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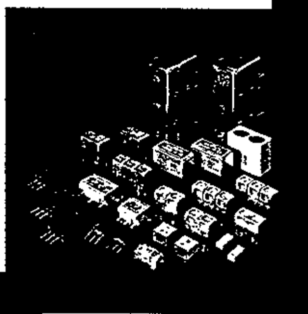
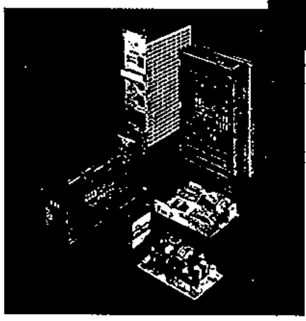
Bulgin PLC





Annual Report 1998

Contents

The Group designs, manufactures and distributes a wide range of electronic and electromechanical components and power supplies to the domestic appliance, telecommunications, computer, medical and capital equipment markets.

Financial Highlights

	1998 £'000	1997 £'000
Turnover	19,496	19,155
Profit before taxation	760	238
Shareholders' net assets	4,760	4,600
Earnings per share	1.82p	0.53p
Dividends per share	1.25p	0.50p

Financial Calendar

Annual General Meeting	25 June 1998
Payment of final dividend	26 June 1998
Announcement of first half year results to 31 July 1998	September 1998

Chairman's Statement

Introduction I wish to start, this, my first statement, by saying how proud I am to have become Chairman. I am only the third Chairman in the Group's 75 year history and the first who is not a member of the founding family. My association with the Group dates back over four years: initially, as an external adviser and then as a member of the Main Board. During this time I have developed the greatest respect for the expertise and commitment of the staff. Impressive also are the quality of our products and the closeness of many customer relationships.

Accordingly, I wish to pay tribute to all past and current members of the Bulgin team whose efforts have made it possible to celebrate our 75th birthday.

My objective is to be excellent in all that we do: in building and maintaining relationships with customers and key suppliers, in product design and in production and distribution. By building shareholder value, utilising our core competencies to produce equity returns greater than our equity cost, we can embark with confidence on our next 75 years in business.

Financial results Turnover for the year ended 31 January 1998 was £19.5 million (1997: £19.2 million) and resulted in profits before taxation of £760,000 (1997: £238,000). Earnings per share increased from 0.53p to 1.82p. This is after accounting for costs of £306,000 relating to the early retirement from the Group's company boards of the former Chairman, Mr R. A. Bulgin.

Net assets are £4.8 million (1997: £4.6 million); net gearing 33% (1997: 61%) and cash generated £847,000 (1997: £863,000 absorbed).

In December 1997 we paid our first interim dividend for some years: 0.25p per share. Your new Board is confident that cash generation will continue allowing new investment to take place, this year, and still enabling it to recommend a final dividend of 1.0p per share.

Management changes During the course of the year four members of the Main Board either resigned or retired. A substantial element of the resulting cost savings has been reinvested in the recruitment of new sales and marketing staff at each of the operating companies. Management teams at Cirkit and Bulgin Power Source have been formally constituted to complement their counterparts at Bulgin Components. We now have a team of sixteen senior managers driving the Group forward.

In line with our company financial performance we shall recruit further engineering, sales and marketing expertise to contribute to the formulation and implementation of the next phases of our strategy. These new resources will be available to both the Main Board and the subsidiaries' management teams and will be in the form of executive and non-executive appointments and professional advisers of standing in our chosen markets.

Strategic initiatives The Board is committed to a series of initiatives intended to galvanise the Group's performance over the next two transitionary years and to provide a base for long term growth. So far these include:

- **World Class Manufacturing.** We have engaged as advisers the expert team at the Engineering Employers' Federation. The first impact will be at our factory in Barking and we expect the benefits from higher capacity and productivity to start flowing by the end of the current year. We expect that this will act as a catalyst throughout the Group in respect of product development, design and customer service.

Chairman's Statement

- **Field Sales Force.** We shall continue to increase our teams as quickly as we can absorb and train new recruits. We believe that the markets in which we operate are expanding and/or are sufficiently fragmented as to offer the opportunity to increase our share of sales to them. This will especially be the case at Cirkit which by focusing on a relatively small number of key franchises in the UK can generate profitable earnings from even quite small customer accounts.
- **Design Engineering.** We shall be recruiting additional highly skilled designers and investing in upgrading our design capabilities to ensure that we have a continuous flow of new products which provide added value to our customers and/or are differentiated from those of our competitors and potential competitors.
- **Management Development and Training.** We shall continue to de-layer organisations and devolve decision making, even down to the shop floor, wherever appropriate. At the same time we shall encourage the members of the subsidiaries' management teams to think and act like successful entrepreneurs.
- **Acquisitions.** We are prepared to consider larger transactions and on broader criteria than in the past. In particular we shall look carefully at opportunities in the power supply sector.

In addition, we are pursuing more specific long term initiatives involving new markets, new technologies, new product ranges and new lines of business. At each stage we shall introduce the appropriate engineering, sales and marketing expertise to strengthen our current management.

Shareholder value Increasing value for shareholders is the primary goal of all our activities. The key yardstick of success is generation of cash at a rate higher than the cost of the capital invested in the businesses. In other words we are committed to generating a high return for our shareholders and we expect that they will benefit from a cycle of higher returns on investment by the Group leading to increased dividends and share prices.

We intend to broadcast news of the Group's progress through a much more active relationship with the City and the Financial Press. We expect, therefore, that over time the Group's performance will be more accurately reflected in its share price.

We are also actively studying the effect of our current capital structure on our share price. Moreover, the current capital structure, by limiting our ability to raise fresh funds on the Stock Market, is likely to prevent us from making a major strategic acquisition. This will become a more pressing matter over the next twelve to twenty four months.

Outlook The current year started satisfactorily but there is now further evidence of the slow down in the UK manufacturing sector to which I referred in the Preliminary Announcement. The strength of sterling appears to be casting a shadow over the overall health of our customers in the UK and may yet do so over our own direct exports. Accordingly, your Board now expects some delay in the planned growth of new business for the Group.

Chairman's Statement

Annual General Meeting The Annual General Meeting will be held on Thursday 25 June 1998. Details of the time and place are given in the Notice of Meeting on page 35.

Your Directors have resolved to invite all holders of "A" Non-Voting Ordinary shares in its capital, and all holders of options to acquire shares in its capital, to attend and, if they wish, to speak at the Annual General Meeting. Holders of "A" Non-Voting Ordinary shares in its capital, and holders of options to acquire shares in its capital will not be entitled to vote in any manner on any resolution proposed at that meeting. Holders of "A" Non-Voting Ordinary shares, and of options to acquire "A" Non-Voting Ordinary shares, should note that such an invitation will not necessarily be sent to them in respect of any future General Meeting of the Company, and that no variations to the rights attaching to the "A" Non-Voting Ordinary shares, or to the options to acquire such shares, are proposed.

Alastair Winter

A. S. Winter
Chairman

22 May 1998

Operating Review

Bulgin PLC Bulgin PLC, the Company, is a holding company which owns the freehold properties from which the subsidiaries described below operate. It levies management charges in respect of rent, salaries and overheads to the subsidiaries as applicable. In the year ended 31 January 1998 the Company incurred a loss before taxation of £327,000 (1997: £27,000 profit) after accounting for costs of £306,000 relating to the retirement of the previous Chairman from the Group's company boards.

Bulgin Components PLC

	1998	1997
	£'000	£'000
Turnover	**10,036**	9,041
Profit before taxation	**1,058**	505
Net assets	**2,808**	2,492

Part of the expanded range of EMI mains filters.

Turnover for the year, excluding intra-group trading, rose by 11% which, with increased gross margins, resulted in more than a doubling of profits before taxation to £1,058,000. Exports remained strong despite the strength of sterling.

This Company specialises in the manufacture of electromechanical components and the distribution of several imported ranges of complementary products to industry worldwide. A high percentage of the current range utilises parts from high-grade engineering plastics to form insulators and basic component structures. These parts are produced in the Company's automated moulding shop, which is equipped with injection and direct screw transfer moulding presses. Conductive parts such as contacts and terminals are produced from copper alloys, and other metals in the press shop which features sophisticated automated equipment for repetition stamping to consistent quality standards.

The most valuable asset that the Company has is its staff. In its seventy five year history over 130 employees have attained 25 years service including 27 employees who are with the Company today. Staff training is considered to be a key factor in the Company's success. Approximately 130 of the production staff have gained NVQ level one in electronic components assembly. Stores and warehouse personnel have also attained NVQ level one and the toolsetters NVQ level two. The assembly work force is flexible and can move between different production lines. This flexibility assists in providing a quicker turnaround on non-standard and customised products.

Throughout the history of the Company's development, emphasis has been on design and quality, with a broad range of standard products offered through the pages of a Bulgin catalogue. Bulgin was one of the first companies in the electronics sector to produce a catalogue, and still makes great use of this medium, with the latest edition having 208 pages of full colour. The catalogue can also be found in full on the Company's web site.

The Company maintains its position as a leading manufacturer of power, protection and environmentally sealed products by a continued program of investment in all areas of operation. In this current year it is planning to spend over £600,000 on capital equipment, which will be used to modernise plant and provide three dimensional computer aided design equipment to facilitate faster product development.

Over the last six months a significant investment has been made in the sales and marketing departments. This will, we believe, lead to increased sales and provide the catalyst for a greater number of new products in the future.

A re-engineering programme, designed to achieve world class manufacturing status, is currently taking place and is expected to lead through higher capacity and productivity to increased profits and cashflow, although the full benefits will not materialise before the next financial year.

The long term outlook for the Company is good. Increased investment, more sales and marketing staff and re-engineered production processes should lead to higher sales, greater profits and better cash generation. However, in the short term, the strength of sterling appears to be casting a shadow over the overall health of customers in the U.K. and may yet do so over direct exports. Consequently, some delay in the planned growth of new business can be expected.

Operating Review

Cirkit Holdings PLC

	1998	1997
	£'000	£'000
Turnover	**6,718**	6,953
Profit/(loss) before taxation	**21**	(99)
Net assets	**816**	842

A selection of PCB fixings and hardware.

Turnover was down by 3%, but improved gross margins resulted in a modest profit of £21,000.

Cirkit distributes electromechanical and passive components mainly to industry in the United Kingdom and Europe. It is a wholly customer oriented company with systems set-up to help customers design and manufacture the best, competitive products by providing a flexible service which can be tailored to individual requirements.

Cirkit's portfolio of franchises fit together to provide a broad and balanced range. Some products demand a specialist approach, with design-in support both from in-house franchise managers and jointly with the resources of its principals. Commodity products require a different approach where stock, pricing and delivery carry greater importance. It is this combination that differentiates Cirkit in the market place.

Cirkit has doubled its field sales team to eight sales engineers. They are backed by a high quality sales desk, together with a dedicated franchise management team, providing technical back up and overseeing the smooth running from design-in through to procurement and delivery. Along with the sales teams the marketing activities include a 500 page catalogue, trade advertisements, exhibitions and, of growing importance, the web site which now consists of some 100 pages plus numerous downloadable catalogues and data.

Cirkit is focusing on its core industrial business and is concentrating its efforts in the franchise groups that show the most potential both now and for the future. Plans have been formulated for the future growth and profitability of the business, for instance, state of the art software for the main computer will not only be year 2000 compliant but will also provide far greater business capacity and responsiveness allowing faster reaction both to individual customers and to wider marketplace trends.

Cirkit also supplies a wide range of electronic components for export. Acting as a one stop source, the company provides a procurement service for parts in short supply around the globe. Using a worldwide express service, products are delivered promptly to the customer thereby potentially reducing manufacturing down times.

In addition to the investment in new sales staff and new franchises, possible acquisitions are being sought to help expand the business. Whilst it is anticipated that the advantages will start to flow through in the second half of the current financial year, the distribution market is currently depressed. Consequently, the financial benefits are unlikely to impact until early next year.

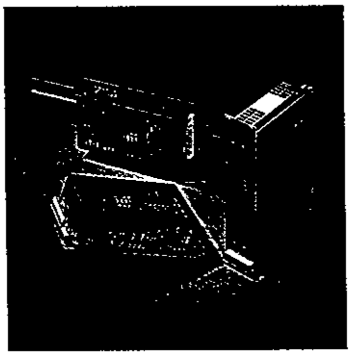
Bulgin Power Source PLC

	1998	1997
	£'000	£'000
Turnover	**2,742**	3,161
Profit/(loss) before taxation	**8**	(195)
Net assets	**572**	563

Following the loss of the major customer referred to in last years annual report turnover declined by 13%. However, increased gross margins together with restructuring resulted in a significant improvement on the previous year's performance and a small profit of £8,000 was earned.

Bulgin Power Source was established in 1984 as a company specialising in design and manufacture of power supply solutions. The Company operates from a 26,000 square foot site in Lincoln with sufficient capacity to facilitate growth. The factory comprises an extendable manufacturing area, research and development facilities, optimised warehousing and full product testing.

Operating Review



Intelligent power supplies featuring battery charging.

The facilities together with its engineering and design expertise produce a wide range of power supply solutions concentrating upon specialist custom designed products to meet customers specific requirements. From 1 August 1998, further details can be found on the Company's web site.

The product range available also includes power supplies manufactured in Taiwan, China, USA and Ireland incorporating products from 10 to 4000 watt switch mode, DC-DC Converters and Eurocard power supplies.

The philosophy of the business is to work closely with key customers to supply them with power supply products which suit their applications and their intended market. The markets within which the Company operates include information technology applications, industrial and process control equipment, professional computer products and capital equipment.

The key to the Company's success in these markets is provision of high quality, reliable products with first class service and support. With the nature of the products being unique and often complex sub-assemblies of a customer's application, the customers need to be able to rely upon the Company's services, flexibility and support. Strong links are therefore sought with customers enabling the Company to become a strategic vendor upon whom customers can depend.

The Company plans to further its capabilities by operating a continuous improvement philosophy throughout the business. The projects planned to increase services, support and flexibility for the customers include application for ISO9001 approval in 1999 as an expansion of the existing ISO9002 and BABT accreditations. The Company is also investing in staff development by implementing the Investors in People philosophies with award achievement expected in 1998 and providing opportunities for NVQ qualifications.

The skilled staff are the principal asset of the business with emphasis being customer service and support oriented. Their skills are further enhanced by a management team who are specialists in the power supply industry. In the near future, investment will continue to be made in staff training and development plus recruitment of additional sales and engineering professionals maximising support to potential new customers as the Company continues to grow.

Other investments are being considered to further accelerate the growth of Bulgin Power Source. Presently, investigations are being made into potential acquisitions of other power supply companies to complement and enhance the Company's product range.

Continuous new developments for the business also include new standard product development. Frequently, new development objectives seek to achieve provision of innovative and unique new designs to attain niche market sales. These objectives help to maintain advantages over any potential competitors and already include two product ranges – The Power Pods Range and The Oracle Series. The Power Pods feature a range of system enhancement devices which enable designers to incorporate, as standard, power management features normally only available via customisation. The Oracle Series is a range of sophisticated 80-300 watt switch mode power supplies incorporating micro-controller battery management and battery charging. Also planned for 1998 is a range of competitively priced compact 500 watt switch mode power supplies to include the latest in short lead time manufacturing techniques.

The combination of experienced management, high quality design engineers and manufacturing excellence will lead Bulgin Power Source to increasing market share and the full effect on the financial results should begin to show through towards the end of this current year.

Financial Review

Results Group profits before taxation were £760,000 (1997: £238,000), details of which are as follows:

	1998		1997	
	Turnover	**Profit/(loss) before taxation**	Turnover	Profit/(loss) before taxation
	£'000	**£'000**	£'000	£'000
Bulgin PLC	**–**	**(327)**	–	27
Bulgin Components PLC	**10,036**	**1,058**	9,041	505
Cirkit Holdings PLC	**6,718**	**21**	6,953	(99)
Bulgin Power Source PLC	**2,742**	**8**	3,161	(195)
	19,496	**760**	19,155	238

Taxation The tax charge of £241,000 *(1997: £87,000)* reflected an effective tax rate of 31.7% *(1997: 36.6%)*; a result of the lowering of the corporation tax rate from 33% to 31% together with a proportional reduction in disallowable items.

Earnings and dividends per share Earnings per share were 1.82p (1997: 0.53p). The Board is proposing to distribute a final dividend of 1.00p per share in respect of the year just ended *(1997: 0.50p)*. An interim dividend of 0.25p was paid on 1 December 1997. The dividend is covered 1.45 times *(1997: 1.06 times)*.

Balance sheet and cash flow Shareholders' funds totalled £4,760,000 *(1997: £4,600,000)*. The excess of profits after taxation less dividends is the main reason for the increase.

The three freehold properties owned by the Company were revalued as at 31 January 1998 resulting in a reduction in the carrying value of £18,000. This is considered to be a temporary diminution in value and has been adjusted through the revaluation reserve.

The increase in cash in the year of £847,000 *(1997: £863,000 decrease)* arises mainly from increased profitability and improved working capital management together with lower taxation and capital expenditure.

Borrowings decreased to £2,729,000 *(1997: £2,978,000)* giving a gross gearing of 57% *(1997: 65%)* and gearing net of cash of 33% *(1997: 61%)*.

The Group's funding facilities consist primarily of term loans, secured on freehold property, totalling £1,714,000 *(1997: £1,832,000)* repayable in variable instalments by 2014, invoice discounting facilities of up to £1,500,000 of which £Nil *(1997: £221,000)* had been utilised at the year end and leasing facilities of £1,000,000 of which £405,000 *(1997: £484,000)* had been used at the year end. The revolving acquisition facility referred to in last years financial review is currently being re-negotiated at an increased level of £1,500,000.

Directors and Professional Advisers

Directors	Alastair S. Winter, M.A., C.P.F.A., M.I.Mgmt Non-Executive Chairman Richard A. R. Bulgin Deputy Chairman Christopher M. Leigh, B.A. (Hons)., F.C.A. Group Finance Director J. Anthony D. Skailes, F.C.A., M.S.I. Non-Executive Director
Company Secretary	John C. R. Batty, B.Sc., M.B.A., Solicitor
Registered Office	Bypass Road Barking Essex IG11 0AZ
Registered in England	No. 448274
Registrars	IRG plc 390/398 High Road Ilford Essex IG1 1NQ
Stockbrokers	Teather & Greenwood Limited 12/20 Camomile Street London EC3A 7NN
Auditors	Bright Grahame Murray Chartered Accountants and Registered Auditors 124/130 Seymour Place London W1H 6AA
Bankers	National Westminster Bank Plc Lambourne House Western Road Romford Essex RM1 3PT

Report of the Remuneration Committee

Section A of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange states that directors' pay should be decided by a remuneration committee consisting exclusively of non-executive directors.

The remuneration committee now comprises the two non-executive directors with J.A.D. Skailes as Chairman. Additionally, Mr R.A. Bulgin served on the committee until his resignation from the Board on 31 January 1998.

In framing its remuneration policy, the committee has given full consideration to Section B of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange.

The remuneration of all executive directors in the main and subsidiary boards will be determined by the remuneration committee.

It is the aim of the committee to reward executive directors competitively having regard to the senior management of comparable public companies. Basic salaries are determined for each individual taking into account their experience, skills, development and performance. Short term incentives may be provided to all salaried employees including executive directors by bonuses linked to the achievement of annual targets. Longer term incentives may be provided to executive directors by share option schemes. The pension benefits of the executive directors are determined by basic salary only. The full disclosure of directors' emoluments is set out in Note 9 to the financial statements. Directors' share options are detailed on page 13 in the Report of the Directors.

The remuneration of the non-executive directors is determined by the Board as a whole after considering comparable market data and reflects the amount of time given and the contribution made to the Group's affairs. They do not receive any bonuses nor do they participate in the share option schemes.

Mr R.A.R. Bulgin and Mr C.M. Leigh each have service contracts which are terminable upon three years notice from the Company and three years notice from the Executives.

On behalf of the Board

J.A.D. Skailes
Chairman, Remuneration Committee

22 May 1998

Report of the Directors

The Directors present their Annual Report on the affairs of the Group together with the audited financial statements for the year ended 31 January 1998.

Activity The principal activity of the Group is the design, manufacture and distribution of electronic and electromechanical components and power supplies.

Business review and future developments A review of the business for the year and comments on future developments are contained in the Chairman's Statement, the Operating Review and the Financial Review on pages 2 to 8.

Millennium compliance During 1997 the Group established a millennium compliance review to assess the impact of the millennium date. Many computer systems process dates by reference to the last two digits of the year which may result in software failure when the year 2000 arrives.

As part of the millennium compliance review the operational effectiveness of all existing computer systems within the Group was re-appraised to ascertain whether increased efficiency could be obtained by installing new software and/or hardware.

The conclusions of the review were that the computer systems at Bulgin Power Source PLC and Cirkit Holdings PLC should be replaced and that the computer system at Bulgin Components PLC should be upgraded. The new systems have been selected, are undergoing testing and are expected to cost approximately £200,000. The costs of the upgrading are expected to be approximately £60,000.

In accordance with UITF 20, "Year 2000 Issues: Accounting and Disclosures", costs incurred in rendering existing software year 2000 compliant will be written off to the profit and loss account and costs relating to enhancement will be capitalised and depreciated over the useful lives of the assets.

The millennium compliance review is currently being extended to establish procedures in respect of third parties from whom the Group obtains products and to examine issues relating to embedded chips. It is anticipated that the reviews will be substantially completed by the end of this financial year.

Results and dividends The profit for the year after taxation was £519,000 *(1997: £151,000)*. During the year an interim dividend of 0.25 pence per share amounting to £71,000 *(1997: £Nil)* was paid. The Directors recommend a final dividend of 1.00 pence per share amounting to £286,000 *(1997: £142,000)* and that £162,000 *(1997: £9,000)* be transferred to reserves.

Research and development The Board considers that research and development continues to play a vital role in maintaining and increasing the Group's competitive position in the market. Details are set out in Notes 6 and 13 to the financial statements.

Report of the Directors

Directors and their interests The Directors at 31 January 1998 and those who served during the year are named below, together with their interests in the Company's Ordinary and 'A' Non-Voting Ordinary shares of 5p each.

	At 31 January 1998 or date of ceasing to be a director		At 1 February 1997 or subsequent date of appointment	
Beneficial interests	Ordinary	'A' Ordinary	Ordinary	'A' Ordinary
A.S. Winter (appointed 17/2/97)	2,000	–	–	–
R.A.R. Bulgin	126,802	959,201	86,200	259,201
C.M. Leigh	2,000	26,000	2,000	1,000
J.A.D. Skailes (appointed 17/2/97)	2,000	200,000	–	–
R.A. Bulgin (resigned 31/1/98)	208,600	823,136	307,200	645,087
R.E. Bulgin (retired 31/8/97)	201,800	346,059	201,800	96,059
G.A. Stone (retired 31/7/97)	8,000	5,387	2,000	5,387
C.S. Bulgin (resigned 29/4/97)	6,002	21,000	6,002	21,000
Non-beneficial interests				
A.S. Winter (appointed 17/2/97)	–	–	–	–
R.A.Bulgin, R.E. Bulgin and G.A. Stone as trustees of a pension fund until 31/7/97	–	–	42,500	–
R.A.R. Bulgin, C.M. Leigh and R.A. Bulgin as trustees of a pension fund from 1/8/97	42,500	–	–	–
J.A.D. Skailes (appointed 17/2/97)	–	500,000	–	–
J.A.D. Skailes as a trustee of certain settlements executed by the late Mr. A.F. Bulgin	658,500	552,878	658,500	670,093
R.A. Bulgin (resigned 31/1/98)	–	1,065	–	1,065
R.E. Bulgin (retired 31/8/97)	–	–	–	–
G.A. Stone (retired 31/7/97)	–	–	–	–
C.S. Bulgin (resigned 29/4/97)	–	–	–	–

The changes in the interests of Directors between the year end and 30 April 1998 were:

A S Winter bought 57,000 "A" Non-Voting Ordinary shares on 26 February 1998 – beneficial

R A R Bulgin acquired (by exercise of options on 26 February 1998) 100,000 "A" Non-Voting Ordinary shares – beneficial

bought 50,000 "A" Non-Voting Ordinary shares on 28 April 1998 – beneficial

J A D Skailes bought 100,000 "A" Non-Voting Ordinary shares on 16 February 1998 – beneficial

bought 50,000 "A" Non-Voting Ordinary shares on 29 April 1998 – non-beneficial

bought 50,000 "A" Non-Voting Ordinary shares on 30 April 1998 – non-beneficial.

No Director had any interest in the shares of the Company's subsidiaries at any time during the year.

No Director had a material interest in any contract of significance with the Company or its subsidiary undertakings during the year other than as disclosed in Note 32 of the financial statements.

In accordance with the Articles of Association, Mr C.M. Leigh retires by rotation from the office of Director and being eligible offers himself for re-election. The unexpired term of Mr C.M. Leigh's service contract with the Company at 1 February 1998 was 3 years.

Report of the Directors

Non-executive directors

A.S. Winter (50) is a management consultant specialising in corporate finance. He is chairman of The Bank Relationship Consultancy Limited who are specialists in international treasury management and chairman of Eurofinance Conferences Limited which organises treasury management programmes throughout the world. Previously, he was a Vice President of investment bankers Bear Stearns and before that of Chase Manhattan Bank. He qualified as a member of the Chartered Institute of Public Finance and Accountancy in 1976 and became a member of the Institute of Management in the same year.

J.A.D. **Skailes** (60) was a stockbroker at Vivian Gray from 1966 where he was Senior Partner from 1982 until it was acquired in 1987 by Gerrard & National PLC. He continued as a director of Gerrard Vivian Gray Limited until his retirement in 1995 and remains a consultant.

Executive share option scheme

At 1 February 1997 and 31 January 1998 the following Directors held options under the Bulgin PLC executive share option scheme to subscribe for 'A' Non-Voting Ordinary shares of 5p each pursuant to the rules of the scheme:

	'A' Ordinary shares under option exercisable at	
	6.5p per share	9.0p per share
R.A. Bulgin (resigned 31/1/98)	300,000	–
R.A.R. Bulgin	60,000	40,000
C.M. Leigh	–	40,000

The options at 6.5p per share and 9.0p per share are currently excercisable until 26 June 2002 and 28 June 2003 respectively.

R.A. Bulgin exercised his options in full on 27 March 1998 when the market price was 16.75p per share. R.A.R Bulgin exercised his options in full on 26 February 1998 when the market price was 6p per share. R.E. Bulgin who, on 1 February 1997 held options to acquire 250,000 'A' Non-Voting Ordinary shares at 6.5p per share, exercised his options in full on 26 August 1997, when the market price was 12.75p per share. G.A. Stone held on 1 February 1997, and at the date of his retirement, options to acquire 100,000 'A' Non-Voting Ordinary shares at 6.5p per share.

No options were granted, and none lapsed during the year except for those held at 1 February 1997 by C.S. Bulgin whose options to acquire 60,000 'A' Non-Voting Ordinary shares at 6.5p per share and 40,000 'A' Non-Voting Ordinary shares at 9.0p per share lapsed after his resignation as a Director on 29 April 1997.

No other options were excercised between 1 February 1997 and 30 April 1998.

The middle market price of the 'A' Non-Voting Ordinary shares at 31 January 1998 was 13.5p per share. The range during the year was 9.0p to 15.25p per share.

Substantial shareholdings

The Company has been advised of the following interests, other than those of serving Directors, in the Company's issued voting Ordinary shares of 5p each at 30 April 1998:

	Ordinary shares	%
National Westminster Bank Plc (mainly as managing trustees of certain settlements executed by the late Mr A.F. Bulgin)	658,500	32.9
Specialist Holdings Limited	354,000	17.7
R.E. Bulgin	201,800	10.1
R.A. Bulgin	198,600	9.9
G.M. Barber	87,000	4.4
Mars UK Pension Fund	65,000	3.3

Report of the Directors

Charitable and political donations The Group contributed £2,000 *(1997: £3,000)* to charities and £Nil *(1997: £Nil)* for political purposes.

Supplier payment policy The Group applies a policy of agreeing the terms of payment as part of the commercial arrangement negotiated with suppliers. It is Group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. The average creditor days for the year for the Group was 59 days and the Company was nil days.

Employees All employees receive equal opportunities for training and career development. The sole criterion for selection and promotion is the individual's suitability for the position of employment offered. The Group supports the employment of disabled persons wherever appropriate. Each individual operating Company within the Group operates its own communication and consultative programmes relevant to its own particular workforce.

Share transfers - CREST The Company's Ordinary and 'A' Non-Voting Ordinary shares were admitted to CREST on 30 September 1996. Shareholders can continue to hold and trade their share certificates as before, or they can open a CREST account to hold and deal in the Company's shares.

Directors' authority to allot shares Resolution 5 set out in the Notice of the Annual General Meeting will authorise the Directors, pursuant to section 80 of the Companies Act 1985, to allot relevant securities up to an aggregate nominal amount of £550,500, representing 38.0% of the total issued share capital at 22 May 1998. This authority will be granted for a period of five years, but the Directors do not have any present intention of exercising this authority.

Resolution 6 set out in the Notice of the Annual General Meeting will authorise the Directors to issue up to an aggregate nominal amount of £72,475 representing 5% of the total issued share capital at 22 May 1998, for cash without offering the shares first to existing shareholders by way of rights. The resolution will also authorise the Directors to allot shares in connection with a rights issue otherwise than strictly pro rata where practical considerations, such as fractions, make this desirable. This authority will expire at the next Annual General Meeting following the Resolution, unless varied by Special Resolution of the Company.

Corporate governance Statement of compliance

The Board considers that the Company now complies with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance, except that the Company does not have three non-executive directors and therefore cannot comply with paragraph 4.3 of the Code which states that the Audit Committee should comprise at least three non-executive directors. The directors consider two non-executive directors to be the appropriate number for a Company of its size.

The non-executive directors were first appointed on 17 February 1997. The Company did not therefore comply with paragraph 1.3 of the Code prior to that date in respect of non-executive directors. Accordingly, it did not comply with paragraph 3.3 relating to remuneration committees or paragraph 4.3 of the Code.

Corporate governance *(continued)*

Audit Committee

The Audit Committee comprises the two non-executive directors, with J.A.D. Skailes being appointed its Chairman during March 1998.

The executive directors may be invited to attend meetings. The external auditors are invited to attend meetings where appropriate and the committee has access to their advice without the presence of the executive directors. The committee has authority to examine any matters relating to the financial affairs of the Group and to the Group's external audit. This includes the appointment of and agreement of fees of the external auditors.

The committee's functions include the monitoring of:

(1) financial controls throughout the Group to ensure that satisfactory standards are maintained

and

(2) financial reporting to ensure compliance with regulatory requirements.

During the year an independent firm of internal auditors was appointed to review and monitor the internal controls of the Group. The work carried out to date has found the controls to be generally satisfactory. Recommendations for improvement have either been implemented or are in the course of implementation.

Internal financial control

The Board of Directors has overall responsibility for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material mis-statement or loss.

The key procedures that are in place are:

- the retention of an independent firm of internal auditors to review internal controls in accordance with an agreed work plan;
- a comprehensive budgeting system including reviews at operating unit level and formal reviews and approvals of the annual budget by the Directors;
- monitoring of actual results and comparison to budget for each operating unit on a monthly basis;
- there is a clearly defined organisation structure within which individual responsibilities are identified and can be monitored;
- defined procedures for the appraisal, review and authorisation of capital expenditure and research and development;
- the Audit Committee meet with the external auditors at least twice a year.

The Board have reviewed the effectiveness of the internal control framework for the period covered by these financial statements.

Report of the Directors

Corporate governance *(continued)*

Going concern

After making due enquiries, the Directors formed a judgement when approving the financial statements that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

The auditors have confirmed that in their opinion: with respect to the Directors' statements on internal financial control and going concern set out on page 15 and above, the Directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements: and that the Directors' other statements on page 14 appropriately reflect the Group's compliance with the other aspects of the Code specified for their review by Listing Rule 12.43(j). They were not required to perform the additional work necessary to, and did not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

Auditors Bright Grahame Murray have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order and on behalf of the Board

J.C.R. Batty JCR Batty

Company Secretary

22 May 1998

Bypass Road
Barking
Essex IG11 0AZ

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Auditors

To the Members of Bulgin PLC

We have audited the financial statements on pages 19 to 33 which have been prepared under the accounting policies set out on page 22.

Respective responsibilities of Directors and Auditors

As described on page 17, 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 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 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 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 of the Group as at 31 January 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Bright Grahame Murray
Chartered Accountants and Registered Auditors

124/130 Seymour Place
London W1H 6AA

22 May 1998

Group Profit and Loss Account

Year ended 31 January 1998

	Notes	1998 £'000	1997 £'000
Turnover	3	**19,496**	19,155
Cost of sales		**(12,135)**	(12,638)
Gross profit		**7,361**	6,517
Net operating expenses	4	**(6,392)**	(6,073)
Operating profit		**969**	444
Net interest payable	5	**(209)**	(206)
Profit on ordinary activities before taxation	6	**760**	238
Taxation on profit on ordinary activities	10	**(241)**	(87)
Profit on ordinary activities after taxation		**519**	151
Dividends	11	**(357)**	(142)
Retained profit for the financial year	23	**162**	9
Earnings per share	12	**1.82p**	0.53p

All amounts relate to continuing activities.

Group Statement of Total Recognised Gains and Losses

Year ended 31 January 1998

	Notes	1998 £'000	1997 £'000
Profit attributable to shareholders		**519**	151
Exchange loss on foreign currency equity investment		**–**	(7)
Revaluation of freehold property	14	**(18)**	–
Total recognised gains and losses for the financial year		**501**	144

The historical cost profit for the year is not materially different from the reported profit for the year.

Balance Sheets

As at 31 January 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Intangible assets	13	**31**	44	**–**	–
Tangible assets	14	**3,769**	3,902	**2,175**	2,191
Investment in subsidiary undertakings	15	**–**	–	**3,303**	3,303
		3,800	3,946	**5,478**	5,494
Current assets					
Stocks	16	**2,784**	2,973	**–**	–
Debtors	17	**3,456**	3,635	**1,336**	910
Cash at bank and in hand		**1,177**	16	**27**	21
		7,417	6,769	**1,363**	931
Creditors: Amounts falling due within one year	18	**(4,636)**	(4,089)	**(1,301)**	(697)
Net current assets		**2,781**	2,680	**62**	234
Total assets less current liabilities		**6,581**	6,626	**5,540**	5,728
Creditors: Amounts falling due after more than one year	19	**(1,802)**	(1,937)	**(1,602)**	(1,685)
Provisions for liabilities and charges	21	**(19)**	(89)	**(14)**	(53)
Net assets		**4,760**	4,600	**3,924**	3,990
Capital and reserves					
Called up share capital	22	**1,429**	1,417	**1,429**	1,417
Share premium	23	**823**	819	**823**	819
Revaluation reserve	23	**266**	291	**41**	63
Profit and loss account	23	**2,242**	2,073	**1,631**	1,691
Shareholders' funds – Equity	24	**4,760**	4,600	**3,924**	3,990

Approved by the Board and signed on its behalf by:

R.A.R. Bulgin }
} *Directors*
C.M. Leigh }

22 May 1998

Group Cash Flow Statement

Year ended 31 January 1998

	Notes	1998 £'000	1997 £'000
Cash flow from operating activities	7	**2,370**	664
Returns on investments and servicing of finance			
Interest received		**24**	18
Interest paid		**(239)**	(128)
Interest element of hire purchase and finance lease payments		**(44)**	(43)
		(259)	(153)
Taxation			
UK corporation tax paid		**(101)**	(353)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(452)**	(662)
Amounts invested in intangible fixed assets		**(14)**	(19)
Proceeds of sale of tangible fixed assets		**138**	68
		(328)	(613)
Acquisitions			
Purchase of goodwill and stock		**–**	(83)
Equity dividends paid		**(213)**	(127)
Net cash inflow/(outflow) before financing		**1,469**	(665)
Financing			
Issue of shares		**16**	4
Debt due within a year:			
Net repayment of short-term borrowings		**–**	(147)
Debt due beyond a year:			
Increase in bank loans		**23**	243
Capital element of loan repayments		**(362)**	(51)
Capital element of hire purchase and finance lease payments		**(299)**	(247)
Net cash outflow from financing		**(622)**	(198)
Increase/(decrease) in cash in the year	29	**847**	(863)

Notes to the Financial Statements

1. Accounting policies The particular accounting policies adopted by the Directors are described below.

(a) Accounting convention

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of land and buildings, and are in accordance with applicable Accounting Standards.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all subsidiary undertakings drawn up to 31 January each year.

(c) Goodwill

Goodwill arising on consolidation or purchased goodwill represents the excess of the consideration given, over the fair value of the identifiable net assets acquired. Goodwill arising on acquisition has been written off immediately against reserves. Financial Reporting Standard 10 "Goodwill and Intangible Assets" will be adopted in future.

(d) Intangible fixed assets

All costs incurred on research and development are written off to the profit and loss account as incurred, unless such expenditure relates to a clearly defined project where the outcome both technically and commercially can be assessed with reasonable certainty.

The deferred costs are written off to the profit and loss account over a period of up to three years commencing from the date of commercial production of the products concerned.

(e) Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated on the cost or valuation of each tangible fixed asset individually on a straight line basis and is designed to write off the costs of the assets less any residual value over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are:-

Freehold buildings and improvements	50 – 100 years
Plant, equipment and tools	4 – 15 years
Motor vehicles	4 years
Fixtures and fittings	8 – 16 years

The Group's policy is to write off the book value of each tangible fixed asset evenly over its estimated remaining life. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

(g) Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated in equal annual amounts over the lease term.

Operating lease rentals are written off as incurred.

(h) Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

(i) Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account. The results of overseas subsidiary undertakings are translated at the average rates of exchange ruling during the year. Exchange translation differences on consolidation in respect of foreign equity investments are taken to reserves.

(j) Pension costs

For defined benefit schemes, pension contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the relevant operating company. Contributions to the defined contribution schemes are expensed as incurred.

Notes to the Financial Statements

2. Parent Company profit and loss account

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year amounted to £64,000 *(1997: profit £1,000).*

3. Turnover

The turnover and profit on ordinary activities before taxation, all of which originates in the United Kingdom, are attributable to the principal activity of the Group.

Group turnover by geographical destination is analysed below:

	1998 £'000	1997 £'000
United Kingdom	14,831	15,171
Rest of Europe	2,932	2,453
Rest of World	1,733	1,531
	4,665	3,984
	19,496	19,155

4. Net operating expenses

	1998 £'000	1997 £'000
Distribution costs	2,545	2,452
Administrative expenses	3,556	3,406
Exceptional administrative expenses	291	215
	6,392	6,073
Exceptional administrative expenses comprise:		
Costs relating to the retirement of Mr R.A. Bulgin	306	–
Redundancy costs	–	71
Requisitioned extraordinary general meetings costs	–	55
Defalcation	(15)	89
	291	215

5. Net interest payable

	1998 £'000	1997 £'000
Bank overdrafts and loans wholly repayable within five years	38	43
Bank loans not wholly repayable within five years	151	138
Finance leases and hire purchase contracts	44	43
	233	224
Interest receivable	(24)	(18)
	209	206

6. Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on owned tangible fixed assets	426	366
Depreciation on tangible fixed assets held under finance leases	183	192
Profit on disposal of tangible fixed assets	(45)	(2)
Research and development expenditure		
– deferred expenditure amortised	27	23
– current year expenditure	387	388
Operating lease rentals		
– land and buildings	17	17
– plant and machinery	8	8
Auditors' remuneration – audit services	65	72
– non audit services	52	41

Notes to the Financial Statements

7. Reconciliation of operating profit to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	**969**	444
Depreciation charges	**609**	558
Amortisation of development costs	**27**	23
Provision for exceptional administrative costs	**41**	(16)
Profit on disposal of tangible fixed assets	**(45)**	(2)
Decrease in stocks	**189**	136
Decrease in debtors	**158**	101
Increase/(decrease) in creditors	**422**	(573)
Movement on exchange	**–**	(7)
Cash flow from operating activities	**2,370**	664

Included in cash flow from operating activities is £234,000 net outflow in respect of exceptional administrative expenses including £16,000 relating to receipts in respect of provisions made in the previous year.

8. Staff information (including Directors)

Employee costs during the year amounted to:	**1998 £'000**	1997 £'000
Wages and salaries	**5,641**	5,423
Social security costs	**429**	391
Other pension costs (Note 28)	**744**	399
	6,814	6,213

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

	1998 No.	1997 No.
Administration and sales	**164**	175
Production	**310**	334
	474	509

9. Directors' emoluments

	1998 £'000	1997 £'000
Salaries, fees and benefits	**534**	537
Bonuses	**31**	–
Pension contributions	**498**	183
	1,063	720

The bonuses in the year are payable against performance related targets as determined by the Remuneration Committee. Pension contributions are to defined contribution schemes.

The emoluments of the highest paid Director were £187,000 *(1997: £150,000)* and the Company made pension contributions of £315,000 *(1997: £50,000)* on his behalf.

Details of individual Directors' emoluments for the year are as follows:

	Salary/ fees £'000	Bonus £'000	Benefits £'000	Sub-total £'000	Pension contributions £'000	**1998 Total £'000**	1997 Total £'000
R.A. Bulgin (resigned 31/1/98)	161	–	26	187	315	**502**	200
R.E. Bulgin (retired 31/8/97)	41	–	14	55	80	**135**	147
G.A. Stone (retired 31/7/97)	33	–	8	41	83	**124**	128
R.A.R. Bulgin	69	11	19	99	8	**107**	89
C.S. Bulgin (resigned 29/4/97)	17	–	7	24	2	**26**	73
C.M. Leigh	69	20	20	109	10	**119**	83
J.A.D. Skailes (appointed 17/2/97)	25	–	–	25	–	**25**	–
A.S. Winter (appointed 17/2/97)	25	–	–	25	–	**25**	–
	440	31	94	565	498	**1,063**	720

Notes to the Financial Statements

9. Directors' emoluments *(continued)*

The fees in respect of A.S. Winter were paid to Argyll Europe Limited, a company of which he is a director and shareholder.

R.A. Bulgin resigned from the Board with effect from 31 January 1998. In return for varying his contract of employment, resigning from the boards of subsidiary companies and agreeing to resign as a trustee from various pension funds, the Company made an additional contribution to his pension fund of £265,000. The Company also agreed to make payments or payments in kind to him valued at £36,000.

Details of share options excercised by Directors are included in the Report of the Directors on page 13 and in Note 22 to the financial statements.

10. Taxation on profit on ordinary activities

	1998	1997
	£'000	£'000
UK corporation tax at 31% *(1997: 33%)*	**275**	78
Deferred taxation (Note 21)	**(34)**	9
	241	87

11. Dividends

	1998	1997
	£'000	£'000
Proposed dividend payable of 1.0p *(1997: 0.50p)* per share	**286**	142
Interim dividend paid of 0.25p *(1997: Nil)* per share	**71**	–
	357	142

12. Earnings per share

The calculation of earnings per share of 1.82p *(1997: 0.53p)* is based on the Group profit after taxation of £519,000 *(1997: £151,000)* and the weighted average number of shares in issue during the year of 28,448,904 Ordinary and 'A' Non-Voting Ordinary shares of 5p each *(1997: 28,32[illegible],328)*. The dilutive effect of unexercised options on earnings per share is not material.

13. Intangible fixed assets

The Company has no intangible fixed assets. Details of those relating to the Group are as follows:

	Development costs £'000
Cost	
At 1 February 1997	93
Additions	14
Completed contracts	(37)
At 31 January 1998	**70**
Amortisation	
At 1 February 1997	49
Charge for the year	27
Completed contracts	(37)
At 31 January 1998	**39**
Net book value	
At 31 January 1998	**31**
At 31 January 1997	44

14. Tangible fixed assets

Group	Freehold land and buildings £'000	Plant and machinery £'000	Equipment, fixtures, fittings and vehicles £'000	Total £'000
Cost or valuation				
At 1 February 1997	2,340	2,813	2,180	7,333
Additions	24	230	333	587
Disposals	–	(123)	(286)	(409)
Revaluations	(189)	–	–	(189)
At 31 January 1998	**2,175**	**2,920**	**2,227**	**7,322**
Depreciation				
At 1 February 1997	149	1,899	1,383	3,431
Charge for the year	22	236	351	609
Disposals	–	(119)	(197)	(316)
Revaluations	(171)	–	–	(171)
At 31 January 1998	**–**	**2,016**	**1,537**	**3,553**
Net book value				
At 31 January 1998	**2,175**	**904**	**690**	**3,769**
At 31 January 1997	2,191	914	797	3,902
Assets held under finance leases and hire purchase contracts				
Net book value				
At 31 January 1998	**–**	**339**	**329**	**668**
At 31 January 1997	–	261	294	555

Company	Freehold land and buildings £'000	Plant and machinery £'000	Equipment, fixtures, fittings and vehicles £'000	Total £'000
Cost or valuation				
At 1 February 1997	2,340	–	–	2,340
Additions	24	–	–	24
Revaluations	(189)	–	–	(189)
At 31 January 1998	**2,175**	**–**	**–**	**2,175**
Depreciation				
At 1 February 1997	149	–	–	149
Charge for the year	22	–	–	22
Revaluations	(171)	–	–	(171)
At 31 January 1998	**–**	**–**	**–**	**–**
Net book value				
At 31 January 1998	**2,175**	**–**	**–**	**2,175**
At 31 January 1997	2,191	–	–	2,191

14. Tangible fixed assets *(continued)*

Freehold land and buildings totalling £2,175,000 includes £1,475,000 valued by external valuers, Charles Living & Son Chartered Surveyors, and £700,000 valued by external valuers, Bidwells Property Consultants.

The valuations were carried out as at 31 January 1998 on an Existing Use Value basis in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

The depreciable amount of freehold property was £1,249,000 *(1997: £1,840,000)*.

The amount of freehold land and buildings, included at valuation, determined according to the historical cost accounting rules is as follows:

	Group		*Company*	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Cost	**1,697**	658	**1,697**	658
Accumulated depreciation	**(99)**	(85)	**(99)**	(85)
Net book value	**1,598**	573	**1,598**	573

15. Investment in subsidiary undertakings

	Company	
	1998	1997
	£'000	£'000
At 31 January at cost	**3,303**	3,303

The following principal subsidiary undertakings are all wholly owned and operate primarily in the country of incorporation. Each of the Company's interests comprise investments in the ordinary share capital of the companies.

Company	*Principal activity*	*Country of Incorporation*
*Bulgin Components PLC	Design, manufacture and distribution of electronic and electromechanical components	England
*Bulgin Power Source PLC	Design, manufacture and distribution of power supplies	England
*Cirkit Holdings PLC	Intermediate holding company	England
Cirkit Distribution Limited	Design and distribution of electronic and electromechanical components	England
BP Purchasing (Electronics) Limited	Distribution of electronic and electromechanical components	England

*Directly owned by the Company.

16. Stocks

	Group	
	1998	1997
	£'000	£'000
Raw materials	**1,220**	1,314
Work in progress	**235**	347
Finished goods and goods for resale	**1,329**	1,312
	2,784	2,973

17. Debtors

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Trade debtors (Note 20)	**3,290**	3,418	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,332**	896
Other debtors	**46**	105	**–**	–
Prepayments	**120**	112	**4**	14
	3,456	3,635	**1,336**	910

Included in amounts owed by subsidiary undertakings are balances amounting to £587,000 *(1997: £759,000)* which are due after more than one year.

18. Creditors: Amounts falling due within one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank overdrafts	**610**	441	**610**	158
Bank loans (Note 20)	**112**	147	**112**	147
Invoice discounting advances (Note 20)	**–**	221	**–**	–
Obligations under finance leases and hire purchase contracts	**205**	232	**–**	–
Trade creditors	**2,113**	1,763	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**–**	1
Corporation tax	**222**	69	**–**	–
Advance corporation tax	**71**	35	**71**	35
Other taxes and social security costs	**278**	276	**12**	18
Other creditors	**227**	211	**28**	22
Accruals	**512**	552	**182**	174
Proposed dividends	**286**	142	**286**	142
	4,636	4,089	**1,301**	697

19. Creditors: Amounts falling due after more than one year

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank loans (Note 20)	**1,602**	1,685	**1,602**	1,685
Obligations under finance leases and hire purchase contracts repayable by instalments	**200**	252	**–**	–
	1,802	1,937	**1,602**	1,685

20. Borrowings

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Bank overdrafts	**610**	441	**610**	158
Bank loans	**1,714**	1,832	**1,714**	1,832
Invoice discounting advances	**–**	221	**–**	–
Obligations under finance leases and hire purchase contracts	**405**	484	**–**	–
	2,729	2,978	**2,324**	1,990
Due within one year	**927**	1,041	**722**	305
Due after more than one year	**1,802**	1,937	**1,602**	1,685
	2,729	2,978	**2,324**	1,990
Analysis of repayments:				
Bank loans, overdrafts and invoice discounting advances:				
Within one year	**722**	809	**722**	305
Between one and two years	**112**	104	**112**	104
Between two and five years	**450**	312	**450**	312
After five years by instalments	**1,040**	1,269	**1,040**	1,269
	2,324	2,494	**2,324**	1,990
Finance leases and hire purchase contracts:				
Within one year	**205**	232	**–**	–
In two to five years	**200**	252	**–**	–
	405	484	**–**	–
	2,729	2,978	**2,324**	1,990

The bank loans of £1,714,000 *(1997: £1,832,000)* are secured by charges on freehold properties, bear interest at 1.75% above LIBOR and are repayable in variable instalments over the period to July 2014. Invoice discounting advances of £Nil *(1997: £221,000)* have been utilised against trade debtors of £1,641,000 *(1997: £1,470,000)*.

21. Provisions for liabilities and charges

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Deferred taxation:				
At 1 February	**89**	115	**53**	63
Transfer to/(from) profit and loss account (Note 10)	**(34)**	9	**(3)**	25
ACT recoverable	**(36)**	(35)	**(36)**	(35)
At 31 January	**19**	89	**14**	53

The amount provided for deferred taxation, which represents the full potential liability on all timing differences calculated under the liability method, is:

	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Accelerated capital allowances	**82**	102	**85**	88
Short term timing differences	**8**	22	**–**	–
ACT recoverable	**(71)**	(35)	**(71)**	(35)
	19	89	**14**	53

The Directors are of the opinion that, if the revalued properties were sold at their net book value, any gain arising would be rolled over into new property and therefore no tax liability would then arise.

22. Called-up share capital

	1998 £'000	1997 £'000
Authorised		
2,000,000 Ordinary shares of 5p each	**100**	100
38,000,000 'A' Non-Voting Ordinary shares of 5p each	**1,900**	1,900
	2,000	2,000
Allotted, called up and fully paid		
2,000,000 Ordinary shares of 5p each	**100**	100
26,590,000 *(1997: 26,340,000)* 'A' Non-Voting Ordinary shares of 5p each	**1,329**	1,317
	1,429	1,417

Ordinary shares and 'A' Non-Voting Ordinary shares carry the same rights other than voting rights at General Meetings.

At 31 January 1998 under the Company's executive share option scheme there were options on 870,000 *(1997: 1,220,000)* 'A' Non-Voting Ordinary shares of 5p each. Of these 520,000 are exercisable in whole or in part at a price of 6.5p per share until 26 June 2002 and 350,000 are exercisable in whole or in part at a price of 9.0p per share until 28 June 2003.

During the year Mr. R.E. Bulgin exercised options for 250,000 'A' Non-Voting Ordinary shares of 5p each at a price of 6.5p per share. The middle market price of the 'A' Non-Voting Ordinary shares at the date of exercise was 12.75p per share. The middle market price of the 'A' Non-Voting Ordinary shares of 5p each at 31 January 1998 was 13.5p per share. The range during the year was 9.0p to 15.25p per share.

23. Reserves

Group

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 February 1997	819	291	2,073
Retained profit for the year	–	–	162
Issue of shares	4	–	–
Revaluation (Note 14)	–	(18)	–
Transfer	–	(7)	7
At 31 January 1998	**823**	**266**	**2,242**

Company

	Share premium £'000	Revaluation reserve £'000	Profit and loss account £'000
At 1 February 1997	819	63	1,691
Loss for the year	–	–	(64)
Issue of shares	4	–	–
Revaluation (Note 14)	–	(18)	–
Transfer	–	(4)	4
At 31 January 1998	**823**	**41**	**1,631**

The cumulative amount of goodwill written off to reserves at 31 January 1998 was £692,000 *(1997: £692,000).*

24. Reconciliation of movement in shareholders' funds

	1998 £'000	1997 £'000
Profit for the financial year after taxation	**519**	151
Dividends	**(357)**	(142)
	162	9
Exchange loss	**–**	(7)
Issue of shares	**16**	4
Goodwill written off	**–**	(59)
Revaluation	**(18)**	–
Net addition/(reduction) to shareholders' funds	**160**	(53)
Opening shareholders' funds	**4,600**	4,653
Closing shareholders' funds	**4,760**	4,600

25. Capital commitments Expenditure contracted for but not provided in the financial statements of the Group was £96,000 *(1997: £15,000)*.

26. Lease commitments At 31 January 1998 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		*Other*	
	1998	1997	**1998**	1997
	£'000	£'000	**£'000**	£'000
Expiring within one year	**1**	–	**–**	–
Expiring between two and five years	**–**	5	**6**	9
Expiring after five years	**12**	12	**2**	–
	13	17	**8**	9

Included above in the Other category, is an amount of £5,000 *(1997: £5,000)* expiring between two and five years in respect of the Company.

27. Contingent liabilities The Company has composite banking arrangements with subsidiary undertakings which are limited to the amount standing to the credit of its own banking account.

28. Pension schemes The Group operates three defined contribution schemes and two funded defined benefit schemes for all qualifying employees. The assets of the schemes are held in separate trustee administered funds managed by insurance companies.

Contributions to the defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The pension cost charge for the year was £661,000 *(1997: £307,000)* and outstanding contributions at the year end amounted to £[illegible],000 *(1997: £2,000)*.

Contributions to the defined benefit schemes are assessed in accordance with the advice of an independent qualified actuary and amounted to £83,000 *(1997: £92,000)*. The amounts outstanding at the year end amounted to £9,000 *(1997: £7,000)*.

The details of the latest actuarial valuations of the two defined benefit schemes are:

	Bulgin PLC	*Cirkit Holdings PLC*
Actuarial valuation date	2 June 1995	1 April 1996
Investment return	9.0%	8.5%
Salary growth	7.0%	6.5%
Level of funding	144.2%	103.3%
Market value of assets	£1,838,000	£395,000
Valuation method	Projected unit	Attained age

On the advice of the actuary to the Bulgin PLC defined benefit scheme, funding was suspended following the last actuarial valuation and will be reviewed following receipt of the next actuarial valuation due as at 2 June 1998.

29. Reconciliation of net cash flow to movement in net debt

	1998 £'000	1997 £'000
Increase/(decrease) in cash in the year	**847**	(863)
Cash outflow from decrease in net debt and lease financing	**638**	202
Change in net debt resulting from cash flows	**1,485**	(661)
New finance lease and hire purchase agreements	**(220)**	(258)
Movement in net debt in the year	**1,265**	(919)
Net debt at 1 February (Note 30)	**(2,817)**	(1,898)
Net debt at 31 January (Note 30)	**(1,552)**	(2,817)

30. Analysis of net debt

	At 1 February 1997 £'000	*Cash flow £'000*	*Other non-cash changes £'000*	**At 31 January 1998 £'000**
Cash at bank and in hand	161	1,016	–	**1,177**
Bank overdrafts	(441)	(169)	–	**(610)**
	(280)	847	–	**567**
Debt due within 1 year				
– invoice discounting advances	(221)	221	–	**–**
Finance leases and hire purchase contracts	(484)	299	(220)	**(405)**
Debt due beyond 1 year – bank loans	(1,832)	118	–	**(1,714)**
Net debt	(2,817)	1,485	(220)	**(1,552)**

31. Major non-cash transactions

During the year the Group entered into finance lease and hire purchase arrangements in respect of fixed assets with a total capital value at the inception of these agreements of £220,000 *(1997: £258,000)*.

32. Related party transactions

(a) Details of investments in principal subsidiary undertakings are included in Note 15. In accordance with FRS8, disclosure is not required of transactions and balances between Group companies where such transactions are eliminated on consolidation.

(b) As disclosed in the financial statements last year, £14,000 was paid by Bulgin Power Source PLC to Mr and Mrs C.S. Bulgin for work carried out in that year. During the year ended 31 January 1998, Mr C.S. Bulgin has repaid this sum in full, together with a further sum of £13,000 relating to other work and expenditure defrayed by him and reimbursed by Bulgin Power Source PLC.

(c) Mr T.S.M. Bulgin, a director of Bulgin Components PLC who is Mr R.A. Bulgin's son had an outstanding loan, included in other debtors, of £14,000 at the beginning of the year, which was repaid in the year. This was the maximum sum outstanding during the year.

(d) During the year £3,750 was paid, for consulting services provided, to The Bank Relationship Consultancy Limited, a company of which Mr A.S. Winter is a director and shareholder. During the year he was a director and indirectly a shareholder of that company.

(e) As disclosed in Note 9, Argyll Europe Limited, a company of which Mr A. S. Winter is a director and shareholder, charged fees of £25,000 during the year in respect of services provided by him as a non-executive director.

Group Five Year Record

	£'000				
	1998	1997	1996	1995	1994
Turnover	**19,496**	19,155	20,273	18,155	15,666
Profit before taxation	**,760**	238	1,027	903	507
Shareholders' net assets	**4,760**	4,600	4,653	4,071	3,349
Earnings per share	**1.82p**	0.53p	2.46p	2.27p	1.56p
Dividends per share	**1.25p**	0.50p	0.45p	0.40p	0.25p

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Founders' Hall, Number One Cloth Fair, London EC1A 7HT on 25 June 1998 at 3.30 p.m. for the following purposes:-

Ordinary business

1. To receive, consider and adopt the Directors' report and financial statements for the year ended 31 January 1998 and the Auditors' report thereon.

2. To declare, payable on 26 June 1998, a final dividend of 1.00 pence per Ordinary share and 'A' Non-Voting Ordinary share to the persons registered as holders thereof on 1 June 1998.

3. To re-elect Mr C.M. Leigh a Director of the Company.

4. To re-appoint Bright Grahame Murray as Auditors of the Company with effect from the conclusion of this meeting until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the Directors to fix their remuneration in respect of such period.

Special business

To consider and, if thought fit, to pass the following resolutions of which that numbered 5 will be proposed as an Ordinary Resolution, and that numbered 6 will be proposed as a Special Resolution:

5. THAT
   (a) the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £550,500, such authority to expire five years from the date of this Resolution but to be capable of previous revocation or variation from time to time by the Company in general meeting and of renewal from time to time by the Company in general meeting for a further period not exceeding five years;
   (b) the Company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and
   (c) all previous authorities to allot relevant securities conferred by Resolution of the Company pursuant to Section 80 of the Companies Act 1985 or otherwise be and they are hereby revoked, but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this Resolution.

6. THAT
   (a) subject to and conditional upon the passing of Resolution No. 5 above, the Directors be and they are hereby empowered pursuant to Section 95(1) of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) of the Companies Act 1985) pursuant to the authority conferred by Resolution No. 5 above as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:
      (i) to the allotment of equity securities in connection with a rights issue in favour of the holders of Ordinary shares and of 'A' Non-Voting Ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective number of Ordinary shares and or 'A' Non-Voting Ordinary shares held by them but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or problems arising in any overseas territory; and
      (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £72,475;

Notice of Annual General Meeting

(b) the powers hereby conferred shall expire on the conclusion of the next Annual General Meeting following the date of this Resolution or such later date as the Company may by Special Resolution prescribe but may be previously revoked or varied by Special Resolution;

(c) the power hereby conferred shall enable the Company to make any offer or agreement that would or might require equity securities to be allotted after such power expires and the Directors may offer equity securities in pursuance of any such offer or agreement up to the maximum amount prescribed by paragraph (a) of this Resolution as if the power hereby conferred had not expired; and

(d) all previous powers to allot equity securities conferred by Resolution of the Company pursuant to Section 95 of the Companies Act 1985 or otherwise be and they are hereby revoked, but without prejudice to any allotment offer or agreement made or entered into prior to the passing of this Resolution.

By order of the Board

J.C.R. Batty
Company Secretary

Bypass Road
Barking
Essex
IG11 0AZ

29 May 1998

Notes

1. Only holders of Ordinary Shares are entitled to attend and vote at the above Meeting. Any such holder is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him at the Meeting convened by the above Notice. A proxy need not be a member of the Company.

2. A form of proxy is enclosed. Completion of the form of proxy does not preclude a holder of Ordinary Shares from subsequently attending in person and voting at the Meeting convened by the above Notice.

3. In order to be valid and effective the form of proxy must be completed and signed and, together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, be deposited at the Offices of IRG plc, Balfour House, 390 398 High Road, Ilford, Essex IG1 1NQ as soon as possible and, in any event, so as to arrive not less than forty-eight hours before the time appointed for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting not less than twenty-four hours before the time appointed for the taking of the poll.

4. In the case of an individual, the form of proxy must be executed under the hand of the individual or his attorney authorised in writing. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.

5. Copies of each of the Directors' service contracts are available for inspection at the Registered Office during normal business hours every weekday except Saturday and public holidays; and will be available at the place of the Meeting on the date of the Meeting for at least fifteen minutes before, and during, the Meeting.

Locations of Group Companies

Bulgin PLC and
Bulgin Components PLC

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Essex IG11 0AZ

Telephone: 0181 594 5588
Facsimile: 0181 591 6913

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and B.P. Purchasing (Electronics) Ltd

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