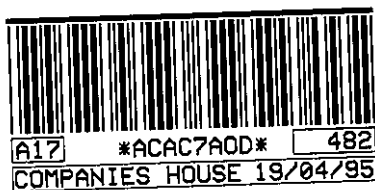


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## Chairman's Statement

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### Results

I am pleased to report that the results of the group for the year ended 31st December 1994, which is the first full year since the management buy-out on 6th May 1993, showed very good progress.

The published accounts for the comparative period comprised only eight months trading of the new company. Comparisons with those accounts are therefore not meaningful. Turnover of £78.3 million and operating profit of £3.27 million in 1994 were 36% and 51% higher than the full year comparative figures disclosed in the audited accounts of the acquired businesses. Interest was £1.2 million leaving a profit before taxation of £2.06 million. Profit after tax for the year was £1.26 million.

### Dividends

Dividends paid on the preference shares amounted to £264,000. A dividend of £206,000 is proposed on the preferred ordinary shares.

### Strategy and development

In my statement last year, I commented on the strategy for the group's future which resulted in two add-on acquisitions. In 1994 this strategy led to two further acquisitions, Corofil and Tate Access Floor Systems, and two disposals, Sillavan Metal Services and part of Trent Valley Engineering. Further details of these developments are given in the Group Managing Director's review of operations.

### Cash

Investment in the acquisitions mentioned above together with new capital projects was over £5 million during 1994. Some of this investment was funded by finance leases and deferred consideration arrangements. Nevertheless the cash invested during the year was £3.4 million. £750,000 of the group's bank loans were repaid. Despite these, the strong cash flow in the businesses enabled the group to finish the year in a satisfactory cash position.

### Metal Components

Within the metal components companies, those supplying the automotive industry had a particularly good year helped by increased demand from their customers, particularly those with substantial and growing exports. The acquisitions of Anaco and Corofil have been successfully integrated into Bissell and Woodall respectively and although they took slightly longer than anticipated to produce the expected results, these are now coming through strongly.

### Materials

The two materials companies also had a good year despite the rising and fluctuating metal prices with which Brock had to cope.

**Chairman's Statement**

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**Plastic components and tools**

The two plastic components and tooling companies had a more difficult year due partly to a drop in order intake in the smaller tooling range, but also to difficulties with the integration into Arnold of the Bellbrook plastics business acquired earlier in 1994.

**People**

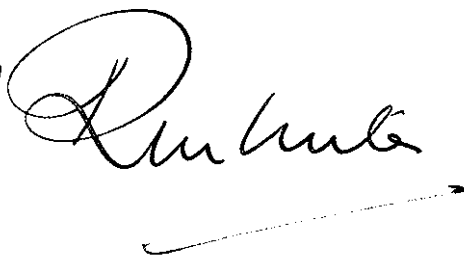
In my report last year I referred to the impact of the buy-out on the group's employees. This year many employees were affected by major changes in the pattern of their business and also with the integration of acquisitions into their established operations. On behalf of the board, I would like to thank everyone throughout the group for the hard work and dedication which have made these excellent 1994 results possible.

**Prospects**

The new year has started well and demand, not only from our automotive customers but also from industry in general, appears to be sustaining the higher levels of activity seen in the last quarter of 1994. With two of the acquisitions made in 1994 now performing well up to expectations and the other two showing significant improvement, the group is well positioned to make further significant progress in 1995.

**R.M. Miles** *Chairman*

7th April 1995



## Group Managing Director's Review of Operations

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The group made further excellent progress during the year. Turnover for the year of £78.3 million included £5.2 million in respect of acquisitions and £1.1 million in respect of disposals prior to their sale. Overall the existing group companies performed extremely well, with turnover up by approximately 30%. An element of this increase related to external economic conditions, but a sizeable proportion was also due to organic growth and success in winning new business. The year saw significant growth in direct exports with nearly one quarter of sales outside the UK. Sales have continued to increase during 1995 to date, both in the UK and also in export markets.

The operating profit at £3.27 million was 51% up on 1993 expressed on a full year basis. The operating profit margin improved by 12% compared with the previous year despite considerable pressure on margins as a result of increased raw material costs.

Improved management controls on cash resulted in a strong net cash inflow from operating activities of £5.1 million. As a result the group was able to make significant investment in the latest plant and machinery for its existing businesses. Investment was particularly high in the year at Copal Casting, Wellings Forgings and R & AG Crossland. In addition investment was made in the acquisitions mentioned below and £750,000 of bank debt was repaid.

### Acquisitions and Disposals

During the year the group continued to develop the businesses of engineered components and materials. Following the acquisitions of Anaco Disc Springs and Bellbrook Plastics at the end of 1993, (businesses which were absorbed into existing Benjamin Priest companies in the first half of 1994) a further significant acquisition of the Corofil business of Pre Formed Components Limited was completed in June 1994. This business has been merged with Woodall Construction Products to form Corofil Woodall. The combined business has a strong market share in component supplies to the roofing and construction industries, and is performing very well.

A new joint venture company, Tate Access Floor Systems Limited, in which Benjamin Priest is the majority shareholder, was formed during the year. This company acquired the assets of Tate Access Floors Limited and combined them with Benjamin Priest's floor manufacturing assets at R & AG Crossland. The move has preserved our business in the supply of access floors and will enable us to manage directly their product development and market distribution. Tate will require further development during 1995 before its true profit potential is realised.

Two businesses were disposed of during the year. As reported last year, the commercial tube manipulation business of Trent Valley Engineering was sold as a going concern in February 1994, whilst its more profitable domestic product lines were transferred into R & AG Crossland. In December 1994 Sillavan Metal Services was sold to its management. Although profitable, Sillavan is a small stainless metal polishing company which did not fit the ongoing group strategy.

**Group Managing Director's Review of Operations****Metal Components**

The automotive component companies all had a good year with the benefit of higher demand for vehicles and also gained from supplier rationalisation programmes by their customers. Copal Casting, leading suppliers of aluminium gravity die castings to the automotive market, had an excellent year due to substantial growth in sales to Rover. Wellings Forgings, suppliers to the automotive and other markets, increased its export sales in forgings for steering assemblies. R & AG Crossland, an automotive presswork business, significantly increased its volumes to Ford in the year. Express Treatments, providers of a volume heat treatment service to the fastener and forging companies, made a welcome return to profit in 1994.

GE Bissell & Co, manufacturers of spring products which are sold world wide, had a modest first half year during which the business of Anaco Disc Springs was absorbed onto Bissell's site. In addition Bissell's scaffold business was moved into Corofil Woodall alongside their other construction products. Bissell's performance improved substantially in the second half year, and the company has entered 1995 with excellent prospects.

In the construction sector, Corofil Woodall performed well. The acquisition of Corofil referred to above has strengthened the group's position in this market and further progress is expected in the coming year. Comment has already been made on Tate Access Floor Systems which was formed mid way through the year.

**Materials**

The Brock Metal Co, producers of zinc and aluminium ingots for the die casting industry, and suppliers of electroplating anodes through Sillavan Anodes, again performed well. Further investment in aluminium melting capacity at Brock has already proved to be of considerable benefit.

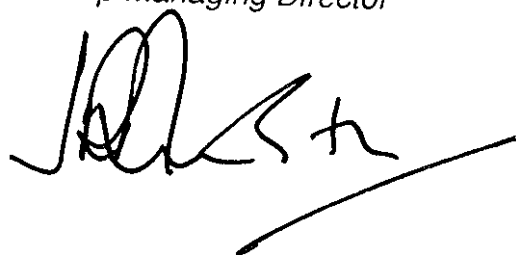
Crew Stainless, producers of profiled stainless components, also had a better year. Investment in new profiling capacity has recently been made.

**Plastic Components and Tools**

The two plastic companies, JW Arnold and Plastic Moulding Tools, had a mixed year with various difficulties. The assimilation of Bellbrook Plastics proved more difficult than expected and it took until late in the year before all the problems were resolved. Plastic Moulding Tools started the year well but suffered from a low order book towards the year end. Both businesses were merged, under new management, into Benjamin Priest Plastics at the start of 1995, and should show an improved performance in 1995.

**J.R.Ainsworth** *Group Managing Director*

7th April 1995



## Directors' Report

The directors present their report and the audited financial statements for the year to 31st December 1994.

### Principal activities

Benjamin Priest Group Limited is an industrial management company.

The principal activities of the group's trading subsidiaries comprise the manufacture and supply of engineered components and materials. A review of the businesses and activities of the company and its subsidiary undertakings during the year is given on pages 3 and 4.

### Results and dividends

The results for the financial year to 31st December 1994 are set out in the group profit and loss account on page 12.

Dividends paid during the year on the cumulative redeemable preference shares amounted to £264,000. The directors recommend a dividend of £206,000 be paid on 4th May 1995 to the holders of the preferred ordinary shares. The directors do not recommend the payment of a dividend on the ordinary shares. The retained profit transferred to reserves amounted to £791,000.

### Directors and their interests

The directors who held office during the year were as follows:

R. M. Miles	Chairman
J. R. Ainsworth	Managing
P. J. Horrell	Financial
M. J. Barber	
M. J. Poole	
M. E. Widdows	
D. S. Winterbottom	Non executive

Under the Articles of Association the directors do not have to retire by rotation.

The beneficial interests of the directors at 31st December 1994 in the 'A' Ordinary shares of £1 each are as follows:

	At 31st December 1994		At 31st December 1993	
	'A' Ordinary shares Number	Options Number	'A' Ordinary shares Number	Options Number
R. M. Miles	34,294	Nil	33,000	475,000
J. R. Ainsworth	51,961	Nil	50,000	475,000
P. J. Horrell	51,961	Nil	50,000	475,000
M. J. Barber	30,136	Nil	29,000	475,000
M. J. Poole	30,015	Nil	29,000	475,000
M. E. Widdows	36,000	Nil	36,000	475,000
D. S. Winterbottom	Nil	Nil	Nil	Nil

**Directors' Report**

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**Directors and their interests (continued)**

The options granted to the directors were not exercised and lapsed on 24th April 1994. These options had been granted at the time of the buy-out in May 1993.

The following 'A' Ordinary shares have been acquired since 31st December 1994:

	Number
R. M. Miles	1,348
J. R. Ainsworth	2,043
P. J. Horrell	2,043
M. J. Barber	1,185
M. J. Poole	1,180
M. E. Widdows	1,416

Except as set out above none of the directors has had any interest in the shares of the company at any time during the year nor have there been any other changes between 1st January 1995 and 7th April 1995.

**Fixed assets**

Details of movements in fixed assets are set out in notes 11 and 12 to the financial statements.

**Product development**

The group's businesses all have programmes for the development of new products and manufacturing processes and techniques as appropriate to their needs. These programmes are designed to keep the businesses at the forefront of their fields of expertise.

**Employees**

Health and safety of employees is given special attention. The group recognises its responsibilities in employment, giving fair consideration to the training of disabled persons. Career development from within the group is encouraged.

The board of directors is committed to a policy of employee awareness of matters of concern to individuals at their places of work. Group managers are briefed on all major changes and developments. The lines of communication vary within group companies and factories and continue to be developed to suit the individual circumstances, but with the over-riding objective of ensuring that all employees are kept informed of the progress of the business for which they work.

## Directors' Report

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### Political and charitable donations

The group made no political donations during the year but donated £5,154 for charitable purposes.

### Auditors

On 6 February 1995, our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the board.



P.J. Horrell *Company secretary*

7th April 1995

Registered office:

Priest House,  
Priest Street,  
Cradley Heath,  
Warley,  
West Midlands B64 6JW

Registered in England No: 2785067



**Statement of Corporate Governance**

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The board is supportive of the highest standards of corporate governance. With the exception of the number of non-executive directors and therefore the composition of the two committees of the board described below, the group has sought to comply throughout the financial year with those elements of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance that were in force for the year. The only element of the code not yet in force is that relating to reporting on internal controls for which the guidance for directors has only recently been issued. Reporting is only required on the systems in place from 1st July 1995. However, the board acknowledges its responsibility for the group's system of internal controls.

**The board**

The board normally meets monthly to review not only the current state of the business but also to determine its future strategic direction. The board has a formal schedule of matters specifically reserved for its decision which can only be amended by the board itself, and, for some matters, only with the agreement of a majority of the institutional shareholders. Specific arrangements have been made to cover exceptional circumstances when decisions reserved to the board are required between monthly meetings.

**Board committees**

Two committees of the board are in place.

**1. Audit committee**

The committee, which meets at least once a year, comprises the chairman, the non-executive director, the group managing director and the group financial director. The auditors are invited to attend each meeting.

**2. Remuneration committee**

The committee, comprising the chairman and the non-executive director, determines the annual remuneration levels of the executive directors. Remuneration levels include basic salary, performance bonus, and service contracts.

**Directors**

There is a clear division of responsibility between the chairman and managing director such that no one individual has unfettered powers of decision on matters of significance.

No service contracts for executive directors exceed eighteen months. The appointment and removal of a director is a matter for the board as a whole.

The board has the benefit of an experienced non-executive director who is not a shareholder and is not a member of any group pension scheme. His appointment was approved by the institutional investors and he represents them on the board.

The directors have formal access to all information and, if required, to independent professional advice at the company's expense. All directors have access to the company secretary, whose appointment and removal is a matter for the board as a whole and who is responsible to the board for ensuring that agreed procedures and applicable rules and regulations are observed.

**Statement of Corporate Governance**

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**Financial statements**

The directors confirm that the financial statements of Benjamin Priest Group Limited, which are prepared on a going concern basis, comply with the Companies Act and with applicable accounting standards. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

**Statement of Directors' Responsibilities**

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

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

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

**Auditors' Report****Report of the auditors, KPMG, to the members of Benjamin Priest Group Limited**

We have audited the financial statements on pages 12 to 30.

*Respective responsibilities of directors and auditors*

As described on page 10 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

*Basis of opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

*Opinion*

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

**KPMG**

7th April 1995  
Chartered Accountants  
Registered Auditors

2 Cornwall Street  
Birmingham  
B3 2DL

**Group Profit and Loss Account**  
for the year ended 31st December 1994

	Note	Year to 31st December 1994 £'000	Period 29th January to 31st December 1993 £'000
<b>Turnover</b>	1	78,269	38,487
Cost of sales		(65,499)	(31,903)
<b>Gross profit</b>		12,770	6,584
Other expenses	2	(9,500)	(5,143)
<b>Operating profit</b>	3	3,270	1,441
Loss on sale of business	4	-	(159)
Net interest payable	5	(1,211)	(675)
<b>Profit on ordinary activities before taxation</b>		2,059	607
Tax on profit on ordinary activities	6	(798)	(129)
<b>Profit for the financial year</b>	9	1,261	478
Dividends	10	(470)	(173)
<b>Profit for the year retained for equity shareholders</b>		791	305

The company was incorporated on 29th January 1993. On 6th May 1993 the company acquired the whole of the issued share capital of the former Benjamin Priest Group as a result of the management buy-out. The comparative figures shown in the group profit and loss account, group cash flow statement and related notes only cover the period from 6th May to 31st December 1993.

The group has no recognised gains and losses in the year other than those included within the above profit and loss account.

Turnover and operating profit represent continuing activities. An indication of the turnover of acquisitions in the year is set out in the Group Managing Director's Review of Operations on page 3. The acquisitions have been fully integrated into the existing businesses of the group and it is therefore not possible to separately identify their results since acquisition. There were no discontinued operations which fell within the FRS 3 definition.

The movements in reserves are detailed in note 19 on page 26 of these financial statements.

**Balance Sheets**  
**at 31st December 1994**

		Group		Company	
	Note	1994 £'000	1993 £'000	1994 £'000	1993 £'000
<b>Fixed assets</b>					
Tangible assets	11	17,074	15,000	28	19
Investments	12	194	262	16,600	15,900
		<u>17,268</u>	<u>15,262</u>	<u>16,628</u>	<u>15,919</u>
<b>Current assets</b>					
Stocks	13	7,406	5,628	-	-
Debtors	14	17,226	13,489	1,654	1,085
Cash at bank		854	1,510	-	79
		<u>25,486</u>	<u>20,627</u>	<u>1,654</u>	<u>1,164</u>
<b>Creditors: amounts falling due within one year</b>	15	(23,133)	(16,031)	(3,573)	(1,367)
<b>Net current assets/(liabilities)</b>		<u>2,353</u>	<u>4,596</u>	<u>(1,919)</u>	<u>(203)</u>
<b>Total assets less current liabilities</b>		<u>19,621</u>	<u>19,858</u>	<u>14,709</u>	<u>15,716</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(10,266)	(11,004)	(9,377)	(10,750)
<b>Provision for liabilities</b>	17	(716)	(703)	54	58
<b>NET ASSETS</b>		<u>8,639</u>	<u>8,151</u>	<u>5,386</u>	<u>5,024</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	3,101	3,101	3,101	3,101
Share premium account	19	1,883	1,883	1,883	1,883
Capital reserve	19	2,862	2,862	-	-
Profit and loss account	19	723	305	402	40
<b>Shareholders' funds</b>		<u>8,569</u>	<u>8,151</u>	<u>5,386</u>	<u>5,024</u>
<b>Equity minority interests</b>		<u>70</u>	-	-	-
		<u>8,639</u>	<u>8,151</u>	<u>5,386</u>	<u>5,024</u>
Equity shareholders' funds		4,803	4,385	1,620	1,258
Non-equity shareholders' funds		3,766	3,766	3,766	3,766
Equity minority interests		70	-	-	-
		<u>8,639</u>	<u>8,151</u>	<u>5,386</u>	<u>5,024</u>

These financial statements were approved by the board of directors on 7th April 1995 and signed on its behalf by

  
**R.M. Miles** Director

**Group Cash Flow Statement**  
**For the year ended 31st December 1994**

	Note	1994 £'000	1993 £'000
Net cash inflow from operating activities	26	5,147	3,051
<b>Returns on investments and servicing of finance</b>			
Interest received		92	106
Interest paid		(1,033)	(623)
Interest element of finance lease and hire			
purchase rental payments		(186)	(25)
Dividends paid		(264)	(173)
Net cash outflow from returns on investments and servicing of finance		(1,391)	(715)
<b>Taxation</b>			
U.K. corporation tax paid		(258)	(118)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(2,055)	(702)
Loans repaid by/(advanced to) associated undertakings		67	(67)
Purchase of subsidiary undertakings and businesses (net of cash and cash equivalents acquired)			
Sale of businesses	27	(1,389)	(14,484)
Sale of tangible fixed assets	27	445	-
		99	35
Net cash outflow from investing activities		(2,833)	(15,218)
Net cash inflow/(outflow) before financing		665	(13,000)
<b>Financing</b>			
Issue of share capital		-	4,984
New bank loans		-	7,250
Repayment of bank loans		(750)	-
New loan stock		-	2,500
Capital element of finance lease and hire purchase rental payments		(571)	(224)
Net cash (outflow)/inflow from financing	28	(1,321)	14,510
(Decrease)/increase in cash and cash equivalents	29	(656)	1,510

## Accounting Policies

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### Basis of accounting

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

### Restatement of comparative figures

Comparative figures have been restated to reflect the group's revised treatment of accounting for consignment stock in accordance with FRS 5.

### Basis of consolidation

The consolidated financial statements incorporate the results of the company and all of its subsidiary undertakings made up to the end of the group's financial year. The trading results of companies acquired or disposed of are accounted for from or up to the relevant date of acquisition or disposal.

Goodwill or capital reserve arising, representing the excess or deficit of cost of investment for consolidation purposes in subsidiary undertakings compared with the fair value of net assets acquired, is written off or taken to reserves in the year of acquisition.

### Turnover

Turnover consists of sales to external customers less returns and allowances after excluding value added tax. Turnover all relates to the manufacture of specialised components and the provision of engineering services.

### Fixed asset investments

In the consolidated financial statements investments in associated undertakings are accounted for using the equity method of accounting. The group profit and loss account includes the group's share of pre-tax profits and attributable taxation of the associated undertakings. In the balance sheet, investments held as fixed assets are stated at cost plus attributable profits less provision for permanent diminution in value.

In the company's individual financial statements investments in subsidiary undertakings are stated at the total of cost and loans advanced less amounts written off.

### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate overhead expenditure. Long term contract balances are stated at costs incurred, less those transferred to the profit and loss account, after deducting payments on account not matched with turnover and any foreseeable losses. Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Attributable profit is included when the outcome of a contract can be assessed with reasonable certainty.

### Depreciation

Depreciation has been calculated on all tangible fixed assets (except freehold land) at annual rates on a straight line basis so as to write off the value of the relevant assets over their estimated useful lives as follows :

Freehold buildings	25 - 50 years
Long leasehold property	25 - 50 years
Short leasehold property	Period of lease
Plant, equipment and motor vehicles	3 - 10 years
Heat treatment furnaces	7 - 30 years



## Accounting Policies

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### Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### Pensions

The group operates contributory defined benefit pension schemes and money purchase pension schemes covering the majority of its permanent employees. Contributions to the defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' service lives with the group. Contributions to the money purchase schemes are charged to the profit and loss account in the year of contribution.

### Finance leases and similar hire purchase contracts

Assets acquired under finance leases and similar hire purchase contracts are included in tangible fixed assets and the outstanding future lease obligations are shown in creditors. The interest element of the repayment is charged against the profit and loss account in proportion to the reducing capital element outstanding.

### Operating leases

Rentals under operating leases are charged to the profit and loss account as incurred on an accruals basis.

### Foreign currency

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted at the rate then ruling unless the amounts are covered by forward exchange contracts. These translation differences are dealt with in the profit and loss account.

## Notes to the Financial Statements

**1. Segmental analysis**

Turnover and operating profit are generated wholly from the manufacture of specialised components and the provision of engineering services originating within the U.K.

A geographical analysis of turnover by destination is given below :

	1994 £'000	1993 £'000
United Kingdom	60,380	32,945
Europe	15,564	5,295
North America	329	85
Other	1,996	162
	<u>78,269</u>	<u>38,487</u>

**2. Other expenses**

	1994 £'000	1993 £'000
Selling and distribution costs	3,852	1,691
Administration expenses	5,648	3,452
	<u>9,500</u>	<u>5,143</u>

Administration expenses in 1993 are stated after charging rationalisation and redundancy costs of £151,000.

**3. Operating profit**

The operating profit is stated after charging/(crediting) the following :-

	1994 £'000	1993 £'000
Depreciation and other amounts written off tangible fixed assets	1,848	1,143
Operating leases:		
Hire of plant and machinery	213	110
Hire of other assets	567	200
Auditors' remuneration	94	70
Profit on sale of tangible fixed assets	(53)	(17)
Share of profit from associated undertakings	(17)	(10)

Fees payable to KPMG for non-audit services amounted to £93,000 (1993: £219,000) of which £15,000 (1993: £207,000) was capitalised.

**4. Exceptional item**

The exceptional item in 1993 comprised costs arising from the sale of the commercial division of the Trent Valley Engineering (Rugeley) division of Benjamin Priest Limited.

## Notes to the Financial Statements

## 5. Net Interest payable

	1994 £'000	1993 £'000
Interest payable on :		
Bank overdrafts, loans and debentures repayable within five years	175	86
Loans repayable in more than five years	930	623
Hire purchase agreements and finance leases	186	72
	<u>1,291</u>	<u>781</u>
Interest receivable	(80)	(106)
	<u>1,211</u>	<u>675</u>

## 6. Tax on profit on ordinary activities

	1994 £'000	1993 £'000
Based upon the taxable profit for the year:		
Corporation tax at 33%	817	403
Deferred taxation	(72)	(274)
Attributable taxation of associated undertakings	7	-
	<u>752</u>	<u>129</u>
Adjustments in respect of previous years:		
Corporation tax	(100)	-
Deferred taxation	146	-
	<u>798</u>	<u>129</u>

The tax charge for 1993 did not bear a normal relationship to the profit due to the release of deferred tax arising from held-over gains made permanent by roll-over into land and buildings.

## 7. Staff numbers and costs

The average number of persons employed by the group (including directors) during the year was:

	1994 Number	1993 Number
Management	65	43
Sales	44	20
Administration	102	69
Production	<u>1,028</u>	<u>601</u>
	<u>1,239</u>	<u>733</u>
The aggregate payroll costs comprised :		
	£'000	£'000
Wages and salaries	17,531	9,666
Social security costs	1,579	841
Other pension costs	593	354
	<u>19,703</u>	<u>10,861</u>

The average numbers employed at subsidiary undertakings acquired or divested are included from or up to the relevant date of acquisition or disposal.

## Notes to the Financial Statements

## 8. Directors' emoluments

The emoluments of the directors were:

	1994 £'000	1993 £'000
As directors	12	-
As executives		
Remuneration	408	261
Performance bonus	166	45
Pension contributions	20	-
	<u>594</u>	<u>306</u>
	<u>606</u>	<u>306</u>

Performance bonus earnings are based on the achievement of certain financial targets set at the beginning of each financial period.

The emoluments of the chairman were £61,000 (1993: £36,000) including a performance bonus of £6,000 (1993: £Nil). The emoluments of the highest paid director were £121,000 (1993: £62,000) including a performance bonus of £34,000 (1993: £17,000).

The following table shows the number of directors of the company whose remuneration, excluding pension contributions, was within the bands stated:

	1994 Number	1993 Number
£Nil - £5,000	-	2
£10,001 - £15,000	1	-
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£55,001 - £60,000	-	2

## 9. Profit for the financial year

	1994 £'000	1993 £'000
Dealt with in the financial statements of:		
Benjamin Priest Group Limited	832	213
Subsidiary undertakings	419	255
Associated undertakings	10	10
	<u>1,261</u>	<u>478</u>

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company has not been separately presented in these financial statements.

## 10. Dividends

	1994 £'000	1993 £'000
Non-equity shares: preference dividend paid at 7% per annum on 'A' and 'B' cumulative redeemable preference shares	264	173
Equity shares: ordinary dividend proposed on 'A' and 'B' cumulative redeemable convertible participating preferred ordinary shares	206	-
	<u>470</u>	<u>173</u>

## Notes to the Financial Statements

## 11. Fixed assets

	Land and buildings			Plant, equipment and motor vehicles	Total
	Freehold £'000	Long Leasehold £'000	Short Leasehold £'000	£'000	£'000
<b>Group</b>					
<i>Cost</i>					
At 1st January 1994	7,461	400	58	23,112	31,031
Additions	182	-	25	3,253	3,460
Businesses acquired	230	-	-	901	1,131
Disposals	(700)	-	(7)	(1,734)	(2,441)
At 31st December 1994	7,173	400	76	25,532	33,181
<i>Depreciation</i>					
At 1st January 1994	340	22	51	15,618	16,031
Charge for the year	111	8	3	1,726	1,848
Disposals	(45)	-	(6)	(1,721)	(1,772)
At 31st December 1994	406	30	48	15,623	16,107
<i>Net book value</i>					
At 31st December 1994	6,767	370	28	9,909	17,074
At 31st December 1993	7,121	378	7	7,494	15,000
<b>Company</b>					
<i>Cost</i>					
At 1st January 1994				159	159
Additions				25	25
Disposals				(1)	(1)
At 31st December 1994				183	183
<i>Depreciation</i>					
At 1st January 1994				140	140
Charge for the year				16	16
Disposals				(1)	(1)
At 31st December 1994				155	155
<i>Net book value</i>					
At 31st December 1994				28	28
At 31st December 1993				19	19

Included in the net book value of plant, equipment and motor vehicles at 31st December 1994 in respect of assets held under finance leases are £3,997,000 (1993: £3,247,000) and £19,000 (1993: £13,000) for the group and company respectively. Depreciation of £624,000 (1993: £333,000) and £12,000 (1993: £7,000), for the group and company respectively, has been charged thereon in the year.

The gross value of depreciable freehold property at 31st December 1994 was £5,034,000 (1993: £5,341,000).

## Notes to the Financial Statements

## 12. Investments

	Cost £'000	Share of result £'000	Net book value £'000
<b>Group</b>			
Ordinary shares:			
At 1st January 1994	280	(85)	195
Exchange adjustments	(11)	-	(11)
Share of profit for the year	-	10	10
	<u>269</u>	<u>(75)</u>	<u>194</u>
Loans:			
At 1st January 1994	67	-	67
Repaid during the year	(67)	-	(67)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31st December 1994</b>	<u><u>269</u></u>	<u><u>(75)</u></u>	<u><u>194</u></u>
At 31st December 1993	<u><u>347</u></u>	<u><u>(85)</u></u>	<u><u>262</u></u>

This investment comprises a 35% investment in Spirol Bissell Limited, a joint venture with Spirol International Corporation Inc., incorporated in the USA. Spirol Bissell Limited makes up its accounts to 24th September.

**Company**

Investments in subsidiary undertakings comprise the following:

Ordinary shares:			
At 1st January 1994 and 31st December 1994	14,080	-	14,080
Loans:			
At 1st January 1994	1,820	-	1,820
Advanced during the year	700	-	700
	<u>2,520</u>	<u>-</u>	<u>2,520</u>
<b>At 31st December 1994</b>	<u><u>16,600</u></u>	<u><u>-</u></u>	<u><u>16,600</u></u>
At 31st December 1993	<u><u>15,900</u></u>	<u><u>-</u></u>	<u><u>15,900</u></u>

The principal operating subsidiary undertakings of Benjamin Priest Group Limited at the year end, all of which are registered in England and Wales, are set out below. All holdings are of ordinary shares which are fully paid and, except where shown, all the subsidiary undertakings are 100% owned. Shares of Benjamin Priest Engineering Limited are held by Benjamin Priest Group Limited and shares of the other subsidiary undertakings are held by Benjamin Priest Engineering Limited or its subsidiaries.

Benjamin Priest Engineering Limited	Principal activity - intermediate holding company
Benjamin Priest Limited	Principal activity - manufacturing
Operating as the following divisions:	
The Brock Metal Company	R. & A.G. Crossland
G.E. Bissell & Co.	Express Treatments
Copal Casting	Sillavan Anodes
Corofil - Woodall	Wellings Forgings
Crew Stainless & Special Alloys	Benjamin Priest Plastics
Tate Access Floor Systems Limited (66.66%)	Principal activity - manufacturing

## Notes to the Financial Statements

## 13. Stocks

	Group 1994 £'000	Group 1993 £'000
Raw materials and consumables	3,113	2,549
Work in progress	1,385	1,149
Finished goods	2,731	1,632
Long term contract balances	214	323
Less applicable payments on account	(37)	(25)
	<u>7,406</u>	<u>5,628</u>

## 14. Debtors

	Group 1994 £,000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Trade debtors	16,421	12,381	-	-
Amounts recoverable on contracts	-	177	-	-
Amounts due from subsidiary undertakings	-	-	872	714
Other debtors	282	307	87	16
Corporation tax recoverable	-	-	684	342
Prepayments and accrued income	523	624	11	13
	<u>17,226</u>	<u>13,489</u>	<u>1,654</u>	<u>1,085</u>

Other debtors include amounts falling due after more than one year of £100,000 (1993: £nil)

## 15. Creditors: amounts falling due within one year

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Loans and bank overdrafts (see note 16)	1,375	750	1,833	750
ECSC fixed rate loans (unsecured)(see note 16)	69	-	-	-
Obligations under finance leases and hire purchase contracts (see note 16)	672	347	10	8
Payments received on account	68	136	-	-
Trade creditors	14,848	9,691	64	28
Amounts due to subsidiary undertakings	-	-	753	4
Corporation tax	1,180	613	89	50
Other taxes and social security	834	1,220	29	30
Dividends	206	-	206	-
Other creditors	1,113	1,452	-	-
Accruals:				
Pensions	537	256	50	50
Other	2,231	1,566	539	447
	<u>23,133</u>	<u>16,031</u>	<u>3,573</u>	<u>1,367</u>

## Notes to the Financial Statements

## 16. Creditors: amounts falling due after more than one year

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
<b>Loans</b>				
Bank loans (secured)	5,375	6,500	5,375	6,500
Loan stock (secured)	2,250	2,500	2,250	2,500
ECSC fixed rate loans (unsecured)	350	419	-	-
	<u>7,975</u>	<u>9,419</u>	<u>7,625</u>	<u>9,000</u>
<b>Other</b>				
Amounts due to subsidiary undertakings	-	-	1,746	1,746
Other creditors	500	303	-	-
Obligations under finance leases and hire purchase contracts	1,791	1,282	6	4
	<u>10,266</u>	<u>11,004</u>	<u>9,377</u>	<u>10,750</u>

Included above are loans repayable by instalments between:

One and two years	1,375	1,392	1,375	1,375
Two and five years	5,263	5,102	5,000	4,875
Five years or more	1,337	2,925	1,250	2,750
	<u>7,975</u>	<u>9,419</u>	<u>7,625</u>	<u>9,000</u>

Interest is charged at 9.6225% per annum on £5,250,000 of the bank loan, with the remainder at LIBOR + 2%. Interest is charged on the loan stock at LIBOR + 4%. Interest is charged on the ECSC loans at 8% per annum on £350,000 and 7% per annum on £69,000.

The bank loans and loan stock are secured by fixed and floating charges on the assets of the group.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Within one year (see note 15)	672	347	10	8
In the second to fifth years	1,737	1,247	6	4
Over five years	54	35	-	-
	<u>2,463</u>	<u>1,629</u>	<u>16</u>	<u>12</u>



## Notes to the Financial Statements

## 17. Provision for liabilities

	Deferred taxation Group £'000	Company £'000
At 1st January 1994	703	(58)
Transfer from profit and loss account	74	4
	<u>777</u>	<u>(54)</u>
Advance corporation tax	(61)	-
At 31st December 1994	<u>716</u>	<u>(54)</u>

The amount provided for deferred taxation, which represents full provision, calculated on the liability method at a corporation tax rate of 33%, is as follows:

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Deferments due to capital allowances	1,356	1,359	(4)	(5)
Other timing differences	(579)	(656)	(50)	(53)
	<u>777</u>	<u>703</u>	<u>(54)</u>	<u>(58)</u>
Future recovery of advance corporation tax	(61)	-	-	-
	<u>716</u>	<u>703</u>	<u>(54)</u>	<u>(58)</u>

## 18. Share capital

	Authorised		Allotted, called up and paid	
	1994 £	1993 £	1994 £	1993 £
<b>Equity shares</b>				
365,000 'A' ordinary shares of £1 each, fully paid	365,500	365,500	365,500	365,500
31,000 'A' ordinary shares of £1 each, 50p called up and paid	31,000	31,000	15,500	15,500
103,500 'B' ordinary shares of £1 each, fully paid	103,500	103,500	103,500	103,500
628,570 'A' cumulative redeemable convertible participating preferred ordinary shares of £1 each, fully paid	628,570	628,570	628,570	628,570
104,763 'B' cumulative redeemable convertible participating preferred ordinary shares of £1 each, fully paid	104,763	104,763	104,763	104,763
100,000 unclassified preferred ordinary shares of £1 each	100,000	100,000	-	-
	<u>1,333,333</u>	<u>1,333,333</u>	<u>1,217,833</u>	<u>1,217,833</u>
<b>Non-equity shares</b>				
3,228,572 'A' cumulative redeemable preference shares of 50p each, fully paid	1,614,286	1,614,286	1,614,286	1,614,286
538,094 'B' cumulative redeemable preference shares of 50p each, fully paid	269,047	269,047	269,047	269,047
2,850,000 cumulative redeemable preference shares of £1 each	2,850,000	2,850,000	-	-
	<u>4,733,333</u>	<u>4,733,333</u>	<u>1,883,333</u>	<u>1,883,333</u>
	<u>6,066,666</u>	<u>6,066,666</u>	<u>3,101,166</u>	<u>3,101,166</u>

## Notes to the Financial Statements

## 18. Share capital (continued)

*Rights as to dividends, conversion and redemption of the shares*

*'A' and 'B' Cumulative redeemable convertible participating preferred ordinary shares ("the preferred ordinary shares")*

The preferred ordinary shares carry the rights to dividends totalling 10% of the pre-tax profits of the group for the financial year ended on 31st December 1994 and 15% of the pre-tax profits in subsequent years. In addition, any dividend declared on the ordinary shares is apportioned rateably to and between the holders of the preferred ordinary shares and ordinary shares by reference to the amounts paid or credited as paid.

In the event that 90% or more of the issued equity share capital of the company is acquired by a third party or the shares of the company are effectively admitted to the official list of a stock exchange, in certain circumstances the company is required to redeem at par such number of the preferred ordinary shares that will result in the total of the 'A' and 'B' ordinary shares representing 45% of the equity share capital. Each of the preferred ordinary shares not so redeemed would forthwith be converted into a 'C' ordinary share of £1.

*'A' and 'B' Cumulative redeemable preference shares of 50p each ("the 50p preference shares")*

The 50p preference shares carry the rights to the following dividends on the amount paid or credited as paid for the shares, including any share premium:

Year ended 31st December 1994	7%	Subsequent years	10%
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Provided the loan stock (see note 16) has been repaid, subject to the provisions of the Companies Act, the company may redeem any outstanding preference shares at par. However the company is required to redeem the following number of shares at £1 per share:

Year ending 31st December 1996	350,000	Year ending 31st December 1999	1,000,000
Year ending 31st December 1997	350,000	Year ending 31st December 2000	1,066,666
Year ending 31st December 1998	1,000,000		

In the event that 90% or more of the issued share capital of the company is acquired by a third party or the shares of the company are effectively admitted to the official list of a stock exchange the company is required to redeem any of the preference shares still in issue at £1 per share.

*Cumulative redeemable preference shares of £1 each ("the £1 preference shares")*

Options were granted to purchase 2,850,000 £1 preference shares at par. These options were not exercised and expired on 24th April 1994.

*Voting rights*

The preferred ordinary shares and ordinary shares carry one vote per share. The preference shares do not have voting rights except when any fixed dividend is 28 days in arrears, when any shares due to be redeemed have remained unredeemed for 28 days from the due date of redemption, or any payment due in respect of the loan stock (see note 16) has remained unpaid for a period of 28 days from the due date. Preference shares also have voting rights at a meeting where the business includes a resolution for the winding up of the company, a reduction of the company's share capital, or the variation, modification, alteration, or abrogation of any of the rights, privileges, limitations or restrictions attached to the preference shares.

*Priority and amounts receivable on a winding-up or other return of capital*

On a winding-up or other return of capital the surplus assets of the company shall be applied as follows:-

1. On the preference shares, the amount paid or credited as paid plus any arrears of dividends;
2. On the preferred ordinary shares, the amount paid or credited as paid plus any dividend declared but not paid;
3. On the ordinary shares, the amount paid or credited as paid plus any dividend declared but not paid;
4. Any balance to be paid on the preferred ordinary and ordinary shares pro rata to the amount paid or credited as paid.

## Notes to the Financial Statements

## 19. Reserves

	Share premium account £'000	Capital reserve £'000	Profit and loss account £'000
<b>Group</b>			
At 1st January 1994	1,883	2,862	305
Retained profit for the financial year	-	-	791
Goodwill written off	-	-	(373)
<b>At 31st December 1994</b>	<b>1,883</b>	<b>2,862</b>	<b>723</b>
<b>Company</b>			
At 1st January 1994	1,883	-	40
Retained profit for the financial year	-	-	362
<b>At 31st December 1994</b>	<b>1,883</b>	<b>-</b>	<b>402</b>

Cumulative goodwill arising on the acquisition of subsidiary undertakings and businesses owned at 31st December 1994 has been written off to profit and loss reserves and totals £373,000 (1993: £nil)

## 20. Reconciliation of movement in shareholders' funds

	1994 £'000	1993 £'000
<b>Group</b>		
Profit for the financial year	1,261	478
Dividends	(470)	(173)
New share capital subscribed	-	4,984
Capital reserve arising on acquisitions	-	2,862
Goodwill written off	(373)	-
Minority interest on acquisition	70	-
Net addition to shareholders' funds	488	8,151
Shareholders' funds at 31st December 1993	8,151	-
<b>Shareholders' funds at 31st December 1994</b>	<b>8,639</b>	<b>8,151</b>
<b>Company</b>		
Profit for the financial year	832	213
Dividends	(470)	(173)
New share capital subscribed	-	4,984
Net addition to shareholders' funds	362	5,024
Shareholders' funds at 31st December 1993	5,024	-
<b>Shareholders' funds at 31st December 1994</b>	<b>5,386</b>	<b>5,024</b>

## Notes to the Financial Statements

## 21. Acquisitions

Fair values of the net assets of subsidiary undertakings and businesses acquired and the consideration paid are:

	1994 £'000	1993 £'000
Book value of net assets acquired:		
Fixed assets	825	17,093
Stocks and debtors	1,983	19,462
Cash	239	186
	<u>3,047</u>	<u>36,741</u>
Creditors and provisions	(1,046)	(17,109)
Minority interests	(70)	-
	<u>1,931</u>	<u>19,632</u>
Fair value adjustments:		
Fixed assets	306	(1,449)
Stocks and debtors	(338)	(95)
Creditors and provisions	(88)	(386)
	<u>1,811</u>	<u>17,702</u>
Goodwill / (capital reserve) arising	373	(2,862)
Fair value of consideration (including acquisition costs)	<u>2,184</u>	<u>14,840</u>

## 22. Capital commitments

Group capital expenditure approved at 31st December 1994, but not included in the accounts amounted to approximately £340,000 (1993: £542,000) of which £253,000 (1993: £496,000) represented contractual commitments. The company had no capital commitments.

## 23. Lease commitments

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

Group	Land and buildings		Other	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
Leases which expire:				
Within one year	15	10	12	7
Between one and five years	15	9	80	54
Beyond five years	590	454	2	4
	<u>620</u>	<u>473</u>	<u>94</u>	<u>65</u>
Company				
Leases which expire:				
Within one year	-	-	-	-
Between one and five years	-	-	7	7
Beyond five years	66	60	-	-
	<u>66</u>	<u>60</u>	<u>7</u>	<u>7</u>

## Notes to the Financial Statements

## 24. Guarantees and contingent liabilities

- (i) The company and its subsidiary undertakings have entered into guarantees and debentures conferring fixed charges on the group's assets, goodwill and uncalled capital, together with a floating charge on the group's undertakings and assets both present and future which may not be covered by the fixed charges.
- (ii) The company has given guarantees in respect of the performance of obligations under certain leases entered into by subsidiary undertakings.
- (iii) The company is jointly and severally liable for the value added tax liability of certain subsidiary undertakings which at 31st December 1994 totalled £208,000 (1993: £536,000).

## 25. Pension contributions

The group operates pension schemes in respect of its employees. The principal schemes are of the defined benefit type, the assets of which are held in trustee administered funds separate from those of the group.

Valuations of the defined benefit schemes are undertaken by qualified actuaries every three years. The last valuation of the principal scheme was undertaken as at 6th April 1993, using the projected unit method, and contributions are being paid in accordance with the actuaries' recommendations. The principal assumptions used for costing purposes include a 2% per annum excess of investment return over earnings increases. At 6th April 1993 the market value of the assets of the principal scheme was £17,700,000, sufficient to cover 108% of the liability for benefits that had accrued to members at that date. The profit and loss account charge takes into account the spreading of the surplus of £1,812,000 over the average remaining service lives of pension scheme members as disclosed by the actuarial valuation.

Differences between the amount charged in the profit and loss account and the payments made to the trustee administered funds are dealt with in creditors in the balance sheet.

## 26. Reconciliation of operating profit to net cash inflow from operating activities

	1994 £'000	1993 £'000
Operating profit	3,270	1,441
Loss on sale of business	-	(159)
Depreciation charge	1,848	1,143
Profit on sale of tangible fixed assets	(53)	(17)
Share of profit from associated undertakings	(17)	(10)
Effect of exchange movement	11	-
Increase in stocks	(1,385)	(194)
(Increase) / decrease in debtors	(2,665)	880
Increase / (decrease) in creditors	4,138	(33)
<b>Net cash inflow from operating activities</b>	<b>5,147</b>	<b>3,051</b>

## Notes to the Financial Statements

## 27. Subsidiary undertakings and businesses acquired/(disposed of)

	Acquisitions 1994 £'000	Disposals 1994 £'000	Acquisitions 1993 £'000
Consideration paid/(received) in the year	1,628	(475)	14,670
Costs of disposals	-	30	-
Net consideration paid/(received) in the year	1,628	(445)	14,670
Movement in deferred consideration	556	(171)	170
	<u>2,184</u>	<u>(616)</u>	<u>14,840</u>
Net assets acquired/(disposed of) comprise:			
Tangible fixed assets	1,131	(623)	15,459
Investments	-	-	185
Stocks	423	(30)	4,998
Debtors	1,222	(309)	14,369
Cash at bank and in hand	239	-	186
Creditors and provisions	(1,134)	346	(13,777)
Minority interests	(70)	-	-
Loans and finance leases	-	-	(2,272)
Deferred taxation	-	-	(977)
Corporation tax	-	-	(469)
	<u>1,811</u>	<u>(616)</u>	<u>17,702</u>
Goodwill / (capital reserve) arising	373	-	(2,862)
	<u>2,184</u>	<u>(616)</u>	<u>14,840</u>
Net consideration paid/(received) as above	1,628	(445)	14,670
Cash at bank and in hand acquired	(239)	-	(186)
Consideration per cash flow statement	<u>1,389</u>	<u>(445)</u>	<u>14,484</u>

## 28. Analysis of changes in financing during the year

	Share capital (including share premium) £'000	Loans and finance lease obligations £'000
At 29th January 1993	-	-
Net cash inflow from financing	4,984	9,526
Loans and finance lease obligations of subsidiary undertakings acquired	-	2,272
At 31st December 1993	4,984	11,798
Cash outflow from financing	-	(1,321)
Finance leases entered into during the year	-	1,405
At 31st December 1994	<u>4,984</u>	<u>11,882</u>

## Notes to the Financial Statements

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## 29. Analysis of changes in cash and cash equivalents

	1994 £'000	1993 £'000
At beginning of year	1,510	-
Net cash (outflow)/inflow	(656)	1,510
At end of year	854	1,510