

27883

ANNUAL REPORT & ACCOUNTS

BRIDGEND GROUP PLC

Annual Report
and Accounts
1999



DIRECTORS AND ADVISERS

DIRECTORS

C.G. Stainforth (Chairman)

M.A. Bretherton

C.D.O. Jillings

C.P. Whiley

SECRETARY AND REGISTERED OFFICE

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AUDITOR

KPMG Audit Plc

FINANCIAL ADVISERS

Strand Partners Limited

STOCKBROKERS

Peel Hunt & Company Limited

SOLICITORS

Nabarro Nathanson

BANKERS

Henry Ansbacher & Co. Limited

Lloyds Bank Plc

Royal Bank of Scotland PLC

CONTENTS

FINANCIAL HIGHLIGHTS.....	2
CHAIRMAN'S STATEMENT.....	3
DIRECTORS' REPORT.....	6
REMUNERATION REPORT.....	13
STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	16
AUDITORS' REPORT.....	17
CONSOLIDATED PROFIT AND LOSS ACCOUNT.....	18
BALANCE SHEETS	19
GROUP CASH FLOW STATEMENT.....	20
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS.....	21
NOTES TO THE ACCOUNTS.....	22
FIVE YEAR FINANCIAL SUMMARY	38
NOTICE OF ANNUAL GENERAL MEETING.....	39

FINANCIAL HIGHLIGHTS

	1999 £'000	1998 £'000
Turnover	18,273	22,947
Loss before exceptional items and tax	(883)	(907)
Loss before tax	(896)	(4,541)
Loss per Ordinary share	(0.8p)	(5.5p)
Loss per Ordinary share adjusted to exclude exceptional items	(0.8p)	(1.1p)

The exceptional items referred to above relate to profits on sale of discontinued operations inclusive of goodwill, compensation for directors loss of office, costs in respect of aborted corporate transactions, business restructure and redundancy costs, the write-down of a hotel property, and profits on disposal of current asset investments.

Loss per Ordinary share comparatives for 1998 have been adjusted for the bonus element of the additional placing and open offer shares issued in August 1999 as detailed in Note 9 to the accounts.

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 1999, Group turnover fell to £18,273,000 (1998: £22,947,000) and generated a loss before exceptional items of £883,000 (1998: loss £907,000) which after exceptional items resulted in a loss before tax of £896,000 (1998: loss £4,541,000 after absorbing a property write-down of £3,540,000).

In the light of these results and the absence of distributable reserves, the Group will not pay a dividend for the year (1998: nil).

STRATEGIC DEVELOPMENT

Following the significant loss reported for the Group in 1998 and with the prospect of continuing losses and excessive debt levels, swift and decisive action was taken in 1999 to restructure the Board, reduce costs, raise finance and refocus the nature of the business.

Board structure

The roles of Chairman and Chief Executive were split in January 1999 when I became non-executive Chairman at which point J.N. Ferguson and F.C. Flood also resigned from the Board as non-executive Directors. Neil List, who had been executive Chairman and Chief Executive for the previous fifteen years, left the Company in February 1999 and Charles Jillings was subsequently appointed as a non-executive Director in July 1999 giving a restructured Board of four Directors, the biographies of whom are detailed on page 10 of the Directors' Report.

Cost reduction

Operational cost savings identified following a wide ranging strategic review of every facet of the business included staff reductions, branch closures and relocation of the Group's head office to smaller premises on a short-term eighteen month lease. This process has yielded significant reductions to total operating expenses including ongoing directors remuneration.

The full year impact of these cost reductions will only be felt in 2000 which will also benefit from the absence of the related restructure costs charged in 1999 which comprised compensation for directors loss of office of £260,000 as analysed on page 12 of the Remuneration Report, and costs of branch closures and redundancy of £139,000.

Placing and open offer share issue

In August 1999, the Board successfully raised £1,749,000 net of expenses by way of a placing and open offer of 100,110,230 new Ordinary Shares at 2p per share to shareholders on the basis of 5 new Ordinary Shares for every 2 Ordinary Shares held. The funds were used to reduce borrowings and provide cash and working capital for the Group.

Sale of discontinued leisure division

The business and assets of Stocks Hotel & Golf Club were sold in August 1999 which, following the sale of our Cloisters Wood Leisure Club assets on expiry of the club's property lease in January 1999, completed the disposal of the Group's leisure division.

Net cash proceeds of £2,412,000 were received in respect of these disposals and generated a profit on disposal of £71,000. This together with the write back of £315,000 of related negative goodwill previously written off, increased the reported gain on the sale of the discontinued leisure operations to £386,000.

CHAIRMAN'S STATEMENT

continued

Post balance sheet disposal of John Sydney

The disposal of the business and assets of John Sydney was completed on 15 March 2000 for a cash consideration equal to the value, at that date, of the net assets being sold plus a premium of £291,000. An initial cash consideration of £2,290,000 has been received of which £300,000 was paid into an escrow account pending final agreement of the consideration amount and completion accounts value.

BALANCE SHEET AND CASH FLOW

Net tangible assets of the Group at 31 December 1999 were £3,990,000 compared with £3,470,000 at the previous year end. This increase reflects the £1,749,000 of new share capital raised in the year, net of expenses, less £18,000 of deferred share capital redeemed and less the loss for the year exclusive of goodwill reinstated on disposal of the leisure division.

Cash raised during 1999 from both the new share capital issue and from disposals has considerably strengthened the Group balance sheet and increased the Company's financial stability. Net borrowings reduced from £4,481,000 at the end of 1998 to £1,788,000 at 31 December 1999 with a corresponding reduction in net gearing from 129% to 45%.

The disposal of John Sydney subsequent to the year end has further strengthened the Group's finances and eliminated net gearing. This is highlighted in the proforma Group balance sheet set out in Note 26 to the accounts which discloses proforma cash balances of £1,685,000, largely held in the Bridgend parent company, partially offset by proforma borrowings of £1,422,000 which mainly comprise short term working capital borrowings at our Kingavon & Cosmic subsidiary.

CURRENT TRADING AND FUTURE PROSPECTS

The Group's wholesale distribution division comprises Kingavon & Cosmic, which supplies car accessories and has now also diversified into DIY products, and Brimley, which distributes electrical goods. Prior to its disposal in March 2000, the division also included John Sydney, which distributes bathroom products. These operations suffered a £3,324,000 reduction to turnover in 1999 attributable mainly to a serious loss of sales to major mail order catalogue company customers following rationalisation within those catalogue companies. In addition, our businesses continued to face fierce competition within their respective markets and Brimley's sales were also adversely affected by branch closures.

Strenuous efforts were made during 1999, at both Kingavon & Cosmic and at John Sydney, to introduce new product lines and broaden the customer profile wherever possible. These efforts, coupled with greater investment in the marketing and sales functions, and in product literature, packaging and display stands, have benefited sales for the last quarter of 1999 and continue to benefit sales in 2000. Consequently Kingavon & Cosmic's sales for the last quarter of 1999 were 24% ahead of the comparable period in 1998 and for the first quarter of 2000 are substantially ahead of the same period in 1999. This sales growth is expected considerably to benefit profitability at Kingavon & Cosmic which, due to sales reductions in 1999, incurred an operating loss of £13,000 before exceptional items and interest in that year.

Brimley incurred a loss of £187,000 before exceptional items and interest in 1999 but costs have been reduced following branch closures and the restructure of the business into a single branch operation. The company will now be focused upon its nationwide specialist marine business for which there is additional sales potential.

Head Office overheads before exceptional costs were reduced from £608,000 for 1998 to £415,000 in 1999 and Group net interest costs reduced from £457,000 for 1998 to £298,000 in 1999 on lower debt levels. On the basis of the post John Sydney disposal proforma cash and borrowings balances referred to above under 'Balance Sheet and Cash Flow', the net interest position should benefit significantly moving forward in 2000.

CHAIRMAN'S STATEMENT

continued

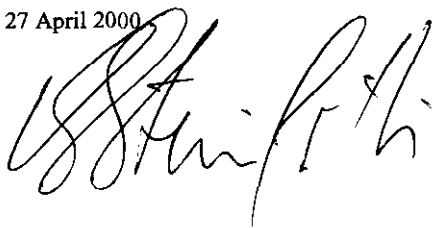
Following the disposal of our leisure operations and of the John Sydney business, we are now at an advanced stage of our comprehensive Group restructure strategy. We are continuing to review how best to optimise the residual value of the two remaining distribution businesses and are also becoming increasingly engaged in searching and analysing a range of acquisition opportunities to grow the Group from its small current base in order to enhance shareholder value.

Finally, I would like to record my sincere thanks to all of our employees and management for their hard work, dedication and loyalty during the year.

Christopher Stainforth

Chairman

27 April 2000

A handwritten signature in black ink, appearing to read 'C. Stainforth', written over the printed name and date.

DIRECTORS' REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Bridgend Group PLC is a holding and management company. The Company has operations in Wholesale Distribution and also held Leisure interests which were discontinued during 1999.

The Wholesale Distribution division consists of companies engaged in the distribution, packing and assembly of bathroom and kitchen fittings, principally taps and showers, in the distribution of electrical products and in the wholesale distribution of after-market car accessories.

Details of principal operating companies are given in Note 27 to the accounts.

A review of the Group's activities and future prospects is included in the Chairman's Statement on pages 3 to 5.

RESULTS & DIVIDENDS

The results for the year are shown in the Consolidated Profit and Loss Account on page 18 and highlight a loss on ordinary activities before tax of £896,000 (1998: loss £4,541,000) which exclusive of exceptional items reduces to a loss before exceptionals and tax of £883,000 (1998: loss £907,000).

No interim dividend was paid (1998: nil) and the Directors do not recommend the payment of a final dividend (1998: nil).

POST BALANCE SHEET DISPOSAL OF JOHN SYDNEY

The Board announced on 17 February 2000 that the Company had, conditional on shareholder approval, agreed to dispose of the business and certain assets and liabilities of John Sydney Limited to Bristan Limited for a cash consideration equal to the value, as at completion, of the net assets being sold plus a premium of £291,000.

Completion of the disposal subsequently took place on 15 March 2000 with the receipt of an initial cash amount of £2,290,000 of which £300,000 was paid into an escrow account pending final agreement of the consideration and completion accounts. The balance of the consideration, if any, or any refund due will be paid when such agreement has been reached.

The Group's results for 1999 include turnover of £7,111,000 and operating profit of £40,000 in respect of John Sydney Limited. Further details of the disposal are set out in the circular sent to shareholders on 23 February 2000 and also in Note 26 to the accounts which includes a proforma statement of net assets after taking into account the John Sydney disposal as if the disposal had taken place at 31 December 1999.

SALE OF DISCONTINUED LEISURE DIVISION

The Leisure division consisted of a hotel and golf club, the disposal of which was completed on 1 August 1999, and a sports and leisure club licencing operation which ceased to trade on expiry of the club's property lease on 2 January 1999.

Net cash proceeds received in respect of the disposal of the business and assets of these operations amounted to £2,412,000 and generated a profit on disposal of £71,000 as fully detailed in Note 25 to the accounts. The write back of £315,000 of negative goodwill previously written off, increased the reported gain on the disposal of the discontinued leisure operations to £386,000.

SHARE CAPITAL

1,800,000 Deferred Convertible shares of 1p each were redeemed at par in August 1999 and, subsequent to a Special Resolution passed on 28th July 1999, a capital reorganisation was implemented under which each existing issued and unissued Ordinary Share of 10p in the capital of the Company was sub-divided into one Ordinary Share of 1p and one new Deferred Share of 9p and every nine existing authorised but unissued Deferred

DIRECTORS' REPORT

continued

Convertible Share of 1p was converted and consolidated into one new Deferred Share of 9p and the capital of the Company was further increased from £4,500,000 to £5,571,500 by the creation of 108,950,000 new Ordinary Shares of 1p each in the Company.

100,110,230 new Ordinary Shares of 1p were issued in August 1999 by way of a placing and open offer at 2p per share to shareholders on the basis of 5 new Ordinary Shares for every 2 Ordinary Shares held. The placing and open offer raised £1,749,000 net of expenses which funds were used to reduce borrowings and provide cash and working capital for the Company.

A summary analysis of the above movements in the share capital of the Company is set out in Note 17 to the accounts.

A resolution to replace the limited authority given to the Directors at the Extraordinary General Meeting on 28 July 1999 to allot the Company's unissued share capital in certain specified circumstances without first offering shares to existing shareholders, will be put to shareholders at the 2000 Annual General Meeting.

CORPORATE GOVERNANCE

Bridgend Group PLC fully supports the Principles of Good Governance and the Code of Best Practice ("the Combined Code"). This report sets out how the principles of the Combined Code have been applied.

Throughout the year ended 31 December 1999, the Company has been in compliance with the Code Provisions set out in Section 1 of the Combined Code on Corporate Governance issued by the London Stock Exchange except as regards:

- (i) separation of the roles of Chairman and Chief Executive during the period to 22 January 1999; from 19 February 2000 the Chief Executive responsibilities were assumed by the two executive Directors, Mr M.A. Bretherton and Mr C.P. Whiley.
- (ii) the number of non-executive Directors, which following the resignation of two non-executives on 22 January 1999 reduced the Board to include just one non-executive until the appointment of a further non-executive Director on 28 July 1999.
- (iii) periodic re-election of all Directors including the Chairman for the period to the adoption of new Articles of Association on 28 July 1999 which now include provision for the retirement of the Chairman by rotation.
- (iv) service contracts of in excess of one year for the executive Directors.
- (v) fixed term contracts for the non-executive Directors.
- (vi) the nominations committee and the recognition of a senior independent Director.
- (vii) the Audit Committee, which should comprise of three non-executive Directors but for the period 22 January to 28 July 1999 comprised only the non-executive Chairman and for the period thereafter comprised only the non-executive Chairman and one other non-executive Director who is a director of The Analysis & Research Company Limited which also acts for a 37.2 per cent. shareholder in the Company.

BOARD CONSTITUTION

At the beginning of 1999 the Board comprised of six Directors of whom three were non-executive and three were executive.

On 22 January 1999 the Board of Bridgend announced certain changes from a wide ranging strategic review which would facilitate the Group to redirect the nature and focus of its business and contain costs. On that date the role of Mr N. List, who was then Chairman and Chief Executive, was split with Mr N. List remaining as Chief Executive and Mr C.G. Stainforth was appointed non-executive Chairman. In addition, both Mr J.N. Ferguson and Mr F.C. Flood resigned from the Board on 22 January 1999 in their capacity as non-executive Directors.

Mr N. List subsequently ceased to be a Director of the Company on 19 February 1999 and the Board was later strengthened by the appointment of Mr C.D.O. Jillings as a non-executive Director on 28 July 1999.

DIRECTORS' REPORT

continued

BOARD CONSTITUTION continued

Consequent to the above changes, the Board is now comprised of four Directors the biographies of whom are set out on page 8.

The Contract of Service in respect of Mr C.G. Stainforth is for a rolling period of two years notice on either side and that of Mr C.D.O. Jillings is for a rolling period of one years notice on either side. The executive Directors of the Company are provided with rolling Service Contracts which were previously terminable on giving three years notice on either side; during 1998 the executives agreed to a reduction of the notice period from three to two years without compensation. Although the code recommends a one year notice period, having considered the matter carefully, the Remuneration Committee considers that it is in the best interest of the company not to make any further reduction at the present time. Full details of Directors' remuneration and a statement of the Company's remuneration policy is set out in a Remuneration Report on pages 13 to 15.

BOARD COMMITTEES

The Company has maintained a Remuneration Committee and an Audit Committee for many years, both of which consist of all of the non-executive Directors. Consequent to the Board changes on 22 January 1999, Mr C.G. Stainforth was the sole member of both of these committees until the appointment of Mr C.D.O. Jillings on 28 July 1999. Mr C.D.O. Jillings was then appointed Chairman of both of these committees on 8 August 1999. The Board considers that because of its small size and the manner in which it conducts its business, a nominations committee would not be appropriate. The Board's policy on appointments to it is that every Board member should have the opportunity of individual meetings with prospective candidates following which there should be a unanimous view in favour of the appointment.

COMMUNICATION

The company seeks to develop regular dialogue with individual institutional shareholders and constructive liaison with private shareholders who have the opportunity to attend and put questions at the company's Annual General Meeting.

INTERNAL CONTROL

In accordance with the transitional arrangements which apply in respect of compliance with principle D.2 of the Code on internal control the Board has decided that for 1999 it will continue to report on internal financial control pursuant to the guidance for directors on internal financial control and financial reporting that was issued by the Rutteman Working Group in December 1994.

The Board has studied the recommendations of the Turnbull Committee published on 27 September 1999 for which compliance is required for accounting periods ending on or after 23 December 2000 and is adopting revised processes to allow it to report on internal controls in the 2000 Annual Report.

The Directors acknowledge responsibility for the Group's system of internal financial control and have reviewed its effectiveness. As with any system of internal financial control the systems are designed to provide reasonable but not absolute assurance against material misstatement or loss.

The Board of Directors meets at least monthly and is responsible for Group strategy, approving major capital expenditure and disposals, and approving budgets. Additionally the Board has a formal schedule of matters specifically reserved for its decision and ensures appropriate action is taken to monitor and mitigate risk. An internal control framework has been put in place by the Board of Directors to safeguard the assets of the Group, and ensure that proper accounting records are maintained and that reliable financial information is produced. There is a comprehensive system of budgets against which actual monthly results are reported and monitored both by local subsidiary management and by the Directors of the Company. The Company reports to shareholders on a half yearly basis.

Although there are no dedicated internal auditors, head office staff monitor business performance and carry out reviews of key financial systems and controls throughout the Group.

DIRECTORS' REPORT

continued

FINANCIAL INSTRUMENTS

The Group's financial instruments comprise finance lease and hire purchase commitments, cash, bank overdrafts and short term finance loans, liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions, principally forward foreign currency contracts. The sole purpose of such transactions is to manage the currency risks arising from the Group's operations and its sources of finance. No speculative positions are taken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the beginning of 1999.

Interest rate risk

The Group finances its operations through a mixture of shareholders' funds and bank borrowings. At the year end, no significant external borrowings were at fixed rates.

Liquidity risk

Liquidity is controlled by the careful management of the financial instruments noted above. The Board closely monitors the liquidity of the Group through the review of monthly management accounts and working capital forecasts.

When appropriate the Board has taken action to secure additional funding in order to reduce liquidity risk.

Foreign currency risk

The Group sells almost exclusively to customers in the United Kingdom who are invoiced in Sterling. However, a substantial element of the Group's purchases are secured from Europe, which purchases are invoiced in the currency of the suppliers involved, and from the Far East which purchases are invoiced in US Dollars. The Group's policy is to enter into forward contracts to minimise unforeseen fluctuations in the Sterling value of those transactions.

The Group does not have any overseas trading operations or non Sterling assets and liabilities other than in respect of short term trade finance loans relating to purchases from overseas suppliers as referred to above.

YEAR 2000

The Bridgend Group PLC's management recognised the risks relating to the Year 2000 issue and took action to address the matter within its internal systems as well as with suppliers, customers and other third parties. The Company's operating subsidiaries mainly use Year 2000 compliant computer systems in conjunction with proprietary software for which Year 2000 compatible versions were installed and were fully operational ahead of the 31 December 1999 deadline.

As of the date of this report no problems associated with the Year 2000 have been encountered and Bridgend's management presently believes that any business interruption is unlikely. However, due to the complexity of this problem and possible exposure to systematic failure, internally or externally, there can be no assurance that the Year 2000 problem will not have a material adverse effect on the Company.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

DIRECTORS' REPORT

continued

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year were as follows:

C.G. Stainforth
 M.A. Bretherton
 C.D.O. Jillings (appointed 28 July 1999)
 C.P. Whiley
 N.P. List (ceased 19 February 1999)
 J.N. Ferguson (resigned 22 January 1999)
 F.C. Flood (resigned 22 January 1999)

There have been no changes to the Board composition between 31 December 1999 and the date of this report.

Profile of the Directors

C.G. Stainforth F.C.A.; Non-executive Chairman, aged 46

Christopher Stainforth was appointed Company Chairman in January 1999. He is a Director of Ermgassen & Co. Limited, a specialist mergers and acquisitions business. He became a Member of the Stock Exchange in 1985.

M.A. Bretherton B.A., A.C.A.; Finance Director, aged 44

Mike Bretherton joined the Company in January 1988 and was appointed to the Board in June of that year. He was formerly a Manager in the Corporate Financial Analysis and Planning Department of The Plessey Company PLC, having qualified as a Chartered Accountant with Price Waterhouse, London and held the position of Manager for two years with Price Waterhouse in the Middle East.

C.P. Whiley; Corporate Development Director, aged 39

Clive Whiley was appointed to the Board in May 1997 having previously been engaged as a consultant responsible for the disposal of the Imperial Hotel to Hanover International and the acquisitions of Kingavon and Cosmic. He became a member of the Stock Exchange in 1983 and has extensive corporate development experience across a broad range of manufacturing and distribution businesses in the UK, Europe, USA, Australia and the Peoples Republic of China.

C.D.O. Jillings; Non-executive Director, aged 44

Charles Jillings is a Director of a number of UK quoted and unquoted companies and has substantial public company experience. His services are provided through The Analysis & Research Company Limited which also acts as consultant to Kanawa Limited which is a holder of 37.2 per cent. of the issued Ordinary Shares of the Company. He is also Chairman of the Company's Remuneration and Audit Committees.

Directors interests

The beneficial interests of the Directors in the Ordinary Shares of the Company at 31 December 1999 were as follows:

	1999 Ordinary Shareholdings	1998 Ordinary Shareholdings
C.G. Stainforth	1,668,877	Nil
M.A. Bretherton	888,097	125,000
C.D.O. Jillings*	Nil	Nil
C.P. Whiley	683,776	100,000

* CDO Jillings is a director of The Analysis & Research Company Limited which acts as a consultant to Kanawa Limited. Kanawa's shareholding is shown as 37.2% in the substantial shareholdings disclosure on page 12.

DIRECTORS' REPORT

continued

DIRECTORS AND THEIR INTERESTS continued

Details of the Directors' share options and Deferred Convertible Shares are given in the Remuneration Report on page 15.

There have been no movements in the interests of the Directors in the shares or share options of the Company between 31 December 1999 and the date of this report.

No Director had any interest in contracts, other than contracts of service, with the Group during or at the end of the year.

Directors for re-election

C.D.O. Jillings was appointed a Director of the Company by the Board on 28 July 1999. He retires, together with C.P. Whiley who, in accordance with the Company's Articles of Association, retires by rotation and being eligible they both offer themselves for re-election. Details of their contracts are given below.

The Company has entered into an agreement with The Analysis & Research Company Limited ("ARC"), a company of which C.D.O. Jillings is a director, the principal terms of which are that ARC agrees to provide the services of a non executive Director of Bridgend and Bridgend undertakes to pay ARC an annual fee of £10,000. The agreement is subject to one year's notice by either party and there are no provisions for payments in lieu of notice. The contract of service in respect of C.P. Whiley, which is for an annual fee of £25,000, can be terminated by either party giving the other not less than two years' notice in writing and also provides for the provision of a fully expensed company car. Additionally a consultancy agreement with Y-LEE Limited, a company of which C.P. Whiley is a director, has been entered into by the Company. The principal terms of this contract are that Y-LEE Limited agrees to provide the services of C.P. Whiley to act as Corporate Development Director of Bridgend and Bridgend undertakes to pay Y-LEE Limited an annual fee of £72,800. The contract between the two companies requires notice of two years for termination.

EXECUTIVE SHARE OPTION SCHEME

During the year, options previously granted under the Bridgend Group PLC Executive Share Option Scheme 1985 over 350,000 Ordinary shares of 10p were allowed to lapse, leaving 300,000 options with an option price of 20p each outstanding at the time of the capital reorganisation and placing and open offer of new Ordinary Shares of 1p in August 1999. Following completion of the capital reorganisation and placing and open offer, those options were, conditional on Inland Revenue approval, adjusted in accordance with the provisions of the Share Option Scheme to 600,000 options over Ordinary Shares of 1p at an option price of 10p each. These comprise all the options outstanding at 31 December 1999 as follows:

Ordinary shares	Option price	Exercisable
600,000	10.0p	2000/2007

The above scheme is an Inland Revenue Approved scheme.

Deferred Convertible Shares were previously issued to the executive Directors as part of a non-Inland Revenue approved management incentive scheme. The executive Directors agreed to the cancellation of this scheme and the redemption of those Deferred Convertible Shares in August 1999 ahead of the capital reorganisation and placing and open offer of new shares by the company in that month. As a potential alternative, a new Share Option Scheme 1999 was adopted following shareholder approval at an Extraordinary General Meeting on 28 July 1999. The Scheme is divided into two parts; an approved part, for which Inland Revenue approval is being sought, and a non-approved part. No options have been granted under this new Scheme.

The Board believe that share option schemes are a most valuable means of securing an identity of interest between shareholders and employees.

DIRECTORS' REPORT

continued

SUBSTANTIAL SHAREHOLDINGS

Up to 26 April 2000, the Company has been notified of the following material holdings of shares:

	Number of Ordinary shares	Percentage of Ordinary share capital
Kanawa Limited	52,090,532	37.2%
Marlborough Equity Growth Fund	8,347,500	6.0%

EMPLOYMENT POLICIES

The Group supports employment of disabled people wherever possible through recruitment, by retention of those who become disabled and generally through training, career development and promotion.

The Group is committed to keeping employees as fully-informed as possible with regard to the Group's performance and prospects and seeks their views, wherever possible, on matters which affect them as employees.

DONATIONS

No charitable donations were made in the year (1998: Nil). No political donations were made in the year (1998: Nil).

PAYMENT OF SUPPLIERS


The Company's policy concerning the payment of suppliers is either to agree payment terms in advance with each supplier or to ensure that the supplier is made aware of the Company's standard payment terms, and in either case to pay in accordance with its contractual or other legal obligations. The Company does not follow any code or statement on payment practice.

The number of days purchases represented by the Company's year end trade creditors was 66 days (1998: 73 days).

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

68 Great Eastern Street
London EC2A 3JT
27 April 2000


By order of the Board
F.C. Flood
Secretary

REMUNERATION REPORT

The Directors present their report to the shareholders for the year ended 31 December 1999.

REMUNERATION COMMITTEE

The Committee comprises of the non-executive Directors. Mr C.G. Stainforth was Chairman and the only member of the Committee for the period 19 February 1999 until the appointment of Mr C.D.O. Jillings as a non-executive Director on 28 July 1999. Mr C.D.O. Jillings was appointed Chairman of the Remuneration Committee on 8 August 1999. The Committee is responsible for determining, on behalf of the Board, the remuneration and other terms of employment of the executive Directors. The overall policy of the Committee is to provide pay and benefits packages to Directors to attract, retain and motivate individuals of the quality required by the Group.

SALARIES

The salaries paid to executive Directors are determined by the Committee at the beginning of each year and when an individual changes position or responsibility. In reviewing and setting executive Directors' salaries the Committee considers individual performance, responsibility and market conditions. Particular attention is paid to salary levels in companies of a comparable size and performance.

The fees paid to non-executive Directors are determined by the Board based upon their time commitment and experience.

BONUS PAYMENTS

There is currently no formal performance related bonus scheme and no bonus was paid to Directors during the year.

PENSION CONTRIBUTIONS

The Company makes defined contributions into the pension schemes of certain executive Directors. The rates of these contributions are determined by the Committee when reviewing salaries and currently amount to 15% of the individual executive Director's basic salary.

SERVICE CONTRACTS

Executive Directors of the Company are provided with rolling service contracts which were previously terminable on giving three years' notice on either side but during 1998 the executive Directors agreed to a reduction of the notice period from three to two years without compensation. Although the Code recommends a one year notice period, having considered the matter carefully, the Remuneration Committee considers that it is in the best interests of the Company not to make any further reduction at the present time.

The Company's non-executive Chairman, Mr C.G. Stainforth, has been appointed for a rolling period of two years notice on either side and Mr C.D.O. Jillings has been appointed for a rolling period of one years notice on either side.

SHARE OPTIONS

The Committee grants share options at its own discretion, subject to Inland Revenue limits and the rules of the Bridgend Group PLC Executive Share Option Schemes and are phased over time. Subject to Scheme rules, options are exercisable not later than ten years and not earlier than three years from the date of grant.

REMUNERATION REPORT

continued

DEFERRED CONVERTIBLE SHARES

Deferred Convertible shares were previously issued to the executive Directors as part of a management incentive scheme. The executive Directors agreed to the redemption of those Deferred Convertible shares in August 1999 ahead of the capital reorganisation and placing and open offer of new shares by the Company in that month. Consideration will be given to providing the executive Directors with a replacement management incentive scheme.

OTHER BENEFITS

Other benefits principally relate to the use of company cars and private medical and life insurance.

DIRECTORS' REMUNERATION

The remuneration of the individual Directors was:

	Salary and fees £'000	Loss of office Compensation £'000	Benefits excluding Pension £'000	1999 Total £'000	1998 Total £'000	1999 Pension Contribution £'000	1998 Pension Contribution £'000
G.G. Stainforth	30.0	—	—	30.0	9.6	—	—
M.A. Bretherton	90.0	—	8.5	98.5	98.0	13.5	13.5
C.D.O. Jillings (appointed 28 July 1999)	4.2	—	—	4.2	—	—	—
C.P. Whiley	97.8	—	—	97.8	97.8	—	—
N.P. List (ceased 19 February 1999)	18.2	200.0	2.9	221.1	147.2	12.7	25.0
J.N. Ferguson (resigned 22 January 1999)	0.9	18.5	—	19.4	15.0	—	—
F.C. Flood (resigned 22 January 1999)	0.9	21.3	—	22.2	15.0	—	—
	<u>242.0</u>	<u>239.8</u>	<u>11.4</u>	<u>493.2</u>	<u>382.6</u>	<u>26.2</u>	<u>38.5</u>

Total compensation for directors loss of office costs in 1999 inclusive of national insurance contributions amounted to £260,000.

The Company has entered into a consultancy agreement with Denfurlong (Consultants) Limited, a company of which C.G. Stainforth is a director, the principal terms of which are that Denfurlong (Consultants) Limited agrees to provide the services of C.G. Stainforth to act as a Director of Bridgend Group PLC and Bridgend Group PLC undertakes to pay Denfurlong (Consultants) Limited an annual fee. The agreement is for a rolling period of two years notice on either side at an annual fee of £30,000.

The contracts of service in respect of M.A. Bretherton and C.P. Whiley can be terminated by either the Director or the Company giving to the other not less than two years notice in writing. The contract of service in respect of M.A. Bretherton is for an annual fee of £90,000 and in respect of C.P. Whiley is for an annual fee of £25,000. Additionally a consultancy agreement with Y-LEE Limited, a company of which C.P. Whiley is a director, has been entered into by the Company, the principal terms of which are that Y-LEE Limited agrees to provide the services of C.P. Whiley to act as Corporate Development Director of Bridgend Group Plc and Bridgend Group Plc undertakes to pay Y-LEE Limited an annual fee of £72,800. The contract between the two companies calls for a notice of two years of termination.

REMUNERATION REPORT

continued

DIRECTORS' REMUNERATION continued

The Company has entered into an agreement with The Analysis & Research Company Limited ("ARC"), a company of which C.D.O. Jillings is a director, the principal terms of which are that ARC agrees to provide the services of a non-executive Director of Bridgend and Bridgend undertakes to pay ARC an annual fee of £10,000. This agreement is subject to one year's notice by either party and there are no provisions for payments in lieu of notice.

The contract of service in respect of N.P. List was terminable by either the Director of the Company giving to the other not less than two years notice in writing. N.P. List ceased to be a Director of the Company on 19 February 1999 and is receiving compensation for loss of office of £200,000 payable at a monthly rate of £10,416 until October 2000.

The contracts of service in respect of F.C. Flood and J.N. Ferguson were for a fixed period of two years from 13 June 1998 at an annual fee of £15,000. They both resigned as Directors of the Company on 22 January 1999. F.C. Flood is receiving compensation for loss of office of £21,250 payable at a quarterly rate of £3,750 until June 2000. J.N. Ferguson has been paid a settlement of £18,500 as compensation for loss of office.

C.D.O. Jillings was appointed a Director of the Company by the Board on 28 July 1999. He retires, together with C.P. Whiley who in accordance with the Company's Articles of Association retires by rotation, and being eligible they both offer themselves for re-election. Details of their contracts are given above.

DIRECTORS' DEFERRED CONVERTIBLE SHARES AND SHARE OPTIONS

The interests of the Directors in the Deferred Convertible shares and options on Ordinary shares of the Company were:

	Deferred Convertible Share Holdings 31 December 1999	Deferred Convertible Share Holdings 31 December 1998	Ordinary Share Options 31 December 1999	Ordinary Share Options 31 December 1998
M.A. Bretherton	—	500,000	300,000	150,000
C.P. Whiley	—	500,000	300,000	150,000

Details of the Directors' Ordinary share options are as follows:

	Number of Ordinary Share Options 31 December 1999	Option Price	Date From Which Exercisable	Expiry Date
M.A. Bretherton	300,000	10p	27/05/00	27/05/07
C.P. Whiley	300,000	10p	27/05/00	27/05/07

Mr M.A. Bretherton and Mr C.P. Whiley both held options at an option price of 20p each over 150,000 Ordinary Shares of 10p at the time of the capital reorganisation and placing and open offer of new Ordinary Shares of 1p each in August 1999. Following completion of the capital reorganisation and placing and open offer, those options were, conditional on Inland Revenue approval, adjusted in accordance with the provisions of the Share Option Scheme to give Mr M.A. Bretherton and Mr C.P. Whiley both 300,000 options over Ordinary Shares of 1p at an option price of 10p each.

The market price of the Ordinary shares at 31 December 1999 was 4.5p and the range during the year was 2p to 5p (the range during the period prior to August 1999 is as adjusted for the capital reorganisation and placing and open offer of additional shares in that month).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by UK Company Law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the financial year and of the profit or loss for the financial year.

In preparing the accounts, the Directors are required to select appropriate accounting policies and apply them consistently, to make reasonable and prudent judgements and estimates, and to state that all applicable accounting standards have been followed, save as disclosed and explained in the accounts. The Directors are also required to prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

AUDITORS' REPORT TO THE MEMBERS OF BRIDGEND GROUP PLC

We have audited the financial statements on pages 18 to 37.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report. As described on page 16, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Director's Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on pages 7 and 8 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion of the effectiveness of the Company's corporate governance procedures or its internal controls.

We read the other information included in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with the 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London



27 April 2000

BRIDGEND GROUP

PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December

Notes	1999		1998	
	£'000	£'000	£'000	£'000
2	Turnover			
	Continuing operations	17,594		20,918
	Discontinued operations	679		2,029
		<u>18,273</u>		<u>22,947</u>
3	Cost of Sales	(12,820)		(15,426)
	Gross Profit	5,453		7,521
7	Compensation for Directors' loss of office	(260)		
	Costs of business restructure and redundancy	(139)		(136)
	Write-down of hotel property	-		(3,540)
	Costs of aborted disposals/acquisitions	-		(102)
3	Other operating expenses	(6,038)		(7,971)
	Net operating expenses		(6,437)	(11,749)
	Operating loss			
	Continuing operations	(964)		(747)
	Discontinued operations	(20)		(3,481)
			(984)	(4,228)
25	Gain on sale of discontinued operations before goodwill	71		
18	Negative goodwill written-off on discontinued operations	315		
	Gain on sale of discontinued operations		386	-
	Profit on disposal of investments		-	144
	Loss before interest		(598)	(4,084)
4	Net interest payable and similar charges		(298)	(457)
	Loss on ordinary activities before taxation		(896)	(4,541)
8	Taxation on ordinary activities		-	-
5, 18	Retained loss for the financial year transferred to reserves		(896)	(4,541)
9	Loss per Ordinary share		(0.8p)	(5.5p)
	Adjustments			
	Profit on sale of discontinued operations		(0.4p)	-
	Compensation for Directors' loss of office		0.3p	-
	Write-down of hotel property		-	4.3p
	Costs of business restructure and redundancy		0.1p	0.2p
	Costs of aborted disposals/acquisitions		-	0.1p
	Profit on disposal of investments		-	(0.2p)
	Adjusted loss per Ordinary share		(0.8p)	(1.1p)
9	Diluted loss per Ordinary share		(0.8p)	(5.5p)

A statement of movements on reserves is given in note 18. In addition, there is no material difference between the results presented above and the results on an unmodified historical cost basis, and therefore a note of historical cost profit/(loss) is not required.

The adjusted loss per Ordinary share figures show the year on year comparison adjusted to exclude profits on sale of discontinued operations inclusive of goodwill, compensation for Directors' loss of office, business restructure and redundancy costs, costs relating to aborted corporate transactions, the write-down of a hotel property and profits on disposal of investments.

PLC

At 31 December

The Group's and the Company's shareholders funds above at 31 December 1999 are fully attributable to equity interests (1998: £18,000 relates to non-equity interests).

M.A. Bretherton
Director

19

BRIDGEND GROUP

PLC

GROUP CASH FLOW STATEMENT

Year ended 31 December

	1999		1998	
	£'000	£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities (Note 19)		(968)		1,193
Returns on investments and servicing of finance				
Interest received	18		31	
Interest paid	(291)		(467)	
Interest on finance leases and hire purchase payments	(25)		(21)	
		(298)		(457)
Taxation				
UK Corporation tax paid		(8)		(138)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(250)		(367)	
Sale of tangible fixed assets	61		41	
Sale of investments	—		674	
		(189)		348
Acquisitions and disposals				
Sale of discontinued operations (Note 25)		2,412		—
Equity dividends paid		—		(80)
Cash inflow before use of liquid resources and financing		949		866
Financing				
Issue of new Ordinary share capital	2,003		—	
Share issue expenses	(254)		—	
Redemption of Deferred convertible share capital	(18)		—	
New secured bank loan	—		2,000	
Repayment of bank loans	(1,968)		(2,209)	
Increase in short term finance bank loans	607		19	
Capital element of finance lease and hire purchase payments	(66)		9	
		304		(181)
Increase in cash in year		1,253		685

During the year the Group had no major non-cash transactions. An analysis of movements in net borrowings is shown in Note 20 and a reconciliation of net cash flow to the movement in net borrowings is shown in Note 21.

BRIDGEND GROUP

PLC

**RECONCILIATION OF MOVEMENTS
IN SHAREHOLDERS' FUNDS**

Year ended 31 December

	1999 £'000	1998 £'000
Loss for the financial year	(896)	(4,541)
Negative goodwill reinstated on sale of discontinued operation	(315)	—
	(1,211)	(4,541)
New Ordinary share capital subscribed	2,003	—
Share issue expenses	(254)	—
Deferred Convertible share capital redeemed	(18)	—
	520	(4,541)
Net increase/(reduction) in shareholders' funds	3,470	8,011
Opening shareholders' funds		
Closing shareholders' funds	3,990	3,470

The Company has no recognised gains or losses other than the loss for the financial year as set out above.

NOTES TO THE ACCOUNTS

1

ACCOUNTING POLICIES

Basis of accounting: The accounts are prepared under the historical cost convention as modified by the revaluation of certain land and buildings and comply with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of consolidation: The Group accounts include the accounts of Bridgend Group PLC and all its subsidiaries prepared to 31 December 1999. The results of any subsidiaries acquired or disposed of in the year are included in the consolidated profit and loss account for the periods of Group ownership.

Purchased goodwill, both positive and negative, arising on consolidation in respect of acquisitions prior to 1 January 1998 has been written off directly to reserves and no adjustment was made on adoption of FRS10 Goodwill and Intangible Assets. On disposal, goodwill previously charged directly to reserves is included in determining the profit or loss on disposal. There have been no acquisitions subsequent to 1 January 1998.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the Parent Company is not presented. The Company's result for the year is shown in Note 5.

Tangible fixed assets: Tangible assets are stated at cost or valuation less, if appropriate, accumulated depreciation. No depreciation was provided in respect of freehold hotel and leisure properties. It is the Group's practice to maintain these assets to a standard such that the Directors consider that the lives of these assets are sufficiently long and residual values based on prices prevailing at the time of acquisition or subsequent valuation are sufficiently high that their depreciation is insignificant. Any impairment in the value of such properties to below cost was charged to the profit and loss account as an operating item impairment.

Short leasehold land and buildings are depreciated on a straight line basis over the life of the lease.

Plant, equipment and motor vehicles are depreciated at rates of between 10% and 33% calculated to write off their cost less estimated residual value over their estimated useful economic lives.

Leases: Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Investments: Shares in and loans to subsidiaries are stated in the parent company's balance sheet at cost less provision for any impairment.

Stocks: Stocks comprise raw materials and goods for resale and have been valued at the lower of cost and net realisable value. In determining cost, the first-in, first-out method is used.

Deferred taxation: Deferred taxation represents corporation tax, calculated on the liability basis, deferred by capital allowances and other timing differences to the extent that the Directors expect assets or liabilities to arise in the foreseeable future.

Pension costs: The cost of providing pensions to employees is charged to the profit and loss account over the period benefiting from the employees' services. The difference between the charge to the profit and loss account and contributions paid is included as an asset or liability in the balance sheet.

Foreign currency: Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheets. Differences arising on the restatement of net investments in foreign subsidiaries are dealt with as adjustments to reserves. All other differences are taken to the profit and loss account.

BRIDGEND GROUP

PLC

NOTES TO THE ACCOUNTS

continued

2

SEGMENTAL INFORMATION

Business Analysis

	Turnover		Operating Loss		Net Assets	
	1999	1998	1999	1998	1999	1998
	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations						
Wholesale distribution	17,594	20,918	(273)	(37)	5,948	5,668
Corporate and unallocated	—	—	(691)	(710)	(146)	(61)
	17,594	20,918	(964)	(747)	5,802	5,607
Discontinued operations						
Leisure	679	2,029	(20)	(3,481)	(24)	2,344
	18,273	22,947	(984)	(4,228)	5,778	7,951
Net borrowings					(1,788)	(4,481)
					3,990	3,470

The above wholesale distribution results for 1999 include turnover of £7,111,000 and operating profit of £40,000 in respect of John Sydney Limited, the business and certain assets of which were subsequently sold on 15 March 2000. A proforma statement of net assets after taking into account the John Sydney disposal as if the disposal had taken place at 31 December 1999 is given in note 26.

Geographical Analysis

All net assets are owned by, and the turnover and operating profits are made by, companies located in the United Kingdom. No significant export sales are made.

3

COST OF SALES AND OTHER OPERATING EXPENSES

	1999	1998
	£'000	£'000
Cost of sales	12,820	15,426
Other operating expenses		
Distribution and selling costs	2,210	2,453
Administrative expenses	3,828	5,518
	6,038	7,971

The above figures for 1999 include cost of sales of £96,000 (1998: £174,000) and administrative expenses of £597,000 (1998: £1,096,000) in respect of the discontinued Leisure Division.

BRIDGEND GROUP

PLC

NOTES TO THE ACCOUNTS

continued

4 NET INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £'000	1998 £'000
Interest payable on bank loans and overdrafts	(291)	(467)
Finance lease and hire purchase interest charges	(25)	(21)
	(316)	(488)
Interest receivable	18	31
	(298)	(457)

5 LOSS FOR THE FINANCIAL YEAR

	1999 £'000	1998 £'000
The loss for the financial year is stated after charging:		
Depreciation	394	377
Audit fees	67	68
Non-audit fees payable to KPMG Audit Plc and their associates	80	74
Operating lease rentals for plant and machinery	160	194
Other operating lease rentals	257	327
The consolidated loss for the financial year is dealt with as follows:		
Company	(937)	(4,513)
Subsidiaries	(274)	(28)
Negative goodwill written-off on discontinued operations	315	—
	(896)	(4,541)

Fees paid to the auditors in relation to the Company audit were £25,000 (1998: £21,000).

6 EMPLOYEE COSTS

	1999 £'000	1998 £'000
Wages and salaries	3,112	3,475
Social security	274	311
Other pension costs	123	177
	3,509	3,963

The average weekly number of persons employed by the Group during the year was as follows:

	1999 Number	1998 Number
Operations	147	193
Administration	39	45
	186	238

NOTES TO THE ACCOUNTS

continued

7

DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Directors' emoluments, included in employee costs above, were as follows:		
Non-executives' fees	36	40
Remuneration as executives, excluding pension contributions	219	342
Executives' pension contributions	26	39
Compensation for Director's loss of office	240	—
	<u>521</u>	<u>421</u>

Total compensation for directors loss of office costs in 1999 inclusive of national insurance contributions amounted to £260,000.

Details of Directors' remuneration and share options, including disclosure of compensation for directors loss of office costs, highest paid Director and Chairman's remuneration are included in the Remuneration Report on pages 13 to 15.

8

TAXATION

	1999 £'000	1998 £'000
UK corporation tax at 20% (1998: 20%)	—	—
Advance corporation tax written off	—	26
Adjustment relating to prior years	—	(26)
Taxation on ordinary activities	<u>—</u>	<u>—</u>

The aggregate Group taxation losses carried forward at 31 December 1999 were approximately £1,400,000 (1998: £700,000 relating to Stocks Hotel and Country Club Limited, the business and assets of which were sold in August 1999). Additionally both the Company and the Group had an unrecognised deferred tax asset relating to written off advance corporation tax of £286,000 (1998: £286,000).

9

LOSS PER SHARE

Loss per share is based on the loss on ordinary activities after taxation of £896,000 (1998: £4,541,000) related to the weighted average number of shares in issue during the year, as adjusted for the bonus element of the additional placing and open offer shares issued in August 1999, of 106,984,466 (1998: 83,291,711 as adjusted). Fully diluted loss per share is the same as basic loss per share.

NOTES TO THE ACCOUNTS

continued

10

TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
Cost or valuation				
At 1 January 1999	6,034	152	2,422	8,608
Additions	4	1	245	250
Disposals	(5,924)	—	(1,542)	(7,466)
At 31 December 1999	114	153	1,125	1,392
Depreciation				
At 1 January 1999	3,586	61	1,711	5,358
Provision in year	5	29	360	394
Disposals	(3,540)	—	(1,351)	(4,891)
At 31 December 1999	51	90	720	861
Net book amount				
At 31 December 1999	63	63	405	531
At 31 December 1998	2,448	91	711	3,250

All of the above fixed assets at 31 December 1999 are included at cost less depreciation (1998: included freehold land and buildings at an adjusted valuation of £2,331,000).

The disposals in 1999 include the sale of discontinued operation fixed assets with a net book value of £2,527,000 comprising disposals at a cost or valuation of £7,072,000 less related depreciation of £4,545,000 as disclosed in Note 25.

NOTES TO THE ACCOUNTS

continued

10

TANGIBLE FIXED ASSETS continued

The Company

Plant,
equipment
and motor
vehicles
£'000

Cost	
At 1 January 1999	242
Additions	(49)
At 31 December 1999	193
Depreciation	
At 1 January 1999	151
Provision in year	35
Disposals	(17)
At 31 December 1999	169
Net book amount	
At 31 December 1999	24
At 31 December 1998	91

Tangible fixed assets acquired under finance leases and hire purchase agreements as follows:

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Net book amount	150	247	—	82
Depreciation charge for year	63	96	—	36

11

FIXED ASSETS – INVESTMENTS

The principal trading subsidiaries are set out in Note 27.

Details of investments in subsidiaries are as follows:

	Shares	Company	
	£'000	Loans	Total
	£'000	£'000	£'000
Cost			
At 1 January 1999	16,047	10,819	26,866
Additions	100	1,159	1,259
Repayments	—	(2,454)	(2,454)
At 31 December 1999	16,147	9,524	25,671
Provisions			
At 1 January 1999	(6,087)	(8,322)	(14,409)
Movements in year	(384)	236	(148)
At 31 December 1999	(6,471)	(8,086)	(14,557)
Net book amount			
At 31 December 1999	9,676	1,438	11,114
At 31 December 1998	9,960	2,497	12,457

BRIDGEND GROUP

PLC

NOTES TO THE ACCOUNTS

continued

12

STOCKS

	Group	
	1999 £'000	1998 £'000
Raw materials	196	200
Finished goods and goods for resale	4,303	5,245
	<u>4,499</u>	<u>5,445</u>

13

DEBTORS

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Trade debtors	4,429	3,764	—	—
Amounts owed by subsidiaries	—	—	502	535
Taxation recoverable	—	20	—	—
Other debtors	236	146	—	—
Prepayments and accrued income	249	206	28	16
	<u>4,914</u>	<u>4,136</u>	<u>530</u>	<u>551</u>

14

CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts	1,866	2,524	—	714
Finance leases and hire purchase	75	109	—	34
Trade creditors	2,571	2,905	—	5
Corporation tax	37	65	—	—
Other taxes and social security	496	638	36	20
Other creditors	26	85	—	26
Accruals and deferred income	891	1,074	228	170
	<u>5,962</u>	<u>7,400</u>	<u>264</u>	<u>969</u>

Bank overdrafts are repayable on demand. Bridgend Group PLC has given its bankers the authority to combine or offset its own and certain of its subsidiaries' bank accounts. Details in respect of the bank loans are given in Note 15.

Trade creditors of £1,032,000 (1998: £910,000) are covered by letters of credit which are secured by way of a debenture over certain assets of the Group.

NOTES TO THE ACCOUNTS

continued

15 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans	–	1,828	–	1,828
Finance leases and hire purchase	60	105	–	18
Amounts owed to subsidiaries	–	–	7,640	7,644
	<u>60</u>	<u>1,933</u>	<u>7,640</u>	<u>9,490</u>

The total amount of bank loans and overdrafts was as follows:

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Falling due within one year:				
Bank overdrafts	359	1,484	–	574
Bank loans	<u>1,507</u>	<u>1,040</u>	<u>–</u>	<u>140</u>
	<u>1,866</u>	<u>2,524</u>	<u>–</u>	<u>714</u>
Falling due after more than one year:				
Bank loans – repayable between one and two years	–	215	–	215
– repayable between two and five years	–	645	–	645
– repayable after five years	<u>–</u>	<u>968</u>	<u>–</u>	<u>968</u>
	<u>–</u>	<u>1,828</u>	<u>–</u>	<u>1,828</u>
Total bank borrowings	<u>1,866</u>	<u>4,352</u>	<u>–</u>	<u>2,542</u>

The outstanding bank loans comprise short term trade finance loans which are secured on specific fixed and current assets and carry interest at 2% above LIBOR. Bank overdrafts are secured by fixed and floating charges over certain assets.

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous leases £'000	Pension deficit £'000	Total £'000
At 1 January	40	73	113
Provision made in year	28	42	70
Utilised in year	<u>(28)</u>	<u>(10)</u>	<u>(38)</u>
At 31 December	<u>40</u>	<u>105</u>	<u>145</u>

The onerous leases provision will be utilised over the next ten years.

Further details relating to the pension deficit provision, which will be utilised over the next twelve years, are given in Note 24 to the accounts.

NOTES TO THE ACCOUNTS

continued

17

SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
152,000,000 Ordinary shares of 1p each (1998: 43,050,000 of 10p each)	1,520	4,305
45,016,667 Deferred shares of 9p each (1998: 19,500,000 of 1p each)	4,052	195
	<u>5,572</u>	<u>4,500</u>
Allotted, called up and fully paid:		
140,154,322 Ordinary shares of 1p each (1998: 40,044,092 of 10p each)	1,402	4,004
40,044,092 Deferred shares of 9p each (1998: 1,800,000 of 1p each)	3,604	18
	<u>5,006</u>	<u>4,022</u>

Movements in share capital

1,800,000 Deferred Convertible Shares of 1p each were redeemed at par in August 1999 and, subsequent to a Special Resolution passed on 28th July 1999, each existing issued and unissued Ordinary Share of 10p in the capital of the Company was sub-divided into one Ordinary Share of 1p and one new Deferred Share of 9p and every nine existing authorised but unissued Deferred Convertible Share of 1p was converted and consolidated into one new Deferred Share of 9p and the capital of the Company was further increased from £4,500,000 to £5,571,500 by the creation of 108,950,000 new Ordinary Shares of 1p each in the Company.

100,110,230 new Ordinary Shares of 1p were issued in August 1999 by way of a placing and open offer at 2p per share to shareholders on the basis of 5 new Ordinary Shares for every 2 Ordinary Shares held.

A summary analysis of the above movements in the share capital of the Company is given below:

	Ordinary shares		Deferred shares	
	Number	£'000	Number	£'000
Authorised:				
At 1 January 1999	43,050,000	4,305	19,500,000	195
Deferred shares redeemed	—	—	(1,800,000)	(18)
Deferred shares consolidated	—	—	(15,733,333)	—
Subdivision of Ordinary shares	—	(3,875)	43,050,000	3,875
Increase in Ordinary shares	108,950,000	1,090	—	—
At 31 December 1999	<u>152,000,000</u>	<u>1,520</u>	<u>45,016,667</u>	<u>4,052</u>
Allotted, called up and fully paid:				
At 1 January 1999	40,044,092	4,004	1,800,000	18
Deferred shares redeemed	—	—	(1,800,000)	(18)
Subdivision of Ordinary shares	—	(3,604)	40,044,092	3,604
Ordinary shares issued	100,110,230	1,002	—	—
At 31 December 1999	<u>140,154,322</u>	<u>1,402</u>	<u>40,044,092</u>	<u>3,604</u>

The new Deferred Shares have no value and very limited rights and it is the Directors' intention to carry out a reduction of capital in due course to include, inter alia, the cancellation of these shares.

At 31 December 1999 there were 600,000 options outstanding on Ordinary Shares granted under the Bridgend Group PLC Executive Share Option Scheme 1985 as detailed in the Directors' Report on page 11.

NOTES TO THE ACCOUNTS

continued

18

RESERVES

The Group	Share Premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 1999	69	186	(807)
Retained loss	—	—	(896)
Share premium on issue of Ordinary shares	1,001	—	—
Share issue expenses	(254)	—	—
Negative goodwill reinstated on sale of discontinued operation	—	—	(315)
At 31 December 1999	<u>816</u>	<u>186</u>	<u>(2,018)</u>

The net cumulative goodwill arising on consolidation which has been taken directly to reserves amounts to £2,688,000 at 31 December 1999 of which £2,716,000 represents positive goodwill and £28,000 negative goodwill.

The Company	Share Premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 1999	69	186	(1,636)
Retained loss	—	—	(374)
Share premium arising on issue of Ordinary shares	1,001	—	—
Share issue expenses	(254)	—	—
At 31 December 1999	<u>816</u>	<u>186</u>	<u>(2,010)</u>

19

NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999 £'000	1998 £'000
Operating loss	(984)	(4,228)
Add back write down of hotel property	—	3,540
	<u>(984)</u>	<u>(688)</u>
Depreciation	394	377
Net profit on sale of tangible fixed assets	(13)	(26)
Decrease in stock	936	1,165
(Increase)/decrease in debtors	(925)	920
Decrease in creditors	(376)	(555)
Net cash (outflow)/inflow from operating activities	<u>(968)</u>	<u>1,193</u>

Details of the 1999 operating cash outflows included above in respect of discontinued operations are given in Note 25.

NOTES TO THE ACCOUNTS

continued

20

MOVEMENT IN NET BORROWINGS

	At 1 January 1999 £'000	Cash Flow £'000	Non-cash Items £'000	At 31 December 1999 £'000
Cash:				
Cash at bank and in hand	85	128	—	213
Overdrafts	(1,484)	1,125	—	(359)
	<u>(1,399)</u>	<u>1,253</u>	<u>—</u>	<u>(146)</u>
Borrowings excluding overdrafts:				
Debt due within one year	(1,040)	(607)	140	(1,507)
Debt due after more than one year	(1,828)	1,968	(140)	—
Finance leases and hire purchase	(214)	66	13	(135)
	<u>(3,082)</u>	<u>1,427</u>	<u>13</u>	<u>(1,642)</u>
	<u>(4,481)</u>	<u>2,680</u>	<u>13</u>	<u>(1,788)</u>

21

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET BORROWINGS

	1998 £'000	1998 £'000
Increase in cash in year	1,253	685
Cash outflow from decrease in borrowings excluding overdrafts	1,427	181
Net change in borrowings from cash flows	2,680	866
Non-cash items	13	—
Movement in net borrowings	2,693	866
Net borrowings at beginning of year	(4,481)	(5,347)
Net borrowings at end of year	<u>(1,788)</u>	<u>(4,481)</u>

NOTES TO THE ACCOUNTS

continued

22

FINANCIAL INSTRUMENTS

An explanation of the Group's objectives, policies and strategies in respect of financial instruments can be found in the Directors Report on page 9.

The Group has taken advantage of the exemption available in Financial Reporting Standard 13 "Derivatives and Other Financial Instruments" to exclude short term debtors and creditors from the disclosures of financial assets and liabilities.

Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities as at 31 December 1999 was:

	Floating rate £'000	Fixed rate £'000	Total £'000
Loans and overdrafts:			
Sterling	195	—	195
US Dollar	1,671	—	1,671
Finance leases and hire purchase	—	135	135
	<u>1,866</u>	<u>135</u>	<u>2,001</u>

The above book values represent the fair values of the respective financial liabilities. The floating rate borrowings bear interest at 2% above LIBOR.

Maturity of financial liabilities

The maturity profile for the above loans and overdrafts is set out in Note 15 to the accounts and for the above finance lease and hire purchase liabilities is set out in Note 23 to the accounts.

Borrowing facilities

The Group had £804,000 of undrawn floating rate borrowing facilities available at 31 December 1999 in respect of which all conditions precedent had been met at that date. Of these undrawn facilities, £404,000 relates to a repayment on demand borrowing facility which was renewed on 28 February 2000 and which will be subject to review by the bank by no later than 28 February 2001. The remaining £400,000 of undrawn facilities relate to a three month notice facility provided to John Sydney Limited which was subsequently terminated on the disposal of John Sydney on 15 March 2000.

Forward currency contract exposures

As explained in the Directors Report on page 9, the Group's policy is to hedge foreign currency risk using forward currency contracts for foreign currency purchases.

The table below shows the Sterling equivalent of forward currency commitments at 31 December 1999 entered into by the Group to hedge foreign currency purchases and related liabilities:

	1999 £'000	1998 £'000
US Dollars	4,823	2,978
European Currencies	<u>1,110</u>	<u>1,530</u>
Total forward currency commitments	<u>5,933</u>	<u>4,508</u>

The Sterling fair value of the above forward currency commitments valued on the basis of 31 December 1999 exchange spot rates was £5,865,000 (1998: £4,545,000).

NOTES TO THE ACCOUNTS

continued

22

FINANCIAL INSTRUMENTS continued

Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses along with deferred recognised gains and losses on hedging instruments and associated assets and liabilities at 31 December 1999 were as follows:

	Deferred			Unrecognised		
	Gains £'000	Losses £'000	Net £'000	Gains £'000	Losses £'000	Net £'000
Gains at 1 January 1999	22	—	22	15	—	15
Arising in previous years that were recognised in the year	(22)	—	(22)	(15)	—	(15)
Arising in 1999 that were not recognised in the year	—	(31)	(31)	—	(37)	(37)
Losses at 31 December 1999	—	(31)	(31)	—	(37)	(37)

Gains and losses arising in 1999 that were not recognised in the year are all expected to be recognised in 2000.

23

FINANCIAL COMMITMENTS

Finance leases and hire purchase

Net obligations under finance leases and hire purchase at 31 December were payable as follows:

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Finance lease and hire purchase obligations falling due:				
Within one year	75	109	—	34
In the second to fifth years inclusive	60	105	—	18
	<u>135</u>	<u>214</u>	<u>—</u>	<u>52</u>

Operating leases

At 31 December the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Operating leases which expire:				
Within one year	12	9	23	43
In the second to fifth years inclusive	—	—	113	97
Over five years	255	252	19	—
	<u>267</u>	<u>261</u>	<u>155</u>	<u>140</u>

NOTES TO THE ACCOUNTS

continued

23 FINANCIAL COMMITMENTS continued

Forward currency

At 31 December 1999 the sterling equivalent of forward foreign exchange commitments entered into by Group subsidiaries in the normal course of business amounted to £5,933,000 (1998: £4,508,000).

Contingent liability

At 31 December 1999 the Group's subsidiaries had placed committed orders with suppliers to the value of £259,000 (1998: £441,000). These orders were shipped after the year end.

The Company has guaranteed overdrafts of its subsidiaries totalling £562,000 (1998: £226,000).

24 PENSION SCHEMES

The Company and a number of its trading subsidiaries operate various defined contribution pension schemes for employees under which the relevant company pension commitments are limited to making pension contributions at fixed rates in accordance with the benefit terms of the pension schemes.

Brimley & Co. Limited currently also operates a defined contribution pension scheme for employees. It had previously operated a defined benefits pension scheme up until 30 April 1992 and a number of its present and former employees remain entitled to a preserved pension under this defined benefits scheme. The assets of this defined benefits scheme are held in a separate fund administered by an insurance company and a full actuarial valuation of the fund was undertaken in 1997. The valuation indicated that the past service liabilities of the scheme were approximately £105,000 in excess of the value of the assets and in view of the age profile of the scheme it was recommended that this deficit be funded over a 10 year term by way of equal annual contributions of £16,000 which annual contributions are included in the pension charges disclosed in Note 6. In addition a charge of £73,000 was made in the 1998 accounts and a further charge of £42,000 has been made in the 1999 accounts in respect of the estimated outstanding additional net deficit to the scheme. These additional charges have been included in the provisions disclosed in Note 16 to the accounts.

25 SALE OF DISCONTINUED OPERATIONS

The sale of the business and certain assets of Stocks Hotel and Country Club was completed in August 1999 and the fixed assets of the Cloisters Wood Sports and Leisure Club licensing operation were sold in January 1999 following expiry of the club's property lease.

Net cash proceeds received in respect of these disposals amounted to £2,412,000 and generated a profit on disposal of £71,000 as highlighted below:

	£'000
Net assets disposed of:	
Fixed assets	2,527
Stock	10
Debtors	127
Creditors	(310)
Finance leases	(13)
	<hr/>
	2,341
Profit on disposal before goodwill	71
	<hr/>
Satisfied by net cash proceeds less costs	2,412
	<hr/>

In 1999, the above discontinued operations contributed an inflow of £7,000 to the Group's net cash outflow from operation activities, paid £12,000 in respect of returns on investment and servicing of finance, paid £2,000 in respect of capital expenditure and financial investment and utilised £3,000 for financing activities.

NOTES TO THE ACCOUNTS

continued

26

POST BALANCE SHEET EVENT

The company announced on 17 February 2000 that it had conditionally agreed to dispose of the business and certain assets and liabilities of John Sydney Limited to Bristan Limited for a cash consideration equal to the value, as at completion, of the net assets being sold plus a premium of £291,000. The assets and liabilities disposed of exclude any inter-company balances and bank loans and overdrafts.

Completion of the disposal subsequently took place on 15 March 2000 with the receipt of an initial cash amount of £2,290,000 of which £300,000 was paid into an escrow account pending final agreement of the consideration and completion accounts. The balance of the consideration, if any, or any refund due will be paid when such agreement has been reached.

Further details of the disposal are set out in the circular sent to shareholders on 23 February 2000.

The following pro forma statement of net assets of the Group is after taking into account the disposal of John Sydney. The pro forma statement is provided for illustrative purposes only and because of its nature may not give a true picture of the financial position of Bridgend. It is based on the audited consolidated balance sheet of the Group as at 31 December 1999 and adjusted in accordance with the notes set out on page 37 to give effect to the disposal of John Sydney as if the transaction had been undertaken at the date of the audited consolidated balance sheet:

Pro forma statement of net assets

	The Group as at 31 December 1999 £'000	John Sydney disposal adjustment (Note 1a) £'000	Net proceeds of John Sydney disposal adjustments (Notes 1 (b)-(d)) £'000	Proforma of the Group £'000
Fixed assets				
Tangible assets	531	(182)	—	349
Current assets				
Stocks	4,499	(1,771)	—	2,728
Debtors	4,914	(1,382)	—	3,532
Cash at bank and in hand	213	—	1,472	1,685
	9,626	(3,153)	1,472	7,945
Current liabilities				
Creditors: Borrowings due within one year	(1,941)	23	536	(1,382)
Other amounts due within one year	(4,021)	1,214	—	(2,807)
Net current assets	3,664	(1,916)	2,008	3,756
Total assets less current liabilities	4,195	(2,098)	2,008	4,105
Creditors: Borrowings due after more than one year	(60)	20	—	(40)
Provisions for liabilities and charges	(145)	—	—	(145)
Net assets	3,990	(2,078)	2,008	3,920
Net assets per Ordinary share	2.8p			2.8p
Net gearing percentage	45%			Nil

NOTES TO THE ACCOUNTS

continued

26

POST BALANCE SHEET EVENT continued

1. The pro forma statement of net assets of the Group has been adjusted for:
 - (a) the sale of the net assets, exclusive of amounts owed to Bridgend Group, bank loans and overdrafts, of John Sydney amounting to £2,078,000 at 31 December 1999.
 - (b) the receipt of the gross cash consideration proceeds of £2,128,000 determined as the net assets transferring of £2,078,000 plus a premium of £291,000 less a reduction of £241,000 in respect of estimated fair value adjustment valuation policies agreed with the Purchaser.
 - (c) payment of estimated expenses of £120,000 relating to the disposal of John Sydney.
 - (d) net proceeds of £2,008,000 from the disposal of John Sydney will be used to repay John Sydney's bank borrowings of £536,000 and provide funds for the Group's future development
2. Net assets per Ordinary Share at 31 December 1999 is based on the net assets of £3,990,000 related to the Ordinary Shares in issue of 140,154,322; proforma net assets per Ordinary Share is based on the disclosed pro forma net assets of £3,920,000 related to the Ordinary Shares in issue of 140,154,322.
3. Net gearing at 31 December 1999 is based on net borrowings of £1,788,000 (borrowings due within one year of £1,941,000 plus due after more than one year of £60,000 less cash at bank and in hand £213,000) related to net assets of £3,990,000; proforma net gearing is nil based on proforma net cash balances of £263,000 (cash at bank and in hand £1,685,000 less borrowings due within one year £1,382,000 less due after more than one year £40,000)
4. No adjustment has been made to reflect trading results since 31 December 1999.

27

PRINCIPAL TRADING SUBSIDIARIES

The Group's principal trading subsidiaries at 31 December 1999 were as follows:

Wholesale Distribution:

Kingavon Limited

Car Accessories and D.I.Y. products

Parkside, Duke Street, Ipswich, Suffolk, IP3 0AF

Tel: 01473 219131

Brimley & Co. Limited

Electrical wholesaling

52-62 Brasenose Road, Bootle, Merseyside, L20 8HG

Tel: 0151 650 0022

John Sydney Limited

Bathroom and kitchen fittings

3-4 Denbigh Hall, Bletchley, Milton Keynes, Bucks, MK3 7QT

Tel: 01908 274111

Notes:

1. The issued Ordinary share capital of each company listed above is wholly owned by Bridgend Group PLC.
2. The companies are all registered in England and Wales and operate wholly or mainly in the country of registration.

BRIDGEND GROUP

— PLC —

FIVE YEAR FINANCIAL SUMMARY

SUMMARY CONSOLIDATED PROFIT AND LOSS ACCOUNTS

Year ended 31 December	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
Turnover					
Continuing operations	17,594	20,918	22,058	12,181	12,247
Discontinued Operations	679	2,029	1,943	1,941	3,330
	<u>18,273</u>	<u>22,947</u>	<u>24,001</u>	<u>14,122</u>	<u>15,577</u>
Operating (loss)/profit before exceptional items	(585)	(450)	650	222	373
Compensation for Director's loss of office	(260)	—	—	—	—
Write-down of hotel property	—	(3,540)	—	—	(3,414)
Cost of business restructure and redundancy	(139)	(136)	(47)	—	—
Costs relating to aborted disposals/acquisitions	—	(102)	—	(34)	—
Operating (loss)/profit	<u>(984)</u>	<u>(4,228)</u>	<u>603</u>	<u>188</u>	<u>(3,041)</u>
Share of associate's pre-tax results	—	—	—	17	30
Gain/(loss) on sale of discontinued operations	386	—	—	—	(17)
Profit on disposal of investments	—	144	—	189	—
(Loss)/profit before interest	<u>(598)</u>	<u>(4,084)</u>	<u>603</u>	<u>394</u>	<u>(3,028)</u>
Net interest payable	<u>(298)</u>	<u>(457)</u>	<u>(375)</u>	<u>(246)</u>	<u>(354)</u>
(Loss)/profit on ordinary activities before taxation	<u>(896)</u>	<u>(4,541)</u>	<u>228</u>	<u>148</u>	<u>(3,382)</u>
Taxation on ordinary activities	—	—	—	—	—
(Loss)/profit for the financial year	<u>(896)</u>	<u>(4,541)</u>	<u>228</u>	<u>148</u>	<u>(3,382)</u>
Dividends	—	—	(93)	(55)	(55)
Retained (loss)/profit for the year	<u>(896)</u>	<u>(4,541)</u>	<u>135</u>	<u>93</u>	<u>(3,437)</u>
(Loss)/earnings per Ordinary share	<u>(0.8p)</u>	<u>(5.5p)</u>	<u>0.3p</u>	<u>0.2p</u>	<u>(5.9p)</u>
(Loss)/earnings per Ordinary share adjusted to exclude exceptional items	<u>(0.8p)</u>	<u>(1.1p)</u>	<u>0.4p</u>	<u>0.0p</u>	<u>0.1p</u>
Dividends per Ordinary share	<u>0.0p</u>	<u>0.0p</u>	<u>0.2p</u>	<u>0.2p</u>	<u>0.2p</u>

SUMMARY GROUP BALANCE SHEETS

Year ended 31 December	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
Fixed assets	531	3,250	6,815	6,508	8,505
Net current assets	3,664	2,266	3,079	2,209	414
Creditors: amounts falling due after more than one year	(60)	(1,933)	(1,883)	(813)	(1,116)
Provisions for liabilities and charges	<u>(145)</u>	<u>(113)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net assets	<u>3,990</u>	<u>3,470</u>	<u>8,011</u>	<u>7,904</u>	<u>7,803</u>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Bridgend Group PLC will be held at the offices of Nabarro Nathanson, Lacon House, 84 Theobald's Road, London WC1X 8RW on 31 May 2000 at 10.00 a.m.

The Annual General Meeting will be held for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the audited accounts for the year ended 31 December 1999.
2. To re-elect Mr C.D.O. Jillings as a Director.
3. To re-elect Mr C.P. Whiley as a Director.
4. To reappoint KPMG Audit Plc as auditor of the Company.
5. To authorise the Directors to fix the remuneration of the auditors.

SPECIAL BUSINESS

- 6 To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution
That:
 - (a) The Directors be empowered during the period expiring on the date of the Company's Annual General Meeting next following the date of the passing of this resolution to allot equity securities of the Company, as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment, provided that such power shall be limited to the allotment of equity securities:
 - (i) in connection with a rights issue or an offer or invitation in favour of Ordinary shareholders and the holders of any other shares or securities of the Company that by their terms are entitled to participate in such rights issue or an offer or invitation where the equity securities respectively attributable to the interest of all such holders are proportionate (as nearly as may be) to the respective number of Ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions, variations or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory,
 - (ii) (otherwise than under sub-paragraph (a)(i) above) having an aggregate nominal value of £70,077, representing 5 per cent. of the issued Ordinary share capital.
 - (b) such power shall permit and enable the Directors to make an offer or agreement, before the expiry of such power, which would or might require equity securities to be allotted after such expiry,
 - (c) words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meanings in this resolution.

68 Great Eastern Street
London
EC2A 3JT
27 April 2000

By order of the Board
F.C. Flood
Secretary

Notes

A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on a poll instead of him. A proxy need not be a member of the Company.

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 6pm on 29 May 2000 shall be entitled to attend or vote at the aforesaid 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 6pm on 29 May 2000 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

The following will be available for inspection at 68 Great Eastern Street, London EC2A 3JT, during normal business hours every weekday (Saturdays and public holidays excluded) from the above date to the date of the Annual General Meeting and at the offices of Nabarro Nathanson during and for 15 minutes immediately prior to the Annual General Meeting.

- (i) A register showing the transactions of each Director and, so far as he is aware, the transactions of his family in the Company's shares.
- (ii) Contracts of service in respect of Mr M.A. Bretherton and Mr C.P. Whiley which can be terminated by either the Director or the Company giving to the other not less than two years' notice in writing, the contract between the Company and Y-Lee Limited for the services of Mr C.P. Whiley which also requires that either party to give the other two years notice of termination in writing, the contract of service between the Company and Denfurlong (Consultants) Limited for the services of Mr C.G. Stainforth which is for a rolling period of two years' notice on either side, together with the contract of service between the Company and The Analysis & Research Company Limited for the services of Mr C.D.O. Jillings which is for a rolling period of one years' notice on either side.