Company Registration No. 1285055

Darby Group Plc Annual Report and Accounts 2001

...unlocking the potential

Group Profile

The Darby Group Plc is engaged in the production of toughened glass, units for double glazing, curved glass and specialised products such as laminated/filmed and decorative glass. Markets served include home improvement, street furniture, architectural and industrial sectors.

The company operates two divisions, Glazing Products and Processed Glass, from six sites in the UK. These ensure a responsive local interface between Darby and its customers, allowing the company to maximise its level of service and complete on-time deliveries. The aim of the Darby Group is to become the customer's **Supplier of Choice.**

Contents

Financial Highlights

...to deliver shareholder value

The strategy and potential of the regional operating structure outlined in last year's report is now making steady progress, with further earnings enhancing opportunities now before us.

- Improved operating profit from continuing facilities
- Net borrowings eliminated as strong operating cashflow continues
- Streamlining – Norwich, Barking, and Wellingborough Glazing Products sites closed, exceptional costs taken in the year
- Sale of Basingstoke Glazing Operation to Pilkington plc
- Forthcoming Document L market changes expected to benefit Darby
- Selective reinvestment plan underway

	2001 £'000	(As restated) 2000 £'000
Turnover	**22,328**	22,031
Operating profit/(loss) before exceptional items		
Continuing facilities	**711**	207
Discontinued facilities	**(612)**	(390)
Net interest payable	**(46)**	(180)
Profit/(loss) before exceptional items	**53**	(363)
Exceptional charges		
Operating costs	**(1,240)**	(411)
Goodwill previously written off to reserves	**(669)**	–
Loss before tax	**(1,856)**	(774)
EBITDA prior to exceptional costs		
Continuing facilities	**1,925**	1,560
Discontinued facilities	**(431)**	(132)
Earnings/(loss) per share		
Before exceptional items	**1.5p**	(0.4p)
After exceptional items	**(5.4p)**	(1.9p)
Operating cash flow	**1,032**	2,228
Net cash/(debt)	**662**	(939)
Net assets per share	**20.9p**	23.9p
Gearing	**Nil**	14%

Chairman's Statement

Trading

Turnover for the year was £22.3m (2000: £22.0m) in total, on which a pre-exceptional Operating Profit of £0.1m was achieved (2000: Operating Loss £0.2m). These figures include sales of £2.5m from discontinued, sold, and closed facilities on which pre-exceptional Operating Losses of £0.6m were recorded. Underlying results from continuing facilities show sales of £19.8m (2000: £17.5m) and pre-exceptional Operating Profits of £0.7m (2000: £0.2m), reflecting the steadily improving results being achieved from the focused trading approach now being taken. Earnings before interest, tax, depreciation and amortisation of £1.9m (2000: £1.5m) were generated from continuing facilities prior to exceptional costs, further emphasising the improved performance.

Sales from the continuing facilities of our Glazing Products operation improved by 13%. Inadequate progress was being made at the operations at Norwich, Barking, and Wellingborough, and these were closed during the year, thereby stemming significant operating losses. The toughening facility at Basingstoke was sold to Pilkington plc just before the year end, realising cash from an otherwise unprofitable operation. The Processed Glass operation also improved sales in the first half of the year, but fell back later as a result of a serious downturn in demand from the outdoor advertising market. Year on year sales in this operation were down by 2% overall.

Exceptional operating costs of £1.2m (2000: £0.4m) were charged, relating principally to a provision against the remaining costs of equipment where the technology has become outdated, redundancy and closure costs, related fixed asset write offs, and the write off of premiums relating to the collapse of Independent Insurance. The bulk of these exceptional costs were announced and accounted for at the interim stage. In addition, non-operating exceptional items of £0.7m (2000: Nil) were recorded, being goodwill relating to closed sites previously written off direct to reserves. This treatment is in line with FRS10 Goodwill, and does not impact upon shareholders' funds.

Following these exceptional costs, the Group recorded a loss before tax of £1.9m (2000: £0.8m).

Balance Sheet

Operating cashflow remained extremely strong this year. Bolstered by the sale of the Basingstoke assets the company ended the year with no net debt, and £1m cash deposits in excess of borrowings.

The Group has adopted FRS19 – Deferred Tax early, in accordance with best practice. The new standard will reduce the volatility of the Group's tax charge, and will enable earnings per share more accurately to reflect future performance. Adoption of the policy has resulted in a tax credit of £0.4m in the year to 31st December 2001. A prior year adjustment of £0.7m has been made to the previous year's profit and loss account following the change in policy.

After this provision, Net Asset Value per share at year end was 20.9p.

Strategy

The strategy rolled out over the past two years, which empowered and made accountable local management, has clearly benefited the larger sites in the Group. Regrettably it has also highlighted the questionable viability of smaller sites where it is harder to achieve economies of scale. During 2001 the Group succeeded in growing its continuing larger sites profitably, whilst eliminating loss making operations from closures and sales.

The impending changes to Building Regulations hinted at last year will become effective progressively throughout 2002, and will allow the Glazing Products operations to take advantage of a significant change in the market during the next few years. Further details are included in the Chief Executive's Review.

The growth potential of the fewer surviving sites following regulation changes now justifies investment in more efficient plant and machinery over the next three years, which will position the company as a leading low cost producer of double glazed units.

Personnel

During what has been a demanding trading year the company has continued to invest in recruiting and developing good staff, and our skill levels are now the best they have been in recent years. The Board acknowledges and thanks all employees for their efforts.

The year also saw the appointment of Mr. Peter Gyllenhammar and Mr. Stephen Knight as Non-Executive Directors, and the resignation from the Board of Mr. Brian Cooper, as announced at the Interim stage. The Board wishes to thank Mr. Cooper for his wise counsel during his time with the company, and welcomes the breadth of experience and complementary skills that Mr. Gyllenhammar and Mr. Knight bring to the company.

Capital Reorganisation
As I reported in the Interim Statement, the Group intends to conduct a capital reorganisation in 2002, following full provision for Deferred Tax liabilities, and the recovery in trading profitability. This will enable, subject to trading, the resumption of dividend payments from future profits as appropriate, and further strengthen the Group's Balance Sheet.

AGM
The Board has decided to seek shareholder approval at the forthcoming Annual General Meeting of the company for the authority to make market purchases of up to 10% of the ordinary shares in issue. The Board considers that it is in the best interests of shareholders for the company to have the flexibility and power to make such purchases under the appropriate circumstances but has no present intention of exercising this authority, and indeed will be unable to do so until sufficient distributable reserves have been created. The effect of such purchases will be to reduce the number of shares in issue and the Directors would accordingly only make such purchases after considering the effect on earnings per share and the benefit to shareholders.

Dividend
In accordance with earlier statements made, the company remains unable to resume dividend payments until trading performance reaches satisfactory levels.

AIM
The company transferred its share listing to the Alternative Investment Market in October 2001 as already announced.

Outlook
2002 has started with promising sales in a quiet marketplace, although sales from the Processed Glass operation are below the level of last year. Glazing Product sales have increased noticeably at continuing operations, further supporting the strategy of concentration on fewer, larger sites.

The largest anticipated change this year relates to the uncertainty in the market that surrounds the forthcoming changes to Building Regulations. The uncertainty over the effective implementation of the changes is affecting the entire industry, from suppliers, through competitors, to customers, and there is still limited awareness of the revised regulations at the ultimate customer level. However, the Company believes that the changes will be positive for the industry, and that Darby will be well placed to benefit.

I believe the company has now achieved a stable platform from which to go forward. It has a strong Balance Sheet, continuing strong cashflow, a development plan, and the strongest team of personnel it has had for some time. We expect to continue to progress.

Mark Abrahams
Non-Executive Chairman

22nd March 2002

Chief Executive's Review

2001 was the first full year of operating under the decentralised structure outlined in last year's review, with local profit centres, empowered management, and – during the year – more accurate management information following the conclusion of the major IT upgrade, allowing more objective decision making.

The benefits are beginning to be delivered, and key operations increased trading activity in the year. In the Glazing Products operations, several regional sites improved sales and profit levels over the previous year, but regrettably some of the smaller operations found it difficult to make adequate progress, and as a result we closed the Norwich, Barking and Wellingborough operations, in February, May and December respectively, with surplus equipment being sold. We also decided that our loss making Basingstoke toughening operation did not fit in with our longer term plans for the Group and this operation was sold to Pilkington plc just before the year end. Although the closures and disposal are regrettable, the remaining Glazing Product operations are benefiting from closer management attention and Group support, increasing sales by 13% year on year.

The Processed Glass operation, also improved sales in the first eight months of the year, but was subsequently severely affected by the general downturn in the advertising industry, slowing demand for products for street furniture and outdoor advertising applications despite a great deal of speculative and R & D work for clients. Sales in this division ended the year 2% down overall but with enquiry levels for other processed products still high.

The year saw significant movements in the price of our major raw material, float glass, and we managed supply arrangements throughout the year to minimise the pressure on margins. Selling price increases covered the cost increases, and the Operating Profit from the continuing facilities increased overall by £0.5m to £0.7m, despite the lack of growth in the overall market.

Cash generated from trading, closures, and the sale of Basingstoke contributed to a strong Balance Sheet even after providing for deferred tax on a full rather than partial basis, and the company concluded the year with net cash. More complete analysis of the Balance Sheet is included in the Group Finance Director's Review.

Our strategy in the last two years has concentrated on organic development based on an orderly structure, with the aim of differentiation in terms of service and quality. We have achieved big improvements, and see our organic growth continuing to be based on the development of fewer, larger sites.

The Glazing Products operations continue to be developed by focusing on medium size accounts with integrity. We successfully won business from a number of such accounts this year, undoubtedly helped by the customer's ability to deal directly with the local supplying site and to form a strong relationship with local management.

The development of the Glazing Products operations is also closely tied to the impending changes in technical specification and regulations applying to glass used in glazing applications. Changes to Building Regulations, more specifically to Part L of the regulations (Part J in Scotland) will require more complex glazing solutions to provide the thermal insulation performance necessary in windows. The amendments (colloquially called "Document L") and the implications for Darby are described more fully in additional notes following these reviews. The changes coincide with a three year investment plan by the company to update its production equipment at key sites, and this investment plan is geared to developing high efficiency, low cost operations fully capable of producing double glazed units compliant with the revised and anticipated future standards.

The Processed Glass operation has grown sales well since its independence as a trading entity in mid-1999, however it has been heavily reliant on a narrow market segment. The company is now researching alternative market sectors to allow further growth in Processed Glass, and has already identified new sectors to target. The company website, www.darbyglass.co.uk, contains much information about Processed Glass, including photographs of some of the architectural glass work undertaken by the operation.

During the year, the company looked at all opportunities for expansion, to give the company a greater market presence given the impending regulatory changes in the industry. The Board concluded that the best return for shareholders would be achieved by reinvestment and organic growth, rather than by acquisition, and this policy is now being followed by the company.

None of the progress made in 2001 would have been achieved without the commitment and effort of the company's employees. In a period of further restructuring and redundancies it was particularly noticeable how all staff worked with enthusiasm, and we continued to attract higher calibre management to the company. I thank everyone for their efforts.

Outlook

The senior management team are very positive about the prospects for the company now that "Document L" is coming into effect, and the opportunities that the reinvestment plans offer to improve profitability.

Development of new sectors of activity for the Processed Glass operation will support the changes in the Glazing Products marketplace too. The reinvestment in new and more efficient machinery provides the opportunity for the company to reorganise its major production site at Scunthorpe. This site is home to the East Region of the Glazing Products operation and the Processed Glass operation. The investment, combined with workflow and productivity improvements will occur progressively over the next eighteen months, but will inevitably be disruptive in this period.

Sales in the current year have started with a good uplift in revenues in the Glazing Products operations, offset by continuing flat demand for Processed Glass despite continuing and reassuring strong enquiry levels. Many of these enquiries are for contract work where delivery dates are not yet fixed, and it is therefore difficult to determine when revenues could be recorded.

H Hayes.

Hugh Hayes
Chief Executive

22nd March 2002

Group Finance Director's Review

Cash Flow

The principal change in the Group's financial position was the large inflow of cash during the year. The difficult decisions and subsequent actions required to restore profitability again impacted upon the Group's trading results, but a net cash inflow of £1.3m was generated during 2001, following on from an inflow of £0.9m in 2000. Since the end of 1999, the Group has transformed net debt of £2.6m to net cash of £0.7m, a turnround of £3.3m whilst reporting losses before tax of £2.6m, emphasising the tight financial controls implemented coupled with the cash generative ability of the Group which has been masked by high depreciation charges.

Earnings before interest, tax, depreciation and amortisation (EBITDA) for 2001 totalled £1.5m (2000: £1.4m) before exceptional charges. However, the continuing facilities (i.e. excluding closed and sold sites plus discontinued facilities) generated EBITDA of £1.9m (2000: £1.5m) prior to exceptional charges. Closed facilities generated a loss before interest, tax, depreciation and amortisation of £0.4m (2000: £0.1m) prior to exceptional charges. The EBITDA figure is highly significant as it highlights the underlying cash flow of the Group.

Working capital reduced by £0.5m (2000 £1.1m) assisted by the closure of the Norwich and Barking sites in the first half of the year. After recognising the effects of the exceptional items, a net cash inflow from operating activities of £1.0m was achieved (2000: £2.2m).

Cash flow for the year was significantly boosted by non-operating inflows. Sale of tangible fixed assets generated £0.7m, of which £0.5m was generated from the sale of the Basingstoke site to a subsidiary of Pilkington plc, the balance largely relating to surplus Norwich and Barking assets. In addition, corporation tax refunds of £0.3m were received, relating to losses carried back against tax paid in previous years.

Finance lease repayments absorbed £0.3m (2000: £0.5m), further reducing the only remaining long term debt which stood at £0.4m at the year end.

Restructuring

During the course of the year, the Group closed its Glazing Products sites at Norwich, Barking and Wellingborough. These sites generated consistent operating losses which had become more apparent following the decentralisation process, and it was unlikely that the losses could be stemmed in an acceptable timescale. Closure costs totalled £0.3m. Certain of the closed sites were acquired in 1997, and at that time goodwill arising on acquisition was written off direct to reserves. In line with the requirements of FRS10 Goodwill, total goodwill of £0.7m has therefore been written back through the profit and loss account for 2001.

The Basingstoke site, sold to Pilkington in December 2001, was a greenfield investment initiated in 1998. The site had incurred operating losses since its inception, and the future investment requirements to comply with Document L, coupled with the significant labour issues associated with an area of very high employment, convinced the Board that realisation of capital invested in the site was the most favourable option. The sales value of £0.5m equated to the net book value of the assets sold.

Within the Processed Glass Operation, the Group withdrew from a market sector where it could no longer compete economically due to the manufacturing processes employed being overtaken by new technology. The Group has provided against the remaining costs of the equipment concerned, totalling £0.8m, but the cash flow effect is spread over the next three years.

Results

The overall financial performance of the Group in the year was distorted by the cessation of trade at the discontinued facilities coupled with the restructuring costs incurred. The layout of the profit and loss account has been changed in order that the underlying performance of the continuing facilities can be properly assessed. This demonstrates that the continuing facilities generated an operating profit prior to exceptional costs of £0.7m (2000: £0.2m), representing significant progress within the remaining core of the Group.

Turnover within the continuing facilities rose by 13.3% to £19.8m, the growth being generated by the Glazing Products operation, the Processed Glass operation being affected by the downturn in street furniture and advertising sector. Turnover from discontinued facilities fell by 44.8% to £2.5m, reflecting the early closure of Norwich and Barking.

Gross margins from the continuing facilities totalled £4.8m, 24.1% of sales (2000: £4.2m, 24.0%), the impact of rising float glass prices being offset by selling price increases combined with increased throughput through the relatively high fixed cost base. Other operating costs for continuing facilities totalled £4.1m (2000: £4.0m), reflecting management efforts to minimise the cost base whilst increasing activity levels.

Exceptional costs of £1.2m (2000: £0.4m) were incurred, largely relating to the restructuring activities outlined earlier at discontinued facilities.

Balance Sheet
Net assets employed totalled £5.8m (2000: £6.6m as restated).

Tangible fixed assets reduced by £2.0m in the year to £5.9m. The Basingstoke sale and other site closures resulted in the disposal of assets with net book values of £0.7m. Capital expenditure was constrained once again, additions totalling £0.4m consisting principally of a double edging machine for the process division to remove a production bottleneck. Depreciation charges remained high at £1.6m (2000: £1.7m), but will reduce in future years as assets reach the end of their useful lives, coupled with the disposals. Capital expenditure for the foreseeable future is likely to be in line with depreciation as the Group re-equips to become a low cost manufacturer.

Stocks fell by £0.2m to £0.7m, largely due to the site closures releasing working capital assisted by continuing efforts to maximise just in time stockholding policies. Debtors fell by £0.6m to £3.4m, of which £0.3m related to the corporation tax refund. Trade debtors fell by £0.4m due to the realisation of the Norwich and Barking ledgers. Balances due for the Wellingborough and Basingstoke sites will be collected in 2002.

The Group was ungeared at the end of 2001 (2000: 14% as restated). Cash in hand of £2.1m (2000: £0.7m) was offset by bank overdrafts of £1.1m (2000: £1.0m) and outstanding finance leases of £0.4m (2000: £0.7m) to leave net cash of £0.7m (2000: net debt £0.9m). The Group is therefore strongly placed to finance necessary planned investment over the next three to four years to meet the requirements of Document L.

Capital Reconstruction
Following the correction of accounting errors in 1998/99, coupled with the subsequent restructuring and exceptional charges, the Group is carrying forward retained losses of £3.8m and is therefore unable to resume dividend payments until distributable reserves have been created. The Board are mindful of the need to strengthen the Group's balance sheet and to demonstrate its accumulated wealth.

Accordingly, the Board proposes to effect a capital reconstruction during 2002 to offset retained losses against the share premium account, thereby enabling dividend payments to be resumed from future profits. The process requires the passing of a special resolution, and is then subject to a court application to ensure that shareholders and creditors are treated fairly. The exercise will not impact on the net asset value of the Group. It is anticipated that an EGM to approve the special resolution will be organised to follow on from the AGM.

Accounting Policies
The Group has adopted FRS19 "Deferred Tax" during the year, providing for deferred tax on a full basis. This amendment has been made before it becomes mandatory in order to clarify the Group's potential future liabilities and to enable earnings per share to accurately reflect the Group's future performance. Adoption of FRS19 has resulted in a prior year adjustment of £0.7m to reflect the unprovided deferred tax liability as at 31st December 2000, offset by a current year credit of £0.4m to reflect the narrowing of the difference between the valuation of tangible fixed assets for tax and accounting purposes, offset by tax losses available to carry forward.

Stephen Bannister
Finance Director

22nd March 2002

Document L: Shareholder and Analysts' Questions

"Document L" is part of a revised set of Building Regulations for England and Wales being enforced by the Government. These revised regulations will set new standards for energy efficiency in buildings, both new and old, domestic and non-domestic. Similar amendments are being introduced in Scotland and Northern Ireland. The following information assesses the impact of the changes, which Darby Group Plc fully supports.

Why are these changes being introduced?
The U.K. government has made commitments as part of the Kyoto agreement to reduce emissions of greenhouse gases to the atmosphere. Almost half of the U.K.'s carbon dioxide emissions come from energy consumed to heat, light, and cool our buildings. By making our buildings more energy efficient, pollution that damages the atmosphere will be reduced, and natural resources will be conserved.

What changes are being introduced?
Building Regulations are being revised to require the materials used to be more thermally efficient. This includes all prospective elements in the building structure, whether, for example, walls, floors, or roof materials, as well as the installed window assemblies, along with more efficient building services such as lighting, heating, and ventilation. The proposals also aim to extend the overall scope of Building Regulations.

When will the "Document L" revisions come into force, and why should the building industry comply with the changes?
The amended regulations come into force in April 2002 (March 2002 in Scotland). Compliance with the Building Regulations is a mandatory requirement.

What buildings are affected by the regulations?
All new buildings will have to comply with the requirements stated in "Document L", and this will include the construction of dwellings and non-domestic buildings such as offices. Existing buildings will also have to comply with these regulations if any improvement work is undertaken. The only exceptions will be buildings in conservation areas, display windows, and entrance doors for shops. Some conservatory installations may also be exempt from the regulations initially.

What will be the impact on the market for windows?
The thermal performance requirement for complete, installed windows (i.e. the frame and the glass) is improved dramatically in the revised regulations, and whatever the frame material used (timber, upvc, aluminium, or steel) neither single glazing nor normal double glazing will allow the required thermal performance to be met. To meet the revised standards a double glazed unit needs to include specially coated glass in its construction, as a minimum, and may also need the cavity to be filled with a special gas rather than air.

How will customers know that their windows are compliant with the new regulations?
In new buildings, compliance will come under the remit of Building Control inspection.

In the replacement windows industry, a self certification scheme, overseen by the trade body, The Glass and Glazing Federation, will be adopted by reputable window and glazing companies. Inspection of self certifying companies will be regular, and there will be penalties for abuse.

In addition, the coated glass can be physically detected by the use of hand-held equipment, allowing on site detection of illegally fitted units. The industry expects to become self policing.

Will the glass processing industry be affected?
Many parts of mainland Europe adopted the higher thermal performance requirements some years ago, and saw a speedy move to compliant windows and units. There is however a requirement for financial investment to allow efficient production of compliant units, and this investment proved impossible for many smaller companies, who ceased trading.

What about supplies of coated glass?
Initially, supplies of easily handled coated glass may be limited, but this will ease over time. All the major flat glass producers have or are developing coated glass suitable for use in the U.K. market, and Darby has strong relationships with all potential suppliers.

Document L: Shareholder and Analysts Questions

What are the implications for Darby?
Darby is well placed to benefit from the changes to "Document L". During the three year period 2002-2005 Darby will invest in state of the art equipment at its major manufacturing sites to become one of the most efficient low cost producers of double glazed units for the window market. The equipment being purchased is capable of handling all foreseen types of coated glass, and will be purchased from the leading equipment manufacturers in the world.

Darby's Balance Sheet, with strong cash generation, lack of gearing, and unutilised borrowing resources, means that the company has the financial ability to make the necessary investment.

As a result, Darby anticipates a growing share of the market for compliant units with economies of scale leading to improved profitability, and enhanced shareholder value.

More technical information regarding "Document L" is available from the company, on request, or by accessing the company website, www.darbyglass.co.uk.

Hugh Hayes
Chief Executive

Board of Directors, Officers and Advisers

Non-Executives

Mark Abrahams (aged 47) is Chairman of Darby Group Plc and the Nominations Committee. He also serves on the Audit and Remuneration Committees. He was appointed to the Board in July 1997. He is Chief Executive of Fenner Plc, Non-Executive Chairman of Inditherm Plc, and a Non-Executive Director of The British Rubber Manufacturers Association.

Peter Gyllenhammar (aged 48) is Chairman of the Remuneration Committee and serves on the Audit and Nominations Committees. He was appointed to the Board in July 2001, and currently holds Directorships with Montpellier Group Plc, Erudite Limited, RAP Conveyors Limited, Fortvaltnings AB Browallia, Union Limited and Bullough Plc.

Stephen Knight (aged 54) is Chairman of the Audit Committee and serves on the Remuneration and Nominations Committees. He was appointed to the Board in July 2001. He is Deputy Chairman of Environmental Polymers Group Plc, and has previously held senior executive positions within James Halstead Plc.

Executives

Hugh Hayes (aged 50) is Chief Executive. He was appointed to the Board in April 1999. Previously, he held senior executive positions at BSW Timber, British Syphon Industries and Hawker Siddeley.

Stephen Bannister (aged 41) is Finance Director and Company Secretary. He was appointed to the Board in May 2000. Previously, he was a Divisional Finance Director of the Spring Ram Corporation, where he also held a number of finance and general management positions within the Bathrooms Division.

Directors	M. S. Abrahams *Non-Executive Chairman* M. H. Hayes *Chief Executive* S. J. Bannister *Finance Director and Company Secretary* P. J. P. V. Gyllenhammar *Non-Executive* P. S. P. Knight *Non-Executive*
Registered Office	Darby House Sunningdale Road Scunthorpe North Lincs. DN17 2SS
Registered Number	1285055
Auditors	Ernst & Young LLP Cloth Hall Court 14 King Street Leeds LS1 2JN
Bankers	National Westminster Bank Plc Radford House Radford Boulevard Nottingham NG7 5QG
Solicitors	Addleshaw Booth & Co Sovereign House Sovereign Street Leeds LS1 1HQ
Nominated Advisers & Stockbrokers	Old Mutual Securities Temple Court 35 Bull Street Birmingham B4 6ES
Registrars	Capita IRG Plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

Report of the Directors

The Directors present their report and the Group accounts of Darby Group Plc for the year ended 31st December 2001.

Activities
The Group is a manufacturer and distributor of flat and curved tempered safety glass and insulating glass units.

Business review
A review of activities and prospects is included on pages 2 to 7.

Directors
Directors who currently serve the Company, together with their biographical details, are set out on page 10.

On 2nd July 2001, Brian Cooper resigned from the Board. On the same day, Peter Gyllenhammar and Stephen Knight were appointed as Non-Executive Directors.

Having joined the Board in 2001, both Peter Gyllenhammar and Stephen Knight retire under the Articles of Association and, being eligible, offer themselves for re-election.

Hugh Hayes, who was re-appointed to the Board in 2000, retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Both Mark Abrahams and Stephen Knight are considered to be Independent Non-Executive Directors. Peter Gyllenhammar has informed the company that he has a beneficial interest in 8,262,799 shares, 29.9% of the issued share capital.

Results
The consolidated loss before taxation is £1,856,000 and the consolidated loss after taxation is £1,499,000.

Dividends
The Directors have decided not to declare a dividend.

Shareholdings
At 19th March 2002, substantial shareholdings were as follows:

	Ordinary Shares	Percentage
Erudite Limited*	8,262,799	29.9%
M. J. Darby	4,150,000	15.0%
UBS Asset Management	3,192,228	11.6%
Advance Value Realisation Company Limited	1,750,000	6.3%
Unibank A/S	1,360,000	4.9%
SIS Sega Intersettle AG	869,100	3.1%

*This shareholding represents the beneficial holding of Mr. Peter Gyllenhammar, a Director of the company.

Supplier payment policy
It is the Group's policy that payments are made to suppliers in accordance with agreed terms.

At 31st December 2001, the Group's trade creditors represented 68 days of annual purchases. The Company has no trade creditors.

Employees
The Group aims to keep employees involved in and informed about the Group's affairs by regular communication through formal and informal channels, together with regular managerial contact.

Particular emphasis is placed on health and safety issues as they affect individuals across the manufacturing sites.

The Group seeks to provide equal opportunities in the appointment, training, career development and promotion of disabled persons taking into account the requirements of the job.

Report of the Directors

Donations
The Group did not make any political or charitable contributions during the year.

Auditors
On 28th June 2001 Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28th June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditor, and to authorise the Directors to determine their remuneration, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Stephen Bannister
Company Secretary

22nd March 2002

Statement on Corporate Governance

Following the transfer of the Company's share quotation to the AIM market in October 2001, the Company is not obliged to make a statement on corporate governance. However, the Directors wish to comply with the provisions of section 1 of the Combined Code attached to the Listing Rules of the Financial Services Authority, and have decided to continue to account to shareholders regarding compliance with the Combined Code. This statement explains how the Company applies the principles of good governance.

Board of Directors

The Company is controlled through the Board of Directors, which comprises Mark Abrahams (Non-Executive Chairman), Hugh Hayes (Chief Executive), Steve Bannister (Group Finance Director), Peter Gyllenhammar and Stephen Knight (Non-Executive Directors). The Directors' biographical details are set out on page 10. The Board considers that the breadth of experience of the Directors is sufficient to provide effective leadership for the Company.

The posts of Chairman and Chief Executive are held by separate Directors. The Chairman is responsible for the workings of the Board, the Chief Executive is responsible for running the business ánd implementation of strategy and policy.

The Board meets at least six times per year, and has a formal list of matters specifically reserved for it, including overall Group strategy, approval of annual budgets and monitoring achievement of those budgets, approval of major capital expenditure projects and monitoring exposure to key business risks. The Board receives sufficient information in advance to enable it to discharge its duties.

All Directors offer themselves for re-election at the first opportunity after their initial appointment, and at least once every three years thereafter under rotation. Non-Executive Directors are appointed on fixed term contracts, normally for three years, with no automatic re-appointment.

Certain duties are delegated to the Audit, Remuneration and Nominations Committees. The duties of the Audit Committee are described on page 15.

The Remuneration Committee consists of the Non-Executive Directors, and is chaired by Peter Gyllenhammar. Its main duties are to make recommendations to the Board concerning the Company's framework of executive remuneration, and recommend remuneration, bonus awards and share options for individual Executive Directors. The Board felt that Peter Gyllenhammar, while not considered an Independent Non-Executive Director because of his substantial interest in shares in the Company, was well placed to represent the views of shareholders.

The Nominations Committee also consists of the Non-Executive Directors and is chaired by Mark Abrahams. It is responsible for making recommendations regarding appointments to the Board.

Relations with Shareholders

The Board considers dialogue with both its institutional and private investors an important aspect in the Company's development. The Directors communicated regularly with the Company's institutional shareholders and brokers throughout the period under review via presentations and meetings.

The Company notifies shareholders of the Annual General Meeting at least twenty working days before the meeting, and separate resolutions are put forward on each substantially separate issue, including the approval of the report and accounts. Details of all proxies lodged on each resolution are announced after the show of hands on the resolution. Directors and chairs of committees are introduced at the meeting and are available to answer questions, before, during and after the meeting.

Statement of Directors Responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the Group for that period. In preparing those accounts, 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 departures disclosed and explained in the accounts.

Statement on Corporate Governance

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

The report of the auditors regarding their responsibilities is shown on page 17.

Financial Reporting

The Board aims to present a balanced and understandable assessment of the Company's position and prospects in its annual report and accounts, interim report and other significant information releases.

Going Concern

After making enquiries, the Directors have reasonable expectations that the Company and the Group 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 accounts.

Internal Control

The Group's system of internal control incorporates a risk management policy for identifying, evaluating and managing significant risks faced by the Group. The policy was effective throughout the year under review and up to the date of approval of the annual report and accounts, and is embedded into day to day operating procedures and governance processes wherever possible to enhance control over individual business units. The policy is reviewed regularly by the Board, and satisfies the requirements of the Turnbull Committee.

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In doing so, the Board has considered information generated from its control procedures, risk management policy and the Group's external auditors. The Board has also taken account of any material developments since 31st December 2001. Any system can only manage rather than eliminate the risk of failure to meet business objectives. Therefore the system can provide only reasonable but not absolute assurance that the Group's assets are protected from material misstatement or loss, and that proper financial records are maintained.

The key control procedures operating within the Group include but are not limited to:

- A comprehensive system of budgeting and forecasting, with a detailed periodic review of actual results compared to budgets and previous years.
- Procedures for the appraisal, review and authorisation of capital expenditure.
- Treasury procedures and banking arrangements.
- Financial controls and procedures to be adopted by operational managers.
- Monitoring and assessment of business risk and performance for each trading location via periodic review, with random audit of working practices and controls.
- Secure storage and back up of data held on computer systems.
- The Directors have put in place an organisational structure appropriate for the size of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary.

The Group's external auditors, Ernst & Young LLP, have audited the accounts and have reviewed the internal financial control systems to the extent they consider necessary to support their audit report.

The Board has considered the need for an internal audit function, and have concluded that there is no requirement for such a function at present.

Audit Committee and Auditors

The Audit Committee consists of the Non-Executive Directors, and is chaired by Stephen Knight. The Finance Director and Ernst & Young LLP attend each meeting by invitation. The Audit Committee normally meets at least twice during the year, and reviews the effectiveness and adequacy of the Group's internal controls, accounting policies and financial reporting, as well as the work performed by the external auditors. The Audit Committee also reviews the interim report and annual report and accounts before they are submitted to the Board, and approves the auditor's remuneration.

Compliance Statement

The Company complied with the provisions of section 1 of the Combined Code attached to the Listing Rules of the Financial Services Authority throughout the period under review, other than the following minor exceptions:

- There is currently no formal induction or training in place for the Directors (A.1.6). The Company recruits to the Board individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director.
- A senior Non-Executive Director has not been identified (A.2.1).
- Although not all members of the Remuneration Committee are Independent Non-Executive Directors, they are all Non-Executive Directors (B.2.2)
- The Audit Committee did not contain three Non-Executive Directors for the first six months of the period under review (D.3.1).

Report of the Board on Remuneration

Remuneration policy
The current policy is to review the remuneration of Directors annually, giving consideration to performance and prevailing market rates.

The remuneration of Non-Executive Directors is determined by the full Board. The Non-Executive Directors do not participate in bonuses, share options or long term incentive schemes. A full table of individual Directors' salaries and benefits is given in note 4 to the accounts.

Service contracts
Mark Abrahams has a fixed term contract for a period up to 30th June 2002. Peter Gyllenhammar and Stephen Knight have fixed term contracts for a period up to 1st July 2004. Each Executive Director has an employment contract with an entitlement to notice. Both Hugh Hayes and Steve Bannister have notice periods of 12 months.

Bonus scheme
The Company operates an annual bonus scheme for Executive Directors which is related to profit on sales above an agreed threshold. The bonus is capped at 50% of basic salary. The Company does not operate any long term incentive schemes.

Pension benefits
The company operates a defined contribution scheme for its Directors. Contributions are paid monthly, and are detailed in note 5 to the accounts.

Directors' share interests
Details of Directors' share interests are provided in note 6 to the accounts.

Share options
Share options are granted to Directors and senior employees as a means to motivate and align their interests with those of the shareholders. Details of outstanding options are provided in note 23 to the accounts.

Report of the Auditors

To the Members of Darby Group Plc

We have audited the Group's accounts for the year ended 31st December 2001 which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses, Reconciliation of Consolidated Shareholders' Funds and the related notes 1 to 31. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 regarding Directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Directors' Report, Chairman's Statement, Chief Executive's Review, Finance Director's Review and Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom 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 judgments 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 considered 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 accounts.

Opinion
In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2001 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds
22nd March 2002

Consolidated Profit and Loss Account

Year ended 31st December 2001

	Notes	**Continuing Facilities £'000**	**Discontinued Facilities £'000**	**2001 Total £'000**	Continuing Facilities £'000	Discontinued Facilities £'000	(As restated) 2000 Total £'000
Turnover	1	**19,828**	**2,500**	**22,328**	17,499	4,532	22,031
Operating costs	2	**(19,117)**	**(3,112)**	**(22,229)**	(17,292)	(4,922)	(22,214)
Exceptional costs	2	**(149)**	**(1,091)**	**(1,240)**	(357)	(54)	(411)
Total operating costs		**(19,266)**	**(4,203)**	**(23,469)**	(17,649)	(4,976)	(22,625)
Group Operating Profit/(loss)		**562**	**(1,703)**	**(1,141)**	(150)	(444)	(594)
Non-operating exceptional items:							
Goodwill previously written off to reserves	8	**–**	**(669)**	**(669)**	–	–	–
Profit/(loss) on ordinary activities before interest		**562**	**(2,372)**	**(1,810)**	(150)	(444)	(594)
Interest receivable	9			**45**			31
Interest payable and similar charges	10			**(91)**			(211)
Loss before taxation				**(1,856)**			(774)
Taxation	11			**357**			242
Loss for the year				**(1,499)**			(532)
Dividends				**–**			–
Retained loss for the year				**(1,499)**			(532)
Earnings/(loss) per share							
– before exceptional costs	12			**1.5p**			(0.4p)
– basic and diluted	12			**(5.4p)**			(1.9p)

Turnover and operating loss are derived from continuing activities.

Year 2000 comparatives have been restated for the adoption of FRS19 (see note 22).

Consolidated Balance Sheet

At 31st December 2001

	Notes	2001 £'000	(As restated) 2000 £'000
Fixed assets			
Tangible assets	13	**5,858**	7,833
Investments	14	**19**	19
		5,877	7,852
Current assets			
Stocks	16	**667**	873
Debtors	17	**3,442**	4,067
Cash at bank and in hand		**2,080**	675
		6,189	5,615
Creditors: amounts falling due within one year	18	**(5,058)**	(5,590)
Net current assets		**1,131**	25
Total assets less current liabilities		**7,008**	7,877
Creditors: amounts falling due after one year	19	**(77)**	(356)
Provisions for liabilities and charges	22	**(1,165)**	(925)
Net assets		**5,766**	6,596
Capital and reserves			
Called up share capital	23	**1,382**	1,382
Share premium account	24	**8,153**	8,153
Profit and loss account	25	**(3,769)**	(2,939)
Equity shareholders' funds		**5,766**	6,596

Approved by the Board of Directors on 22nd March 2002

M. S. Abrahams

S. J. Bannister
Directors

Year 2000 comparatives have been restated for the adoption of FRS19 (see note 22)

Consolidated Cash Flow Statement
Year ended 31st December 2001

	Notes	**2001** *£'000*	**2001** *£'000*	2000 *£'000*	2000 *£'000*
Cash flow from operating activities	27		**1,032**		2,228
Returns on investments and servicing of finance					
Interest received		**47**		27	
Interest paid on bank loans		**(49)**		(81)	
Interest paid on finance leases		**(43)**		(130)	
			(45)		(184)
Taxation					
Corporation tax received			**265**		13
Capital expenditure					
Sale of tangible fixed assets		**702**		53	
Purchase of tangible fixed assets		**(353)**		(477)	
			349		(424)
Net cash inflow before financing	28		**1,601**		1,633
Financing					
Repayment of loans and other borrowings		**–**		(201)	
Capital repayments of finance leases		**(304)**		(524)	
			(304)		(725)
Increase in cash	29		**1,297**		908

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31st December 2001

	Note	2001 £'000	(As restated) 2000 £'000
Loss for the year		**(1,499)**	(532)
Prior year adjustment	22	**(727)**	–
Total recognised losses since last annual report		**(2,226)**	(532)

Movements in Consolidated Shareholders' Funds

Year ended 31st December 2001

	Note	2001 £'000	(As restated) 2000 £'000
Shareholders' funds brought forward – as previously stated		**7,323**	8,109
Prior year adjustment	22	**(727)**	(981)
Shareholders' funds brought forward – restated		**6,596**	7,128
Loss for the year		**(1,499)**	(532)
Goodwill adjustment		**669**	–
Shareholders' funds carried forward		**5,766**	6,596

Company Balance Sheet
At 31st December 2001

	Notes	2001 £'000	(As restated) 2000 £'000
Fixed assets			
Tangible assets	13	**1,920**	1,996
Investments	14	**328**	328
		2,248	2,324
Current assets			
Debtors	17	**4,803**	6,186
Cash at bank and in hand		**348**	–
		5,151	6,186
Creditors: amounts falling due within one year	18	**(1,432)**	(1,220)
Net current assets		**3,719**	4,966
Total assets less current liabilities		**5,967**	7,290
Provisions for liabilities and charges	22	**(234)**	(212)
Net assets		**5,733**	7,078
Capital and reserves			
Called up share capital	23	**1,382**	1,382
Share premium account	24	**8,153**	8,153
Profit and loss account	25	**(3,802)**	(2,457)
Equity shareholders' funds		**5,733**	7,078

Approved by the Board of Directors on 22nd March 2002

M. S. Abrahams

S. J. Bannister
Directors

Year 2000 comparatives have been restated for the adoption of FRS19 (see note 22).

Accounting Policies

Basis of accounting
The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards.

In preparing these accounts, the Group has changed its accounting policies to comply with FRS19 Deferred Tax. The change in accounting policy is reflected by way of a prior year adjustment and details of the effect of this are disclosed in note 22 to the accounts.

Basis of consolidation
The consolidated accounts include the accounts of Darby Group Plc and its subsidiary companies. The results of businesses acquired are incorporated from the month of acquisition.

Acquisitions
Fair values were ascribed to the net assets of businesses previously acquired and the resultant surplus or deficiency was taken to reserves. In future, any resultant surplus or deficiency will be capitalised and amortised through the profit and loss account.

Turnover
Turnover represents sales less returns to external customers, excluding value added tax.

Fixed Assets
The Group does not revalue any of its fixed assets. Upon acquisition, differing useful lives are ascribed to major components of an asset where applicable.

Depreciation
With the exception of freehold land, depreciation is provided on tangible fixed assets on a straight line basis to write off their cost over their estimated lives, as follows:

Freehold buildings – 40 years	Office equipment – 4 to 7 years
Leasehold improvements – unexpired portion of lease	Motor vehicles – 4 years
Plant and machinery – 7 to 15 years	Short life plant – 3 years

The cost of commissioning machinery (being the cost of glass used together with the attributable cost of labour and overheads) is included in the cost of plant, where applicable. The carrying value of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate those carrying values may not be recoverable.

Leases
Assets acquired under finance lease are capitalised in tangible fixed assets and are depreciated over their estimated useful lives. The capital element of future rentals is included in creditors. Lease payments are apportioned between the finance element (which is charged to the profit and loss account) and the capital element (which reduces the outstanding liability). Operating leases are charged to the profit and loss account as incurred.

Pensions
The Group operates a defined contribution scheme for certain directors and employees. The assets of the scheme are held separately from those of the Group. The pension charge represents the contributions payable in the period.

Stocks
Stocks are stated at the lower of cost and net realisable value on a FIFO basis. Cost includes the appropriate proportion of overheads attributable to bringing the stock to its location and condition.

Deferred Taxation
Deferred tax is fully provided for in respect of the taxation effect of all timing differences between the treatment of certain items for taxation and accounting purposes.

Foreign Currencies
Transactions in foreign currencies are recorded in sterling at the exchange rate prevailing at the time or at the contracted rate if the transaction is covered by a forward currency contract. Assets and liabilities are recorded in sterling at the exchange rate at the balance sheet date or if appropriate at the forward currency rate. Exchange differences are included in the profit and loss account.

Notes to the Accounts

1. Segmental analysis

Turnover by geographical destination is as follows:

	2001	2000
	£'000	£'000
UK	**22,216**	21,768
Europe	**112**	166
Other	**–**	97
	22,328	22,031

Turnover, profit and net assets all arise in the UK and are wholly attributable to the principal activity.

2. Group operating loss

Operating costs:

	Before Exceptionals	**Exceptional Items**	**2001 Total**	Before Exceptionals	Exceptional Items	2000 Total
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost of sales	**17,475**	**1,124**	**18,599**	17,205	128	17,333
Distribution costs	**1,875**	**49**	**1,924**	1,893	2	1,895
Administration expenses	**2,879**	**67**	**2,946**	3,116	281	3,397
	22,229	**1,240**	**23,469**	22,214	411	22,625

The accounts for the year ended 31st December 2001 include an exceptional charge of £1,240,000 relating to further restructuring of the Group in order to restore profitability. It comprises a provision against the remaining costs of equipment where technology has become outdated (£804,000), redundancy and closure costs (£362,000) and the write-off of premiums paid to Independent Insurance (£74,000).

The accounts for the year ended 31st December 2000 included an exceptional charge of £411,000. It comprised redundancy costs relating to the restructuring exercise (£160,000), write off of the old computer systems (£134,000), termination costs of M. P. Hopcroft's employment contract (£43,000), lease dilapidations (£40,000), write down of certain Norwich assets (£35,000), cancellation of the profit related pay scheme (£24,000) and the recruitment costs of S. J. Bannister (£21,000) offset by an insurance claim receipt re a furnace breakdown in 1999 (£46,000).

Operating loss on continuing activities is stated after charging:

	2001	2000
	£'000	£'000
Depreciation		
– owned assets	**1,544**	1,484
– leased assets	**105**	254
Operating leases		
– property	**406**	483
– plant and machinery	**445**	484
Loss on foreign exchange transactions	**–**	1
Auditor's remuneration		
– audit	**34**	33
– non-audit	**32**	37

In respect of the company, auditor's remuneration includes £9,300 (2000: £9,000).

3. Employees

The average number of employees, including Directors, during the year was:

	2001 *Number*	2000 *Number*
Production	**265**	283
Sales and distribution	**34**	33
Administration and management	**68**	78
	367	394

Employment costs during the year were:	**2001** *£'000*	2000 *£'000*
Wages and salaries	**5,597**	5,696
Social security costs	**448**	470
Other pension costs	**65**	64
	6,110	6,230

4. Directors' remuneration

	Salary *£'000*	Benefits *£'000*	**2001** *£'000*	2000 *£'000*
M. S. Abrahams	18	–	**18**	18
M. H. Hayes	88	10	**98**	97
S. J. Bannister	65	10	**75**	43
P. J. P. V. Gyllenhammar	9	–	**9**	–
P. S. P. Knight	9	–	**9**	–
B. Cooper	9	–	**9**	18
F. H. Hart	–	–	**–**	16
M. P. Hopcroft	–	–	**–**	66
	198	20	**218**	258

In 2000, the remuneration for M. P. Hopcroft included £33,000 as compensation for loss of office.

5. Directors' pension benefits

	2001 *£'000*	2000 *£'000*
M. H. Hayes	**22**	22
S. J. Bannister	**13**	4
F. H. Hart	**–**	1
M. P. Hopcroft	**–**	10
	35	37

Company contributions toward a defined contribution pension scheme of 10% of basic salary are payable in respect of each Executive Director. Both M. H. Hayes and S. J. Bannister elected to have an additional element of their basic salary paid as pension contributions.

Notes to the Accounts

6. Directors' share interests

The beneficial interest of Directors in the shares of the Company during the financial year were as follows:

	Shares at 31.12.01	Shares at 31.12.00
M. S. Abrahams	**5,000**	5,000
M. H. Hayes	**55,000**	55,000
S. J. Bannister	**8,500**	–
P. J. P. V. Gyllenhammar	**8,262,799**	4,700,000

There were no changes in Directors' share interests between 1st January 2002 and 22nd March 2002.

7. Directors' share options

Directors share options were exercisable from 6th June 2000 to 6th June 2004, subject to the performance criteria set out in note 23. No current Directors are in possession of options under the Company's share option scheme.

8. Goodwill

During the year, the Group closed certain sites acquired in 1997. Accordingly, in line with FRS10 "Goodwill", goodwill previously written off direct to reserves has been charged to the profit and loss account.

9. Interest receivable

	2001 *£'000*	2000 *£'000*
From bank deposits and loan interest rebates	**22**	15
From corporation tax refunds	**23**	8
From finance lease rebates	**–**	8
	45	31

10. Interest payable and similar charges

	2001 *£'000*	2000 *£'000*
On bank loans and overdrafts	**45**	74
On finance leases and hire purchase contracts	**46**	137
	91	211

11. Taxation

	2001 £'000	(As restated) 2000 £'000
(a) Tax on profit on ordinary activities		
Current Tax		
U.K. corporation tax on profits for prior periods	**(2)**	(39)
Deferred Tax		
Current year credit	**(355)**	(203)
Tax on profit on ordinary activities	**(357)**	(242)

The group has adopted FRS19 Deferred Tax in 2001. The deferred tax credit for 2000 reflects the deferred tax that would have been recognised at 31st December 2000, had deferred tax been calculated on the FRS19 basis for that period.

(b) Factors affecting the tax charge for the year

The tax assessed for the period differs to the standard rate of corporation tax in the U.K. (30%). The differences are explained below.

	2001 £'000	(As restated) 2000 £'000
Loss on ordinary activities before tax	**(1,856)**	(774)
Loss on ordinary activities multiplied by standard rate of corporation tax of 30%	**(557)**	(232)
Effects of:		
Expenses not deductible for tax purposes	**5**	17
Depreciation for period in excess of capital allowances	**280**	264
Goodwill	**201**	–
Movement on tax losses during the year	**85**	(25)
Short term timing differences	**(14)**	(24)
Adjustment in respect of prior periods	**(2)**	(39)
Current tax charge for period	**(2)**	(39)

12. Loss per share

Loss per share is calculated by dividing the loss after taxation of £1,499,000 (2000: loss after taxation £532,000) by the weighted average of 27,634,594 shares (2000: 27,634,594 shares) in issue in the year.

Earnings/(loss) per share before exceptional items is disclosed as an alternative figure to earnings per share as this measure is considered by the Directors to be a more meaningful indication of the Group's underlying performance.

13. Tangible assets

Group	Freehold Land & Buildings £'000	Short Leasehold Property £'000	Plant Vehicles & Equipment £'000	Total £'000
Cost				
At 1st January 2001	2,722	592	15,780	19,094
Additions	–	–	354	354
Disposals	–	(219)	(3,150)	(3,369)
At 31st December 2001	**2,722**	**373**	**12,984**	**16,079**
Depreciation				
At 1st January 2001	726	363	10,172	11,261
Charge for the year	76	81	1,492	1,649
Disposals	–	(112)	(2,577)	(2,689)
At 31st December 2001	**802**	**332**	**9,087**	**10,221**
Net book value				
At 31st December 2001	**1,920**	**41**	**3,897**	**5,858**
At 1st January 2001	1,996	229	5,608	7,833

	2001 £'000	2000 £'000
Cost of land not subject to depreciation	**334**	334
Net book value of plant held under finance leases	**548**	963

Company	Freehold Land & Buildings £'000
Cost	
At 1st January 2001	2,722
Additions	–
At 31st December 2001	**2,722**
Depreciation	
At 1st January 2001	726
Charge for the year	76
At 31st December 2001	**802**
Net book value	
At 31st December 2001	**1,920**
At 1st January 2001	1,996

14. Investments

	Group £'000	Company £'000
Cost		
At 1st January 2001 and 31st December 2001	19	2,452
Provisions		
At 1st January 2001 and 31st December 2001	–	2,124
Net book value		
At 1st January 2001 and 31st December 2001	19	328

Investments in the Group and the Company include £19,000 in relation to a UK trade investment.

15. Principal subsidiaries

The principal subsidiary companies are Darby Glass Limited and Curved Tempered Glass Limited, both of whose ordinary share capital is wholly owned by Darby Group Plc and incorporated in the UK, where they principally operate. The business of each subsidiary is the manufacture and distribution of specialist glass products.

16. Stocks

	2001 £'000	2000 £'000
Raw materials	**590**	759
Work in progress	**23**	27
Finished goods	**54**	87
	667	873

The difference between purchase price or production cost and replacement cost is not material.

17. Debtors

	Group		Company	
	2001 £'000	2000 £'000	**2001** £'000	2000 £'000
Trade debtors	**3,104**	3,504	**–**	–
Amounts owed by group companies	**–**	–	**4,800**	6,121
Taxation recoverable	**–**	263	**–**	55
Prepayments and accrued income	**338**	300	**3**	10
	3,442	4,067	**4,803**	6,186

Notes to the Accounts

18. Creditors: amounts falling due within one year

	Group		Company	
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
Bank overdraft	**1,062**	954	**1,062**	828
Finance leases and hire purchase contracts	**279**	304	**–**	–
Trade creditors	**2,299**	2,739	**–**	–
Amounts owed to group companies	**–**	–	**321**	311
Social security and other taxes	**501**	385	**–**	–
Other creditors	**245**	324	**21**	21
Accruals and deferred income	**672**	884	**28**	60
	5,058	5,590	**1,432**	1,220

19. Creditors: amounts falling due after one year

	Group		Company	
	2001	2000	**2001**	2000
	£'000	£'000	£'000	£'000
Finance leases and hire purchase contracts	**77**	356	**–**	–

20. Finance leases and hire purchase contracts

	Group		Company	
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
Repayable:				
Within one year	**279**	304	**–**	–
After one year	**77**	356	**–**	–
	356	660	**–**	–
Repayable after one year:				
In one to two years	**77**	279	**–**	–
In two to five years	**–**	77	**–**	–
	77	356	**–**	–

21. Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land & Buildings 2001	**Other 2001**	Land & Buildings 2000	Other 2000
	£'000	*£'000*	*£'000*	*£'000*
Operating leases which expire:				
Within one year	**130**	**39**	–	22
In one to five years	**51**	**172**	257	415
Over five years	**139**	**12**	220	5
	320	**223**	477	442

22. Provisions for liabilities and charges

	Group 2001 £'000	Group (As restated) 2000 £'000	Company 2001 £'000	Company (As restated) 2000 £'000
Deferred Tax	**570**	925	**234**	212
Other	**595**	–	**–**	–
Total	**1,165**	925	**234**	212

Other comprises provisions against the remaining costs of equipment where technology has become outdated, and property and other lease costs associated with sites closed during the period under review. These provisions are expected to be utilised within three years.

The group has adopted FRS19 – Deferred Tax in these accounts. The change in accounting policy is reflected by way of a prior year adjustment, the effects of which are shown in the table below.

	Provisions for Liabilities and Charges £'000	Profit & Loss Account £'000	Shareholders Funds £'000
Group			
2000 as previously reported	(198)	(2,212)	7,323
Adoption of FRS19 at 1st January 2000	(981)	(981)	(981)
During year ended 31st December 2000	254	254	254
Adoption of FRS19 at 31st December 2000	**(727)**	**(727)**	**(727)**
2000 restated	**(925)**	**(2,939)**	**6,596**
Company			
2000 as previously reported	0	(2,245)	7,290
Adoption of FRS19 at 1st January 2000	(239)	(239)	(239)
During year ended 31st December 2000	27	27	27
Adoption of FRS19 at 31st December 2000	**(212)**	**(212)**	**(212)**
2000 restated	**(212)**	**(2,457)**	**7,078**

22. Provisions for liabilities and charges *(continued)*

The provision for deferred tax is as follows:

	Group		Company	
		(As restated)		(As restated)
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
Provision at start of period	**925**	1,128	**212**	212
Deferred tax (credit)/charge in profit and loss account for the period	**(355)**	(203)	**22**	–
Provision at end of period	**570**	925	**234**	212
The deferred tax liability consists of:				
Capital allowances in advance of depreciation	**952**	1,232	**291**	292
Other timing differences	**(10)**	(20)	**–**	(7)
	942	1,212	**291**	285
Tax losses	**(372)**	(287)	**(57)**	(73)
Provision for deferred tax	**570**	925	**234**	212

23. Share capital

	Authorised		Issued and fully paid	
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
Ordinary shares of 5p each	**1,784**	1,784	**1,382**	1,382

The number of ordinary shares in issue at 31st December 2001 was 27,634,594 shares (31st December 2000: 27,634,594 shares).

Options in respect of 98,000 ordinary shares remained outstanding at 31st December 2001 under the Company's share option scheme, as follows:

Date granted	*Option price*	*Exercisable*
6th June 1997	128.5p	2000 to 2004

The performance criteria to be met for the exercise of these options is that the growth in the Company's adjusted earnings per share for any consecutive three year period exceeds the increase in the retail price index by an average of 4 per cent per annum over the consecutive three year period. The share options are exercisable from 6th June 2000 to 6th June 2004 subject to these performance criteria.

24. Share premium account

	Group		Company	
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
Share premium account	**8,153**	8,153	**8,153**	8,153

25. Profit and loss account

	Group		Company	
	2001	2000	**2001**	2000
	£'000	*£'000*	*£'000*	*£'000*
At 31st December 2000 – as previously stated	**(2,212)**	(1,426)	**(2,245)**	(1,460)
Prior year adjustment	**(727)**	(981)	**(212)**	(239)
At 31st December 2000 – restated	**(2,939)**	(2,407)	**(2,457)**	(1,699)
Loss for the year	**(1,499)**	(532)	**(2,014)**	(758)
Goodwill adjustment	**669**	–	**669**	–
At 31st December 2001	**(3,769)**	(2,939)	**(3,802)**	(2,457)

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Darby Group Plc is not presented as part of these accounts. The loss dealt with in the accounts of the Company is £2,014,000.

The cumulative goodwill written off to reserves and arising from acquisitions at 31st December 2001 was £2,243,000 (2000: £2,912,000).

26. Movements in shareholders' funds

	Company	
		(As restated)
	2001	2000
	£'000	*£'000*
At 1st January 2000 – as previously stated	**7,290**	8,075
Prior year adjustment	**(212)**	(239)
Shareholders' funds restated	**7,078**	7,836
Loss for the year	**(2,014)**	(758)
Goodwill adjustment	**669**	–
At 31st December 2000	**5,733**	7,078

27. Reconciliation of operating loss to operating cash flows

	2001	2000
	£'000	*£'000*
Operating loss	**(1,141)**	(594)
Depreciation	**1,649**	1,738
Profit on sale of tangible fixed assets	**(23)**	(21)
Decrease in stocks	**206**	312
Decrease in debtors	**362**	302
(Decrease)/increase in creditors	**(21)**	491
Net cash inflow from operating activities	**1,032**	2,228

The cash flow effect of the exceptional items is included within net cash inflow from operating activities.

28. Analysis of changes in net cash/(debt)

	At 1st January 2001 £'000	Cash flows £'000	**At 31st December 2001** £'000
Cash at bank and in hand	675	1,405	**2,080**
Bank overdraft	(954)	(108)	**(1,062)**
Finance leases and hire purchase contracts	(660)	304	**(356)**
Total	(939)	1,601	**662**

29. Reconciliation of net cash flow to movement in net cash/(debt)

	2001 £'000
Increase in cash	**1,297**
Cash outflow from loans and finance leases	**304**
	1,601
Net debt at 1st January 2001	**(939)**
Net cash at 31st December 2001	**662**

30. Capital commitments

	Group		Company	
	2001 £'000	2000 £'000	**2001** £'000	2000 £'000
Amounts contracted for but not provided in these accounts	**749**	280	**32**	49

31. Financial instruments

The Group did not hold any foreign currency monetary assets at 31st December 2001. The foreign currency gains and losses arising from movements in the exchange rate have been recognised in the profit and loss account, taking into account any forward currency contacts entered into. The Group uses financial instruments to manage currency risk from normal operations by means of forward currency contracts to hedge significant sales and purchases at the time the contracts are formed. There are no material differences between the contract value and the fair value of any forward currency contracts. No trading is undertaken in such financial instruments. At the year end there were no outstanding forward currency contracts.

The Group's principal source of borrowing for general working capital requirements is through the sterling bank account and bank overdraft. These facilities are reviewed on an annual or ongoing basis such that the facilities expire within one year or less. At 31st December 2001 the Group had access to committed unsecured overdraft facilities of £2m.

The Company has guaranteed the bank facilities of its subsidiaries. At 31st December 2001 there were no guarantees necessary (2000: £126,000).

The finance leases and hire purchase contracts, which are in sterling, are secured against specified fixed assets.

The bank account and bank overdraft are subject to a variable rate of interest linked to LIBOR. Finance leases and hire purchase contracts are subject over their terms to fixed rates of interest, which currently average 9% per annum.

The book and fair values of the Group's financial assets and liabilities are not materially different.

The Group's policy is to finance general working capital requirements through variable bank rate overdrafts and capital expenditure through fixed rate finance leases and hire purchase contracts, since this policy is believed to best meet the Group's future needs.

Apart from the short term debtors and creditors, which are not required in these disclosures, the Group has no other material financial assets or liabilities.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Darby Group Plc. will be held at The Executive Lounge, Glanford Park Restaurant, Scunthorpe United Football Club Ground, Doncaster Road, Scunthorpe DN15 8TD on Thursday, 16th May 2002, at 11.00 a.m. for the following purposes:

Ordinary business

1. To approve the Accounts and the Report of the Directors and Auditors for the year ended 31st December 2001.
2. To re-elect as a Director Mr. P. J. P. V. Gyllenhammar, who being appointed since the last Annual General Meeting retires and offers himself for re-election.
3. To re-elect as a Director Mr. P. S. P. Knight, who being appointed since the last Annual General Meeting retires and offers himself for re-election.
4. To re-elect as a Director Mr. M. H. Hayes, who retires by rotation.
5. To re-appoint Ernst and Young LLP as Auditors and to authorise the Directors to determine their remuneration.

Special business

To consider, and if thought fit, pass the following resolutions of which resolution 6 will be proposed as an ordinary resolution and resolutions 7 and 8 will be proposed as special resolutions.

6. That the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities as defined in section 80(2) of the Act on and subject to such terms as the directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £402,270. The authority hereby conferred shall expire at the conclusion of the annual general meeting of the company to be held in 2003 unless renewed, varied or revoked by the company in general meeting. The directors shall be entitled under this authority, to make at any time prior to the expiry of this authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority. This authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the directors.
7. The directors be and are hereby empowered, pursuant to section 95(1) of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in section 94(2) of the Act) pursuant to the general authority conferred by resolution 6 above as if section 89(1) of the Act did not apply to such allotment, save that the directors be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry provided that such power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £69,086 (representing approximately 5% of the nominal value of the issued share capital of the company at the date of this notice).

and shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the annual general meeting of the company to be held in 2003, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

Notice of Annual General Meeting

8. That the directors of the company be authorised to exercise all powers of the company to make market purchases (as defined in section 163(3) of the Act) of its own ordinary shares of 5p each ("ordinary shares") provided that:

    (a) the maximum number of ordinary shares hereby authorised to be purchased is 2,763,458;

    (b) the minimum price which may be paid for an ordinary share is 5p; and

    (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share according to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share purchase is to take place; and

    (d) the authority conferred shall expire on the earlier of 15th August 2003 and the date of the 2003 annual general meeting of the company; but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

By Order of the Board

Stephen Bannister Company Secretary
5th April 2002

Registered Office:
Darby House, Sunningdale Road,
Scunthorpe, North Lincolnshire.
DN17 2SS

Notes

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.

2. Forms of proxy must be lodged at Capita IRG Plc, Proxy Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting. Completion of the proxy does not preclude members entitled to attend and vote from doing so if they wish.

3. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members entered on the register of members of the Company as at close of business on 14th May, 2002, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 14th May, 2002, shall be disregarded in determining the rights of any person to attend or vote at the meeting.

4. The register of Directors' interests in the Company's shares, copies of the Directors' service contracts and copies of the rules of the Company's Executive Share Option Scheme will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until its close.

Shareholder Information

Special Business at the Annual General Meeting
In addition to the ordinary business at the forthcoming Annual General Meeting, there are proposed the following resolutions as special business;

Authority to Allot Shares
As is standard practice amongst other listed public companies Resolution 6 proposes to authorise the Board, pursuant to section 80 of the Companies Act 1985, to allot securities up to a maximum aggregate nominal amount of £402,270 for a period expiring at the conclusion of the next Annual General Meeting. This represents the unissued ordinary share capital of the company, or 29% of the issued share capital at the date of this notice. At present, the Directors have no intention of exercising this authority.

Disapplication of Pre-Emption Rights
When shares are issued for cash they normally have to be offered to existing shareholders in proportion to their current shareholding. Resolution 7 proposes to give the Board authority to make allotments not exceeding 5% of the Company's issued share capital following the date of this notice in connection with a rights issue or similar other than to existing shareholders in order to take advantage of opportunities as and when they arise.

Authority to Purchase Own Shares
Resolution 8 proposes to give the Board authority to purchase up to 2,763,458 shares, 10% of the Company's issued share capital at the date of this notice for a period expiring within 15 months of this notice or at the next Annual General Meeting, whichever is the sooner. The Directors use this authority in the best interests of the company and shareholders at the time of exercise, with the intention of increasing earnings per share.

As at 5th April 2002 there are options over 98,000 ordinary shares outstanding and not exercised. That number of ordinary shares represents less than 0.5% of the company's issued ordinary capital at 5th April 2002. It would still represent less than 0.5% of the issued ordinary share capital if the authority to buy the company's own shares had been used in full.

When the Company is in a position to buy back shares it may be necessary to seek shareholder approval for a waiver of rule 9 of the City Code on Takeovers and Mergers if the Company still has a shareholder with an interest in 29.9% of the issued share capital.

Shareholder Enquiries
All enquiries regarding individual shareholder matters should be made to the Registrar at:

Capita IRG Plc
Shareholder Services Department
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel.	0870 162 3100
Fax.	020 8639 2342
E-Mail	ssd@capita-irg.com

The Registrar will assist with enquiries regarding any change of circumstances (e.g. name, address, bank account details, bereavement, lost certificates, dividend payment, transfer of shares). All correspondence should be clearly marked "Darby Group Plc" and quote the full name and address of the registered holder of the shares.

Shareholder information is also available at the Registrar's website – www.capita-irg.com