

SUMMARY

- **£5 million turnaround in profit before interest**
- **Kwikform fully assimilated and performing ahead of pre-acquisition expectations**
- **Dividend restored after 4 years. Yield of 4.4% (annualised) on placing price of 30p**
- **Gearing reduced to 39%**
- **Property revalued with no overall change**
- **Pension scheme now in surplus**

FINANCIAL HIGHLIGHTS

	1996 £000	1995 £000
● Turnover	120,964	75,972
● Profit/(loss) before taxation	2,222	(2,421)
● Profit/(loss) after taxation	1,942	(2,395)
● Earnings per share	1.7p	(7.4)p
● Dividends per ordinary share	0.8p	Nil
● Shareholders' funds	39,339	18,004
● Gearing	39%	87%




CHAIRMAN'S STATEMENT

I am pleased to report that after several years of losses during a period of poor trading and reorganisation, the Group has made a profit in the year 1995/96. Profit before taxation amounted to £2.2m, which is in line with the Trading Statement made in March 1996, and compares with a loss before taxation of £2.4m in the previous year. Although interest payable was higher than the previous year, £1.7m against £1.3m, profit before interest is up substantially at £3.9m compared with a loss last year of £1.1m. Due to a significant carry forward of tax losses from previous years there is no tax payable on income but there is tax payable of £0.3m in the form of advance corporation tax on the dividend declared. Earnings per share are 1.7p compared with a loss per share of 7.4p in 1994/95. The Board is recommending a final dividend of 0.8p per share (nil last year) which, if approved, will be payable on 23 August, 1996 to shareholders on the register at the close of business on 30 July, 1996.

The balance sheet is in a much better position with gearing at 39% at the end of March 1996 compared with 87% at the previous year-end. This is mainly due to the restructuring of the balance sheet at the time of the acquisition of Kwikform but there was also an encouraging improvement in the cash flow from operating activities, mainly from the profits generated by Kwikform but also from a significant reduction in stocks and debtors at Brown & Tawse.

Comparisons of the total Group results with the previous year are, of course, distorted due to the acquisition of Kwikform in July last year. Details of the trading results of the two divisions, the contracting and hire division (Kwikform) and the stockholding & distribution division are shown on page 21 of the Annual Report. A review of the trading position of both divisions is given in the Chief Executive's review of operations but it is worth commenting here how pleased we are with the performance of Kwikform in its first nine months in the Group. Kwikform has fully met our expectations with a turnover of £44.2m and an operating profit of £4.5m for the nine months. Brown & Tawse maintained its progress during the first six months of the year but trading conditions unexpectedly deteriorated in the last few months of the year which had an adverse effect, although operating profit, before Group charges, was similar to that achieved in the previous year. Unfortunately the smallest company, Stauff Group Ltd, continued to trade at a loss despite the closure of three loss making branches last year. The Stauff branches have now been integrated into the Brown & Tawse business and overheads reduced accordingly. The opportunity has also been taken to provide against slow moving stocks with the result that a loss of £0.8m was incurred for the year in Stauff but I believe that with the steps taken recently we have now significantly reduced the possibility of further losses in this part of the Group.

I would like to record the Board's appreciation for the hard work and dedication of our employees not just over the past year but also over a long period when there has been a combination of difficult trading conditions and internal reorganisation. Without this co-operation it would have been impossible to achieve the improved situation that we are now seeing.

I would also like to welcome Ian Barnes who joined the Board in July last year in his capacity as Managing Director of Kwikform. He has made a significant contribution since his arrival.

The outlook for the Group has improved, with Kwikform continuing to perform well and Brown & Tawse in better shape to cope with the current sluggish demand in its market area. Efforts will continue to improve our market share and competitive position but a significant improvement in the performance of Brown & Tawse will depend on an uplift in demand which is not evident at this time.

D. D. McFarlane
Chairman

REVIEW OF OPERATIONS

KWIKFORM UK

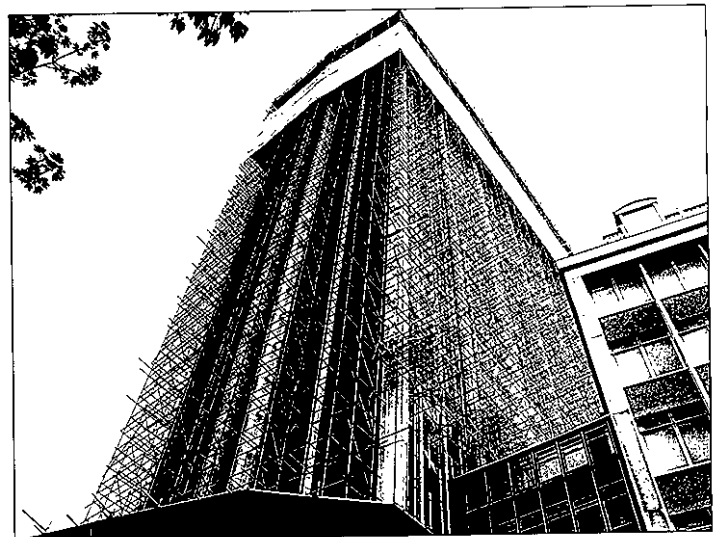


On the acquisition of Kwikform in July 1995 we set both short and longer term objectives for the business over the next five year period. Our first and overriding objective was to ensure, through investment and management support, that the company continued to deliver and improve on its excellent profitability record of recent years. In the event the company has performed very well and an excellent result has been achieved over the nine month period. At the same time key strategic objectives have been defined and good progress made towards their attainment:

- Increase the use of Kwikstage as a contract scaffolding product. This will remain an important goal for the company in the medium term and steady progress has been made. In the three months to March 1996, 29% of townwork revenue was earned using Kwikstage, an increase of more than one third on the equivalent period last year. Kwikstage contracting is now being marketed at more than three quarters of all contract branches.

The company has performed very well and an excellent result has been achieved over the nine month period.

- Increase our penetration of the light access hire market, a sector that had for some time lacked sufficient management focus.
The Kwikhire access division was launched in September 1995 and eight Kwikhire access centres are now trading. It is particularly pleasing to note that five of these centres - in Basingstoke, Bristol, Cambridge, Nottingham and Liverpool - are located in Brown & Tawse depots and in all of these locations there have been tangible benefits for both companies from the sharing of resources.
- Improve operating efficiencies and reduce costs where possible. To this end the formwork falsework branch in Thetford was closed and the operations in Cardiff and Newcastle absorbed into Bickenhill and Huddersfield respectively. The contract scaffolding branch in Leicester was also closed. These and other changes increased operating efficiencies in both the contract and formwork falsework divisions and have enabled the company to pursue an ambitious expansion plan in the Kwikhire division without any increase in overall staff numbers.
- Achieve more efficient utilisation of Group resources. This has also delivered cost and efficiency benefits. In January, Kwikform's Dundee branch relocated to the large Brown & Tawse site nearby and part of Kwikform's refurbishment operation has transferred from Birmingham to Brown & Tawse's site at West Horndon. This latter move gave Kwikform a larger area for storage and processing while freeing up space for a new Brown & Tawse depot in Birmingham. The common use of resources will bring more benefits to both companies during the current year with further scope to rationalise properties and, in some cases, operate a common logistics network.



Access scaffolding for the renovation of Nestle's UK headquarters was supplied by Kwikform's Croydon branch.

The next twelve months will see further consolidation of many of the initiatives already underway. Kwikstage contracting will continue to expand in both the contracts and formwork falsework divisions and an ambitious investment programme is in place to support this growth. The Kwikhire branch network will continue to grow with new branch openings planned for later in the year.

BROWN & TAWSE



**BROWN
&TAWSE**

In last year's report it was noted that the key issues for 1995/96 were "to continue the revenue growth while focusing on further margin gains and to continue the progress in reducing costs, all through the mechanisms of improved information for, and the greater accountability of, branch and regional management. The other key issue will be to reduce still further the absolute level of investment in inventory through better profiling and the improved controls now offered by the new management information systems".

Net investment in inventory fell from £13.72m in 1994/95 to £11.15m, a reduction of 18.7%.

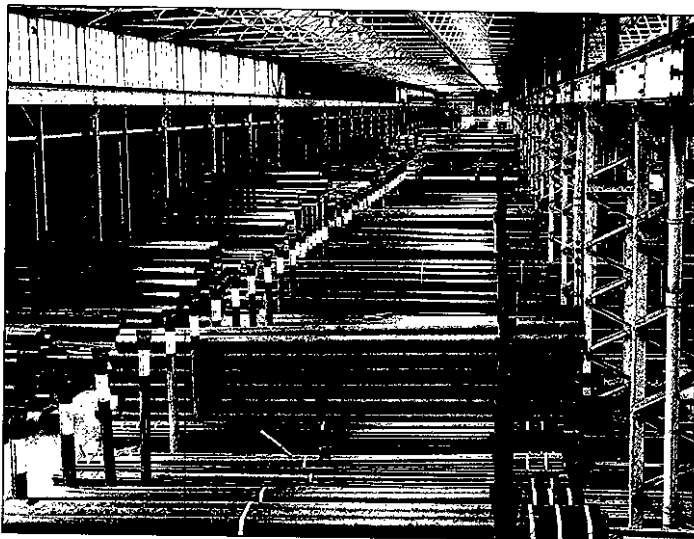
In the event these objectives were largely achieved and a number of other significant improvements achieved, as follows:

- Revenue grew by 4.4% for the year as a whole but with most of this growth coming in the first half. The second half was a more difficult period during which the company suffered increasingly from turbulence in the stainless steel market, where prices fell by about 30% between October 1995 and March 1996, and, in the final quarter, a noticeable slow down in the heating and

ventilation market. Stainless steel sales represented 15% of sales in the year.

Gross margins reflected this same pattern with good improvements in the first half partially offset by falling prices and margin pressure in the second half.

- Total operating costs fell from £17.78m in 1994/95 to £17.30m in 1995/96, a reduction of 2.7%. Much of this improvement was due to system generated productivity gains facilitating a reduction in headcount during the year from 595 to 509.
- Net investment in inventory fell from £13.72m in 1994/95 to £11.15m, a reduction of 18.7%. The new computerised information system has enabled us to achieve this substantial reduction while improving stock availability and, consequently, this element of the service to customers.
- The new information systems structure, introduced last year, has been used to further advantage this year, particularly on inventory planning and profiling, back order management and composite invoicing. In the final quarter the

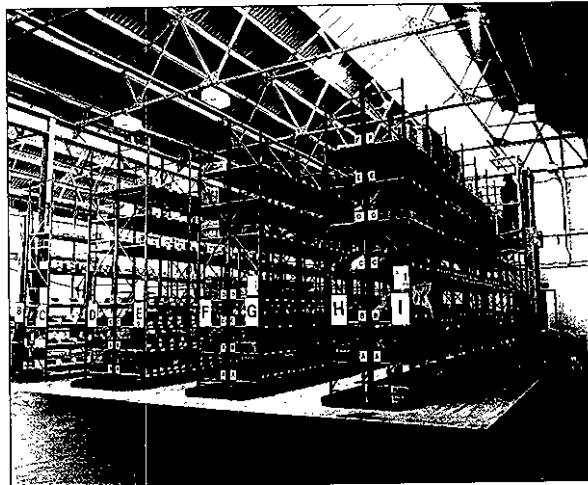


Brown & Tawse tubes warehouse at West Horndon, Essex.

Marketing Plus module was implemented, providing a call logging and diarising facility which will be an element of the Account Management programme to be launched in the 1996/97 year to underpin further revenue growth targets.

- As in the previous year a range of local and regional marketing and training initiatives was implemented throughout the year.

A former branch was reopened on the company's freehold site in Sheffield and a new branch (a photograph of which is shown above) was opened on the Kwikform site in Birmingham. The branch in Bristol was substantially reduced in size, facilitated by an innovative approach to material handling and storage, thereby significantly reducing costs and improving efficiency. Space was created in five branches for the opening of Kwikhire access centres and service support was provided for these start-up activities.



New Brown & Tawse depot at the Kwikform site in Birmingham.

In 1996/97 these same themes will again be the focus of management attention and objectives. Specifically, the company is seeking to:

- Integrate the former Stauff business, rebranded as Bandt Hydraulics in the existing five separate locations, while at the same time launching a range of hydraulic products in a limited number of Brown & Tawse locations in Scotland and the North of England.
- Introduce a wider range of "own brand" valves under the "Jet" brand name, backed by a launch campaign in June and July 1996.
- Improve the effectiveness of the sales activities by introducing the concept of Account Management, backed by the Marketing Plus module, a minimum of five days skills and product training for all sales staff and a series of marketing campaigns and incentives.
- Continue to reduce operating costs and improve efficiency through the wider use of the computer system and cost effective investment particularly in warehousing and distribution.

STAUFF GROUP

It is disappointing to report that this business failed to make any real progress during the year, recording a further loss on reduced revenues despite the actions taken last year to reduce costs. The directors believe that a viable position exists for the Group in the hydraulic components market and in order to achieve this the Stauff Group has been merged into Brown & Tawse with a shared computer system, improved controls, further reductions in costs and a new brand name:



The key objectives in 1996/97 will be to revitalise sales, improve margins and controls, reduce stock and establish the new identity of the business.

Richard Wilson
Chief Executive

BOARD OF DIRECTORS



Standing: Ian Harding, Robin Gisby, Ian Barnes

Seated: Bill Andrews, Don McFarlane, Richard Wilson

Donald D. McFarlane *†

Non-executive Chairman

Aged 64, he joined the Board as Chairman in 1993. A chartered accountant, he is currently Chairman of Hadleigh Group plc, and a non-executive director of Readicut International plc. He was previously Chairman of Senior Engineering Group plc.

William G Andrews *†

Non-executive Director

Aged 60, he joined the Board as a non-executive Director in 1994. He is a director of Stephenson Clarke Shipping Ltd, and was previously Chief Executive of Powell Duffryn plc.

Robin W Gisby

Commercial Director

Aged 39, he joined the Company in 1993 having been director of Business Development for GKN's Industrial Services Division and founder and Managing Director of Charterail Ltd. He is a non-executive director of United Merchants PLC.

Richard H Wilson

Chief Executive

Aged 47, he joined the Company in 1992 having been Chairman and Chief Executive of GKN's Building Services Division and Chief Executive of GKN's Industrial Supplies and Services Division.

Ian M Barnes

Managing Director, Kwikform UK

Aged 45, Mr Barnes joined the Group in July, 1995 upon the acquisition of the Kwikform group of companies. He has been Managing Director of Kwikform since 1990.

Ian Harding

Financial Director and Company Secretary

Aged 41, he joined the Company in 1993. A chartered accountant, he spent six years with Williams Holdings PLC prior to joining the Group.

* member of Audit Committee

† member of Remuneration Committee

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Registrar Department
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Solicitors

Shoosmiths &
Harrison
Church Adams
Tatham

Company Secretary

Ian Harding

Brokers

Credit Lyonnais Laing

Registered Auditors

Coopers & Lybrand

Bankers

Lloyds Bank
Bank of Scotland

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March, 1996.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the distribution of industrial products and the provision of scaffolding and contracting services to the construction and manufacturing industries throughout the UK.

REVIEW OF BUSINESS

The Group's results are shown in the consolidated profit and loss account on page 16. Profit before tax was £2.2m (1995: loss of £2.4m). A review of the Group's activities, together with their prospects is given on pages 3, 4 and 5.

In July 1995 the Group purchased Kwikform Holdings Limited and its subsidiaries from GKN plc for a total consideration of £32.3m. This has been accounted for as an acquisition in accordance with Financial Reporting Standard 6. Details of the net assets acquired and consideration paid are set out in note 22 on page 29.

DIVIDENDS

The directors recommend a final dividend of 0.8p per share (1995: Nil), which, if approved, will be paid on 23 August, 1996 to ordinary shareholders on the register on 30 July, 1996. Total preference dividends paid in the year were £3,000 (1995: £3,000).

DIRECTORS

The Board of Directors is shown on page 6.

Mr I M Barnes joined the Company on 3 July, 1995. Mr W Ford and Mr R J Hunt resigned on 7 April, 1995.

The directors retiring by rotation are Mr D D McFarlane and Mr W G Andrews, who, being eligible, offer themselves for re-election. Neither has a service contract with the Company.

The other directors have service contracts determinable at any time by the Company giving 12 months notice.

There were no contracts of significance with the Company or any of its subsidiaries during or at the end of the financial year in which a director of the Company was materially interested.

Details of directors' remuneration, share interests and share incentive arrangements are given on pages 10, 11 and 12 as part of the Report of the Remuneration Committee.

TANGIBLE FIXED ASSETS

Freehold and long leasehold properties in the Kwikform companies were valued by the Group's property advisors, Lambert Smith Hampton Group Limited as at 26 May, 1995 on the basis of open market value for existing use. These values were incorporated in the Kwikform balance sheet as from the date of acquisition.

Freehold and long leasehold properties belonging to the rest of the Group were valued by Lambert Smith Hampton Group Limited as at 31 December, 1995 on the basis of open market value for existing use. As a result of this valuation the carrying value of these properties increased by £16,000.

SUBSTANTIAL SHAREHOLDERS

As at 28 May, 1996 the directors were aware of the following shareholders who had notifiable interests in the ordinary shares of the Company. These include shareholdings by funds which are managed or advised to the extent that such shareholdings are notifiable in accordance with the Disclosure of Interests in Shares (Amendment) Regulations.

	Number of shares	%
M&G Investment Management Group PLC	23,290,453	16.5
PDFM Limited	19,612,018	13.9
Edinburgh Fund Managers PLC	12,535,187	8.9
Clerical Medical & General Life Assurance Society	6,426,334	4.6
AMP Asset Management PLC	4,590,958	3.3
Lloyds TSB Group plc	4,321,685	3.1

In addition, investment management clients, of companies within the Mercury Asset Management Group are, in aggregate, interested in 12,569,304 shares, 8.9% of the issued ordinary share capital.

EMPLOYEES

The Company informs employees of significant matters relative to the progress and developments of the Group, through displays on notice boards, regular meetings with appropriate levels of employees and employee briefings given by managers.

All employees are encouraged to participate in the Group's progress, by joining the Group's Savings Related Option Scheme. In October 1995 a new tranche of share options was granted to employees under the 1993 Savings Related Option Scheme. As at 31 March, 1996 there were 298 option holders having options over 2,329,643 ordinary shares in both of the Group's saving related schemes.

All applications for employment from disabled persons are given proper consideration and those recruited receive training and promotion as their cases warrant. Every effort is made to assist persons who become disabled whilst in the employment of the Group to continue in employment.

CHARITABLE AND POLITICAL DONATIONS

Donations to charity were £8,923 (1995: £1,091).

No political contributions were made.

DISAPPLICATION OF PRE-EMPTION RIGHTS

Resolution 5 set out in the notice of Annual General Meeting will allow directors to allot equity securities for cash other than to existing shareholders pro rata to their holdings. The directors are seeking this authority in order to overcome certain practical difficulties which can arise, for example, concerning fractions in connection with rights issues and other issues and for the purpose of issuing ordinary shares up to an aggregate nominal amount of £351,889, which represents approximately 5 per cent. of the current issued equity share capital. The authority will renew the existing authority which was given at the Annual General Meeting on 28 July, 1995 and which will expire at the conclusion of the Annual General Meeting. The new authority will expire at the next year's Annual General Meeting or 15 months from its approval, whichever is the earlier. The directors have no present intention of issuing shares pursuant to this authority. The resolution will be proposed as a Special Resolution.

CREST SETTLEMENT SYSTEM

CREST is the electronic system which will permit title to certain listed shares to be evidenced and transferred without a written instrument.

It is the Company's intention to make its shares eligible for CREST and to offer shareholders the choice of holding their shares in CREST.

The directors are taking this opportunity to give notice to shareholders, in accordance with the Uncertificated Securities Regulation 1995 (the "Regulations"), that on 23 May, 1996 the directors of Bandt plc passed a resolution so that title to its shares, in issue or to be issued, may be transferred by means of CREST or any other relevant system.

The directors' resolution will enable Bandt plc's shares to join CREST in due course, as its effect will be to disapply those provisions of Bandt plc's Articles of Association that are inconsistent with the holding and transfer of its shares in CREST, or with the Regulations, once that class of shares is permitted to enter the CREST system.

It is expected that the Company's shares will enter the CREST system in early 1997.

CREDITOR PAYMENT POLICY

The Company's current policy concerning the payment of the majority of its trade creditors is to:


- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

Wherever possible, subsidiaries seek to accelerate payments to suppliers in return for settlement discounts; in all other respects they follow the above policy.

AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors, and to authorise the directors to fix their remuneration, will be proposed at the Annual General Meeting.

By order of the Board


I Harding
Company Secretary

20 June, 1996
The Square
Basing View
Basingstoke
Hants RG21 4EG


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 and of the Group as at the end of the financial year and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 March, 1996. The directors also confirm that applicable accounting standards have been followed.

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

By order of the Board


I Harding
Company Secretary

20 June, 1996
The Square
Basing View
Basingstoke
Hants RG21 4EG

REPORT OF THE REMUNERATION COMMITTEE

As at the date of these financial statements the Remuneration Committee is comprised exclusively of the Group's two non-executive directors, Mr D D McFarlane and Mr W G Andrews.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's Remuneration Committee decides the remuneration policy that applies to executive directors. In setting the policy it considers a number of factors including:

- (a) The basic salaries and benefits available to executive directors of comparable companies.
- (b) The need to attract and retain directors of an appropriate calibre.
- (c) The need to ensure executive directors' commitment to the continued success of the company by means of incentive schemes.

SALARIES AND BENEFITS

The Remuneration Committee meets at least once a year in order to consider and set the annual salaries for executive directors, having regard to personal performance and independently compiled salary information. The basic salary levels were reviewed as of 1 January, 1996 for Messrs Gisby, Harding and Wilson, and as of 1 April, 1996 for Mr Barnes.

PERFORMANCE RELATED INCENTIVE PLAN

Annual bonus

Bonuses are based on a combination of the improvement in underlying earnings per share and individual performance and in total are capped at 35% of salary. No bonuses are payable in respect of 1995/96.

Share options

At the last Annual General Meeting shareholders approved the introduction of the Bandt plc Executive Share Option Scheme 1995. Before options can be exercised under this Scheme, the percentage increase in the Group's earnings per share must be at least 2% per annum above the change in the Retail Price Index for a three year period before the exercise of the options.

Since the approval of the Scheme by the Inland Revenue in late 1995, options over 605,263 shares have been granted, none to executive directors.

There is one other executive share option scheme under which options can be granted, the 1990 Scheme. Under this Scheme, directors have been granted options over existing ordinary shares as part of the 1990 Employee Share Ownership Trust, of which Noble Lowndes Settlement Trustees Ltd is trustee.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The non-executive directors each receive a fee for their services, which is agreed by the Board following recommendation by the Chief Executive, with the assistance of independent advice concerning comparable organisations and appointments. They are re-imbursed for expenses incurred as part of their duties for the Group.

Neither of the non-executive directors has a service contract with the Company.

DIRECTORS' EMOLUMENTS

Details of each director's emoluments are as follows:

	1995/96			1994/95	
	Salary & Fees £	Benefits £	Pension Contributions £	Total £	Pension Contributions £
Executive					
I M Barnes (appointed 3/7/95)	63,750	7,044	7,840	78,634	—
R W Gisby	63,281	5,164	7,000	75,445	74,679
I Harding	71,750	8,437	9,310	89,497	87,624
R H Wilson	130,000	8,604	10,454	149,058	143,833
					10,214
Non-executive					
D D McFarlane (Chairman)	30,000	—	—	30,000	30,000
W G Andrews	15,000	—	—	15,000	—
	373,781	29,249	34,604	437,634	351,136
					26,524

DIRECTORS' INTERESTS IN SHARES

The interests of the directors in the ordinary shares of the Company were:

	31 March, 1996	2 April, 1995
W G Andrews	10,000	—
I M Barnes	16,668	—
R W Gisby	7,000	2,500
I Harding	34,000	16,000
D D McFarlane	14,777	7,000
R H Wilson	45,300	12,000

Apart from the interests disclosed above, no directors were interested at any time in the year in the share capital of the Company or other Group companies.

There has been no change in the interests detailed above between 31 March, 1996 and 20 June, 1996.

DIRECTORS' INTERESTS IN SHARE OPTIONS

Details of options in the Company's ordinary shares held by directors are as follows:

	Granted in year			31 March, 1996
	2 April, 1995	Executive options	SAYE options	
I M Barnes	—	242,857	11,274	254,131
R W Gisby	112,401	178,571	11,274	302,246
I Harding	169,720	200,000	11,274	380,994
R H Wilson	848,782	—	11,274	860,056
	1,130,903	621,428	45,096	1,797,427

Neither of the non-executive directors has been granted share options.

REPORT OF THE REMUNERATION COMMITTEE**continued**

The directors' options are exercisable as follows:

	<u>No. of shares</u>	<u>Period of exercise</u>	<u>Price</u>
I M Barnes	242,857	05/07/98 - 04/07/05	35.0p
	11,274	01/10/00 - 01/04/01	30.6p
R W Gisby	79,167	05/03/96 - 04/03/03	52.5p
	33,234	30/03/96 - 29/03/03	63.0p
	178,571	05/07/98 - 04/07/05	35.0p
	11,274	01/10/00 - 01/04/01	30.6p
I Harding	160,919	13/07/96 - 12/07/03	43.5p
	8,801	01/02/00 - 31/07/00	39.2p
	200,000	05/07/98 - 04/07/05	35.0p
	11,274	01/10/00 - 01/04/01	30.6p
R H Wilson	520,833	22/09/95 - 21/09/02	48.0p
	19,148	23/09/96 - 22/09/03	70.5p
	300,000	23/09/96 - 22/09/03	70.5p
	8,801	01/02/00 - 31/07/00	39.2p
	11,274	01/10/00 - 01/04/01	30.6p

The market price of the Company's shares at the end of the financial year was 28p and the range of market prices during the year was between 43p and 28p.

CORPORATE GOVERNANCE

The Board supports the highest standards in corporate governance and is pleased to confirm that, except as indicated below, the Company has complied throughout the period with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance (the 'Cadbury Committee').

There is one aspect of non-compliance: the Company has only two non-executive directors and not three as recommended in the Code. It is the Board's view that two non-executive directors, who are independent in the context of paragraph 2.2 of the Code, are adequate in relation to the size of the Group. Consequently the Audit Committee consists of these two directors and not three as recommended in the Code.

BOARD COMPOSITION

The Board comprises four executive directors and two non-executive directors. It is chaired by Mr D D McFarlane and meets for regular business on a monthly basis. The Board is responsible for the overall direction and strategy of the Group and for securing the optimum performance from Group assets. The non-executive directors are both independent of the Group and have a breadth of successful commercial and professional experience.

BOARD COMMITTEES

The executive directors meet regularly and deal with all major decisions of the Group not requiring full Board discussion or approval by other Board committees.

The Audit Committee comprises the non-executive directors and is chaired by Mr D D McFarlane. It meets not less than twice a year and assists the Board in ensuring that the Group's published financial statements give a true and fair view and in securing reliable internal financial information for decision making. It also reviews the suitability and effectiveness of the Group's internal controls. The Committee reviews the findings of the external auditors and reviews key accounting policies and judgements.

The Remuneration Committee comprises the non-executive directors and is chaired by Mr D D McFarlane. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for the executive directors and for setting salaries, incentive payments and share options granted.

GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

INTERNAL FINANCIAL CONTROLS

The Board is responsible for the Group's system of internal financial controls. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss. The key features of the system are as follows:

Control environment

The Group's control environment is the responsibility of the Group's directors and managers at all levels. The Group's organisational structure has clear lines of responsibility. Operating and financial responsibility for subsidiary companies is delegated to the local boards and management committees, whose decisions and actions are monitored by the executive directors.

Identification of business risks

A specific exercise has been undertaken to review and assess the risks facing each of the Group's businesses and to enhance the systems which manage the key risks identified. All subsidiaries are required to assess key risks, and related control and monitoring procedures. The Audit Committee and, ultimately, the Board monitor this process.

Major corporate information systems

The Group's accounting manual sets out the Group's policies and financial and accounting procedures. The Group operates a comprehensive budgeting and financial reporting system which, as a matter of routine, compares actual out-turn to budget. Management accounts are compiled on a monthly basis. Variances from plan are thoroughly investigated and revisions to forecasts are made. Cash flow projections are prepared regularly throughout the financial year covering the balance of the financial year, and projections covering the following fifteen months are prepared in December each year; prior to the approval of the Annual Report, projections are prepared covering a period of at least eighteen months to ensure that the Group has adequate funds and resources for the foreseeable future.

Main control procedures

Subsidiary management establishes control procedures in response to each of the key risks identified. Subsidiary management reports whether its key controls have functioned effectively. Formal financial control procedures operate throughout the Group which are designed to ensure the integrity of the Group's financial statements. The Board has established procedures for authorisation of capital expenditure.

Monitoring system used by the Board

The Board reviews and approves budgets and monitors the Group's performance against those budgets monthly. Variances from the expected outcome are investigated fully. The Group's cash flow is also monitored weekly compared to forecast. The Board receives reports on deficiencies in internal control from the Audit Committee. Where lapses are detected, action is taken to prevent further breaches of the Group's procedures. The Board has reviewed the effectiveness of the system of internal financial control for the year.

REPORTS OF THE AUDITORS

TO THE MEMBERS OF BANDT plc

We have audited the financial statements on pages 16 to 33.

Respective responsibilities of directors and auditors

As described on page 9 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 mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March, 1996 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

TO BANDT plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed the directors' statement on pages 13 and 14 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control and going concern, on pages 13 and 14, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion the directors' statements on pages 13 and 14 appropriately reflect the Company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading
20 June, 1996



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March, 1996

	Notes	1996 £000	1995 £000
Turnover			
Continuing operations	2,3	76,784	75,972
Acquisitions	2,3	44,180	-
Total turnover		120,964	75,972
Operating profit/(loss)			
Continuing operations	2,3	(616)	(952)
Acquisitions	2,3	4,559	-
Total operating profit/(loss)		3,943	(952)
Reorganisation costs	4	(615)	(1,464)
Less previous year provisions	4	615	1,330
		-	(134)
Loss on disposal or termination of discontinued operations	4	-	(44)
Less previous year provisions		-	44
Profit/(loss) on ordinary activities before interest		3,943	(1,086)
Interest payable and similar charges	5	(1,721)	(1,335)
Profit/(loss) on ordinary activities before taxation		2,222	(2,421)
Tax on ordinary activities	7	(280)	26
Profit/(loss) on ordinary activities after taxation		1,942	(2,395)
Dividends	9	(1,119)	(3)
Retained profit/(loss) for the year	23	823	(2,398)
Earnings/(loss) per ordinary share	10	1.7p	(7.4)p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Group	
	1996 £000	1995 £000
Profit/(loss) on ordinary activities after taxation	1,942	(2,395)
Unrealised surplus on revaluation of properties	16	-
Total recognised gains and losses relating to the year	1,958	(2,395)

STATEMENT OF HISTORICAL COST PROFITS AND LOSSES

	Group	
	1996 £000	1995 £000
Reported profit/(loss) on ordinary activities before taxation	2,222	(2,421)
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	184	206
Realisation of property revaluation gains of previous years	-	160
Historical cost profit/(loss) on ordinary activities before taxation	2,406	(2,055)
Historical cost profit/(loss) for the year retained after taxation and dividends	1,007	(2,032)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group	
	1996 £000	1995 £000
Profit/(loss) for the year	1,942	(2,395)
Dividends	(1,119)	(3)
	823	(2,398)
Other recognised gains and losses relating to the year	16	-
New share capital issued	32,500	-
Expenses of share issue	(1,097)	-
Goodwill arising on acquisition	(10,907)	-
Net addition to/(deduction from) shareholders' funds	21,335	(2,398)
Opening shareholders' funds	18,004	20,402
Closing shareholders' funds	39,339	18,004

BALANCE SHEETS

as at 31 March, 1996

	Notes	Group		Company	
		1996 £000	1995 £000	1996 £000	1995 £000
Fixed assets					
Tangible assets	13	35,121	19,005	370	405
Investment in subsidiary undertakings	14	-	-	50,356	17,149
Investment in own shares	14	671	727	671	727
		35,792	19,732	51,397	18,281
Current assets					
Stocks	15	14,710	15,615	-	-
Debtors: amounts falling due after one year	16	430	464	27,068	23,370
amounts falling due within one year	16	28,898	16,603	8,392	181
Cash at bank and in hand		24	27	5	52
		44,062	32,709	35,465	23,603
Creditors: amounts falling due within one year	17	(26,379)	(31,962)	(9,477)	(14,841)
Net current assets		17,683	747	25,988	8,762
Total assets less current liabilities		53,475	20,479	77,385	27,043
Creditors: amounts falling due after more than one year	18	(13,885)	(1,448)	(16,502)	-
Provisions for liabilities and charges	19	(251)	(1,027)	(193)	(429)
Net assets		39,339	18,004	60,690	26,614
Capital and reserves					
Called up share capital	20	7,108	8,176	7,108	8,176
Share premium account	23	-	13,792	-	13,792
Revaluation reserve	23	10,645	10,813	7	16
Capital reserve	23	-	-	583	583
Special reserve	23	35,356	-	46,263	-
Profit and loss account	23	(13,770)	(14,777)	6,729	4,047
Total shareholders' funds		39,339	18,004	60,690	26,614
Comprising:					
Equity shareholders' funds		39,269	17,934	60,620	26,544
Non-equity shareholders' funds		70	70	70	70
		39,339	18,004	60,690	26,614

The financial statements on pages 16 to 33 were approved by the Board of Directors on 20 June, 1996 and were signed on its behalf by:

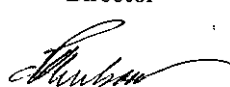
D D McFarlane

Director



R H Wilson

Director



CONSOLIDATED STATEMENT OF CASH FLOW

for the year ended 31 March, 1996

	1996 £000	1995 £000
Net cash inflow/(outflow) from continuing operating activities (note 24)	6,947	(455)
Returns on investments and servicing of finance		
Interest paid: Finance leases	(157)	(121)
Loans, overdrafts and other	(1,330)	(1,232)
Dividends paid	(3)	(3)
Net cash outflow from returns on investments and servicing of finance	(1,490)	(1,356)
Taxation		
UK corporation tax received	—	26
Investing activities		
Purchase of tangible fixed assets	(3,976)	(327)
Proceeds from sale of tangible fixed assets	1,115	582
Purchase of subsidiary (note 22)	(33,450)	—
Net cash (outflow)/inflow from investing activities	(36,311)	255
Net cash outflow before financing	(30,854)	(1,530)
Financing		
Issue of shares	32,500	—
Expenses of share issue	(1,097)	—
Capital element of finance lease rental payments	(556)	(1,095)
Net cash inflow/(outflow) from financing	30,847	(1,095)
Decrease in cash and cash equivalents (note 24)	(7)	(2,625)

NOTES TO THE FINANCIAL STATEMENTS

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the Company and its subsidiary undertakings made up to 31 March, 1996. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries and associates is written off immediately against reserves.

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.

Tangible fixed assets

Depreciation is calculated so as to write off the cost or valuation of fixed assets in equal annual instalments, unless otherwise indicated, over their expected useful lives mainly as follows:

Buildings:

- Freehold: 50 years
- Leasehold (over 50 years): 50 years
- Leasehold (up to 50 years): over period of lease

Other fixed assets:

- Hire stock: 15-50 per cent reducing balance
- Plant, fixtures and office equipment: 12.5 per cent
- Computer equipment: 17.5 per cent
- Vehicles: 17.5 per cent

Annual transfers are made from revaluation to revenue reserves to adjust for the proportion of depreciation on buildings relevant to revaluation surpluses. Freehold land is not depreciated.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences which the directors consider will give rise to a liability in the foreseeable future.

Finance and operating 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. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets. Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

Foreign currencies

Transactions in foreign currencies during the year and liabilities in foreign currencies at the balance sheet date are converted at rates of exchange obtained on the current and forward currency markets, as appropriate. Gains and losses on exchange are taken to the profit and loss account.

Turnover

Turnover, which is substantially all within the UK, represents the amounts receivable for goods sold and services provided by subsidiary undertakings, excluding intra-group transactions and value added tax.

Pension costs

The profit and loss account is charged with the regular pension cost, which is a substantially level percentage of the current and expected future pensionable payroll based upon current actuarial assumptions. Variations in regular cost are amortised over the expected remaining service lives of the current employees. Any differences between the amounts contributed and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

2 Segmental analysis by class of business

The analysis of the Group's turnover, profit before taxation and net assets, by class of business, is set out below:

Division	1996			1995		
	Turnover £000	Profit/(loss) before taxation £000	Net assets £000	Turnover £000	Profit/(loss) before taxation £000	Net assets £000
Stockholding and distribution	76,784	(616)	33,181	75,972	(1,086)	30,930
Contracting and hire	44,180	4,559	21,056	-	-	-
Central net assets	-	-	712	-	-	782
Operating activities	120,964	3,943	54,949	75,972	(1,086)	31,712
Interest	-	(1,721)	-	-	(1,335)	-
Tax and dividends	-	-	(1,397)	-	-	(2)
Net loans and overdrafts	-	-	(13,713)	-	-	(13,706)
Deferred consideration	-	-	(500)	-	-	-
Total Group	120,964	2,222	39,339	75,972	(2,421)	18,004

Turnover of £44,180,000, profit of £4,559,000 and net operating assets of £21,056,000 are included in the 1996 figures relating to the acquisition of Kwikform Holdings Limited, which represents the new contracting and hire division of the Group.

Net operating assets include tangible fixed assets, stocks, and debtors and creditors arising on operating activities.

3 Cost of sales and other operating income and expenses

	1996			1995
	Continuing £000	Acquisitions £000	Total £000	Continuing £000
Turnover	76,784	44,180	120,964	75,972
Cost of sales	(57,548)	(23,619)	(81,167)	(54,984)
Gross profit	19,236	20,561	39,797	20,988
Distribution costs	(14,102)	(12,605)	(26,707)	(14,942)
Administrative expenses	(5,750)	(3,397)	(9,147)	(6,998)
Operating profit/(loss)	(616)	4,559	3,943	(952)

NOTES TO THE FINANCIAL STATEMENTS

continued

4 Exceptional items

	1996 Costs £000	Previous years provisions £000	1996 £000	1995 £000
(a) Reorganisation costs of continuing operations				
- Branch rationalisation programme	615	(615)	-	(8)
- Redundancies	-	-	-	142
	615	(615)	-	134
(b) Disposal of operations				
- Pipe & Tube Group Ltd - Loss on disposal of operation			-	44
- Less previous year provisions for loss on disposal			-	(44)
			-	-

5 Interest payable and similar charges

	1996 £000	1995 £000
Bank loans and overdrafts	1,564	1,213
Finance leases	157	122
	1,721	1,335

6 Profit/(loss) on ordinary activities before taxation

	1996 £000	1995 £000
Profit/(loss) on ordinary activities before taxation is after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	3,320	993
Tangible fixed assets held under finance leases	486	320
Profit on disposal of tangible fixed assets	-	(108)
Operating lease rentals:		
Plant and machinery	1,895	818
Land and buildings	2,256	2,180
Auditors' remuneration for:		
Audit (Company £21,000, 1995: £15,000)	140	92
Other services to the Company and its UK subsidiaries	4	17

In addition to the above, a further £192,000 was paid to the auditors in connection with the acquisition of a subsidiary.

7 Tax on profit on ordinary activities

	1996 £000	1995 £000
Advance corporation tax written off	280	(26)

No other tax charge arises on the profit of the year due to the utilisation of unabsorbed tax losses brought forward. Unabsorbed tax losses carried forward at 31 March, 1996 amount to an estimated £14,500,000 (1995: £13,800,000) subject to agreement by the Inland Revenue.

8 Profit/(loss) for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's profit for the financial year was £3,800,000 (1995: Loss £2,650,000).

9 Dividends

	1996 £000	1995 £000
Dividends on equity shares		
Ordinary - Final proposed of 0.8p per share (1995: Nil)	1,116	-
Dividends on non-equity shares		
Preference 7% (4.9% net of tax) paid	3	3
	1,119	3

10 Earnings/(loss) per ordinary share

The calculation of earnings per share on the net basis is based on the profit on ordinary activities after taxation and after deduction of dividends in respect of non-equity shares, namely £1,939,000 (1995: Loss £2,398,000) and on 113,672,632 (1995: 32,422,632) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

11 Director's emoluments

Detailed disclosures of directors' individual remuneration and share options are given in the report of the Remuneration Committee on pages 10, 11 and 12.

	1996 £000	1995 £000
Fees	45	45
Salary payments (including benefits in kind)	358	452
Pension contributions	35	46
	438	543
Compensation for loss of office	-	104
	438	647

Fees and other emoluments (excluding pension contributions) payable to the chairman and the highest paid director are as follows:

	1996		1995	
	Chairman	Highest paid Director	Chairman	Highest paid Director
Fees and other emoluments	30	139	30	134

The number of directors (including the chairman and highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1996 Number	1995 Number
£0 - £5,000	2	-
£10,001 - £15,000	1	1
£25,001 - £30,000	1	1
£65,001 - £70,000	1	1
£70,001 - £75,000	1	-
£75,001 - £80,000	-	2
£80,001 - £85,000	1	-
£95,001 - £100,000	-	1
£130,001 - £135,000	-	1
£135,001 - £140,000	1	-

No director waived emoluments in respect of the year ended 31 March, 1996 (1995: Nil).

NOTES TO THE FINANCIAL STATEMENTS

continued

12 Employee information

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

	1996 £000	1995 £000
By division:		
Stockholding and distribution	584	688
Contracting and hire	1,687	-
Central	9	10
	2,280	698
Staff costs (for the above persons):		
Wages and salaries	28,635	9,591
Social security costs	2,386	887
Pension contributions (see note 28)	1,304	633
	32,325	11,111

13 Tangible fixed assets

	Group			Company		
	Land and Buildings £000	Plant, Vehicles, Fixtures, and Office Equipment £000	Total £000	Land and Buildings £000	Plant, Vehicles, Fixtures, and Office Equipment £000	Total £000
Cost or valuation:						
At 3 April, 1995	17,529	12,492	30,021	1,041	216	1,257
In respect of new subsidiary	4,513	44,025	48,538	-	-	-
Additions	135	3,841	3,976	-	20	20
Revaluation	(1,106)	-	(1,106)	(75)	-	(75)
Disposals	-	(4,354)	(4,354)	-	(81)	(81)
At 31 March, 1996	21,071	56,004	77,075	966	155	1,121
Depreciation:						
At 3 April, 1995	2,055	8,961	11,016	688	164	852
In respect of new subsidiary	-	31,493	31,493	-	-	-
Charge for the year	417	3,389	3,806	20	13	33
Revaluation	(1,122)	-	(1,122)	(67)	-	(67)
Disposals	-	(3,239)	(3,239)	-	(67)	(67)
At 31 March, 1996	1,350	40,604	41,954	641	110	751
Net book value at 31 March, 1996	19,721	15,400	35,121	325	45	370
Net book value at 2 April, 1995	15,474	3,531	19,005	353	52	405
Cost or valuation at 31 March, 1996 is represented by:						
Valuation in year	14,935	-	14,935	325	-	325
Cost	6,136	56,004	62,140	641	155	796
	21,071	56,004	77,075	966	155	1,121

If land and buildings had not been revalued they would have been included as follows:

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Cost	12,168	7,520	1,091	1,091
Aggregate depreciation based on cost	(3,092)	(2,859)	(773)	(754)
Net book value based on cost	9,076	4,661	318	337

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Net book value of land and buildings is:				
Freehold				
- valuation 1996	11,495	11,559	-	-
- cost	3,508	-	-	-
Leasehold over 50 years				
- valuation 1996	3,440	3,327	325	353
- cost	821	-	-	-
Leasehold under 50 years				
- valuation 1996	-	-	-	-
- cost	457	588	-	-
	19,721	15,474	325	353

The net book value of tangible fixed assets includes an amount of £1,787,000 (1995: £2,014,000) in respect of assets held under finance leases.

Land and buildings were valued by Lambert Smith Hampton Group Limited, Chartered Surveyors, as at 31 December, 1995 on the basis of open market value for existing use.

14 Fixed asset investments

a) Investment in subsidiary undertakings

	Shares £000	Loans £000	Total £000
Company			
Cost			
At 3 April, 1995	28,328	-	28,328
Additions	-	33,207	33,207
At 31 March, 1996	28,328	33,207	61,535
Amounts written off			
At 2 April, 1995 and at 31 March, 1996	11,179	-	11,179
Net book value at 31 March, 1996	17,149	33,207	50,356
Net book value at 2 April, 1995	17,149	-	17,149

The new loans represent funds provided to a wholly owned subsidiary, Bandt Holdings Ltd, for the purchase of shares of Kwikform Holdings Limited (note 22). The loan is considered long term and bears interest at the average cost of funds to the Group.

Interests in group undertakings

The following information relates to those trading subsidiary undertakings whose results or financial position, in the opinion of the directors, principally affected the figures of the Group:

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by	
			Group %	Company %
Brown & Tawse Ltd	England	Ordinary £1 shares	100	100
Stauff Group Ltd	England	Ordinary £1 shares	100	100
Kwikform UK Limited	England	Ordinary £1 shares	100	-

All the above companies operate principally in the United Kingdom.

On 3 July, 1995 a 100% subsidiary of Bandt plc, Bandt Holdings Ltd, acquired the whole of the share capital of Kwikform Holdings Limited (note 22).

NOTES TO THE FINANCIAL STATEMENTS

continued

The principal business activities of these subsidiary undertakings are:

- (i) Brown & Tawse Ltd – sourcing and supply of tubes, fittings, valves and other pipeline equipment. Stauff Group Ltd sources and supplies hydraulic components. Brown & Tawse Ltd and Stauff Group Ltd comprise the stockholding and distribution division of the Group.
- (ii) Kwikform UK Limited – the provision of contract scaffolding, the hire and sale of scaffolding and other non-powered access equipment. It comprises the contracting and hire division of the Group.

b) Investment in own shares

	Group £000	Company £000
At 3 April, 1995 at cost	727	727
Provision	(56)	(56)
At 31 March, 1996	671	671

In accordance with UITF13, interest free loans made to the Brown & Tawse Employee Share Ownership Trust ("ESOT") to finance the purchase of shares have been reclassified, in this year's financial statements, from debtors into fixed asset investments. The comparative figures in the 1995 balance sheet have been restated.

The ESOT was formed on 5 June, 1990 in order to purchase in the open market Bandt plc shares which are held in trust for employees participating in the 1990 Executive Share Option Scheme. The ESOT has waived the right to dividends on the shares.

At 31 March, 1996 there were 111,351 shares (1995: 111,351) held by the ESOT not under option.

15 Stocks

	Group	
	1996 £000	1995 £000
Industrial distribution and hire products	14,252	15,615
Work in progress	458	—
	14,710	15,615

There is no material difference between the value of stocks included in the financial statements and the value of stocks at replacement cost.

16 Debtors

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Amounts falling due after one year:				
Amounts owed by Group undertakings	—	—	26,638	22,906
Pension prepayment	430	464	430	464
	430	464	27,068	23,370
Amounts falling due within one year:				
Trade debtors	27,417	16,087	—	—
Amounts owed by Group undertakings	—	—	90	16
Dividends receivable from subsidiaries	—	—	6,023	—
Other debtors	807	243	2,256	155
Prepayments and accrued income	674	273	23	10
	28,898	16,603	8,392	181

The amounts due to Bandt plc from subsidiary 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.

17 Creditors: amounts falling due within one year

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Bank loans and overdrafts	737	13,733	6,821	14,371
Obligations under finance leases	776	479	-	-
Trade creditors	13,132	13,601	-	-
Bills of exchange payable	806	603	-	-
Advance corporation tax	279	-	279	-
Other taxation and social security	3,304	1,663	23	47
Other creditors	1,068	477	670	217
Accruals	5,159	1,404	566	204
Dividends payable	1,118	2	1,118	2
	26,379	31,962	9,477	14,841

18 Creditors: amounts falling due after more than one year

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Bank loans (repayable between two and five years)	13,000	-	13,000	-
Amounts owed to Group undertakings	-	-	3,502	-
Obligations under finance leases	885	1,448	-	-
	13,885	1,448	16,502	-

On 3 July, 1995 the Group renegotiated its facilities and entered into a three-year agreement under which its banks provide a revolving credit facility and Lloyds Bank provides an overdraft facility. All balances under these facilities are secured by fixed and floating charges on the assets of the Group.

Bank loans comprise drawings maturing in 1996 but where committed revolving credit facilities are in place until 1998. These drawings are, therefore, regarded as due for repayment on maturity of these facilities.

Finance leases

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

	1996 £000	1995 £000
In one year or less	776	479
Between one and two years	674	655
Between two and five years	211	793
	1,661	1,927

19 Provisions for liabilities and charges

	Vacant Properties £000	Redund- ancies £000	Other £000	Total £000
Group				
At 3 April, 1995	733	289	5	1,027
Utilised in year	(615)	(289)	(5)	(909)
Provided during the year	133	-	-	133
At 31 March, 1996	251	-	-	251

NOTES TO THE FINANCIAL STATEMENTS

continued

19 Provisions for liabilities and charges (continued)

Company	Vacant Properties £000	Relocation £000	Total £000
At 3 April, 1995	389	40	429
Utilised in year	(220)	(17)	(237)
Provided/(released) during the year	24	(23)	1
At 31 March, 1996	193	-	193

No provision for deferred taxation is required (1995: £Nil).

Potential deferred taxation liability on timing differences which the directors consider will not reverse in the foreseeable future and which is not provided:

	Group 1996 £000	1995 £000
Capital gains rolled over at 33%	571	533
Unrealised surplus on property valuations at 33%	801	396
	1,372	929

20 Called up share capital

	1996 £000	1995 £000
Authorised:		
190,000,000 ordinary shares of 5p each (1995: 38,000,000 of 25p)	9,500	9,500
70,250 7% (4.9% net of tax) cumulative preference shares of £1 each	70	70
	9,570	9,570
Allotted, called up and fully paid:		
140,755,965 ordinary shares of 5p each (1995: 32,422,632 of 25p)	7,038	8,106
70,250 7% (4.9% net of tax) cumulative preference shares of £1 each	70	70
	7,108	8,176

The preference shares are only entitled to a fixed cumulative preferential dividend at the rate of 4.9% net per annum. The shares are non-voting, unless their dividend is six months in arrears, and have a preferential right to a return of capital on a winding up together with a premium of 12.5p per share.

On 3 July, 1995 the company issued 108,333,333 ordinary shares of 5p each by means of a placing and open offer at 30p per share. This issue followed the acceptance, at an Extraordinary General Meeting on 26 June 1995, of special resolutions to:

- Sub-divide each existing ordinary share of 25p into one reduced ordinary share of 5p and four deferred shares of 5p each;
- Sub-divide each unissued ordinary share of 25p into five ordinary shares of 5p each;
- Increase the authorised share capital of the Company from £9,570,250 to £16,054,776 by the creation of an additional 129,690,528 ordinary shares of 5p.

A Court Order from the Scottish Court of Session was subsequently granted on 8 December, 1995 allowing the cancellation of the deferred shares referred to above and a reduction in the Company's share premium account by a transfer to a newly created special reserve (note 23).

21 Options in shares of Bandt plc

Under the terms of the Group's Share Option Schemes, options have been granted to purchase ordinary shares and the following options were outstanding at 31 March, 1996:

	Date of grant	Options granted	Price	Period of exercise
1985 Executive Share Option Scheme	11.08.88	9,648	185.0p	12.08.91 – 11.08.98
	08.08.91	90,540	74.0p	09.08.94 – 08.08.01
	12.07.93	83,361	43.5p	13.07.96 – 12.07.03
	22.09.93	19,148	70.5p	23.09.96 – 22.09.03
	04.07.95	1,207,138	35.0p	05.07.98 – 04.07.05
1990 Executive Share Option Scheme	21.09.92	520,833	48.0p	22.09.95 – 21.09.02
	04.03.93	79,167	52.5p	05.03.96 – 04.03.03
	29.03.93	176,091	63.0p	30.03.96 – 29.03.03
	12.07.93	77,558	43.5p	13.07.96 – 12.07.03
	22.09.93	300,000	70.5p	23.09.96 – 22.09.03
1995 Executive Share Option Scheme	20.12.95	605,263	38.0p	21.12.98 – 20.12.05
1983 Savings Related Share Option Scheme	15.02.89	1,288	171.0p	01.03.96 – 31.08.96
	12.09.90	1,022	88.0p	01.10.97 – 31.03.98
	28.08.91	70,538	59.0p	01.09.96 – 28.02.97
	26.08.92	105,241	42.4p	01.09.97 – 28.02.98
1993 Savings Related Share Option Scheme	22.12.94	315,064	39.2p	01.02.00 – 31.07.00
	16.08.95	1,836,490	30.6p	01.10.00 – 01.04.01

22 Acquisitions

On 3 July, 1995 the Company's subsidiary, Bandt Holdings Ltd, acquired the whole of the issued share capital of Kwikform Holdings Limited for a total cash consideration of £32,300,000. £30,000,000 of the consideration was raised by the issue of 108,333,333 ordinary shares of 5p at 30p each, the remaining £2,300,000 being financed by bank loans under the Group's bank facility. Acquisition expenses amounted to £907,000. The Group has used acquisition accounting to account for the purchase.

The summarised profit and loss account and statement of total recognised gains and losses for the sub-group Kwikform Holdings Limited for the period from 1 January 1995, the beginning of the subsidiary's financial year, to the date of acquisition are as follows:

Profit and loss account	Period ended 2 July, 1995 £000
Turnover	29,655
Operating profit before exceptional expenses	2,884
Exceptional operating expenses – management fees and pension costs	(3,150)
Operating loss after exceptional expenses	(266)
Income from investments and interest receivable	121
Interest payable	(397)
Loss on ordinary activities before and after taxation	(542)

The profit on ordinary activities after taxation for the year ended 31 December, 1994 was £2,268,000.

NOTES TO THE FINANCIAL STATEMENTS

continued

Statement of total recognised gains and losses

	Period ended 2 July, 1995 £000
Loss for the financial period	(542)
Deficit on property revaluation	(660)
Total losses recognised since last annual report	(1,202)

The assets and liabilities of the Kwikform Holdings group acquired were:

	Book value £000
Tangible fixed assets	17,045
Current assets	
Stock	1,623
Debtors	13,363
Cash at bank and in hand	7
Total assets	32,038
Liabilities	
Creditors	(8,698)
Finance lease obligations	(290)
Bank overdraft	(750)
Net assets	22,300
Goodwill	10,907
	33,207
Satisfied by	
Cash	31,800
Deferred consideration	500
Acquisition expenses	907
	33,207

The directors consider that no fair value adjustments were required upon the acquisition of Kwikform Holdings Limited.

Impact on cash flows

The sub-group Kwikform Holdings Limited contributed £9,005,000 to the Group's net operating cash flows, paid £33,000 in respect of net returns on investments and servicing of finance, paid nothing in respect of taxation and utilised £3,468,000 for investing activities.

Analysis of the net outflow of cash and cash equivalents in respect of the purchase of Kwikform Holdings Limited

	£000
Cash consideration including acquisition expenses	32,707
Cash in hand acquired	(7)
Bank overdraft acquired	750
Net outflow of cash and cash equivalents in respect of the purchase	33,450

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves, after deducting goodwill attributable to subsidiary undertakings disposed of, is set out below:

Net goodwill written off to reserves

	£000
At 3 April, 1995	4,436
Written off to reserves in year	10,907
At 31 March, 1996	15,343

In accordance with the Group's accounting policy, goodwill arising on consolidation since the Company's capital reorganisation is written off against the special reserve. To date goodwill of £10,907,000 has been written off against the special reserve, £4,436,000 having been written off against retained reserves on consolidation from previous years.

23 Share premium account and reserves

Group

	Share premium account £000	Revaluation reserve £000	Special reserve £000	Profit & loss account £000
At 3 April, 1995	13,792	10,813	-	(14,777)
Share issue	27,083	-	-	-
Expenses of share issue	(1,097)	-	-	-
Transfer following Court Order	(39,778)	-	39,778	-
Cancellation of deferred shares	-	-	6,485	-
Goodwill written off	-	-	(10,907)	-
Revaluation surplus	-	16	-	-
Transfer from revaluation reserve to profit and loss account	-	(184)	-	184
Retained profit for the year	-	-	-	823
At 31 March, 1996	-	10,645	35,356	(13,770)

Company

	Capital reserve £000	Share premium account £000	Revaluation reserve £000	Special reserve £000	Profit & loss account £000
At 3 April, 1995	583	13,792	16	-	4,047
Share issue	-	27,083	-	-	-
Expenses of share issue	-	(1,097)	-	-	-
Transfer following Court Order	-	(39,778)	-	39,778	-
Cancellation of deferred shares	-	-	-	6,485	-
Revaluation deficit	-	-	(8)	-	-
Transfer from revaluation reserve to profit and loss account	-	-	(1)	-	1
Retained profit for the year	-	-	-	-	2,681
At 31 March, 1996	583	-	7	46,263	6,729

NOTES TO THE FINANCIAL STATEMENTS

continued

24 Notes to consolidated statement of cash flow

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

	Continuing £000	1996 Acquisitions £000	Total £000	1995 Continuing £000
Operating profit/(loss)	(616)	4,559	3,943	(952)
Depreciation on tangible fixed assets	1,302	2,504	3,806	1,313
Loss/(profit) on disposal of tangible fixed assets	6	(6)	-	(108)
Decrease/(increase) in stocks	2,620	(92)	2,528	(621)
Decrease in debtors	1,065	93	1,158	200
(Decrease)/increase in creditors	(5,659)	1,947	(3,712)	1,542
Decrease in provisions for liabilities and charges	(776)	-	(776)	(1,695)
Reorganisation costs	-	-	-	(134)
Net cash inflow/(outflow) from operating activities	(2,058)	9,005	6,947	(455)

Cash and cash equivalents

	1996 £000	1995 £000
Changes during the year		
At 3 April, 1995	(13,706)	(11,081)
Refinancing of bank loans	13,000	-
Net cash outflow	(7)	(2,625)
At 31 March, 1996	(713)	(13,706)

	1996 £000	Change in year 1996 £000	1995 £000	Change in year 1995 £000	1994 £000
Analysis of balances					
Cash at bank and in hand	24	(3)	27	(61)	88
Bank loans and overdrafts	(737)	12,996	(13,733)	(2,564)	(11,169)
	(713)	12,993	(13,706)	(2,625)	(11,081)

Analysis of changes in financing during the year

	1996 Share capital (including premium) £000	1996 Loans and finance lease obligations £000	1995 Share capital (including premium) £000	1995 Finance lease obligations £000
At beginning of year	21,968	1,927	21,968	2,141
Proceeds from issue of new share capital	31,403	-	-	-
Refinancing of bank loans	-	13,000	-	-
Inception of finance lease contracts	-	-	-	881
Finance leases acquired	-	290	-	-
Repayments of capital element of finance lease rental payments	-	(556)	-	(1,095)
Transfer to special reserve	(46,263)	-	-	-
At end of year	7,108	14,661	21,968	1,927

25 Capital commitments

	Group	
	1996 £000	1995 £000
Future capital expenditure contracted but not provided for	1,092	45

26 Contingent liabilities

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Guarantees given in respect of banking and leasing contracts	240	330	475	1,859

A subsidiary company has given certain warranties and indemnities in respect of the sale of former subsidiary companies.

27 Financial commitments

At 31 March, 1996 the Group had annual commitments under non-cancellable operating leases as set out below:

	Group		Company	
	Land and buildings 1996 £000	Other 1996 £000	Land and buildings 1995 £000	Other 1995 £000
Operating leases which expire:				
Within one year	36	442	16	133
Within two to five years	327	945	335	582
After five years	1,820	—	1,536	—
	2,183	1,387	1,887	715

28 Pension and similar obligations

The Group operates two pension schemes. The older scheme, which covers 21% of scheme members, is of the defined benefit type. The second, which commenced on 1 December, 1995 for all new employees, and for all employees of Kwikform Holdings Limited which was acquired in the year, is a defined contribution scheme. The assets of the schemes are held in separate trustee administered funds.

The defined benefit scheme, known as the Brown & Tawse Pension Plan ("the Plan"), was valued as at 31 December, 1995, by an independent qualified actuary, and contributions determined using the projected unit method and the following main assumptions:

- Rate of return on investments 9.0% p.a.
- Salary inflation 7.0% p.a.
- Pension increases 3.0-5.0% p.a.
- Equity dividend growth 4.5% p.a.

At the date of valuation the total market value of the Plan's assets was £20.0 million and the actuarial value of the assets was sufficient overall to cover 108% of the benefits that had accrued to members at that date, after allowing for assumed future increases in earnings. On the advice of the actuaries the funding rate will be reduced from April 1996 so that the surplus is eliminated over the average remaining service life of the employees.

The pension cost for the year for the defined benefit scheme was £529,000 (1995: £633,000). Debtors at the year end include a prepayment of £430,000 (1995: £464,000) representing the unamortised remainder of the excess of contributions over accumulated pension costs. The pension cost for the year has been based upon the previous valuation as at 31 December, 1992.

The pension cost for the new defined contribution scheme was £350,000 (1995: £Nil), representing the contributions payable for the year. Outstanding contributions payable amounted to £72,000.

Within the total pension costs for the year a further £425,000 is included in the financial statements representing the costs of a defined benefit scheme previously operated by the parent company of Kwikform Holdings Limited, the company acquired on 3 July, 1995 (note 22).

GROUP FINANCIAL RECORD

for the five years ended 31 March, 1996

	1996 £000	1995 £000	1994 £000	1993 £000	1992 £000
Turnover					
Continuing operations	76,784	75,972	81,090	98,461	113,613
Acquisitions	44,180	-	-	-	-
Discontinued operations	-	-	12,942	20,546	25,822
	<u>120,964</u>	<u>75,972</u>	<u>94,032</u>	<u>119,007</u>	<u>139,435</u>
Operating profit/(loss)					
Continuing operations	(616)	(952)	(2,077)	(13,456)	1,148
Acquisitions	4,559	-	-	-	-
Discontinued operations	-	-	373	167	663
	<u>3,943</u>	<u>(952)</u>	<u>(1,704)</u>	<u>(13,289)</u>	<u>1,811</u>
Exceptional costs	-	(134)	(532)	(21,230)	(636)
Profit/(loss) on ordinary activities before interest	<u>3,943</u>	<u>(1,086)</u>	<u>(2,236)</u>	<u>(34,519)</u>	<u>1,175</u>
Net interest	(1,721)	(1,335)	(1,529)	(2,006)	(2,150)
Profit/(loss) before taxation	<u>2,222</u>	<u>(2,421)</u>	<u>(3,765)</u>	<u>(36,525)</u>	<u>(975)</u>
Taxation	(280)	26	1,164	486	104
Profit/(loss) after taxation	<u>1,942</u>	<u>(2,395)</u>	<u>(2,601)</u>	<u>(36,039)</u>	<u>(871)</u>
Per ordinary share:					
Earnings/(loss)	1.7p	(7.4)p	(8.0)p	(111.2)p	(2.7)p
Dividends	0.8p	-	-	-	4.7p
Net assets employed:	£000	£000	£000	£000	£000
Fixed assets	35,792	19,732	19,584	21,724	28,261
Net current assets (excluding cash and borrowings)	19,172	14,932	16,762	25,660	33,909
Net borrowings	(15,374)	(15,633)	(13,222)	(18,261)	(15,365)
Provisions for liabilities and charges	(251)	(1,027)	(2,722)	(6,817)	(1,146)
Total shareholders' funds	<u>39,339</u>	<u>18,004</u>	<u>20,402</u>	<u>22,306</u>	<u>45,659</u>
Net assets per ordinary share	<u>27.9p</u>	<u>55.3p</u>	<u>62.9p</u>	<u>68.6p</u>	<u>140.6p</u>
Gearing	<u>39%</u>	<u>87%</u>	<u>65%</u>	<u>82%</u>	<u>34%</u>
Average number of employees	<u>2,280</u>	<u>698</u>	<u>866</u>	<u>1,239</u>	<u>1,338</u>

Notes

Exceptional costs in 1993 comprise the loss on termination of a discontinued operation, re-organisation costs and provision for loss on disposal of operations to be discontinued, inclusive of related goodwill previously written off to reserves.

Gearing is calculated as borrowings (cash less bank loans and overdrafts, finance lease and hire purchase obligations) to closing shareholders' funds.

The 1996 figures are based on issued ordinary shares of 140,755,965, weighted average 113,672,632 shares, compared to the previous years' number of ordinary shares of 32,422,632.

NOTICE OF MEETING

Notice is hereby given that the eightieth Annual General Meeting of the Company will be held at The Square, Basing View, Basingstoke, RG21 4EG on 26 July, 1996 at 12 noon for the following purposes:

To consider as Ordinary Business and, if thought fit, pass the following Ordinary Resolutions:

1. To receive the Reports of the Directors and the Auditors and to adopt the financial statements for the year ended 31 March, 1996.
2. To re-elect Mr D D McFarlane as a Director.
3. To re-elect Mr W G Andrews as a Director.
4. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.

To consider as Special Business and, if thought fit, to pass the following Resolution number 5 which will be proposed as an Ordinary Resolution:

To consider as Special Business and, if thought fit, to pass the following Resolution number 6 which will be proposed as a Special Resolution:

5. (a) That the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities of the Company (as defined in section 94 of the Act) pursuant to the authority conferred by Resolution number 1 sub-paragraph 6 passed at a meeting of the Company on 26 June, 1995 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) the allotment of equity securities in connection with a rights issue or other issue in favour of ordinary shareholders and the holders (if any) of any other shares or securities of the Company that by their terms are entitled to participate in such rights issue or other issue where the equity securities respectively attributable to the interests of all ordinary shareholders and such holders of such other shares or securities of the Company are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or in accordance with the rights attaching to such other shares or securities, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems arising in any overseas territory or the requirements of any regulatory body or stock exchange or otherwise; and
 - (ii) the allotment otherwise than pursuant to sub-paragraph 5 (a)(i) above of equity securities up to an aggregate nominal amount of £351,889;
- (b) That the power hereby conferred shall expire 15 months after the date of the passing of this Resolution or on the conclusion of the next Annual General Meeting following the date of passing of this Resolution (whichever occurs first) or such later date as the Company may by Special Resolution prescribe but may be previously revoked or varied by Special Resolution;
- (c) That the power hereby conferred shall enable the Company to make any offer or agreement that would or might require securities to be allotted after such power expires and the directors may allot equity securities in pursuance of any such offer or agreement as if the power hereby conferred had not expired; and
- (d) That all previous powers to allot equity securities conferred by resolution of the Company pursuant to Section 95 of the Act or otherwise be and they are hereby revoked (to the extent that they have not been previously been utilised).

By order of the Board

I Harding
Company Secretary



2 July, 1996
Registered office:
Kingsway West
Dundee DD3 8SF

Notes

1. A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. Preference shareholders are not entitled to attend and vote at the Meeting. Forms of Proxy must be lodged with the Registrar of the Company at least 48 hours before the time fixed for the Meeting. A pre-paid Form of Proxy is enclosed for use by holders of ordinary shares.

2. A summary of any transactions during the past year by the directors and the family interests in the Company's ordinary shares will, together with copies of directors' service contracts, be available for inspection at the Registered Office of the Company from the date of this notice until the date of the Meeting, and at the place of the Meeting for 15 minutes prior to the Meeting and during the Meeting.

▲ BROWN & TAWSE DEPOTS

Aberdeen
Birmingham
Cardiff
Dundee
East Kilbride
Glasgow
Halesowen
Hayes
Leeds
Leicester
London
– City
– Tottenham
Manchester
Norwich
Sheffield
Stockton
West Horndon

**● BROWN & TAWSE AND
KWIKHIRE DEPOTS**

Basingstoke
Bristol
Cambridge
Liverpool
Nottingham

KWIKFORM DEPOTS

Aberdeen
Airdrie
Bickenhill
Birmingham
Bristol
Canterbury
Cardiff
Coventry
Croydon
Dagenham
Dundee
Edinburgh
Glasgow
Huddersfield
Leeds
Lincoln
Liverpool
London
– Hammersmith
– Walthamstow
Manchester
Newcastle
Portsmouth
Preston
Swansea
Teesside

