

**FINCHAM INDUSTRIAL SERVICES LIMITED
(FORMERLY FINCHAM INSULATIONS LIMITED)**

REPORT AND ACCOUNTS

FOR THE FIFTEEN MONTHS ENDED 5 APRIL 1998



Company Number: 2714264

FINCHAM INDUSTRIAL SERVICES LIMITED

CONTENTS

	<u>Page</u>
Notice of meeting	1
Report of the directors	2 - 4
Statement of directors' responsibilities	5
Report of the auditors	6
Profit and loss account	7
Note on total recognised gains and losses	8
Note on historical cost profits and losses	8
Reconciliation of movements in shareholders' funds	8
Balance sheet	9
Notes to the financial statements	10 - 17

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 1

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Fincham Industrial Services Limited will be held at the offices of Close Brothers Corporate Finance Ltd at 12 Appold Street, London EC2A 2AA on 30 July, 1998 at 11.35am for the following purposes:

1. To receive the financial statements for the period ended 5 April, 1998 together with the reports of the directors and auditors thereon.
2. To re-elect directors.
3. To re-appoint the auditors and to authorise the directors to fix the remuneration of the auditors.
4. To transact any other ordinary business.

For and on behalf of the Board


C N Gasparro
Company Secretary

18 June, 1998

Armstrong Road
Basingstoke
Hants, RG24 8NU

REPORT OF THE DIRECTORS

- 1 The directors present their report together with the audited financial statements of the Company for the 15 months ended 5 April 1998. The previous audited financial statements for the Company were for the 18 months ended 31 December 1996.

- 2 **Principal activities**

The main activities of the business have developed from the installation and removal of insulation materials to an industrial support service company offering a wider range of disciplines including: thermal insulation, scaffolding, industrial sheeting and cladding, industrial cleaning and painting and building maintenance. On 7 April 1997 the company acquired the entire share capital of Industrial Roofing & Building Limited. The trade and net assets of Industrial Roofing & Building Limited were transferred to Fincham Industrial Sheeting Limited on 7 April 1997. On 1 January 1998 the trade and net assets of Fincham Industrial Sheeting Limited were transferred to the Company for net asset value and it carried on the business of industrial sheeting and cladding from this date.

- 3 **Results**

The profit and loss account of the Company (page 5) shows a profit on ordinary activities after tax of £641,000. Both the level of business and the 5 April 1998 financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

- 4 **Dividends**

The directors propose a final dividend of £416,000, to be paid on 23 September, 1998. Interim dividends of £500,000 were paid during the period.

- 5 **Change of name**

The Company changed its name on 24 December, 1997 from Fincham Insulations Limited to Fincham Industrial Services Limited to reflect the wider range of services now provided.

- 6 **Directors**

The directors of the company are:

S B Hagerty	(appointed 1 April 1997)
T E McCarthy	(appointed 1 April 1997)
C N Gasparro	(appointed 2 October 1997)
R C Rutter	(appointed 2 October 1997)
R H Wilson	(appointed 2 October 1997)

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 3

REPORT OF THE DIRECTORS

6 Directors continued

Directors' interests in shares and share options

Interests in shares and options to purchase shares of those directors who are also directors of Bandt plc are disclosed in the financial statements of Bandt plc.

The other directors interests in the share capital of the company are listed below:

	Class of Share	Number of Shares	
		1998	1996
S B Hagerty	Ordinary	-	450
T E McCarthy	Ordinary	-	451

The shares were transferred to the parent company Fincham Insulations Limited on 17 February 1997.

Details of options held by directors who are not also directors of Bandt plc are as follows:

	31/12/96	Granted in period		5/4/98
		Executive Options	SAYE Options	
C N Gasparro (* on appointment)	*125,559	-	-	125,559
	125,559	-	-	125,559

7 Charitable donations

During the period the Company contributed £900 (1996 - £500) for charitable purposes.

8 Employee involvement

The company informs employees of significant matters relative to its progress and development, through displays on notice boards, regular meetings with appropriate levels of employees and employee briefings given by managers.

9 Disabled persons

The nature of the Company's business requires that physical capability is a prime qualification for manual employment together with practical skill, experience and potential. However, for static manual employment and staff positions all applications are given full consideration. Selection is based on assessed ability, attitude and potential, and disabled applicants have been accepted. Wherever possible arrangements are made for the continued employment of persons who have become disabled during service and for appropriate training, career development and promotion of disabled employees.

10 Creditor payment policy

Suppliers were paid in accordance with agreed payment terms. The average creditor payment period at 5 April 1998 was 79 days (1996 - 59 days).

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 4

REPORT OF THE DIRECTORS

11 Millenium

The Company is making substantial progress in ensuring that the Company's businesses will not be affected by the millenium date change. The projects include review of general suppliers to the main businesses as well as reviews of all software and hardware computer systems in each of the businesses. The work is planned to be completed by early calendar 1999. The cost of the work which is being written off as incurred, is expected to be around £5,000.

12 European Monetary Union (EMU)

We have started preparing for the introduction of the EMU. The business primarily provides services in the UK. However, in due course, EMU will impact upon the Company and the Company will take appropriate action.

13 Auditors

Charterhouse Accountants resigned as auditors of the Company on 2 October, 1997 and Coopers & Lybrand were appointed as auditors of the Company on that date.

A resolution to reappoint Coopers & Lybrand as auditors of the Company will be proposed at the Annual General Meeting.

For and on behalf of the Board


C N Gasparro
Company Secretary

18 June, 1998

Armstrong Road
Basingstoke
Hants, RG24 8NU

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 5 April, 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

For and on behalf of the Board


C N Gasparro
Company Secretary

18 June, 1998

Armstrong Road
Basingstoke
Hants, RG24 8NU

Report of the auditors to the members of Fincham Industrial Services Limited

We have audited the financial statements on pages 7 to 17.

Respective responsibilities of directors and auditors

As described on page 5 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 financial statements and to report our opinion to you.

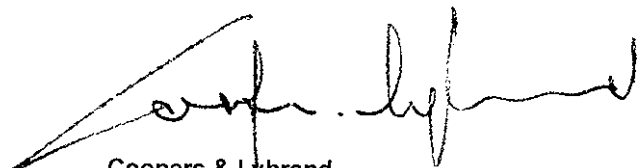
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 the Company's affairs at 5 April 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading
18 June 1998

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 7

Profit and loss account

	Notes	15 months to 5 April 1998 £000	18 months to 31 December 1996 £000
Turnover			
Continuing operations	2	7,336	6,111
		<hr/>	<hr/>
Operating profit			
Continuing operations	2	1,099	1,604
		<hr/>	<hr/>
Profit on ordinary activities before interest		1,099	1,604
Profit on sale of investments	3	-	10
Interest (payable)/receivable	4	(27)	32
		<hr/>	<hr/>
Profit on ordinary activities before taxation	5	1,072	1,646
Taxation	6	(431)	(526)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		641	1,120
Dividends	7	(916)	(1,050)
		<hr/>	<hr/>
(Deficit)/retained profit for the period	19	(275)	70
		<hr/> <hr/>	<hr/> <hr/>

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 8

Statement of total recognised gains and losses

The Company has no recognised gains and losses other than those shown in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the (deficit)/retained profit for the period stated in the profit and loss account and their historical cost equivalents.

Reconciliation of movements in shareholders' funds

	15 months to 5 April 1998 £000	18 months to 31 December 1996 £000
Opening shareholders' funds	276	206
Profit for the period	641	1,120
Dividends	(916)	(1,050)
	<hr/>	<hr/>
Closing shareholders' funds	1	276
	<hr/>	<hr/>

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 9

Balance sheet as at 5 April 1998

		31 December	
		1998	1996
		£000	£000
	Notes		
Fixed assets			
Tangible assets	10	826	569
Investment in subsidiaries	11	129	-
		<hr/>	<hr/>
		955	569
		<hr/>	<hr/>
Current assets			
Stocks	12	150	115
Debtors	13	1,607	1,297
Cash at bank and in hand		14	419
		<hr/>	<hr/>
		1,771	1,831
		<hr/>	<hr/>
Creditors: amounts falling due within one year	14	(1,864)	(2,102)
		<hr/>	<hr/>
Net current liabilities		(93)	(271)
		<hr/>	<hr/>
Total assets less current liabilities		862	298
Creditors: amounts falling due after more than one year	15	(852)	(16)
Provision for liabilities and charges	16	(9)	(6)
		<hr/>	<hr/>
Net assets		1	276
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	1	1
Profit and loss account	19	-	275
		<hr/>	<hr/>
Total equity shareholders' funds		1	276
		<hr/>	<hr/>

The financial statements on pages 7 to 17 were approved by the Board on 18 June 1998 and were signed on its behalf by:



S B Hagerty
Director



C N Gasparro
Director

Notes to the financial statements**1 Statement of principal accounting policies for the 15 months ended 5 April 1998**

The main accounting policies of the Company have been changed consequent to the change in ultimate holding company to Bandt plc. The principal change was on hire stock depreciation which changed from 5 – 20% straight line to 15 – 50% reducing balance. The prior period has not been restated as the impact was not material. The revised policies are set out below:

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom under the historical cost convention.

As the Company is a wholly owned subsidiary of Fincham Insulations Limited it is exempt under the terms of Financial Reporting Standard No.1 (Revised) from publishing a cash flow statement. The ultimate holding company is Bandt plc.

Turnover

Turnover represents the invoiced value of goods and services charged to customers excluding value added tax.

Stocks

Stocks are valued at the lower of average cost and net realisable value. Net realisable value is defined as estimated selling price less all further costs expected to be incurred to disposal.

Fixed assets

Depreciation is calculated so as to write off the cost or valuation of fixed assets over their expected useful lives as follows:

- Land and building leasehold: over period of lease
- Hire stock: 15 to 50 per cent reducing balance
- Plant, fixtures and office equipment: 12.5 to 17.5 per cent straight line
- Vehicles: 17.5 per cent straight line

Depreciation is charged on a monthly basis from the time of acquisition.

Deferred taxation

Provision is made for taxation on all material timing differences which the directors consider will give rise to a liability in the foreseeable future, calculated at the rate of corporation tax expected to apply for the period when the tax is forecast to become payable.

Leases

Tangible fixed assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease. The excess of the lease payments over the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 11

Notes to the financial statements**2 Turnover and operating profit**

	15 months to 5 April 1998 £000	18 months to 31 December 1996 £000
Turnover	7,336	6,111
Cost of sales	(4,990)	(4,003)
Gross profit	2,346	2,108
Administrative expenses	(1,247)	(504)
Operating profit	1,099	1,604

Turnover consists entirely of sales made in the United Kingdom. No indication can be given of the contribution to turnover and operating profit of the businesses of Fincham Industrial Sheeting Limited which was acquired in the period. This is because the business and net assets of this operation were integrated into the Company's existing activities shortly after acquisition and it is not now possible to identify the separate results or turnover of each of the separate parts of the business.

Included in the administrative expenses in 1998 are professional fees in respect of abortive AIM floatation costs of £178,000 (1997: £Nil).

3 Profit from investments

	1998 £000	1996 £000
Profit on disposal of listed investments	-	10

4 Interest payable/(receivable)

	1998 £000	1996 £000
Bank Interest	4	(19)
Finance lease interest	3	1
Interest on overdue tax	22	7
Other interest	(2)	(21)
	27	(32)

5 Profit on ordinary activities before taxation

	1998 £000	1996 £000
Profit on ordinary activities before taxation is after charging		
Professional fees in respect of abortive AIM floatation	178	-
Depreciation charge for the period:		
Tangible owned fixed assets	200	47
Tangible fixed assets held under finance leases	9	5
Loss on disposal of tangible fixed assets	1	-
Hire of plant and machinery	209	114
Amortisation of goodwill	6	-
Operating lease rentals:		
Motor Vehicles	45	14
Land and buildings	16	2
Auditors' remuneration for:		
Audit	15	5
Other Services – previous auditors	19	1
- current auditors	-	-

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 12

Notes to the financial statements**6 Tax on profit on ordinary activities**

	15 months to 5 April 1998 £000	18 months to 31 December 1996 £000
Current year corporation tax at 31% (1996 - 33%)	262	524
Transfer to deferred taxation	3	2
Group relief payable	166	-
	<hr/>	<hr/>
	431	526
	<hr/>	<hr/>

7 Dividends

	1998 £000	1996 £000
Dividends on equity shares		
Interim - paid 28 February 1997	25	100
Interim - paid 2 October 1997	475	90
Final - paid	-	860
- proposed	416	-
	<hr/>	<hr/>
	916	1050
	<hr/>	<hr/>

8 Directors' emoluments

Certain directors are employed by, and receive their emoluments from, Bandt plc. These are disclosed in the financial statements of Bandt plc.

	15 months to 5 April 1998 £000	18 months to 31 December 1996 £000
The emoluments of the remaining directors were:		
Fees and other emoluments	128	114
Pension contributions	86	-
	<hr/>	<hr/>
	214	114
	<hr/>	<hr/>

Fees and other emoluments payable to the highest paid Director are as follows:

	1998 Highest paid Director £'000	1996 Highest paid Director £'000
Fees and other emoluments	64	52
Pension contributions	43	-
	<hr/>	<hr/>
	107	52
	<hr/>	<hr/>

The pension contributions for the two directors are for Company contributions to personal pension arrangements.

9 Employee information

The average monthly number of persons (including executive Directors) employed by the Company during the period was:

	15 months to 5 April 1998 Number	18 months to 31 December 1996 Number
Office and management	11	5
On site	71	9
	<hr/> 82	<hr/> 14
	<hr/> <hr/>	<hr/> <hr/>
	1998 £000	1996 £000
Staff costs (for the above persons)		
Wages and salaries	2,380	318
Social security costs	302	29
Pension contributions	86	-
	<hr/> 2,768	<hr/> 347
	<hr/> <hr/>	<hr/> <hr/>

The pension contributions consist of a one off payment for two directors of £83,000 and £3,000 of Company contributions personal pension arrangements.

10 Tangible fixed assets

	Land & building freehold	leasehold	Hire Stock	Plant, equipment & motor vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 1997	91	89	236	236	652
Additions	-	82	236	262	580
Transferred from fellow subsidiary	-	-	-	29	29
Disposals	(91)	-	-	(51)	(142)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 5 April 1998	-	171	472	476	1,119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 1 January 1997	6	1	10	66	83
Charge for period	2	15	129	63	209
Transferred from fellow subsidiary	-	-	-	18	18
Disposals	(8)	-	-	(9)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 5 April 1998	-	16	139	138	293
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 5 April 1998	-	155	333	338	826
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value 31 December 1996	85	88	226	170	569
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The net book value of tangible fixed assets includes an amount of £20,000 (1996: £29,000) in respect of assets held under finance leases.

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 14

Notes to the financial statements**11 Investment in subsidiaries**

On 7 April 1997 the Company acquired all the issued share capital of Industrial Roofing & Building Limited for £135,000.

	1998 Shares £000
Cost	135
Provision for diminution in value in period	(6)
	<hr/>
Net book value at 5 April, 1998	129

12 Stocks

	1998 £000	31 December 1996 £000
Raw materials and consumables	150	95
Work in progress	-	20
	<hr/>	<hr/>
	150	115

13 Debtors

	1998 £000	1996 £000
Trade debtors	1,222	1,134
Other debtors	33	39
Prepayments and accrued income	352	124
	<hr/>	<hr/>
	1,607	1,297

Included in other debtors is a loan to D. McCarthy of £19,000 (1996 - £39,000) (Note 22)

14 Creditors: amounts falling due within one year

	1998 £000	31 December 1996 £000
Bank loans and overdrafts	111	115
Trade creditors	558	523
Obligations under finance leases	10	10
Advance corporation tax	-	215
Corporation tax	146	247
Other taxation and social security	362	291
Accruals	191	46
Dividends payable	416	-
Amounts owed to group companies:		
Parent and fellow subsidiary companies	70	-
Directors current account	-	655
	<hr/>	<hr/>
	1,864	2,102

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 15

15 Creditors: amounts falling due after more than one year

	1998	31 December 1996
	£000	£000
Amounts owed to group companies:		
Parent and fellow subsidiary companies	849	-
Obligations under finance leases	3	16
	<hr/>	<hr/>
	852	16
	<hr/>	<hr/>

The amounts due to Bandt plc and other group companies have no fixed term of repayment. The directors of the group and the directors of each of the subsidiary companies are in agreement that these amounts are of a long term nature.

Finance leases

The net finance lease obligations to which the Company is committed are:

	1998	1996
	£000	£000
In one year or less	10	10
Between one and two years	3	10
Between two and five years	-	6
	<hr/>	<hr/>
	13	26
	<hr/>	<hr/>

16 Provision for Liabilities and Charges

Deferred tax was provided at 31% (1996 - 33%) analysed over the following timing differences:

	Not Provided		Provided	
	5 April 1998	31 December 1996	5 April 1998	31 December 1996
	£'000	£000	£'000	£000
Accelerated capital allowances	-	12	9	6
	<hr/>	<hr/>	<hr/>	<hr/>

Movements on the provision for deferred tax are:

	1998	1996
	£000	£000
At 31 December 1996	6	
Transfer to profit and loss account in period	3	
	<hr/>	
At 5 April, 1998	9	
	<hr/>	
17 Called up Share capital		
	1998	1996
	£000	£000
Authorised:		
1,002 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
Allotted, called up and fully paid:		
1,002 Ordinary shares of £1 each	1	1
	<hr/>	<hr/>

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 16

Notes to the financial statements

18 Acquisitions

On 1 January, 1998 the Company acquired the trade and net assets of a fellow Group subsidiary Fincham Industrial Sheeting Limited. The acquisition was made at net asset value for a total consideration of £127,000 via a long term loan.

The summarised profit and loss account for Fincham Industrial Sheeting Limited from 1 January, 1997, the beginning of its financial period, to the date of acquisition was as follows:

Profit and loss account	Period ended 1 January, 1997 £000
Turnover	506
Operating profit	113
Profit on ordinary activities before taxation	113
Tax on ordinary activities	(35)
Profit on ordinary activities after taxation	78

There were no other recognised gains and losses in the period.
Fincham Industrial Sheeting Limited did not trade prior to this period.

The assets and liabilities of Fincham Industrial Sheeting Limited acquired are set out below

	Fair Value £000
Fixed assets	11
Current assets	
Stock	7
Debtors	124
Amounts owed by fellow subsidiaries	65
	196
Current liabilities	
Trade creditors	(28)
Corporation tax	(34)
Bank overdraft	(18)
Net assets	127
Satisfied by:	
Long term loan from Fincham Industrial Sheeting Limited	127

There were no adjustments made to the book values transferred from Fincham Industrial Sheeting Limited.

The cash flow movements for this entity are shown in the financial statements of the ultimate holding company Bandt plc only.

FINCHAM INDUSTRIAL SERVICES LIMITED

Page 17

Notes to the financial statements

19 Profit and loss account

	31 December 1998 £000
At 1 January, 1997	275
Deficit for the period	(275)
	<hr/>
At 5 April, 1998	-
	<hr/>

20 Capital commitments

	1998 £000	1996 £000
Capital expenditure contracted but not provided for	129	25
	<hr/>	<hr/>

21 Financial commitments

At 5 April 1998 the Company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings 1998 £000	Plant & Equipment 1998 £000	Land & Buildings 1996 £000	Plant & Equipment 1996 £000
Operating leases which expire:				
Within one year	-	6	-	-
Within two to five years	-	51	-	22
After five years	12	-	12	-
	<hr/>	<hr/>	<hr/>	<hr/>
	12	57	12	22
	<hr/>	<hr/>	<hr/>	<hr/>

22 Related party transactions

As in excess of 90% of the company's voting rights are controlled within the Bandt Group, the company is not required to disclose transactions with other group subsidiaries or associated companies under the exemptions available under FRS8 3 (C). There is a loan outstanding of £19,000 (1996: £39,000) to D. McCarthy, a brother of one of the Directors. The loan is a short term loan for the purpose of home improvement/development. The loan will be repaid from the sale of his house and future bonuses. A right to place a second charge on the property to cover capital and interest has been agreed. The loan is on a commercial basis and is subject to an interest charge of 2% above base rate.

A car was sold to Mr Hagerty, a Director of the Company, for £38,950, its book value. A freehold building was sold to a pension trust set up for the benefit of Mr Hagerty and Mr McCarthy, Directors of the Company, for £82,552, its book value.

23 Holding company and ultimate controlling party

Bandt plc, which is registered in Scotland, and Fincham Insulations Limited, which is registered in England and Wales, are the ultimate and immediate parent companies respectively. The Directors regard Bandt plc as the ultimate controlling party. Copies of Bandt plc's financial statements may be obtained from Bandt plc, Armstrong Road, Basingstoke, Hants RG24 8NU.