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## Financial Highlights

Turnover at £20.4 million up by 9% (annualised) on previous year

Profit before taxation and exceptional items increased to £2.49 million  
– an annualised increase of 117%

Earnings per share before exceptional items increased by  
41% to 7.54p (1995 annualised: 5.33p)

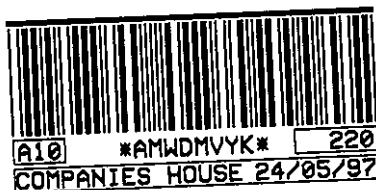
Recommended final dividend of 1.2p per share,  
making a total of 2.2p per share (1995: 2.0p per share)



*The Company is now in good shape,  
having established a solid trading platform.  
I am confident that we are well placed to build substantially on this  
base during the next period to the benefit of all shareholders.*

A handwritten signature in black ink, appearing to read 'M Darby'.

Michael Darby, Chairman



## Chairman's Statement

*Group sales rose to £20.45 million with profit before taxation and exceptional expenses rising from £955,000 to £2.49 million.*

### Results

I am pleased to report that your Company produced a major trading improvement for the year to December 31st, 1996. Sales rose by almost a third to £20.45 million, (£15.61 million), an annualised increase of 9%, with profits before taxation and exceptional expenses ahead by an annualised 117% at £2.48 million (£955,000).

The Directors propose a final dividend of 1.2p per share, making a total of 2.2p per share, (compared to 2.0p per share for the previous year), to be paid on 23rd May 1997, to shareholders on the register on 25th March 1997.



### Annual review

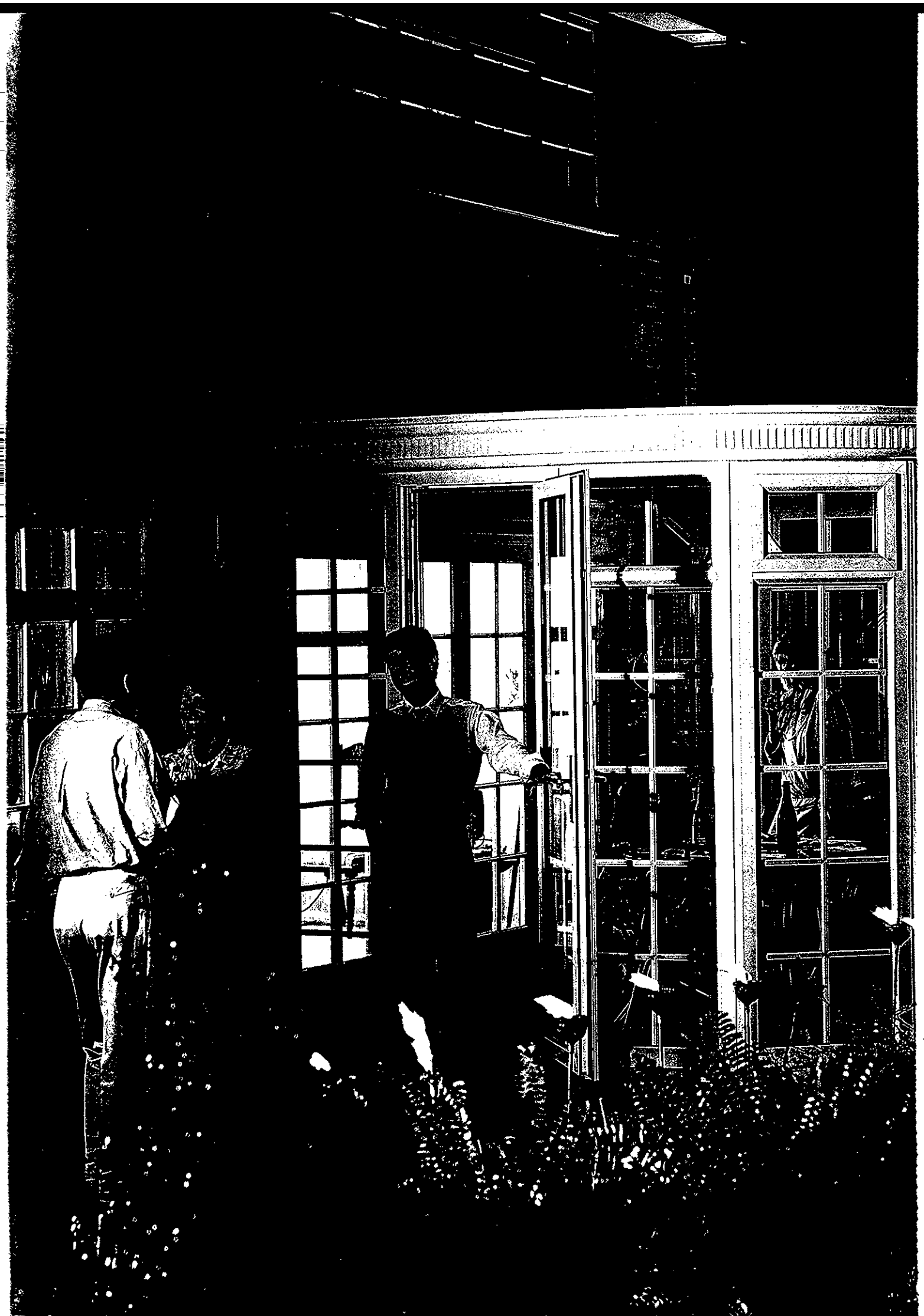
Our trading performance through the year as a whole was strong, as we continued to increase our market share within key geographical regions. Profits in the second half were ahead of expectation, and were achieved despite delays experienced in the commissioning of the Darby 11 horizontal bent tempering equipment, so that the contribution to full year profits from this important, high margin area of our business, was much smaller than we had anticipated.

Central to our improved performance was the increasing maturity of our regional manufacturing activities. Several of our subsidiary factories moved onto regular multi-shift working during the course of the year, as we succeeded in enhancing our reputation for customer service, as well as extending the penetration of our premium priced R.D.S. facility. At the same time we secured major benefits from various cost saving initiatives, particularly those associated with the centralisation of administrative functions. During the year we were able to take full advantage of some overcapacity within the float glass manufacturing industry to reduce the cost of our most important raw material. These factors combined to secure a significant improvement in net margins before the exceptional

expense noted below. We intend to implement further cost saving measures in the current year.

The most disappointing aspect of the year was the adverse impact upon our results as a consequence of an out of Court settlement with Harmon Contracts (U.K.) Limited in relation to a claim by Harmon in respect of glass supplied to a unique specification in 1993 by a subsidiary of the Company. The cost to the Company of settlement has been quantified at £385,000, and has been included in the results for the period as an exceptional expense.

Your Board always disputed the merits of the Harmon claim, and originally chose to defend on the advice of Counsel. The decision to settle was reached after careful consideration only once we were made aware, again on the advice of Counsel, of the potential cost to the Company (particularly in terms of fees) of losing the case following a lengthy Court Hearing. Your Board acknowledged from the outset that all litigation involves uncertainties, but in the final analysis we judged that the potential risks outweighed the potential rewards. The underlying integrity of our speciality products was never at issue, and I am confident that the settlement will have no adverse impact on the Company's trading prospects.



## Chairman's Statement

*continued*

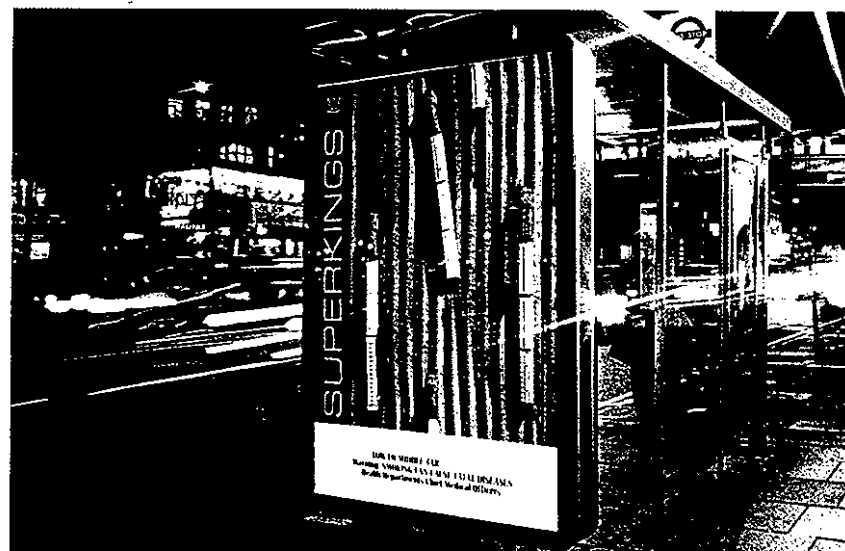
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As a consequence of this experience, we have put in place stringent safeguards to ensure that similar non-standard product specifications are thoroughly investigated before such contracts are accepted in the future.

Our financial gearing (net borrowings as a percentage of shareholders funds) was a modest 21% at the end of December 1995, but by December 1996 this had been further reduced to 17%.

### Current trading and prospects

The outlook for business growth in 1997 is better than for some years past, and our results for the early weeks of 1997 are promising. Sales in the year to date are approximately 10% ahead of the corresponding period of a year ago. It is our objective to ensure that all sites are working at least two full shifts per day by the middle of the year, and we expect that order levels will shortly facilitate three shifts per day working at two regional sites, in



addition to the main Scunthorpe factory. During the year we shall be seeking opportunities to establish low cost manufacturing sites in the North West and South East conurbations, in order to best service the two remaining densely populated areas where presently we are not sufficiently well represented to exploit our potential fully.

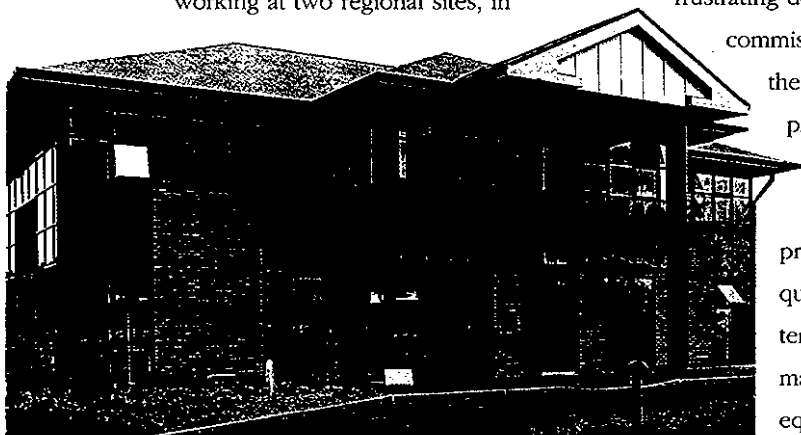
The Darby 11 Plant was finally commissioned at the end of November 1996, after some

frustrating delays in

commissioning caused by the supplier, and I am pleased to advise that

it is now in commercial production. The quality of curved tempered safety glass manufactured on this equipment is high

and early results indicate satisfactory productivity levels. Order volumes for a variety of applications are building satisfactorily and promise repeat business with advantageous longer term implications. Prices achieved are in line with our expectations. During the first half, we are continuing to develop the technology of this equipment in order to facilitate manufacture of



more complex, and higher value, curved tempered glasses, for more specialised applications in which higher profit margins can be earned. We recognise considerable potential here. It is likely that this development work will prevent us from operating the equipment on more than one extended commercial manufacturing shift per day until the end of the second quarter, but we think it right to sacrifice some revenue immediately in order to be able to maximise the medium/longer term profit earning potential of the equipment. We anticipate that Darby 11's contribution will grow sharply in the second half of the year.

Our export business is expanding and the potential in the Scandinavian, Middle and Far Eastern Markets, particularly for high value curved tempered glasses, is encouraging. An experienced Agent, based in Hong Kong, has been appointed to promote and co-ordinate sales activity in Hong Kong, China and Singapore. Whilst the recent rise in the strength of sterling is of concern, we have prudently hedged our currency requirement for 1997, so that we do not anticipate undue pressure upon margins. A growing proportion of our export business is now being negotiated in sterling rather than local currencies.



### Management

I am pleased to confirm the promotion of Mr. Harry Hart to the position of Group Production Director. Prior to joining the Company, Harry had for many years held senior technical positions within the Pilkington organisation, where he accumulated substantial expertise in various specialised glass manufacturing processes. This experience is proving

invaluable to us. His promotion to the Group Board will enable us to reap the full benefit of Harry's production experience and commercial wisdom across all manufacturing sites within the Group.

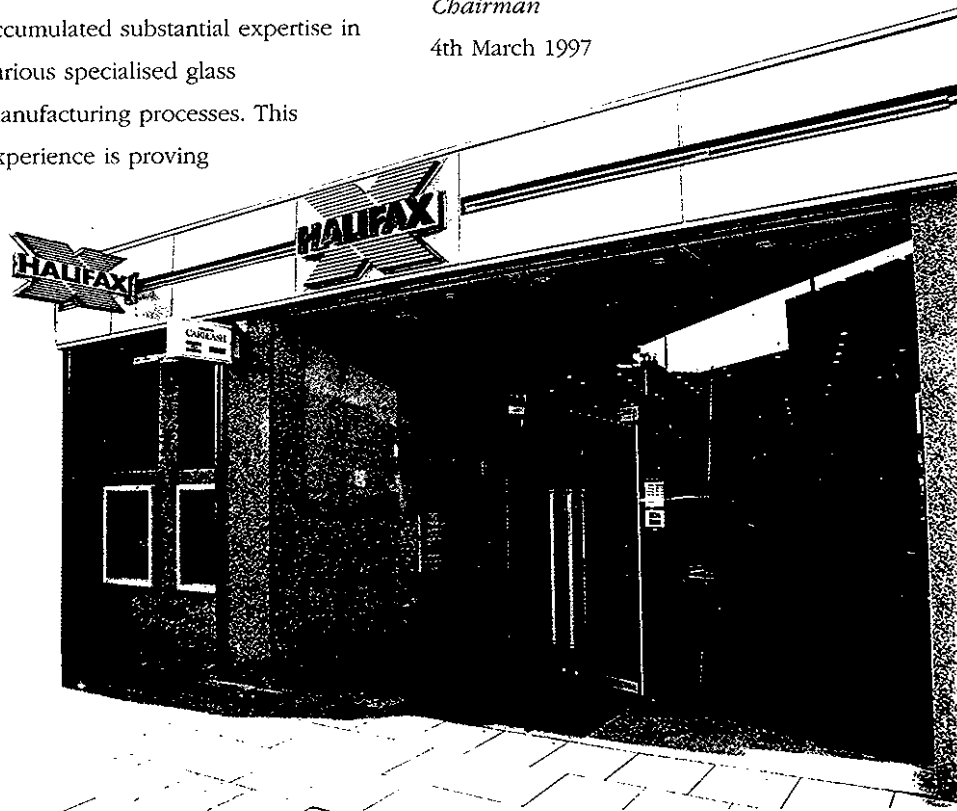
### Outlook

The Company is now in good shape, having established a solid trading platform. I am confident that we are well placed to build substantially on this base during the next period to the benefit of all shareholders.

**Michael Darby**

*Chairman*

4th March 1997



## Officers and Advisers

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<b>Chairman</b>	M. J. Darby
<b>Group Managing Director</b>	C. M. Simpson
<b>Directors</b>	R. C. Queen F. H. Hart H. Hardy (non-executive) J. R. C. Young (non-executive)
<b>Company Secretary</b>	B. Dovey
<b>Registered Office</b>	Darby House, Sunningdale Road, Scunthorpe.
<b>Joint Auditors</b>	Streets & Co., Tower House, Lucy Tower Street, Lincoln.  KPMG Audit Plc, The Fountain Precinct, 1, Balm Green, Sheffield.
<b>Bankers</b>	National Westminster Bank Plc, Nottingham Business Centre, 1st Floor, Radford House, Radford Boulevard, Nottingham.
<b>Solicitors</b>	Ashurst Morris Crisp, Broadwalk House, 5, Appold Street, London.  Burton & Dyson, Market Place, Gainsborough, Lincolnshire.
<b>Stockbrokers</b>	Albert E. Sharp, Edmund House, 12, Newhall Street, Birmingham.
<b>Transfer Office</b>	Independent Registrars, Broseley House, Newlands Drive, Witham, Essex.

## Report of the Directors

The directors submit their annual report and audited financial statements for the year ended 31st December 1996.

### Results and dividends

The group profit for the year, before exceptional item and taxation	£2,487,000
The profit before taxation, was	£2,102,000
After taxation, there was a profit of	£1,642,000

An interim dividend of 1.0p per share (1995: 0.9p) was paid, amounting to £271,000. The directors propose a final dividend of 1.2p per share (1995: 1.1p) amounting to £326,000.

### Review of the business

The group is a manufacturer and distributor of a range of specialist glass products.

The Chairman's Statement contains a review of the group's business and likely future developments.

### Fixed assets

The group has continued to invest in fixed assets and additions to plant included glass toughening and process equipment.

The directors do not consider the market value of the group's interest in land and buildings is less than that at which it is stated in the financial statements.

### Directors

The directors who held office during the year or who have been subsequently appointed and their interests in the ordinary share capital of the company were as follows:

	31st December 1996	31st December 1995 (or date of appointment)
M. J. Darby	7,650,000	7,650,000
H. Hardy	7,024	7,024
F. H. Hart (appointed 1st January 1997)	—	—
R. C. Queen (appointed 13th March 1996)	—	—
C. M. Simpson	2,100	2,100
J. R. C. Young (appointed 1st January 1996)	—	—

The above interests include shares held by or on behalf of trustees of a settlement made by him as follows:

	31st December 1996	31st December 1995
M. J. Darby	7,650,000	7,650,000

The above disclosable shareholdings of M. J. Darby include those of his wife.

In addition, 33,600 shares (31.12.95 - 33,600 shares) are held in a self administered pension scheme of which M. J. Darby and Mrs B. J. Darby are members.

There was no change in the above shareholdings between 31st December 1996 and 4th March 1997.

The following directors held options to purchase shares under the company's executive share option scheme at 31st December as follows:

	31.12.96	31.12.95	Exercise price	Date from which exercisable	Expiry date
M. J. Darby	365,937	365,937	31.56p	1996	2003
C. M. Simpson	121,979	121,979	31.56p	1996	2003

There were no options granted or exercised to directors of Darby Group Plc during the year. The market price of the ordinary 5p shares at 31st December 1996 was 105.5p and the share price range during the year was 57p to 110p.

Other than the transactions referred to below, no director has had a beneficial interest in any contract of significance with the company or its subsidiaries during the year.

Mr. J. R. C. Young is a past Chief Executive of The Securities and Futures Authority and The Securities and Investments Board. Mr. H. Hardy is a consultant for the firm of Messrs. Burton & Dyson, the company's solicitors. During the year that firm received fees of £69,391 (1995: £62,788) in respect of general services.



## Report of the Directors

*continued*

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### Substantial shareholdings

At 21st February 1997, disclosable substantial shareholdings were as follows:

	Number of ordinary shares	Percentage of issued share capital
M. J. Darby	7,650,000	28.18
PDFM Limited	4,059,120	14.95
NatWest Investment Management Limited	3,466,533	12.77
Hambros Managed Funds	2,037,582	7.50
The Equitable Life Assurance Society	1,980,820	7.30
Norwich Union Life Insurance Society and Norwich Union Pensions Management Limited	1,581,243	5.82
The Fleming Mercantile Investment Trust Plc	1,487,983	5.48

### Corporate governance

The Board of Directors has complied with the Cadbury Committee's Code of Best Practice except that the audit committee comprises only two non-executive directors instead of three as required by paragraph 4.3 of the Code.

### Board of Directors

The Board currently comprises four executive and two non-executive directors. The Board considers that two non-executive directors are appropriate in view of the size of the business. The selection of the non-executive directors was subject to a formal process, carried out by the Board as a whole. The directors are able to take independent professional advice, if necessary, at the company's expense. The Board has a schedule of matters specifically reserved to it for decision.

### Board Committees

The group has established a Remuneration Committee and an Audit Committee during the year, both of which comprise the two non-executive directors.

### Report of the Remuneration Committee

The remuneration of all executive directors is determined by the Remuneration Committee. The Committee seeks to attract, retain and motivate high calibre senior executives through pay arrangements which are competitive and represent best practice, whilst also relating reward to performance and aligning the interests of directors with those of the shareholders. There are two year employment contracts for each of the three executive directors at 31st December 1996. The Remuneration Committee considers this to be appropriate and in the interests of the group and its shareholders. The group now complies with Section A of the best practice provisions for directors remuneration annexed to the Listing Rules of the London Stock Exchange. In framing its remuneration policy the Committee has given full consideration to Section B of the best practice provisions annexed to the Listing Rules concerning remuneration policy, service contracts and compensation. Details of individual directors' remuneration and service contracts are included in note 4 to the financial statements.

### The Audit Committee

The Group Finance Director and the Audit Partners of the two firms of auditors namely KPMG Audit Plc. and Streets & Co attend each Audit Committee Meeting. The Audit Committee receives reports regularly from the company's finance department and ensures that an objective and professional relationship is maintained between the Board and the external auditors.

### Internal financial control

The Board of Directors has reviewed the effectiveness of the group's systems of internal financial controls. The Board has overall responsibility for the group's systems of internal financial control and for monitoring their effectiveness.

The annual operating and budgetary plans for each operating division are reviewed by the controlling management prior to submission to the Board for approval. This includes the identification and assessment of the business and financial risks inherent in each operating area. The process is repeated monthly with results for each operational division compared with budget and past period. Additionally, planned capital expenditure is discussed and formally approved by the Board.

The systems of internal control are designed to provide reasonable but not absolute assurance against material misstatement or loss and include:

- Comprehensive budgeting systems with an annual budget approved by the Board.
- Regular consideration by the Board of actual results compared with budgets and of the group's capital commitments.
- Periodic review of legal and accounting developments affecting the group.
- Formal treasury procedures covering banking arrangements, hedging instruments and borrowing procedures.

#### **Directors' responsibilities for preparing the financial statements**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group 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 departures disclosed and explained in the financial statements.

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

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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

The directors confirm that these financial statements comply with these requirements.

#### **Creditor payment policy**

The group agrees terms and conditions for its business transactions with its suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

#### **Employees**

The group seeks to provide equal opportunities in the appointment, training and career development of disabled persons taking into account their abilities.

The group seeks to keep employees involved in and informed about the group's affairs.

#### **Close company**

The company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

#### **Auditors**

A resolution is to be proposed at the annual general meeting for the re-appointment of Streets & Co. and KPMG Audit Plc as joint auditors.

By order of the Board

**B. Dovey**  
Secretary



4th March 1997



## Report of the Auditors

*to the members of Darby Group Plc*

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We have audited the financial statements on pages 11 to 27.

### Respective responsibilities of directors and auditors

As described in the directors' report, 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### Corporate governance matters

In addition to our audit of the financial statements we have reviewed the directors' statements on pages 8 and 9 on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the Listing Rules and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with the disclosure requirements of the Listing Rules 12.43(j) and 12.43(v).

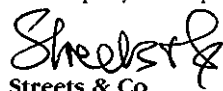
### Basis of opinion

We carried out our review in accordance with the guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to express an opinion on the effectiveness of either the group's system of internal financial control or corporate governance procedures or on the ability of the group to continue in operational existence.

### Opinion

With respect to the directors' statements on internal financial control on pages 8 and 9 and going concern on page 9, in our opinion the directors have provided the disclosures required by the Listing Rules and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 8 and 9 appropriately reflects the company's compliance with the paragraphs of the Code specified for our review by the Listing Rules.

  
Streets & Co  
Registered Auditor  
Chartered Accountants  
Lincoln

4th March 1997

  
KPMG Audit Plc  
Registered Auditor  
Chartered Accountants  
Sheffield

## Accounting Policies

The financial statements have been prepared under the historical cost basis and in accordance with applicable United Kingdom accounting standards. All the activities in the group are continuing businesses and the significant accounting policies are set out below and have been applied consistently.

(a) *Consolidation*

The group financial statements consolidate the financial statements of the company and its subsidiary companies, all of which are drawn up to 31st December and based on audited accounts. A separate profit and loss account for the holding company is not presented as provided by Section 230 of the Companies Act 1985.

Consolidated goodwill arising on the acquisition of subsidiary companies or businesses acquired by subsidiary companies (representing the excess of the fair value of the consideration given over the separate net assets acquired) is written off against reserves in the year in which it arises.

(b) *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased outright and the corresponding leasing commitments are included in creditors.

All other leases are operating leases and the annual rentals are charged in the profit and loss account.

(c) *Depreciation*

Freehold land is not depreciated. Other fixed assets are depreciated on a straight line basis to write off the excess of cost over estimated residual value over the estimated useful lives of the assets, from the date of coming into use, as follows:

Freehold buildings	–	40 years
Leasehold improvements	–	life of lease
Plant	–	7 to 15 years
Office equipment	–	7 years
Motor vehicles	–	4 years

The residual values and the useful lives are estimated by the directors.

Plant includes where appropriate the cost of commissioning new machinery being the cost of glass used together with the attributable cost of labour and overhead.

(d) *Turnover*

The group turnover represents the value of goods, excluding VAT, supplied to customers excluding group companies.

(e) *Government grants*

Regional selective assistance received primarily in respect of job creation is credited to the profit and loss account as earned.

(f) *Stocks*

Stocks and work in progress are valued at the lower of cost, including the appropriate level of overheads, and net realisable value.

(g) *Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies are recorded at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of transaction. Any gains or losses are included in the profit and loss account.

(h) *Deferred taxation*

Deferred taxation is calculated by the liability method on timing differences between accounting profits and profits computed for taxation purposes, and is provided in the accounts to the extent that it is likely to become payable in the future.

(i) *Pensions*

The company operates a defined contribution pension scheme for its directors. The assets of the scheme are held separately from those of the group in an independently administered fund. In addition, the group makes discretionary contributions to the personal pension plans of certain employees. The pension charge represents contributions payable by the group in respect of the accounting period.



## Consolidated Profit and Loss Account

for the year ended 31st December 1996

	Notes	Year ended 31.12.1996 £'000	10 months ended 31.12.1995 £'000
<b>Turnover</b>	1	20,447	15,614
Cost of sales		(13,110)	(10,369)
<b>Gross profit</b>		7,337	5,245
Distribution and selling costs		(2,311)	(1,824)
Administrative expenses		(2,669)	(2,125)
<b>Operating profit</b>	2	2,357	1,296
Interest receivable		13	21
Interest payable	5	(268)	(362)
<b>Profit on ordinary activities before taxation</b>	1	2,102	955
<b>Taxation</b>	6	(460)	22
<b>Profit on ordinary activities after taxation</b>	7	1,642	977
<b>Dividends</b>	8	(597)	(535)
<b>Retained profit for the financial year</b>	19	1,045	442
<b>Earnings per share</b>	9	6.11p	4.47p
<b>Earnings per share (annualised)</b>	9	6.11p	5.33p

## Statement of Total Recognised Gains and Losses

for the year ended 31st December 1996

Total recognised gains and losses being profit for the year	1,642	977
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# Consolidated Balance Sheet

at 31st December 1996

	Notes	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	10	12,984	11,751
Investments	11	19	-
		<b>13,003</b>	<b>11,751</b>
<b>Current assets</b>			
Stocks	12	1,962	1,704
Debtors	13	4,187	4,262
Cash and bank balances		1	526
		<b>6,150</b>	<b>6,492</b>
<b>Creditors:</b> Amounts falling due within one year	14	<b>(4,825)</b>	<b>(4,403)</b>
<b>Net current assets</b>		<b>1,325</b>	<b>2,089</b>
<b>Total assets less current liabilities</b>		<b>14,328</b>	<b>13,840</b>
<b>Creditors:</b> Amounts falling due after more than one year	15	<b>(1,337)</b>	<b>(2,015)</b>
		<b>12,991</b>	<b>11,825</b>
<b>Capital and reserves</b>			
Called up share capital	17	1,357	1,338
Share premium account	18	8,065	7,963
Profit and loss account	19	3,569	2,524
<b>Equity shareholders funds</b>	20	<b>12,991</b>	<b>11,825</b>

Approved by the board of directors on 4th March 1997 and signed on its behalf by:

M. J. Darby  
R. C. Queen } Directors





# Company Balance Sheet

at 31st December 1996

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	Notes	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	10	2,107	1,913
Investments	11	684	665
		<b>2,791</b>	2,578
<b>Current assets</b>			
Debtors	13	8,232	7,541
Cash and bank balances		—	1,148
		<b>8,232</b>	8,689
<b>Creditors:</b> Amounts falling due within one year	14	<b>(807)</b>	(943)
<b>Net current assets</b>		<b>7,425</b>	7,746
<b>Total assets less current liabilities</b>		<b>10,216</b>	10,324
<b>Creditors:</b> Amounts falling due after more than one year	15	<b>(263)</b>	(387)
		<b>9,953</b>	9,937
<b>Capital and reserves</b>			
Called up share capital	17	1,357	1,338
Share premium account	18	8,065	7,963
Profit and loss account	19	531	636
<b>Equity shareholders funds</b>	20	<b>9,953</b>	9,937

Approved by the board of directors on 4th March 1997 and signed on its behalf by:

M. J. Darby  
R. C. Queen } Directors




**Darby Group Plc**

# Cash Flow Statement

for the year ended 31st December 1996

		Year ended 31.12.1996 £'000	10 months ended 31.12.1995 £'000
	Notes		
Cash inflow from operating activities	22	3,228	2,259
Returns on investments and servicing of finance	22	(320)	(442)
Taxation		(144)	(274)
Capital expenditure and financial investment	22	(1,659)	(865)
Acquisitions and disposals	22	—	(790)
Equity dividends paid		(807)	(159)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>		<b>298</b>	<b>(271)</b>
Financing	22	(901)	2,368
<b>(Decrease)/increase in cash</b>	<b>22</b>	<b>(603)</b>	<b>2,097</b>

Comparative figures for 1995 have been restated in accordance with FRS 1 (revised).



# Notes forming part of the Financial Statements

for the year ended 31st December 1996

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## 1 Turnover, expenses, profit and net assets

(a) The turnover, profit and net assets all arise in the UK and are attributable to one activity, the manufacture and distribution of a range of specialist glass products.

(b) The analysis of turnover by geographical destination is as follows:-

	Turnover	
	Year to	10 months to
	31.12.96	31.12.95
	£'000	£'000
UK	19,489	14,453
Other EEC countries	935	1,081
Other	23	80
	<b>20,447</b>	<b>15,614</b>

## 2 Operating profit

	Year to	10 months to
	31.12.96	31.12.95
	£'000	£'000
This is stated after charging/(crediting):		
Depreciation on:		
Owned assets	922	613
Assets held under finance leases and hire purchase contracts	291	249
Plant and vehicles – operating lease	428	366
Property – operating lease	275	197
Directors' remuneration	391	254
Auditors' remuneration – Audit services	42	30
– Other services	29	14
Exceptional costs (note 3)	385	–
Regional selective assistance	(72)	(90)

## 3 Exceptional item

Included in administrative expenses are costs of settlement and legal expenses associated with a claim arising out of a contract originating in 1993 £385,000 (1995 – £Nil).

#### 4 Employees and directors

The average weekly number of employees during the period was made up as follows:

	Year to 31.12.96 Number	10 months to 31.12.95 Number
Production	293	276
Administration and management	50	48
Sales and distribution	42	37
	<b>385</b>	<b>361</b>

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Staff costs consist of:		
Wages and salaries	4,591	3,525
Social security costs	379	295
Other pension costs (defined contribution schemes)	127	46
	<b>5,097</b>	<b>3,866</b>

Directors' remuneration:		
Fees	30	8
Other emoluments (including pension contributions)	361	246
	<b>391</b>	<b>254</b>

Emoluments excluding pension contributions:

Chairman (1995-highest paid director)	98	104
Highest paid director	110	—

Other directors' emoluments fell within the following ranges:

£5,001 – £10,000	—	1
£10,001 – £15,000	2	—
£15,001 – £20,000	—	1
£45,001 – £50,000	—	1
£50,001 – £55,000	1	1

#### Directors' emoluments and interests

Directors' emoluments are determined by the Remuneration Committee which consists of the two non-executive directors. The current policy is to review the remuneration of directors annually giving consideration to performance and prevailing market rates.



## Notes forming part of the Financial Statements

for the year ended 31st December 1996

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### 4 Employees and directors (continued)

#### Employment contracts

Each executive director has an employment contract with an entitlement to notice. M. J. Darby, C. M. Simpson and R. C. Queen entered into two year fixed term contracts on 1st July 1996. The notice period for each extends 12 months beyond the expiry date of 30th June 1998. Thereafter, the notice period remains at 12 months for the three directors.

Directors' emoluments included the following:

	Salary	Benefits	Pension	Bonus	Total year to 31.12.96	Total 10 months to 31.12.95
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive directors</b>						
M. J. Darby	90	8	64	25	187	114
C. M. Simpson	88	7	9	15	119	53
R. C. Queen	43	6	4	2	55	—
D. E. Boddy	—	—	—	—	—	59
B. J. Darby	—	—	—	—	—	20
<b>Non executive directors</b>						
H. Hardy	15	—	—	—	15	8
J. R. C. Young	15	—	—	—	15	—
	251	21	77	42	391	254

Benefits principally include the provision of a company car and medical insurance. The company operates a defined contribution pension scheme for its directors. Contributions are paid annually at 10% of basic salary, except in the case of M. J. Darby.

Details of share options held at 31st December 1996, are set out in the report of the directors on page 7. There have been no movements during the year and the market price at 31st December 1996 was 105.5p.

The company does not offer any other long term incentive schemes.

### 5 Interest payable

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
On bank overdrafts and bank loans wholly repayable within five years	58	232
Finance lease and hire purchase interest	181	123
On other borrowings and other interest	29	7
	268	362

## 6 Taxation

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Taxation based on the profit for the year:		
Corporation tax	(463)	(4)
Adjustment relating to prior years	3	26
	<b>(460)</b>	<b>22</b>

Corporation tax is calculated at 33% of taxable profits.

The tax charge for the year has been reduced principally as a result of:

Accelerated capital allowances	<b>£276,000</b>
Utilisation of losses brought forward	<b>£77,000</b>

## 7 Profit for the period

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
This has been dealt with as follows:		
Parent company	492	521
Subsidiary companies	1,150	456
	<b>1,642</b>	<b>977</b>

## 8 Dividends

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Ordinary dividends – paid	271	241
– proposed	326	294
	<b>597</b>	<b>535</b>

## 9 Earnings per share

	Year to 31.12.96 (p)	10 months to 31.12.95 (p)
Earnings per share excluding exceptional item	7.54	4.47
Effect of exceptional item	(1.43)	–
Earnings per share	<b>6.11</b>	<b>4.47</b>
Earnings per share (annualised)	<b>6.11</b>	<b>5.33</b>

The calculation of earnings per share is based on profit of £1,642,000 (10 months ended 31.12.95 – £977,000) and on the weighted average number of shares in issue during the year of 26,866,788 (1995 – 21,853,715). The fully diluted earnings per share does not differ materially from the above.

The calculation of earnings per share excluding exceptional item is based on a profit after tax of £2,027,000.



## Notes forming part of the Financial Statements

for the year ended 31st December 1996

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### 10 Tangible assets

Group	Freehold property £'000	Short leasehold improvements £'000	Plant, vehicles and office equipment £'000	Assets in the course of construction £'000	Total £'000
<i>Cost:</i>					
At 31.12.95	2,353	256	13,717	855	17,181
Additions	246	25	958	1,271	2,500
Disposals	-	-	(286)	-	(286)
At 31.12.96	2,599	281	14,389	2,126	19,395
<i>Depreciation:</i>					
At 31.12.95	440	50	4,940	-	5,430
Provided during year	52	60	1,101	-	1,213
On disposals	-	-	(232)	-	(232)
At 31.12.96	492	110	5,809	-	6,411
<i>Net book value</i>					
At 31.12.96	2,107	171	8,580	2,126	12,984

Company	Freehold property £'000	Total £'000
<i>Cost:</i>		
At 31.12.95	2,353	2,353
Additions	246	246
At 31.12.96	2,599	2,599
<i>Depreciation:</i>		
At 31.12.95	440	440
Provided during year	52	52
At 31.12.96	492	492
<i>Net book value</i>		
At 31.12.96	2,107	2,107

Group	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Cost of land not subject to depreciation	334	334
Residual value of plant used in the calculation of depreciation and therefore not subject to depreciation	2,445	2,968
Additions to plant include:		
● Cost of materials used plus labour and overhead in commissioning new machinery	91	126
● Own labour on installation of plant	123	103
Net book value of plant held under finance leases	2,818	3,751

## 11 Investments

	Group	
	1996 £'000	1995 £'000
Trade investment:		
Cost 31.12.95	—	—
Additions	19	—
31.12.96	19	—
	Company	
	1996 £'000	1995 £'000
Subsidiary companies:		
Cost 31.12.95	832	167
Addition	—	665
31.12.96	832	832
Provision 31.12.95 and 31.12.96	167	167
Net book value	665	665
Trade investment	19	—
	684	665

## Subsidiary companies:

Shareholdings are stated at cost less provisions.

The company's trading subsidiaries are:

	Country of incorporation and operation	Proportion of ordinary share capital held
Darby Tempered Products Limited	UK	100%
Darby Tempered Products (Exports) Limited	UK	100%
Curved Tempered Glass Limited	UK	100%

The shareholdings are held directly by the company. The business of each subsidiary is the manufacture and/or distribution of specialist glass products.

## 12 Stocks

	Group	
	1996 £'000	1995 £'000
Raw materials	1,189	1,196
Work in progress	212	208
Finished goods	561	300
	1,962	1,704



## Notes forming part of the Financial Statements

for the year ended 31st December 1996

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### 13 Debtors

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Trade debtors	3,587	3,424	—	—
Amounts owed by group companies	—	—	8,173	7,216
Taxation recoverable	114	397	59	325
Prepayments and accrued income	486	441	—	—
	<b>4,187</b>	<b>4,262</b>	<b>8,232</b>	<b>7,541</b>
Due within 1 year	4,106	4,128	8,173	7,407
Due after 1 year	81	134	59	134

### 14 Creditors falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank overdraft (secured)	78	—	121	—
Bank loan (secured)	250	313	125	188
Finance leases	559	701	—	—
Trade creditors	1,670	1,619	—	—
Amounts owed to group companies	—	—	59	59
Social security and other taxes	238	138	—	—
Corporation tax	178	145	149	133
Dividends	353	563	353	563
Accruals	1,499	924	—	—
	<b>4,825</b>	<b>4,403</b>	<b>807</b>	<b>943</b>

### 15 Creditors falling due after one year

	Group		Company	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Bank loans (secured)	263	512	263	387
Finance leases	1,074	1,503	—	—
	<b>1,337</b>	<b>2,015</b>	<b>263</b>	<b>387</b>

## 16 Borrowings

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Bank loans (secured)	513	825	388	575
Finance leases	1,633	2,204	—	—
	<b>2,146</b>	<b>3,029</b>	<b>388</b>	<b>575</b>
Repayable as to:				
Within one year	809	1,014	125	188
Not within one year	1,337	2,015	263	387
	<b>2,146</b>	<b>3,029</b>	<b>388</b>	<b>575</b>
Borrowings which are repayable by instalments are due:				
Within one year – Bank and other	250	313	125	188
– Finance leases	559	701	—	—
In one to two years – Banks	63	250	63	125
– Finance leases	391	527	—	—
In two to five years – Banks	200	262	200	262
– Finance leases	658	936	—	—
After five years – Finance leases	25	40	—	—
	<b>2,146</b>	<b>3,029</b>	<b>388</b>	<b>575</b>

All bank loans and facilities are secured by fixed and floating charges over all the assets of the company and its subsidiary companies and by cross guarantees between those companies.

## 17 Share capital

	Authorised		Issued and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 5p each				
31.12.95	35,680,000	1,784	26,757,562	1,338
Issued during the year			388,652	19
31.12.96	<b>35,680,000</b>	<b>1,784</b>	<b>27,146,214</b>	<b>1,357</b>

During the year 388,652 ordinary shares of 5p each were allotted for a total consideration of £122,658. The premium on issue net of costs, of £102,420, has been credited to the share premium account. The shares were issued under the company's share option scheme.

## Share Option Scheme:

Options have been granted to subscribe for ordinary shares and are outstanding as follows:

Date granted	Number	Option price	Exercisable
31st October 1988	2,000	115p	1996 to 1998
9th July 1993	487,916	31.56p	1996 to 2003



# Notes forming part of the Financial Statements

for the year ended 31st December 1996

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## 18 Share premium account

	£'000
At 31st December 1995	7,963
Arising on issue of shares	102
At 31st December 1996	8,065

## 19 Reserves – profit and loss account

	Group £'000	Company £'000
At 31st December 1995	2,524	636
Retained profit for the year	1,045	(105)
At 31st December 1996	3,569	531

The cumulative goodwill written off resulting from acquisitions (adjusted for disposals) at 31st December 1996 is £1,561,000 (1995: £1,561,000).

## 20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Profit for the financial period	1,642	977	492	521
Dividends	(597)	(535)	(597)	(535)
New share capital subscribed, net of costs of issue	121	5,002	121	5,002
Goodwill written off	–	(282)	–	–
Movement in year	1,166	5,162	16	4,988
Opening shareholders' funds	11,825	6,663	9,937	4,949
Closing shareholders' funds	12,991	11,825	9,953	9,937

## 21 Provisions for liabilities and charges

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Deferred taxation	–	–	–	–

	Group		Company	
	1996 Total potential liability £'000	1995 Total potential liability £'000	1996 Total potential liability £'000	1995 Total potential liability £'000
Potential liability:				
Accelerated capital allowances	2,082	1,813	192	185
Losses carried forward	–	(27)	–	(27)
	2,082	1,786	192	158

## 22 Notes to cash flow statement

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### (i) Reconciliation of operating profit to operating cash flows:

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Operating profit	2,357	1,296
Depreciation	1,213	862
Profit on disposal of tangible fixed assets	(46)	—
(Increase)/decrease in stocks	(258)	29
Increase in debtors	(202)	(243)
Increase in creditors	164	315
Net cash inflow from operating activities	3,228	2,259

### (ii) Analysis of cash flows for headings netted in the cash flow statement and other information:

	Year to 31.12.96 £'000	10 months to 31.12.95 £'000
Returns on investments and servicing of finance		
Interest received	7	21
Interest paid	(327)	(463)
	(320)	(442)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,740)	(865)
Proceeds from sales of tangible fixed assets	100	—
Purchase of fixed asset investments	(19)	—
	(1,659)	(865)
Acquisitions and disposals		
Purchase of minority interest in subsidiary company	—	(790)
Financing		
Issue of ordinary share capital, net of costs of issue	121	5,002
Receipts from loans and other borrowings	—	545
Repayments of loans and other borrowings	(312)	(2,475)
Capital element of finance lease repayments	(710)	(704)
	(901)	2,368



## Notes forming part of the Financial Statements

for the year ended 31st December 1996

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### 22 Notes to cash flow statement (continued)

(iii) Analysis of changes in net debt:

	At 31.12.95 £'000	Cash flows £'000	Other non cash changes £'000	At 31.12.96 £'000
Cash in hand and at bank	526	(525)	—	1
Overdrafts	—	(78)	—	(78)
	526	(603)	—	(77)
Debt due within 1 year	(313)	63	—	(250)
Debt due after 1 year	(512)	249	—	(263)
Finance leases	(2,204)	710	(139)	(1,633)
	(3,029)	1,022	(139)	(2,146)
Total	(2,503)	419	(139)	(2,223)

(iv) Reconciliation of net cash flow to movement in net debt:

	£'000
Decrease in cash in the year	(603)
Cash outflow from decrease in debt and lease financing	1,022
Change in net debt resulting from cash flows	419
New finance leases	(139)
Movement in net debt in the year	280
Net debt at 31st December 1995	(2,503)
Net debt at 31st December 1996	(2,223)

### 23 Capital commitments

	Group		Company	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Amounts contracted for but not provided for in these accounts	848	2,867	37	20

## 24 Financial commitments

The group leases property, plant and vehicles. The minimum annual rentals under these leases are as follows:

	1996		1995	
	Property	Plant and vehicles	Property	Plant and vehicles
	£'000	1996	£'000	£'000
Operating leases which expire:				
Within 1 year	2	102	2	54
In 1 to 5 years	79	241	79	318
Over 5 years	194	11	193	6
	<b>275</b>	<b>354</b>	<b>274</b>	<b>378</b>

## 25 Contingent liabilities

The company has guaranteed the bank facilities granted to its subsidiary companies. At 31st December 1996, the amounts guaranteed totalled £28,946.



## Notice of Annual General Meeting


**Notice is hereby given** that the Annual General Meeting of Darby Group Public Limited Company will be held at Darby House, Sunningdale Road, Scunthorpe, North Lincolnshire, DN17 2SS on Tuesday, 6th May 1997 at 11.00 a.m. for the following purposes.

### Ordinary business

1. To receive the reports of the Directors and Auditors and to adopt the accounts of the Company for the year ended 31st December 1996.
2. To declare the dividend recommended by the Directors.
3. To consider and if thought fit, to pass the following resolution: That Streets & Co and KPMG Audit Plc be and are hereby appointed auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next General Meeting at which accounts are laid before the company at a remuneration to be fixed by the directors.
4. To re-appoint Mr H. Hart as a Director.

By order of the Board

**B. Dovey**  
Secretary



4th March 1997

### Notes

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of a Company. The completion and return of a Form of Proxy will not preclude members entitled to attend and vote at the meeting from doing so if they wish.
2. Forms of Proxy must be lodged with the Company Secretary, Darby Group Public Limited Company, Darby House, Sunningdale Road, Scunthorpe, North Lincolnshire, DN17 2SS not less than forty-eight hours before the time fixed for the meeting.
3. In accordance with the requirements of the London Stock Exchange the following documents will be available for inspection at Darby House, Sunningdale Road, Scunthorpe, North Lincolnshire, during usual business hours on weekdays (except Saturdays, Sundays and public holidays) from the date of this notice until the close of the Annual General Meeting:
  - (i) the Register of Directors' Interests in the capital of Group companies;
  - (ii) copies of directors' service contracts with the Company;
  - (iii) copies of the Rules of the Company's Executive Share Option Scheme.