Darby Group Plc Annual Report and Accounts 2000

...a clear vision for the future

Registered Number 1285055

Group Profile

Darby Group is principally engaged in the production of double glazed units, toughened glass for architectural and similar applications and glass bending.

We operate two divisions, Glazing Products and Processed Glass from 9 sites across the United Kingdom.

Our aim is to become the Supplier of Choice to our customers.

Contents

Financial Highlights	1
Chairman's Statement	2
Chief Executive's Review	4
Group Finance Director's Review	7
Board of Directors, Officers and Advisers	10
Report of The Directors	11
Statement on Corporate Governance	13
Report of The Board on Remuneration	15
Statement of Directors' Responsibilities	16
Report of The Auditors	17
Consolidated Profit and Loss Account	18
Consolidated Balance Sheet	19
Consolidated Cash Flow Statement	20
Consolidated Statement of Total Recognised Gains and Losses	21
Movements in Consolidated Shareholders' Funds	21
Company Balance Sheet	22
Accounting Policies	23
Notes to The Accounts	25
Notice of Annual General Meeting	35

Financial Highlights

...a clear vision for the future

Our continuing strategy is to consolidate on the progress we have made to date by:

- concentrating on sales efforts to expand market share;
- developing customer loyalty through localised contact and service;
- maintaining tight financial disciplines, and
- maintaining positive cash flow from normal operations.

Financial Summary

	2000 £'000	1999 £'000
Turnover	22,031	22,813
Operating Loss before exceptional items	(183)	(461)
Interest	(180)	(290)
Loss before exceptional items	(363)	(751)
Exceptional items	(411)	(312)
Loss per share		
before exceptional items	(1.3p)	(2.7p)
after exceptional items	(2.8p)	(3.8p)
Operating cashflow	2,228	1,006
Net debt	(939)	(2,572)
Net assets per share	26.5p	29.3p
Net gearing	13%	32%

Chairman's Statement

Results

Turnover for the year was £22.0m (1999: £22.8m) on which an underlying operating loss of £0.18m (1999: operating loss £0.46m) was incurred. Non-recurring costs of £0.41m were charged, which related to the restructuring programme as highlighted in my recent statements. The operating loss in the second half of the year was reduced to £42,000, reflecting a small increase in sales and better control of costs as the decentralised management teams took local action. This shows a marked improvement over the same period last year, when a loss of £669,000 was recorded, and reflects steady progress since the low point of 1999.

After the exceptional costs, a reduced interest charge, and small provision for deferred tax, the loss per share was 2.8p (1999: loss per share 3.8p).

As a result of tight control of working capital, and limited capital spend, operating cashflow in the year was strong at £2.23m (1999: £1.01m). The cash generation has enabled the Group to strengthen its balance sheet, with a reduction in gearing to 13% at the year end.

At the year end, net asset value per share was 26.5p.

Strategy

The strategy announced last year, whereby the company was to be split into operating regions and divisions, with local management empowered to make commercial decisions in their region, was progressively rolled out during the year and by late summer all trading sites were fully operational as separate business units.

The Processed Glass operation recorded a very promising increase in sales in the year. Although the Glazing Products operation sales decreased overall, there was some improvement at all continuing sites once systems had been installed and local management given appropriate responsibility.

The restructuring exercise is now essentially completed, and allowing the company to concentrate on sales growth. The head office computer system is the only part of the information and control system still to be upgraded, and this is scheduled for completion in Spring 2001.

Outlook

The restructuring exercise has left the company with a reduced cost base, and with a more responsive interface with customers. 2001 has started well with promising sales levels. Despite the continuing pressure on margins, the present levels of trading activity suggest that the outlook is now positive.

Personnel

The Board acknowledges the efforts and determination of all Group employees to make the new strategy successful, and is pleased to thank them for their efforts. Although the restructuring has seen the number of people employed by the Group drop by a net 10%, we have attracted new, higher skilled staff, increasing confidence in better, future trading results.

Dividend

As previously indicated, the Directors are unable to recommend the payment of a dividend until a full and sustained recovery has been achieved. The Board does however have the interests of shareholders in mind and is considering all options that could generate value for shareholders.

M. Abrahams

Mark Abrahams, *Non-Executive Chairman*

9th March, 2001

Chief Executive's Review

In my review in the Annual Report and Accounts for 1999 I outlined the strategy I proposed to take to return Darby to profitability.

In essence, the strategy was to get closer to our customers, improve our service and performance levels, overcome our perceived lack of product and service differentiation, and empower local management to make commercial decisions. To enable this to happen I proposed a decentralisation of the Group's IT systems and operating structure, a significant number of new appointments at regional and divisional level, and a reduction in overall staff numbers.

These projects ultimately have taken longer than I had anticipated. However the bulk of the work was completed by the end of the year, leaving just the implementation of a new head office computer system to take place in Spring 2001, and a further enhancement of the Group's sales team.

During the course of the year each region progressively became able to sell, accept orders, carry out its own production and delivery scheduling, generate its own invoices, and collect its own receivables, whilst Group management maintained the essential controls from the centre. Glazing Products revenues began to grow towards the end of the year, and the Processed Glass operation performed strongly in its first full year with a separate trading identity, improving the mix towards higher added value product.

Regrettably, the small operation in Manchester, acquired in 1997, continued to produce unacceptable trading results and was closed in Spring 2000. This has been followed by the closure of the small operation at Norwich early in 2001, for similar reasons. Detailed and accurate management accounting for each part of the Group now allows site viability to be assessed, and the appropriate management action to be taken.

The sales efforts in the Glazing Products operations are focused on securing work from larger customers, improving the reliability and regularity of orders received, backed up by improving levels of service. Constant contact with customers has been essential in this respect, and the feedback has been extremely positive. The next step is to bring all distribution activities 'in-house', as the delivery drivers provide important and direct customer contact.

The principal task is to grow turnover within a static marketplace. Darby estimates it has only a small overall market share, and despite a lack of anticipated market growth we believe we will be able to grow our share in this fragmented marketplace by offering better levels of service at competitive prices, and this is the task for 2001 and beyond. The market is competitive and price sensitive, and it is estimated that there are now around one hundred and twenty glass toughening furnaces in the U.K., of which Darby operates eleven with plenty of installed capacity for growth.

Margins remain under pressure due principally to rising float glass prices, although most of the increases experienced in 2000 were passed on. The company continues to control costs tightly, and the trading results for the year show a clear improvement in the second half when compared with the first half, and also when compared to the previous year.

We continued to generate cash during 2000, ending the year with low gearing. During the year we reduced stockholdings, which, combined with strict credit policies, contained working capital levels. Capital expenditure was limited essentially to the restructuring project, and spend is likely to remain less than depreciation for some time ahead, with the bulk of investment in 2001 being equipment upgrades in the Processed Glass operation.

None of 2000's progress would have been possible without an enthusiastic, committed, and motivated management team. During the latter part of the year we were able to attract strong managers and sales executives to Darby, and we go into 2001 with confidence of better results as a consequence of the changes. I thank all staff for their efforts in what was a very demanding year of business and cultural change.

Chief Executive's Review
(continued)

Outlook

The current year has started with trading levels above those experienced at the same time last year, although the trading environment is challenging and margins remain tight. The Processed Glass operation is building on the strong sales growth achieved last year, with an improved order book and a high level of enquiries.

Proposed major changes in the thermal and acoustic standards and regulations applicable to glazing in the U.K. are currently under discussion at government level, as part of the U.K.'s commitment to reduce greenhouse gas emissions by 2010. Although not fully detailed yet, the implied increased standards of performance required for the complete, installed windowframe and sealed unit will provide an opportunity for Darby to differentiate itself from smaller competitors in due course.

After the major restructuring exercise of the last eighteen months we now have a good knowledge of site, regional, and divisional prospects, have a substantially improved amount of timely management information, and the ability to concentrate on sales growth - the major determinant of ongoing profitability. In addition, we have the financial strength to now consider ways of enhancing shareholder value, and will be exploring these during 2001.

Hugh Hayes, *Chief Executive*
9th March 2001

HHayes

Group Finance Director's Review

Cash Flow

The Group focused on strengthening its balance sheet during the course of the year whilst undertaking the restructuring which has inevitably impacted upon its profit and loss account for 2000. It is therefore extremely pleasing to report that the Group achieved a net cash inflow of £0.9m for the year compared with an outflow of £0.5m in 1999.

Earnings before interest, tax, depreciation and amortisation for 2000 were £1.4m (1999: £1.3m) prior to exceptional charges incurred. Working capital reductions enabled further cash generation of £1.1m (1999: nil). Accordingly, a significant improvement in net cash inflow from operating activities of £2.2m was achieved versus £1.0m in 1999. Following interest payments and capital expenditure, a further £0.5m was absorbed in capital repayments of finance leases (1999: £0.6m), and the interest free ECSC loan outstanding at the end of 1999 of £0.2m was repaid in full from existing facilities.

Results

Turnover for the whole of 2000 fell by £0.8m to £22.0m, the primary cause being the closure of the unprofitable glazing products operation based in Manchester. Turnover in the second half of the year showed a 3.1% improvement over the first half, reversing the trend from 1999 when a 3.2% reduction was experienced, and was 4.6% higher than 1999 on a like for like basis. Exports fell by £0.5m in the year, constrained by the continuing strength of sterling versus the euro.

Gross profit before exceptional items remained constant at £4.8m, but at 21.9% of turnover showed an increase of 1% versus 1999. This improvement was achieved despite the margin pressure from rising float glass prices (which had the effect of diluting percentage margins even when the monetary impact of increases was passed on), and reflects management efforts to increase productivity and reduce costs whilst improving levels of customer service.

Group Finance Director's Review
(continued)

Total operating expenses for 2000 prior to exceptional costs fell by £0.2m to £5.0m, an improvement of 0.2% of turnover compared to 1999. Expenses for 2000 include expenditure of £0.1m which, while not classified as exceptional, relate wholly to the restructuring exercise and consist of duplicated employment costs whilst staff were recruited and trained regionally, plus the costs of establishing offices and computer systems at each site.

Exceptional charges of £0.4m were incurred in 2000 (1999: £0.3m), principally relating to the restructuring exercise. Redundancy costs totalled £0.2m, and the obsolete computer systems have now been fully written down, resulting in a further charge of £0.1m. The balance relates to a number of non-recurring items that are fully itemised in the notes to the accounts.

Balance Sheet

Tangible fixed assets were reduced by £1.3m in the year to £7.8m through the continued restraint of capital expenditure. Fixed asset additions amounted to £0.5m, of which £0.4m was spent on computer hardware and software necessary to support the decentralisation of order processing, manufacturing and credit control. The Board is mindful of the need to reinvest in plant and machinery to sustain the Group's competitive position, but sufficient installed capacity is in place to support medium term growth aspirations, and depreciation will exceed capital expenditure in 2001.

Stocks fell by £0.3m to £0.9m at the end of 2000 as part of the concerted effort to reduce working capital. Finished goods stock fell by £0.1m as production planning and control improved, and raw material stocks fell by £0.2m due to improved purchasing and stock rotation systems. Debtors continue to be tightly controlled, the year end trade debtor balance of £3.5m showing a reduction of £0.2m from 1999.

Cash in hand of £0.7m (1999: £0.2m) was offset by bank overdrafts of £1.0m (1999: £1.4m), the resulting net bank borrowings of £0.3m (1999: £1.2m) being substantially within facilities available. Other borrowings are comprised of finance leases and hire purchase contracts of £0.6m (1999: £1.2m). Gearing at the end of 2000 was 13% (1999: 32%) based on total net debt of £0.9m (1999: £2.6m).

Compliance

The Group has developed an internal system of risk management that satisfies the requirements of the Turnbull Committee. The system is a practical solution to the recommendations, and integrates risk assessment and control within current procedures and management structures wherever possible to enhance the day to day operation and control of the individual business units.

Accounting Policies and Controls

The Group's only amendment to its accounting policies during the year was the adoption of FRS15 'Tangible Fixed Assets'.

Stephen Bannister, Finance Director

9th March, 2001

Board of Directors, Officers and Advisers

Non-Executives

Mark Abrahams (aged 46) is Chairman of Darby Group Plc and serves on the Audit Committee, Remuneration Committee, and Nominations Committee. He was appointed to the Board in July 1997. He is Chief Executive of Fenner plc. and a Non-Executive Director of The British Rubber Manufacturers Association.

Brian Cooper (aged 65) serves on the Audit Committee, Remuneration Committee and Nominations Committee. He was appointed to the Board in February 1998. He is Non-Executive Chairman of N. G. Bailey Organisation Limited, Maris Group Limited and the Pickersgill Kaye Group.

Executives

Hugh Hayes (aged 49) is Chief Executive. He was appointed to the Board in April 1999. Previously, he held senior executive positions at BSW Timber, British Syphon Industries and Hawker Siddeley.

Stephen Bannister (aged 40) is Finance Director and Company Secretary. He was appointed to the Board in May 2000. Previously, he was a Divisional Finance Director of the Spring Ram Corporation, where he also held a number of finance and general management positions within the Bathrooms Division.

Directors
M. S. Abrahams, *Non-Executive Chairman*
M. H. Hayes, *Chief Executive*
B. Cooper, *Non-Executive*
S. J. Bannister, *Finance Director*

Company Secretary
S. J. Bannister

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

Registered Number
1285055

Auditors
Ernst & Young,
Cloth Hall Court, 14 King Street,
Leeds LS1 2JN

Bankers
National Westminster Bank Plc.,
Radford House, Radford Boulevard,
Nottingham NG7 5QG

Financial Advisers
N. M. Rothschild & Sons Limited,
1 Park Row,
Leeds LS1 5NR

Solicitors
Addleshaw Booth & Co.,
Sovereign House, Sovereign Street,
Leeds LS1 1HQ

Stockbrokers
Old Mutual Securities,
Temple Court, 35 Bull Street,
Birmingham B4 6ES

Registrars
Capita IRG Plc.,
Bourne House, 34 Beckenham Road,
Beckenham,
Kent BR3 4TU

Report of the Directors

The Directors present their report and the Group accounts of Darby Group Plc for the year ended 31st December 2000.

Activities

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

Business review

A review of activities and prospects is included on pages 2 to 9.

Directors

On 31st March, 2000, F. H. Hart resigned from the Board.

On 18th May, 2000, M. P. Hopcroft resigned from the Board and S. J. Bannister was appointed as Finance Director.

S. J. Bannister, who joined the Board in 2000, retires under the Articles of Association and, being eligible, offers himself for re-election.

M. S. Abrahams and B. Cooper, who were re-appointed to the Board in 1998, retire by rotation as Directors in accordance with the Articles of Association, and, being eligible, offer themselves for re-election.

Both Non-Executive Directors are considered to be independent.

Results

The consolidated loss before taxation is £774,000 and the consolidated loss after taxation is £786,000.

Dividends

The Directors have decided not to declare a dividend.

Shareholdings

At 2nd March, 2001, substantial shareholdings were as follows:

	Ordinary Shares	Percentage
Erudite Limited	4,700,000	17.0%
M. J. Darby	4,150,000	15.0%
UBS Asset Management	3,484,628	12.6%
Advance Value Realisation Company Limited	2,100,000	7.6%
Royal Insurance Asset Management	1,241,500	4.5%
Unibank A/S	1,225,000	4.4%
Credit Suisse	1,220,000	4.4%

Report of the Directors
(continued)

Supplier payment policy

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

At 31st December, 2000, the Group's trade creditors represented 79 days of annual purchases. The Company has no trade creditors.

Employees

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

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

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

Donations

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

Auditors

A resolution for the re-appointment of Ernst and Young as auditors of the Group and the Company, and to authorise the Directors to determine their remuneration, will be proposed at the forthcoming Annual General Meeting.

Ernst & Young has stated that during 2001 it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be called Ernst & Young LLP. If this happens it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

By Order of the Board

Stephen Bannister, *Company Secretary*

9th March 2001

Statement on Corporate Governance

Compliance with the Code of Best Practice

The company complied with the Provisions of the Code of Best Practice, set out in Section 1 of the Combined Code, throughout the period under review with the exception of the following:

- There is currently no formal induction and training programme in place for the Directors (A.1.6). The Company recruits to the Board individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director.
- A senior independent Non-Executive Director has not been identified (A.2.1). There are currently only two Non-Executive Directors, which the Board considers appropriate for the size of the Company, one of whom chairs the Audit Committee and one the Remuneration Committee and the Nominations Committee.
- The Audit Committee does not contain three Non-Executive Directors (D.3.1). The reasons are outlined above.

Board of Directors

The Board comprises two Executive and two Non-Executive Directors. Biographical details of the Directors are set out on page 10. The Board considers that the breadth of experience of the Directors is sufficient to provide effective leadership for the company. The Board meets regularly throughout the year. The Board is responsible for overall Group strategy, approval of annual budgets and achievement of these budgets, approval of major capital expenditure projects and monitoring exposure to key business risks. Certain duties are delegated to committees of the Board, whose composition and responsibilities are set out below.

Audit Committee

The Audit Committee consists of the Non-Executive Directors, and is chaired by M. S. Abrahams. The Finance Director and Ernst & Young 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.

Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors, and is chaired by B. Cooper. The main duties of the Remuneration Committee 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.

Nominations Committee

The Nominations Committee consists of the Non-Executive Directors and the Chief Executive, and is chaired by B. Cooper. The Nominations Committee is responsible for 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.

Statement on Corporate Governance
(continued)

Turnbull Compliance

During the course of the year, the Company established a system of internal control for the identification and treatment of risks, necessary to comply with the Turnbull guidance. Although not established for the whole of the year, the system was fully operational by December 2000 and will be reviewed and assessed by the Board on an ongoing basis, with amendments made as appropriate.

The Board has considered the need for an internal audit function, and is satisfied that existing management procedures and reviews renders the creation of such a function not cost effective given the size of the company.

Internal Controls

The Board is responsible for the Group's system of internal controls and for reviewing their effectiveness. The Board has reviewed the effectiveness of the system of internal controls, and in so doing has considered the major business and financial risks and information generated from the Group's control procedures. The Board has also taken account of any material developments since 31st December 2000. Any system can provide only reasonable and not absolute assurance that the Group's assets are protected from material misstatement or loss, and that proper accounting records are maintained.

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

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

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

Going Concern

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

Report of the Board on Remuneration

Remuneration policy

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

Service contracts

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

M. S. Abrahams has a fixed term contract for a period up to 30th June, 2002. B. Cooper has a fixed term contract for a period up to 9th August, 2001. Each Executive Director has an employment contract with an entitlement to notice. M. H. Hayes has a notice period of 12 months. S. J. Bannister has a notice period of 6 months.

Bonus scheme

The Company operates an annual bonus scheme for Directors which is related to the performance of the business. The bonus is capped at 50% of basic salary. The Company does not operate any long term incentive schemes.

Pension benefits

The Company operates a defined contribution scheme for its Directors. Contributions are paid annually at 10% of basic salary, except in the case of M. H. Hayes whose pension contributions from the Company are detailed in note 5 to the accounts.

Director's share interests

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

Share options

Share options are granted to Directors and senior employees as a means to motivate and align their interests with those of the shareholders. Details of outstanding options for Directors are provided in note 7 to the accounts.

On Behalf of the Board

Brian Cooper *Chairman of the Remuneration Committee*

9th March 2001

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.

Report of the Auditors

To the Members of Darby Group Plc

We have audited the accounts on pages 18 to 34 which have been prepared under the historical cost convention and the accounting policies set out on on pages 23 and 24.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 16, this includes responsibility for preparing the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the Director's 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 or the Listing Rules regarding Director's remuneration and transactions with the Group is not disclosed.

We review whether the corporate governance statement on pages 13 and 14 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of either the Group's corporate governance or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 31st December 2000 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young *Registered Auditor*
Leeds

Ernst & Young

9th March 2001

Consolidated Profit and Loss Account

Year ended 31st December 2000

	Notes	Before Exceptional Items £'000	Exceptional Items (Note 9) £'000	2000 Total £'000	Before Exceptional Items £'000	Exceptional Items (Note 9) £'000	1999 Total £'000
Turnover	1	22,031	-	22,031	22,813	-	22,813
Cost of sales		(17,205)	(128)	(17,333)	(18,039)	-	(18,039)
Gross Profit		4,826	(128)	4,698	4,774	-	4,774
Distribution costs		(1,893)	(2)	(1,895)	(2,009)	-	(2,009)
Administrative expenses		(3,116)	(281)	(3,397)	(3,226)	(312)	(3,538)
Operating Loss	2	(183)	(411)	(594)	(461)	(312)	(773)
Interest receivable		31	-	31	-	-	-
Interest payable and similar charges	8	(211)	-	(211)	(290)	-	(290)
Loss before taxation		(363)	(411)	(774)	(751)	(312)	(1,063)
Taxation	10	(12)	-	(12)	14	-	14
Loss for the year		(375)	(411)	(786)	(737)	(312)	(1,049)
Dividends				-			-
Retained loss for the year				(786)			(1,049)
Loss per share							
Basic and diluted	11	(1.3p)	(1.5p)	(2.8p)	(2.7p)	(1.1p)	(3.8p)

Turnover and operating loss are derived from continuing activities.

Consolidated Balance Sheet

At 31st December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	13	7,833	9,126
Investments	14	19	19
		7,852	9,145
Current assets			
Stocks	16	873	1,185
Debtors	17	4,067	4,347
Cash at bank and in hand		675	182
		5,615	5,714
Creditors: amounts falling due within one year	18	(5,590)	(5,940)
Net current assets/(liabilities)		25	(226)
Total assets less current liabilities		7,877	8,919
Creditors: amounts falling due after one year	19	(356)	(663)
Provisions for liabilities and charges	23	(198)	(147)
Net assets		7,323	8,109
Capital and reserves			
Called up share capital	24	1,382	1,382
Share premium account	25	8,153	8,153
Profit and loss account	26	(2,212)	(1,426)
Equity shareholders' funds		7,323	8,109

Approved by the Board of Directors on 9th March 2001

M. S. Abrahams

S. J. Bannister

Directors

Consolidated Cash Flow Statement

Year ended 31st December 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Cash flow from operating activities	28		2,228		1,006
Returns on investments and servicing of finance					
Interest received		27		-	
Interest paid on bank loans		(81)		(105)	
Interest paid on finance leases		(130)		(187)	
Interest paid on corporation tax		-		(12)	
			(184)		(304)
Taxation					
Corporation tax received/(paid)			13		(83)
Capital expenditure					
Sale of tangible fixed assets		53		105	
Purchase of tangible fixed assets		(477)		(568)	
			(424)		(463)
Equity dividends paid			-		(138)
Net cash inflow before financing	29		1,633		18
Financing					
Repayment of loans and other borrowings		(201)		(4)	
Capital repayments of finance leases		(524)		(558)	
			(725)		(562)
Increase/(decrease) in cash	30		908		(544)

Consolidated Statement of Total Recognised Gains and Losses

Year ended 31st December 2000

	Notes	2000 £'000	1999 £'000
Loss for the year		(786)	(1,049)
Prior year adjustment	12	-	(862)
Total recognised losses since last annual report		(786)	(1,911)

Movements in Consolidated Shareholders' Funds

Year ended 31st December 2000

	Notes	2000 £'000	1999 £'000
Shareholders' funds brought forward - as previously stated		8,109	10,020
Prior year adjustment	12	-	(862)
Shareholders' funds brought forward - restated		8,109	9,158
Loss for the year		(786)	(1,049)
Shareholders' funds carried forward		7,323	8,109

Company Balance Sheet
At 31st December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	13	1,996	2,052
Investments	14	328	328
		2,324	2,380
Current assets			
Debtors	17	6,186	6,947
Creditors: amounts falling due within one year	18	(1,220)	(1,252)
Net current assets		4,966	5,695
Net assets		7,290	8,075
Capital and reserves			
Called up share capital	24	1,382	1,382
Share premium account	25	8,153	8,153
Profit and loss account	26	(2,245)	(1,460)
Equity shareholders' funds		7,290	8,075

Approved by the Board of Directors on 9th March 2001

M. S. Abrahams

S. J. Bannister

Directors

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 the cost over the estimated lives, as follows:

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

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

Leases

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

Pensions

The Group operates a defined contribution 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.

Accounting Policies
(continued)

Deferred Taxation

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

Foreign Currencies

Transactions in foreign currencies are recorded in sterling at the exchange rate prevailing at the time 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:

	2000	1999
	£'000	£'000
UK	21,768	22,139
Europe	166	622
Other	97	52
	22,031	22,813

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

2. **Operating loss**

Operating loss on continuing activities is stated after charging:

	2000	1999
	£'000	£'000
Depreciation		
– owned assets	1,484	1,553
– leased assets	254	239
Operating leases		
– property	483	484
– plant and machinery	484	471
Loss on foreign exchange transactions	1	7
Auditor's remuneration		
– audit (Ernst & Young)	33	32
– non-audit (Ernst & Young)	37	-

In respect of the company, auditor's remuneration includes £9,000 (1999: £8,750) to Ernst & Young.

3. **Employees**

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

	2000	1999
	Number	Number
Production	283	328
Sales and distribution	33	41
Administration and management	78	79
	394	448

Employment costs during the year were:

	2000	1999
	£'000	£'000
Wages and salaries	5,696	6,273
Social security costs	470	523
Other pension costs	64	112
	6,230	6,908

Notes to the Accounts
(continued)

4. Directors' remuneration

	Salary	Benefits	Other	2000	1999
M. S. Abrahams	18	-	-	18	30
M. H. Hayes	88	9	-	97	65
S. J. Bannister	38	5	-	43	-
B. Cooper	18	-	-	18	24
F. H. Hart	14	2	-	16	60
M. P. Hopcroft	29	4	33	66	79
C. M. Simpson	-	-	-	-	234
M. J. Darby	-	-	-	-	6
	205	20	33	258	498

Remuneration for M. P. Hopcroft for the year ended 31st December, 2000, includes £33,000 in relation to compensation for loss of office.

In 1999, the remuneration for C. M. Simpson included £176,000 as compensation for loss of office.

5. Directors' pension benefits

	2000	1999
	£'000	£'000
M. H. Hayes	22	15
S. J. Bannister	4	-
F. H. Hart	1	6
M. P. Hopcroft	10	7
C. M. Simpson	-	5
M. J. Darby	-	8
	37	41

Company contributions toward a defined contribution pension scheme of 10% of basic salary are payable in respect of each Executive Director. M. H. Hayes elected to have an additional element of his 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 at 31.12.00	Shares at 01.01.00
M. S. Abrahams	5,000	5,000
M. H. Hayes	55,000	55,000
B. Cooper	5,000	5,000

There were no changes in Directors' share interests between 1st January 2001 and 9th March 2001.

7. **Directors' share options**

	Options at 01.01.00	Options Lapsed	Options at 31.12.00	Exercise Price
F. H. Hart	44,000	(44,000)	-	128.5p

The Directors' share options were exercisable from 6th June 2000 to 6th June 2004, subject to the performance criteria as set out in note 24.

8. **Interest payable and similar charges**

	2000 £'000	1999 £'000
On bank loans and overdrafts	74	113
On finance leases and hire purchase contracts	137	165
On corporation tax	-	12
	211	290

9. **Exceptional items**

The accounts for the year ended 31st December 2000 include an exceptional charge of £411,000, which relates primarily to the restructuring exercise. It comprises redundancy and termination costs (£203,000), write off of the old computer systems (£134,000), other restructuring and re-organisation costs (£56,000), lease dilapidations (£40,000) and cancellation of the profit related pay scheme (£24,000), offset by an insurance claim receipt re a furnace breakdown in 1999 (£46,000).

The accounts for the year ended 1st January 2000 included an exceptional charge of £312,000. It comprised termination costs of C. M. Simpson's employment contract (£189,000), recruitment costs of M. H. Hayes (£48,000) and lease dilapidations (£100,000), together with a number of minor charges and credits.

10. **Taxation**

	2000 £'000	1999 £'000
Capital allowances in advance of depreciation	(41)	269
Other timing differences	24	31
	(17)	300
Tax losses	68	(273)
Deferred taxation	51	27
Corporation tax at 30% (1999: 30%)	(39)	(41)
	12	(14)

11. **Loss per share**

Loss per share is calculated by dividing the loss after taxation of £786,000 (1999: loss after taxation £1,049,000) by the weighted average of 27,634,594 shares (1999: 27,634,594 shares) in issue in the year.

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

Notes to the Accounts
(continued)

12. Prior year adjustment

The accounts for the year ended 1st January 2000 included a prior year adjustment, the effect of which was to correct for the overstatement of tangible fixed assets and equity shareholders' funds at 31st December 1998 by £862,000. Further details were provided in the accounts for the year ended 1st January 2000.

13. Tangible assets

Group	Freehold Land & Buildings £'000	Short Leasehold Property £'000	Plant Vehicles & Equipment £'000	Total £'000
Cost				
At 1st January 2000	2,717	563	16,662	19,942
Additions	5	30	442	477
Disposals	-	(1)	(1,324)	(1,325)
At 31st December 2000	**2,722**	**592**	**15,780**	**19,094**
Depreciation				
At 1st January 2000	665	276	9,875	10,816
Charge for the year	61	88	1,589	1,738
Disposals	-	(1)	(1,292)	(1,293)
At 31st December 2000	**726**	**363**	**10,172**	**11,261**
Net book value				
At 31st December 2000	**1,996**	**229**	**5,608**	**7,833**
At 1st January 2000	2,052	287	6,787	9,126

	2000 £'000	1999 £'000
Cost of land not subject to depreciation	**334**	334
Net book value of plant held under finance leases	**963**	1,654

Company	Freehold Land & Buildings £'000
Cost	
At 1st January 2000	2,717
Additions	5
At 31st December 2000	**2,722**
Depreciation	
At 1st January 2000	665
Charge for the year	61
At 31st December 2000	**726**
Net book value	
At 31st December 2000	**1,996**
At 1st January 2000	2,052

14. Investments

Cost	Group £'000	Company £'000
At 1st January 2000 and 31st December 2000	19	2,452
Provisions		
At 1st January 2000 and 31st December 2000	-	2,124
Net book value		
At 1st January and 31st December 2000	19	328

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

15. Principal subsidiaries

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

16. Stocks

Cost	2000 £'000	1999 £'000
Raw materials	759	948
Work in progress	27	25
Finished goods	87	212
	873	1,185

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

17. Debtors

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	3,504	3,733	-	-
Amounts owed by group companies	-	-	6,121	6,824
Taxation recoverable	263	237	55	55
Prepayments and accrued income	300	377	10	68
	4,067	4,347	6,186	6,947

Notes to the Accounts
(continued)

18. Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank overdraft	954	1,369	828	485
Bank loans	-	201	-	200
Finance leases and hire purchase contracts	304	521	-	-
Trade creditors	2,739	2,192	-	-
Amounts owed to group companies	-	-	311	369
Social security and other taxes	385	598	-	-
Other creditors	324	403	21	21
Accruals and deferred income	884	656	60	177
	5,590	5,940	1,220	1,252

19. Creditors: amounts falling due after one year

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Finance leases and hire purchase contracts	356	663	–	–

20. Bank loans

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Repayable:				
Within one year	–	201	–	200

21. Finance leases and hire purchase contracts

	Group 2000	Group 1999	Company 2000	Company 1999
	£'000	£'000	£'000	£'000
Repayable:				
Within one year	304	521	-	-
After one year	356	663	-	-
	660	1,184	-	-
Repayable after one year:				
In one to two years	279	307	-	-
In two to five years	77	356	-	-
	356	663	-	-

22. Operating leases

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

	Land & Buildings 2000	Other 2000	Land & Buildings 1999	Other 1999
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-	22	102	31
In one to five years	257	415	177	419
Over five years	220	5	196	1
	477	442	475	451

23. Provisions for liabilities and charges

The amounts provided and unprovided for deferred taxation are as follows:

	Group 2000	Group 1999	Company 2000	Company 1999
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	425	466	-	15
Other timing differences	(13)	(37)	-	-
	412	429	-	15
Tax losses	(214)	(282)	-	(15)
Provided	198	147	-	-
Unprovided	713	981	212	239

Notes to the Accounts
(continued)

24. Share capital

	Authorised		Issued and fully paid	
	2000	1999	2000	1999
	£'000	*£'000*	*£'000*	*£'000*
Ordinary shares of 5p each	1,784	1,784	1,382	1,382

The number of ordinary shares in issue at 31st December 2000 was 27,634,594 shares (1st January 2000: 27,634,594 shares).

Options in respect of 123,000 ordinary shares remained outstanding at 31st December 2000 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.

25. Share premium account

	Group		Company	
	2000	1999	2000	1999
	£'000	*£'000*	*£'000*	*£'000*
Share premium account	8,153	8,153	8,153	8,153

26. Profit and loss account

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
At 1st January 2000	(1,426)	(377)	(1,460)	269
Loss for the year	(786)	(1,049)	(785)	(1,729)
At 31st December 2000	(2,212)	(1,426)	(2,245)	(1,460)

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Darby Group Plc is not presented as part of these accounts.

The cumulative goodwill written off to reserves and arising from acquisitions at 31st December 2000 was £2,912,000 (1999: £2,912,000).

27. Movements in shareholders' funds

	Company 2000 £'000	1999 £'000
At 1st January 2000	8,075	9,804
Loss for the year	(785)	(1,729)
At 31st December 2000	7,290	8,075

28. Reconciliation of operating loss to operating cash flows

	2000 £'000	1999 £'000
Operating loss	(594)	(773)
Depreciation	1,738	1,792
Profit on sale of tangible fixed assets	(21)	(11)
Decrease in stocks	312	547
Decrease in debtors	302	376
Increase/(decrease) in creditors	491	(925)
Net cash inflow from operating activities	2,228	1,006

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

29. Analysis of changes in net debt

	At 1st January 2000 £'000	Cash flows £'000	At 31st December 2000 £'000
Cash at bank and in hand	182	493	675
Bank overdraft	(1,369)	415	(954)
Bank loans	(201)	201	-
Finance leases and hire purchase contracts	(1,184)	524	(660)
Total	(2,572)	1,633	(939)

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

	2000 £'000
Increase in cash	908
Cash outflow from loans and finance leases	725
	1,633
Net debt at 1st January 2000	(2,572)
Net debt at 31st December 2000	(939)

Notes to the Accounts
(continued)

31. Capital commitments

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Amounts contracted for but not provided in these accounts	280	70	49	5

32. Financial instruments

The Group's net foreign currency monetary assets held at 31st December 2000 totalled £15,000, being euros held in a current bank account. The foreign currency gains and losses arising from movements in the exchange rate have been recognised in the profit and loss account, taking into account any forward currency contacts entered into.

The Group uses financial instruments to manage currency risk from normal operations by means of forward currency contracts to hedge significant sales and purchases at the time the contracts are formed. There are no material differences between the contract value and the fair value of any forward currency contracts. No trading is undertaken in such financial instruments. At the year end there were no outstanding forward currency contracts.

The Company's principal source of borrowing for general working capital requirements is through the sterling bank account and bank overdraft. These facilities are reviewed on an annual or ongoing basis such that the facilities expire within one year or less.

The Company has guaranteed the bank facilities of its subsidiaries. At 31st December 2000 the amounts guaranteed total £126,000 (1999: £453,000).

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

The bank account and bank overdraft are subject to a variable rate of interest linked to LIBOR. The bank loans, finance leases and hire purchase contracts are subject over their terms to fixed rates of interest, which currently average 11% per annum.

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Darby Group Plc. will be held at The Executive Lounge, Glanford Park Restaurant, Scunthorpe United Football Club Ground, Doncaster Road, Scunthorpe. DN15 8TD on Friday, 4th May, 2001, at 11.00 a.m. for the following purposes:

Ordinary business

1. To approve the Accounts and the Report of the Directors and Auditors for the year ended 31st December 2000.
2. To re-elect as a Director Mr. S. J. Bannister, who being appointed since the last Annual General Meeting retires and offers himself for re-election.
3. To re-elect as a Director Mr. M. S. Abrahams, who retires by rotation.
4. To re-elect as a Director Mr. B. Cooper, who retires by rotation.
5. To re-appoint Ernst and Young as Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board

Stephen Bannister *Company Secretary*

9th March 2001

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

Notes

1. Members entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Company.
2. Forms of proxy must be lodged at Capita IRG Plc, Proxy Department, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting. Completion of the proxy does not preclude members entitled to attend and vote from doing so if they wish.
3. In accordance with *Regulation 34 of the Uncertified Securities Regulations 1995*, only those members entered on the register of members of the Company as at close of business on 2nd May, 2001, 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 2nd May, 2001, 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 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 Notes

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