

10000000000000000000

**Darby Group Plc**  
Annual Report and Accounts 2002

# Returning to profit through investment in products and technology



DARBY

Left: Princes Exchange, Edinburgh.

Centre: Scottish Enterprise, Glasgow.

Right: Typical conservatory with decorated glass.

## Group Profile

Darby Group Plc is a leading specialist processor of glass for the construction industry and related markets.

Utilising advanced production processes from the world's leading equipment manufacturers the Group produces high quality double glazing units for window, door, and conservatory applications, and specialised products such as safety glass, curved glass, printed glass, laminated glass and other bespoke glass products for street furniture, office partitioning and architectural applications.

The Group operates from six sites in the UK, ensuring a responsive interface between the Group and its customers. The intention of the Group is to become the customer's "Supplier of Choice".

### Contents

|  |    |  |    |
|--|----|--|----|
| Financial Highlights   | 1  | Group Profit and Loss Account                            | 16 |
| Chairman's Statement   | 2  | Balance Sheets   | 17 |
| Chief Executive's Review                                       | 4  | Group Cash Flow Statement                                | 18 |
| Group Finance Director's Review                                | 6  | Group Statement of Total Recognised Gains and Losses     | 19 |
| Board of Directors   | 8  | Reconciliation of Movements in Group Shareholders' Funds | 19 |
| Officers and Advisers  | 9  | Accounting Policies                                      | 20 |
| Report of the Directors  | 10 | Notes to the Accounts                                    | 21 |
| Statement on Corporate Governance                              | 12 | Notice of Annual General Meeting                         | 30 |
| Report of the Board on Remuneration                            | 14 | Shareholder Information                                  | 32 |
| Independent Auditor's Report to the Members of Darby Group Plc | 15 |  |    |

Left and centre: Hotel Restaurant,  
Brindley Place, Birmingham.

Right: '3D' single pass silk screen  
print on curved glass panel.

# Financial Highlights

- Return to overall profitability
- Restructuring exercise complete
- Improved operating profit on a like for like basis
- Proposed resumption of dividend
- Balance sheet reconstruction complete
- Operating cashflow improved by 82%
- Company remains ungeared
- Substantial investment in advanced plant and machinery for the glazing division underway

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| <b>Turnover</b>                                  | <b>21,220</b> | 22,328        |
| <b>Operating profit before exceptional items</b> | <b>847</b>    | 99            |
| <b>Net interest payable</b>                      | <b>(30)</b>   | (46)          |
| <b>Profit before exceptional items</b>           | <b>810</b>    | 53            |
| <b>Exceptional charges</b>                       |               |               |
| Operating costs                                  | Nil           | (1,240)       |
| Goodwill previously written off to reserves      | Nil           | (669)         |
| <b>Profit/(loss) before tax</b>                  | <b>810</b>    | (1,856)       |
| <b>EBITDA</b>                                    | <b>1,972</b>  | 1,494         |
| <b>Earnings/(loss) per share</b>                 |               |               |
| Basic and diluted                                | <b>2.0p</b>   | (5.4p)        |
| <b>Operating cash flow</b>                       | <b>1,880</b>  | 1,032         |
| <b>Net funds</b>                                 | <b>1,219</b>  | 662           |
| <b>Net assets per share</b>                      | <b>21.8p</b>  | 20.9p         |
| <b>Gearing</b>                                   | <b>Nil</b>    | Nil           |

Left: Putney Bridge Restaurant, for  
PKS Architects' award winning design.

Centre: Darby Group Head Office.  
An inspirational image from the  
'Proactive' print range.

Right: Royal London House, London.

Opposite: Scottish Enterprise,  
Glasgow. 'Fritt' print design for  
Sir Robert McAlpine.

## Chairman's Statement

In my first statement as Chairman of the Company I am pleased to report the continuing improvement in the Company's trading results and financial health, and to announce the Company's intention to resume dividend payments subject to shareholder approval at the forthcoming AGM. 2002 saw the completion of the previously announced restructuring exercise, with the Capital Reconstruction of the Balance Sheet being approved by the High Court and filed in July, this being the final phase in the rehabilitation of the Company.

### Trading

Turnover for the year was £21.2m (2001: £22.3m), on which a pre-exceptional operating profit of £0.8m (2001: £0.1m) was achieved.

Revenues in the Glazing Products division improved strongly in 2002, assisted by the increasing demand for more thermally efficient insulating glass units following the changes to the Building Regulations in April 2002.

The Processed Glass division had a difficult year as demand for glass for the outdoor advertising and street furniture markets continued to be depressed, and much management effort went into developing alternative markets for this division during the period.

There were no exceptional costs in 2002 (2001: £1.9m), reflecting the completion of the restructuring exercise of the last few years. As a result, profit before tax was £0.8m (2001: loss before tax £1.9m).

### Balance Sheet

Operating cashflow was very strong this year, at £1.9m (2001: £1.0m), reflecting the improved trading profitability and continuing tight working capital control.

Despite increased capital expenditure in the year, partially offset by new finance leases on specific items of equipment, the Company remains ungeared, with net funds at the year end of £1.2m (2001: £0.7m).

As highlighted in the Interim Report, the Company completed a Capital Reconstruction early in the second half and further details are provided in the Group Finance Director's Review.

At the year end, Net Asset Value per share was 21.8p (2001: 20.9p).

### Personnel

The year's tough trading conditions in changing markets provided strong challenges for the Company's management team, several of whom were newly appointed during the year. The results achieved reflect well on the team, and the Board thanks all employees for their efforts.

The year also saw the resignation from the Board of Mr. Mark Abrahams after five years service, the last three in the role of Non-Executive Chairman. The Board thanks Mark for his contribution during the restructuring phase, and wishes him well for the future.

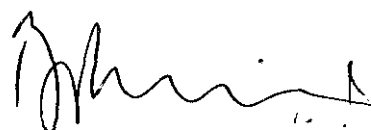
### Dividend

Following the return to profitability and the completion of the Capital Reconstruction exercise, the Company is now in a position to resume dividend payments from distributable reserves.

The Company generated a stronger profit performance in the second half of 2002, and subject to shareholder approval intends to pay a final dividend of 0.5p to recognise this performance. In addition, the Company intends to pay a special dividend of 0.5p, making a total payment for the year of 1.0p per share. The proposed dividends will be paid on 9th May 2003 to shareholders on the register as at 11th April 2003.

### Outlook

2003 has started in line with expectations, and a trading update will be given at the Annual General Meeting to be held on 7th May 2003. The Company continues to operate in an extremely competitive marketplace, and at present there are some signs of uncertainty in the economy. Nevertheless, we view the future with confidence, and the Company is now well equipped in terms of management and capacity to maximise the opportunities which do exist. During the current year, we intend to concentrate hard on further improving the Company's performance and on looking at all ways of increasing shareholder value.



**Stephen Knight**  
Non-Executive Chairman

6th March 2003

Left: New cutting table at Darby Scotland.

Centre: New automated double glazed unit assembly line.

Right: Armour and Union House, London.

Opposite: Princes Exchange, Edinburgh.

## Chief Executive's Review

2002 was the first full year for some time when management had not been distracted by restructuring activities. Although trading remained difficult in certain areas, the slimmed down and focused Group operations produced a much better overall result for shareholders.

The year was also notable for the beginning of the planned medium term investment strategy outlined last year, with benefits still to be fully realised. Despite the investment programme, cash has continued to be aggressively managed, and the Balance Sheet remains strong with the Company still ungeared and with net funds of £1.2m.

The Glazing Products division had a very positive and exciting year, trading well from all six sites. Overall sales grew by 14%, assisted by the changes in the Building Regulations detailed in last year's Report and Accounts. These changes, colloquially called "Part L" in England and Wales, and "Part J" in Scotland, require windows in most new and replacement installations to meet significantly better standards of insulation than previously required with the tighter standards introduced in April 2002, and tightening again in Scotland in March 2003. From April 2002 the Company saw a steadily increasing percentage of its product sales to be of a specification suitable to meet the new regulations, where the onus falls on the window installer to correctly specify and warrant the window frames and unit installations. The Company now produces a significant percentage of its insulating glass units to the new standards, and expects further sales growth of this type of product as the window industry moves to full compliance in the UK.

The division invested heavily in plant and equipment in the year, with new automated unit production lines installed at our Glengarnock (Scotland), Gloucester, and Scunthorpe sites in April, June, and August respectively. These new lines provide the division

with substantial extra production capacity for units produced to a consistently high quality, and are all capable of handling higher thermal performance glasses that future amendments to the Building Regulations will require. I am pleased to report that despite the disruption caused by the installation of this and other equipment, determined site and divisional management ensured that the service levels to customers were not severely affected during the installation and commissioning phases, and that the improved and consistent product quality now being achieved has enhanced our status in the markets supplied by these operations.

The division won some attractive business in the second half, and ended the year with a strong trading performance.

Glass prices continued to rise in 2002, especially those of coated glass necessary for inclusion in the higher specification insulating units, but the average price of uncoated float glass was managed well by selective supplier changes and spot purchases where appropriate.

The Processed Glass division in contrast continued to be affected by the serious downturn in the street furniture and outdoor advertising markets, where the division has a significant market share. This downturn started in late 2001 and lasted throughout 2002, seriously affecting the activity levels of this division which specialises in thicker glass in flat, curved, painted, printed, and similar applications. The division invested heavily in market research during 2002, identifying a much greater demand for thicker glass for the architectural market in general, and a need for a new

entrant in the internal architectural market in particular, servicing the needs for partitioning and balustrading applications. Late in the year the management structure of the division was changed, the product offer defined, and a new divisional package launched to architects, specifiers, contractors, and similar industry specialists, supported by a concentrated marketing and awareness campaign. Enquiry levels since the launch have improved dramatically, although as the market application is contract driven, the sales growth rates are expected initially to be modest, but ultimately robust. The investment in market research, product development, and marketing was supported by capital investment in a new print table and a heat soak oven both specifically to assist sales into the targeted sector in 2003 and beyond.

Behind the market facing trading activities, the Company continued to run efficient and disciplined support services, resulting in continuing tight control of cashflow, with a consequently strong ungeared Balance Sheet throughout much of the year. In the absence of any significant long term debt, the opportunity to part fund our capital investment in new plant by medium term HP finance was taken. This is discussed further in the Group Finance Director's report, along with details of the Capital Reconstruction announced in the Interim Report.

#### **Personnel**

The progress made in 2002 was down to the enthusiasm, commitment, and effort of the Company's employees, and I thank everyone for their contribution.

#### **Prospects**

2003 presents a number of challenges related to the progress made last year. Further product mix changes related to the Building Regulation amendments of last year are expected in the Glazing Products division, which after last year's investment has more unit capacity available. In addition, the Company has started to invest in more automated and productive glass cutting machinery to reduce costs, with the first new machine being commissioned at Glengarnock (Scotland) in February 2003, and with other new cutting machinery to follow later in the year at our Gloucester operation. These cutting tables are capable of

handling innovative advanced glass types, and are part of our long term investment strategy.

The Processed Glass division's new direction will see our first large sales into the internal architectural market following last year's launch, and by the end of the year we expect to be significantly less reliant on the street furniture market.

The Company retains scope to further improve its results from better material utilisation and productivity, and will be concentrating on these key internal factors throughout 2003, at the same time pushing for further sales growth.

The Company's operational strategy remains essentially unchanged from that outlined last year. In the Glazing Products division we are concentrating on becoming a top quality manufacturer and supplier of glazing units, able to handle high thermal performance glasses and to take advantage of market developments driven by changes in legislation. The Processed Glass division's strategy is based on developing a position within the architectural market, and reducing our dependency on the street furniture sector. The Company is able to fund its organic development from internal cash generation capabilities, and also has unencumbered properties should the need to raise additional funding be required. The Company also has bank borrowing facilities in place, which are currently unutilised.

To complement the organic growth operating strategy the Company continues to review acquisition opportunities as and when they arise, and believes that there will be some opportunity for complementary acquisitions in the future despite present price expectations being unrealistic.



**Hugh Hayes**  
Chief Executive

6th March 2003

Left: Curved roof made with flat double glazed units.

Centre: Saudi Hospital. Specialist 'Jade Ice' glass from the 'Profiled' curved glass range.

Right: Endeavour House, London.

Opposite: Blacks Road, Hammersmith.

# Group Finance Director's Review

## Results

After the essential restructuring activities undertaken in the preceding three years, it is pleasing to report a return to overall profitability for the Group, validating the difficult decisions taken to restore financial viability.

Turnover at £21.2m rose by £1.4m (7.1%) on continuing facilities, but fell by £1.1m in total as a result of the site closures and disposals during 2001. The performance of the two divisions varied significantly - sales from the Glazing Products division rose by 15% on a like for like basis driven by a mixture of selling price and volume increases. Sales from the Processed Glass division fell by 22% due to reduced activity in its core street furniture activities throughout the year. Overall sales activity was notably stronger in the second half of 2002, turnover of £11.3m being 15% up on the first half of 2002, and 14% up on the second half of 2001, boosted by increased sales of low emissivity coated glass products with higher unit selling prices.

Operating profits prior to exceptional costs generated from continuing facilities rose by 19.1% to £0.8m, representing a return of 4% of turnover. The decline in sales from the Processed Glass division severely impacted on its trading results due to its relatively high fixed cost base, whereas the Glazing Products division results improved strongly, assisted by the benefits of investment into automated unit lines at three of its key sites, although full benefits have yet to be realised. Float glass purchase prices increased significantly during the year, notably on coated glasses as demand grew following the changes to Building Regulations. These price increases were passed on to customers in monetary terms, although percentage margins were diluted as a result. The trend of rising prices is likely to continue into 2003. General insurance costs rose significantly in 2002, notably employers liability premiums which rose by 85%, due to restricted market capacity for liability insurance coupled with increased reinsurance premium costs. The Group is taking steps to mitigate these increases via enhanced risk control policies and procedures and a review of its insurance policies generally.

No exceptional operating costs were incurred (2001: £1.2m) reflecting the end of the restructuring programme, and allowing management to concentrate on the core business activities without distraction.

## Taxation

The current year tax charge comprises mainly deferred tax. The underlying tax rate of 30.5% reflects the adoption of FRS19 in 2001 which requires the Group to account for deferred tax on a full provision basis. The improved trading result for 2002 has resulted in tax losses brought forward from 2001 being substantially utilised. It is anticipated that the Group will incur a tax charge for 2003 which subject to trading performance will comprise largely of mainstream corporation tax. The Group will pay any corporation tax liability for 2003 and payments on account for 2004 in 2004, a double drain on cash flow. The deferred tax liability carried forward at the year end totalled £0.8m (2001: £0.6m).

## Capital Reconstruction

Following the EGM held in May 2002, the Company applied to the High Court to reduce its share premium account by £5m, to be offset against the £3.8m deficit within its profit and loss account reserves and creating a special reserve with the surplus. This process was completed on 4th July 2002. The special reserve is held within the profit and loss account reserves on the Company's balance sheet, and is treated as a non-distributable reserve of the Company for the purposes of section 264 of the Companies Act 1985 until all creditors of the Company as at 4th July 2002 have either been paid in full or have otherwise given their consent to the special reserve's treatment. Long term creditors of the Company have been approached for their assent in treating the special reserve as distributable, and all short term creditors have been paid in full.

As a result of the capital reconstruction, the Company is in a position to resume dividend payments to shareholders from future profits, which it now proposes to do.

## Earnings and Dividend

Earnings per share were 2.0p (2001: loss of 5.4p), and following the successful capital reconstruction, the Board proposes a final dividend of 0.5p together with a special dividend of 0.5p, a total dividend of 1.0p (2001: nil).



### Cash Flow

Net cash inflow from operating activities of £1.9m (2001: £1.0m) was enabled by increased earnings before interest, tax, depreciation and goodwill amortisation of £2.0m (2001: £1.5m) coupled with effective control of working capital, growth being restricted to £0.1m overall. This reflects a strong conversion of profits to cash.

Following the commencement of the reinvestment programme, capital expenditure amounted to £1.3m (2001: £0.4m), of which £1.0m was spent on the three automated unit assembly lines for the Glazing Products division. Although the Group could have funded this expenditure from cash flow, hire purchase facilities were agreed raising £0.9m at fixed interest rates to be repaid over three to five years, giving flexibility for further investment activities in 2003 and beyond. Lease repayments during 2002 totalled £0.3m (2001: £0.3m).

Overall, net funds increased by £0.6m to £1.2m, with net cash and short term deposits totalling £2.1m (2001: £1.0m) being offset by hire purchase creditors of £0.9m (2001: £0.4m).

### Financial Instruments

The Group's current financial instruments comprise cash and short term deposits, overdrafts and hire purchase agreements. The Group has various other financial instruments such as trade debtors and creditors that arise directly from its operations, and it also uses forward exchange contracts to manage currency risks arising from significant transactions. The Group's policy is that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency exchange risk. The policies for managing these risks are as follows:

### Interest Rate Risk


The Group is currently cash positive, and places cash balances on short term deposit with a financial institution rated AAAM by Standard & Poor's. The level of cash varies during the year, reflecting operating activities. Where necessary, the Group borrows under the terms of its current facility with National Westminster Bank Plc ("the Bank") subject to a floating rate of interest linked to London Inter-Bank Offer Rate (LIBOR) and the Bank's base rate. Hire purchase agreements are subject to fixed rates of interest which currently average 7%.

### Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own cash reserves, overdrafts provided by the current facility and hire purchase agreements. The Group's policy is to finance general working capital requirements from its cash/overdraft facilities, and capital expenditure through fixed rate hire purchase contracts. The overdraft facility is reviewed on an annual basis and is extended for a maximum twelve month period. The Group currently has access to an unsecured overdraft facility of £2m which expires on 31st December 2003, which it intends to renew. Hire purchase agreements are secured against specific fixed assets.

### Foreign Currency Risk

The majority of the Group's current cash flows are in Sterling, and as such it is not exposed to any significant foreign currency risks. Any potentially significant currency exposure is mitigated via the use of forward exchange contracts and foreign currency borrowings. At 31st December 2002, the Group did not hold any foreign currency assets/liabilities, and there were no outstanding forward currency contracts.



**Stephen Bannister**  
Group Finance Director

6th March 2003

# Board of Directors

**Stephen Bannister**  
**Finance Director**  
**Aged 42**

Stephen Bannister (aged 42) is Finance Director and Company Secretary. He was appointed to the Board in May 2000. Previously, he was a Divisional Finance Director of the Spring Ram Corporation, where he also held a number of finance and general management positions within the Bathrooms Division.

**Hugh Hayes**  
**Chief Executive**  
**Aged 51**

Hugh Hayes (aged 51) is Chief Executive. He was appointed to the Board in April 1999. Previously, he held senior executive positions at BSW Timber, British Syphon Industries and Hawker Siddeley.

**Stephen Knight**  
**Non-Executive Chairman**  
**Aged 55**

Stephen Knight (aged 55) is Chairman of Darby Group Plc, the Audit Committee and the Nominations Committee, and serves on the Remuneration Committee. He was appointed to the Board in July 2001, and has previously held senior executive positions within James Halstead Plc.

**Peter Gyllenhammar**  
**Non-Executive Director**  
**Aged 49**

Peter Gyllenhammar (aged 49) is Chairman of the Remuneration Committee and serves on the Audit and Nominations Committees. He was appointed to the Board in July 2001, and currently holds Directorships with Montpellier Group Plc, British Mohair Holdings Ltd, Browallia Holdings Ltd, Browallia Plc, Yorklyde Plc, Erudite Limited, RAP Conveyors Limited, Fortvaltnings AB Browallia and Bullough Plc.

# Officers and Advisers

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

# Report of the Directors

The Directors present their report and the Group accounts of Darby Group Plc for the year ended 31st December 2002.

## Activities

The Group is a leading specialist processor of glass for the construction industry and related markets.

## Business review

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

## Results and dividends

The Group made a profit for the year before taxation of £810,000 (2001: loss £1,856,000). The Group profit attributable to shareholders was £563,000 (2001: loss £1,499,000). The Directors recommend a final dividend of 0.5p per ordinary share together with a special dividend of 0.5p per ordinary share, a total of 1.0p per ordinary share. An amount of £287,000 has been transferred to reserves.

## Directors

Directors who currently serve the Company, together with their biographical details, are set out on page 8.

On 30th September 2002, Mark Abrahams resigned from the Board at the end of his fixed term contract. Stephen Knight was appointed as Chairman of Darby Group Plc on 1st October 2002.

Stephen Bannister, who was appointed to the Board in 2001, retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Stephen Knight is considered by the Board to be an Independent Non-Executive Director. Peter Gyllenhammar has informed the Company that he has a beneficial interest in 8,262,799 shares, 29.9% of the issued share capital.

## Shareholdings

At 20th March 2003 substantial shareholdings were as follows:

|                                  | Ordinary Shares | Percentage |
|----------------------------------|-----------------|------------|
| Erudite Limited*                 | 8,262,799       | 29.9%      |
| M. J. Darby                      | 4,150,000       | 15.0%      |
| Mackenzie Cundhill Recovery Fund | 2,500,000       | 9.0%       |
| SIS Segal Intersect AG           | 1,690,100       | 6.1%       |
| UBS Global AM Life Limited       | 1,366,985       | 4.9%       |
| JO Hambro Capital Management     | 1,165,000       | 4.2%       |

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

## Supplier payment policy

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

At 31st December 2002, the Group's trade creditors represented 60 days purchases. The Company has no trade creditors.

## Purchase of own shares

At the Annual General Meeting held on 16th May 2002, authority was given for the Company to purchase up to 10% of its ordinary shares in issue, and this authority will expire at the earlier of the conclusion of the next Annual General Meeting or on 15th August 2003. The Company made no purchases of its ordinary shares during the financial year under review, nor has it done so prior to the date of this report.

The Company intends to renew this authority at the Annual General Meeting to be held on 7th May 2003 increasing the upper limit to 14.99%. The Directors believe it is advisable to have this authority, and the Directors would only use the authority where they considered it to be in the Company's best interests and likely to enhance shareholder value.

### **Special business at the Annual General Meeting**

Details of special business are given in the attached Notice of Annual General Meeting. Explanations of these resolutions are as follows:

#### *Authority to Allot Shares*

As is standard practice amongst other listed public companies Resolution 5 proposes to authorise the Board, pursuant to section 80 of the Companies Act 1985, to allot securities up to a maximum aggregate nominal amount of £402,270 for a period expiring at the conclusion of the next Annual General Meeting. This represents the unissued ordinary share capital of the Company, or 29% of the issued share capital at the date of this notice. At present, the Directors have no intention of exercising this authority.

#### *Disapplication of Pre-Emption Rights*

When shares are issued for cash they normally have to be offered to existing shareholders in proportion to their current shareholding. Resolution 6 proposes to give the Board authority to make allotments not exceeding 5% of the Company's issued share capital following the date of this notice in connection with a rights issue or similar other than to existing shareholders in order to take advantage of opportunities as and when they arise.

#### *Authority to Purchase Own Shares*

Resolution 7 proposes to give the Board authority to purchase up to 4,142,425 shares, 14.99% of the Company's issued share capital at the date of the notice for a period expiring within 15 months of the notice or at the next Annual General Meeting, whichever is the sooner. This authority is subject to a minimum price of 5p per ordinary share, and a maximum price of 105% of the average of the middle market quotations for an ordinary share as derived from the Stock Exchange Daily Official List for the five business days immediately preceding the date of purchase. The Directors will use this authority in the best interests of the Company and shareholders at the time of exercise.

As at 6th March 2003 there are options over 73,000 ordinary shares outstanding and not exercised. That number of ordinary shares represents less than 0.5% of the Company's issued ordinary capital at 6th March 2003. It would still represent less than 0.5% of the issued ordinary share capital if the authority to buy the Company's own shares had been used in full.

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

### **Employees**

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

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

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

### **Donations**

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

### **Auditors**

A resolution to re-appoint Ernst & Young LLP as the Company's auditor, and to authorise the Directors to determine their remuneration, will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

**Stephen Bannister**  
Company Secretary



6th March 2003

# Statement on Corporate Governance

The Company is not obliged to make a statement on corporate governance. However, the Company is conscious of the provisions of the Combined Code and also the review of Audit Committees undertaken by Sir Robert Smith and the review of the role and effectiveness of Non-Executive Directors carried out by Derek Higgs, both published on 20th January 2003. The Company is currently assessing the implications of the reviews taking into account the size of the Company. This statement explains how the Company applies the principles of good governance.

## Board of Directors

The Company is controlled through the Board of Directors, which comprises Stephen Knight (Non-Executive Chairman), Hugh Hayes (Chief Executive), Steve Bannister (Group Finance Director), and Peter Gyllenhammar (Non-Executive Director). The Directors' biographical details are set out on page 8. The Board currently considers that the breadth of experience of the Directors is sufficient to provide effective leadership for the Company.

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

The Board meets ten times per year, and has a formal list of matters specifically reserved for it, including overall Group strategy, approval of annual budgets and monitoring achievement of those budgets, approval of major capital expenditure projects and monitoring exposure to key business risks. Directors have access to independent professional advice, if necessary at the Company's expense, and to advice and services from the Company Secretary. The Board receives sufficient information in advance to enable it to discharge its duties.

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

Certain duties are delegated to the Audit, Remuneration and Nominations Committees, each of which has clear terms of reference, the duties of the Audit and Nominations Committees being referred to elsewhere in this statement. Details on the Remuneration Committee can be found on page 14.

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

## Relations with Shareholders

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

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

## Statement of Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

The report of the auditors regarding their responsibilities is shown on page 15.

### **Financial Reporting**

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

### **Going Concern**

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

### **Internal Control**

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

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In doing so, the Board has considered information generated from its control procedures, risk management policy and the Group's external auditors. The Board has also taken account of any material developments since 31st December 2002. Any system can only manage rather than eliminate the risk of failure to meet business objectives. Therefore the system can provide only reasonable but not absolute assurance that the Group's assets are protected from material misstatement or loss, and that proper financial records are maintained.

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

- A comprehensive system of budgeting and forecasting, with a detailed periodic review of actual results compared to budgets and previous years.
- Procedures for the appraisal, review and authorisation of capital expenditure.
- Treasury procedures and banking arrangements.
- Financial controls and procedures to be adopted by operational managers.
- Monitoring and assessment of business risk and performance for each trading location via periodic review, with random audit of working practices and controls.
- Secure storage and back up of data held on computer systems.

The Directors have put in place an organisational structure appropriate for the size of the Group with defined lines of responsibility and delegation of authority where the Board considers it necessary.

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

### **Audit Committee and Auditors**

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

# Report of the Board on Remuneration

## **Composition and terms of reference**

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

## **Remuneration policy**

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

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

## **Service contracts**

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

## **Bonus scheme**

The Company operates an annual bonus scheme for Executive Directors related to profit on sales above an agreed threshold. Bonuses are capped at 50% of basic salary, and are non-pensionable. The Company does not operate any long term incentive schemes.

## **Pension benefits**

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

## **Directors' share interests**

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

## **Share options**

Share options are granted to Directors and senior employees as a means to motivate and align their interests with those of the shareholders. Share options under the existing share option scheme were exercisable from 6th June 2000 to 6th June 2004, subject to performance criteria set out in note 23 to the accounts. No current Director has been granted share options.



# Independent Auditors' Report to the Members of Darby Group Plc

We have audited the Group's accounts for the year ended 31 December 2002 which comprise the Group Profit and Loss Account, Balance Sheets, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses, Reconciliation of Movements in Group Shareholders' Funds and the related notes 1 to 31. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditors**

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

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

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

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

## **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Leeds

6th March 2003

# Group Profit and Loss Account

Year ended 31st December 2002

|  | Notes | 2002<br>Total<br>£'000 | Continuing<br>Facilities<br>£'000 | Discontinued<br>Facilities<br>£'000 | 2001<br>Total<br>£'000 |
|--|-------|------------------------|-----------------------------------|-------------------------------------|------------------------|
| Turnover   | 1     | 21,220                 | 19,828                            | 2,500                               | 22,328                 |
| Operating costs  | 2     | (20,373)               | (19,117)                          | (3,112)                             | (22,229)               |
| <b>Operating profit/(loss) before exceptional items</b>      |       | <b>847</b>             | 711                               | (612)                               | 99                     |
| Exceptional items  | 2     | –                      | (149)                             | (1,091)                             | (1,240)                |
| <b>Group operating profit/(loss)</b>                         |       | <b>847</b>             | 562                               | (1,703)                             | (1,141)                |
| Non-operating exceptional items:                             |       |                        |                                   |                                     |                        |
| Goodwill previously written off to reserves                  | 7     | –                      | –                                 | (669)                               | (669)                  |
| Loss on disposal of fixed asset investments                  |       | (7)                    | –                                 | –                                   | –                      |
| <b>Profit/(loss) on ordinary activities before interest</b>  |       | <b>840</b>             | 562                               | (2,372)                             | (1,810)                |
| Interest receivable  | 8     | 38                     |                                   |                                     | 45                     |
| Interest payable and similar charges                         | 9     | (68)                   |                                   |                                     | (91)                   |
| <b>Profit/(loss) before taxation</b>                         |       | <b>810</b>             |                                   |                                     | (1,856)                |
| Taxation   | 10    | (247)                  |                                   |                                     | 357                    |
| <b>Profit/(loss) for the year</b>                            |       | <b>563</b>             |                                   |                                     | (1,499)                |
| Ordinary dividends   | 11    | (276)                  |                                   |                                     | –                      |
| <b>Retained profit/(transfer from reserves) for the year</b> |       | <b>287</b>             |                                   |                                     | (1,499)                |
| <b>Earnings/(loss) per share</b>                             |       |                        |                                   |                                     |                        |
| – basic and diluted  | 12    | 2.0p                   |                                   |                                     | (5.4p)                 |

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

# Balance Sheets

At 31st December 2002

|  |       | 2002<br>£'000  | Group<br>2001<br>£'000 | 2002<br>£'000  | Company<br>2001<br>£'000 |
|--|-------|----------------|------------------------|----------------|--------------------------|
|  | Notes |                |                        |                |                          |
| <b>Fixed assets</b>                            |       |                |                        |                |                          |
| Tangible assets                                | 13    | <b>6,030</b>   | 5,858                  | <b>1,883</b>   | 1,920                    |
| Investments                                    | 14    | –              | 19                     | <b>973</b>     | 328                      |
|  |       | <b>6,030</b>   | 5,877                  | <b>2,856</b>   | 2,248                    |
| <b>Current assets</b>                          |       |                |                        |                |                          |
| Stocks   | 16    | <b>554</b>     | 667                    | –              | –                        |
| Debtors  | 17    | <b>3,687</b>   | 3,442                  | <b>4,570</b>   | 4,803                    |
| Cash at bank and in hand                       |       | <b>2,477</b>   | 2,080                  | –              | 348                      |
|  |       | <b>6,718</b>   | 6,189                  | <b>4,570</b>   | 5,151                    |
| Creditors: amounts falling due within one year | 18    | <b>(4,986)</b> | (5,058)                | <b>(1,133)</b> | (1,432)                  |
| <b>Net current assets</b>                      |       | <b>1,732</b>   | 1,131                  | <b>3,437</b>   | 3,719                    |
| <b>Total assets less current liabilities</b>   |       | <b>7,762</b>   | 7,008                  | <b>6,293</b>   | 5,967                    |
| Creditors: amounts falling due after one year  | 19    | <b>(605)</b>   | (77)                   | –              | –                        |
| Provisions for liabilities and charges         | 22    | <b>(1,126)</b> | (1,165)                | <b>(262)</b>   | (234)                    |
| <b>Net assets</b>                              |       | <b>6,031</b>   | 5,766                  | <b>6,031</b>   | 5,733                    |
| <b>Capital and reserves</b>                    |       |                |                        |                |                          |
| Called up share capital                        | 23    | <b>1,382</b>   | 1,382                  | <b>1,382</b>   | 1,382                    |
| Share premium account                          | 24    | <b>3,153</b>   | 8,153                  | <b>3,153</b>   | 8,153                    |
| Profit and loss account                        | 25    | <b>1,496</b>   | (3,769)                | <b>1,496</b>   | (3,802)                  |
| <b>Equity shareholders' funds</b>              |       | <b>6,031</b>   | 5,766                  | <b>6,031</b>   | 5,733                    |

Approved by the Board of Directors on 6th March 2003

P. S. P. Knight

S. J. Bannister

Directors

# Group Cash Flow Statement

Year ended 31st December 2002

|  | Notes | 2002<br>£'000  | 2002<br>£'000  | 2001<br>£'000 | 2001<br>£'000 |
|--|-------|----------------|----------------|---------------|---------------|
| <b>Cash flow from operating activities</b>                             | 27    |                | <b>1,880</b>   |               | <b>1,032</b>  |
| <b>Returns on investments and servicing of finance</b>                 |       |                |                |               |               |
| Interest received  |       | <b>32</b>      |                | 47            |               |
| Interest paid on bank loans  |       | <b>(25)</b>    |                | (49)          |               |
| Interest paid on finance leases  |       | <b>(43)</b>    |                | (43)          |               |
|  |       |                | <b>(36)</b>    |               | (45)          |
| <b>Taxation</b>  |       |                |                |               |               |
| Corporation tax received   |       |                | -              |               | 265           |
| <b>Capital expenditure</b>   |       |                |                |               |               |
| Sale of tangible fixed assets  |       | <b>31</b>      |                | 702           |               |
| Sale of fixed asset investments  |       | <b>12</b>      |                | -             |               |
| Purchase of tangible fixed assets                                      |       | <b>(1,308)</b> |                | (353)         |               |
|  |       |                | <b>(1,265)</b> |               | 349           |
| <b>Management of liquid resources</b>                                  |       |                |                |               |               |
| Increase in short term deposits  |       |                | <b>(1,462)</b> |               | -             |
| <b>Net cash (outflow)/inflow before financing</b>                      |       |                | <b>(883)</b>   |               | <b>1,601</b>  |
| <b>Financing</b>   |       |                |                |               |               |
| New finance leases   |       | <b>851</b>     |                | -             |               |
| Capital repayments of finance leases                                   |       | <b>(331)</b>   |                | (304)         |               |
| Capital reorganisation costs   |       | <b>(22)</b>    |                | -             |               |
|  |       |                | <b>498</b>     |               | (304)         |
| <b>(Decrease)/increase in cash</b>                                     | 28    |                | <b>(385)</b>   |               | <b>1,297</b>  |
| <b>Reconciliation of net cash flow to movement in net funds/(debt)</b> |       |                |                |               |               |
| (Decrease)/increase in cash in the year                                |       |                | <b>(385)</b>   |               | 1,297         |
| Cash inflow from short term deposits                                   |       |                | <b>1,462</b>   |               | -             |
| New finance leases   |       |                | <b>(851)</b>   |               | -             |
| Capital repayments of finance leases                                   |       |                | <b>331</b>     |               | 304           |
| Movement in net funds resulting from cash flows                        |       |                | <b>557</b>     |               | 1,601         |
| Net funds/(debt) at beginning of year                                  |       |                | <b>662</b>     |               | (939)         |
| Net funds at end of year   |       |                | <b>1,219</b>   |               | 662           |

# Group Statement of Total Recognised Gains and Losses

Year ended 31st December 2002

|   | Notes | 2002<br>£'000 | 2001<br>£'000  |
|---|-------|---------------|----------------|
| Profit/(loss) for the year                                    |       | 563           | (1,499)        |
| Prior year adjustment   | 22    | —             | (727)          |
| Capital reorganisation costs                                  | 25    | (22)          | —              |
| <b>Total recognised gains and losses relating to the year</b> |       | <b>541</b>    | <b>(2,226)</b> |

## Reconciliation of Movements in Group Shareholders' Funds

Year ended 31st December 2002

|   | Notes | 2002<br>£'000 | 2001<br>£'000 |
|---|-------|---------------|---------------|
| <b>Shareholders' funds brought forward – as previously stated</b> |       | <b>5,766</b>  | <b>7,323</b>  |
| Prior year adjustment   | 22    | —             | (727)         |
| <b>Shareholders' funds brought forward – restated</b>             |       | <b>5,766</b>  | <b>6,596</b>  |
| Profit/(loss) for the year  |       | 563           | (1,499)       |
| Capital reorganisation costs                                      |       | (22)          | —             |
| Goodwill adjustment   |       | —             | 669           |
| Dividend  |       | (276)         | —             |
| <b>Shareholders' funds carried forward</b>                        |       | <b>6,031</b>  | <b>5,766</b>  |

# Accounting Policies

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

## **Turnover**

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

## **Fixed Assets**

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

## **Depreciation**

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

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

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

## **Leases**

Assets held under hire purchase contracts and finance leases are capitalised in the balance sheet and are depreciated over their useful lives. Interest is charged to the profit and loss account in proportion to the capital repayments outstanding. Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

## **Pensions**

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

## **Stocks**

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

## **Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## **Foreign Currencies**

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

# Notes to the Accounts

## 1. Segmental analysis

Turnover by geographical destination is as follows:

|        | 2002<br>£'000 | 2001<br>£'000 |
|--------|---------------|---------------|
| UK     | 21,111        | 22,216        |
| Europe | 109           | 112           |
|        | <b>21,220</b> | <b>22,328</b> |

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

## 2. Group operating profit/(loss)

Operating costs;

|                         | 2002<br>Total<br>£'000 | Before<br>Exceptionals<br>£'000 | Exceptional<br>Items<br>£'000 | 2001<br>Total<br>£'000 |
|-------------------------|------------------------|---------------------------------|-------------------------------|------------------------|
| Cost of sales           | 15,994                 | 17,475                          | 1,124                         | 18,599                 |
| Distribution costs      | 1,468                  | 1,875                           | 49                            | 1,924                  |
| Administration expenses | 2,911                  | 2,879                           | 67                            | 2,946                  |
|                         | <b>20,373</b>          | <b>22,229</b>                   | <b>1,240</b>                  | <b>23,469</b>          |

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

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

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Depreciation                                |               |               |
| – owned assets                              | 981           | 1,544         |
| – leased assets                             | 151           | 105           |
| Profit on disposal of tangible fixed assets | (27)          | (23)          |
| Operating leases                            |               |               |
| – property                                  | 242           | 406           |
| – plant and machinery                       | 336           | 445           |
| Auditor's remuneration                      |               |               |
| – audit                                     | 37            | 34            |
| – non-audit                                 | 36            | 32            |

In respect of the Company, auditor's remuneration includes £9,750 (2001: £9,300).

# Notes to the Accounts continued

## 3. Employees

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

|                               | 2002<br>Number | 2001<br>Number |
|-------------------------------|----------------|----------------|
| Production                    | 231            | 265            |
| Sales and distribution        | 31             | 34             |
| Administration and management | 61             | 68             |
|                               | <b>323</b>     | <b>367</b>     |

Employment costs during the year were:

|                       | 2002<br>£'000 | 2001<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 5,098         | 5,597         |
| Social security costs | 412           | 448           |
| Other pension costs   | 68            | 65            |
|                       | <b>5,578</b>  | <b>6,110</b>  |

## 4. Directors' remuneration

|                          | Salary<br>£'000 | Benefits<br>£'000 | Bonus<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
|--------------------------|-----------------|-------------------|----------------|---------------|---------------|
| M. S. Abrahams           | 14              | —                 | —              | 14            | 18            |
| M. H. Hayes              | 93              | 14                | 8              | 115           | 98            |
| S. J. Bannister          | 70              | 11                | 6              | 87            | 75            |
| P. J. P. V. Gyllenhammar | 18              | —                 | —              | 18            | 9             |
| P. S. P. Knight          | 26              | —                 | —              | 26            | 9             |
| B. Cooper                | —               | —                 | —              | —             | 9             |
|                          | <b>221</b>      | <b>25</b>         | <b>14</b>      | <b>260</b>    | <b>218</b>    |

## 5. Directors' pension benefits

|                 | 2002<br>£'000 | 2001<br>£'000 |
|-----------------|---------------|---------------|
| M. H. Hayes     | 22            | 22            |
| S. J. Bannister | 14            | 13            |
|                 | <b>36</b>     | <b>35</b>     |

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

## 6. Directors' share interests

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

|                          | Shares<br>at 31.12.02 | Shares<br>at 31.12.01 |
|--------------------------|-----------------------|-----------------------|
| P. S. P. Knight          | 5,000                 | 0                     |
| M. H. Hayes              | 60,000                | 55,000                |
| S. J. Bannister          | 8,500                 | 8,500                 |
| P. J. P. V. Gyllenhammar | 8,262,799             | 8,262,799             |

There were no changes in Directors' share interests between 1st January 2003 and 6th March 2003.



## 7. Goodwill

During 2001, the Group closed certain sites acquired in 1997. Accordingly, in line with FRS10 "Goodwill", goodwill previously written off direct to reserves was charged to the profit and loss account.

## 8. Interest receivable

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Bank deposits and loan interest rebates | 38            | 22            |
| Corporation tax refunds                 | —             | 23            |
|   | <b>38</b>     | <b>45</b>     |

## 9. Interest payable and similar charges

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| Bank loans and overdrafts                  | 25            | 45            |
| Finance leases and hire purchase contracts | 43            | 46            |
|  | <b>68</b>     | <b>91</b>     |

## 10. Taxation

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| <b>(a) Tax on profit/(loss) on ordinary activities</b> |               |               |
| <b>UK Corporation Tax</b>                              |               |               |
| U.K. corporation tax on profits for the period         | 55            | —             |
| Adjustments in respect of previous periods             | —             | (2)           |
| Total current tax                                      | <b>55</b>     | <b>(2)</b>    |

### Deferred Tax

|  |            |              |
|--|------------|--------------|
| Origination and reversal of timing differences | <b>192</b> | <b>(355)</b> |
| Tax on profit/(loss) on ordinary activities    | <b>247</b> | <b>(357)</b> |

The Group adopted FRS19 Deferred Tax in 2001.

### (b) Factors affecting the tax charge for the year

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

|  | 2002<br>£'000 | 2001<br>£'000  |
|--|---------------|----------------|
| Profit/(loss) on ordinary activities before tax  | <b>810</b>    | <b>(1,856)</b> |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax of 30% | <b>243</b>    | <b>(557)</b>   |
| Effects of:  |               |                |
| Expenses not deductible for tax purposes   | 11            | 5              |
| Depreciation for period in excess of capital allowances                                    | 101           | 280            |
| Goodwill   | —             | 201            |
| Utilisation of tax losses during the year  | (294)         | 85             |
| Short term timing differences  | (6)           | (14)           |
| Adjustment in respect of prior periods   | —             | (2)            |
| Current tax charge for period  | <b>55</b>     | <b>(2)</b>     |

# Notes to the Accounts continued

## 11. Ordinary dividends

|  | 2002<br>£'000 | 2001<br>£'000 |
|--|---------------|---------------|
| Ordinary shares:   |               |               |
| Final proposed dividend of 0.5 pence per share (2001: nil)   | 138           | —             |
| Special proposed dividend of 0.5 pence per share (2001: nil) | 138           | —             |
|  | <b>276</b>    | <b>—</b>      |

## 12. Earnings/(loss) per share

Earnings per share is calculated by dividing the profit after taxation of £563,000 (2001: loss after taxation £1,499,000) by the weighted average of 27,634,594 shares (2001: 27,634,594 shares) in issue during the year.

## 13. Tangible assets

| Group<br>Cost                | Freehold<br>Land &<br>Buildings<br>£'000 | Short<br>Leasehold<br>Property<br>£'000 | Plant<br>Vehicles &<br>Equipment<br>£'000 | Total<br>£'000 |
|------------------------------|--|---|---|----------------|
| At 1st January 2002          | 2,722                                    | 373                                     | 12,984                                    | 16,079         |
| Additions                    | —  | —                                       | 1,308                                     | 1,308          |
| Disposals                    | —  | (24)                                    | (1,743)                                   | (1,767)        |
| <b>At 31st December 2002</b> | <b>2,722</b>                             | <b>349</b>                              | <b>12,549</b>                             | <b>15,620</b>  |
| <b>Depreciation</b>          |  |   |   |                |
| At 1st January 2002          | 802                                      | 332                                     | 9,087                                     | 10,221         |
| Charge for the year          | 61                                       | 34                                      | 1,037                                     | 1,132          |
| Disposals                    | —  | (24)                                    | (1,739)                                   | (1,763)        |
| <b>At 31st December 2002</b> | <b>863</b>                               | <b>342</b>                              | <b>8,385</b>                              | <b>9,590</b>   |
| <b>Net book value</b>        |  |   |   |                |
| <b>At 31st December 2002</b> | <b>1,859</b>                             | <b>7</b>                                | <b>4,164</b>                              | <b>6,030</b>   |
| At 1st January 2002          | 1,920                                    | 41                                      | 3,897                                     | 5,858          |

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Cost of land not subject to depreciation          | 334           | 334           |
| Net book value of plant held under finance leases | 1,319         | 548           |

| Company<br>Cost              | Freehold<br>Land &<br>Buildings<br>£'000 | Plant<br>Vehicles &<br>Equipment<br>£'000 | Total<br>£'000 |
|------------------------------|--|---|----------------|
| At 1st January 2002          | 2,722                                    | —   | 2,722          |
| Additions                    | —  | 31  | 31             |
| <b>At 31st December 2002</b> | <b>2,722</b>                             | <b>31</b>                                 | <b>2,753</b>   |
| <b>Depreciation</b>          |  |   |                |
| At 1st January 2002          | 802                                      | —   | 802            |
| Charge for the year          | 61                                       | 7   | 68             |
| <b>At 31st December 2002</b> | <b>863</b>                               | <b>7</b>                                  | <b>870</b>     |
| <b>Net book value</b>        |  |   |                |
| <b>At 31st December 2002</b> | <b>1,859</b>                             | <b>24</b>                                 | <b>1,883</b>   |
| At 1st January 2002          | 1,920                                    | —   | 1,920          |

#### 14. Investments

|                              | Group<br>£'000 | Company<br>£'000 |
|------------------------------|----------------|------------------|
| <b>Cost</b>                  |                |                  |
| At 1st January 2002          | 19             | 2,452            |
| Disposals                    | (19)           | (19)             |
| <b>At 31st December 2002</b> | <b>-</b>       | <b>2,433</b>     |
| <b>Provisions</b>            |                |                  |
| At 1st January 2002          | -              | 2,124            |
| Released during the year     | -              | (664)            |
| <b>At 31st December 2002</b> | <b>-</b>       | <b>1,460</b>     |
| <b>Net book value</b>        |                |                  |
| At 1st January 2002          | 19             | 328              |
| <b>At 31st December 2002</b> | <b>-</b>       | <b>973</b>       |

During the year, the Group disposed of its investment in Wessex Conservatories, realising a loss of £7,000.

#### 15. Principal subsidiary

The principal subsidiary is Darby Glass Limited whose ordinary share capital is wholly owned by Darby Group Plc and which is incorporated in the UK, where it principally operates. Its business is the manufacture and distribution of specialist glass products.

#### 16. Stocks

|                  | 2002<br>£'000 | 2001<br>£'000 |
|------------------|---------------|---------------|
| Raw materials    | 469           | 590           |
| Work in progress | 14            | 23            |
| Finished goods   | 71            | 54            |
|                  | <b>554</b>    | <b>667</b>    |

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

#### 17. Debtors

|                                 | Group         |               | Company       |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Trade debtors                   | 3,464         | 3,104         | -             | -             |
| Amounts owed by Group companies | -             | -             | 4,566         | 4,800         |
| Prepayments and accrued income  | 223           | 338           | 4             | 3             |
|                                 | <b>3,687</b>  | <b>3,442</b>  | <b>4,570</b>  | <b>4,803</b>  |

# Notes to the Accounts continued

## 18. Creditors: amounts falling due within one year

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Bank overdraft                                       | 382           | 1,062         | 382           | 1,062         |
| Finance leases and hire purchase contracts (note 20) | 271           | 279           | —             | —             |
| Trade creditors                                      | 2,517         | 2,299         | —             | —             |
| Amounts owed to Group companies                      | —             | —             | 341           | 321           |
| Corporation tax                                      | 55            | —             | 55            | —             |
| Social security and other taxes                      | 543           | 501           | —             | —             |
| Other creditors                                      | 160           | 245           | 21            | 21            |
| Accruals and deferred income                         | 782           | 672           | 58            | 28            |
| Proposed dividend                                    | 276           | —             | 276           | —             |
|  | <b>4,986</b>  | <b>5,058</b>  | <b>1,133</b>  | <b>1,432</b>  |

## 19. Creditors: amounts falling due after one year

|  | Group         |               |
|--|---------------|---------------|
|  | 2002<br>£'000 | 2001<br>£'000 |
| Finance leases and hire purchase contracts (note 20) | 605           | 77            |

## 20. Finance leases and hire purchase contracts

|                           | Group         |               |
|---------------------------|---------------|---------------|
|                           | 2002<br>£'000 | 2001<br>£'000 |
| Repayable:                |               |               |
| Within one year           | 271           | 279           |
| After one year            | 605           | 77            |
|                           | <b>876</b>    | <b>356</b>    |
| Repayable after one year: |               |               |
| In one to two years       | 209           | 77            |
| In two to five years      | 396           | —             |
|                           | <b>605</b>    | <b>77</b>     |

## 21. Operating leases

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

|                                | Land &<br>Buildings | Other         | Land &<br>Buildings | Other         |
|--------------------------------|---------------------|---------------|---------------------|---------------|
|                                | 2002<br>£'000       | 2002<br>£'000 | 2001<br>£'000       | 2001<br>£'000 |
| Operating leases which expire: |                     |               |                     |               |
| Within one year                | 6                   | 7             | 130                 | 39            |
| In one to five years           | 76                  | 234           | 51                  | 172           |
| Over five years                | 262                 | 11            | 139                 | 12            |
|                                | <b>344</b>          | <b>252</b>    | <b>320</b>          | <b>223</b>    |

## 22. Provisions for liabilities and charges

|              | Group         |               | Company       |               |
|--------------|---------------|---------------|---------------|---------------|
|              | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Deferred tax | 762           | 570           | 262           | 234           |
| Other        | 364           | 595           | —             | —             |
| <b>Total</b> | <b>1,126</b>  | <b>1,165</b>  | <b>262</b>    | <b>234</b>    |

Other comprises provisions against the remaining costs of equipment where technology has become outdated, and property and other lease costs associated with sites closed in previous periods. These provisions are expected to be utilised within two years.

The provision for deferred tax is as follows:

|  | Group         |               | Company       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| <b>Provision at start of period</b>                                    | <b>570</b>    | <b>925</b>    | <b>234</b>    | <b>212</b>    |
| Deferred tax charge/(credit) in profit and loss account for the period | 199           | (355)         | 28            | 22            |
| Adjustment in respect of prior periods                                 | (7)           | —             | —             | —             |
| <b>Provision at end of period</b>                                      | <b>762</b>    | <b>570</b>    | <b>262</b>    | <b>234</b>    |
| <b>The deferred tax liability consists of;</b>                         |               |               |               |               |
| Capital allowances in advance of depreciation                          | 851           | 952           | 294           | 291           |
| Other timing differences   | (3)           | (10)          | —             | —             |
|  | <b>848</b>    | <b>942</b>    | <b>294</b>    | <b>291</b>    |
| Tax losses   | (86)          | (372)         | (32)          | (57)          |
| <b>Provision for deferred tax</b>                                      | <b>762</b>    | <b>570</b>    | <b>262</b>    | <b>234</b>    |

In 2001, the Group adopted FRS19 – Deferred tax. This resulted in a prior year adjustment of £727,000 to reflect the unprovided deferred tax liability as at 31st December 2000.

## 23. Share capital

|                            | Authorised    |               | Issued and fully paid |               |
|----------------------------|---------------|---------------|-----------------------|---------------|
|                            | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000         | 2001<br>£'000 |
| Ordinary shares of 5p each | 1,784         | 1,784         | 1,382                 | 1,382         |

The number of ordinary shares in issue at 31st December 2002 was 27,634,594 shares (31st December 2001: 27,634,594 shares).

Options in respect of 73,000 ordinary shares remained outstanding at 31st December 2002 under the Company's share option scheme, as follows:

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

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

# Notes to the Accounts continued

## 24. Share premium account

|                       | Group         |               | Company       |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Share premium account | <b>3,153</b>  | 8,153         | <b>3,153</b>  | 8,153         |

The share premium account was reduced by £5,000,000 on 4th July 2002 following approval by shareholders and the High Court. The reduction in the share premium account was credited against the deficit on the profit and loss reserve of the Company as at 4th July 2002, eliminating the deficit brought forward and creating a special reserve within the profit and loss reserve of the Company (see note 25) in order to protect the interests of creditors.

## 25. Profit and loss account

|                                    | Group          |               | Company        |               |
|------------------------------------|----------------|---------------|----------------|---------------|
|                                    | 2002<br>£'000  | 2001<br>£'000 | 2002<br>£'000  | 2001<br>£'000 |
| At 31st December 2001              | <b>(3,769)</b> | (2,939)       | <b>(3,802)</b> | (2,457)       |
| Profit/(loss) for the year         | <b>563</b>     | (1,499)       | <b>596</b>     | (2,014)       |
| Proposed dividend                  | <b>(276)</b>   | –             | <b>(276)</b>   | –             |
| Goodwill adjustment                | –              | 669           | –              | 669           |
| Reduction of share premium account | <b>5,000</b>   | –             | <b>5,000</b>   | –             |
| Capital reorganisation costs       | <b>(22)</b>    | –             | <b>(22)</b>    | –             |
| At 31st December 2002              | <b>1,496</b>   | (3,769)       | <b>1,496</b>   | (3,802)       |

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 profit dealt with in the accounts of the Company is £596,000.

The cumulative goodwill written off to reserves and arising from acquisitions at 31st December 2002 was £2,243,000 (2001: £2,243,000).

The profit and loss account reserve of £1,496,000 includes a special reserve of £1,311,000 which is treated as a non-distributable reserve for the purposes of section 264 of the Companies Act 1985 until all creditors of the Company as at 4th July 2002 have either been paid in full or have otherwise given their assent.

## 26. Movements in shareholders' funds

|                              | Company       |               |
|------------------------------|---------------|---------------|
|                              | 2002<br>£'000 | 2001<br>£'000 |
| At 1st January 2002          | <b>5,733</b>  | 7,078         |
| Profit/(loss) for the year   | <b>320</b>    | (2,014)       |
| Capital reorganisation costs | <b>(22)</b>   | –             |
| Goodwill adjustment          | –             | 669           |
| At 31st December 2002        | <b>6,031</b>  | 5,733         |

## 27. Reconciliation of operating profit/(loss) to cash flow from operating activities

|   | 2002<br>£'000 | 2001<br>£'000 |
|---|---------------|---------------|
| Operating profit/(loss)                   | <b>847</b>    | (1,141)       |
| Depreciation                              | <b>1,132</b>  | 1,649         |
| Profit on sale of tangible fixed assets   | <b>(27)</b>   | (23)          |
| Decrease in stocks                        | <b>113</b>    | 206           |
| (Increase)/decrease in debtors            | <b>(238)</b>  | 362           |
| Increase/(decrease) in creditors          | <b>53</b>     | (21)          |
| Net cash inflow from operating activities | <b>1,880</b>  | 1,032         |

## 28. Analysis of changes in net funds

|  | At 1st<br>January<br>2002<br>£'000 | Cash<br>flow<br>£'000 | At 31st<br>December<br>2002<br>£'000 |
|--|------------------------------------|-----------------------|--------------------------------------|
| Cash at bank and in hand                   | 2,080                              | (1,065)               | 1,015                                |
| Bank overdrafts                            | (1,062)                            | 680                   | (382)                                |
| Cash                                       | 1,018                              | (385)                 | 633                                  |
| Short term deposits*                       | —                                  | 1,462                 | 1,462                                |
| Finance leases and hire purchase contracts | (356)                              | (520)                 | (876)                                |
| Total                                      | 662                                | 557                   | 1,219                                |

\*Short term deposits are included within cash at bank and in hand in the balance sheet.

## 29. Capital commitments

|   | Group         |               | Company       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Amounts contracted for but not provided in these accounts | 224           | 749           | —             | 32            |

## 30. Guarantor

The Company acts as Guarantor for the property lease at its former site in Basingstoke, sold in December 2001, in the event of the buyer defaulting.

## 31. Financial instruments

The Group does not trade in financial instruments.

Further details of the Group's policies for the use of financial instruments in managing risks are included in the Group Finance Director's Review on page 7 under the heading "Financial Instruments".

The disclosures below exclude short term debtors and creditors (except overdrafts, finance leases and hire purchase agreements).

### Interest rate profile of financial assets and liabilities

#### Financial assets

|          | Total         |               |
|----------|---------------|---------------|
|          | 2002<br>£'000 | 2001<br>£'000 |
| Currency |               |               |
| Sterling | 2,477         | 2,080         |

The above assets comprise cash and short term deposits which are subject to floating rates of interest based on the Bank's base rate.

#### Financial liabilities

|          | Total         |               | Floating Rate |               | Fixed Rate    |               |
|----------|---------------|---------------|---------------|---------------|---------------|---------------|
|          | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 | 2002<br>£'000 | 2001<br>£'000 |
| Currency |               |               |               |               |               |               |
| Sterling | 1,258         | 1,418         | 382           | 1,062         | 876           | 356           |

Floating rate liabilities comprise sterling denominated bank overdrafts which are subject to interest based on the Bank's base rate.

Fixed rate liabilities comprise of sterling denominated finance lease and hire purchase agreements with fixed interest rates which currently average 7%.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Darby Group Plc will be held at The Executive Lounge, Glanford Park Restaurant, Scunthorpe United Football Club Ground, Doncaster Road, Scunthorpe DN15 8TD on Wednesday, 7th May 2003, at 11.00 a.m. for the following purposes:

## Ordinary business

1. To receive the Company's Accounts for the financial year ended 31st December 2002 together with the Directors' Report, the Directors' Remuneration Report and the Auditors' Report on the Accounts.
2. To declare a dividend.
3. To re-elect as a Director Mr. S. J. Bannister, who retires by rotation.
4. To re-appoint Ernst and Young LLP as Auditors and to authorise the Directors to determine their remuneration.

## Special business

To consider, and if thought fit, pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions;

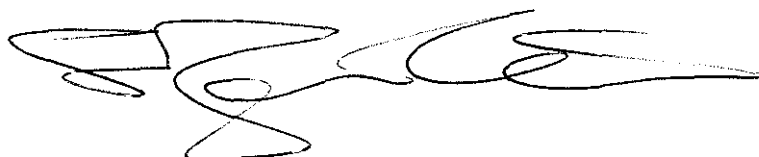
5. That the Directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities as defined in section 80(2) of the Act on and subject to such terms as the Directors may determine. The maximum aggregate nominal amount of relevant securities which may be allotted pursuant to this authority shall be £402,270. The authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2004 unless renewed, varied or revoked by the Company in general meeting. The Directors shall be entitled under this authority, to make at any time prior to the expiry of this authority any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority. This authority shall be in substitution for and supersede and revoke any earlier such authority conferred on the Directors.
6. The Directors be and are hereby empowered, pursuant to section 95(1) of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in section 94(2) of the Act) pursuant to the general authority conferred by resolution 5 above as if section 89(1) of the Act did not apply to such allotment, save that the Directors be entitled to make at any time prior to the expiry of the power hereby conferred any offer or agreement which would or might require equity securities to be allotted after the expiry provided that such power shall be limited to:
  - (a) the allotment of equity securities in connection with a rights issue or other issue in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held or deemed to be held by them, subject only to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory or by virtue of shares being represented by depositary receipts, the requirements of any regulatory body or stock exchange, or any other matter whatsoever; and
  - (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities for cash up to an aggregate nominal value of £69,086 (representing approximately 5% of the nominal value of the issued share capital of the Company at the date of this notice),

and shall expire on the date which is 15 months after the date on which this resolution is passed or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2004, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.



7. That the Directors of the Company be authorised to exercise all powers of the Company to make market purchases (as defined in section 163(3) of the Act) of its own ordinary shares of 5p each ("ordinary shares") provided that:
- (a) the maximum number of ordinary shares hereby authorised to be purchased is 4,142,425; and
  - (b) the minimum price which may be paid for an ordinary share is 5p; and
  - (c) the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share according to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share purchase is to take place; and
  - (d) the authority conferred shall expire on the earlier of 7th August 2004 and the date of the 2004 Annual General Meeting of the Company; but a contract of purchase may be made before such expiry which will or may be executed wholly or partly thereafter and a purchase of shares may be made in pursuance of any such contract.

By Order of the Board  
**Stephen Bannister** *Company Secretary*  
2nd April 2003



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

#### Notes

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. Forms of proxy must be lodged at Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting. Completion of the proxy does not preclude members entitled to attend and vote from doing so if they wish.
3. In accordance with Regulation 41 of the Uncertified Securities Regulations 2001, only those members entered on the register of members of the Company as at close of business on 5th May 2003 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 5th May 2003 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
4. The register of Directors' interests in the Company's shares, copies of the Directors' service contracts and copies of the rules of the Company's Executive Share Option Scheme will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until its close.

# Shareholder Information

## Website

The Company operates a website which can be found at [www.darbyglass.co.uk](http://www.darbyglass.co.uk). This site is regularly updated to provide information about the Company, and copies of interim and annual report and accounts can be viewed and downloaded.

## Shareholder Enquiries

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

Capita Registrars  
Shareholder Services Department  
The Registry  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

Tel: 0870 162 3100  
Fax: 020 8639 2342  
E-Mail [ssd@capitaregistrars.com](mailto:ssd@capitaregistrars.com)

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

Shareholder information together with a range of online services for Darby Group Plc shareholders is also available at the Registrar's website – [www.capitaregistrars.com](http://www.capitaregistrars.com)

## Share Price

The current share price of Darby Group Plc ordinary shares of 5p can be obtained via the link to the London Stock Exchange on the Company's website. Alternatively, it may be accessed by FT Cityline by dialling 0906 003 1389 (calls cost 60p per minute).

## Payment of Dividends

It is more efficient for shareholders and the Company for dividends to be paid directly into bank or building society accounts. Any shareholder who wishes to receive dividends in this way should contact the Company's Registrars or utilise the online services on the Registrar's website.

## Investor Relations

For further copies of the Annual Report and Accounts or other investor relations enquiries, please contact:

The Company Secretary  
Darby Group Plc  
Darby House  
Sunningdale Road  
Scunthorpe  
North Lincs.  
DN17 2SS

Tel: 01724 280044  
Fax: 01724 868295  
email: [steve.bannister@darbyglass.co.uk](mailto:steve.bannister@darbyglass.co.uk)



**Darby Group Plc**

Darby House  
Sunningdale Road  
Scunthorpe  
North Lincolnshire  
DN17 2SS

T: 01724 280044

F: 01724 868295

[www.darbyglass.co.uk](http://www.darbyglass.co.uk)

DARBY