it is duly stamped (if so required), is lodged with the Company's registrars or at such other place as the Directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(2) it is in respect of only one class of shares; and

(3) the transferees do not exceed four in number.

The restriction over partly paid shares is not so as to prevent dealings taking place on an open and proper basis.

(iii) **Dividends**
The Company in general meeting may declare dividends in accordance with the respective rights of the members, provided that no dividend shall be payable in excess of the amount recommended by the Directors. The Directors may pay such interim dividends as appear to them to be justified. No dividend or other moneys payable in respect of a share shall bear interest as against the Company. There are no fixed dates on which entitlement to dividends arises.

All dividends unclaimed for a period of twelve years after becoming due for payment shall be forfeited and shall revert to the Company.

(iv) **Disclosure of interests in shares**
If any member or other person appearing to be interested in shares of the Company is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the Company in writing all or any such information as is referred to in Section 212 of the Act, the Directors may, for such period as the default shall continue, impose sanctions upon the relevant shares.

The sanctions available are the suspension of voting or other rights conferred by membership in relation to meetings of the Company in respect of the relevant shares and, additionally, in the case of a shareholding representing at least 0.25 per cent. by nominal value of any class of shares of the Company then in issue, the withholding of payment of any dividends on, and the restriction of transfers of, the relevant shares.

(v) **Distribution of assets on liquidation**
On a winding-up any surplus assets will be divided amongst the holders of the Ordinary Shares according to the respective numbers of shares held by them and in accordance with the provisions of the Act, subject to the rights of any shares which may be issued with special rights or privileges (no such shares presently being in issue). The Articles provide that the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide amongst the members *in specie* the whole or any part of the assets of the Company in such manner as he may determine.

(vi) **Changes in share capital**

(1) Without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, in the absence of such determination, as the Directors may determine. Subject to the Act, the Company may issue shares which are, or at the option of the Company or the holder are liable, to be redeemed.

(2) The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amount, subdivide its shares or any of them into shares of smaller amount or cancel or reduce the nominal value of any shares which have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amounts so cancelled or the amount of the reduction.

(3) Subject to the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, and may also, subject to the Act, purchase its own shares.

(vii) **Variation of rights**

Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of that class) be varied or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of such holders.

7. Litigation

(a) Neither the Company nor any of its subsidiaries is, or has been, involved in any legal or arbitration proceedings which may have, or have had, during the twelve months preceding the date of this document a significant effect on the financial position of the Group, nor, so far as the Directors are aware, are any such proceedings pending or threatened.

(b) Combat is not, and has not been, involved in any legal or arbitration proceedings which may have, or have had, during the twelve months preceding the date of this document a significant effect on the financial position of Combat and, so far as the Directors are aware, no such proceedings are pending or threatened.

8. Indebtedness

(a) The table below sets out the outstanding indebtedness of the Enlarged Group (and Realm) as at the close of business on 7 March 1997:-

	Enlarged Group	*Realm*	*Total*
	£000	*£000*	*£000*
Secured bank overdrafts and loans	4,152	97	4,249
Secured invoice discounting	3,862	–	3,862
Hire purchase, finance lease obligations and chattel mortgages	558	39	597
	8,572	136	8,708

(b) Save as disclosed above and except for intra-group indebtedness and intra-group guarantees, at the close of business on 7 March 1997 the Enlarged Group (and Realm) had no outstanding loan capital (including loan capital created but unissued), term loans or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other material contingent liabilities.

9. Working Capital

The Company is of the opinion that, having regard to existing bank and other facilities and after taking into account the net proceeds of the Placing and Open Offer, the Enlarged Group has sufficient working capital for its present requirements.

10. Material Contracts

(a) The following contracts (not being in the ordinary course of business) entered into by members of the Group in the two years immediately preceding the date of this document are or may be material, in addition to those material contracts detailed in paragraph 10 of Part VI of the prospectus issued by the Company on 29 March 1996:-

(i) an agreement dated 29 November 1996 between (1) the Company and (2) Harris Watson Trading Limited by which the Company agreed to sell to Harris Watson Trading Limited the whole of the issued share capital of Joseph Fray and Hytex Duo for a consideration of £1 together with further consideration by reference to the utilisation by those companies of tax losses arising on or before 31 May 1996. In addition the Company agreed to defer payment to it of a total of £100,000 due from Joseph Fray and Hytex Duo until the end of the Company's then current accounting reference period;

(ii) the Combat Agreement, dated 25 March 1997 between (1) J H Reeves and others (2) A J Moore (3) J W Hathaway and (4) the Company by which the Vendors (other than J H Reeves in respect of the Option Shares) have agreed to sell and the Company has agreed to purchase the whole of the issued share capital of Combat other than the Option Shares for a consideration of £4.03 million, to be satisfied by the allotment of the New Ordinary Shares, the issue by the Company of £1.10 million of loan notes and the payment of £0.18 million in cash from the Company's own resources (£164,000 of which will be applied in the repayment of a shareholder loan). The loan notes will be guaranteed by Midland Bank plc and bear interest at a rate of one per cent. below LIBOR. The New Ordinary Shares will be offered to Qualifying Shareholders pursuant to the Open Offer at the Offer Price to raise £2.75 million for payment to the Vendors. Completion accounts will be prepared following completion of the Agreement. In the event that such accounts show a net asset value of less than £1.391 million the Vendors shall repay a sum equal to the shortfall to the Company, such repayment not to exceed the aggregate consideration received by the Vendors.

The Combat Agreement also contains cross-options by which Benson can acquire, or be required to acquire, the Option Shares for a consideration of, in the case of Benson opting to acquire, £205,886 and in the case of Benson being required to acquire £220,866, in both cases payable in cash. The cross-options are exercisable by Mr Reeves from 22 May 1998 to 28 August 1998 and by the Company from 1 October 1998 to 31 December 1998.

The Combat Agreement is conditional on, *inter alia,* the passing of resolution 1 set out in the notice of the EGM at the end of this document and the Placing Agreement becoming unconditional in all respects other than any conditions which would be satisfied on completion of the Acquisition taking place.

The Vendors have given certain warranties and indemnities under the Combat Agreement.

On completion of the Combat Agreement, each of Messrs A J Moore, J H Reeve and S E Rice will enter into a new service agreement with Combat.

(iii) the Placing Agreement, dated 25 March 1997 between (1) Albert E Sharp and (2) the Company by which Albert E Sharp has, subject to the conditions referred to below, agreed as agent of the Company to make the Placing and Open Offer and to use its reasonable endeavours as agent of the Company to procure placees to subscribe for, or failing which to subscribe itself for, the Offer Shares, subject to clawback to satisfy valid applications under the Open Offer. The obligations of Albert E Sharp under the Placing Agreement are conditional, *inter alia*, on satisfaction of the following conditions:

(1) the passing of resolution 1 set out in the notice of Extraordinary General Meeting at the end of this document by no later than 22 April 1997;

(2) the Combat Agreement becoming unconditional save only for admission of the New Ordinary Shares to the Official List becoming effective and the Placing Agreement not being terminated prior to such admission becoming effective and Pre Completion (as defined in the Combat Agreement) having taken place in accordance with the terms of such agreement on or before 22 April 1997;

(3) completion of the Disposal on or before 22 April 1997; and

(4) admission of the New Ordinary Shares to the Official List becoming effective by no later than 3.00 pm on 23 April 1997.

The Placing Agreement provides for the Company to pay to Albert E Sharp:

(1) a commission of 1.25 per cent of the value of the Offer Shares at the Offer Price;

(2) a further commission of 0.75 per cent of the value of the Offer Shares at the Offer Price;

(3) a further commission of 0.125 per cent on the sum described in (i) above for each period of seven days or part thereof that placees remain committed beyond 23 April 1997; and

(4) a fee of £120,000 in respect of corporate finance advice.

The Placing Agreement contains certain warranties and indemnities to or in favour of Albert E Sharp by the Company.

(iv) an agreement dated 25 March 1997 between (1) Benson and (2) Guardhalf Limited (a newly-incorporated company owned by D C Harrison, A R Rogers, K Jafrato, directors of Realm, Mrs I Sejbl and certain institutional investors) by which Benson has agreed to sell and Guardhalf Limited has agreed to purchase the whole of the issued share capital of Realm for an initial consideration of £750,000 payable in cash on completion, subject to adjustment dependent upon net asset values, additional consideration of £75,000 payable 18 months after completion and further consideration of a maximum of £175,000 dependent upon the profits of Realm in the years ending on 30 April 1998, 1999 and 2000. In addition, approximately £301,000 of intra-group indebtedness will be repaid by Realm on completion.

This agreement is conditional on, *inter alia,* the passing of resolution 2 set out in the notice of the EGM at the end of this document.

Benson has given certain warranties and indemnities to Guardhalf Limited.

(v) irrevocable undertakings dated 25 March 1997 by each Director in favour of the Company and Albert E Sharp by which D M Rhead, J J Owens and G R Mackenzie have undertaken to take up their entitlements to Offer Shares and N F Luckett and B W Baker have undertaken not to take up their entitlements.

(b) There are no contracts (not being in the ordinary course of business) entered into by Combat in the two years immediately preceeding the date of this document which are or may be material,

11. Premises

The principal operating premises of the Group are as follows:-

Location	*Approximate area (sq. ft.)*	*Tenure*	*Rent p.a.*	*Next rent review*	*Lease expiry date*
Ludlow Road Knighton Powys LD7 1LP	119,000	Freehold	N/A	N/A	N/A
47 Central Avenue West Molesey Surrey CR0 2BQ	25,000	Leasehold	£185,000	N/A	8.4.2000
29/35 Gladstone Road Croydon Surrey KT8 2QZ	16,000	Leasehold	£50,000	25.3.1998	25.3.2008
Unit 1 Fordhouse Road Bushbury Wolverhampton West Midlands WV10 9DZ	20,000	Leasehold	£37,044	25.9.2000	20.9.2015
Union Mill Street Horseley Fields Wolverhampton West Midlands WV1 3DP	56,000	Leasehold	£90,000	20.12.1999	19.12.2009
Cakemore Road Rowley Regis Warley West Midlands WV1 3DP	50,700	Leasehold	£130,000	25.11.1999	24.11.2016
Coed Aben Road Wrexham Industrial Estate Wrexham Clwyd LL13 9UL	110,000	Leasehold	£260,000	31.5.2001	31.5.2011

On 24 January 1997, the Company's subsidiary Euroform Pressings Limited entered into an agreement for lease relating to 133,000 sq. ft. at Units 5, 6A & 7 Autobase Site, Tipton Road, Tividale, West Midlands under which, following completion of certain works, a lease will be granted for a period of 28 years at an initial annual rent of £156,493, rising to £238,500 from 15 December 1997.

12. Market Quotations

The table below shows the middle market quotations for Ordinary Shares at the close of business on the first dealing day in each of the preceding six months before the date of this document and on 24 March 1997 (being the last dealing day in respect of which it was practicable to obtain such a quotation prior to the publication of this document):-

	p
1 October 1996	48.5
1 November 1996	43.5
2 December 1996	44.5
2 January 1997	51.5
3 February 1997	60.0
3 March 1997	51.5
24 March 1997	50.0

13. General

(a) The Company was incorporated in England on 5 August 1879 under the Companies Act 1862 as a company limited by shares. It was re-registered on 2 November 1981 under the Companies Acts 1948–1980 as a public company and is registered with number 13273.

(b) The registrar of the Company is Independent Registrars Group Limited of Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ.

(c) Application has been made to the London Stock Exchange (and to no other stock exchange) for the New Ordinary Shares to be admitted to the Official List.

(d) The expenses of the Placing and Open Offer (including the commissions referred to in paragraph 10(c) above) are estimated to be approximately £360,000 (excluding value added tax) and are payable by the Company.

(e) The Offer Shares to be issued pursuant to the Open Offer have been underwritten by Albert E Sharp which is registered in England (number 2284499) and has its registered office at Temple Court, 35 Bull Street, Birmingham B4 6ES. Albert E Sharp is a member of the Securities and Futures Authority Limited. Albert E Sharp has given and not withdrawn its written consent to the issue of this document with the inclusion of its letter and the references to its name in the form and context in which they appear and has authorised the contents of Part 2 of this document for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

(f) The Company's existing issued Ordinary Shares are listed on the London Stock Exchange. The New Ordinary Shares will not be available in whole or in part to the public in conjunction with the application for them to be admitted to listing on the London Stock Exchange save under the terms of the Open Offer.

(g) No financial information in this document constitutes the statutory accounts of any company for any financial year. The consolidated financial statements of the Company in respect of the three financial years ended 31 May 1994, 1995 and 1996 (each of which received an unqualified audit opinion) have been delivered to the Registrar of Companies in England and Wales. KPMG, chartered accountants and registered auditors, of 2 Cornwall Street, Birmingham, B3 2DL, were auditors of the Company for those periods. KPMG Audit Plc, chartered accountants and registered auditor, of the same address is currently auditor of the Company.

(h) Save as disclosed under "Current trading and prospects" in the Chairman's letter in Part 1, there has been no significant change in the financial or trading position of the Group since 30 November 1996, the date to which the last interim report for the Group was drawn up, or in the financial or trading position of Combat since 31 August 1996, the date to which the latest audited accounts of Combat were made up.

(i) KPMG Audit Plc has given and has not withdrawn its written consent to the inclusion in Part 3 of this document of its report in the form and context in which it appears and has authorised the contents of its report in that Part for the purposes of Section 152(1)(e) of the Financial Services Act 1986.

14. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Pinsent Curtis, Dashwood House, 69 Old Broad Street, London EC2M INR during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document up to and including 17 April 1997.

(a) the memorandum and articles of association of the Company;

(b) the audited consolidated accounts of the Company for the two financial years ended 31 May 1995 and 1996;

(c) the unaudited interim results of the Company for the six months ended 30 November 1996;

(d) the report of KPMG Audit Plc set out in Part 3 of this document;

(e) the audited accounts of Realm for the two financial years ended 31 May 1995 and 1996;

(f) the service contracts of the Directors referred to in paragraph 4(c) above (including those which have previously been on display);

(g) the material contracts referred to in paragraph 10 above (including those which have previously been on display);

(h) the consent letters referred to in paragraphs 13(e) and (i) above;

(i) the rules of the Share Option Schemes; and

(j) the Building Services Research and Information Association Quarterly Statistical Bulletin (December 1996).

Dated 25 March 1997.

BENSON GROUP plc

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 10.00 a.m. on 18 April 1997 at the offices of Pinsent Curtis, 3 Colmore Circus, Birmingham B4 6BH for the purpose of considering and, if thought fit, passing the following resolutions, of which resolution 1 will be proposed as a special resolution and resolutions 2 and 3 will be proposed as ordinary resolutions:-

SPECIAL RESOLUTION

1. THAT:-

(a) the acquisition by the Company of the entire issued share capital of Combat Engineering Limited on the terms and conditions of the agreement dated 25 March 1997 made between (1) J H Reeves and others, (2) A J Moore, (3) J W Hathaway and (4) the Company be and is hereby approved, subject to such minor amendments, variations or waivers as may be approved by the directors of the Company, and the directors be and are hereby authorised to take all steps necessary to implement the same in accordance with its terms;

(b) the share capital of the Company be hereby increased from £9,500,000 to £11,750,000 by the creation of an additional 9,000,000 ordinary shares of 25p each;

(c) in substitution for any existing authority, the directors of the Company be hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 (the "Act") to allot relevant securities (as defined in Section 80 of the Act) up to an aggregate nominal amount of £4,595,391.50 provided that 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; and

(d) the directors of the Company be given power in accordance with Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) pursuant to the authority conferred by paragraph (c) of this 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 395,806 ordinary shares of 25p each in connection with the Placing and Open Offer (as defined in the circular to shareholders dated 25 March 1996 containing the notice of this meeting);

(ii) the allotment of equity securities in connection with any other offer (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of the Company in proportion (as nearly as may be) to their respective holdings of ordinary shares, subject only to any 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 or the requirements of any regulatory body or stock exchange in any territory; and

(iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal amount of £429,276.50;

and will (unless renewed) expire 15 months after the date of the passing of this resolution or at the conclusion of the annual general meeting of the Company held in 1997, whichever first occurs, but the Company may, before this power expires, make an offer or an agreement which would or might require equity securities to be allotted after this power expires and the directors of the Company may allot equity securities pursuant to any such offer or agreement.

ORDINARY RESOLUTIONS

2. THAT the sale by the Company of the whole of the issued share capital of Realm Products Limited ("Realm") on the terms and conditions of the agreement dated 25 March 1997 and made between (1) the Company and (2) Guardhalf Limited be and is hereby approved, subject to such minor amendments, variations or waivers as may be approved by the directors of the Company, and the directors be and are hereby authorised to take all steps necessary to implement the same in accordance with its terms.

3. THAT:-
   (a) the rules of The Benson Group Executive Share Option Scheme be amended by adding the words "or any other variation of the capital of the Company" in rule 7(i) after the words "the number or class"; and
   (b) the rules of The Benson Group 1987 Sharesave Scheme be amended by adding the words "or any other variation of the Ordinary Share Capital" in rule 11(1) after the words "consolidation or reduction".

By order of the Board

R M Unsworth
Secretary

Registered office:
Bradfield House
Pope's Lane
Oldbury
West Midlands
B69 4QT

Dated 25 March 1997

Notes:

1. A member entitled to attend and vote at the above meeting may appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and, if applicable, any authority under which it is signed, or a certified copy of such authority, must be lodged at the offices of Independent Registrars Group Limited not later than 48 hours before the time appointed for holding the meeting. Completion and return of a form of proxy will not prevent a member from attending and voting at the meeting should he so wish.

3. For the purposes of determining who is entitled to attend or vote (whether on a show of hands or poll) at the meeting a person must be entered on the register of members not later than 48 hours before the time of the meeting, or any adjournment thereof.