Registered No: 1285055

Darby

DARBY GROUP Plc

A02 *ABBCXGQ8* 378
COMPANIES HOUSE 29/05/98

ANNUAL REPORT 1998

Contents

Financial Highlights

Year ended 31st December 1998

£'000

	1998	1997 *Restated*
Turnover	**24,660**	22,565
Profit before taxation and exceptional items	**1,028**	2,010
(Loss)/profit before taxation	**(1,176)**	2,010
Operating cash flow	**3,266**	2,605
Earnings per share before exceptional items		
Basic and diluted	**2.8p**	4.0p
(Loss)/earnings per share		
Basic and diluted	**(3.7p)**	4.0p
Net assets per share	**36.3p**	41.9p

Darby Group was established in 1973 and is now one of the UK's leading independent manufacturers and distributors of flat and curved tempered safety glass.

The Group has extensive production facilities in Barking, Basingstoke, Glasgow, Gloucester, Manchester, Newcastle, Norwich, Portsmouth, Scunthorpe, Wellingborough and Wolverhampton.

It is the Group's strategy to provide exceptional service levels in the supply of specialist value added products where premium pricing can be achieved.

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"Notwithstanding the unsatisfactory results of the last year, the Group is well positioned to benefit from any improvement in the market, with a reduced cost base and scope for substantial future operating efficiencies ... we are confident that the business will be restored to attractive levels of profit."

Results

1998 was a difficult year for the Group in which the increasingly challenging trading conditions gave rise to a disappointing performance. Turnover for the year of £24.66m (1997: £22.57m) reflects a fall of approximately 5% in sales from the core business and turnover from businesses acquired in 1997 of £3.9m.

As anticipated in the trading statement of 3rd November 1998, operating profit before exceptional items was substantially below last year at £1.35m (1997: £2.25m restated).

As shareholders will already be aware from our announcement of 23rd December 1998, a review of asset carrying values was instigated by the Board which identified the need for a significant non-cash write off of approximately £3.5m. This relates mostly to fixed assets but because of its nature and magnitude £1.7m has been treated as a prior year adjustment and £1.8m is shown as an exceptional item after taxation. The remainder of the adjustment relates principally to working capital.

As a result of the exceptional item and a slightly higher interest cost the Group recorded a loss before taxation of £1.176m (1997: profit before taxation £2.010m restated), representing a loss per ordinary share of 3.7p (1997: earnings per share of 4.0p restated), however the underlying earnings per share before exceptional items were 2.8p.

The write down of assets represents a non-cash adjustment and accordingly did not affect net borrowings at 31st December 1998 which were £2.59m representing gearing of 26%.

Dividend

The Directors are proposing a final dividend of 0.5p per share (1997: 1.4p per share) reflecting the underlying trading position resulting in a total dividend for the year of 1.8p per share (1997: 2.6p per share).

Trading review

In the early part of 1998 trading was buoyant until the failure of a critical furnace disrupted production and subsequently, customer service. This proved to be very damaging, resulting not only in lost sales but also increased operating and recommissioning costs. Although the direct costs were partly offset by an insurance claim, the full impact of the disruption was not immediately appreciated or recovered. This problem was further exacerbated by commissioning delays to the new furnace based at Scunthorpe and the operation of the curved products plant which continued to perform inefficiently and was unable to produce the full product range.

In retrospect it is clear that these difficulties distracted management from the important task of integrating and improving the businesses acquired in 1997.

In the third and fourth quarters the market softened with trading margins coming under increasing pressure. Accordingly costs were cut, partially to offset lower levels of demand.

Notwithstanding the unsatisfactory results of the last year, the Group is well positioned to benefit from any improvement in the market, with a reduced cost base and scope for substantial future operating efficiencies. The network of hub and satellites enables us to serve customers throughout the country and to offer the premium "Rapid Delivery Service" for next day delivery.

Board restructuring

The last year has seen a major restructuring of the Board. Following the resignation of Roger Queen on 4th September 1998, Martin Hopcroft was appointed Group Finance Director. Martin was previously a Divisional Finance Director of Halma plc. On 26th January 1999, Michael Darby, the founding Chairman and Chief Executive resigned. I was appointed acting Non-executive Chairman and the search for a new Chief Executive has commenced and is proceeding satisfactorily.

Chris Simpson and Harry Hart are continuing as executive directors, with Harry Hart agreeing to postpone his planned retirement until the end of 1999 to assist in the transition in management.

I would like to take this opportunity to thank the employees of the Group for their loyalty and help during this difficult period.

Prospects

1999 commenced with the tough competitive conditions felt in the previous year. As a result of a refocused sales effort, order flow started to improve in February, albeit at levels below our capacity. Our target is to meet these levels of demand at improved levels of productivity as we benefit from recent cost saving measures.

Although we do not yet see demand levels returning quickly to those experienced in 1997, our challenge is to exceed the underlying performance achieved in 1998. In the longer term, with a strong market position and an excellent service base, we are confident that the business will be restored to attractive levels of profit.

M. Ab

Mark Abrahams
Non-executive Chairman

23rd March 1999

Managing Director's Review

The year has been challenging with sales increasing by 9% but underlying operating profits decreasing by 40%.

The year started promisingly until the Company's largest site, Darby East in Scunthorpe, suffered a major equipment failure. The Group's largest tempering plant, Darby 2, which was due to be replaced later in the year, had to be taken out of commission much earlier than anticipated. Customer confidence was lost as this was the only plant capable of producing the largest tempered panels within the Group. Consequently, the Group lost business in this and related areas until the new Darby 10 plant was installed. As a result of the disruption caused to our customers, the build up of sales for the new plant was slower than expected. In addition, logistical costs of producing the volume at other sites caused a dip in margins.

The continued development work on the new curved plant has seen an increase in the range of products and an extension of the customer base into different marketplaces, with major orders being received from the cabinet display industry.

Trading in the second half was difficult. The decline in the North East and Midlands was more rapid and greater than expected, whilst the smaller satellites proved difficult to integrate. We were slow to recognise the importance of ensuring compatible controls and procedures were installed in the businesses immediately after acquisition. Action has now been taken and we are adopting 'best practices' across the Group.

Price pressure was very evident in the second half. Our response was to protect market share albeit at the expense of margins. Whilst this was successful, we did not achieve the originally planned growth.

Export activities for flat glass products were very limited in the year as a result of intense price pressure from mainland European suppliers. However, curved products continued to sell strongly in the marketplace due to the extremely high quality and production tolerances to which we are able to operate.

The Redbourne Products Division was sold for a net consideration of £505,000 in August 1998. The acquirer has been a customer for a period of time and a supply agreement for their future glass requirements further develops our relationship.

This disposal allows the business to focus on three core product groups, Tempered Safety Glass, Processed Glass and Curved Glass. These were managed as eleven separate businesses, and during 1999 they are being grouped into three regions, each with its own Regional Director and supporting structure of sales and administrative personnel.

The developing sales in the satellites are resulting in the hub sites seeing increased volumes of intercompany tempered glass sales, which is set to increase further.

In the year ahead we plan to grow volumes through the hub sites as a result of the introduction of regional focus and to expand the satellite sales by developing the Rapid Delivery Service. The introduction of value added insulating glass unit products at all the sites will be complete by the spring. Although progress has been slow, we are beginning to extend the range capability of the curved operation. We believe this will offer new opportunities for applications not previously served. In addition, a programme designed to achieve better utilisation of vehicles and manufacturing plant should benefit gross margins during 1999.

The Group's Chairman and Chief Executive, Michael Darby, left in January 1999 after twenty-six years service. We would like to extend our thanks to him for his hard work and commitment to the business during that time.

Chris Simpson
Group Managing Director

23rd March 1999

Board of Directors

Non-Executives

Mark Abrahams (aged 44) is Chairman of the Darby Group and serves on the Audit Committee and the Remuneration Committee. He was appointed to the Board in 1997. He is Chief Executive Officer of Fenner plc and a non-executive Director of The British Rubber Manufacturers Association.

Brian Cooper (aged 63) serves on the Audit Committee and the Remuneration Committee. He was appointed to the Board in February 1998. He is non-executive Chairman of N.J.Bailey Organisation Limited and a non-executive Director of Silentnight Holdings Plc.

Executives

Chris Simpson (aged 43) is Group Managing Director. He joined the Sales Division in 1983 and was appointed Sales Director of Darby Tempered Products Limited in 1990. He joined the Group Board in 1992 and was promoted to Group Managing Director in 1996. He has spent over twenty five years in the glass industry.

Harry Hart (aged 58) is Group Production Director. He joined the Darby Group in 1995 and was appointed to the Board in 1997. Prior to joining the Group, he spent thirty three years at Pilkington plc in technical, production and general management positions within the Automotive and Processing Divisions. He is an engineering graduate of Sheffield University.

Martin Hopcroft (aged 38) is Group Finance Director and Company Secretary. He was appointed to the Board in September 1998. He was previously a Divisional Finance Director of Halma plc. An economics graduate of the London School of Economics, he qualified as a Chartered Accountant with KPMG.

Officers and Advisers

Directors	M.S. Abrahams* *Chairman* C.M. Simpson *Group Managing Director* F.H. Hart B. Cooper* M.P. Hopcroft ACA * Non-executive
Company Secretary	M.P. Hopcroft ACA
Registered Office	Darby House Sunningdale Road Scunthorpe DN17 2SS
Registered Number	1285055
Auditors	KPMG Audit Plc The Fountain Precinct 1 Balm Green Sheffield S1 3AF
Bankers	National Westminster Bank Plc Radford House Radford Boulevard Nottingham NG7 5QG
Financial Advisers	Granville & Co. Mint House 77 Mansell Street London E1 8AF
Solicitors	Garretts 1 City Square Leeds LS1 2AL
Stockbrokers	Albert E. Sharp Temple Court 35 Bull Street Birmingham B4 6ES
Registrars	IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU

Report of the Directors

The Directors submit their annual report and accounts of Darby Group Plc for the year ended 31st December 1998.

Activities
The Group is a manufacturer and distributor of tempered safety glass.

Business review
A review of activities and prospects is included on pages 2 to 4.

Directors
On 4th September 1998, R.C. Queen resigned from the Board. On 21st September 1998, M.P. Hopcroft joined the Board as an Executive Director. On 26th January 1999, M.J. Darby resigned from the Board.

C.M. Simpson retires by rotation and, being eligible, offers himself for re-election. M.P. Hopcroft, who joined the Board in 1998, retires under the Articles of Association and, being eligible, offers himself for re-election.

Results
The consolidated profit before taxation and exceptional items is £1,028,000. The consolidated loss before taxation is £1,176,000 and the consolidated loss after taxation is £1,026,000.

Dividends
An interim dividend of 1.3p per share was paid, amounting to £359,000. The Directors propose a final dividend of 0.5p per share, amounting to £138,000, which will be paid on 21st May 1999 to shareholders on the register at the close of business on 23rd April 1999.

Shareholdings
As at 12th March 1999, disclosable substantial shareholdings were as follows:

	Ordinary Shares	*Percentage*
M.J. Darby	4,150,000	15.0%
National Westminster Bank Plc	3,476,995	12.6%
Phillips & Drew Holding Limited	3,376,758	12.2%
The Equitable Life Assurance Society	3,141,398	11.4%
Norwich Union Investment Management	1,581,243	5.7%
Royal Insurance Asset Management	1,241,500	4.5%
Clerical Medical	1,200,000	4.3%
Mineworkers Pension Scheme	926,000	3.4%

Year 2000 and the Euro

The Group is continuously assessing the issues arising from the inability of certain computer and electronic equipment to recognise dates beyond any particular system date, together with the implications of the Euro. Although it is not possible to guarantee that no problems will occur from Year 2000 issues or the Euro, the Group believes that it will achieve an acceptable state of readiness and the Group is taking appropriate actions to mitigate the risks. The total incremental cost to the Group is not expected to be significant.

Supplier payment policy

The Company does not follow any particular supplier payment code of practice. It is the policy of the individual operating companies to make payments to suppliers in accordance with agreed terms. At 31st December 1998, the Group's trade creditors represented 64 days of annual purchases. The Company has no trade creditors.

Employees

The Group communicates regularly with employees through formal and informal channels, together with regular managerial contact. In particular, the Group places considerable emphasis on health and safety issues as they affect individuals across the manufacturing sites.

The Group seeks to provide equal opportunities in the appointment, training and career development of disabled persons taking into account their abilities, and to keep employees involved in and informed about the Group's affairs.

Donations

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

Auditors

Streets & Co. resigned as joint auditors during the year. A resolution will be proposed at the Annual General Meeting to re-appoint KPMG Audit Plc as auditors and to authorise the Directors to determine their remuneration.

By order of the Board

Martin Hopcroft
Company Secretary

23rd March 1999

Board of Directors

The Board comprises three executive directors and two non-executive directors.

Combined Code

The Company is required to report on compliance with the requirements of the Combined Code throughout the year ended 31st December 1998 even though the final version of the Combined Code, which introduced several changes to previous corporate governance guidance, was not issued until June 1998.

In relation to the provisions of the Combined Code, the Company complied throughout the period under review other than those detailed below.

(a) The Company recruits to the Board those individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. There is currently no formal induction and training programme in place for the Directors. (A.1.6)

(b) The position of Chairman and Chief Executive was combined throughout the year, but there have been strong and independent elements on the board to whom concerns could be conveyed. Subsequent to the year end, the position of Chairman has been created separate to the executive management of the Company. (A.2.1)

(c) It has not previously been the practice of the Company to indicate the level of proxy voting at the AGM. This procedure was not adopted at the Company's 1998 AGM which preceded the publication of the Code. However, the company intends to comply with the new requirements in future years. (C.2.1)

(d) The Company is awaiting clarification of how to apply the principle of maintaining a sound system of internal control to safeguard shareholders' investment and the Company's assets, and therefore the Company has reported on its internal financial controls consequent on advice from the London Stock Exchange. (D.2.1)

(e) There are currently only two non-executive directors, which the Board considers appropriate given the size of the Company, both of whom serve on the Audit Committee. (D.3.1)

Internal financial controls

The Board has overall responsibility to the shareholders for the Group's system of internal financial controls and for monitoring its effectiveness. The Board has reviewed the effectiveness of internal financial controls. Any system of internal financial control can provide only reasonable but not absolute assurance against material misstatement or loss.

The Group's external auditors, KPMG Audit Plc, have audited the financial statements and have reviewed the internal financial control systems to the extent they consider necessary to support their audit report.

The Board meets regularly during the year, which assists in the control of significant strategic, financial and operational issues.

The Group operates under a system of controls which includes but is not limited to:

- an annual budgeting system, with approval by the Board;
- a financial reporting system with actual results compared to approved budgets and previous year's figures on a monthly basis;
- defined authority levels within the Group to approve capital expenditure and disposals;
- regular consideration of the Group's capital commitments;
- treasury procedures and banking arrangements.

As a result of inquiries initiated by the new Group Finance Director in the latter half of the year, certain issues were identified which required further investigation. To assist in this, the Audit Committee appointed a specialist forensic accounting team to investigate certain specific matters. On the basis of the investigators' findings and the Company's own investigations, the Board has concluded that there were shortcomings in the Group's accounting practices partially resulting from inaccurate and incomplete reporting in previous years. Following the investigation, action is being taken to implement the recommendations made and to raise the level of control.

In their audit report on Darby Tempered Products Limited, a principal subsidiary of the Group, KPMG Audit Plc have stated that, in respect of certain transactions involving fixed assets, proper accounting records were not in their opinion maintained so as to comply in all respects with the Companies Act 1985.

Audit Committee

The Audit Committee consists of the non-executive Directors and is chaired by M.S. Abrahams. The Group Finance Director and KPMG Audit Plc normally attend each meeting.

Remuneration Committee

The Remuneration Committee, whose report is on page 11, consists of the non-executive Directors and is chaired by B. Cooper.

Going concern

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

Report of the Remuneration Committee

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

Service contracts
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.

M.S.Abrahams and B.Cooper have letters of appointment for a term of three years. They can be removed from the Board under the company's Articles of Association at an Annual General Meeting, without compensation.

Each executive Director has an employment contract with an entitlement to notice. C.M.Simpson entered into a two year fixed term contract on 20th July 1998 with a notice period of 12 months from 1st January 2000. F.H.Hart has a notice period of 6 months with his employment continuing until 31st December 1999. M.P.Hopcroft has a notice period of 6 months.

Bonus scheme
The Company operates an annual bonus scheme for directors which is related to the performance of the business. The bonus is capped at 25% 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 annually at 10% of basic salary, except in the case of M.J. Darby whose pension contribution from the Company is 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 for Directors are provided in note 7 to the accounts.

By order of the Board

Brian Cooper
Chairman of the Remuneration Committee

23rd March 1999

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company 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.

Report of the Auditors

KPMG Audit Plc, to the Members of Darby Group Plc

We have audited the financial statements on pages 14 to 33.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report, including as described on page 12 the financial statements. Our responsibilities, as independent Auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the statement on pages 9 and 10 reflects the Company's compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the Company's corporate governance procedures or its internal controls.

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

Basis of audit 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 of the Group as at 31st December 1998 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Sheffield

23rd March 1999

Consolidated Profit and Loss Account

Year ended 31st December 1998

£'000

	Notes	Before Exceptional Items	Exceptional Items (Note 9)	1998 Total	1997 Total *Restated (Note 11)*
Turnover	*1*	24,660	–	24,660	22,565
Cost of sales		(16,667)	(1,220)	(17,887)	(15,188)
Gross profit		7,993	(1,220)	6,773	7,377
Distribution costs		(3,256)	–	(3,256)	(2,602)
Administrative expenses		(3,386)	(817)	(4,203)	(2,526)
Operating (loss)/profit	*2*	1,351	(2,037)	(686)	2,249
Loss on sale of fixed assets		–	(167)	(167)	-
Interest receivable		5	–	5	48
Interest payable and similar charges	*8*	(328)	–	(328)	(287)
(Loss)/profit before taxation		1,028	(2,204)	(1,176)	2,010
Taxation	*10*	(250)	400	150	(920)
(Loss)/profit for the year		778	(1,804)	(1,026)	1,090
Dividends	*12*			(497)	(718)
Retained (loss)/profit for the year				(1,523)	372
(Loss)/earnings per share					
Basic and diluted	*13*	2.8p	(6.5p)	(3.7p)	4.0p

Turnover and operating (loss)/profit are derived from continuing activities.

Consolidated Balance Sheet

At 31st December 1998

£'000

	Notes	1998	1997 *Restated*
Fixed assets			
Tangible assets	*14*	**11,306**	10,917
Investments	*15*	**19**	19
		11,325	10,936
Current assets			
Stocks	*17*	**1,732**	2,341
Debtors	*18*	**4,603**	5,349
Cash at bank and in hand		**570**	72
		6,905	7,762
Creditors: amounts falling due within one year	*19*	**(6,691)**	(6,043)
Net current assets		**214**	1,719
Total assets less current liabilities		**11,539**	12,655
Creditors: amounts falling due after one year	*20*	**(1,399)**	(962)
Provisions for liabilities and charges	*22*	**(120)**	(120)
		10,020	11,573
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*	**485**	2,038
Equity shareholders' funds		**10,020**	11,573

Approved by the Board of Directors on 23rd March 1999

M.S. Abrahams
M.P. Hopcroft } *Directors*

Consolidated Cash Flow Statement

Year ended 31st December 1998

£'000

	Notes	1998	1998	1997 *Restated*	1997 *Restated*
Cash flow from operating activities	*27*		**3,266**		2,605
Returns on investments and servicing of finance					
Interest received		**10**		21	
Interest paid on loans		**(159)**		(139)	
Interest paid on finance leases		**(178)**		(145)	
			(327)		(263)
Taxation					
Current taxation paid			**(791)**		(103)
Capital expenditure					
Sale of tangible fixed assets		**246**		1,600	
Purchase of tangible fixed assets		**(2,987)**		(1,415)	
			(2,741)		185
Acquisitions and disposals					
Sale of businesses	*29*	**505**		-	
Purchase of businesses		**12**		(1,543)	
Net cash acquired		**–**		171	
			517		(1,372)
Equity dividends paid			**(746)**		(663)
Net cash (outflow)/inflow before financing			**(822)**		389
Financing					
Net proceeds from issue of shares		**–**		113	
Receipts from loans and other borrowings		**–**		400	
Repayment of loans and other borrowings		**(477)**		(269)	
Inception of finance leases		**1,000**		-	
Capital repayments of finance leases		**(412)**		(488)	
			111		(244)
(Decrease)/increase in cash			**(711)**		145

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31st December 1998

£'000

	Notes	1998	1997 *Restated*
(Loss)/profit for the year		(1,026)	1,090
Prior year adjustment	*11*	(1,695)	-
Total recognised losses and gains since last annual report		(2,721)	1,090

Movements in Consolidated Shareholders' Funds

Year ended 31st December 1998

£'000

	Notes	1998	1997 *Restated*
Shareholders' funds brought forward – as previously stated		13,268	12,991
Prior year adjustment	*11*	(1,695)	(582)
Shareholders' funds brought forward – restated		11,573	12,409
(Loss)/profit for the year		(1,026)	1,090
Dividends	*12*	(497)	(718)
Net proceeds of shares issued		–	113
Goodwill arising on acquisitions		(30)	(1,321)
Shareholders' funds carried forward		10,020	11,573

Company Balance Sheet

At 31st December 1998

£'000

	Notes	1998	1997
Fixed assets			
Tangible assets	*14*	**2,110**	2,075
Investments	*15*	**992**	1,194
		3,102	3,269
Current assets			
Debtors	*18*	**8,152**	8,612
Cash and bank balances		**53**	150
		8,205	8,762
Creditors: amounts falling due within one year	*19*	**(1,303)**	(1,730)
Net current assets		**6,902**	7,032
Total assets less current liabilities		**10,004**	10,301
Creditors: amounts falling due after one year	*20*	**(200)**	(200)
		9,804	10,101
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*	**269**	566
Equity shareholders' funds		**9,804**	10,101

Approved by the Board of Directors on 23rd March 1999

M.S. Abrahams

Directors

M.P. Hopcroft

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

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 are ascribed to the net assets of businesses acquired up to 31st December 1997 and the resultant surplus or deficiency has been taken to reserves. With any subsequent disposals, any goodwill previously written off to reserves will be written back through the profit and loss account as part of any profit or loss on disposal. From 1st January 1998, 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.

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

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

Residual values are estimated by the Directors.

The cost of commissioning new machinery (being the cost of glass used together with the attributable cost of labour and overheads) is included in the cost of plant, where appropriate.

Leases
Assets acquired under finance lease are capitalised in tangible fixed assets and depreciated over the shorter of the estimated useful life and the lease term. 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 pension 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.

Government grants
Grants are credited to the profit and loss account as earned.

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

Deferred taxation
Provision is made for deferred taxation arising from timing differences between profits for taxation purposes and profits in the accounts, except to the extent that taxation will not be payable in the foreseeable future.

Foreign currencies
Transactions in foreign currencies are recorded in sterling at the exchange rate prevailing at the time. Assets and liabilities are recorded in sterling at the exchange rate at the balance sheet date. Exchange differences are included in the profit and loss account.

Notes to the Accounts

£'000

1. Segmental reporting

Turnover by geographical destination is as follows:

	1998	1997
UK	**23,701**	21,364
Europe	**865**	1,073
Other	**94**	128
	24,660	22,565

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

2. Operating (loss)/profit

Operating (loss)/profit on continuing activities is stated after charging:

	1998	1997 *Restated*
Depreciation - owned assets	**1,605**	1,191
- leased assets	**475**	276
Operating leases - property	**404**	289
- plant	**561**	422
Auditors' remuneration - audit (KPMG Audit Plc)	**40**	15
- audit (Streets & Co.)	**2**	33
- non-audit (KPMG)	**188**	9
- non-audit (Streets & Co.)	**13**	15

In respect of the Company, auditors remuneration includes £13,000 to KPMG Audit Plc and £2,000 to Streets & Co.

3. Employees

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

	1998 Number	1997 Number
Production	**353**	307
Administration and management	**63**	55
Sales and distribution	**50**	43
	466	405

£'000

3. Employees *(continued)*

Employment costs during the year were:

	1998	1997
Wages and salaries	**6,076**	5,154
Social security costs	**562**	467
Other pension costs (defined contribution schemes)	**184**	189
	6,822	5,810

4. Directors' emoluments

	Salary	*Bonus*	*Benefits*	**1998**	*1997*
M.J. Darby	56	33	23	**112**	39
C.M. Simpson	98	20	8	**126**	112
R.C. Queen	42	3	5	**50**	73
F.H. Hart	46	2	5	**53**	55
M.P. Hopcroft	20	-	2	**22**	-
H. Hardy	-	-	-	–	5
J.R.C. Young	-	-	-	–	12
M.S. Abrahams	18	-	-	**18**	9
B. Cooper	17	-	-	**17**	-
	297	58	43	**398**	305

The above bonuses include:

(a) Additional bonuses of £17,000 paid in respect of the results for the year ended 31st December 1997. In total, bonuses of £51,000 have been paid in respect of the results for the year ended 31st December 1997 to M.J. Darby (£21,000), C.M. Simpson (£14,000), R.C. Queen (£9,000) and F.H. Hart (£7,000). Of this, £34,000 was reported in the results for the year ended 31st December 1997.

(b) Bonuses of £41,000 paid in respect of the results for the year ended 31st December 1995 to M.J. Darby (£26,000) and C.M. Simpson (£15,000).

On resigning from the Board on 26th January 1999, M.J. Darby waived any right to compensation under his contract of employment.

In addition, M.P. Hopcroft received relocation expenses in the period of £2,000.

£'000

5. Directors' pension benefits

	1998	1997
M.J. Darby	**87**	144
C.M. Simpson	**10**	10
R.C. Queen	**5**	6
F.H. Hart	**5**	5
M.P. Hopcroft	**2**	-
H. Hardy	–	-
J.R.C. Young	–	-
M.S. Abrahams	–	-
B. Cooper	–	-
	109	165

Company contributions toward a defined contribution pension scheme of 10% of basic salary are payable in respect of each executive director. M.J. Darby elected to have the majority of his basic salary paid as pension contributions.

6. Directors' share interests

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

	Shares at 31.12.98	Shares at 31.12.97
M.J. Darby	**4,150,000**	4,150,000
C.M. Simpson	**2,244**	2,244

The interest of M.J. Darby includes shares held on behalf of trustees of a settlement made by him. In addition, 33,600 shares are held in a self administered pension scheme of which M.J. Darby is a member.

There were no changes in Directors' interests between 31st December 1998 and 12th March 1999.

7. Directors' share options

	Options at 01.01.98	Options Lapsed	**Options at 31.12.98**	Exercise Price
M.J. Darby	132,000	-	**132,000**	128.5p
C.M. Simpson	93,000	-	**93,000**	128.5p
R.C. Queen	58,500	(58,500)	–	-
F.H. Hart	44,000	-	**44,000**	128.5p

The Directors' share options are exercisable from 6th June 2000 to 6th June 2004, subject to the performance criteria as set out in note 23. M.J. Darby's share options lapsed on his leaving the Company

£'000

7. Directors' share options *(continued)*

Gains made on share options exercised were as follows:

	1998	1997
M.J. Darby	–	280
C.M. Simpson	–	93
	–	373

8. Interest payable and similar charges

	1998	1997
On bank overdrafts and bank loans wholly repayable within five years	145	142
Finance lease and hire purchase interest	156	142
On other borrowings and other interest	27	3
	328	287

9. Exceptional items

	1998	1997
Additional depreciation resulting from changes in estimated residual values of fixed assets	747	-
Diminution in fixed asset values	236	-
Loss on sale of fixed assets	167	-
Adjustments to working capital values	680	-
Employment taxes	174	-
Professional fees	200	-
	2,204	-
Taxation	(400)	-
	1,804	-

There was no significant cash flow effect from the exceptional items in the year ended 31st December 1998.

£'000

10. Taxation

	1998	1997 *Restated*
UK corporation tax at 31% (1997: 31.5%)	**(150)**	800
Deferred taxation	**–**	120
	(150)	920

The tax credit for the current year and the charge for the prior year have been affected because a substantial element of the exceptional items and prior year adjustments relates to expenditure which gave rise to timing differences, in particular accelerated capital allowances, in respect of which deferred taxation has not been fully provided.

11. Prior year adjustment

As a result of inquiries initiated by the new Group Finance Director in the latter half of the year, certain issues were identified which required further investigation. To assist in this, the Audit Committee appointed a specialist forensic accounting team to investigate certain specific matters. On the basis of the investigators' findings and the Company's own investigations, the Board has concluded that there were shortcomings in the Group's accounting practices partially resulting from inaccurate and incomplete reporting in previous years. Following the investigation, action is being taken to implement the recommendations made and to raise the level of control.

The investigation addressed certain matters relating to the purchase of certain major plant and the negotiations conducted with the supplier between 1994 and 1997, and whether the accounting treatment previously adopted reflected the underlying substance of the transactions. The Directors have also considered the provisions of the recently issued FRS15 on tangible fixed assets. The Directors have concluded that a prior year adjustment is required to correct the following aspects of previous financial statements: amounts originally capitalised in respect of certain plant additions were overstated; amounts attributed to plant to be traded in against new plant were overstated with the result that the depreciation was understated in earlier years; and amounts previously recognised in the profit and loss account as compensation for loss of profits in respect of unsatisfactory commissioning should have been offset against the amounts originally capitalised.

The effect of the prior year adjustment was to understate cost of sales in the year ended 31st December 1997 by £1,193,000 and in prior years by £582,000 and to overstate tangible fixed assets at 31st December 1997 by £1,695,000 and at 31st December 1996 by £582,000. The taxation charge for the year ended 31st December 1997 has consequently been reduced by £80,000.

12. Dividends

	1998 pence	1997 pence	1998	1997
Ordinary dividends – interim paid	**1.3**	1.2	**359**	331
– final proposed	**0.5**	1.4	**138**	387
	1.8	2.6	**497**	718

£'000

13. Earnings per share

Earnings per share are calculated by dividing the loss after taxation of £1,026,000 (1997: profit after taxation £1,090,000 restated) by the weighted average of 27,634,594 shares (1997: 27,541,802 shares) in issue in the year.

Earnings 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.

14. Tangible assets

Group	Freehold Land & Buildings	Short Leasehold Property	Plant vehicles & equipment	Assets in Construction	Total
Cost					
At 1st January 1998 *(restated)*	2,624	285	15,196	1,152	19,257
Additions	96	102	2,323	466	2,987
Disposals	(4)	-	(1,536)	-	(1,540)
Reclassification	-	1	1,331	(1,332)	-
At 31st December 1998	**2,716**	**388**	**17,314**	**286**	**20,704**
Depreciation					
At 1st January 1998 *(restated)*	549	140	7,651	-	8,340
Charge for the year	57	48	1,975	-	2,080
Disposals	-	-	(1,022)	-	(1,022)
At 31st December 1998	**606**	**188**	**8,604**	–	**9,398**
Net book value					
At 31st December 1998	**2,110**	**200**	**8,710**	**286**	**11,306**
At 31st December 1997 *(restated)*	2,075	145	7,545	1,152	**10,917**

£'000

14. Tangible assets *(continued)*

Company	**Freehold land & buildings**
Cost	
At 1st January 1998	2,624
Additions	96
Disposals	(4)
At 31st December 1998	**2,716**
Depreciation	
At 1st January 1998	549
Charge for the year	57
Disposals	-
At 31st December 1998	606
Net book value	
At 31st December 1998	**2,110**
At 31st December 1997	2,075

Group

	1998	1997
Cost of land not subject to depreciation	**334**	334
Residual value of plant not subject to depreciation	**1,200**	2,860
Additions to plant include:		
Materials and labour in commissioning of plant	**10**	50
Labour in installation of plant	**79**	128
Net book value of plant held under finance leases	**1,960**	1,942

£'000

15. Investments

	Group	Company
Cost		
At 1st January 1998	19	2,464
Adjustment to purchase consideration	–	(12)
At 31st December 1998	19	2,452
Provisions		
At 1st January 1998	–	1,270
Charge for the year	–	190
At 31st December 1998	–	1,460
Net book value		
At 31st December 1998	19	992
At 31st December 1997	19	1,194

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

16. Principal subsidiaries

Details of principal subsidiary companies are set out below, all 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/or distribution of specialist glass products. Full information on all subsidiary companies will be annexed to the Company's next annual return to the Registrar of Companies.

Darby Tempered Products Limited
Darby Tempered Products (Exports) Limited
Curved Tempered Glass Limited

17. Stocks

	1998	*1997*
Raw materials	1,066	1,373
Work in progress	183	321
Finished goods	483	647
	1,732	2,341

£'000

18. Debtors

	Group 1998	Group 1997 *Restated*	Company 1998	Company 1997
Trade debtors	**3,855**	4,536	–	-
Amounts owed by group companies	–	-	**8,057**	8,487
Taxation recoverable	**113**	231	**67**	97
Prepayments and accrued income	**635**	582	**28**	28
	4,603	5,349	**8,152**	8,612
Due within one year	**4,603**	5,172	**8,152**	8,515
Due after one year	–	177	–	97
	4,603	5,349	**8,152**	8,612

19. Creditors: amounts falling due within one year

	Group 1998	Group 1997 *Restated*	Company 1998	Company 1997
Bank overdraft	**1,213**	4	**903**	768
Bank loan	**5**	463	–	63
Finance leases	**543**	411	–	-
Trade creditors	**2,926**	2,146	–	-
Amounts owed to group companies	–	-	**59**	59
Social security and other taxes	**440**	364	–	-
Corporation tax	–	1,059	–	262
Dividends	**159**	408	**159**	408
Other creditors	**460**	539	–	-
Accruals and deferred income	**945**	649	**182**	170
	6,691	6,043	**1,303**	1,730

20. Creditors: amounts falling due after one year

	Group 1998	Group 1997	Company 1998	Company 1997
Bank loans	**200**	219	**200**	200
Finance leases	**1,199**	743	–	-
	1,399	962	**200**	200

£'000

21. Borrowings

	Group 1998	Group 1997	Company 1998	Company 1997
Bank loans	**205**	682	**200**	263
Finance leases	**1,742**	1,154	–	-
	1,947	1,836	**200**	263
Repayable as to:				
Within one year	**548**	874	–	63
After one year	**1,399**	962	**200**	200
	1,947	1,836	**200**	263
Borrowings repayable by instalments:				
Within one year - Bank and other	**5**	463	–	63
- Finance leases	**543**	411	–	-
In one to two years - Banks	–	80	–	-
- Finance leases	**531**	327	–	-
In two to five years - Banks	**200**	139	**200**	200
- Finance leases	**668**	405	–	-
After five years - Finance leases	-	11	–	-
	1,947	1,836	**200**	263

All bank loans and facilities are secured by fixed and floating charges over all the assets of the Company and its subsidiaries, and by cross guarantees between those companies. The Company has guaranteed the bank facilities granted to its subsidiary companies. At 31st December 1998, the amounts guaranteed totalled £291,783 (1997: £64,554).

22. Provisions for liabilities and charges

The amounts provided for deferred taxation and the full potential liability are as follows:

	Group 1998	Group 1997 *Restated*	Company 1998	Company 1997
Provided on fixed assets	**120**	120	–	-
Unprovided on fixed assets	**1,497**	1,710	**191**	186

£'000

23. Share capital

	Authorised		Issued and fully paid	
	1998	1997	**1998**	1997
Ordinary shares of 5p each	**1,784**	1,784	**1,382**	1,382

The number of ordinary shares in issue at 31st December 1998 was 27,634,594 shares (31st December 1997: 27,634,594 shares).

The share price range during the year was 33.5p to 160.5p, the average share price during the year was 119.9p and the mid-market price at 31st December 1998 was 34.5p

Options in respect of 469,000 ordinary shares remained outstanding at 31st December 1998 under the company's share option scheme, as follows:

Date granted	*Number*	*Option price*	*Exercisable*
6th June 1997	469,000	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 and Company	
	1998	1997
At 1st January	**8,153**	8,065
Arising on issue of shares	–	130
Share issue expenses	–	(42)
At 31st December	**8,153**	8,153

25. Reserves – profit and loss account

	Group		*Company*	
	1998	1997	**1998**	1997
At 1st January - as previously stated	**3,733**	3,569	**566**	531
Prior year adjustment	**(1,695)**	(582)	–	-
At 1st January - restated	**2,038**	2,987	**566**	531
(Loss)/profit for the year	**(1,026)**	1,090	**200**	753
Dividends	**(497)**	(718)	**(497)**	(718)
Goodwill	**(30)**	(1,321)	–	-
At 31st December	**485**	2,038	**269**	566

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 cumulative goodwill written off to reserves and arising from acquisitions at 31st December 1998 was £2,912,000 (1997: £2,882,000).

£'000

26. *Movement in shareholders' funds*

	Company 1998	Company 1997
Shareholders' funds brought forward	**10,101**	9,953
Profit for the year	**200**	753
Dividends	**(497)**	(718)
Net proceeds on shares issued	**–**	113
Shareholders' funds carried forward	**9,804**	10,101

27. Consolidated cash flow statement

Reconciliation of operating (loss)/profit to operating cash flows:

	1998	1997 *Restated*
Operating (loss)/profit	**(686)**	2,249
Depreciation	**2,080**	1,467
Loss/(profit) on sale of tangible fixed assets	**76**	(17)
Decrease/(increase) in stocks	**157**	(295)
Decrease/(increase) in debtors	**576**	(494)
Increase/(decrease) in creditors	**1,063**	(305)
Net cash inflow from operating activities	**3,266**	2,605

Analysis of changes in net debt:

	At 1st January 1998	**Cash flows**	**Inception of finance leases**	**At 31st December 1998**
Cash in hand and at bank	72	498	–	**570**
Overdrafts	(4)	(1,209)	–	**(1,213)**
	68	(711)	–	**(643)**
Bank loans	(682)	477	–	**(205)**
Finance leases	(1,154)	412	(1,000)	**(1,742)**
	(1,836)	889	(1,000)	**(1,947)**
Total	(1,768)	178	(1,000)	**(2,590)**

£'000

27. Consolidated cash flow statement *(continued)*

Reconciliation of net cash flow to movement in net debt:

Decrease in cash	(711)
Cash outflow from loans and finance leases	889
Inception of finance leases	(1,000)
	(822)
Net debt at 31st December 1997	(1,768)
Net debt at 31st December 1998	(2,590)

28. Acquisitions

There is £40,000 accrued under an earn out agreement relating to the acquisition of Poplar Glass Limited in 1997 dependent on the gross profits reported for the financial years ending 31st December 1998 and 1999.

29. Disposals

On 12th August 1998, the Redbourne door manufacturing business was sold for net proceeds of £505,000. There is up to a further £100,000 receivable on the anniversary of the sale agreement, dependent on levels of turnover achieved. The consideration on disposal has been accounted for as follows:

	1998
Fixed assets	29
Stocks	452
Debtors	24
Cash consideration	505

30. Capital commitments

	Group		Company	
	1998	1997	1998	1997
Amounts contracted for but not provided for in these accounts	640	1,340	–	-

£'000

31. Financial commitments

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

	Land & buildings 1998	**Other 1998**	Land & buildings 1997	Other 1997
Operating leases which expire:				
Within one year	**79**	**28**	2	93
In one to five years	**175**	**119**	79	170
Over five years	**219**	**282**	283	280
	473	**429**	364	543

32. Directors' loans and related party transactions

The Company entered into a forward contract on 14th July 1997 to purchase US$100,080 and sell £60,000 on 27th April 1998 on behalf of M.J. Darby. The Company paid US$100,080 on 1st May 1998 to M.J. Darby. The Company was repaid £60,000 on 21st May 1998.

The Company paid £12,800 of personal expenses on 16th April 1998 on behalf of M.J. Darby. The Company was repaid on 26th October 1998.

The Company entered into a forward contract on 1st June 1998 to purchase US$1,000,000 on 1st March 1999 on behalf of M.J. Darby. The obligation to the Company under this contract was transferred on 26th November 1998 under a novation agreement to a company associated with M.J. Darby.

The cost to the Company of these transactions was not significant.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Darby Group Plc will be held at Darby House, Sunningdale Road, Scunthorpe DN17 2SS on Friday 7th May 1999 at 11.00 a.m. for the following purposes:

Ordinary business

1. To approve the Accounts and the Reports of the Directors and Auditors for the year ended 31st December 1998.

2. To declare a dividend on the Ordinary shares.

3. To re-elect Mr C.M. Simpson as a Director.

4. To re-elect Mr M.P. Hopcroft as a Director.

5. To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to determine their remuneration.

By order of the Board

Martin Hopcroft
Company Secretary

9th April 1999

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. 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 IRG plc, Proxies Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the time fixed for the meeting.

3. In accordance with the requirements of the Companies Act 1985 the following documents will be available for inspection at the registered office of the Company until the close of the Annual General Meeting:

   (i) Register of Directors' Interests in the Company's shares;

   (ii) copies of directors' service contracts with the company;

   (iii) copies of the Rules of the Company's Executive Share Option Scheme.

DARBY GROUP Plc

FORM OF PROXY

I/We ....

Please complete in block capitals

of ....

being a member/members of Ordinary shares in Darby Group Plc, HEREBY APPOINT the Chairman of the meeting or (see Note 3 below)

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Darby House, Sunningdale Road, Scunthorpe DN17 2SS on Friday 7th May 1999 at 11.00 am and at any adjournment thereof. I/We direct my/our proxy to vote on each resolution as shown below.

ANNUAL GENERAL MEETING

Ordinary resolutions	FOR	AGAINST
1. To approve the Accounts and the Reports of the Directors and Auditors for the year ended 31st December 1998		
2. To declare a dividend on the Ordinary shares		
3. To re-elect Mr C.M. Simpson as a Director		
4. To re-elect Mr M.P. Hopcroft as a Director		
5. To re-appoint KPMG Audit Plc as Auditors and to authorise the Directors to determine their remuneration		

Signature .... Date ....

Notes:

1. Please indicate how the proxy should vote on the resolution by ticking the appropriate box. Subject to any voting instructions so given, the proxy will vote, or abstain from voting, on the resolution as he/she thinks fit.
2. In the case of a corporation, this proxy form must either be executed under its common seal or be signed by an officer duly authorised.
3. A member is entitled to appoint a proxy of his/her own choice. If it is desired to appoint such a proxy (who need not be a member of the Company) strike out the words 'the chairman of the meeting or' above, add the name of the proxy and initial the alteration.
4. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the register of shareholders in respect of the joint holdings.
5. To be effective, this proxy form must be lodged at IRG plc, Proxies Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time of the meeting.
6. Completion and return of this proxy form does not preclude a member from attending and voting at the meeting.
7. If the proxy form is returned without an indication as to how the proxy will vote on any particular matter, the proxy may exercise his discretion as to whether he votes and if so how.

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AFFIX
STAMP
HERE

IRG plc
Proxies Department
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

FIRST FOLD

THIRD FOLD