

837615

**Delyn
Group
PLC**



**Report & Accounts
1999**

Chairman's Statement and Operational Review

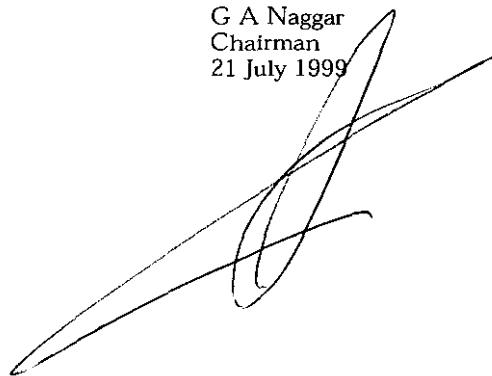
I am pleased to be able to report that for the 12 months to 31 March 1999 profit before taxation and exceptional items increased to £595,000 from a loss of £246,000 in the 14 months to 31 March 1998. Earnings per share, after exceptional items for the 12 months to 31 March 1999, were 9.35p against a loss of 0.89p per share in respect of the previous 14 month period. The Board is recommending a final dividend of 2.0p per ordinary share, an increase of 33.3% upon the final dividend of 1.5p per ordinary share paid last year. Thus the total dividend for the year will be 3.0p per ordinary share compared to 2.0p in respect of the 14 months to 31 March 1998. The final dividend will be paid on 6 October 1999 to shareholders on the register as at 17 September 1999.

The Group continues to trade profitably and with the additional benefit of a tax refund received during the year, had net cash as at 31 March 1999 of approximately £8m and a net asset value per share of £1.21. This is, of course, without taking into account any potential profit participation on the joint venture with M J Gleeson Group PLC in the development site in Hamilton, Scotland, although the quantum of this profit cannot be calculated. Shareholders will recall that there is only potential upside for the Company in this project as there is no funding requirement from our Group.

Throughout the year your Board continued the search for a major acquisition in order to enhance shareholders' value. We have looked at around 35 potential acquisitions and have investigated a high percentage of these in depth. We have been fortunate in being able to have the benefit of a widely experienced Board who have undertaken the task of examining potential companies for acquisition. In this way we have been able to avoid substantial merchant bank, legal and professional fees and accountancy charges in respect of these potential acquisitions which, at varying stages, proved abortive.

It would have been easy, over the past year, to have become impatient and reduce the criteria which your Board has set for acquisition. We are only prepared to recommend an acquisition to shareholders if the target company has growth potential, is of the right size to merit being a public company and if the price is right. Although your Company is in competition with venture capital funds with cash to invest, your Board remains enthusiastic about the prospects of finding a suitable acquisition to put before shareholders during the present financial year.

G A Naggar
Chairman
21 July 1999



Report of the Directors

The directors present their report and accounts for the period ended 31 March 1999.

Activities and Business Review

The principal activities of the Group during the period were property based businesses.

Details of the companies within the Group are shown in note 14 to the accounts.

A review of the Group's business activities is contained in the Chairman's statement on page 1.

Results

The consolidated profit and loss account for the period is set out on page 8.

Dividends

	Pence per share	£000
Interim paid	1.00	87
Final proposed	2.00	174
	<hr/>	<hr/>
	3.00	261

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the period ended 31 March 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

In June 1998, the Committee on Corporate Governance published The Combined Code containing Principles of Good Governance and a Code of Best Practice (the Code). Subsequently, the London Stock Exchange has introduced a requirement in the Listing Rules for companies to include in the Annual Report and Accounts a statement of:

- (a) how the Company has applied the Principles of Good Governance, with an explanation that enables shareholders to evaluate how they have been applied; and
- (b) whether the Company has complied with the best practice provisions of the Code, specifying which provisions, if any, have not been complied with, for what period and the reasons for non-compliance.

The Board currently comprises two executive directors and five non-executive directors.

The Board has a formal schedule of matters specifically reserved to it.

The Board has procedures in place which allow for Board members to take independent professional advice where appropriate.

Directors will receive appropriate training on the first occasion that they are appointed to the Board.

The Board is pleased to confirm that the Company has complied throughout the year with the Code of Best Practice with the following exceptions:-

The posts of chairman and chief executive officer are combined due to the reduced level of activity within the company. The senior independent director is Dr John Norris.

All non-executive directors are independent of management. However all non-executive directors other than Dr John Norris are either directly, or are associated with, shareholders.

The service agreement with Mr Elman can be terminated by either party on three months notice. There are no other service agreements with directors.

As the Board is small, the matters which are usually reserved for the attention of an Audit Committee and a Nomination Committee are dealt with by the full Board.

Directors' remuneration

The members of the Remuneration Committee throughout the year ended 31 March 1999 were Dr John Norris and Mr Timothy Hockings.

A statement of remuneration policy and details of the remuneration of each Director is set out in the Remuneration Report.

Report of the Directors continued

Relations with shareholders

The Board recognises the importance of maintaining good communication with both institutional and private shareholders.

This communication link includes meetings with existing and potential institutional investors following both the interim and final results announcements of the Company, press releases on matters of interest to all investors.

The Company encourages attendance at its Annual General Meeting where each resolution is separately put to the meeting and at which the Chairman makes a statement on the current year's performance and the near-term financial outlook.

Internal Financial Controls

The directors acknowledge that they are responsible for the Group's system of internal financial control. It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board meets at regular and frequent intervals and is responsible for the overall direction, financial planning, capital expenditure and strategy of all companies within the Group.

The key procedures established by the Board include maintenance of budgetary controls, preparation of monthly management accounts, cash flows and capital project appraisals. A review of the effectiveness of the system of internal financial control in respect of all companies in the Group has been performed: currently the Group is engaged in individual projects and each of these is appraised, monitored and reviewed by the board, such review including the appraisal and assessment of business risk.

As permitted by the London Stock Exchange, the comments above relate only to financial matters. The other aspects noted in the Code, including compliance and risk management controls, will be considered in more detail in next year's report when further guidance on the reporting of these matters has been published by the London Stock Exchange.

Going concern

After making appropriate enquiries the directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

For this reason they continue to adopt the going concern basis in preparing the Group and Company Financial Statements.

Directors

Guy Naggar, appointed January 1998. Mr Naggar is chairman of Dawnay, Day & Co Limited, a member of the London Investment Banking Association. He has been involved in Merchant Banking for the past 35 years, and was previously a Director of the Charterhouse Group Limited.

Ralph Elman, FCA, appointed February 1998. Mr Elman is currently senior partner of Elman Wall (Chartered Accountants). He has acted as Finance Director of International Communication and Data Plc and acts as a director of a number of private companies.

Malcolm Braun FCIS, FCMA, joined Delyn in 1977 as Company Secretary and was appointed Financial Director in November 1978. He retired from executive employment in December 1996 and has remained as a non-executive director of the company.

Timothy Hockings ACA, appointed March 1998. Mr Hockings is currently Chief Executive of Robert Stephen Holdings Limited.

Peter Klimt, appointed 23 March 1998. Mr Klimt qualified as a solicitor and has been involved in the property sector for 26 years. He was the Senior Tax Partner at D J Freeman for approximately seven years. He became Chairman of Dawnay, Day Properties Plc when it commenced business in 1986 and in 1992 became a Director of Dawnay, Day International Limited. He is also a non-executive director of Bourne End Properties Plc.

Peter Lazard, CA, appointed March 1998. Mr Lazard is the Company Secretary of Robert Stephen Holdings Limited and a Director of three Robert Stephen Holdings subsidiaries.

John Norris, BSc (Eng), PhD Chemical Engineer, appointed December 1977. He has wide experience in the field of paper, packaging and building products and has been Investment Director with the Welsh Development Agency.

All directors are subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years.

Report of the Directors continued

Substantial shareholdings

At 20 July 1999 interests in 3% or more of the Company's shares were:

	Ordinary Shares	%
Robert Stephen Holdings Limited	2,188,250	25.0
Dawnay, Day Nominees Limited*	2,003,000	22.9
Framlington Investment Management Limited	750,000	8.6
Oryx International Growth Fund Limited	400,000	4.6
Honor Establishment Limited	365,000	4.2
Two trusts for Sir Harry Solomon and his family	352,000	4.0
The Trident North Atlantic Fund	275,000	3.1

* Dawnay, Day Nominees Limited holds shares on behalf of:

	Ordinary Shares	%
ForwardIssue Limited (a company owned by Mr G. Naggar and his wife)	901,350	10.3
Stingray Limited (a company owned by Mr P. Klimt and his wife)	901,350	10.3
Dawnay, Day & Co., Limited	200,300	2.3
	<hr/>	
	2,003,000	22.9
	<hr/>	

Fixed assets

Changes in the Group's fixed assets are detailed in notes 13 and 14 to the accounts.

Directors' and Officers' Liability Insurance

The Company has maintained liability insurance during the year for its directors and officers and those of its subsidiary companies.

Year 2000

The year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of the century, producing a wide range of consequences.

The company has conducted a risk based review of its computer and other systems to identify those which could be affected. No significant additional costs have been incurred or are expected.

The Euro

The Group does not currently conduct any business in the European currencies; however, it has reviewed its procedures and is confident that it will be ready to conduct business in the Euro if needed.

Charitable and Political Contributions

The total amount of political charitable contributions made by the Group during the year was £Nil (1998 £Nil).

Creditor payment policy

The Group's payment policy is to negotiate terms with its suppliers at the time they are engaged and to abide by the terms agreed. During the year ended 31 March 1999 the Company on average paid its creditors within 30 days of receipt of invoice, as in prior periods.

Employees

Employees of the Group and its subsidiaries are regularly consulted by management and kept informed of matters affecting them and the overall development of the Group.

The Group's policy is to provide, wherever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential. It also operates an equal opportunities policy.

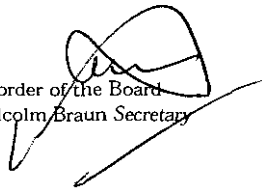
Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Report of the Directors continued

Annual General Meeting

The 1999 Annual General Meeting will be held at 11.00am on 29 September 1999 at 8-10 Grosvenor Gardens, London SW1W 0BD. There are two items of Special Business. The directors consider it desirable that the Company should have authority to make market purchases of its own shares and therefore propose Resolution No.7 which will authorise the Company to make market purchases of up to 437,006 Ordinary Shares of 5p each (representing 5% of the issued share capital as at 31 March 1999). The directors would only use this authority if they considered that it would be in the best interests of the Company. The directors also consider it desirable to have the customary flexibility for future share issues and therefore propose Resolution No.8 which will give them the authority to issue shares up to the maximum number which are within the limits laid down by the Association of British Insurers.


By order of the Board
Malcolm Braun Secretary

21 July 1999

Remuneration Report

Compliance

Except as described below the Company has complied with Section 'B' of the Combined Code and the Remuneration Committee confirms that it has given full consideration to Section B of these provisions in framing its remuneration policy.

The Remuneration Committee during the year comprised two non-executive directors, Dr John Norris (independent) and Mr Timothy Hockings.

During the year the Committee decided upon the remuneration policy applicable to executive directors and the Group's other senior management. In setting the policy it considers a number of factors including salaries and benefits of comparable companies, the need to attract and retain directors of an appropriate calibre together with the need to ensure executive directors' commitment to the continued success of the Group.

The remuneration of the non-executive directors is determined by the Board.

The non-executive directors do not receive any pension or other benefits from the company, nor do they participate in any bonus or incentive schemes.

Directors' detailed emoluments

	1999 (12 month period)				
	Compensation for loss of office £	Salary/ fees £	Benefits £	Pensions £	Total £
Executive					
Mr. C. Naggar	—	10,000	—	—	10,000
Mr. R. Elman	—	24,000	—	—	24,000
Non-Executive					
Dr. J. Norris	—	16,668	—	—	16,668
Mr. P. Klimt	—	10,000	—	—	10,000
Mr. M. Braun	—	15,000	—	—	15,000
Mr. T. Hockings	—	10,000	—	—	10,000
Mr. P. Lazard	—	10,000	—	—	10,000
	—	95,668	—	—	95,668
	1998 (14 month period)				
	Compensation for loss of office £	Salary/ fees £	Benefits £	Pensions £	Total £
Executive					
Mr. P. Norman	183,942	199,640	13,013	28,126	424,721
Mr. G. Turner	45,000	61,747	7,369	4,294	118,410
Mr. C. Naggar	—	1,890	—	—	1,890
Mr. R. Elman	—	3,222	—	—	3,222
Non-Executive					
Dr. J. Norris	—	18,952	—	—	18,952
Mr. P. Klimt	—	247	—	—	247
Mr. M. Braun	—	17,500	—	—	17,500
Mr. T. Hockings	—	247	—	—	247
Mr. P. Lazard	—	247	—	—	247
	228,942	303,692	20,382	32,420	585,436

Remuneration Report continued

Interests in shares

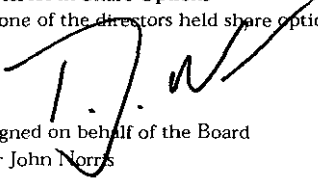
The interests in shares of the Company of the directors in office at the year end were as follows:

	No. of shares	
	31 March 1999	31 March 1998
Beneficial and family interests in 5p ordinary shares		
Mr. G. Naggar	901,350	851,850
Mr. R. Elman	11,600	11,600
Mr. M. Braun	138,800	138,800
Mr. T. Hockings	—	—
Mr. P. Klimt	901,350	851,850
Mr. P. Lazard	—	—
Dr. J. Norris	—	—

In addition to the above Messrs. Naggar and Klimt have a joint beneficial interest in 200,300 ordinary shares owned by Dawnay, Day & Co., Limited.

Interest in Share Options

None of the directors held share options during the year.


Signed on behalf of the Board
Dr John Norris

21 July 1999

Consolidated Profit and Loss Account

For the year ended		12 months to 31 March 1999	14 months to 31 March 1998 Restated £000
		£000	£000
Notes			
1,2	Turnover (including share of joint ventures)	318	1,083
	Less: Share of turnover of joint ventures	—	(241)
1,2	Turnover	318	842
	Cost of sales	(13)	(482)
	Gross profit	305	360
4	Net operating expenses	(267)	(719)
5	Exceptional items	—	(515)
	Group operating profit/(loss)	38	(874)
	Share of operating profit/(loss) in joint ventures	(7)	58
	Total operating profit: group and share of joint ventures	31	(816)
	Net interest receivable		
6	— Group	549	552
	— Joint ventures	15	18
7	Profit/(loss) on ordinary activities before taxation	595	(246)
9	Taxation on profit on ordinary activities	222	171
	Profit/(loss) on ordinary activities after taxation	817	(75)
10	Dividends paid and proposed	(261)	(176)
	Retained profit/(loss) for the period	556	(251)
		1999	1998
		pence	pence
	Basic earnings per ordinary Share of 5p		
	— excluding exceptional expenses	9.35	5.00
	— effect of exceptional expenses	—	(5.89)
11	Basic earnings per share on profit attributable to shareholders	9.35	(0.89)

There is no difference between the basic earnings per share and the diluted earnings per share amounts.

The above results are derived solely from continuing operations.

There is no difference between the profit/(loss) on ordinary activities before taxation and the retained profit for the periods stated above, and their historical cost equivalents.

The company has no recognised gains and losses other than those included in the results above and therefore no separate statement of recognised gains and losses has been presented.

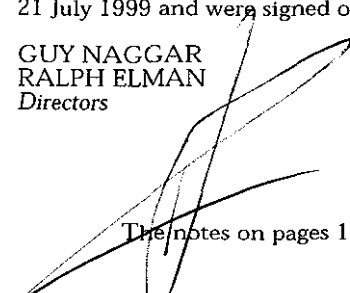
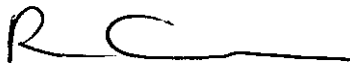
The notes on pages 12 to 21 form an integral part of these accounts

Consolidated Balance Sheet

For the year ended		31 March 1999 £000	31 March 1998 Restated £000
Notes			
Fixed Assets			
13	Tangible Assets	2,962	3,027
14	Investments	—	—
14	Interests in joint ventures:		
	— Share of gross assets	226	94
	— Share of gross liabilities	(174)	(45)
		52	49
		<u>3,014</u>	<u>3,076</u>
Current Assets			
15	Debtors	175	467
	Short term bank deposits	7,953	7,000
	Cash at bank and in hand	110	193
		<u>8,238</u>	<u>7,660</u>
16	Creditors: amounts falling due within one year	(411)	(464)
	Net current assets	<u>7,827</u>	<u>7,196</u>
	Total assets less current liabilities	<u>10,841</u>	<u>10,272</u>
17	Provisions for liabilities and charges	(301)	(288)
	Net assets	<u>10,540</u>	<u>9,984</u>
Capital and reserves			
18	Called up share capital	437	437
19	Share premium account	181	181
19	Revaluation reserve	1,150	1,150
19	Profit and loss account	8,772	8,216
20	Equity shareholders' funds	<u>10,540</u>	<u>9,984</u>

The financial statements on pages 8 to 21 were approved by the board of directors on 21 July 1999 and were signed on its behalf by:

GUY NAGGAR
RALPH ELMAN
Directors

The notes on pages 12 to 21 form an integral part of these accounts

Balance Sheet

	31 March 1999 £000	31 March 1998 £000
For the year ended		
<i>Notes</i>		
Fixed Assets		
13 Tangible Assets	2,962	3,027
14 Investments	—	—
	<u>2,962</u>	<u>3,027</u>
Current Assets		
15 Debtors	156	441
Short term bank deposits	7,952	7,000
Cash at bank and in hand	96	188
	<u>8,204</u>	<u>7,629</u>
16 Creditors: amounts falling due within one year	(592)	(656)
Net current assets	<u>7,612</u>	<u>6,973</u>
Total assets less current liabilities	<u>10,574</u>	<u>10,000</u>
17 Provisions for liabilities and charges	(301)	(288)
Net assets	<u>10,273</u>	<u>9,712</u>
Capital and reserves		
18 Called up share capital	437	437
19 Share premium account	181	181
19 Revaluation reserve	1,150	1,150
19 Profit and loss account	8,505	7,944
Equity shareholders' funds	<u>10,273</u>	<u>9,712</u>

The financial statements on pages 8 to 21 were approved by the board of directors on 21 July 1999 and were signed on its behalf by:

GUY NAGGAR
RALPH ELMAN
Directors

The notes on pages 12 to 21 form an integral part of these accounts

Consolidated Cash Flow Statement

	12 Months 31 March 1999 £000	14 Months 31 March 1998 £000
For the year ended		
Net cash outflow from operating activities (see Note 21(i))	(41)	(218)
Dividends received from joint ventures	—	220
Returns on investments and servicing of finance		
Interest received	549	552
Net cash inflow from returns on investments and servicing of finance	549	772
Taxation		
U.K. Corporation tax repaid/(paid)	517	(60)
Capital expenditure		
Purchase of tangible fixed assets	—	(29)
Sales of tangible fixed assets	63	—
Net cash inflow/(outflow) for capital expenditure	63	(29)
Equity dividends paid to shareholders	(218)	(176)
Cash inflow before management of liquid resources and financing	870	289
Management of liquid resources		
Increase in short term bank deposits	(953)	(250)
Financing		
Repayment of loans	—	(104)
Net cash outflow from financing	—	(104)
Decrease in cash in period (see note 21(ii))	(83)	(65)

The notes on pages 12 to 21 form an integral part of these accounts

Notes to the Accounts

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These accounts have been prepared under the historical cost basis as adjusted for the revaluation of land and buildings and are in accordance with applicable accounting standards.

Change in accounting policies and presentation of financial information

FRS9 "Associates and joint ventures", has been adopted and, consequently, the group's profit and loss account, balance sheet and cash flow statement have been presented in accordance with the new requirements. The prior year figures have been restated to reflect the new requirements.

The Group has adopted FRS10 "Goodwill and intangible assets", FRS11 "Impairment of fixed assets and goodwill", and FRS12 "Provisions, contingent liabilities and contingent assets" and FRS13 "Derivatives and other financial instruments: disclosures". These have had no material impact on the accounts.

Following the introduction of FRS14 "Earnings per share", the methodology used for the EPS calculation has changed. This has had no material impact on the accounts.

Consolidation

The Group accounts include the accounts of the Company and all subsidiaries. Intra group sales and profits are eliminated fully on consolidation.

Fixed assets

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition as modified by the revaluation of certain land and buildings.

Fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

Plant and equipment between 3 and 10 years

In accordance with SSAP19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties. The requirements of the Companies Act 1985 ("The Act") is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view. The effect of this departure is stated in Note 13.

Full valuations are made by independent professionally qualified valuers every five years and in the intervening years these valuations are updated by directors with the assistance of independent professional advice as required.

Government grants

Government and local authority grants relating to investment properties have been deducted from the cost of fixed assets. This is not in accordance with schedule 4 to the Act, which requires fixed assets to be shown at their purchase price or production cost and hence grants and contributions would be presented as deferred income. This departure from the requirements of the Act is, in the opinion of the directors, necessary for the accounts to give a true and fair view as no provision is made for depreciation and any grants and contributions relating to such assets would not be taken to the profit and loss account. The effect of this departure is stated in Note 13. Grants receivable in respect of other tangible fixed assets are treated as deferred income, which is credited to the profit and loss account over the estimated economic lives of the related assets.

Hire purchase and operating leases

Rental costs under operating leases are charged to the profit and loss account by equal amounts over the periods of the leases.

Notes to the Accounts continued

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Investments

Shares in subsidiary companies are stated at cost, subject to a review for impairment. Other investments are shown at the lower of cost and market value.

Turnover

Group turnover comprises the net invoiced value of sales to third parties (excluding VAT and trade discounts) of goods and services in the normal course of business.

All sales originate from the United Kingdom and relate to property.

Deferred taxation

Provision is made for timing differences between the treatment of items for taxation and accounting purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

Pensions

During the period, the Company operated a number of defined contribution personal pension plan schemes. Contributions to the schemes are charged to the profit and loss account as they arise.

2 Restatement of turnover

The financial statements have been prepared using accounting policies set out in the 1998 accounts, except that turnover now includes rental income which was previously disclosed as a reduction in net operating expenses, recognising that the source of income is currently the major activity of the Group.

3 Holding company profit and loss account

The Company has taken advantage of the exemption in the Companies Act 1985 and accordingly does not present its own profit and loss account.

The Company's retained profit for the financial period was £561k (14 months to 31 March 1988: loss of £350k).

4 Net operating expenses

	12 months to 31 March 1999 £000	14 months to 31 March 1998 £000
Selling and distribution costs	-	3
Administrative expenses	267	716
Net operating expenses	267	719

Notes to the Accounts continued

5 Exceptional items

Administration expenses include the following exceptional items:

	12 months to 31 March 1999 £000	14 months to 31 March 1998 £000
Abortive acquisition costs	—	249
Defence costs re potential takeover	—	30
Restructuring costs	—	236
	—	<u>515</u>

6 Net interest receivable

	1999 £000	1998 £000
Interest from bank deposits	512	552
Interest on tax repayment	37	—
	<u>549</u>	<u>552</u>

7 Profit/(loss) on ordinary activities before taxation

	1999 £000	1998 £000
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation and amounts written-off tangible fixed assets	12	35
Rental of land and buildings	8	47
Hire of other assets – operating leases	4	4
Auditors' remunerations — Audit (Company £10k)	14	13
— Other (Company £10k)	16	18
Profit on disposal of tangible fixed assets	(10)	—

Notes to the Accounts continued**8 Employees**

	12 months to 31 March 1999 £000	14 months to 31 March 1998 £000
Particulars of employees (including executive directors) are as shown below: Employee costs during the period amounted to:		
Wages and salaries	46	378
Social security costs	1	35
Other pension costs	—	33
	<u>47</u>	<u>446</u>
Restructuring costs (see note 5)	—	236
	<u>47</u>	<u>682</u>

	1999 Number	1998 Number
The average number employed (including executive directors) during the period was:		
Sales and distribution	—	1
Administration	2	4
	<u>2</u>	<u>5</u>

9 Taxation on profit on ordinary activities

	1999 £000	1998 £000
Tax on profit on ordinary activities for the period was:		
UK corporation tax at 31% — current period	(42)	(36)
Deferred tax	(15)	(98)
Irrecoverable ACT	(16)	—
Adjustments in respect of prior years — current	298	318
— deferred	2	—
Associated undertaking	(5)	(13)
	<u>222</u>	<u>171</u>

The Corporation Tax charge for the year has been reduced by excess management charges brought forward of £332k.

10 Dividends on equity shares

	1999 £000	1998 £000
Interim paid on 6 January 1999 — 1.00p (1998 — 0.05p)	87	45
Final proposed 2.00p (1998 — 1.50p)	174	131
	<u>261</u>	<u>176</u>

11 Earnings per share

The calculation of the earnings per share is based on loss after tax of £817k (1998: loss of £75k) and 8,740,124 (1998: 8,740,124) ordinary shares of 5p each, being the weighted average number of ordinary shares in issue and ranking for dividend during the period.

In addition to the earnings per share based on the profit for the period, the directors consider it appropriate to show the above calculation based on the profit for the period excluding items of £nil (1998: £515k), in the previous period none of which were expected to be allowable deductions in arriving at taxable profits. This calculation is considered necessary to allow reasonable comparison with prior periods

Notes to the Accounts continued

12 Directors' remuneration

	12 months to 31 March 1999 £000	14 months to 31 March 1998 £000
Aggregate emoluments	96	324
Compensation for loss of office	—	229
Company pension contributions to money purchase schemes	—	32
	96	585

Details of Director's remuneration are shown in the Remuneration Report on page 6.

13 Tangible fixed assets

	Investment properties £000	Plant and equipment £000	Total £000
Group and Company			
Cost			
At 1 April 1998	2,951	122	3,073
Cost of disposals	—	(86)	(86)
At 31 March 1999	2,951	36	2,987
Depreciation			
At 1 April 1998	—	46	46
Amount provided	—	12	12
Eliminated on disposal	—	(33)	(33)
At 31 March 1999	—	25	25
Net book value			
At 31 March 1999	2,951	11	2,962
At 1 April 1998	2,951	76	3,027
		1999 £000	1998 £000
Investment properties comprise:			
Freehold land and buildings		2,951	2,951
		2,951	2,951

Notes to the Accounts *continued*

The Group's investment properties were revalued on 28 February 1997 by Pyle Owen & Partners, an independent firm of surveyors, at open market value. The surplus arising of £267,000 was credited to revaluation reserve in the period ended 31 January 1997. In the opinion of the directors there has been no change in market value at the period end.

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Investment properties are stated at:				
Open market value	2,951	2,951	2,951	2,951

The historical cost of investment properties is:

Cost	2,338	2,338	2,338	2,338
Accumulated depreciation based on historic cost	(533)	(486)	(533)	(486)
Historic cost net book value	1,805	1,852	1,805	1,852

If departure from the Act had not been made in respect of the treatment of investment properties and government grants, the result before taxation for the period ended 31 March 1999 would have been reduced by depreciation on the properties of £47,000 (1998: £47,000), with no effect in respect of the amortisation of government grants. All other tangible fixed assets are stated at historic cost.

14 Fixed asset investments

Interest in group undertakings

All of the companies listed below have been consolidated into these financial statements.

(a) Subsidiary undertakings

Subsidiary undertakings	Nature of business	% Holding	Country of Registration or incorporation	Nominal value of allotted shares held £
Panorama Homes Limited	Housebuilding	100%	England	2
Spencer Noble International Limited	Dormant	100%	England	2
Plastella Limited	Dormant	100%	England	2

All of the above are 100% subsidiaries of Delyn Group PLC.

(b) Interest in joint ventures

Subsidiary undertakings	Nature of business	% Holding	Country of Registration or incorporation	Nominal value of allotted shares held £
Braemar Homes Limited (of Panorama Homes Limited)	Non-trading	50%	England	50
Braemar Homes 2 Limited (of Delyn Group PLC)	Non-trading	50%	Scotland	50
Inveresk Property Services Limited (of Braemar Homes 2 Limited)	Non-trading	50%	Scotland	36,000

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
At beginning of year	49	206	—	—
Share of profits before taxation	8	76	—	—
Share of taxation	(5)	(13)	—	—
Share of dividends	—	(220)	—	—
At 31 March 1999	52	49	—	—

Notes to the Accounts continued

Details of the net assets of the joint ventures are set out below:

	1999 £000	1998 £000
Cash	370	183
Other debtors	1	5
Amount owed by group undertakings	81	—
Creditors	(93)	(90)
Amounts due to shareholders	(255)	—
Net assets of joint ventures	104	98

15 Debtors

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Amounts falling due within one year:				
Other debtors	1	10	29	10
Prepayments and accrued income	28	40	—	40
Amounts due from joint ventures	106	89	85	73
Corporation tax	36	251	38	241
Advance corporation tax	4	77	4	77
	175	467	156	441

The movement in the amount due from joint ventures relates to monies paid on behalf of the joint ventures.

16 Creditors: amounts falling due within one year

	Group 1999 £000	Group 1998 £000	Company 1999 £000	Company 1998 £000
Trade creditors	8	4	8	2
Amounts due to subsidiaries	—	—	211	226
Amounts due to joint ventures	—	—	—	3
Proposed dividends	174	131	174	131
Other tax and Social Security costs	13	85	13	85
Advance corporation tax	22	33	22	33
Other creditors	49	34	20	31
Accruals and deferred income	145	177	144	145
	411	464	592	656

Notes to the Accounts *continued*

17 Provisions for liabilities and charges

	Deferred taxation (see below) £000
Group and Company	
At 1 April 1998	288
Profit and loss account	13
At 31 March 1999	301

Deferred taxation provided in the financial statements which represents the full potential liability is as follows:

	1999 £000	1998 £000
Group and Company		
Tax effect of timing differences because of:		
Excess tax allowances over depreciation	301	288

No deferred tax arisen in respect of the revaluation of investment properties.

18 Called-up share capital

	1999 £000	1998 £000
Ordinary shares of 5p each:		
Authorised	1,000	1,000
Allotted, called up and fully paid 8,740,124 ordinary share of 5p (1998: 8,740,124)	437	437

19 Reserves

Group	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 April 1998	181	1,150	8,216
Profit for the year	—	—	556
At 31 March 1999	181	1,150	8,772
Company	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 April 1998	181	1,150	7,944
Profit for the year	—	—	561
At 31 March 1999	181	1,150	8,505

Notes to the Accounts *continued*

20 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit/(Loss) for the financial period	817	(75)
Dividends	(261)	(176)
Net addition to shareholders' funds	556	(251)
Opening shareholders' funds	9,984	10,235
Closing shareholders' funds	10,540	9,984

21 Cash flow statement**(i) Net cash flow from operating activities**

	1999 £000	1998 £000
Reconciliation of operating profit/(loss) to net cash outflow from operating activities:		
Operating profit/(loss)	38	(874)
Depreciation of tangible fixed assets	12	35
Profit on sale of tangible fixed assets	(10)	—
Decrease in stocks	—	579
Decrease in debtors and prepayments	4	(29)
Increase in trade and other creditors	19	7
(Decrease)/Increase in other taxation and social security	(72)	58
(Decrease)/Increase in accruals and deferred income	(32)	6
Net cash (outflow)/inflow from operating activities	(41)	(218)

(ii) Reconciliation of net cash flow to movement in net funds

	1999 £000	1998 £000
Decrease in cash in the period	(83)	(65)
Increase in treasury deposits	953	250
Cash outflow from decrease in debt	—	104
Change in net funds resulting from cash flows	870	289
Movement in net funds in the period	870	289
Net funds at 1 April 1998	7,193	6,904
Net funds at 31 March 1999	8,063	7,193

(iii) Analysis of net funds

	At 1 April 1998 £000	Cashflow £000	At 31 March 1999 £000
Cash at bank and in hand	193	(83)	110
Short term bank deposits	7,000	953	7,953
Net funds	7,193	870	8,063

Notes to the Accounts *continued*

22 Capital expenditure

There is no capital expenditure approved by the directors and not provided for in the accounts.

23 Operating lease commitments

At 31 March 1999 the Group and Company were committed to make the following payments during the next year in respect of operating leases which expire:

	Land and buildings 1999 £000	Others 1999 £000	Land and buildings 1998 £000	Others 1998 £000
Within one year	—	1	6	2

24 Contingent liabilities

The Company is subject to unlimited guarantees in respect of the bank borrowings of other group companies which, at the period end, amounted to £nil (1998 : £nil).

The Company has guaranteed the annual rental payments of £26,250 under the terms of the lease that expires on 29 September 2002 in respect of its former subsidiary Alpha Products (Bristol) Limited. Under the terms of the disposal of this company, Tenneco Packaging Limited (formerly Packaging Corporation of America (U.K.) Limited) has undertaken to assume this guarantee. At the date of approval of these accounts the transfer of the guarantee had not been completed.

25 Related party transactions

(a) The company has taken advantage of the exemption from the additional disclosures required by FRS 8 of transactions and balances with subsidiary companies as all balances between group entities have been eliminated on consolidation.

During the year two joint ventures engaged in a transaction involving a payment made of £782,000 between Braemar Homes 2 Limited and Inveresk Property Services Limited which relates to the repayment of monies outstanding.

Amounts owing by and to joint ventures at the year end are summarised below:

	Amounts owed by 1999	Amounts owed to 1999
Braemar Homes Limited	19	—
Braemar Homes 2 Limited	4	39
Inveresk Property Services Limited	122	—
	<hr/> 145	<hr/> 39

(b) Messrs G Naggar and P Klimt are connected with Wilcourt Investments Limited. The company leased premises from Wilcourt Investments Limited during the year. Rent paid during the year amounted to £16,178 (1998: £Nil). The rent paid was on normal commercial terms.

(c) Messrs G Naggar and P Klimt are connected with Dawnay Day Insurance Services Limited which acts as insurance consultants on behalf of the Company on normal commercial terms. Amounts paid during the year amounted to £3,004 (1998: £Nil).

Report of the Auditors

To the members of Delyn Group plc

We have audited the financial statements on pages 8 to 21 which have been prepared under the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including, as described on page 2, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statements on pages 2, 3, 6 and 7 reflect the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the group's corporate governance procedures or its internal controls.

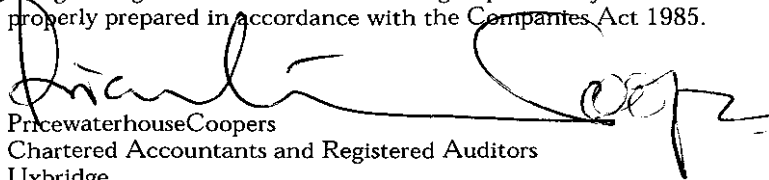
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31 March 1999 and of the profit, total recognised gains and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Uxbridge

21 July 1998

Notice of Meeting

Notice is hereby given that the annual general meeting of the Company will be held at 8-10 Grosvenor Gardens, London SW1W 0BD on 29 September 1999 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and, if approved, adopt the report of the directors and accounts for the year ended 31 March 1999 and the report of the auditors.
2. To declare a dividend.
3. To elect a director: Mr. Malcolm Braun retires and will be proposed for re-election.
4. To elect a director: Mr. Peter Klimt retires and will be proposed for re-election.
5. To consider the following resolution:

That PricewaterhouseCoopers be reappointed auditors of the Company.
6. To authorise the board of directors to fix the remuneration of the auditors.

Special Business

To consider and if thought fit pass the following special resolutions:

7. That, in accordance with Article 52 of the Articles of Association of the Company and of the Companies Act 1985 ("The Act") the Company is generally and unconditionally authorised (within the meaning of Section 163 of the Act) to make market purchases of ordinary shares of five pence each in the capital of the Company on such terms and in such manner as the board of

Notice of Meeting continued

directors of the Company may from time to time determine provided that:

- (a) the maximum number of ordinary shares that may be purchased pursuant to this authority is 437,006;
- (b) the maximum price which may be paid for an ordinary share purchased pursuant to this authority is an amount equal to not more than 105% of the average of the middle market quotation for the ordinary shares as derived from the London Stock Exchange Daily Official List for the 10 business days immediately preceding the day on which that ordinary share is purchased (exclusive of advance corporation tax (if any) and attributable expenses payable by the Company);
- (c) the minimum price which may be paid for an ordinary share purchased pursuant to this authority is five pence (exclusive of advance corporation tax (if any) and attributable expenses payable by the Company); and
- (d) this authority will expire at the conclusion of the next Annual General Meeting of the Company, unless renewed before that time, save that the Company may before such expiry enter into a contract for the purchase of its ordinary shares which may be completed or executed wholly or partly after the expiry of this authority.

8. That the directors of the Company be and are hereby generally authorised and empowered during the period expiring on the earlier of fifteen months from the date of the passing of this resolution or the date of the next annual general meeting of the Company, to exercise all powers of the Company to allot relevant securities as defined in Section 80 of the Companies Act 1985 ("The Act") and to make an offer or agreement which would or might require relevant securities

Notice of Meeting continued

to be allotted after that date, all as if Section 89(i) of the Act did not apply, but limited:

- (a) so that the aggregate nominal value of the relevant securities allotted under this authority shall not exceed the lesser of:
 - (i) the aggregate nominal value of the unissued share capital of the Company at the date hereof;
 - (ii) one third of the sum of the aggregate nominal value of the issued ordinary share capital of the Company at the date hereof and the aggregate nominal value of such of the unissued share capital of the Company as the Company is obliged to allot by virtue of options, conversion rights, warrants or other similar contractual or other arrangements and for which share capital has been specifically reserved at the date hereof;
- (b) to allotments in connection with the rights issue to ordinary shareholders of equity securities as defined in Section 94 of the Act in proportion (as nearly as may be) to their shareholdings and subject to the directors having a right:
 - (i) to sell for the benefit of those shareholders who are citizens of or residents in any overseas territory, where in the opinion of the directors it would at the time of the offer be illegal (by relevant law) or unduly costly or burdensome for the Company to make or for those shareholders to accept an offer of equity securities of the Company, the equity securities to which they would otherwise be entitled; and
 - (ii) to aggregate and sell for the benefit of the Company all fractions of a share which may arise in apportioning the equity securities among the ordinary shareholders; and

Notice of Meeting continued

- (c) as regards other allotments of equity securities for cash in aggregate to the allotment of, or involving, equity share capital not exceeding in nominal value 5% of the present issued ordinary share capital of the Company.

All previous authorities under Section 80 of the Act shall cease to have effect.

By order of the board
Malcolm Braun Secretary

20 August 1999

REGISTERED OFFICE
St. Alphage House
Fore Street
London EC2Y 5DH

Notes

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and to vote on his behalf. A proxy need not be a member of the Company.

Members who are unable to attend the meeting are invited to sign and return the enclosed form of proxy to reach the Company not less than 48 hours before the time of the meeting.

There will be available at the Company's registered office during normal business hours on any weekday (Saturdays excepted) from 20 August 1999 until 29 September 1999 and at the meeting from 15 minutes prior thereto, the register of the Directors' interest in the shares of the Company and its subsidiaries and their service contracts.

Delyn Group PLC

Form of Proxy

I/We _____
(BLOCK CAPITALS PLEASE)

of _____
being (a) member(s) of Delyn Group PLC hereby appoint the duly appointed chairman of the
meeting or _____ †
as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company
to be held on 29 September 1999 and at any adjournment thereof.

I/We desire this proxy to be used in connection with the resolution to be proposed at the annual
general meeting as follows:

Resolutions:	For*	Against*
Ordinary Business		
1. To adopt the directors' report and accounts	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a dividend	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. Malcolm Braun as a director	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr Peter Klimt as a director	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint PricewaterhouseCoopers as auditors	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorise the Board to fix the remuneration of the auditors	<input type="checkbox"/>	<input type="checkbox"/>
Special Business		
7. Authority to purchase up to 437,006 ordinary shares of 5p of the Company	<input type="checkbox"/>	<input type="checkbox"/>
8. Allotment of securities and disapplication of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>

Dated this _____ day of _____ 1999

Signature(s) _____

Number of shares _____

Notes

1. This proxy form should be deposited at the offices of the Registrars not less than 48 hours before the time of the meeting.
2. In the case of a corporation this proxy form should be under its common seal or under the hand of an officer or agent duly authorised.
3. In the case of joint holders the signature of any one of them will suffice, but the name of all holders must be shown.

† To be completed if another proxy is required (who need not be a member of the Company).

* Please tick as the case may be. Unless otherwise indicated in the above, proxy will abstain or vote at his discretion.