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BANDT plc

ANNUAL REPORT 1996/97

BANDT plc

Contents

Summary

- **Operating profit on continuing operations (before exceptionals) increased by 21% to £5.9 million**
- **Major part of loss making stockholding division sold for £19.2m**
- **Property company formed with land and buildings of £13.6m**
- **Dividend increased from 0.8p to 1.1p**
- **Gearing reduced from 39% to 7%**

Financial highlights

	1997 £000	1996 £000
• Turnover	**120,679**	120,964
• Operating profit before exceptional items	**4,188**	3,943
• Earnings per share pre exceptional items	**1.7p**	1.7p
• Dividends per ordinary share	**1.1p**	0.8p
• Shareholders' funds	**36,966**	39,339
• Gearing	7%	39%

Chairman's statement

In the announcement of the interim results sent to shareholders on 13 December, 1996, I included details of the proposed sale of the majority of the business of Brown & Tawse Ltd. This was subsequently approved at an Extraordinary General Meeting held on 2 January, 1997. As a result of this sale and the disposal of Bandt Hydraulics, the results for the year ended 6 April, 1997 are affected by charges for exceptional costs and goodwill write offs totalling £7.6m. After these charges there is a loss for the year on ordinary activities before taxation of £4.8m. Before these charges there was, however, a profit of £2.8m compared with £2.2m in the previous year. You will note that the profit before interest and exceptional items for the continuing operations was £5.9m for the year. Interest payable reduced from £1.7m last year to £1.4m in the year under review, the last quarter of the year benefitting substantially from the reduction in borrowings as a result of the disposals.

The tax charge of £0.4m mainly represents advance corporation tax on the dividends for the year, tax on profit being absorbed by tax losses brought forward from previous years. It is anticipated that, based on the current Group structure and subject to any unexpected changes in the Budget, this relatively low level of taxation charge will continue in the medium term. There is a loss per ordinary share of 3.7p which converts to a profit of 1.7p (1995/96 - 1.7p) before charging the exceptional items.

The Board is recommending a final dividend of 0.8p per share (1995/96 - 0.8p) which, together with the interim dividend paid in January 1997, totals 1.1p per share for the year (1995/96 - 0.8p).

The balance sheet at 6 April, 1997 reflects the reduction in gearing resulting from the sale of Brown & Tawse and Bandt Hydraulics. Gearing at the end of the year was 7% compared with 39% at the end of the previous year.

The main activity of the Group is now the provision of scaffolding and contracting services to the construction and manufacturing industries through Kwikform. We also have a small property business in Bandt Properties, and the continuing investment in Brown & Tawse Steelstock in Dundee. Richard Wilson comments on the progress of these activities in his "Review of Operations" on pages 3, 4 and 5.

The disposals of the majority part of Brown & Tawse, and the hydraulics operation, will enable the Group management to concentrate on the development of a soundly based and profitable scaffolding business. Kwikform is a substantial company in its market place and the revitalised balance sheet will be a significant factor in achieving the key objectives set out in the Chief Executive's Review.

The properties remaining in the Group will be dealt with over a period of time but potential future losses arising from short leaseholds have been provided for in the exceptional charges in the accounts for the year.

On the sale of Brown & Tawse, Robin Gisby left the Group and I would like to express our appreciation for his efforts during his time with us. Similarly our thanks go to Ian Barnes who departed at the end of March. Ian worked hard to ensure the smooth transfer of the Kwikform business after its purchase in 1995. I would also like to thank all our employees for their co-operation and hard work during what has been a difficult period.

Since the year end, Ian Harding has confirmed that, now that the restructuring of the Group is substantially complete, he wishes to pursue career interests outside the Group. Accordingly he will be leaving us in due course with our thanks for the significant contribution he has made to the improved position of the Group. His position will be filled, from September 1997, by Richard Rutter, currently finance director of the construction division of Kvaerner Group and previously finance director of United Engineering Steels.

I would like to welcome John Singleton to the board. John has taken on the mantle of managing director of Kwikform, which I am sure will benefit from his considerable management experience.

The construction industry continues to lag behind other areas of the economy but the current year has commenced with a satisfactory order book and further action is being taken to tighten controls and enhance future margins. Considerable effort is being directed to expanding the Kwikform business, not only in the UK but also overseas, and we look forward to the results of these efforts in due course.

Note to Printers

The following sign-off goes at the bottom of the previous page

D D McFarlane
Chairman

Review of continuing operations

Kwikform

In last year's report it was proposed that the year under review would '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.'

- The latter objective was affected by the disposal, on January 3, 1997, of the Brown & Tawse distribution business as the Kwikhire branch openings were to be implemented within the facilities of Brown & Tawse. Nevertheless the greenfield branch developments generated good growth during the year and the Kwikhire division is now well placed for further development during 1997/98. This development will involve further hirestock investment, new branch openings within the existing depot structure, and, possibly, bolt-on acquisitions to increase the critical mass and geographic coverage of the division.

- There was considerable success during the year in the further development of Kwikstage activities. Total revenues derived from the use of this system scaffold product rose by over 37%, compared with the previous year. Hirestock investment in Kwikstage, which gives improved productivity and higher margins compared with traditional scaffolding products, was £2.9m, and with utilisation standing at 88.1% at the end of the year compared with 85.7% last year, the outlook is for further strong growth in Kwikstage revenues in 1997/98. To underpin this growth there will be further hirestock investment in the product, further training of staff in its use, and a focus on increasing customer awareness of the product's benefits. The target for 1997/98 is to grow Kwikstage revenues by a further 15% over the level achieved in the year under review.

As a result of these successes, and other achievements particularly in the fixed site, mainly petrochemical market where revenues grew by over 18%, the company produced a very creditable operating profit of £5.6m on revenues of £63.9m.

We have been very fortunate in securing the services of John Singleton who took over as Managing Director with effect from April 1, 1997 when Ian Barnes left the Group. The year ahead will be a challenging one, but a year in which the key objectives will be to:

- maximise the benefit of business recently won for the design and manufacture of access systems for building internal tankers in LPG ships, and obtain follow-up business
- increase Kwikstage revenues by 15%, all from organic growth and underpinned by further hirestock investment
- further expand the activities of the Kwikhire division through a mixture of organic growth and, possibly, bolt-on acquisitions
- sustain the company's pre-eminent position in the UK contract scaffolding market
- introduce new marketing initiatives to improve and build on existing customer relationships and to increase the customer base
- improve trading margins by moving the mix of revenues towards higher margin business and by focusing on the improvement of contract management and control processes

Kwikform is now the primary strategic activity within the Group and the Group's much strengthened financial resources, following the various disposals already referred to, will initially be deployed in the pursuit of the above objectives. We will also consider expansion into overseas markets and into the provision of powered access services in the UK if suitable returns can be made.

Review of continuing operations continued....

Bandt Properties

The business is the former Brown & Tawse Ltd, renamed following the disposal of the trading activities referred to above. It is now primarily a property company, owning a number of freehold and long leasehold premises with a net book value at 6 April, 1997 of £13.6m. Many of these properties are currently licensed to the purchaser of the Brown & Tawse business rent free until 3 January, 1998. On that date the licensee, with certain exceptions and variations, must either vacate the premises or enter into 10 year lease arrangements therefor.

The business is a non-core activity which will be managed to mitigate, from rental streams, the net cash outflow from vacant or sub-let short leaseholds. It will also dispose of the freehold or long leasehold properties referred to on an opportunistic basis.

Brown & Tawse Steelstock

Based in Dundee the business is an integrated supplier of structural steel to the Scottish market, offering a range of added-value services from its single site including the shot-blasting, sawing and painting of steel. Its strength in its market place is based on its long standing reputation for the quality of its service which is itself a function of the skills and experience of the employees of the business.

The business traded satisfactorily during the year under review and will benefit operationally from a planned programme of transport fleet replacement during 1997/98.

Review of discontinued operations

Brown & Tawse

Early in the year it became clear that, with the massive reductions in stainless steel market prices and softness in the carbon steel markets the business as a whole was reverting to a loss making position. With the inclusion of ongoing losses from the former Stauff business it was also clear that the combined business was not going to make satisfactory returns within an acceptable timescale, and that the resources invested in these businesses would be more profitably invested either in Kwikform, or in the development of other activities, where long term growth and profitability could be obtained.

Accordingly, the business was sold off in two separate transactions. The hydraulics business was sold on 2 January, 1997, including the freehold property in Sheffield, for £2.2m. The loss on the sale of this business, which is included under 'exceptional items' in the year under review, was £0.6m. The business made an operating loss to 2 January, 1997 of £0.4m, compared with an operating loss of £0.8m in the whole of the 1995/96 year.

The majority part of Brown & Tawse, excluding the steel stockholding business in Dundee was sold on 3 January, 1997 for £17.0m; payment of £1.6m is deferred until 3 January, 1998. The loss on the sale of this business, which is also shown under 'exceptional costs' in the year under review was £1.3m. The business made an operating loss to 3 January, 1997 of £1.0m compared with an operating profit of £0.2m in the whole of the previous year.

The proceeds from the disposal of the discontinued operations have been used to reduce group debt. As a result, gearing at the year end stood at 7% compared with 39% in 1996 and 87% in 1995.

Richard Wilson
Chief Executive

Board of directors

Donald D. McFarlane * +
Non-executive Chairman
Aged 65, he joined the Board as Chairman in 1993. He is currently also Chairman of Hadleigh Group plc.

William G Andrews * +
Non-executive Director
Aged 61, 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.

Ian Harding
Financial Director and Company Secretary
Aged 42, he joined the Company in 1993. A chartered accountant, he spent six years with Williams Holdings PLC prior to joining the Group.

Richard H Wilson
Chief Executive
Aged 48, he joined the Company in 1992 from GKN plc.

John S Singleton
Managing Director, Kwikform UK
Aged 49, 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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Church Adams Tatham
Dundas & Wilson

Brokers
Albert E Sharp
Credit Lyonnais Laing

Report of the directors

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 6 April, 1997. The comparative figures are for the year ended 31 March, 1996.

Principal activities

The principal activities of the Group are the provision of scaffolding and contracting services, and the distribution of steel and related products, 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. Loss before tax was £4.8m (1996: profit of £2.2m). A review of the Group's activities, together with their prospects is given on pages 3, 4 and 5.

Dividends

The directors recommend a final dividend of 0.8p per share (1996: 0.8p), which, if approved, will be paid on 12 September, 1997 to ordinary shareholders on the register on 1 September, 1997. Total preference dividends paid in the year were £3,000 (1996: £3,000).

Directors

The Board of directors is shown on page 6.

Mr J S Singleton joined the Board on 1 April, 1997. Mr R W Gisby resigned on 3 January, 1997 and Mr I M Barnes resigned on 1 April, 1997.

Mr J S Singleton, having been appointed since the last AGM retires, and being eligible,offers himself for re-election.

The executive 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. A further review was carried out as at February 1997 of the land and buildings held by Bandt Properties Ltd, including those classified as investment properties, which supports the directors' valuations.

Substantial shareholders

As at 20 June, 1997 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	%
M&G Investment Management Group PLC	23,290,453	16.5
PDFM Limited	21,580,355	15.3
Aberforth Partners	14,151,285	10.1
RBSTB Trust Co Ltd	8,455,234	6.0
Lloyds TSB Group plc	4,676,013	3.3

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 6 April, 1997 there were 168 option holders having options over 1,529,530 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 £3,273, (1996: £8,923).

No political contributions were made.

Disapplication of pre-emption rights

Resolution 6 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 26 July, 1996 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.

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. Creditor days for the Group's main continuing trade, Kwikform UK Ltd, were 79 (1996: 80) 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

I Harding
Company Secretary

23 June, 1997

Armstrong Road
Basingstoke
Hants RG24 8NU

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company 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 6 April, 1997. 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

23 June, 1997

Armstrong Road
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Hants RG24 8NU

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 D D McFarlane and Mr W G Andrews.

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.

(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.

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.

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 1,566,028 shares have been granted. 684,265 options were granted to executive directors in the year, of which 344,265 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.

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:

	1996/97					1995/96	
	Salary & fees	Bonus	Benefits	Pension contributions	Total	Total	Pension contributions
	£	£	£	£	£	£	£
Executive							
I M Barnes (resigned 1/4/97)	95,000	-	9,904	7,467	112,371	78,634	7,840
R W Gisby (resigned 3/1/97)	49,219	8,726	3,900	5,600	67,445	75,445	7,000
I Harding	77,000	-	8,493	27,315	112,808	89,497	9,310
R H Wilson	145,000	35,000	6,407	7,467	193,874	149,058	10,454
Non-executive							
D D McFarlane (Chairman)	35,000	-	-	-	35,000	30,000	-
W G Andrews	15,000	-	-	-	15,000	15,000	-
	416,219	43,726	28,704	47,849	536,498	437,634	34,604

Directors' interests in shares

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

	6 April, 1997	31 March, 1996
W G Andrews	20,000	10,000
I Harding	44,000	34,000
D D McFarlane	14,777	14,777
J S Singleton (* on appointment)	30,000	*30,000
R H Wilson	158,936	45,300

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 6 April, 1997 and 23 June, 1997.

Directors' interests in share options

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

	31 March, 1996	Granted in year	Lapsed in year	6 April, 1997
I Harding	380,994	46,666	-	427,660
R H Wilson	860,056	297,599	-	1,157,655
	1,241,050	344,265	-	1,585,315

Apart from the interests disclosed above, no directors hold any share options in the Company or other Group companies.

The directors' options are exercisable as follows:

	No. of shares	Period of exercise	Price
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
	46,666	25/06/99 - 24/06/06	30.0p
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

The market price of the Company's shares at the end of the financial year was 35p and the range of market prices during the year was between 39.5p and 20.5p.

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 three 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

An exercise has been undertaken to update the review carried out last year in order to reassess 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

Corporate governance cont...

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.

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 and 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
23 June, 1997

Reports of the auditors

To the members of Bandt plc

We have audited the financial statements on pages 16 to 34.

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 6 April, 1997 and of the loss, total recognised losses 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
23 June, 1997

Consolidated profit and loss account for the year ended 6 April, 1997

	Notes	Continuing operations	Discontinued operations	1997 £000	1996 £000
Turnover	2,3	75,513	45,166	120,679	120,964
Operating profit/(loss) before exceptional costs	2,3	5,864	(1,676)	4,188	3,943
Exceptional operating costs:					
Vacant property provisions		(1,308)	-	(1,308)	-
Operating profit/(loss)		4,556	(1,676)	2,880	3,943
Exceptional items					
Loss on disposals of businesses					
- net tangible assets		-	(1,892)	(1,892)	-
- goodwill previously written off against reserves		-	(4,436)	(4,436)	-
Reorganisation costs		-	-	-	(615)
Less previous year provisions		-	-	-	615
(Loss)/profit on ordinary activities before interest		4,556	(8,004)	(3,448)	3,943
Interest payable and similar charges	4			(1,372)	(1,721)
(Loss)/profit on ordinary activities before taxation	5			(4,820)	2,222
Tax on ordinary activities	6			(412)	(280)
(Loss)/profit on ordinary activities after taxation	7			(5,232)	1,942
Dividends	8			(1,538)	(1,119)
(Loss)/retained profit for the year	22			(6,770)	823
(Loss)/earnings per ordinary share	9			(3.7)p	1.7p
Earnings per ordinary share before exceptional items	9			1.7p	1.7p

Statement of total recognised gains and losses

	Group 1997 £000	Group 1996 £000
(Loss)/profit on ordinary activities after taxation	**(5,232)**	1,942
Unrealised (deficit)/surplus on 1996 revaluation of properties	**(39)**	16
Total recognised gains and losses relating to the year	**(5,271)**	1,958

Statement of historical cost profits and losses

	Group 1997 £000	Group 1996 £000
Reported (loss)/profit on ordinary activities before taxation	**(4,820)**	2,222
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	**156**	184
Realisation of property revaluation gains of previous years	**759**	-
Historical cost (loss)/profit on ordinary activities before taxation	**(3,905)**	2,406
Historical cost (loss)/profit for the year retained after taxation and dividends	**(5,855)**	1,007

Reconciliation of movements in shareholders' funds

	Group 1997 £000	Group 1996 £000
(Loss)/profit for the year	**(5,232)**	1,942
Dividends	**(1,538)**	(1,119)
	(6,770)	823
Other recognised gains and losses relating to the year	**(39)**	16
Goodwill transferred to the profit and loss account on disposal of businesses	**4,436**	-
Share capital issued	-	32,500
Expenses of share issue	-	(1,097)
Goodwill arising on acquisition	-	(10,907)
Net (deduction from)/addition to shareholders' funds	**(2,373)**	21,335
Opening shareholders' funds	**39,339**	18,004
Closing shareholders' funds	**36,966**	39,339

Balance sheets as at 6 April, 1997

	Notes	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Fixed assets					
Tangible assets	12	**33,985**	35,121	**45**	370
Investment in subsidiary undertakings	13	**-**	-	**46,332**	50,356
Investment in own shares	13	**624**	671	**624**	671
		34,609	35,792	**47,001**	51,397
Current assets					
Stocks	14	**2,930**	14,710	**-**	-
Debtors: amounts falling due after one year	15	**361**	430	**16,464**	27,068
amounts falling due within one year	15	**18,767**	28,898	**5,814**	8,392
Cash at bank and in hand		**18**	24	**5**	5
		22,076	44,062	**22,283**	35,465
Creditors: amounts falling due within one year	16	**(18,491)**	(26,379)	**(10,569)**	(9,477)
Net current assets		**3,585**	17,683	**11,714**	25,988
Total assets less current liabilities		**38,194**	53,475	**58,715**	77,385
Creditors: amounts falling due after more than one year	17	**-**	(13,885)	**(3,225)**	(16,502)
Provisions for liabilities and charges	18	**(1,228)**	(251)	**(433)**	(193)
Net assets		**36,966**	39,339	**55,057**	60,690
Capital and reserves					
Called up share capital	19	**7,108**	7,108	**7,108**	7,108
Revaluation reserve	22	**9,691**	10,645	**-**	7
Capital reserve	22	**-**	-	**583**	583
Special reserve	22	**35,356**	35,356	**46,263**	46,263
Profit and loss account	22	**(15,189)**	(13,770)	**1,103**	6,729
Total shareholders' funds		**36,966**	39,339	**55,057**	60,690
Comprising:					
Equity shareholders' funds		**36,896**	39,269	**54,987**	60,620
Non-equity shareholders' funds		**70**	70	**70**	70
		36,966	39,339	**55,057**	60,690

The financial statements on pages 16 to 34 were approved by the Board of Directors on 23 June, 1997 and were signed on its behalf by:

R H Wilson
Director

I Harding
Director

Consolidated statement of cash flow for the year ended 6 April, 1997

	1997 £000	1996 £000
Operating activities		
Net cash inflow from continuing operating activities	**10,576**	9,388
Net cash outflow from discontinued operating activities	**(3,842)**	(2,441)
(reconciliation to operating profits on page 33)		
Net cash inflow from operating activities (note 23)	**6,734**	6,947
Returns on investments and servicing of finance		
Interest paid	**(1,534)**	(1,330)
Interest paid on finance leases	**(92)**	(157)
Dividends paid to preference shareholders	**(3)**	(3)
Net cash outflow from returns on investments and servicing of finance	**(1,629)**	(1,490)
Taxation		
UK corporation tax paid	**(279)**	-
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(10,010)**	(3,976)
Sale of tangible fixed assets	**2,124**	1,115
	(7,886)	(2,861)
Acquisitions and disposals		
Sale of businesses (note 21)	**17,109**	-
Purchase of subsidiary	**(500)**	(33,450)
	16,609	(33,450)
Equity dividends paid	**(1,535)**	-
Cash inflow/(outflow) before management of liquid resources and financing	**12,014**	(30,854)
Financing		
Issue of ordinary share capital	-	32,500
Expenses of share issue	-	(1,097)
(Repayment)/receipt of loans under bank facility	**(13,000)**	13,000
Repayment of principal under finance leases	**(675)**	(556)
	(13,675)	43,847
(Decrease)/increase in cash in the period	**(1,661)**	12,993

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.

Changes in presentation of financial information

The disclosure requirements for directors emoluments and other benefits under schedule 6 of the Companies Act have been changed by SI 1997/570. Accordingly, disclosure of directors information and other benefits have been presented under the new format.

FRS 1 'Cash flow statements' was revised in 1996 to change the format for reporting cash flows. The revised standard comes into effect for accounting periods ending on or after 23 March, 1997, and accordingly the cash flow statement has been presented under the new format.

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 6 April, 1997. 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

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 loss for the financial year would have been increased by depreciation on the revalued properties of £67,000 (1996: £nil). 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 12.

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

Notes to the financial statements

Tangible fixed assets continued
Annual transfers are made from revaluation to revenue reserves to adjust for the proportion of depreciation on buildings relevant to revaluation surpluses.

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 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.

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:

			1997			1996
Division	**Turnover £000**	**Profit/(loss) before taxation £000**	**Net assets £000**	Turnover £000	Profit/(loss) before taxation £000	Net assets £000
Contracting and hire	**63,886**	**5,556**	**24,632**	44,180	4,559	21,056
Property investments	**129**	**(1,249)**	**13,824**	-	-	-
Stockholding and distribution	**56,664**	**(7,755)**	**2,225**	76,784	(616)	33,181
Central net assets	**-**	**-**	**186**	-	-	712
Operating activities	**120,679**	**(3,448)**	**40,867**	120,964	3,943	54,949
Interest	**-**	**(1,372)**	**-**	-	(1,721)	-
Tax and dividends	**-**	**-**	**(1,527)**	-	-	(1,397)
Net loans and overdrafts	**-**	**-**	**(2,374)**	-	-	(13,713)
Deferred consideration	**-**	**-**	**-**	-	-	(500)
Total Group	**120,679**	**(4,820)**	**36,966**	120,964	2,222	39,339

Turnover of £45,166,000, and a loss before interest and taxation of £8,004,000 included in the 1997 figures relate to the discontinued trades of Brown & Tawse Ltd and Stauff Group Ltd, which represented the majority of the stockholding and distribution division of the Group (note 21).

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

Notes to the financial statements

3 Cost of sales and other operating income and expenses

	Continuing £000	Discontinued £000	1997 Total £000	Continuing £000	Discontinued £000	1996 Total £000
Turnover	**75,513**	**45,166**	**120,679**	55,926	65,038	120,964
Cost of sales	**(45,517)**	**(33,884)**	**(79,401)**	(32,868)	(48,299)	(81,167)
Gross profit	**29,996**	**11,282**	**41,278**	23,058	16,739	39,797
Distribution costs	**(19,866)**	**(10,173)**	**(30,039)**	(14,158)	(12,549)	(26,707)
Administrative expenses	**(5,574)**	**(2,785)**	**(8,359)**	(4,035)	(5,112)	(9,147)
Operating profit/(loss)	**4,556**	**(1,676)**	**2,880**	4,865	(922)	3,943

4 Interest payable and similar charges

	1997 £000	1996 £000
Bank loans and overdrafts	**1,280**	1,564
Finance leases	**92**	157
	1,372	1,721

5 (Loss)/profit on ordinary activities before taxation

	1997 £000	1996 £000
(Loss)/profit on ordinary activities before taxation is after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	**4,579**	3,320
Tangible fixed assets held under finance leases	**379**	486
Loss on disposal of tangible fixed assets	**505**	-
Operating lease rentals:		
Plant and machinery	**2,288**	1,895
Land and buildings	**2,319**	2,256
Auditors' remuneration for:		
Audit (Company £25,000, 1996: £21,000)	**96**	140
Other services to the Company and its UK subsidiaries	**109**	196

£99,000 was paid to the auditors in connection with the disposals of subsidiary businesses. (1996: £192,000 was paid to the auditors in connection with the acquisition of a subsidiary).

6 Tax on profit on ordinary activities

	1997 £000	1996 £000
UK corporation tax at 33%	**28**	-
Advance corporation tax written off	**384**	280
	412	280

No other tax charge arises on the result for the year due to the utilisation of unabsorbed tax losses brought forward. Unabsorbed tax losses carried forward at 6 April, 1997 amount to an estimated £13,000,000 (1996: £14,500,000), subject to agreement by the Inland Revenue; of this amount approximately £7,000,000 are available for future use by the Group.

Notes to the financial statements

7 Company (loss)/profit 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 loss for the financial year was £4,095,000 (1996: Profit, £3,800,000).

8 Dividends

	1997 £000	1996 £000
Dividends on equity shares		
Ordinary - Interim paid of 0.3p per share (1996: Nil)	419	-
- Final proposed of 0.8p per share (1996: 0.8p)	1,116	1,116
	1,535	1,116
Dividends on non-equity shares		
Preference 7% (4.9% net of tax) paid	3	3
	1,538	1,119

9 (Loss)/earnings per ordinary share

The calculation of earnings per share on the net basis is based on the (loss)/profit on ordinary activities after taxation and after deduction of dividends in respect of non-equity shares, namely £5,235,000 (1996: Profit £1,939,000) and on 139,490,965 (1996: 113,672,632) ordinary shares, being the number of ordinary shares in issue, excluding those held in the ESOT (1,265,000 ordinary shares) and ranking for dividend during the year.

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

	1997 pence per share	1996 pence per share
Earnings per share (net basis)	(3.7)	1.7
Loss for vacant property provisions	0.9	-
Loss on disposal of business assets	1.3	-
Loss in respect of goodwill previously written off	3.2	-
	1.7	1.7

10 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.

	1997 £000	1996 £000
Fees	50	45
Salary payments (including benefits in kind)	437	358
	487	403

The four executive directors who received emoluments in the year had retirement benefits accruing under a defined benefit scheme.

Notes to the financial statements

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

	1997 Highest Paid Director	1996 Highest Paid Director
Aggregate emoluments and benefits	**186**	139
Defined benefit scheme		
Accrued pension at end of year	**9**	7

No director waived emoluments in respect of the year ended 6 April, 1997. (1996: Nil)

11 Employee information

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

	1997 Number	1996 Number
By division:		
Contracting and hire	**1,765**	1,687
Stockholding and distribution	**437**	584
Central	**8**	9
	2,210	2,280

	1997 £000	1996 £000
Staff costs (for the above persons):		
Wages and salaries	**35,941**	28,635
Social security costs	**3,057**	2,386
Pension contributions (note 27)	**1,172**	1,304
	40,170	32,325

Notes to the financial statements

12 Tangible fixed assets

	Group				Company		
	Land and Buildings £000	**Investment Properties £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 1 April, 1996	21,071	-	56,004	77,075	966	155	1,121
Sales of businesses	(1,292)	-	(11,207)	(12,499)	-	-	-
Reclassification	(12,425)	12,425	-	-	-	-	-
Additions	382	-	9,637	10,019	-	12	12
Revaluation	(39)	(675)	-	(714)	-	-	-
Disposals	(940)	-	(6,030)	(6,970)	-	-	-
Intra group transfers	-	-	-	-	(325)	1	(324)
At 6 April, 1997	6,757	11,750	48,404	66,911	641	168	809
Depreciation:							
At 1 April, 1996	1,350	-	40,604	41,954	641	110	751
Sales of businesses	(251)	-	(8,676)	(8,927)	-	-	-
Reclassification	(675)	675	-	-	-	-	-
Charge for the year	379	-	4,579	4,958	11	13	24
Revaluation	-	(675)	-	(675)	-	-	-
Disposals	(9)	-	(4,375)	(4,384)	-	-	-
Intra group transfers	-	-	-	-	(11)	-	(11)
At 6 April, 1997	794	-	32,132	32,926	641	123	764
Net book value at 6 April, 1997	5,963	11,750	16,272	33,985	-	45	45
Net book value at 31 March, 1996	19,721	-	15,400	35,121	325	45	370
Cost or valuation at 6 April, 1997 is represented by:							
Valuation	1,900	11,750	-	13,650	641	-	641
Cost	4,857	-	48,404	53,261	-	168	168
	6,757	11,750	48,404	66,911	641	168	809

The net book value of tangible fixed assets includes an amount of £119,000 (1996: £1,787,000) 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. A further review was carried out as at February 1997 of the land and buildings held by Bandt Properties Ltd, including those classified as investment properties, which supports the directors' valuations.

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

	Group				Company	
	Investment properties		Land and buildings		Land and buildings	
	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000
Cost	4,924	-	5,896	12,168	641	1,091
Aggregate depreciation based on cost	(1,784)	-	(1,014)	(3,092)	(641)	(773)
Net book value based on cost	3,140	-	4,882	9,076	-	318

	Group				Company	
Investment properties and land and buildings at net book value comprise:						
Freeholds	8,274	-	5,048	11,559	-	-
Long leaseholds	3,476	-	872	3,327	-	325
Short leaseholds	-	-	43	588	-	-
	11,750	-	5,963	15,474	-	325

13 Fixed asset investments

a) Investment in subsidiary undertakings

	Shares £000	Loans £000	Total £000
Company			
Cost			
At 1 April, 1996	28,328	33,207	61,535
Additions	-	11,000	11,000
Disposals	(15,024)	-	(15,024)
At 6 April, 1997	13,304	44,207	57,511
Amounts written off			
At 1 April, 1996	11,179	-	11,179
In year	4,024	-	4,024
Disposals	(4,024)	-	(4,024)
At 6 April, 1997	11,179	-	11,179
Net book value at 6 April, 1997	2,125	44,207	46,332
Net book value at 31 March, 1996	17,149	33,207	50,356

The loans represent funds provided to a wholly owned subsidiary, Bandt Holdings Ltd, for the purchase of shares of Kwikform Holdings Limited and Bandt Properties Limited. The loans are considered long term and bear interest at the average cost of funds to the Group.

Notes to the financial statements

13 Fixed asset investments (continued)

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 Limited	Great Britain	Ordinary £1 shares	100	-
Bandt Properties Limited	Great Britain	Ordinary £1 shares	100	-
Brown & Tawse Steelstock Limited	Great Britain	Ordinary £1 shares	100	-
Bandt Group Limited	Great Britain	Ordinary £1 shares	100	100

All the above companies operate principally in the United Kingdom.

The principal business activities of the trading subsidiary undertakings are:

(i) 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.

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

(iii) Brown & Tawse Steelstock Limited - the sourcing and supply of steel. This company represents the remaining part of the stockholding and distribution division of the Group.

b) Investment in own shares

	Group £000	Company £000
Cost		
At 31 March, 1996 and 6 April, 1997	727	727
Amounts written off		
At 1 April, 1996	56	56
In year	47	47
At 6 April, 1997	103	103
Net book value at 6 April, 1997	624	624
Net book value 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 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 6 April, 1997 there were 111,351 shares (1996: 111,351) held by the ESOT not under option.

Notes to the financial statements

14 Stocks

	Group 1997 £000	Group 1996 £000
Industrial distribution and hire products	**2,570**	14,252
Work in progress	**360**	458
	2,930	14,710

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

15 Debtors

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Amounts falling due after one year:				
Amounts owed by Group undertakings	**-**	-	**16,103**	26,638
Pension prepayment	**361**	430	**361**	430
	361	430	**16,464**	27,068
Amounts falling due within one year:				
Trade debtors	**15,955**	27,417	**-**	-
Amounts owed by Group undertakings	**-**	-	**400**	90
Dividends receivable from subsidiaries	**-**	-	**691**	6,023
Other debtors	**2,147**	807	**4,650**	2,256
Prepayments and accrued income	**665**	674	**73**	23
	18,767	28,898	**5,814**	8,392

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

16 Creditors: amounts falling due within one year

	Group 1997 £000	Group 1996 £000	Company 1997 £000	Company 1996 £000
Bank loans and overdrafts	**2,392**	737	**8,120**	6,821
Obligations under finance leases	**111**	776	**-**	-
Trade creditors	**6,876**	13,132	**-**	-
Bills of exchange payable	**-**	806	**-**	-
Amounts owed to Group undertakings	**-**	-	**58**	-
Corporation tax	**28**	-	**-**	-
Advance corporation tax	**384**	279	**384**	279
Other taxation and social security	**2,398**	3,304	**379**	23
Other creditors	**638**	1,068	**219**	670
Accruals	**4,546**	5,159	**291**	566
Dividends payable	**1,118**	1,118	**1,118**	1,118
	18,491	26,379	**10,569**	9,477

Bank loans comprise drawings maturing in 1997 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.

Notes to the financial statements

17 Creditors: amounts falling due after more than one year

	Group		Company	
	1997	1996	**1997**	1996
	£000	£000	**£000**	£000
Bank loans (repayable between two and five years)	**-**	13,000	**-**	13,000
Amounts owed to Group undertakings	**-**	-	**3,225**	3,502
Obligations under finance leases	**-**	885	**-**	-
	-	13,885	**3,225**	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.

Finance leases

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

	1997	1996
	£000	£000
In one year or less	**111**	776
Between one and two years	**-**	674
Between two and five years	**-**	211
	111	1,661

18 Provisions for liabilities and charges

Vacant property provision	**Group £000**	**Company £000**
At 1 April, 1996	**251**	**193**
Utilised in year	**(331)**	**(138)**
Provided during the year	**1,308**	**378**
At 6 April, 1997	**1,228**	**433**

Notes to the financial statements

18 Provisions for liabilities and charges (continued)

No provision for deferred taxation is required (1996: £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	
	1997	1996
	£000	£000
Capital gains rolled over at 33%	**573**	571
Unrealised surplus on property valuations at 33%	**729**	801
	1,302	1,372

19 Called up share capital	**1997**	1996
	£000	£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

20 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 6 April, 1997:

	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	04.01.97 - 03.01.98
	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	1,028,567	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
	29.03.93	142,857	63.0p	08.04.95 - 07.04.98
	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	250,000	38.0p	04.01.97 - 20.06.99
	20.12.95	305,263	38.0p	21.12.98 - 20.12.05
	21.06.96	250,000	23.0p	22.06.99 - 21.06.06
	24.06.96	344,265	30.0p	25.06.99 - 24.06.06
	08.07.96	340,000	25.0p	09.07.99 - 08.07.06
	09.07.96	36,000	25.0p	04.01.97 - 20.06.99
	09.07.96	40,500	25.0p	10.07.99 - 09.07.06
1983 Savings Related Share Option Scheme	26.08.92	76,057	42.4p	01.09.97 - 28.02.98
1993 Savings Related Share Option Scheme	22.12.94	133,771	39.2p	01.02.00 - 31.07.00
	16.08.95	1,319,702	30.6p	01.10.00 - 01.04.01

21 Disposals

During the year the Group disposed of two of its businesses. The trade of Stauff Group Ltd was sold to Sanderson Hydraulics Ltd on 2 January, 1997 and the trade of Brown & Tawse Ltd was sold to Wolseley Centers Ltd on 3 January, 1997. Prior to the sale of the trade of Brown & Tawse Ltd, on 24 December, 1996, the steel distribution operation based at Dundee, was hived down into a separate legal entity Brown & Tawse Steelstock Ltd.

The above disposals represent the majority of the stockholding and distribution division of the Group and are shown as discontinued operations in these accounts.

Net assets disposed of in the year	**£000**
Fixed assets	3,530
Stocks	12,410
Debtors	13,840
Creditors	(8,141)
Finance lease obligations	(885)
	20,754
Satisfied by:	
Cash (net of disposal expenses)	(17,109)
Retentions	(1,753)
Loss on sales	(1,892)

The discontinued part of the stockholding and distribution division had an outflow of £3,842,000 of operating cashflow (note 23), and paid £64,000 in respect of net returns on investments and servicing of finance in the year. It paid nothing in respect of taxation and utilised £172,000 for investing activities.

Notes to the financial statements

21 Disposals (continued)

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:

	£000
At 1 April, 1996	15,343
Transferred to profit and loss account in year	(4,436)
At 6 April, 1997	10,907

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. A total of £4,436,000, previously written off, has been transferred to the profit and loss account following the sale of the trades of Brown & Tawse Ltd and Stauff Group Ltd.

22 Share premium account and reserves

Group

	Revaluation reserve £000	**Special reserve £000**	**Profit & loss account £000**
At 1 April, 1996	10,645	35,356	(13,770)
Goodwill transfer	-	-	4,436
Revaluation deficit	(39)	-	-
Transfer from revaluation reserve to profit and loss account	(915)	-	915
Retained loss for the year	-	-	(6,770)
At 6 April, 1997	9,691	35,356	(15,189)

Company

	Capital reserve £000	**Revaluation reserve £000**	**Special reserve £000**	**Profit & loss account £000**
At 1 April, 1996	583	7	46,263	6,729
Transfer from revaluation reserve to profit and loss account	-	(7)	-	7
Retained loss for the year	-	-	-	(5,633)
At 6 April, 1997	583	-	46,263	1,103

Notes to the financial statements

23 Notes to consolidated statement of cash flow

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

	Continuing £000	Discontinued £000	1997 Total £000	Continuing £000	Discontinued £000	1996 Total £000
Operating profit	4,556	(1,676)	2,880	4,865	(922)	3,943
Depreciation on tangible fixed assets	4,030	928	4,958	2,581	1,225	3,806
Write down of investment in own shares	47	-	47	56	-	56
Loss/(profit) on disposal of tangible fixed assets	556	(51)	505	(6)	6	-
(Increase)/decrease in stocks	258	(888)	(630)	(92)	2,620	2,528
(Increase)/decrease in debtors	(864)	(1,023)	(1,887)	37	1,065	1,102
Decrease in creditors	1,016	(1,132)	(116)	1,947	(5,659)	(3,712)
Increase/(decrease) in provisions for liabilities and charges	977	-	977	-	(776)	(776)
Net cash inflow/(outflow) from operating activities	10,576	(3,842)	6,734	9,388	(2,441)	6,947

Reconciliation of net cash flow to movement in net debt

	1997 £000	1997 £000	1996 £000	1996 £000
(Decrease)/increase in cash in period	(1,661)		12,993	
Cash outflow/(inflow) from decrease/ (increase) in debt and lease financing	13,675		(12,444)	
Change in net debt resulting from cash flows		12,014		549
Other non-cash items:				
New finance leases		(10)		-
Finance leases transferred with disposals and (acquisitions)		885		(290)
Movement in net debt in the period		12,889		259
Net debt at 31 March, 1996		(15,374)		(15,633)
Net debt at 6 April, 1997		(2,485)		(15,374)

Notes to the financial statements

23 Notes to consolidated statement of cash flow (continued)

Analysis of net debt

	1 April, 1996 £000	Cashflow £000	Other non cash changes £000	**6 April, 1997 £000**
Cash in hand, at bank	24	(6)	-	**18**
Overdrafts	(737)	(1,655)	-	**(2,392)**
		(1,661)	-	
Debt due after 1 year	(13,000)	13,000	-	**-**
Finance leases	(1,661)	675	875	**(111)**
Total	(15,374)	12,014	875	**(2,485)**

Cash flow relating to exceptional items

The operating cash outflows include under discontinued activities an outflow of £1,892,000, which relates to the exceptional losses on disposal from the sale of the trades of Brown & Tawse Ltd and Stauff Group Ltd.

Major non-cash transactions

The proceeds received from the sale of the Brown & Tawse Ltd business were reduced by finance lease obligations of £885,000 taken over by the purchaser (note 21).

24 Capital commitments

	Group	
	1997 £000	1996 £000
Future capital expenditure contracted but not provided for	**1,018**	1,092

25 Contingent liabilities

	Group		Company	
	1997 £000	1996 £000	**1997 £000**	1996 £000
Guarantees given in respect of banking and leasing contracts	**1,319**	240	-	475

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

Notes to the financial statements

26 Financial commitments

At 6 April, 1997 the Group had annual commitments under non-cancellable operating leases as set out below:

	Group		Group	
	Land and buildings 1997 £000	**Other 1997 £000**	Land and buildings 1996 £000	Other 1996 £000
Operating leases which expire:				
Within one year	**29**	**188**	36	442
Within two to five years	**350**	**745**	327	945
After five years	**1,234**	**-**	1,820	-
	1,613	933	2,183	1,387

27 Pension and similar obligations

The Group operates two pension schemes. The older scheme, following the sale of the two businesses (note 21), now only covers 6% 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 94% of scheme members. 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 reduced with effect from April 1996 in order 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 £258,000 (1996: £529,000). Debtors at the year end include a prepayment of £361,000 (1996: £430,000) representing the unamortised remainder of the excess of contributions over accumulated pension costs.

The pension cost for the defined contribution scheme was £914,000 (1996: £350,000), representing the contributions payable for the year. Outstanding contributions payable amounted to £166,000 (1996: £72,000).

Group financial record for the five years ended 6 April, 1997.

	1997	1996	As restated 1995	1994	1993
	£000	£000	£000	£000	£000
Turnover					
Continuing operations	**75,513**	55,926	11,708	12,572	13,024
Discontinued operations	**45,166**	65,038	64,264	81,460	105,983
	120,679	120,964	75,972	94,032	119,007
Operating profit/(loss)					
Continuing operations	**4,556**	4,865	215	334	592
Discontinued operations	**(1,676)**	(922)	(1,167)	(2,038)	(13,881)
	2,880	3,943	(952)	(1,704)	(13,289)
Exceptional costs	**(6,328)**	-	(134)	(532)	(21,230)
(Loss)/profit on ordinary activities before interest	**(3,448)**	3,943	(1,086)	(2,236)	(34,519)
Net interest	**(1,372)**	(1,721)	(1,335)	(1,529)	(2,006)
(Loss)/profit before taxation	**(4,820)**	2,222	(2,421)	(3,765)	(36,525)
Taxation	**(412)**	(280)	26	1,164	486
(Loss)/profit after taxation	**(5,232)**	1,942	(2,395)	(2,601)	(36,039)
Per ordinary share:					
(Loss)/earnings (net basis)	**(3.7)p**	1.7p	(7.4)p	(8.0)p	(111.2)p
Dividends	**1.1p**	0.8p	-	-	-
	£000	£000	£000	£000	£000
Net assets employed:					
Fixed assets	**34,609**	35,792	19,732	19,584	21,724
Net current assets (excluding cash and borrowings)	**6,070**	19,172	14,932	16,762	25,660
Net borrowings	**(2,485)**	(15,374)	(15,633)	(13,222)	(18,261)
Provisions for liabilities and charges	**(1,228)**	(251)	(1,027)	(2,722)	(6,817)
Total shareholders' funds	**36,966**	39,339	18,004	20,402	22,306
Net assets per ordinary share	**26.3p**	27.9p	55.3p	62.9p	68.6p
Gearing	7%	39%	87%	65%	82%
Average number of employees	**2,210**	2,280	698	866	1,239

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) as a percentage of closing shareholders' funds.

Notice of meeting

Notice is hereby given that the eighty first 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 22 August, 1997 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 6 April, 1997.
2. To declare a dividend of 0.8p per ordinary share.
3. To re-elect Mr J S Singleton as a Director.
4. To re-elect Mr I Harding as a Director.
5. 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 6 which will be proposed as a Special Resolution:

6. (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 6 (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

15 July, 1997

I Harding
Company Secretary

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.