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BANDT plc

ANNUAL REPORT 1997/98

BANDT plc

Contents

BANDT plc

Summary

- Operating profit (before exceptionals) increased by 69% to £7.1m.
- Profit before tax of £5.4m. Turnaround from loss in prior year.
- Strategic developments include the acquisition of Fincham, which significantly strengthens our scope in industrial services and our general market presence in South East England.
- Dividends increased by 27% to 1.4p.
- Gearing remains low at 12%.
- Basingstoke site sold for £3.3m after year end.

Financial highlights

	1998 **£000**	1997 £000
• **Operating profit before exceptional items**	7,062	4,188
• **Profit before tax**	5,398	(4,820)
• **Earnings per share pre exceptional items**	4.3p	1.7p
• **Dividends per ordinary share**	1.4p	1.1p
• **Gearing**	12%	7%

CHAIRMAN'S STATEMENT

It has been an encouraging year for the Group, with good trading results from continuing activities against the background of completing the transition from our origins in pipeline and steel products distribution into an expanding industrial services Group.

Operating profit before exceptional items has increased by 69% to £7.1m. After exceptional items, profit before tax amounted to £5.4m compared to last year's loss giving earnings of 3.5p per share after a continuing low tax charge due primarily to the utilisation of losses brought forward.

Exceptional items comprise the loss on disposal of Brown & Tawse Steelstock and final costs relating to the 1996/97 disposals as previously reported and, following receipt of external professional advice, provision for contingent liabilities on leasehold properties.

Operating cash flow of £12.4m (1997 - £6.7m) was strong, hence after net capital expenditure of £7.0m and the acquisition of Fincham, gearing at the year end stood at 12%, leaving significant headroom to continue investment in Group development in the industrial services field. In addition, at the end of June 1998, the sale of the Basingstoke site will be completed with cash proceeds of £3.3m.

The Board will recommend to the Annual General Meeting a final dividend of 1.0p per share (1997 0.8p per share), which, together with the interim dividend of 0.4p per share already paid, would bring the total for the year to 1.4p compared to 1.1p last year. The final dividend will be paid on 18 August, 1998 to shareholders on the register at 17 July, 1998.

Don McFarlane retired from the Board last December having served the company as Chairman since 1993. This covered a most difficult trading period and time of strategic change for the Group requiring all of his patience and wise counsel. The current year's trading results are the best tribute that can be paid to his achievements in bringing Bandt into being in its present form. We wish Don a very long and happy retirement.

I also extend my thanks to my present Board colleagues, the management and employees of the Group for their contributions to our results for 1998. We anticipate that the Group will continue to progress in the current year given a stable economy in our home markets, albeit perhaps with more volatile conditions in some export markets.

W G Andrews
Chairman

19 June, 1998

REVIEW OF OPERATIONS

Kwikform: The year has been one of considerable change and progress at Kwikform under the new managing director, John Singleton, who took up this role on 1 April, 1997. In the second full year of ownership by the Group, Kwikform's revenues grew by 10.1% to £70.3m and the operating profit rose by 10.2% to £6.1m.

In last year's report a number of key objectives were established for the year under review and in the event good progress was made in all areas.

- The order for the supply of access systems for building internal tanks in LNG ships in Korea was completed successfully and a smaller, follow up order secured despite the economic difficulties in the region.

- Revenues derived from the Kwikstage scaffold system grew by over 12% in the year, underpinned by investment in stock of £2.8m. Further growth of over 10% is targeted for the 1998/99 year backed by ongoing investments in hirestock, training, supervision and yard facilities.

- Revenues in the Kwikhire division grew by 29% during the year. There was further investment in hirestock, one new branch was opened in Leeds, and the branches in Bristol, Liverpool and Nottingham relocated. Organic growth of over 12% is targeted for the 1998/99 year based on further market acceptance of the Lynx tower and the introduction of other new products.

- The company's leading position in contract scaffolding services was further enhanced through the creation of a separate division to focus on the industrial sector, changes in management within the townwork division, and further investment in stock and engineering support, particularly for Kwikstage. We invested in a 25% increase in employee training through existing courses whilst also widening the range of internal courses to be offered in the future.

- The percentage margin on sales (before allocation of group overhead costs) increased by 0.7 percentage points in 1997/98 through improved contract control processes, key management changes, benchmarking of branch performance, changes in work mix towards higher margin activities and joint initiatives with customers in the industrial sector. There is still no real evidence that market prices have assisted in this improved performance, but the company did benefit from the mild winter conditions, facilitating an improved performance in the fourth quarter.

In general terms the market for the company's townwork contract scaffolding services is reasonably good, and in these areas the order book is significantly higher than at the beginning of the year. The outlook for the formwork/falsework division is less good given the cutbacks in infrastructure spending and delays in the Channel Tunnel Rail Link project. New products will be introduced in this division to improve the company's share of the market, particularly in the supply of panel products, and a special projects engineering team will be established from existing resources to focus on more complex customer requirements and niche market sectors.

Other key objectives for Kwikform during the 1998/99 year will be to:

- Strengthen the company's presence in the industrial sector by opening new operational bases and by offering multi-discipline services in conjunction with Fincham.

- Strengthen the company's presence in the townwork market through in-fill acquisitions, particularly in the southern part of the country.

- Reorganise the logistics structure to provide a significantly more cost effective site service, with some benefits accruing in 1998/99 but mainly in 1999/2000.

- Continue ongoing market tests into the opportunities for the supply of powered access solutions and, if appropriate, invest in the relevant equipment.

- Continue to review opportunities for overseas expansion initially in Northern Europe including the Benelux countries.

Fincham: Fincham Industrial Services Ltd was purchased on 2 October, 1997 for a total consideration of £7.3m, in order to strengthen the Group's presence in the industrial services sector in general, and in south east England in particular. The company is a leading supplier to industrial processing businesses in the south east of thermal insulation, scaffolding, sheeting and cleaning services, with over half its revenues derived from term maintenance contracts.

In the period since the acquisition the company has delivered an operating profit of £0.7m on sales of £3.3m, and has benefited from the Group's additional financial resources by reporting fourth quarter sales over 60% above those for the corresponding period in the prior year. In the same period the company, managed by the former owners, has defined a strategic plan which will see the separate development of each of the key service elements as well as the provision of multi-discipline services where required. The combination of additional financial resources and the focussed service plan has facilitated the growth in business, much of which is derived from 'blue chip' customers using the company's services for the first time.

In the year ahead the key objectives for the company will be to:

- Grow annualised revenues by over 20% through further market penetration in the south east.
- Make bolt-on acquisitions to strengthen the company's presence in the industrial services sector.
- Establish a trading operation with Kwikform in the north east to benefit from the complementarity of Kwikform's strength in scaffolding and Fincham's strength in thermal insulation in particular.

Bandt Properties: The portfolio of freehold and long leasehold properties was valued at 5 April, 1998 at £14.7m, a net increase of £1.1m compared with the previous year end due mainly to the increase in value of the Dundee site following the receipt of planning permission for change to non-food retail use. As previously noted the business is a non-core activity and we will dispose of these properties on an opportunistic basis. We announced on 1 June, 1998 the sale of the long leasehold property in Basingstoke for £3.3m, marginally above the net book value, and there are realistic expectations for the disposal over the next two financial years of properties at Dundee, Aintree, Greenford, Renfrew and possibly West Gorton, Manchester. At 5 April, 1998 these properties were valued at a total of £4.8m.

Also, as noted last year we will seek to maximise the rental income from these and the other properties in the short to medium term pending their disposal. Following the sale of the Brown & Tawse pipeline equipment distribution business in January 1997, and after a one year rent free period, the purchaser of that business has entered into 10 year lease arrangements in respect of the properties at West Horndon and Sheffield in addition to the existing lease at Cardiff.

During the year under review Bandt Properties generated, prior to exceptional operating costs, an operating profit of £0.3m on revenues of £0.7m and will benefit in 1998/99 from an incremental nine months revenue from the new 10 year leases. Following receipt of external professional advice, the potential cost of possible rental gaps and potential dilapidations in respect of its leasehold properties has been assessed. The provision for such cost is the principal part of the exceptional operating cost of £1.0m for vacant property provisions.

REVIEW OF DISCONTINUED OPERATIONS

Brown & Tawse Steelstock: As noted in the interim results statement, this business was sold to its management on 18 July 1997. The business reported a trading loss of £0.1m during the period of the Group's ownership in 1997/98. A small loss was recorded on the sale which is reported under 'exceptional items' in the Group profit and loss account for the year together with other final costs relating to the major disposals in 1996/97.

Richard Wilson
Chief Executive

19 June, 1998

Note to Printers:

This is the overflow page for pages 4 and 5 when photographs and inset bullet points are inserted.

Board of directors

William G Andrews * +
Non-executive Chairman
Aged 62, he joined the Board as a non-executive Director in 1994 and became non-executive chairman on 1 January 1998. He is a director and non-executive chairman of Crompton Specialist Papermakers Ltd, and was previously Chief Executive of Powell Duffryn plc.

Richard C Rutter
Finance Director and Company Secretary
Aged 51, he joined the Board in September 1997. Previously he had been Finance Director of the Kvaerner Construction Group.

Michael J Farebrother * +
Non-executive Director
Aged 57, he joined the Board as a non-executive Director in August 1997. He was previously Chief Executive of Cape Industries plc.

Richard H Wilson
Chief Executive
Aged 49, he joined the Company in 1992 from GKN plc.

John S Singleton
Managing Director, Kwikform UK
Aged 50, he joined the Board in April 1997. Previous main board appointments include Lilleshall plc and Victaulic plc, where he was Managing Director of Stewarts & Lloyds Plastics.

* member of Audit Committee
\+ member of Remuneration Committee

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Company Secretary
Richard Rutter

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Registered office
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Registered Auditors
Coopers & Lybrand

Registrars
Bank of Scotland
Registrar Department
Apex House
9 Haddington Place
Edinburgh
EH7 4AL

Bankers
Lloyds Bank

Solicitors
Shoosmiths & Harrison
Church Adams Tatham
Dundas & Wilson

Financial Advisers
Close Brothers Corporate Finance Ltd

Brokers
Albert E Sharp

Report of the directors

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 5 April, 1998. The comparative figures are for the year ended 6 April, 1997.

Principal activities

The principal activities of the Group are the provision of scaffolding and industrial 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 £5.4m (1997: loss £4.8m). A review of the Group's activities, together with its prospects is given on pages 3, 4 and 5.

Dividends

The directors recommend a final dividend of 1.0p per share (1997: 0.8p), which, if approved, will be paid on 18 August, 1998 to ordinary shareholders on the register on 17 July, 1998. Total preference dividends paid in the year were £3,000 (1997: £3,000).

Directors

The Board of Directors is shown on page 6.

Mr M J Farebrother joined the Board on 22 August, 1997 and Mr R C Rutter on 22 September, 1997. Mr I Harding resigned on 18 July, 1997, and Mr D D McFarlane on 31 December, 1997.

Mr M J Farebrother and Mr R C Rutter having been appointed since the last AGM retire and, being eligible, offer themselves for re-election.

The director retiring by rotation is Mr R H Wilson, who, being eligible, offers himself for re-election.

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

The only contract 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 was the disposal of Brown & Tawse Steelstock Ltd to a management buy out led by Mr I Harding, the former Group Finance Director.

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

The investment freehold and long leasehold properties belonging to Bandt Properties were valued by Lambert Smith Hampton Group Limited as at March, 1998 on the basis of open market value. As a result of this valuation the carrying value of these properties increased by £649,000.

Substantial shareholders

As at 12 June, 1998 the directors were aware of the following shareholders who had notifiable interests in 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	%
PDFM Limited	23,815,061	16.9
M&G Investment Management Group PLC	23,350,453	16.6
Merrill Lynch & Co. Inc/Mercury Asset Management Group plc	14,480,783	11.7
Aberforth Partners	16,222,285	11.5
Edinburgh Fund Managers plc	12,825,874	9.1

Report of the directors cont...

Employees

The Company informs employees of significant matters relative to the progress and development 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. As at 5 April, 1998 there were 116 option holders having options over 1,029,533 ordinary shares in the Group's 1993 saving related scheme.

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 £5,573, (1997: £3,273).

No political contributions were made.

Company Buy Back of Own Shares

The Company is seeking authority through Special Resolution number 7, set out in the notice of Annual General Meeting, to make market purchases of its ordinary shares pursuant to section 166 of the Companies Act 1985 up to a maximum of 14 million ordinary shares (representing 9.95% of the Company's current issued ordinary share capital). The authority would only be exercised after the most careful consideration, with a view to the enhancement of future earnings per share and only if the Board considered that such exercise was in the best interests of the shareholders at the time. The Board has no immediate intention of exercising this authority but will keep the matter under review. It is intended that the authority will come up for renewal at the 1999 Annual General Meeting and would in any event expire 15 months from its approval.

Disapplication of pre-emption rights

Special Resolution number 8 will allow directors to allot equity securities 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 22 August, 1997 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.

Millennium

The Group is making substantial progress towards ensuring that the Group's businesses will not be affected by the Millennium 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 £0.2m. Half of this was incurred in 1997/98.

European Monetary Union (EMU)

We have started preparing for the introduction of the EMU. The businesses primarily provide services in the UK with only limited exports of goods into EMU countries. However, in due course, EMU will significantly impact upon the Group and the Group will take appropriate action.

Report of the directors continued

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.

Creditor days for the Group's main business, Kwikform UK Ltd, were 74 (1997: 79) at the end of the financial year.

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

R C Rutter
Company Secretary

19 June, 1998

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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 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 judgements and estimates have been made in the preparation of the financial statements for the year ended 5 April, 1998. 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

R C Rutter
Company Secretary

19 June 1998

Report of the Remuneration Committee

As at the date of these financial statements the Remuneration Committee comprises the Group's two non-executive directors Mr W G Andrews and Mr M J Farebrother.

The Company has complied throughout the period with section A of the best practice provisions for directors' remuneration annexed to the London Stock Exchange's Listing Rules, which concerns the membership and operation of the remuneration committee.

Remuneration policy for executive directors

The Company's Remuneration Committee decides the remuneration policy that applies to executive directors. In determining that policy it has given full consideration to section B of the best practice provisions for directors' remuneration annexed to the London Stock Exchange's Listing Rules. 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, and

(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 contracts of employment for each of the executive directors can be terminated on giving 12 months notice. Normal retirement age for the executive directors is on reaching the age of 62 years.

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.

Long term incentive schemes

There are no long term incentive schemes other than the share option schemes.

Share options

At the AGM in 1995 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 3,244,875 shares have been granted. 1,678,847 options were granted in the year, of which 818,847 were granted to and remain with 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. No options were granted under this scheme in the year.

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:

	Salary & fees £	Bonus £	Benefits £	1997/98 Total £	1996/97 Total £	Pension contributions 1997/98 £	Pension contributions 1996/97 £
	Emoluments excluding pension contributions						
Executive							
I M Barnes (resigned 1/4/97)	-	-	-	-	104,904	-	7,467
R W Gisby (resigned 3/1/97)	-	-	-	-	61,845	-	5,600
I Harding (resigned 18/7/97)	22,355	-	1,886	24,241	85,493	2,716	31,138
R C Rutter (appointed 22/9/97)	52,692	18,422	20,249	91,363	-	4,760	-
J S Singleton (appointed 1/4/97)	115,000	40,250	53,037	208,287	-	28,750	-
R H Wilson	152,000	53,200	7,771	212,971	186,407	19,542	15,685
Non-executive							
D D McFarlane (resigned 30/12/97)	26,250	-	-	26,250	35,000	-	-
W G Andrews (Chairman from 1/1/98)	20,000	-	-	20,000	15,000	-	-
M J Farebrother (appointed 22/8/97)	9,096	-	-	9,096	-	-	-
	397,393	111,872	82,943	592,208	488,649	55,768	59,890

The major part of Mr Singleton and Mr Rutter's benefits in kind were in respect of relocation cost reimbursement.

There were no gains on the exercise of share options by the directors.

The following directors have defined benefit pension benefits funded through the Group's defined benefit pension scheme. The value of their accrued pensions were:

	Age at 5/4/98	Increase in accrued pension during the year £	Director's contribution in year £	Accumulated total accrued pension at 5/4/98 £
I Harding (resigned 18/7/97)	43 years 2 months	416	962	7,700
R H Wilson	49 years 9 months	1,970	4,200	11,550

Directors' interests in shares

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

	5 April, 1998	6 April, 1997
W G Andrews	20,000	20,000
M J Farebrother*	-	-
R C Rutter*	30,000	-
J S Singleton	30,000	30,000
R H Wilson	158,936	158,936

* or subsequent date of appointment

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.

Directors' emoluments continued

The only change in the interests detailed above between 5 April, 1998 and 19 June, 1998 is the purchase by Mr Farebrother of 20,000 ordinary shares on 8 June, 1998 subsequent to the announcement of the preliminary results on 5 June, 1998.

Directors' interests in share options

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

	6 April, 1997	Granted in year	**5 April, 1998**
R C Rutter	-	298,507	**298,507**
J S Singleton	-	389,830	**389,830**
R H Wilson	1,157,655	130,510	**1,288,165**
	1,157,655	818,847	**1,976,502**

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

Following the announcement on 5 June, 1998 of the preliminary results for Bandt plc, Mr J S Singleton was granted options on a further 291,139 shares on 8 June, 1998.

The directors' options are exercisable as follows:

	No. of shares	Period of exercise	Price
R C Rutter	298,507	16/12/00 - 15/12/07	33.5p
J S Singleton	389,830	25/06/00 - 24/06/07	29.5p
	291,139	09/06/01 - 08/06/08	39.5p
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
	297,599	25/06/99 - 24/06/06	30.0p
	130,510	16/12/00 - 15/12/07	33.5p

The options held by past directors are exercisable as follows:

	No. of shares	Period of exercise	Price
I Harding	160,919	13/07/96 – 18/07/98	43.5p
	200,000	19/07/97 – 04/01/99	35.0p
	46,666	19/07/97 – 24/12/99	30.0p

The market price of the Company's shares at the end of the financial year was 33.5p and the range of market prices during the year was between 26.5p and 35p.

Corporate governance

The Board continues to support 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 are two aspects of non-compliance: the Company has only two non-executive directors and not three as recommended in the Code; and consequently the Audit Committee currently consists of two directors and not three as recommended in the Code. It was 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. However we have commenced the process of recruiting a third non-executive director.

Board composition

The Board comprises three executive directors and two non-executive directors. It is chaired by Mr W G Andrews 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 W G Andrews. 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 W G Andrews. 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 grants of share options.

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

All subsidiaries are required to assess key risks, and related control and monitoring procedures. The Board monitors this process both directly and through the reviews carried out by the Audit Committee.

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

Corporate governance continued

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 confirm 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 during the year.

Report of the Auditors to Bandt plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statements on pages 13 and 14 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance 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 on pages 13 and 14, and going concern on page 13, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above 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' statement on pages 13 and 14 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Coopers & Lybrand
Chartered Accountants
Reading
19 June, 1998

Reports of the auditors

To the members of Bandt plc

We have audited the financial statements on pages 16 to 37.

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 5 April, 1998 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.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Reading

19 June, 1998

Consolidated profit and loss account for the year ended 5 April, 1998

	Notes	Continuing operations	Discontinued operations	1998 £000	1997 £000
Turnover	2,3				
Existing Businesses		70,990	3,019	74,009	120,679
Acquisitions		3,316	-	3,316	-
		74,306	3,019	77,325	120,679
Operating profit/(loss) before exceptional costs	2,3				
Existing Businesses		6,447	(60)	6,387	4,188
Acquisitions		675	-	675	-
		7,122	(60)	7,062	4,188
Exceptional operating costs:					
Vacant property provisions	4	(980)	-	(980)	(1,308)
Operating profit/(loss)		6,142	(60)	6,082	2,880
Exceptional items					
Loss on disposals of businesses					
- net tangible assets	5	-	(212)	(212)	(1,892)
- goodwill previously written off against reserves		-	-	-	(4,436)
Profit/(loss) on ordinary activities before interest		6,142	(272)	5,870	(3,448)
Interest (payable)/receivable and similar charges	6			(472)	(1,372)
Profit/(loss) on ordinary activities before taxation	7			5,398	(4,820)
Tax on ordinary activities	8			(537)	(412)
Profit/(loss) on ordinary activities after taxation	9			4,861	(5,232)
Dividends	10			(1,956)	(1,538)
Retained profit/(deficit) for the year	25			2,905	(6,770)
				Pence/share	Pence/share
Earnings/(loss) per ordinary share	11			3.5	(3.7)
Earnings per ordinary share before exceptional items	11			4.3	1.7

Statement of total recognised gains and losses

	Group 1998 £000	Group 1997 £000
Profit/(loss) on ordinary activities after taxation	**4,861**	(5,232)
Unrealised surplus/(deficit) on revaluation of properties	**649**	(39)
Total recognised gains and losses relating to the year	**5,510**	(5,271)

Statement of historical cost profits and losses

	Group 1998 £000	Group 1997 £000
Reported profit/(loss) on ordinary activities before taxation	**5,398**	(4,820)
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	**-**	156
Realisation of property revaluation gains of previous years	**2**	759
Historical cost profit/(loss) on ordinary activities before taxation	**5,400**	(3,905)
Historical cost profit/(loss) for the year retained after taxation and dividends	**2,907**	(5,855)

Reconciliation of movements in shareholders' funds

	Group 1998 £000	Group 1997 £000
Profit/(loss) for the year	**4,861**	(5,232)
Dividends	**(1,956)**	(1,538)
	2,905	(6,770)
Other recognised gains and losses relating to the year	**649**	(39)
Goodwill transferred to the profit and loss account on disposal of businesses	**-**	4,436
Goodwill arising on acquisition	**(7,377)**	-
Net deduction from shareholders' funds	**(3,823)**	(2,373)
Opening shareholders' funds	**36,966**	39,339
Closing shareholders' funds	**33,143**	36,966

BANDT plc

Balance sheets as at 5 April, 1998

	Notes	Group 1998 £000	Group 1997 £000	Company 1998 £000	Company 1997 £000
Fixed assets					
Tangible assets	14	**37,376**	33,985	**72**	45
Investment in subsidiary undertakings	15	**-**	-	**49,157**	46,332
Investment in own shares	15	**582**	624	**582**	624
		37,958	34,609	**49,811**	47,001
Current assets					
Stocks	16	**1,881**	2,930	**-**	-
Debtors: amounts falling due after one year	17	**361**	361	**11,325**	16,464
amounts falling due within one year	17	**17,145**	18,767	**7,528**	5,814
Cash at bank and in hand		**276**	18	**5**	5
		19,663	22,076	**18,858**	22,283
Creditors: amounts falling due within one year	18	**(19,819)**	(18,491)	**(3,210)**	(10,569)
Net current (liabilities)/assets		**(156)**	3,585	**15,648**	11,714
Total assets less current liabilities		**37,802**	38,194	**65,459**	58,715
Creditors: amounts falling due after more than one year	19	**(2,803)**	-	**(6,161)**	(3,225)
Provisions for liabilities and charges	20	**(1,856)**	(1,228)	**(350)**	(433)
Net assets		**33,143**	36,966	**58,948**	55,057
Capital and reserves					
Called up share capital	21	**7,108**	7,108	**7,108**	7,108
Revaluation reserve	25	**10,338**	9,691	**-**	-
Capital reserve	25	**-**	-	**583**	583
Special reserve	25	**27,979**	35,356	**46,263**	46,263
Profit and loss account	25	**(12,282)**	(15,189)	**4,994**	1,103
Total shareholders' funds		**33,143**	36,966	**58,948**	55,057
Comprising:					
Equity shareholders' funds		**33,073**	36,896	**58,878**	54,987
Non-equity shareholders' funds		**70**	70	**70**	70
		33,143	36,966	**58,948**	55,057

The financial statements on pages 16 to 37 were approved by the Board of Directors on 19 June, 1998 and were signed on its behalf by:

R H Wilson
Director

R C Rutter
Director

BANDT plc

Consolidated statement of cash flow for the year ended 5 April, 1998

	1998 £000	1997 £000
Operating activities		
Net cash inflow from continuing operating activities	**12,228**	9,808
Net cash outflow from discontinued operating activities	**157**	(3,074)
(reconciliation to operating profits on page 35)		
Net cash inflow from operating activities (note 26)	**12,385**	6,734
Returns on investments and servicing of finance		
Interest paid	**(265)**	(1,534)
Interest paid on finance leases	**(7)**	(92)
Dividends paid to preference shareholders	**(3)**	(3)
Net cash outflow from returns on investments and servicing of finance	**(275)**	(1,629)
Taxation		
UK corporation tax paid	**(888)**	(279)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(8,107)**	(10,010)
Sale of tangible fixed assets	**1,141**	2,124
	(6,966)	(7,886)
Acquisitions and disposals		
Sale of businesses (note 24)	**2,920**	17,109
Purchase of subsidiaries (note 23)	**(2,743)**	(500)
	177	16,609
Equity dividends paid	**(1,674)**	(1,535)
Cash inflow before management of liquid resources and financing	**2,759**	12,014
Financing		
Repayment of principal under finance leases	**(109)**	(675)
Repayment of loans under bank facility	**-**	(13,000)
	(109)	(13,675)
Increase/(decrease) in cash in the period	**2,650**	(1,661)

Notes to the financial statements

1 Principal accounting polices

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However compliance with SSAP 19 'Accounting for investment properties', requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to tangible fixed assets below.

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 5 April, 1998. 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 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
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

In accordance with SSAP 19:
(i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve;
(ii) no depreciation or amortisation is provided in respect of freehold investment properties.
The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. If this departure from the Act had not been made the profit for the financial year would have been decreased by depreciation on the revalued properties of £132,000 (1997: £79,000). Other interests in land and buildings are stated at cost or valuation.

Full valuations are made by independent professionally qualified valuers at least every five years and in the intervening year these valuations are updated by directors with the assistance of independent professional advice as required. The basis of the valuation is explained in note 14.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, other than land and investment properties, 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.

Notes to the financial statements

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 is 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 assets and liabilities in foreign currencies at the balance sheet date are translated 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.

Notes to the financial statements

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:

	1998 Turnover £000	1998 Profit/(loss) before taxation £000	1998 Net assets £000	1997 Turnover £000	1997 Profit/(loss) before taxation £000	1997 Net assets £000
Continuing activities						
Contracting and hire	73,626	6,796	26,451	63,886	5,556	24,733
Property investments	680	(654)	12,561	129	(1,249)	12,257
Central net assets	-	-	147	-	-	301
	74,306	6,142	39,159	64,015	4,307	37,291
Discontinued activities						
Stockholding and distribution	3,019	(272)	-	56,664	(7,755)	2,234
Operating activities	77,325	5,870	39,159	120,679	(3,448)	39,525
Interest		(472)	-		(1,372)	-
Tax and dividends		-	(2,083)		-	(1,527)
Cash less loan notes and finance leases		-	(3,959)		-	(2,485)
Net deferred consideration receivable		-	26		-	1,453
Total Group		5,398	33,143		(4,820)	36,966

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

The 1997 net assets have been restated primarily to split out the deferred consideration receivable from operating assets.

3 Cost of sales and other operating income and expenses

	1998 Continuing £000	1998 Discontinued £000	1998 Total £000	1997 Continuing £000	1997 Discontinued £000	1997 Total £000
Turnover	74,306	3,019	77,325	64,015	56,664	120,679
Cost of sales	(42,300)	(2,335)	(44,635)	(36,583)	(42,818)	(79,401)
Gross profit	32,006	684	32,690	27,432	13,846	41,278
Distribution costs	(19,369)	(744)	(20,113)	(17,891)	(12,148)	(30,039)
Administrative expenses	(6,495)	-	(6,495)	(5,234)	(3,125)	(8,359)
Operating profit/(loss)	6,142	(60)	6,082	4,307	(1,427)	2,880

The total figures for continuing operations in the year include the following amounts relating to the acquisition of Fincham Industrial Services Ltd: cost of sales £2,224,000, gross profit £1,092,000 and net administrative expenses of £417,000.

Notes to the financial statements

4 Exceptional operating costs

	1998 £000	1997 £000
Vacant property provisions	**980**	1,308

The operating loss of the property investments activities in 1998 (and 1997) includes provisions made for future losses on the leasehold properties. Following receipt of professional external advice, the provision now includes an estimate for contingent leasehold property liabilities (in particular likely future losses when current sub-leases come to an end, prior to subletting and potential dilapidation costs) in addition to the provision made in 1997 for the contractual liability when leasehold properties are sublet at rents below the passing rent or vacant with no rental income. These costs are shown as 'vacant property provisions', an exceptional operating cost.

5 Loss on sale of businesses

	1998 £000	1997 £000
Discontinued operations		
Loss on disposal of businesses		
- net tangible assets	**212**	1,892
- goodwill previously written off against reserves	**-**	4,436
	212	6,328

The loss on disposal of businesses is set out in note 24.

6 Interest payable/(receivable) and similar charges

	1998 £000	1997 £000
Bank loans and overdrafts	**314**	1,280
Debentures and other loans	**160**	-
	474	1,280
On finance leases	**7**	92
On vacant property provision	**98**	-
	579	1,372
Less interest receivable on deferred consideration	**(107)**	-
	472	1,372

7 Profit/(loss) on ordinary activities before taxation

	1998 £000	1997 £000
Profit/(loss) on ordinary activities before taxation is after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	**4,707**	5,478
Tangible fixed assets held under finance leases	**50**	379
Loss/(profit) on disposal of tangible fixed assets	**46**	(15)
Operating lease rentals:		
Plant and machinery	**1,919**	2,288
Land and buildings	**1,628**	2,319
Auditor's remuneration for:		
Audit (Company £25,000, 1996: £21,000)	**103**	96
Other services to the Company and its UK subsidiaries	**85**	109

£79,000 was paid to the auditors in connection with the disposals/acquisition of subsidiary businesses. (1997: £99,000 was paid to the auditors in connection with the disposal of subsidiary businesses).

Notes to the financial statements

8 Tax on profit on ordinary activities

	1998 £000	1997 £000
UK corporation tax at 31%	**47**	28
Advance corporation tax written off	**490**	384
	537	412

No other tax charge arises on the profit for the year due to the utilisation of tax losses brought forward. Tax losses carried forward at 5 April, 1998 amount to an estimated £2,307,000 (1997: £7,000,000), subject to agreement by the Inland Revenue.

9 Company 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 £5,847,000 (1997: loss £4,098,000).

10 Dividends

	1998 £000	1997 £000
Dividends on equity shares		
Ordinary - Interim paid of 0.4p per share (1997: 0.3p)	**558**	419
- Final proposed of 1.0p per share (1997: 0.8p)	**1,395**	1,116
	1,953	1,535
Dividends on non-equity shares		
Preference 7% (4.9% net of tax) paid	**3**	3
	1,956	1,538

11 Earnings/(loss) per ordinary share

The calculation of earnings per share on the net basis is based on the profit/(loss) on ordinary activities after taxation and after deduction of dividends in respect of non-equity shares, namely £4,858,000 (1997: loss £5,235,000) and on 139,490,965 (1997: 139,490,965) ordinary shares, being the number of ordinary shares in issue, and ranking for dividend during the year, excluding those held in the ESOT (1,265,000 ordinary shares).

An alternative measure of earnings per share, excluding exceptional items, is set out below:

	1998 pence per share	1997 pence per share
Earnings per share (net basis)	**3.5**	(3.7)
Loss for vacant property provisions	**0.7**	0.9
Loss on disposal of business assets	**0.1**	1.3
Loss in respect of goodwill previously written off	-	3.2
	4.3	1.7

Notes to the financial statements

12 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.

	1998 £000	1997 £000
Fees	**55**	50
Salary payments (including benefits in kind)	**537**	439
	592	489

Two of the executive directors who received emoluments in the year had retirement benefits accruing under a defined benefit scheme. The other two executive directors had retirement benefits arising from company contributions to personal pension plans.

The aggregate emoluments (excluding pension contributions) payable to the highest paid director were as follows:

	1998 Highest Paid Director £000	1997 Highest Paid Director £000
Aggregate emoluments and benefits	**213**	186
Defined benefit scheme		
Accrued pension at end of year	**12**	9

No director waived emoluments in respect of the year ended 5 April, 1998. (1997: Nil)

13 Employee information

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

	1998 Number	1997 Number
By division:		
Contracting and hire	**1,870**	1,765
Stockholding and distribution	**20**	437
Central	**7**	8
	1,897	2,210

	1998 £000	1997 £000
Staff costs (for the above persons):		
Wages and salaries	**31,670**	35,941
Social security costs	**2,823**	3,057
Pension contributions (note 31)	**911**	1,172
	35,404	40,170

Notes to the financial statements

14 Tangible fixed assets

	Land and Buildings £000	Investment Properties £000	Hire Stock £000	Plant, Vehicles and Fixtures £000	Group Total £000
Cost or valuation					
At 7 April, 1997	6,757	11,750	44,890	3,514	66,911
Sale of business	-	-	-	(1,155)	(1,155)
Purchase of business	171	-	292	351	814
Reclassification	(2,060)	2,060	-	-	-
Additions	749	312	6,652	418	8,131
Revaluation	-	609	-	-	609
Disposals	-	(66)	(4,762)	(357)	(5,185)
At 5 April, 1998	5,617	14,665	47,072	2,771	70,125
Depreciation					
At 7 April, 1997	794	-	29,250	2,882	32,926
Sale of business	-	-	-	(1,100)	(1,100)
Purchase of business	10	-	73	121	204
Reclassification	(40)	40	-	-	-
Charge for the year	69	-	4,482	206	4,757
Revaluation	-	(40)	-	-	(40)
Disposals	-	-	(3,712)	(286)	(3,998)
At 5 April, 1998	833	-	30,093	1,823	32,749
Net book value at 5 April, 1998	4,784	14,665	16,979	948	37,376
Net book value at 6 April, 1997	5,963	11,750	15,640	632	33,985
Cost or valuation at 5 April, 1998					
Valuation in year	-	14,665	-	-	14,665
Cost	5,617	-	47,072	2,771	55,460
	5,617	14,665	47,072	2,771	70,125

The net book value of tangible fixed assets includes an amount of £44,000 (1997: £119,000) in respect of assets held under finance leases.

The replacement cost, of hire stock at 1998 prices, is approximately £52.9m.

Land and buildings classified as investment properties were valued by Lambert Smith Hampton Group Limited, Chartered Surveyors, as at March 1998 on the basis of open market value for existing use.

Notes to the financial statements

14 Tangible fixed assets (continued)

			Company
	Land and Buildings £000	Plant, Vehicles, and Fixtures £000	Total £000
Cost or valuation			
At 7 April, 1997	641	168	809
Additions	-	45	45
At 5 April, 1998	641	213	854
Depreciation			
At 7 April, 1997	641	123	764
Charge for the year	-	18	18
At 5 April, 1998	641	141	782
Net book value at 5 April, 1998	-	72	72
Net book value at 6 April, 1997	-	45	45

If investment properties and land and buildings had not been revalued they would have been included at the following amounts:

	Group Investment properties		Group Land and buildings		Company Land and buildings	
	1998 £000	1997 £000	**1998 £000**	1997 £000	**1998 £000**	1997 £000
Cost	6,307	4,924	5,799	5,896	641	641
Aggregate depreciation based on cost	(2,181)	(1,784)	(813)	(1,014)	(641)	(641)
Net book value based on cost	4,126	3,140	4,986	4,882	-	-
Investment properties and land and buildings at net book value comprise:						
Freeholds	11,044	8,274	3,523	5,048	-	-
Long leaseholds	3,621	3,476	1,067	872	-	-
Short leaseholds	-	-	194	43	-	-
	14,665	11,750	4,784	5,963	-	-

Notes to the financial statements

15 Fixed asset investments

a) Investment in subsidiary undertakings

	Shares £000	Loans £000	Company Total £000
Cost			
At 7 April, 1997	13,304	44,207	57,511
Additions	-	2,825	2,825
At 5 April, 1998	13,304	47,032	60,336
Amounts written off			
At 7 April, 1997 and 5 April, 1998	11,179	-	11,179
Net book value at 5 April, 1998	**2,125**	**47,032**	**49,157**
Net book value at 6 April, 1997	2,125	44,207	46,332

The new loan represent funds provided to a wholly owned subsidiary, Bandt Holdings Ltd, as part consideration for the purchase of shares of Fincham Industrial Services Limited. The loans are considered long term and bear 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 %
Kwikform UK Ltd	Great Britain	Ordinary £1 shares	100	-
Fincham Industrial Services Ltd	Great Britain	Ordinary £1 shares	100	100
Bandt Properties Ltd	Great Britain	Ordinary £1 shares	100	-

All the above companies operate principally in the United Kingdom.

The principal business activities of the trading subsidiary undertakings are:

(i) Kwikform UK Ltd - the provision of contract scaffolding, the hire and sale of scaffolding and other non-powered access equipment. Together with Fincham Industrial Services Ltd, it comprises the contracting and hire division of the Group.

(ii) Fincham Industrial Services Ltd – the provision of industrial services including thermal insulation, asbestos removal, contract scaffolding, industrial cleaning and industrial cladding.

(iii) Bandt Properties Ltd - the management of a portfolio of investment properties and short leasehold properties no longer occupied by the Group.

Notes to the financial statements

15 Fixed asset investments continued

b) Investment in own shares	Group £000	Company £000
At 7 April, 1997 and 5 April, 1998	727	727
Amounts written off		
At 7 April, 1997	103	103
In year	42	42
At 5 April, 1998	145	145
Net book value at 5 April, 1998	582	582
Net book value at 6 April, 1997	624	624

In accordance with UITF13, interest free loans made to the Brown & Tawse Employee Share Ownership Trust ("ESOT") to finance the purchase of shares are classfied as fixed asset investments.

The ESOT was formed on 5 June, 1990 in order to purchase in the open market Bandt plc shares which are then 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 5 April, 1998 there were 366,609 shares (1997: 111,351) held by the ESOT not under option.

16 Stocks	Group	
	1998 £000	1997 £000
Industrial distribution and hire products	1,383	2,570
Work in progress	498	360
	1,881	2,930

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

17 Debtors	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Amounts falling due after one year:				
Amounts owed by Group undertakings	-	-	10,964	16,103
Pension prepayment	361	361	361	361
	361	361	11,325	16,464
Amounts falling due within one year:				
Trade debtors	15,343	15,955	-	-
Amounts owed by Group undertakings	-	-	3,882	4,986
Dividends receivable from subsidiaries	-	-	3,551	691
Other debtors	635	2,147	37	64
Prepayments and accrued income	1,167	665	58	73
	17,145	18,767	7,528	5,814

The amounts owed to Bandt plc by Group undertakings have no fixed term of repayment. The directors of the Company and the directors of each of the relevant subsidiary undertakings are in agreement that these amounts are of a long term nature.

Notes to the financial statements

18 Creditors: amounts falling due within one year

	Group		Company	
	1998	1997	**1998**	1997
	£000	£000	**£000**	£000
Bank loans and overdrafts	**-**	2,392	**480**	8,120
Loan notes	**1,400**	-	**-**	-
Obligations under finance leases	**32**	111	**22**	-
Trade creditors	**6,780**	6,876	**-**	-
Amounts owed to Group undertakings	**-**	-	**54**	58
Corporation tax	**197**	28	**-**	-
Advance corporation tax	**489**	384	**489**	384
Other taxation and social security	**2,414**	2,398	**337**	379
Other creditors	**1,334**	638	**150**	219
Accruals	**5,776**	4,546	**281**	291
Dividends payable	**1,397**	1,118	**1,397**	1,118
	19,819	18,491	**3,210**	10,569

On 2 October, 1997 a subsidiary of the Company, Bandt Holdings Ltd, issued £4,200,000 of guaranteed convertible unsecured loan stock which is redeemable in three equal instalments of £1,400,000 on the first three anniversaries of completion.

19 Creditors: amounts falling due after more than one year

	Group		Company	
	1998	1997	**1998**	1997
	£000	£000	**£000**	£000
Loan notes (repayable between one and two years)	**2,800**	-	**-**	-
Amounts owed to Group undertakings	**-**	-	**6,161**	3,225
Obligations under finance leases	**3**	-	**-**	-
	2,803	-	**6,161**	3,225

On 18 March, 1998 the Group renegotiated its facilities and entered into an agreement under which its bank provides an overdraft facility. All balances under these facilities are secured by fixed charges on two properties within the Group, and there is a floating charge over all the principle assets of the Group, except for those in Fincham Industrial Services Ltd.

Finance leases

The committed net finance lease obligations are:	Group		Company	
	1998	1997	**1998**	1997
	£000	£000	**£000**	£000
In one year or less	**32**	111	**22**	-
Between one and two years	**3**	-	**-**	-
	35	111	**22**	-

Notes to the financial statements

20 Provisions for liabilities and charges

Vacant property provision	Group £000	Company £000
At 7 April, 1997	1,228	433
Utilised in year	(450)	(116)
Interest in respect of net present value adjustment	98	33
Provided during the year	980	-
At 5 April, 1998	1,856	350

Deferred taxation

No provision for deferred taxation is required (1997: £Nil)

The net deferred tax asset not recognised in the financial statements comprises:

	Group		Company	
	1998 £000	1997 £000	**1998 £000**	1997 £000
Potential assets not recognised				
Deferred capital allowances	**1,250**	2,213	**45**	64
Other short term timing differences	**846**	584	**116**	149
Tax losses	**715**	2,299	**715**	2,299
ACT written off	**1,632**	1,150	**1,352**	863
	4,443	6,246	**2,228**	3,375

Potential deferred taxation on the unrealised surplus on property valuations, and on capital gains rolled over, is not provided as the Group currently has in excess of £12,000,000 of capital losses carried forward.

21 Called up share capital

	1998 £000	1997 £000
Authorised:		
190,000,000 ordinary shares of 5p each	**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	**7,038**	7,038
70,250 7% (4.9% net of tax) cumulative preference shares of £1 each	**70**	70
	7,108	7,108

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.

Notes to the financial statements

22 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 5 April, 1998:

	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
	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	671,425	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
	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	555,263	38.0p	21.12.98 - 20.12.05
	21.06.96	225,000	23.0p	22.06.99 - 21.06.06
	24.06.96	344,265	30.0p	25.06.99 - 24.06.06
	09.07.96	86,500	25.0p	09.07.99 - 08.07.06
	24.06.97	389,830	29.5p	26.06.00 - 24.06.07
	15.12.97	1,289,017	33.5p	16.12.00 - 15.12.07
1993 Savings Related Share Option Scheme	22.12.94	17,602	39.2p	01.02.00 - 31.07.00
	16.08.95	1,011,931	30.6p	01.10.00 - 01.04.01

23 Acquisitions

On 2 October 1997 the Company's subsidiary, Bandt Holdings Ltd, acquired the whole of the issued share capital of Fincham Insulations Ltd and its subsidiary companies, the principal of which is Fincham Industrial Services Ltd, for a total consideration of £7,125,000 plus costs of £200,000. £2,625,000 of the consideration was paid at completion, £300,000 was paid in May 1998 and £4,200,000 was satisfied by the issue of guaranteed unsecured loan notes which are redeemable in three equal instalments of £1,400,000 on the first three anniversaries of completion. £82,000 of the net assets acquired were in the form of cash. The Group has used acquisition accounting to account for the purchase.

The summarised profit and loss account for the Fincham Insulations Group from 1 January, 1997, the beginning of its financial year, to the date of acquisition was as follows:

Profit and loss account	**Period ended** 1 October 1997 £000
Turnover	4,525
Operating profit	768
Exceptional costs	(178)
Interest	(14)
Profit on ordinary activities before taxation	576
Tax on ordinary activities	(284)
Profit on ordinary activities after taxation	292

There were no other recognised gains and losses in the period.

The profit on ordinary activities after taxation for the eighteen months ended 31 December 1996 was £1,120,000.

Notes to the financial statements

23 Acquisitions continued

The assets and liabilities of Fincham Industrial Services Ltd, and its subsidiaries, acquired are set out below:

	Book value £000	Accounting policy alignment £000	Fair value £000
Fixed assets			
Intangible assets	92	(92)	0
Tangible assets	663	(53)	610
	755	(145)	610
Current assets			
Stock	115	-	115
Debtors	1,170	-	1,170
Cash at bank and in hand	82	-	82
	1,367	-	1,367
Total assets	2,122	(145)	1,977
Liabilities			
Trade and other creditors	(1,383)	-	(1,383)
Taxation	(628)	-	(628)
Finance leases	(18)	-	(18)
Net assets	93	(145)	(52)
Goodwill			7,377
			7,325
Satisfied by:			
Cash			2,625
Loan notes			4,200
Deferred consideration (paid May 1998)			300
Acquisition expenses			200
			7,325

The rates of depreciation on hire stock were changed to be in line with the rest of the Group.

Impact on cash flows

Fincham Industrial Services Ltd contributed £93,000 to the Group's net operating cash flows, paid £13,000 in respect of net returns on investments and servicing of finance, paid £478,000 in respect of taxation and utilised £308,000 for investing activities.

Cash outflow in respect of acquisition

	£000
Cash paid to vendors	2,625
Acquisition expenses	200
Less cash in business	(82)
	2,743

Notes to the financial statements

24 Disposals

On 18 July, 1997 Brown & Tawse Steelstock Ltd, the last remaining part of the original Brown & Tawse business, was sold to its management. This represents the discontinued operation disclosed in these accounts.

Net assets disposed of in the year	**£000**
Fixed assets	55
Stocks	1,375
Debtors	2,456
Creditors	(1,872)
Finance lease obligations	(9)
	2,005
Satisfied by:	
Cash (net of disposal expenses)	(1,376)
Repayment of overdraft	(205)
Sub total	(1,581)
Deferred consideration receivable	(300)
Loss on sale	(124)

The stockholding and distribution division had an inflow of £157,000 of operating cashflow (note 26), and received £3,000 in respect of investing activities prior to disposal.

The final settlement of the deferred consideration relating to the disposal of the Brown & Tawse and Stauff businesses was £88,000 less than that estimated in the prior year.

The cash effect of the disposals is as follows:	1998 £000
Brown & Tawse Steelstock Ltd	1,581
Deferred consideration in respect of prior year disposals	1,339
	2,920

Goodwill

The cumulative amount of goodwill resulting from acquisitions which has been written off to reserves, is set out below	1998 £000
At 7 April, 1997	10,907
Written off in the year	7,377
At 5 April, 1998	18,284

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 £18,284,000 has been written off against the special reserve. The charge of £7,377,000 in the year is attributable to the purchase of Fincham Industrial Services Ltd on 2 October, 1997 (note 23).

Notes to the financial statements

25 Share premium account and reserves

Group	Revaluation reserve £000	Special reserve £000	Profit & loss account £000
At 7 April, 1997	9,691	35,356	(15,189)
Revaluation surplus	649	-	-
Goodwill written off in the year	-	(7,377)	-
Transfer from revaluation reserve to profit and loss account	(2)	-	2
Retained profit for the year	-	-	2,905
At 5 April, 1998	10,338	27,979	(12,282)

Company	Capital reserve £000	Special reserve £000	Profit & loss account £000
At 7 April, 1997	583	46,263	1,103
Retained profit for the year	-	-	3,891
At 5 April, 1998	583	46,263	4,994

26 Notes to consolidated statement of cash flow

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

	Continuing £000	Discontinued £000	1998 Total £000	Continuing £000	Discontinued £000	1997 Total £000
Operating profit/(loss)	6,142	(60)	6,082	4,307	(1,427)	2,880
Depreciation of tangible fixed assets	4,749	8	4,757	4,461	1,017	5,478
Write down of investment in own shares	42	-	42	47	-	47
Loss/(profit) on disposal of tangible fixed assets	46	-	46	(13)	(2)	(15)
(Increase)/decrease in stocks	(83)	(128)	(211)	167	(797)	(630)
(Increase)/decrease in debtors	(856)	79	(777)	(458)	(1,429)	(1,887)
Increase/(decrease) in creditors	1,658	258	1,916	320	(436)	(116)
Increase in provisions for liabilities and charges	530	-	530	977	-	977
Net cash inflow/(outflow) from operating activities	12,228	157	12,385	9,808	(3,074)	6,734

The 1997 loss on sale figure has been restated by £520,000 to a £15,000 profit, and depreciation increased by £520,000 to £5,478,000, to reflect the true nature of hire stock disposals.

Notes to the financial statements

Reconciliation of net cash flow to movement in net debt

	1998 £000	1997 £000
Increase/(decrease) in cash in period	**2,650**	(1,661)
Cash outflow from decrease in debt and lease financing	**109**	13,675
Change in net debt resulting from cash flows	**2,759**	12,014
Other non-cash items:		
Loan notes issued upon acquisition	**(4,200)**	-
New finance leases	**(24)**	(10)
Finance leases transferred with (acquisition)/disposals	**(9)**	885
Movement in net debt in the period	**(1,474)**	12,889
Net debt at 6 April, 1997	**(2,485)**	(15,374)
Net debt at 5 April, 1998	**(3,959)**	(2,485)

Analysis of net debt

	7 April 1997 £000	Cash flow £000	Other non cash changes £000	5 April 1998 £000
Cash in hand, at bank	18	258	-	276
Overdraft	(2,392)	2,392	-	
		2,650	-	
Debt due within 1 year	-	-	(1,400)	(1,400)
Debt due after 1 year	-	-	(2,800)	(2,800)
Finance leases	(111)	109	(33)	(35)
Total	(2,485)	2,759	(4,233)	(3,959)

Major non-cash transactions

The purchase of Fincham Industrial Services Ltd was partly funded by the issue of £4,200,000 guaranteed unsecured loan notes (note 23).

27 Post balance sheet event

Details of the sale of the interest in the long leasehold Basingstoke property announced on 1 June, 1998 are included in the Chief Executive's review of operations on page 5.

28 Capital commitments

	Group	
	1998 £000	1997 £000
Future capital expenditure contracted but not provided for	2,284	1,018

29 Contingent liabilities

	Group		Company	
	1998 £000	1997 £000	**1998 £000**	1997 £000
Guarantees given in respect of banking and leasing contracts	946	1,319	-	-

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

Notes to the financial statements

30 Financial commitments

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

	Land and buildings 1998 £000	Investment properties 1998 £000	Group Other 1998 £000	Land and buildings 1997 £000	Investment properties 1997 £000	Group Other 1997 £000
Operating leases which expire:						
Within one year	-	96	220	1	28	188
Within two to five years	142	91	976	139	211	745
After five years	213	1,084	-	186	1,048	-
	355	1,271	1,196	326	1,287	933

31 Pension and similar obligations

The Group operates two pension schemes. The older scheme, following the sale of Brown & Tawse Steelstock Ltd this year and other businesses in prior years, now only covers under 1% of scheme members currently employed by the Group and is of the defined benefit type. The second, which commenced on 1 December, 1995 is a defined contribution scheme. This is the scheme open to new employees, and it covers the remaining 99% of scheme members employed by the Group. 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 contribution rate was increased with effect from April 1997 in order to fund the changes introduced by the Pensions Act 1995, and at a rate to eliminate the surplus over the average remaining service life of the employees.

The pension cost for the year for the defined benefit scheme was £38,000 (1997: £258,000). Debtors at the year end include a prepayment of £361,000 (1997: £361,000) representing the unamortised remainder of the excess of contributions over accumulated pension costs.

The pension cost for the defined contribution scheme was £797,000 (1997: £914,000), representing the contributions payable for the year. Outstanding contributions payable at 5 April, 1998 amounted to £125,000 (1997: £166,000).

Pension costs	1998 £000	1997 £000
Deferred contribution scheme	797	914
Deferred benefit scheme	38	258
Other pension arrangements	76	-
	911	1,172

Group financial record for the five years ended 5 April, 1998.

	1998	1997	As restated 1996	1995	1994
	£000	£000	£000	£000	£000
Turnover					
Continuing operations	**74,306**	64,015	44,180	-	-
Discontinued operations	**3,019**	56,664	76,784	75,972	94,032
	77,325	120,679	120,964	75,972	94,032
Operating profit/(loss)					
Continuing operations	**6,142**	4,307	4,559	-	-
Discontinued operations	**(60)**	(1,427)	(616)	(952)	(1,704)
	6,082	2,880	3,943	(952)	(1,704)
Exceptional costs	**(212)**	(6,328)	-	(134)	(532)
Profit/(loss) on ordinary activities before interest	**5,870**	(3,448)	3,943	(1,086)	(2,236)
Net interest payable	**(472)**	(1,372)	(1,721)	(1,335)	(1,529)
Profit/(loss) before taxation	**5,398**	(4,820)	2,222	(2,421)	(3,765)
Taxation	**(537)**	(412)	(280)	26	1,164
Profit/(loss) after taxation	**4,861**	(5,232)	1,942	(2,395)	(2,601)
Per ordinary share:					
Earnings/(loss) (net basis)	**3.5p**	(3.7)p	1.7p	(7.4)p	(8.0)p
Dividends	**1.4p**	1.1p	0.8p	-	-
	£000	£000	£000	£000	£000
Net assets employed:					
Fixed assets	**37,958**	34,609	35,792	19,732	19,584
Net current assets (excluding cash and borrowings)	**1,000**	6,070	19,172	14,932	16,762
Net borrowings	**(3,959)**	(2,485)	(15,374)	(15,633)	(13,222)
Provisions for liabilities and charges	**(1,856)**	(1,228)	(251)	(1,027)	(2,722)
Total shareholders' funds	**33,143**	36,966	39,339	18,004	20,402
Net assets per ordinary share	**23.5p**	26.3p	27.9p	55.3p	62.9p
Gearing	12%	7%	39%	87%	65%
Average number of employees	1,897	2,210	2,280	698	866

Notes

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

The figures for continuing and discontinued operations have been restated for past years to reflect the disposal of Brown & Tawse Steelstock Ltd, on 18 July, 1997, which was the remaining part of the stockholding and distribution division of the Group.

Notice of meeting

Notice is hereby given that the eighty second Annual General Meeting of the Company will be held at the offices of Close Brothers Corporate Finance Ltd at 12 Appold Street, London EC2A 2AA on 30 July, 1998 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 5 April, 1998.
2. To declare a dividend of 1.0p per ordinary share.
3. To re-elect Mr M J Farebrother as a Director.
4. To re-elect Mr R C Rutter as a Director.
5. To re-elect Mr R H Wilson as a Director.
6. 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 7 which will be proposed as a Special Resolution:

7. That the Company be and is hereby granted general and unconditional authority pursuant to section 166 of the Companies Act 1985 ("the Act") to make market purchases (as defined in section 163 of the Act) of ordinary shares of 5p each in the capital of the Company ("ordinary shares") on such terms and in such manner as the directors may from time to time determine provided that:

a) the authority 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);
b) the maximum number of ordinary shares shall be limited to 14 million ordinary shares;
c) the minimum price which may be paid for an ordinary share is 5p;
d) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the ordinary share is purchased; and
e) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

Notice of meeting cont....

To consider as Special Business and, if thought fit, to pass the following Resolution number 8 which will be proposed as a Special Resolution:

8. (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 8 (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

R C Rutter
Company Secretary

19 June 1998

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 their 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.
3. The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the Company as at 12 noon on 28 July 1998 shall be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 12 noon on 28 July 1998 shall be disregarded in determining the rights of any person to attend or vote at the meeting.