DELTA plc

Annual Report and Accounts 2004

Company Number 26077

Financial highlights

	2004 Before exceptional items and goodwill amortisation*	2004 After exceptional items and goodwill amortisation*	2003 Before exceptional items and goodwill amortisation*	2003 After exceptional items and goodwill amortisation*
Continuing profit before taxation	**£30.2m**	**£29.3m**	£27.5m	£22.1m
Profit before taxation	**£31.8m**	**£30.5m**	£29.7m	£12.7m
Basic earnings (loss) per ordinary share	**10.6p**	**9.7p**	7.0p	(3.7)p
Cash flow from operating activities		**£37.4m**		£27.6m
Dividends per ordinary share		**3.0p**		2.0p
Shareholders' funds		**£153.0m**		£147.7m
Equity shareholders' funds per ordinary share		**99p**		96p

*The reconciliation of profit before and after exceptional items and goodwill amortisation is shown on the Group profit and loss account with the exception of basic earnings per ordinary share which is reconciled in note 10.

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Chairman's statement

Overview

I am pleased to report that the Group achieved significant improvements in both operating and financial performance during the year:

- Basic earnings per ordinary share increased by 51% from 7.0p to 10.6p before exceptional items and goodwill amortisation.

- Operating profit from continuing businesses increased 18% from £26.7 million to £31.6 million, and for the first time in many years, exceptional items did not impact the Group's profitability. As a result, net profit for the year improved from last year's £5.4 million loss to a £14.8 million profit.

- Cash generation also improved significantly – with the net cash inflow from operating activities increasing from £27.6 million to £37.4 million. The Group's net cash balance increased accordingly, from £21.2 million last year to £42.6 million at 1 January 2005.

- This overall progress was achieved despite significant challenges in certain markets: the Galvanizing and Industrial Supplies divisions contributed substantially improved profits which, when combined with reductions in Group head office costs, more than offset the adverse impact of unfavourable currency exchange rates upon our Manganese businesses as well as reduced volumes at Delta EMD. The Chief Executive's review covers operating performance in more detail.

With respect to balance sheet items, cash outflows relating to disposal provisions were effectively controlled and several open issues relating to businesses previously sold were successfully resolved. Favourable investment performance from the Delta Pension Plan during the year, combined with the resumption of Company contributions and other proactive measures agreed with the plan trustee, have resulted in a significant reduction in the reported FRS 17 pension deficit. Given the size and importance of the Plan to the Group, the ongoing funding position continues to be monitored closely.

As previously reported, the Group continues to co-operate with the European Commission's competition directorate investigation into allegations of anti-competitive behaviour among certain manufacturers of copper plumbing fittings, including the Group's former plumbing fittings business. The Group retains some responsibility in relation to the Commission's investigation, and the investigation is expected to result in a fine, although given the stage of the procedure, the Commission's considerable discretion in imposing fines and the avenues for appeal, estimating the level of fine that might finally be imposed is not possible.

Ongoing priorities

Efforts to sharpen the Group's strategic focus have also progressed with the disposal during the year of the Group's shareholding in Cobra Investments (Pty) Ltd. In addition, the review by Delta Electrical Industries Limited of the options available to realise value in the South African Industrial Supplies businesses is well underway.

A thorough review of the global EMD market is nearly complete with opportunities for the possible development of Delta EMD's business now better defined. Encouragingly, global demand for EMD continues to improve and other suppliers' remaining stocks appear largely depleted.

Our galvanized steel products and services businesses benefited substantially from renewed management focus, and our Australian operations are now well positioned for further improvement in their healthy local market infrastructure, mining and construction industries. We also have identified opportunities to improve the strategic position of our US and Asian galvanized steel products and services businesses, and those opportunities will be progressed during 2005.

During 2005 the emphasis on increasing investment returns and cash generation is likely to result in further refocusing of the business portfolio. Investment opportunities, whether organic or acquisition related, will be actively pursued, but only where they meet our stringent return criteria. Equally, value enhancing offers for businesses that are not central to the Group's future will be actively considered.

Progress has been made during 2004 and it is gratifying for our patient shareholders that this has recently been reflected in the Group's share price. The contributions of all the Group employees who made this progress possible are very much appreciated and we look forward to further progress during 2005.

Board changes

The Board was saddened by the sudden death of our former Chairman, Mr Edouard Stern, just a few weeks prior to the finalisation of this annual report. Edouard's commitment to the Group's development, both as Chairman and also as its largest shareholder, will be very much missed. As the senior independent director, I have agreed to act as Chairman for the time being.

In that capacity, I would like to thank Tony Pedder, who stepped down as a director during the year, for his considerable contribution to Delta during his six years on the Board.

As reported previously, Mark Robson will leave the Group during April 2005. Mark Luton and Paul Marriott have been appointed Director – Finance and Administration and Director – Treasury and Corporate Services, respectively. In due course, a Finance Director will be appointed and will join the Board.

It is the intention to strengthen the Board in the near term through the appointment of additional non-executive directors.

Dividend

The Board is recommending a final dividend of 2.4p per share (2003 0.5p), resulting in a full year 2004 dividend of 3.0p (2003 2.0p). At this level, the 2004 dividend is covered 3.5 times by earnings per share before exceptional items and goodwill amortisation.

With the progress now being made in increasing cash generation and investment returns, the Board judges that this level of cover should support a progressive dividend policy in future years whilst also enabling appropriate levels of capital investment in organic growth opportunities.

Steven Marshall, Chairman

Chief Executive's review

2004 Results

The Group's profit for the year totalled £14.8 million (2003 £(5.4) million), resulting in earnings per ordinary share of 9.7 pence (2003 (3.7) pence). Earnings per share before exceptional items and goodwill amortisation improved by 51% to 10.6 pence (2003 7.0 pence).

Whilst the Group's continuing turnover improved by 4.4%, our operating profit from continuing businesses improved by 18%, from £26.7 million to £31.6 million, with the improvement driven by increased earnings from our Industrial Supplies and Galvanizing divisions, together with reduced Group costs, which more than offset the adverse impact of unfavourable exchange rate movements on Delta EMD and Manganese Metal Company, as well as reduced volumes at Delta EMD. Reviews of the performance of each of the Group's divisions are provided below.

Unlike recent years the Group incurred no net exceptional items during the year. Consequently the Group's profit on ordinary activities before interest totalled £33.4 million, compared to £17.4 million during the prior year.

The Group's net interest expense excluding foreign exchange differences on financing balances reduced from the prior year with the interest earned on the Group's cash balances largely off-setting the interest expense incurred at the Group's joint ventures. Taxation, as a percentage of the Group's profit on ordinary activities before taxation, also was reduced substantially during the year, partly as a result of the reduction of losses in certain tax jurisdictions. In particular, the Group's UK trading loss was reduced through Group cost reductions, and last year's US trading loss was turned around to profit through improvement at our US galvanizing operations.

Efforts to improve the Group's cash flow were successful, with the Group's 2004 net cash inflow before purchase/sale of businesses and equity dividends totalling £19.8 million, a marked improvement over last year's net cash outflow on the same basis of £2.5 million. The Group's year end reported net cash balance increased from £21.2 million to £42.6 million and remains available for the payment of dividends, re-investment in the Group's businesses and resolution of the matters remaining that relate to former businesses. Provisions totalling £17.5 million remain for specifically identified legacy matters. The Group also remains party to the EU Commission's investigation of the copper fittings industry as discussed more fully below.

Exchange rate movements

The Group's results were, and continue to be, affected by currency exchange rates and movements. Most importantly, the margins realised by Delta EMD and Manganese Metal Company are determined in part by currency exchange rates, with the majority of both businesses' sales being US dollar denominated and their production costs other than ore purchases being local currency denominated. The functional currency of both businesses was US dollars. Consequently, the substantially stronger South African rand and Australian dollar against the US dollar significantly increased production costs and reduced margins at both businesses as reported below.

Exchange rate movements also affected the Group's results through the revaluation of Delta EMD's local currency account balances. The £0.3 million of losses realised by Delta EMD on the revaluation of non-financing account balances were included in Delta EMD's reported profit, whilst the £2.7 million of losses realised on the revaluation of Delta EMD's local currency financing account balances were included in the Group's reported interest expense.

Finally, the translation of the Group's non-UK earnings was affected by exchange rates. The weaker US dollar against Pound Sterling resulted in lower translated results from our

Manganese and US galvanizing businesses. Conversely, the stronger Australian dollar and South African rand against Pound Sterling benefited the translation of results from our Industrial Supplies and Australian galvanizing businesses. Overall, the Group's profit before tax was enhanced by £0.5 million compared to 2003 as a consequence of translation exchange rates.

Review of 2004 trading and prospects

Delta EMD

Delta EMD produces electrolytic Manganese dioxide at plants located in South Africa and Australia and sells EMD globally for use in the production of dry cell batteries. Delta EMD is owned by Delta Electrical Industries Limited (DEI), a South African company listed on the Johannesburg Stock Exchange. Delta plc holds 56.4% of DEI's outstanding shares.

Delta EMD made important progress during the year developing a broader customer base and establishing additional supply arrangements in the developing Asian markets. During 2005 Delta EMD expects to supply all the major battery producers and to sell substantial volumes for Asian based battery production. Delta EMD will continue to produce at capacity during 2005 and expects to sell additional volumes from remaining stocks.

This important progress was made notwithstanding difficult trading during the year. The tonnes sold by Delta EMD during the year were substantially less than during 2003 as a consequence of reduced share in the US market, which followed the uncertainty created by the anti-dumping investigation commenced, and later withdrawn, by Kerr-McGee, a US-based EMD producer.

Whilst further operational efficiencies and cost savings were realised during the year, US dollar denominated margins weakened significantly due to strengthening of the Australian dollar and South African rand against the US dollar and resulting increases in US dollar accounted production costs. Consequently, Delta EMD's underlying 2004 US dollar earnings fell well below those achieved in 2003, and the weakening US dollar also adversely impacted the translation of those US dollar earnings to Pound Sterling when compared to 2003 by £0.6 million. The average exchange rates during the year for the South African rand and Australian dollar against the US dollar were 6.45 and 1.36, respectively, compared to 7.53 and 1.54 during 2003. The importance of the foregoing exchange rates is unique to Delta EMD, as other EMD producers' local manufacturing costs are borne in US dollars, Euros, Yen or the RMB, and their results would be affected only if and to the extent those currencies moved against the US dollar.

Delta EMD's 2004 profit was £5.2 million on turnover of £34.2 million compared to £15.8 million on sales of £45.9 million in 2003. 2004 profit was enhanced by £3.9 million of profit on foreign exchange contracts (2003 £5.5 million) but not by any favourable out-of-period provision movements (2003 £2.4 million). The expenditures made during 2004 with respect to the US anti-dumping investigation were only a small portion of the £1.0 million expended during 2003. The loss realised on the revaluation of non-financing local currency account balances totalled £0.3 million (2003 £1.5 million), and the loss realised on the revaluation of local currency financing account balances, which was reported as interest expense, totalled £2.7 million (2003 £3.2 million). The reduction in Delta EMD's 2004 underlying profit compared to 2003 should be attributed to volume shortfall and less favourable exchange rates, together, to a lesser extent, with the increasing cost of Manganese ore.

Consistent with Delta EMD's long-standing practice and our recognition that global EMD demand continues to grow, production continued at capacity during the year at both plants to ensure the lowest possible cost of production. Consequently, stocks increased during the year requiring additional cash investment.

Underlying demand for batteries and EMD continues to grow globally, particularly the alkaline grade EMD produced by Delta EMD, with recent additional demand prompted by several hurricanes in the US as well as additional military and security requirements. Growth in Asian battery consumption exceeds that in the US and Europe, and consumer preference in Asia continues to shift from lower performance Zinc Carbon batteries to higher performance alkaline batteries. Delta EMD's total capacity for the production of alkaline grade EMD now exceeds 60,000 tonnes and can be increased only marginally through further operational efficiencies. Existing stocks should allow Delta EMD to meet growing demand in the near term.

Additional global demand for EMD is likely to be met in part from the additional production capacity planned by Chinese competitors. Elsewhere, current pricing and exchange rates are unlikely to encourage investment in additional capacity. EMD pricing continues to reflect the balance between global supply and demand, as well as a fairly concentrated customer base, and unlike many other globally supplied speciality materials, pricing has not increased in line with the increased cost of raw materials (Manganese ore) or the weakening US dollar. Pricing for supply in the US continues to migrate toward global prices with additional supply of lower priced EMD from China being sold in the United States. The agreed increase in the Japanese benchmark price for Manganese ore also is likely to add further pressure on higher cost EMD producers as well as on global EMD pricing.

Delta EMD remains a low cost producer of alkaline grade EMD, and Delta EMD's long-standing reputation for quality and service, together with operational efficiencies and proximity to high grade Manganese ore, should enable Delta EMD to maintain a favourable position in this growing market. Delta EMD's 2005 margins and profit will depend upon currency exchange rates and movements during the year. Delta EMD has discontinued covering forward sales with foreign exchange contracts; consequently, with the expiry during 2004 of the foreign exchange contracts previously purchased by Delta EMD, Delta EMD will not benefit from foreign exchange contract profits during 2005.

Manganese Metal Company

MMC produces electrolytic Manganese metal in South Africa for use globally in the production of specialty steels and aluminium as well as the manufacture of electronic components. MMC is a member of the BHP Billiton Group, with Delta plc holding 49% of MMC's outstanding shares.

The global market for electrolytic Manganese metal was robust during 2004 with exceptional demand from global steel and aluminium producers. Limited supply from China, due to the allocation of electric power and alternative uses of productive capacity, affected the market's supply and demand dynamics and selling prices improved substantially. MMC continues to be the sole supplier of Selenium free Manganese metal and is recognised for superior quality and reliable supply, affording MMC a premium to the quoted market price for Manganese metal. MMC's average selling price during 2004 did not reflect fully the improved market pricing because much of MMC's production is supplied through annual contracts. MMC produced at full capacity during the year and continues to do so to meet demand.

Improved market conditions allowed MMC to reduce its loss from last year notwithstanding US dollar denominated margins weakening significantly due to strengthening of the South African rand and resulting increases in US dollar accounted production costs.

The Group's 49% share of MMC's 2004 loss was £1.4 million on sales of £22.2 million, compared to a loss of £2.1 million on sales of £19.1 million in the previous year. The weakening US dollar favourably impacted the translation of MMC's US dollar loss to Pound Sterling, with the loss reduced, in comparison to 2003, by £0.2 million.

Global demand for Manganese metal continues to be strong and MMC remains a reliable supplier of quality product essential to the manufacture of specialty steels, particularly Series 200 stainless steel, and Aluminium. MMC's proximity to high grade Manganese ore and reliable electrical power continues to afford MMC a competitive advantage, and its Selenium free material remains preferred by many environmentally responsible customers. Whilst MMC's production capacity remains efficient and relatively low cost, all other global Manganese metal production is based in China, with lower costs. Unlike Chinese competitors, whose local manufacturing costs are borne in the RMB, MMC's margin reduced during the year with the weakening of the US dollar. Whilst MMC anticipates favourable volumes and pricing during 2005, profitability will remain dependent upon the strengthening of the US dollar against the rand.

Galvanizing

Delta's galvanizing businesses provide hot-dip galvanizing services as well as fabricated galvanized steel products for local infrastructure, construction and mining projects in Australia, Asia and the United States. Our galvanizing operations include nine hot-dip galvanizing plants in Australasia, five in Asia and five in the United States. Webforge's steel gratings business remains the Group's largest galvanized steel products business with five plants in Australasia and six plants in Asia. Ingal EPS and Ingal Civil Products fabricate galvanized steel products for Australian markets, including safety barriers, underground steel structures and lighting, power and telecommunication poles and towers.

Our galvanizing businesses performed markedly better during the year with profit of £12.5 million (2003 £8.3 million) on turnover of £131.1 million (2003 £124.2 million). This important improvement was achieved through focus on our existing businesses, reduced overhead costs and the turnaround or discontinuation of certain loss making businesses. Our 2004 profit was not buoyed by any out-of-period provision movements (2003 £0.9 million) and benefited from improved volumes in most markets. More favourable Australian dollar exchange rates flattered our reported 2004 Pound Sterling profit for the Galvanizing division when compared to 2003 by £0.2 million.

Our Australian hot-dip galvanizing and galvanized steel products businesses provide attractive financial returns. Their success is driven by the strong market positions enjoyed by our nine hot-dip galvanizing plants in each of their local job shop galvanizing markets, the strong market positions enjoyed by our steel fabrication businesses, and a synergistic relationship between our steel fabrication businesses and hot-dip galvanizing plants, with our steel fabrication businesses providing our galvanizing plants necessary base load.

The profitability of our Australian galvanizing and steel products businesses continues to be driven by general economic conditions and infrastructure, construction and mining spend, which were strong during the year in Australia. The increased cost and limited availability of steel disrupted demand in some sectors during the year and required careful management. Profitability also was determined in part by the price of Zinc, which increased substantially during the year, with those price increases having to be absorbed as additional cost in our more price competitive markets. These challenges were met successfully by our Australian management team, who also substantially improved the performance of certain historically under-performing operations.

During the 1990s the Group attempted to transplant our successful Australian business model to both the United States and Asia, with investments in the acquisition of existing galvanizing businesses as well as Greenfield developments. Those investments have not achieved the same scale, market position or synergies that we enjoy in Australia, and do not provide the same financial returns as our Australian businesses. However, in 2004 turnover, as measured in local currencies, improved in both Asia and the United States, which, together with reduced overhead costs, afforded substantially improved profit in both geographies. Our US operations reported a profit for the first time in many years.

Webforge, which was acquired in February 2003, achieved further growth in both turnover and profit during the year, with particularly robust demand in China. The performance of Webforge continues to meet our original expectations and important synergies have been achieved with our galvanizing operations in overlapping geographies.

General economic conditions and infrastructure, construction and mining spend continue to be strong in Australia. Certain Asian economies continue to be healthy and demand is improving slowly in the United States. Unfortunately market conditions for hot-dip galvanizing services continue to be extremely competitive in the US and Asia, partly due to over-capacity. Whilst further incremental improvement should be achieved in both operational efficiencies and overhead cost savings in all three geographies, profitability will remain partly dependent upon the cost of Zinc as well as the price and availability of steel.

Industrial Supplies

Our Industrial Supplies businesses provide goods and services to local mining, transportation and construction industries in South Africa and Australia, including the repair of large electrical equipment, the supply of ground engaging tools, replacement parts for heavy equipment, grinding media, and copper wire and conductors. The Group's South African based Industrial Supplies businesses are owned by Delta Electrical Industries Limited (DEI). Delta plc holds 56.4% of DEI's outstanding shares.

Our Industrial Supplies businesses enjoyed particularly successful trading in 2004, with robust demand in the South African electrical repair market and good market conditions in Australia. Profit increased from £15.6 million to £20.7 million on turnover that increased from £132.1 million to £150.0 million. Our 2004 Pound Sterling profit for the Industrial Supplies division was flattered by £0.6 million in comparison to 2003 by translation with more favourable South African rand and Australian dollar exchange rates.

Our Industrial Supplies division's very good result masks the many challenges successfully managed by our South African and Australian management during the year. Exchange rate volatility in South Africa affected local market conditions, and the price and availability of both Copper and steel affected several of our South African businesses. Robust demand from the South African rail transportation and industrial power distribution markets was successfully managed notwithstanding scarcity of Copper supply. Our Australian management successfully managed substantial steel price increases and limited availability ensuring continued production and favourable margins. Overhead cost savings also contributed to the improved profit in Australia.

Our Industrial Supplies businesses are well managed, enjoy good market positions in their local markets and on the whole continue to provide attractive returns and cash flows. The favourable market conditions enjoyed during the year continue for the moment, with demand for grinding media and for electrical repair particularly strong. The volatility of Copper and steel pricing as well as exchange rates will continue to affect local market conditions and margins, and our future Pound Sterling profit will be affected by translation of local currency profit.

Group cash flow

Substantially improved cash management afforded the Group £37.4 million of net cash flow from operating activities (2003 £27.6 million), notwithstanding cash requirements during the year for stock build at Delta EMD and the higher value of Zinc, Copper and steel stocks.

Capital expenditures totalled 100% of depreciation including exceptional investments by Delta EMD for additional capacity and by Electrical Repair Engineering for the purchase of a formerly leased facility.

Following the discontinuation during 2003 of the Group's former practice of net asset hedging, no cash was required during the year to settle foreign exchange contracts relating to net asset hedging (2003 £12.2 million). We also substantially reduced certain loan balances within the Group allowing a reduction of the foreign exchange contracts required to hedge those balances. Consequently, no cash was required to settle those contracts during the year (2003 £4.0 million).

The cash required for the payment of taxation was reduced from last year's total of £10.1 million to £9.6 million, with a more favourable mix of profit and loss, and net interest payments were reduced from last year's expense of £2.8 million to income of £1.0 million with our improved cash balances.

The cash required for payments against provisions totalled £2.1 million (2003 £2.1 million) and related principally to retained obligations relating to former businesses.

At year end, the Group's reported net cash balance was £38.4 million (excluding £4.2 million of cash within Delta Insurance Limited). The Group's year end net cash balance was buoyed by proceeds from the sale of the Group's 37.6% shareholding in Cobra Investments (Pty) Ltd (£4.2 million), the sale of properties formerly used by disposed businesses (£2.7 million), and the sale and leaseback of the Australian vehicle fleet (£1.3 million).

As is generally accepted accounting practice, the Group reports the cash flow and cash balances of all entities under its control, including those that are not 100% owned. The cash flows and cash balances immediately available to the Group include only the dividends received from entities that are not wholly owned, as opposed to those entities' entire cash flows and cash balances. Consequently, the cash available to the Group is less than the Group's reported consolidated cash balance, and includes £2.2 million (2003 £2.5 million) of cash held by entities not wholly owned by the Group and therefore not immediately available to the Group. The portion of the Group's reported net cash balance that was unrestricted and otherwise immediately available to the Group in wholly-owned subsidiaries increased during the year from £14.3 million to £36.2 million.

Cash management remains a priority and further focus will be made on working capital management with the likelihood that Delta EMD's stock's will reduce during the year releasing some working capital. The value of the Group's Zinc, Copper and steel stocks will continue to vary with the price of those commodities, and stock levels will continue to vary in line with management of supply.

Delta Pension Plan

Favourable investment performance during the year further improved the FRS 17 position of the Delta Pension Plan, as suggested by the reported year end FRS 17 net deficit, which reduced from £27.2 million as at 3 January 2004 to £10.0 million as at 1 January 2005, as disclosed in the notes to our accounts.

The plan trustee has implemented an investment strategy that reflects the mature liability profile of the plan with a 70% target allocation to fixed income investments and the remainder mostly invested in UK and overseas equities, with the fixed income investments including both government and corporate bonds. This investment strategy reflects the trustee's confidence in the Group's on-going financial ability to make plan contributions in the future that could be necessary to address past service obligations, if for example, experience is adverse. Should the trustee lose that confidence and implement a more conservative investment strategy, contributions may need to be increased from their present level.

The Group reported a £0.3 million pension expense under SSAP 24 during 2004 and plans to continue to contribute approximately that amount to the plan in 2005 for future service obligations.

The plan's assets and liabilities remain substantial, particularly in proportion to the Group. The regulatory environment, as well as applicable laws and regulations, continue to change in light of concern generally over the funding status of pension plans, and longevity generally continues to increase. The plan's liabilities, as well as future contribution requirements, could be affected by such changes, and also could be affected by longevity increases if borne out in practice by the plan's experience. Consequently, the Group and the plan trustee continue to seek all reasonable means to improve further all aspects of plan management and administration.

Legacy matters

Whilst several matters relating to former business were successfully concluded during the year, several legacy matters remain. During the year, payments against remaining provisions totalled £2.1 million, and £1.2 million of provisions were released for matters finally concluded. At year end, the provisions remaining for matters relating to former businesses totalled £17.5 million. Those provisions relate to the Group's former Electrical Division and other disposed businesses.

Included in that total is a provision for the legal expenses to be incurred in connection with the European Commission's competition directorate investigation into allegations of anti-competitive behaviour among certain manufacturers of copper plumbing fittings, including the Group's former plumbing fittings business. Notwithstanding the Group's subsequent disposal of that business, the Group retains some responsibility in relation to the outcome of the Commission's investigation and is co-operating fully with the Commission. Whilst the investigation is not subject to a prescribed timetable, the Commission could issue a Statement of Objections during 2005, and a final decision (including any fine) would follow thereafter. Legal counsel have advised that applicable regulations limit the fines that could be imposed to 10% of the Group's total turnover in the business year preceding the imposition of the fine. The investigation is expected to result in a fine, however the Commission is afforded considerable discretion in the determination of such fines as well as in the reduction of fines imposed on parties who seek leniency and co-operate with the Commission. Given the stage of this particular investigation and the Commission's considerable discretion in determining fines, it is not possible to estimate the level of fine that might be imposed upon the Group. Any decision by the Commission could be appealed to the European Courts, although an appeal would not typically suspend payment of a fine. Consequently no provision has been raised in respect of this matter except for legal expenses expected to be incurred in connection with the investigation.

The Group's legacy matters continue to be resolved and many have specific time limitations. We expect the majority of these matters to be resolved during the next three years.

Two further matters relate to the Group's former businesses: surplus properties and tax losses. As noted above, during the year the Group successfully disposed two sites formerly used by disposed businesses and received sales proceeds totalling £2.7 million. Three such sites remain for disposal, and two of those are likely to be disposed during 2005. The Group also remains party to leases for three sites formerly used by disposed businesses and continues to negotiate termination of those leases. Provisions remain for the cost of those leases, and the sales proceeds expected during 2005 from the sale of formerly used properties will be of a scale similar to those proceeds received during 2004. The remainder of the properties owned by the Group are manufacturing, distribution or sales facilities or offices employed by the Group's businesses. The reported value before depreciation of the Group's properties totalled £52.6 million. Included in that total are £13.3 million for the estimated value of properties revalued through professional valuations prior to 2000, and £39.3 million of original cost for properties not revalued, including properties acquired or developed since 1999 having a reported cost of £21.9 million. The Group discontinued revaluing properties in 1999.

Set out in the Financial review and notes on the accounts is a description of the tax losses accumulated by the Group in the past.

Strategic direction

Our focus during 2004 was on the first of three planned stages for the Group's improved performance and development. Our priorities were to improve the Group's financial performance by improving the performance of under-performing businesses, reducing Group-wide overhead costs, and improving the Group's cash flow through working capital management and careful investment. Improving the transparency of the Group's results and providing a more detailed explanation of the Group's businesses, as well as the Group's legacy matters, also were an essential objective of our first stage. These objectives were largely met during the year. The challenge going forward is to make further improvements as a continuation of this first stage.

The second stage of the Group's strategy involves narrowing the Group's strategic focus by reducing our geographic spread as well as the diversity of our business portfolio, thereby simplifying the drivers that determine the Group's success and facilitating more focused management. The Group remains an opportunistic seller of businesses that lie on the periphery of the Group's strategy, and will dispose of those businesses when best possible to realise shareholder value, as demonstrated by the sale of our 37.6% interest in Cobra Investments (Pty) Limited during the year. The Group also has notified the market of the cautionary announcement made by Delta Electrical Industries Limited to the effect that DEI continues to consider the options that are available in South Africa to realise value in its Industrial Supplies businesses. Whilst these businesses continue to perform well in attractive markets, opportunities to realise more immediate shareholder value are under review.

The third stage of the Group's strategy will be re-investment. As reported last year, the Group has demonstrated success in three areas: the management and development of Delta EMD's global business, the operation of galvanizing businesses when well positioned by sound investment decisions, and the operation of small industrial businesses having good market positions in relatively small, stable and local markets. Delta EMD and the Group's Galvanizing Division remain immediate opportunities for investment.

As noted above, underlying demand for primary batteries and EMD continues to grow globally, particularly for the alkaline grade EMD produced by Delta EMD. Delta EMD's competitive cost structure and proven quality and service afford a substantial foundation for additional capacity, if justified by EMD selling prices. How best to realise further profitable growth in the global EMD market is under review.

Our Galvanizing Division also affords opportunities for possible re-investment. Our Australian hot-dip galvanizing and galvanized steel products businesses are well positioned for incremental investment to sustain or improve their financial performance. The scale of such investment is likely to be limited, with smaller bolt-on acquisitions the most likely opportunities. Our Asian and US hot-dip galvanizing and galvanized steel products businesses do not yet enjoy the same favourable market positions, and corporate activity will be required to improve upon their market positions, synergies and financial performance. Careful consideration is being given to determine how best to realise value from the investments made in those geographies.

The scale of investment necessary for additional production capacity at Delta EMD and for further development of our Australian galvanizing businesses is unlikely to require the resources that will be available to the Group. Consequently, the Group's development may well include investment in a substantial business that provides the Group additional opportunities for profitable growth as well as the continuity necessary for the Delta Pension Plan.

Our principal objectives for 2005 are further incremental improvement in the Group's financial performance, narrowing the Group's strategic focus through further disposals and opportune re-investment in both Delta EMD and our Galvanizing Division. We also will commence exploration of possible targets for a substantial business that provides the Group additional opportunities for profitable growth.

Todd Atkinson, Chief Executive

Financial review

The foregoing Chief Executive's review addresses the Group's financial performance as well as cash flow.

Effect of interest and exchange rates

The impact of the translation of unhedged net assets on reserves was a charge of £4.8 million (2003 £4.6 million). As reported previously, the Group discontinued net asset hedging during 2003. The translation of overseas profit before tax at the 2004 average rates of exchange, as compared with the 2003 average rates, increased profits by £0.5 million.

Taxation

The continuing tax charge of £9.1 million was less than in the prior year (2003 £10.0 million) partly as a result of the successful resolution of an historic tax dispute in South Africa which benefited the 2004 tax charge by £0.6 million. Notwithstanding, the effective tax rate relating to continuing business decreased as a result of an improved mix of profit and loss from businesses in tax jurisdictions with different effective tax rates. In particular the results from our US operations were improved (without incurring a tax liability) and central overheads in the UK (which are not effectively tax deductible) were reduced.

The accumulated losses reported by the Group for tax purposes in various tax jurisdictions include the following, most of which were incurred by disposed businesses. The following figures are subject to audit by tax authorities and do not include amounts recognised as deferred tax assets that are expected to be utilised in the near future.

Country	Tax losses in £ million
Germany	97
United Kingdom	19
United States	9
Other jurisdictions	2

The future use, if any, of these accumulated losses will depend upon then governing tax rules and regulations, and upon the Group generating appropriate taxable income in those countries.

Cash flows relating to previously disposed businesses

During the year the Group received £1.9 million in relation to previously disposed business, primarily in the form of deferred consideration.

The Group continues to proactively manage liabilities relating to disposed businesses. During 2004, the Group paid £2.4 million in respect of such liabilities, £2.1 million of which was paid from provisions, with the remainder from creditors.

Borrowings and borrowing facilities

Net cash (including current asset money market funds) increased from £21.2 million to £42.6 million. Net gearing remained at nil (2003 nil).

The net interest charge decreased to £2.9 million (2003 £4.7 million) largely as a result of the Group moving into a positive cash position, together with the impact of foreign exchange differences on financing balances decreasing to £2.7 million in 2004 from £3.2 million in 2003. The Group maintained positive net cash throughout the year and retains a £15 million committed bank facility to provide further funding if necessary. The Group's funding requirements are reviewed regularly.

Further details of the funding structure are given in notes 20 and 30 to the accounts.

Treasury policies

The underlying philosophy of the Group's treasury policies remained one of risk management and control, and the policy of the Group remained not to undertake speculative transactions. Group treasury does not operate as a profit centre, and all activities are closely monitored by the Group treasury committee, which has a mandate to make recommendations to the Board on matters of treasury policy and to implement policies approved by the Board.

Material currency exposures arising from trading transactions at most of the Group's businesses are covered as they arise. Delta EMD and our associate Manganese Metal Company do not cover material currency exposures. During the year, Delta EMD benefited from foreign exchange contracts purchased before October 2003, at which time Delta EMD discontinued all forward cover. All such contracts expired during the year.

The Pound Sterling value of profits arising in other currencies also are not hedged. Consequently, the Pound Sterling value of overseas profits remains subject to currency exchange movements. The US dollar was used as the functional currency for Delta EMD and Manganese Metal Company.

Group treasury monitors interest rate exposures. At present the Group has no significant interest rate exposures, and consequently the Group has no outstanding interest rate hedges.

There has been no significant change in the Group's use of derivatives since the end of the financial year.

Transition to International Financial Reporting Standards (IFRS)

In common with other public companies in the European Union, the Group will be required to present its financial statements drawn up under IFRS, commencing with our annual accounts for the year ending 31 December 2005. The Group has commenced the conversion of accounts from existing UK GAAP to IFRS.

Senior management continues to identify the likely effects of conversion, with the accounting treatments most likely to be affected being:

- The Effects of Changes in Foreign Exchange Rates (IAS 21), particularly in regard to the functional currency of the EMD business
- Employee Benefits (IAS 19), particularly in regard to the Delta Pension Plan
- Income taxes (IAS 12)
- Dividends
- Disclosure

Mark Robson, Finance Director

Board of Directors

Steven Marshall
Non-executive Director and Chairman

Steven Marshall (48) was appointed a non-executive director in April 2004 and is the Senior Independent Director. Following the death of Edouard Stern, Steven has undertaken the role of Chairman. He was Executive Chairman of Queens Moat Houses plc until October 2004. Steven was formerly Group Chief Executive of Railtrack Group plc and prior to that Thorn plc having previously been Group Finance Director at both companies. Steven is a Fellow of the Institute of Chartered Management Accountants.

Todd Atkinson
Chief Executive

Todd Atkinson (48) was appointed Chief Executive and joined the Board in July 2003. Previously he was President of Delta America Inc before becoming the Group's Director of Corporate Development and Legal Affairs in 2000. Todd is also the non-executive Chairman of Delta Electrical Industries Limited.

Mark Robson
Finance Director

Mark Robson (47) was appointed Finance Director and joined the Board in March 1999. He joined Delta from ICI where he was Finance Director of its Performance Chemicals business. At ICI, Mark held a number of senior financial positions in the UK and Continental Europe. Mark is also a non-executive director of Delta Electrical Industries Limited. As previously announced, Mark will be leaving the group during April 2005.

Charles Fisher
Non-executive Director

Charles Fisher (55) was appointed a non-executive director in June 2000. He has a background in property and building materials. He is Chairman of both Mowlem plc and Country Homes and Gardens plc. Until February 2005 he was a non-executive director of Baggeridge Brick PLC, and until April 2004 he was a non-executive director of Travis Perkins plc.

Directors' report

The directors of Delta plc submit their report together with the audited financial statements for the year ended 1 January 2005.

Business review and future developments

The Chairman's statement to shareholders on pages 2 to 3, the Chief Executive's review on pages 4 to 12, the Financial review on pages 13 and 14, the Corporate social responsibility report on pages 19 to 20, the Corporate governance report on pages 21 to 26, the Remuneration report by the Board of directors on pages 27 to 34 and details of the Board of Directors of Delta plc on page 15, form part of the Directors' report. Information about the Group's businesses, financial performance and likely future developments are to be found in those sections.

Dividends and transfer to reserves

The directors declared an interim dividend of 0.6p (2003 1.5p) per ordinary share which was paid on 1 December 2004. They now recommend a final dividend of 2.4p (2003 0.5p) per ordinary share making a total for the year of 3.0p (2003 2.0p). Dividends paid and proposed for the year amount to £4.7 million (2003 £3.1 million), allowing £10.1 million to be transferred to reserves, compared to £8.5 million transferred from reserves for 2003.

Disposals of businesses and property

In November 2004 the Group and its co-owners sold Cobra Investments (Pty) Ltd (which manufactures a comprehensive range of taps and sanitary ware) to Distribution and Warehousing Network Ltd. The net proceeds in respect of the Group's 37.6% shareholding in Cobra were £4.2 million.

The Group also sold its intermediate holding company, Delta Electrical and Engineering Holdings S.L., during the year, the net proceeds of which were £0.5m.

The Group has continued its programme of disposing of excess property relating to its discontinued businesses, with proceeds totalling £2.7 million received in 2004 from the disposal of two sites in the United Kingdom. These disposals resulted in a profit on sale totalling £1.1 million, which has been treated as a non-operating exceptional item in the Group profit and loss account.

In addition, the Group completed the sale and leaseback of its Australian vehicle fleet during the year, resulting in cash proceeds of £1.3 million and a gain on sale of £0.4m, which has been treated as a non-operating exceptional item in the Group profit and loss account.

Donations

During the year the Group donated £14,000 (2003 £33,000) to charities of which £nil (2003 £nil) was in the United Kingdom. There were no political donations made during the year (2003 £nil).

Directors

The names and brief biographical details of the directors as at the date of this report are listed on page 15. Edouard Stern served as non-executive Chairman until his death on 1 March 2005. Steven Marshall was appointed to the Board on 1 April 2004 and assumed the role of Chairman on 4 March 2005, and Sir Philip Beck retired on 5 May 2004. Tony Pedder retired on 31 December 2004.

Substantial shareholders

As at the date of this report, the following interests of 3% or more in the issued ordinary share capital of the Company appeared in the register maintained under the provisions of section 211 of the Companies Act 1985:

Mainz Trading Limited	24.0%
MFP Investors LLC	7.8%
Dawnay Day International Limited	7.2%
Steel Partners II LP	6.5%
Legal & General Investment Management Limited	3.6%

As disclosed in the Group's 2003 annual report and accounts, the Company had been notified that E Stern, then a director of the Company, was the beneficial owner of the 39,374,659 shares of the Company's issued ordinary share capital held by Mainz Trading Limited (36,413,425 shares) and Finance and Trading Limited (2,961,234 shares). As at the date of this report, the Company has not been advised that the number of the Company's ordinary shares held by Mainz Trading Limited and Finance and Trading Limited has changed from those reported in our 2003 annual report and accounts.

Research and development

The Group spent £0.6 million during 2004 (2003 £1.0 million) on research and development as defined by SSAP 13 and had significant development expenditure associated with product development and the improvement of production processes. All research and development expenditure is expensed as incurred.

Payment of creditors

The Group's policy in respect of the majority of its trade creditors is to negotiate terms and conditions with its trade creditors and, provided mutual compliance with these, payments are made accordingly. Where payment terms are not specifically agreed, trade creditors are paid in accordance with local commercial practice.

Trade creditor days for the year ended 1 January 2005 were 29 days (2003 36 days), based upon the average daily amount invoiced by suppliers during the year.

Insurance of directors

The Company maintains insurance for its directors and officers against liabilities as permitted by the Companies Act 1985.

Power to purchase own shares

The directors believe that it remains advantageous for the Company to be able to purchase its own ordinary shares in the market. Accordingly, resolution 5, which will be proposed as a special resolution at the annual general meeting, seeks to enlarge the existing general authority to make market purchases from 7,600,000 ordinary shares to 15,000,000 ordinary shares. The details of the minimum and maximum price at which such shares would be purchased are set out in the resolution. The Company did not purchase any of its own shares during the year and the directors have no present intention of utilising this authority.

Going concern

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

Auditors

A resolution to reappoint Deloitte & Touche LLP as auditors to the Company will be proposed at the Annual General Meeting.

On behalf of the Board

J P Narciso
Secretary
24 March 2005

Corporate social responsibility

The Board's objective is to build a sustainable and profitable business while behaving as a good corporate citizen in all activities. The Board regards corporate social responsibility as a sustainable approach to business that seeks to benefit all stakeholders, be they customers, employees, communities, the environment or the Company and its shareholders.

The Group is committed to conducting its business activities in an equitable, ethical and proper manner in compliance with applicable laws and regulations. The Board takes regular account of the significance of social, environmental and ethical matters relevant to the Company by various risk reporting processes in place as described more fully in the Corporate governance report. The Group's policies with regard to social, environmental and ethical matters are embodied in the Corporate Policy Manual, to which each business unit and divisional managing director and finance director attests compliance on an annual basis. The review of such practices and procedures and related risks and opportunities is an ongoing process upon which the Board places significant importance.

Our people, their safety and development

A safe working environment is paramount to the Group's ethical business operation whilst also supporting high levels of business performance. The health and safety of our employees and those who enter our facilities is of primary importance. The Group has various health and safety frameworks in place that comply as a minimum with applicable local laws and regulations.

Injuries or near misses trigger a process of site-specific review and discussion of potential remediation procedures, with such being reported as an integral part of our monthly reporting process. Medium term safety performance is reviewed as part of our half year review and profit planning processes. Independent audits of many of the Group's businesses have been performed during the year, with items noted for improvement being remedied currently.

The personal and professional development of our people is supported by training programs, both in house and externally. The Group participates in a number of apprenticeship/workplace training programs, and in some jurisdictions training levies apply to promote and financially support such initiatives. Succession planning and objective-based performance appraisal seek to further develop our people.

The Group's policy is to ensure the equal and fair treatment of all employees without unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic or national origin, sex, marital status or disability. Wherever possible the employment, retention and appropriate training of disabled people are supported, having regard to their particular aptitudes and abilities.

The Group emphasises the need for two way communication with managers and employees throughout the Group, recognising that a better informed, knowledgeable workforce is more productive and committed to achieving the Group's business goals. Employee involvement in, and an awareness of, the financial and economic performance of the Group is promoted.

Environmental

The nature of some of our manufacturing processes potentially exposes the environment to risks that require careful and appropriate management. The Group proactively pursues compliance and targets best practice in all areas of environmental compliance. Environmental policies and practices are tailored to local regulatory requirements with best practice developments shared between our facilities where appropriate. Our employees are briefed by management in matters of policy and procedure relating to potential environmental risk that may concern their particular area of operation. Our internal reporting and review procedures that apply to health and safety also apply to environmental matters to ensure that actual or potential issues are reported promptly for action.

Sustainability

Many of the Group's products and services contribute to environmental sustainability and human safety. The galvanizing process uses Zinc to protect steel from corrosion, thereby extending useful life. The Manganese metal sold by Manganese Metal Company is Selenium free, and our electrical repair business in South Africa promotes the repair and extended use of heavy duty electrical equipment rather than disposal and subsequent new purchase.

The Group operates a Zinc recycling facility in Australia that processes the waste from internal and external galvanizing and other related processes into by-products for sale into other industries, primarily the fertiliser industry.

Corporate governance report

The Board, Company and Group are committed to high standards of corporate governance. The Board recognises that it is accountable to the shareholders for the Group's corporate governance and this statement, together with the Remuneration Report, seeks to demonstrate how the principles of good governance advocated by the revised Combined Code issued by the Financial Reporting Council in July 2003 ('revised Combined Code') have been and continue to be applied.

The Company has been in compliance with Section One of the revised Combined Code for the duration of the year, with the exception that for part of the year members of the Audit Committee did not have the recent and relevant financial experience suggested by the revised Combined Code. Steven Marshall, who possesses such experience, was appointed to the Board and Audit Committee on 1 April 2004.

The Board, its directors and operations

As of the date of this report, the Board comprises two non-executive directors and two executive directors, whose names and brief biographies appear on page 15. In addition, until 1 March 2005, Edouard Stern served on the Board as non-executive Chairman. Edouard Stern was not considered independent by virtue of his then 25.9% beneficial shareholding in the company. All other non-executive directors are considered independent. Tony Pedder, formerly an independent non-executive and Senior Independent Director, served on the Board until his retirement on 31 December 2004. Since that date Steven Marshall has served as Senior Independent Director, and has undertaken the role of Chairman since 4 March 2005.

The roles and responsibilities of the Chairman and Chief Executive were clearly separated. No changes of significance occurred during the year with respect to the Chairman's other commitments and hence the amount of time he was able to contribute to the performance of his duties as Chairman was not reduced.

The Board is the principal decision making forum of the Group and exercises overall control of the Group's affairs by addressing the matters reserved for its decision. These include responsibility for the Group's strategy, the approval of financial and other public statements, acquisitions and disposals, treasury and risk management policies and the appointment and removal of executive management and the Company Secretary. Various operational matters of a specified size or importance are referred to the Board for approval in accordance with an established delegation of authority.

Comprehensive briefing papers are distributed to Board members by the Company Secretary on a monthly basis, sufficiently in advance of each Board meeting to enable detailed review. Such papers address strategic matters, items reserved for Board review and approval, actual, forecast and budget financial results, changes to risks and controls, and various other matters which should reasonably be considered by the Board. This practice ensures that the Board is supplied with information on the Group's businesses in a timely manner, and that the directors are properly briefed to discuss such items at Board meetings. A statement of the directors' responsibilities in respect of the Report and Accounts is set out on page 35.

The Group has procedures in place to allow directors to seek both independent professional advice, at the Group's expense, and the advice and services of the Company Secretary in order to fulfil their duties. The Group maintains appropriate insurance cover in respect of directors' and officers' liabilities.

During the year the Chairman met on several occasions with the other non-executive directors without the presence of the executive directors. The independent non-executive directors also met during the year without the presence of the Chairman.

The non-executive directors also play a leading role in corporate accountability and governance through their membership of the various committees of the Board. The membership and remit of each committee is described below and on page 27, together with a record of directors' attendance. Where it is considered appropriate, training is made available to directors and training needs are assessed as part of the Board evaluation procedure referred to below.

All non-executive directors are appointed for an initial three year period following which the appointment is renewable at the option of the Board for two further terms of three years. The maximum period of appointment is normally nine years. Directors must stand for election by shareholders at the first annual general meeting following their initial appointment.

Each year (excluding those directors retiring and not seeking re-election and those retiring and seeking election following their appointment during the year) the number nearest to but not exceeding one-third of the directors shall retire by rotation. Whilst the Company's articles of association do not expressly provide that each director will offer himself for re-election at no more than three year intervals, the Directors, being cognizant of developing best practice, undertake to ensure that each director will offer himself for re-election at no more than three year intervals.

Board committees

Copies of the terms of reference of the Committees described below may be obtained from the Company Secretary.

Nominations committee

The Nominations Committee consisted of all non-executive directors, was chaired by Edouard Stern, and met twice during the year. The Committee reviews the structure, size and composition of the Board and recommends changes thereto to the Board for its consideration.

During the year the Committee engaged independent recruitment consultants to assist with changes to Board composition. Candidates suggested by such consultants would then be interviewed by Committee members and meet with the Chief Executive, following which a decision regarding appointment would made.

Audit committee

The Audit Committee consists of all the independent non-executive directors and is chaired by Steven Marshall, who has recent and relevant financial experience. It met three times during the year.

The Chief Executive, Finance Director and other senior financial executives, whilst not members of the Committee, were invited to attend meetings of the Committee when required. The Audit Committee is responsible for reviewing half year and annual accounts before their submission to the Board, reviewing the Group's systems of internal control and the effectiveness thereof, reviewing and discussing reports of internal and external audit, and advising the Board on the appointment of external auditors and their remuneration both for audit and non-audit work. In addition, the Audit Committee reviewed the appointment, remuneration and utilisation of the Group's internal audit service which during the year was outsourced to PricewaterhouseCoopers.

Apart from external audit, the Company's auditors, Deloitte & Touche LLP, performed minimal services to the Group. Procedures exist, both within the Group and Deloitte & Touche, to promptly identify any potential non-audit services for pre-approval. The Committee has satisfied itself as to the independence of Deloitte & Touche LLP, which has confirmed such conclusion.

The persons responsible for internal and external audit services to the Group have a direct line of communication to the Chairman of the Audit Committee.

Appointments and remuneration committee

Details of the Committee, its members and operations are contained in the Remuneration Report on page 27.

Meetings of the Board and Board committees

Details of directors' attendances at Board and Committee meetings are shown in the table below:

	Main board	Audit committee	Appoint-ment & remun-eration committee	Nomination committee
Number of meetings in the year	10	3	9	2
Number of meetings attended:				
E Stern	10	-	-	2
T G Atkinson	10	-	-	-
M P W Robson	9	-	-	-
C M Fisher	9	3	8	2
A P Pedder	10	3	9	2
S Marshall	8	2	6	1
Sir Philip Beck	3	1	2	-

Steven Marshall was appointed a director on 1 April 2004 and has attended all Board and Committee meetings of which he was a member since his appointment. Sir Philip Beck retired as a director on 5 May 2004 and with the exception of one meeting of the Board, attended all Board and Committee meetings of which he was a member until his retirement.

Board performance evaluation

During the year the Board initiated an evaluation of the performance of the Board as well as the three Committees of the Board. The Board also reviewed the performance of the non-executive directors, including the Chairman, to ensure that their performance continued to be effective.

The evaluation was conducted by way of written questionnaires and private discussions between the Chairman and the directors.

Relations with shareholders

Communication with shareholders is given high priority and a number of methods are used to promote greater understanding and dialogue with investment audiences.

The executive directors meet with shareholders on a regular basis, with significant points from such meetings communicated to the Board on a monthly basis. During the year the Senior Independent Director contacted major shareholders to discuss their views of various company matters. Shareholders will continue to be afforded an opportunity to meet or converse with the Senior Independent Director to address any items regarding the Group.

During the year shareholders were kept informed of the progress of the Group through trading statements and other announcements of significant developments that were released through the London Stock Exchange and were available on the Group's website.

Additionally, individual shareholders were afforded the opportunity to question the Chairman and the chairmen of the Board Committees at the Annual General Meeting. The Annual Report and Accounts and Notice of the Annual General Meeting are sent to shareholders at least 20 working days prior to that meeting. The Group indicates the level of proxy votes lodged in respect of each resolution proposed at the Annual General Meeting, together with the number of votes for and against each such resolution, following each vote on a show of hands. Details of abstentions are also disclosed.

Internal control and risk management

The Board is responsible for the operation and effectiveness of the Group's systems of internal control and risk management and undertakes to direct the identification, evaluation and management of significant risks faced by the Group, in accordance with the Turnbull guidance.

Internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature the Group's internal control systems provide reasonable but not absolute assurance against misstatement or loss.

The effectiveness of the Group's systems of internal control has been reviewed by the Board during 2004 and up to the date of the approval of the financial statements. The key procedures which the directors have established to provide effective internal control are as follows:

(i) Regular review of risks and compensating controls

The Group's schedule of risks and compensating controls is formally considered by the Board twice a year. All areas of the business are required to undertake risk-profiling exercises to formally review their principal areas of risk, which forms the basis for the schedule reviewed by the Board.

Risks and controls are discussed at length during business unit half year and profit plan reviews, which are attended by the Chief Executive and members of senior divisional and Group management. Changes to such risks and controls are identified in each division's monthly report, copies of which are circulated with the Board papers. Any changes of significance are reported to the Board. Schedules of pending litigation and potential liabilities pertaining to disposed businesses are similarly circulated.

(ii) Delegation of authority

The Group's delegation of authority details authority, referral and reporting requirements with respect to certain transactions, events or occurrences. The delegation of authority forms part of the Corporate Policy Manual.

(iii) Detailed budgeting and subsequent review

Each business unit is required to prepare, on an annual basis, a detailed plan covering the next three years addressing both financial and non-financial objectives. Such plans are reviewed at divisional and Group levels, and ultimately reviewed and approved by the Board, as part of the Group's profit plan.

Performance against plan is reported on a monthly basis. In addition, business units prepare a detailed monthly forecast through June (in January and February) and then through December during the remainder of the year. Written monthly reports accompany such data and contain variance analyses (in the case of financial data) and commentary (in the case of non-financial data).

(iv) Annual statements of compliance

The Group has an established framework of policies and procedures laid down by the Board to which personnel are expected to comply and attest such compliance on an annual basis. These policies cover key issues including authorisation levels, segregation of duties, ethical and legislative compliance as well as health, safety and environmental issues.

(v) Internal audit

The Group has an internal audit function which during the year was outsourced to PricewaterhouseCoopers. All significant business units are visited on a three year rotational cycle. The scope and results of internal audit's work are reviewed by the Audit Committee, and the resolution of points raised is overseen by Group senior management and reported to the Audit Committee to ensure resolution in a timely and satisfactory manner. PricewaterhouseCoopers' internal audit partners have a direct line of communication to the Chairman of the Audit Committee.

The internal audit function has been reviewed by the Audit Committee which has concluded such to be effective in achieving its objectives.

(vi) Whistle blowing procedures

The Group has implemented whistle blowing procedures whereby employees are provided a means of communication independent of executive management to express any concern relating to perceived malpractice, improper business practices, management impropriety or other similar matters.

Directors' remuneration report by the Board of directors

This report has been prepared in accordance with the Companies Act 1985 (as amended) and the relevant requirements of the Listing Rules of the UK Listing Authority. A resolution to approve this report will be proposed at the Annual General Meeting of the Company.

The Appointments and Remuneration Committee (the Committee)

Role and composition of the Committee

The role of the Committee includes the making of recommendations to the Board on policy for remuneration of the Company's Chairman, executive directors, and members of senior management. The Committee consists solely of directors considered by the Board to be independent and works within detailed terms of reference, copies of which are available from the Company Secretary.

Charles Fisher has been a member of the Committee throughout the year, and succeeded Sir Philip Beck as Chairman of the Committee on 5 May 2004. Other members of the Committee during the year were Steven Marshall since his appointment to the Board on 1 April 2004, and Tony Pedder until his retirement from the Board on 31 December 2004.

Whilst the Chairman of the Board is not a member of the Committee, both he and the Chief Executive attend Committee meetings by invitation when required. All directors are excluded from matters regarding their own remuneration. The Committee seeks the recommendations of the Chief Executive concerning the remuneration of senior management.

Advisers to the Committee

In order to remain informed of the latest developments and market trends in remuneration best practice, the Committee considers advice from New Bridge Street Consultants (NBSC), an independent firm of remuneration consultants. NBSC is independent of the Board and provides no other services to the Group other than advice on remuneration policy and practice.

Remuneration Policy

General remuneration policy

The Committee, in setting remuneration policy for executive directors and senior management, recognises the need to be competitive in an international market. The Committee's policy is to set remuneration levels which ensure that the executive directors are fairly and responsibly rewarded in return for high levels of performance. Remuneration policy is designed to support key business strategies and create a strong, performance-oriented environment. At the same time, the policy must attract, motivate and retain talent. Accordingly, executive directors receive competitive basic salaries comparable with companies of a similar size and international scope and have the opportunity to earn enhanced total remuneration for performance measured against targets set by the Committee.

The Committee appreciates that its policy must be reviewed over time in response to several internal and external factors.

Remuneration Components – Executive Directors

The main components of remuneration for executive directors are:

(i) Basic salary

Basic salaries are reviewed annually by the Committee and are the only pensionable element of remuneration.

(ii) Performance related bonus

The annual bonus is determined by the Committee with reference to agreed financial, strategic and personal objectives. The financial related elements of the bonus refer to performance against budget and prior years across a number of measures including earnings, cash flow and total shareholder return. The maximum potential bonus as a percentage of basic salary for the Chief Executive is 100% and for the Finance Director is 60%.

(iii) Share options

Share options are designed to provide a long term incentive which directly aligns the interests of the executive directors to those of the shareholders. The Executive Share Option Scheme ('ESOS') was approved by the shareholders at the annual general meeting held in May 1999. Only executive directors and certain eligible senior executives participate in the ESOS. The Scheme was amended in 2002 to reflect the preferences of leading UK institutional investors.

Grants under the ESOS are made annually and have values of up to one times annual salary.

ESOS options granted on or before 29 June 2001 are subject to the following performance conditions: on or before the tenth anniversary of the grant date, earnings per share growth over a period of at least three consecutive years must equal or exceed the growth in the Retail Price Index plus 3% per annum, and (ii) earnings per share before exceptional items must equal or exceed 20 pence.

ESOS options granted after 29 June 2001 are subject to the following performance condition: on or before the sixth anniversary of the grant date, earnings per share growth over a period of at least three consecutive years must equal or exceed the growth in the Retail Price Index plus 3% per annum.

All performance conditions are measured against earnings per share before exceptional items for the financial year preceding option grant.

Subject to the fulfilment of the foregoing performance conditions, options are exercisable between the third and tenth anniversary of the grant date.

Under the terms of the Scheme, in certain circumstances including death, injury, ill-health, disability, redundancy, retirement and the departure from the Group of the company in which a participant is employed, performance conditions are waived and all options granted vest immediately. The period that a participant may exercise options in such circumstances varies between six and eighteen months from the date of cessation of employment with the Group.

The Committee considers the performance targets chosen appropriate since they require substantial improvement in the underlying financial performance of the Company and has determined that the performance condition for the ESOS options granted on 29 June 2001 and 3 May 2002 have been satisfied. The exercise price for such options exceeded the middle market closing value of the Company's shares on 31 December 2004.

(iv) Pensions

Executive directors are invited to participate in the Delta Pension Plan. The Plan is a funded, Inland Revenue approved, final salary, occupational pension scheme, and provides a pension of up to two thirds of final pensionable salary, subject to completion of 20 years' pensionable service and retirement at normal retirement age. Final pensionable salary is calculated with reference to basic salary and not other elements of remuneration and is limited by Inland Revenue limits.

The Delta Pension Plan also provides lump sum life assurance cover of up to four times pensionable salary and makes provision for spouses' and dependants' pensions and early retirement provisions, including ill-health. All plan benefits are subject to Inland Revenue limits.

In the specific instances described in this report, funded unapproved retirement benefit schemes ('FURBS') have been established to provide pension and death benefits attributable to executive directors' basic salary in excess of the Inland Revenue 'earnings cap'. FURBS are defined contribution schemes that are intended to provide benefits broadly comparable with those that would have applied under the Delta Pension Plan absent the Inland Revenue 'earnings cap'.

The components of remuneration described in (ii) and (iii) above are determined with reference to the performance of the executive director, Group and the Company's shares.

The fees earned by executive directors as non-executive directors of Delta Electrical Industries Limited are payable to the Company and not the individual directors.

Remuneration Components – Non-Executive Directors

Remuneration for non-executive directors consists of an annual fee for their services on the Board and Board Committees and where appropriate for devoting additional time and expertise for the benefit of the Group. Non-executive directors do not participate in any of the Group's bonus or share option schemes nor are they eligible for membership in any of the Group's pension plans.

The fees for non-executive directors' duties are determined by the Chairman and the executive directors, and the fees for the Chairman are determined by the full Board with regard, where appropriate, to market comparisons, within the restrictions contained in the Articles of Association. Each non-executive director takes no part in determining his own fees.

During the year the annual fees payable to the Chairman were reduced from £100,000 to £90,000, and for other non-executive directors from £35,000 to £30,000.

Service contracts

Contracts of service are negotiated on an individual basis. There are no provisions in any of the existing agreements for early termination payments, other than the notice provisions described below.

Directors' service contracts

Todd Atkinson's service contract with the Company commenced on 2 July 2003. Either party may terminate the contract by giving not less than 12 months' written notice, and Mr Atkinson's service contract provides for no additional termination payments.

Mark Robson's service contract with the Company commenced on 18 March 1999. In accordance with his contract, the contract will terminate on 20 April 2005 as a result of the Company having given Mr. Robson 12 months' written notice on 19 April 2004. Mr Robson's service contract provides for no additional termination payments.

The non-executive directors have no formal service contracts, but have letters of engagement that do not provide for notice periods or for compensation payable for termination.

The Committee strives to achieve an appropriate balance between ensuring continuity amongst senior management, limiting notice periods to no more than twelve months, and minimising termination payments.

The following sections of the Remuneration Report are audited.

Directors' Remuneration

The following are the aggregate amounts for Directors' remuneration against profit for the year:

	2004 £	2003 £
Basic salary	**731,096**	787,666
Other emoluments	**32,085**	33,183
Bonus	**247,000**	549,475
Compensation in respect of loss of office	**nil**	457,865
Company pension contribution	**181,436**	196,888
	1,191,617	2,025,077

The following are the emoluments afforded individual Directors:

	Directors' remuneration				
	2004				2003
£	Basic salary (inclusive of directors' fees)	Other emoluments (1)	Bonus	Total	Total
E Stern *(Chairman)*	92,500	-	-	92,500	22,840
T G Atkinson (2)	290,000	13,574	215,000	518,574	208,938
M P W Robson (3)	252,000	18,511	32,000	302,511	473,534
C M Fisher	31,250	-	-	31,250	32,500
S Marshall (4)	22,500	-	-	22,500	-
A P Pedder	31,250	-	-	31,250	32,500
Sir Philip Beck	11,596	-	-	11,596	32,500
Sir Martin Jacomb	-	-	-	-	100,000
J P Scott-Maxwell	-	-	-	-	925,377
Total	**731,096**	**32,085**	**247,000**	**1,010,181**	1,828,189

(1) Other emoluments include benefits in kind.

(2) T G Atkinson's 2003 remuneration was in respect of his service since appointment on 2 July 2003 (basic salary: £144,220; other emoluments: £6,718; bonus: £58,000)

(3) Included in the total value of benefits in kind for M P W Robson is a relocation allowance of £4,937 (2003 £6,583).

(4) S Marshall was appointed to the Board on 1 April 2004.

Retirement benefits on a defined benefit basis are accruing to two directors as at 1 January 2005 (2003 two directors). The accrued pension entitlement shown in the table below is the amount that would be paid in each year on retirement at normal retirement age, based on pensionable service to the end of the financial year. The normal retirement age for all executive directors is 60. The Plan also provides spouse's pension, which is 50% of the deceased director's prospective pension or, in the case of death in service, one third of final pensionable salary if greater. Following retirement, pensions increase at an annual rate in line with RPI up to 5%. The trustees have the discretionary power to grant early retirement pensions but a member does not have an absolute right to an early retirement pension. No discretionary benefits are allowed for in the transfer values.

	Accrued pension as at 3 January 2004 £ per annum	Accrued pension as at 1 January 2005 £ per annum	Increase in accrued pension in the year £	Employee contributions paid over year £	Transfer value in respect of increase in accrued pension £
			(1)		(2)
T G Atkinson	11,000	14,733	3,392	4,815	26,881
M P W Robson	11,501	14,336	2,478	4,050	17,990

(1) The increase in the accrued pension during the year has been adjusted to remove any distortion due to inflation during the year.

(2) The transfer value has been calculated on the basis of actuarial advice in accordance with GN11. The increase in the transfer value shown is less any member contributions paid during the year. The transfer value as at 1 January 2005 for T G Atkinson (who was then age 47) was £137,528 (£81,906 as at 3 January 2004). The increase in the transfer value (less member's contributions) was £50,807. The transfer value as at 1 January 2005 for M P W Robson (who was then age 46) was £127,342 (£82,259 as at 3 January 2004). The increase in transfer value (less member's contributions) was £41,033.

The transfer values disclosed above do not represent a sum paid or payable to the individual directors. Instead they represent a potential liability of the Delta Pension Plan.

Pension contributions payable by the Company to the Delta Pension Plan for T G Atkinson were £13,345 (2003 £nil) and M P W Robson £13,345 (2003 £nil).

In addition to the foregoing pension benefit, funded unapproved retirement benefit schemes ('FURBS') have been established for Messrs. Atkinson and Robson to provide pension and death benefits attributable to the executive director's base salary in excess of the Inland Revenue 'earnings cap.' FURBS are defined contribution schemes contributions based upon an agreed percentage rate of the executive director's basic salary. During the year the Company contributed £76,961 (2003 £90,879) on behalf of T G Atkinson to the FURBS established for his benefit. Also during the year the Company contributed on behalf of M P W Robson £77,785 (2003 £45,235) to the FURBS established for his benefit.

Directors' share options over ordinary shares in the Company

Details of the number of shares reserved under options and held by executive directors are shown in the table below:

Option Scheme	As at 3 January 2004	Granted during year	Exercised during year	Lapsed during year	As at 1 January 2005	Subscription price payable (per share)	Date on which options become exercisable	Date on which options lapse
TG Atkinson :								
ESOS	42,000	-	-	-	42,000	154p	11/06/02	11/06/09
ESOS	80,000	-	-	-	80,000	150p	29/11/03	29/11/10
ESOS	93,000	-	-	-	93,000	129p	29/06/04	29/06/11
ESOS	104,800	-	-	-	104,800	118p	03/05/05	03/05/12
ESOS	119,300	-	-	-	119,300	110p	25/04/06	25/04/13
ESOS	132,800	-	-	-	132,800	115p	26/06/06	26/06/13
ESOS	-	349,398	-	-	349,398	83p	16/04/07	16/04/14
Total	571,900	349,398	-	-	921,298			
MPW Robson:								
SAYE	15,344	-	-	-	15,344	82p	01/01/09	01/07/09
SAYE	9,895	-	-	-	9,895	72p	01/01/10	01/07/10
ESOS	94,000	-	-	-	94,000	154p	11/06/02	11/06/09
ESOS	51,000	-	-	-	51,000	150p	29/11/03	29/11/10
ESOS	51,000	-	-	-	51,000	156p	25/01/04	25/01/11
ESOS	131,300	-	-	-	131,300	129p	29/06/04	29/06/11
ESOS	150,900	-	-	-	150,900	118p	03/05/05	03/05/12
ESOS	171,800	-	-	-	171,800	110p	25/04/06	25/04/13
ESOS	-	227,711	-	-	227,711	83p	16/04/07	16/04/14
Total	675,239	227,711	-	-	902,950			

(i) The open market value of Delta plc 25p ordinary shares was 100.5p per share (middle market closing value as quoted in the Daily Official List of London Stock Exchange plc) on 31 December 2004.
(ii) The share price of the Delta plc ordinary shares during the year ranged from a minimum of 77.5p to a maximum of 103.5p. (iii)All options were granted for nil consideration. The exercise price for options is the 5 day average price preceding the date of grant.
(iv) The performance conditions attaching to the ESOS are explained on pages 28 and 29.
(v) There are no performance conditions attaching to the SAYE options.

Directors' interests in shares

The beneficial interests in the shares of the Company of the directors in office at 3 January 2004 and 1 January 2005, including the beneficial interests of their families, are set out in the table below:

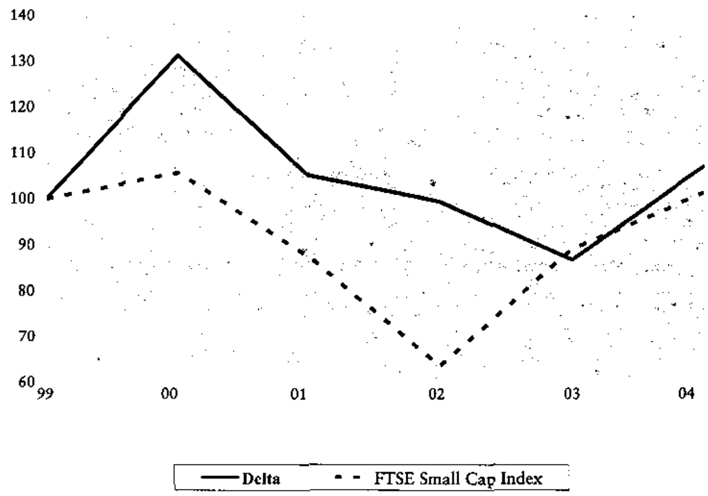
	Number of ordinary shares of 25p each owned	
Directors' share holdings	**At 1 January 2005**	At 3 January 2004
E Stern (Chairman)#	39,374,659	39,374,659
T G Atkinson	30,000	10,010
M P W Robson	20,941	20,941
CM Fisher	76,000	36,000
S Marshall *	nil	nil

\# E Stern advised the Company of his beneficial interest in the Company's shares held by Mainz Holding Limited and Finance and Trading Limited. As at both 3 January 2004 and 1 January 2005, Mainz Holding Limited held 36,413,425 ordinary shares of the Company and Finance and Trading Limited held 2,961,234 ordinary shares of the Company.
* On date of appointment.

Following Edouard Stern's death, none of the directors has a beneficial interest in the Company's shares held by Mainz Holding Limited or Finance and Trading Limited.

Other than the shareholdings and the options shown in the foregoing tables, none of the directors had or has any interest, or any holding without beneficial interest, in any class of any share capital of the Company or of any subsidiary. Other than the service contracts described above, at no time during the year has any director had any material interest in a contract with any Group Company, being a contract of significance in relation to the Group's business.

The following information is unaudited.



The chart above illustrates the Group's total shareholder return performance for a five year period ending 1 January 2005 relative to the FTSE Small Cap Index (rebased to 100 in 1999). The FTSE Small Cap Index was selected for comparison because the Group forms part of that Index.

On behalf of the Board

JP Narciso
Secretary
24 March 2005

Responsibility of the directors for the preparation of the financial statements

United Kingdom Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- confirm that the financial statements have been prepared on the going concern basis.

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

Financial information is published on the Company's website www.deltaplc.com. The maintenance and integrity of the Delta plc website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

J P Narciso
Secretary
24 March 2005

Independent auditors' report to the members of Delta plc

We have audited the financial statements of Delta plc for the year ended 1 January 2005 which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in total shareholders' funds, the statement of accounting policies, the related notes 1 to 30 and principal Group and associated companies. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

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

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the 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 with the company and other members of the group is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the July 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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 the group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the directors' remuneration report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. 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 circumstances of the company and the group, 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 and the part of the directors' remuneration report described as having been audited 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 and the part of the directors' remuneration report described as having been audited.

Uncertainty relating to the amount of a potential liability for alleged anti-competitive behaviour

In forming our opinion, we have considered the adequacy of the disclosures made in note 18 to the accounts concerning the European Commission competition directorate's investigation into alleged anti-competitive behaviour in the Group's former plumbing fittings business. Under European Community law any potential fine cannot exceed 10% of the Group's turnover. This matter has been adequately disclosed as a contingent liability and our opinion is not qualified in this respect.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 1 January 2005 and of the profit of the group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

London, United Kingdom
24 March 2005

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Group profit and loss account

For the year ended 1 January 2005

	Notes	2004 Continuing £ million	2004 Discontinued £ million	2004 Total £ million	2003 Continuing £ million	2003 Discontinued £ million	2003 Total £ million
Total turnover		337.5	14.5	352.0	321.3	36.2	357.5
Less share of joint ventures & associates	4	(23.0)	(14.5)	(37.5)	(20.1)	(14.0)	(34.1)
Group turnover	1	314.5	-	314.5	301.2	22.2	323.4
Cost of sales	2	(224.7)	-	(224.7)	(216.5)	(18.7)	(235.2)
Gross profit		89.8	-	89.8	84.7	3.5	88.2
Distribution costs and administrative expenses	2	(57.0)	(0.2)	(57.2)	(56.3)	(3.0)	(59.3)
Group operating profit		32.8	(0.2)	32.6	28.4	0.5	28.9
Share of profits of joint ventures & associates	4	(1.2)	2.0	0.8	(1.7)	1.7	-
Total operating profit		31.6	1.8	33.4	26.7	2.2	28.9
Profit on sale of fixed assets	5	0.4	1.1	1.5	-	-	-
Disposal of businesses	5	-	(1.5)	(1.5)	-	(114.2)	(114.2)
Use of provision made in previous years	5	-	-	-	-	102.7	102.7
Profit (loss) on ordinary activities before interest		32.0	1.4	33.4	26.7	(9.3)	17.4
Net interest: parent and subsidiaries	6	(1.6)	-	(1.6)	(4.0)	-	(4.0)
joint ventures & associates	6	(1.1)	(0.2)	(1.3)	(0.6)	(0.1)	(0.7)
Profit on ordinary activities before taxation, exceptional items and goodwill amortisation		30.2	1.6	31.8	27.5	2.2	29.7
Operating exceptional items and goodwill amortisation	1(v) & (vi)	(1.3)	-	(1.3)	(5.4)	(0.1)	(5.5)
Non-operating exceptional items		0.4	(0.4)	-	-	(11.5)	(11.5)
Profit (loss) on ordinary activities before taxation	1, 7	29.3	1.2	30.5	22.1	(9.4)	12.7
Taxation	8	(9.1)	(0.4)	(9.5)	(10.0)	(0.4)	(10.4)
Profit (loss) on ordinary activities after taxation		20.2	0.8	21.0	12.1	(9.8)	2.3
Equity minority interests		(6.2)	-	(6.2)	(7.7)	-	(7.7)
Profit (loss) for the financial year		14.0	0.8	14.8	4.4	(9.8)	(5.4)
Dividends	9	(4.7)	-	(4.7)	(3.1)	-	(3.1)
Transfer to (from) reserves	25	9.3	0.8	10.1	1.3	(9.8)	(8.5)
Earnings (loss) per 25p ordinary share:							
Basic and diluted	10			9.7p			(3.7)p
Earnings (loss) per 25p ordinary share before goodwill amortisation:							
Basic and diluted	10			10.6p			(3.0)p
Earnings per 25p ordinary share before exceptional items and goodwill amortisation:							
Basic and diluted	10			10.6p			7.0p

Balance sheets

At 1 January 2005

	Notes	Group 2004 £ million	Group 2003 £ million	Company 2004 £ million	Company 2003 £ million
Fixed assets					
Intangible assets: Goodwill	11	14.3	14.0	-	-
Tangible assets	12	90.8	100.4	-	-
Investments: Joint ventures- share of gross assets	13	1.4	1.6	-	-
share of gross liabilities	13	(1.0)	(1.2)	-	-
loans to joint ventures	13	1.1	1.1	-	-
		1.5	1.5	-	-
Investments: Associated companies	13	7.1	17.3	-	1.6
Group companies	13	-	-	148.7	166.1
		113.7	133.2	148.7	167.7
Current assets					
Stocks	14	66.3	59.4	-	-
Debtors - amounts falling due after one year	15	3.9	4.0	0.3	0.6
Debtors - amounts falling due within one year	15	56.1	59.2	0.5	1.2
Investments - money market funds	13	23.7	13.0	19.4	8.2
Bank and other deposits		38.4	31.7	10.5	0.6
		188.4	167.3	30.7	10.6
Creditors - amounts falling due within one year					
Borrowings	20	(18.8)	(22.5)	(16.7)	(26.9)
Other creditors	16	(66.9)	(64.4)	(9.6)	(3.4)
Net current assets (liabilities)		102.7	80.4	4.4	(19.7)
Total assets less current liabilities		216.4	213.6	153.1	148.0
Creditors - amounts falling due after more than one year					
Borrowings	20	(0.7)	(1.0)	-	-
Provisions for liabilities and charges	21	(25.1)	(29.6)	(0.1)	(0.3)
Net assets		190.6	183.0	153.0	147.7
Capital and reserves					
Called up share capital	23	40.7	40.7	40.7	40.7
Share premium account	25	32.5	32.5	32.5	32.5
Revaluation reserve	25	26.2	47.5	18.3	(21.6)
Profit and loss account	25	54.6	28.0	62.5	97.1
Employee share ownership trust	25	(1.0)	(1.0)	(1.0)	(1.0)
Equity shareholders' funds		150.2	144.9	150.2	144.9
Non-equity shareholders' funds	23	2.8	2.8	2.8	2.8
Total shareholders' funds		153.0	147.7	153.0	147.7
Equity minority interests		37.6	35.3	-	-
		190.6	183.0	153.0	147.7

The accounts on pages 38 to 69 were approved by the directors on 24 March 2005 and are signed on their behalf by:

Todd Atkinson
Chief Executive

Mark Robson
Finance Director

Group cash flow statement

For the year ended 1 January 2005

	Notes	2004 £ million	2003 £ million
Net cash inflow from operating activities	26	37.4	27.6
Returns on investments and servicing of finance			
Interest received		4.4	7.2
Interest paid		(3.4)	(10.0)
Preference dividends paid		(0.1)	(0.2)
Dividends paid to minority shareholders		(4.0)	(5.6)
Net cash outflow from returns on investments and servicing of finance		(3.1)	(8.6)
Taxation		(9.6)	(10.1)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10.7)	(15.6)
Sale of tangible fixed assets		4.6	1.2
Associated company loans		1.2	(1.5)
Cash received from restructuring associate		-	4.5
Net cash outflow from capital expenditure and financial investment		(4.9)	(11.4)
Acquisitions and disposals			
Purchase of businesses	29	(1.3)	(22.4)
Net cash acquired on purchase of businesses	29	-	1.3
Sale of businesses	29	4.5	115.0
Net cash disposed of on sale of businesses	29	-	(1.8)
Net cash inflow from acquisitions and disposals		3.2	92.1
Equity dividends paid		(1.7)	(9.1)
Cash inflow before use of liquid resources and financing	28	21.3	80.5
Management of liquid resources			
(Increase) decrease in short term cash deposits and current asset investments		(16.7)	1.5
Financing			
Issue of ordinary share capital		-	0.4
Debt due within one year: increase in short term borrowings		0.2	4.0
repayment of short term borrowings		(3.8)	(92.0)
Debt due after one year: increase in loans		-	0.4
repayment of loans		(0.2)	(0.1)
Net cash (outflow) inflow from foreign exchange instruments hedging investments in subsidiaries		-	(12.2)
Net cash outflow from financing		(3.8)	(99.5)
Increase (decrease) in cash in the period	27 & 28	0.8	(17.5)

Statement of total recognised gains and losses

For the year ended 1 January 2005

	2004 £ million	2003 £ million
Profit (loss) for the financial year	**14.8**	(5.4)
Other recognised losses for the year:		
Currency translation differences on: foreign currency net investments	**(4.8)**	(9.6)
foreign currency loans	**-**	5.0
Total recognised gains (losses) for the year	**10.0**	(10.0)

Note of historical cost profits and losses

For the year ended 1 January 2005

Reported profit on ordinary activities before taxation	**30.5**	12.7
Realisation of property revaluation gains of prior years	**0.4**	6.9
Difference between historical cost depreciation and actual depreciation *charge for the period calculated on the revalued amount*	**-**	-
Historical cost profit on ordinary activities before taxation	**30.9**	19.6
Historical cost profit (loss) for the period retained after taxation, minority interests and dividends	**10.5**	(1.6)

Reconciliation of movement in total shareholders' funds

For the year ended 1 January 2005

Profit (loss) for the financial year	**14.8**	(5.4)
Dividends	**(4.7)**	(3.1)
	10.1	(8.5)
Other recognised losses for the year	**(4.8)**	(4.6)
Goodwill transferred to the profit and loss account in respect of businesses sold (note 5 (i))	**-**	0.7
Shares issued	**-**	0.5
Net increase (decrease) in shareholders' funds for the year	**5.3**	(11.9)
Total shareholders' funds at the beginning of the year	**147.7**	159.6
Total shareholders' funds at the end of the year	**153.0**	147.7

Accounting policies

1 Accounting convention and Standards

The financial statements are prepared in accordance with the historical cost accounting convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable Accounting Standards in the United Kingdom.

2 Group consolidation

(i) The Group's financial statements comprise a consolidation of the Company and all its subsidiaries.
(ii) The Group share of results of joint ventures and associated companies is included in the Group profit and loss account and its share of post-acquisition reserves is included in the Group balance sheet. The figures for associates and joint ventures are based on their latest audited accounts ending in the financial year, updated by reference to unaudited management accounts in certain cases to coincide with the Group's financial year.
(iii) The results of businesses acquired or sold during the year are dealt with from the date of acquisition or to the date of sale. From the beginning of 1998, the net goodwill arising on acquisition is capitalised and amortised through the profit and loss account over its expected useful life, which does not exceed 20 years.
(iv) The gain or loss on the disposal of a business is calculated by comparing the carrying value of the net assets sold and any unamortised goodwill (for businesses acquired after the beginning of 1998) or goodwill previously written off directly to reserves on acquisition (for businesses acquired prior to 1998) with the proceeds received.

3 Research and development, patents and trademarks

All expenses are written off as incurred.

4 Pensions and post retirement benefits

The costs of providing defined benefit pension schemes are charged to the profit and loss account in accordance with SSAP 24 'Accounting for pension costs'. In the cases of the UK and Australian defined benefit pension schemes, the cash cost of contributions has been charged to the profit and loss account. Charging such cash cost to the profit and loss account results in a higher charge than the amortisation of the surplus/deficit over the remaining service lives of members. The costs of providing defined contribution pension schemes are charged to the profit and loss account as incurred.

5 Stocks

Stocks are valued at the lower of cost (including an appropriate element of production overhead costs) and net realisable value of the separate items of stocks or of groups of similar items. Provision is made for obsolete, slow moving or defective items where appropriate.

6 Tangible assets

(i) Prior to the adoption of FRS 15 'Tangible fixed assets' in 2000, freehold and leasehold properties were revalued regularly. In implementing FRS 15, the Group decided that no further revaluations would be undertaken and in accordance with the transitional provisions contained in FRS 15, whilst the previous valuations have been retained, they have not been updated.

(ii) Depreciation is provided on the straight-line basis at the following rates:

Freehold land	Nil
Plant and machinery	10%
Freehold buildings	2%
Motor vehicles	25%
Leasehold property; over the term of lease, but not less than	2%
Fixtures, fittings, tools and equipment	20%
Major items of computer software	20% - 33%
Assets in the course of construction	Nil

(iii) Finance leased assets are capitalised as tangible fixed assets and depreciated accordingly. The capital element of future lease payments is included in borrowings and the finance element is charged to the profit and loss account. Operating lease rentals are charged in the profit and loss account as incurred.

7 Investment in subsidiary undertakings

The Company accounts for its investments in subsidiary undertakings by the equity method, whereby the original cost of the investments is adjusted for the movement in underlying net assets applicable to the investments since their date of acquisition with an adjustment to the Company's revaluation reserve, except where any diminution in the value of the investment is considered permanent. In such cases the permanent diminution is recorded as a reduction in the Company's profit and loss account reserve.

8 *Taxation*

The profit and loss account charge is calculated at current rates of corporation tax and overseas tax on the taxable profits for the year. Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no binding contract to dispose of these assets. Deferred tax is not provided on un-remitted earnings where there is no binding commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

9 Turnover

Turnover is the amount receivable for goods sold or supplied and services provided, excluding intra-group transactions and value added tax.

10 Foreign currency

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward foreign exchange contracts have been taken out, at the contractual rates. For consolid-

-ation purposes the profit and loss accounts of overseas companies are translated into sterling at average exchange rates for the financial year. Overseas companies' balance sheets (including intangible assets) and also the foreign currency assets and liabilities of UK companies, including financial instruments hedging foreign currency investments, are translated into sterling at the rates ruling on the last day of the financial year or at a contractual rate if applicable. The exchange differences arising from the re-translation of the opening net assets of overseas companies at year end rates are taken directly to reserves. Similarly, the difference between the net profits of overseas companies translated at average rates and year end rates is taken directly to reserves. Up to August 2003 the exchange differences on foreign currency liabilities purchased to hedge the net assets of overseas companies were taken to reserves. In August 2003 the Group ceased its practice of hedging the net assets of overseas companies.

Certain non-United States subsidiaries have adopted the US dollar as their functional currency. They maintain their accounting records in local currency, which are then translated into their functional currency (US dollars), using the temporal method, for reporting purposes. Fixed assets and other non-monetary assets and liabilities are translated at historical rates and monetary assets and liabilities at the closing rate. The resulting differences are accounted for in the profit and loss account in accordance with SSAP 20. Foreign exchange differences on financing balances are included within interest.

11 Financial instruments

The Group uses derivative financial instruments to hedge its exposures to fluctuations in interest and foreign exchange rates. The derivative instruments used are: interest rate swaps, foreign exchange swaps and forward foreign exchange contracts. Derivatives are not intended to be used for purposes other than hedging.

Interest differentials on derivative instruments are recognised by adjusting the net interest charge. Receipts and payments on interest rate instruments are recognised on an accrual basis over the life of the instrument. Finance costs associated with debt issuance are charged to the profit and loss account over the life of the instruments.

Gains and losses on foreign currency hedges are recognised on the maturity of the underlying transaction, other than the translational hedges of foreign currency investments which are taken to reserves (as stated in 10 above).

Notes on the accounts

		2004				2003	
		Turnover £ million	Profit before taxation £ million	Net assets £ million	Turnover £ million	Profit before taxation £ million	Net assets £ million
1	***Principal activities***						
	By activity:						
	Electrolytic manganese dioxide	**34.2**	**5.2**	**47.6**	45.9	15.8	47.8
	Manganese metal	**22.2**	**(1.4)**	**7.1**	19.1	(2.1)	10.1
	Galvanizing	**131.1**	**12.5**	**61.8**	124.2	8.3	70.0
	Industrial supplies	**150.0**	**20.7**	**41.9**	132.1	15.6	32.9
	Group costs	**-**	**(4.1)**	**(6.8)**	-	(5.5)	-
	Profit on sale of fixed assets (note 5)	**-**	**0.4**	**-**	-	-	-
	Exceptional operating items (v)	**-**	**-**	**-**	-	(4.3)	(0.2)
	Goodwill (vi)	**-**	**(1.3)**	**14.3**	-	(1.1)	14.0
	Continuing operations	**337.5**	**32.0**	**165.9**	321.3	26.7	174.6
	Discontinued operating profit (vii)	**14.5**	**1.8**	**(0.7)**	36.2	2.2	7.8
	Profit on sale of fixed assets (note 5)	**-**	**1.1**	**-**	-	-	-
	Disposal of businesses (note 5)	**-**	**(1.5)**	**-**	-	(114.2)	(0.8)
	Provision/use of provision made in previous year (note 5)	**-**	**-**	**(17.2)**	-	102.7	(19.8)
	Discontinued operations	**14.5**	**1.4**	**(17.9)**	36.2	(9.3)	(12.8)
	Interest/net borrowings & money market fund current asset investments	**-**	**(2.9)**	**42.6**	-	(4.7)	21.2
		352.0	**30.5**	**190.6**	357.5	12.7	183.0
	Less: joint ventures and associated companies (ii)	**(37.5)**	**-**	**-**	(34.1)	-	-
		314.5	**30.5**	**190.6**	323.4	12.7	183.0

	Turnover £ million	Profit before taxation £ million	Net assets £ million	Turnover £ million	Profit before taxation £ million	Net assets £ million
By origin:						
Europe	**4.3**	**(4.5)**	**(3.8)**	5.4	(4.9)	2.8
Asia Pacific	**197.0**	**22.0**	**91.1**	195.3	25.2	98.8
North America	**12.9**	**0.5**	**11.0**	13.2	(1.1)	12.4
Africa	**123.3**	**14.9**	**53.3**	107.4	12.9	46.8
Profit on sale of fixed assets (note 5)	**-**	**0.4**	**-**	-	-	-
Exceptional operating items (v)	**-**	**-**	**-**	-	(4.3)	(0.2)
Goodwill (vi)	**-**	**(1.3)**	**14.3**	-	(1.1)	14.0
Continuing operations	**337.5**	**32.0**	**165.9**	321.3	26.7	174.6
Discontinued operating profit (vii)	**14.5**	**1.8**	**(0.7)**	36.2	2.2	7.8
Profit on sale of fixed assets (note 5)	**-**	**1.1**	**-**	-	-	-
Disposal of businesses (note 5)	**-**	**(1.5)**	**-**	-	(114.2)	(0.8)
Provision/use of provision made in previous year (note 5)	**-**	**-**	**(17.2)**	-	102.7	(19.8)
Discontinued operations	**14.5**	**1.4**	**(17.9)**	36.2	(9.3)	(12.8)
Interest/net borrowings & money market fund current asset investments	**-**	**(2.9)**	**42.6**	-	(4.7)	21.2
	352.0	**30.5**	**190.6**	357.5	12.7	183.0
Less: joint ventures and associated companies (iii)	**(37.5)**	**-**	**-**	(34.1)	-	-
	314.5	**30.5**	**190.6**	323.4	12.7	183.0

Notes on the accounts

		2004			2003		
		Turnover £ million	Profit before taxation £ million	Net assets £ million	Turnover £ million	Profit before taxation £ million	Net assets £ million
1 Principal activities (continued)			n/a	n/a		n/a	n/a
By destination:	Europe	19.3			19.1		
	Asia Pacific	182.5			169.5		
	North America	27.4			42.9		
	Near & Middle East	0.6			0.2		
	Africa	84.7			69.5		
	Continuing operations	314.5			301.2		
	Discontinued operations	-			22.2		
		314.5	n/a	n/a	323.4	n/a	n/a

(i) The impact of acquisitions on turnover and operating profit were not material to the Group or individual business segments in 2004.

Taxation and interest have been allocated to discontinued activities on the basis of the legal entities or business to which they relate. Comparative figures have been restated on this basis.

		2004 Turnover	2004 Profit before taxation	2004 Net assets	2003 Turnover	2003 Profit before taxation	2003 Net assets
(ii) Joint ventures and associated companies							
By activity:	Manganese metal	22.2	(1.4)	7.1	19.1	(2.1)	10.1
	Galvanizing	0.8	0.2	1.5	1.0	0.4	1.5
	Discontinued (iv)	14.5	2.0	-	14.0	1.7	7.2
	Interest	-	(1.3)	-	-	(0.7)	-
		37.5	(0.5)	8.6	34.1	(0.7)	18.8
(iii) Joint ventures and associated companies							
By origin:	Asia Pacific	0.8	0.2	1.5	1.0	0.4	1.5
	Africa	22.2	(1.4)	7.1	19.1	(2.1)	10.1
	Discontinued (iv)	14.5	2.0	-	14.0	1.7	7.2
	Interest	-	(1.3)	-	-	(0.7)	-
		37.5	(0.5)	8.6	34.1	(0.7)	18.8
(iv) Joint ventures and associated companies							
Discontinued:	Industrial supplies	14.5	2.0	-	13.6	1.8	7.2
	Electrical	-	-	-	0.4	(0.1)	-
	Interest	-	(0.2)	-	-	(0.1)	-
		14.5	1.8	-	14.0	1.6	7.2
	Europe	-	-	-	0.3	(0.1)	-
	Asia Pacific	-	-	-	0.1	-	-
	Africa	14.5	2.0	-	13.5	1.8	7.2
	North America	-	-	-	0.1	-	-
	Interest	-	(0.2)	-	-	(0.1)	-
		14.5	1.8	-	14.0	1.6	7.2

Notes on the accounts

			2004 Operating profit £ million	2004 Provisions £ million	2003 Operating profit £ million	2003 Provisions £ million
1	**Principal activities (continued)**					
(v)	Exceptional operating items:					
	By activity:	Electrolytic manganese dioxide	-	-	(0.2)	(0.2)
		Galvanizing	-	-	(4.8)	-
		Industrial supplies	-	-	(0.2)	-
		Group costs	-	-	0.9	-
		Discontinued: Industrial supplies	-	-	(0.1)	-
			-	-	(4.4)	(0.2)
	By origin:	Europe	-	-	0.9	-
		Asia Pacific	-	-	(1.4)	(0.2)
		North America	-	-	(3.8)	-
		Discontinued: Europe	-	-	(0.1)	-
			-	-	(4.4)	(0.2)

			2004 Amortisation £ million	2004 Intangible assets £ million	2003 Amortisation £ million	2003 Intangible assets £ million
(vi)	Goodwill:					
	By activity:	Electrolytic manganese dioxide	-	0.6	(0.1)	0.6
		Galvanizing	(0.6)	5.3	(0.4)	5.0
		Industrial supplies	(0.7)	8.4	(0.6)	8.4
			(1.3)	14.3	(1.1)	14.0
	By origin:	Asia Pacific	(0.6)	5.6	(0.4)	5.2
		North America	-	0.3	(0.1)	0.5
		Africa	(0.7)	8.4	(0.6)	8.3
			(1.3)	14.3	(1.1)	14.0

			2004 Turnover £ million	2004 Operating profit £ million	2004 Net assets £ million	2003 Turnover £ million	2003 Operating profit £ million	2003 Net assets £ million
(vii)	Discontinued activities:							
	By activity:	Industrial supplies	14.5	1.8	(2.4)	21.6	1.7	5.3
		Electrical	-	-	1.7	14.6	0.5	2.5
			14.5	1.8	(0.7)	36.2	2.2	7.8
	By origin:	Europe	-	-	0.7	17.1	0.6	1.9
		Asia Pacific	-	-	-	2.5	-	-
		North America	-	-	(1.4)	3.1	(0.2)	(1.2)
		Africa	14.5	1.8	-	13.5	1.8	7.1
			14.5	1.8	(0.7)	36.2	2.2	7.8

Notes on the accounts

		Continuing activities Pre operating exceptional charges & goodwill amortisation £ million	Continuing activities Operating exceptional charges & goodwill amortisation £ million	Discontinued activities £ million	Total £ million
2	**Analysis of expenses**				
	Cost of sales	224.7	-	-	224.7
	Distribution costs	25.7	-	-	25.7
	Administrative expenses	30.0	1.3	0.2	31.5
		55.7	1.3	0.2	57.2
	Year ended 1 January 2005	**280.4**	**1.3**	**0.2**	**281.9**
	Cost of sales	212.8	3.7	18.7	235.2
	Distribution costs	24.8	-	2.9	27.7
	Administrative expenses	29.8	1.7	0.1	31.6
		54.6	1.7	3.0	59.3
	Year ended 3 January 2004	267.4	5.4	21.7	294.5

		2004 £ million	2003 £ million
3	**Group employees**		
	(a) Employee costs (including directors)		
	Aggregate remuneration United Kingdom	**4.1**	7.4
	Overseas	**62.8**	59.3
		66.9	66.7
	Social security contributions	**1.3**	2.2
	Pension contributions	**4.6**	4.7
	Other employee costs	**0.1**	2.1
		72.9	75.7

	Average monthly number 2004	Average monthly number 2003	Actual number at the year end 2004	Actual number at the year end 2003
(b) Number of employees				
United Kingdom	**118**	292	**111**	122
Overseas	**4,361**	4,509	**4,467**	4,329
	4,479	4,801	**4,578**	4,451

(c) Pensions

The Group operates a number of pension arrangements throughout the world, including defined benefit schemes (of which 9% of Group employees are members), defined contribution schemes, obligatory statutory schemes and provident funds. The pension arrangement assets are held in separate trustee administered funds, unless determined otherwise by local best practice and regulations. Of the total pension contributions, £4.1 million (2003 £4.5 million) relates to overseas schemes and £3.7 million (2003 £3.7 million) relates to defined contribution schemes. Where appropriate the pension contributions are assessed in accordance with the advice of a qualified independent actuary.

The main UK scheme, which is a funded defined benefit scheme, covers 2% of the Group's employees and was the subject of a formal actuarial valuation at 5 April 2003. For the purposes of these accounts, a formal review of the UK scheme was performed at 31 December 2003 using the same data as was used for the 5 April 2003

Notes on the accounts

3 **Group employees (continued)**

(c) Pensions (continued)

valuation. Both the valuation and formal review have been performed by a professionally qualified actuary. The formal review uses the projected unit method, with the assumptions that have the most significant effect on the results of the valuation being investment returns 5.8%, earnings growth 3.2% and inflation 2.2%. The formal review shows the market value of the assets of the main UK scheme was £591.4 million and the actuarial value of the assets was sufficient to cover 101% of the benefits that had accrued to members after allowing for expected future increases in earnings. The profit and loss charge for the year was £0.3 million (2003 £nil).

The employee related provisions shown in note 21 include a provision of £0.3 million (2003 £0.3 million) for pensions. The major part of this £0.3 million provision relates to the excess of the accumulated liability over the amount funded in overseas schemes.

FRS 17 'Retirements benefits'

In accordance with the transitional provisions of FRS 17 'Retirement benefits', whilst the SSAP 24 disclosure and measurement principles have been applied for pensions in these financial statements, the disclosures illustrating the pension assets and liabilities that would have been recorded had the measurement principles of FRS 17 been applied are set out below.

FRS 17 specifies accounting practice and measurement techniques that differ significantly from SSAP 24. In the case of the Group's schemes, the most significant impact has been within the calculation of the actuarial value of liabilities. FRS 17 specifies the use of a discount rate which is lower than that used under SSAP 24, resulting in a higher present value of these liabilities.

The group maintains defined benefit schemes in the United Kingdom, Australia and South Africa. In all cases it has been necessary to roll forward the calculation of scheme liabilities from earlier valuations. All such calculations have been performed by qualified independent local actuaries.

The latest valuation of the South African scheme performed at 31 December 2001 has been updated to 1 January 2005 and discloses a surplus amounting to £0.9 million before related deferred tax effects and minority interests. During 2002, the Pension Funds Second Amendment Act, 2001, was passed in South Africa. Under this Act, surpluses in pension funds have to be used in a manner specified under the Regulations to the Act, to improve current and former members' benefits prior to the employer obtaining any benefit from the surplus. Consequently, it is considered unlikely that the company will obtain any benefit from the surplus within the South African scheme and accordingly no asset is included in the disclosures below. The latest actuarial valuation of the South African scheme was performed at 31 December 2001.

The latest actuarial valuation under FRS 17 of the UK and Australian schemes was 5 April 2003 and 1 January 2003 respectively, and the results were updated to 1 January 2005. The major assumptions used by the actuaries were:

	as at 1 January 2005		as at 3 January 2004		28 December 2002	
	UK %	**Australia %**	UK %	Australia %	UK %	Australia %
Rate of increase in pensionable salaries	**3.8**	**4.0**	3.8	4.0	3.2	4.0
Rate of increase in pension payments	**3.0**	**n/a** *	3.0	n/a *	3.0	n/a*
Discount rate	**5.3**	**5.5**	5.4	6.0	5.4	6.0
Inflation rate	**2.8**	**2.5**	2.8	2.5	2.2	2.5
Expected rate of return on equities	**7.0**	**6.8**	7.0	6.8	7.0	7.9
Expected rate of return on bonds	**4.5**	**4.3**	4.9	4.3	4.4	4.3
Expected rate of return on property and cash	**5.5**	**4.6**	5.3	4.6	5.0	5.0

* The members of the Australian pension scheme receive a lump sum on retirement and no further pension payments.

Notes on the accounts

	as at 1 January 2005			as at 3 January 2004		
	UK £ million	Australia £ million	Total £ million	UK £ million	Australia £ million	Total £ million
3 Group employees (continued)						
(c) Pensions (continued)						
FRS 17 'Retirement benefits' (continued)						
The assets and liabilities in the schemes were:						
Equities	**183.6**	**3.9**	**187.5**	178.6	4.0	182.6
Bonds	**377.0**	**1.2**	**378.2**	340.9	1.3	342.2
Property & cash	**46.0**	**0.9**	**46.9**	62.5	1.3	63.8
Total assets	**606.6**	**6.0**	**612.6**	582.0	6.6	588.6
Actuarial value of liabilities	**(620.8)**	**(5.6)**	**(626.4)**	(620.8)	(7.2)	(628.0)
(Deficit) surplus	**(14.2)**	**0.4**	**(13.8)**	(38.8)	(0.6)	(39.4)
Less: related deferred tax (liability) asset	**4.2**	**(0.1)**	**4.1**	11.6	0.2	11.8
Net pension (liability) asset	**(10.0)**	**0.3**	**(9.7)**	(27.2)	(0.4)	(27.6)

		as at 1 January 2005 £ million	as at 3 January 2004 £ million
If the above amounts had been recognised in the financial statements, the Group's profit and loss reserve would have been as follows:			
Profit and loss reserve excluding pension liability		**54.6**	28.0
Pension liability, net of deferred tax asset of £4.1 million (2003 £11.8 million)		**(9.7)**	(27.6)
Profit and loss reserve including pension liability		**44.9**	0.4
The following amounts would have been recognised in the performance statements in the year under the requirements of FRS 17:			
Operating profit:	current service cost	**0.9**	1.4
	gain on curtailment	**-**	(6.5)
Total operating charge (credit)		**0.9**	(5.1)
Other finance income:	expected return on pension scheme assets	**31.9**	32.3
	interest on pension scheme liabilities	**(33.0)**	(38.9)
Net charge		**(1.1)**	(6.6)
Statement of total recognised gains and losses:			
Actual return less expected return on pension scheme assets		**26.0**	20.0
Experience gains & losses arising on the scheme liabilities		**6.0**	(13.5)
Changes in assumptions underlying the present value of the scheme liabilities		**(5.7)**	74.5
Actuarial gain recognised in the statement of total recognised gains and losses		**26.3**	81.0
Movement in deficit during the year:			
Deficit in scheme at the beginning of the year		**(39.4)**	(119.7)
Movement in the year:	current service (cost) credit	**(0.9)**	5.1
	contributions	**1.3**	0.8
	other finance charge	**(1.1)**	(6.6)
	actuarial gain	**26.3**	81.0
Deficit in scheme at the end of the year		**(13.8)**	(39.4)

Notes on the accounts

	2004 £million	2004 % of scheme assets	2004 % of present value of scheme liabilities	2003 £ million	2003 % of scheme assets	2003 % of present value of scheme liabilities
3 **Group employees (continued)**						
(c) Pensions (continued)						
Details of experience gains and losses:						
Difference between the expected and actual return on scheme assets	**26.0**	**(4.2)**	**n/a**	20.0	(3.4)	n/a
Experience gains and losses on scheme liabilities	**6.0**	**n/a**	**1.0**	(13.5)	n/a	(2.2)
Total amount recognised in statement of total recognised gains and losses	**26.3**	**n/a**	**4.2**	81.0	n/a	12.9

(d) Directors' emoluments

The disclosures required by the Companies Act 1985 are included within the Directors' remuneration report on pages 27 to 34.

	2004 Joint ventures £ million	2004 Associ-ates £ million	2004 Total £ million	2003 Joint ventures £ million	2003 Associ-ates £ million	2003 Total £ million
4 **Turnover and profits of joint ventures and associated companies**						
Group share of turnover	**0.9**	**36.6**	**37.5**	1.2	32.9	34.1
Group share of profits less losses before interest	**0.2**	**0.6**	**0.8**	0.3	(0.3)	-
Interest	**(0.2)**	**(1.1)**	**(1.3)**	-	(0.7)	(0.7)
Taxation (note 8)	**0.1**	**(0.7)**	**(0.6)**	(0.1)	0.5	0.4
Profit (loss) attributable to Delta shareholders	**0.1**	**(1.2)**	**(1.1)**	0.2	(0.5)	(0.3)

No dividends were received from joint ventures and associated companies in the current and prior year.

		2004 £ million	2003 £ million
5 **Exceptional items**			
Operating exceptional items:	Rationalisation and redundancy	-	(2.5)
	Currency gain	-	2.5
	Reduction in asset carrying values	-	(4.4)
Total operating exceptional items (iii) & (iv)		-	(4.4)
Profit on sale of fixed assets		**1.5**	-
Disposal of businesses:	Loss on disposals and termination of businesses (i)	**(2.8)**	(114.2)
	Use of provision made in previous years	-	102.7
	Release of creditors and provisions made in previous year (ii)	**1.3**	-
		(1.5)	(11.5)
Total non-operating exceptional items (i) (iii) & (iv)		-	(11.5)

Notes on the accounts

5 Exceptional items (continued)

(i) In 2004 this represents the loss on disposal of the associated undertaking, Cobra Investments (Pty) Ltd. In 2003 this represents the loss on disposal of the Electrical division and remaining Plumbing businesses before use of £102.7 million of provisions made in previous years for diminution in value of businesses to be disposed of. In 2003 £0.7 million of goodwill relating to the Plumbing businesses, previously written off to reserves on the acquisition of businesses was also charged to the profit and loss as part of the loss on disposal above.

(ii) During 2004, the Group either settled or was released from a number of warranties or indemnities given in respect of businesses previously disposed of, at a cost less than was previously provided for.

(iii) The tax credit attributable to operating exceptional items is £nil (2003 £0.4 million), the tax charge attributable to non-operating exceptional items is £0.1 million (2003 credit £0.5 million).

(iv) There was £nil (2003 £nil) attributable to minority shareholders.

(v) The net cash inflow from exceptional items was £8.2 million (2003 £114.9 million).

		2004 £ million	2003 £ million
6 Interest			
Interest payable:	On bank loans and overdrafts	**(2.9)**	(7.7)
	On other loans	**(3.0)**	(3.2)
		(5.9)	(10.9)
Interest receivable		**4.3**	6.9
Share of joint ventures' and associates' net interest (note 4)		**(1.3)**	(0.7)
		(2.9)	(4.7)

Interest payable includes £2.7 million (2003 £3.2 million) in respect of foreign exchange differences on financing balances.

	2004	2003
7 Profit (loss) on ordinary activities before taxation is after charging:		
Amortisation of goodwill (including £nil (2003 £nil) for associates)	**1.3**	1.1
Audit fees - Deloitte & Touche (including £0.1 million (2003 £0.1 million) for parent Company)	**0.4**	0.4
Depreciation of tangible assets	**10.9**	12.5
Operating lease rentals: - land and buildings	**2.3**	2.3
- plant and equipment	**0.9**	1.0
Research and development	**0.6**	1.0
Profit on disposal of fixed assets (including £1.5 million (2003 £nil) disclosed in note 5 exceptional items)	**1.5**	0.4

Deloitte & Touche South Africa received £0.1 million (2003 £0.1 million) in respect of non-audit services during the year which principally related to tax compliance services.

The translation of overseas profit before tax at the 2004 average rates of exchange, as compared with the 2003 average rates, increased profits by £0.5 million (£(0.1) million of this relating to non-operating exceptional losses).

Notes on the accounts

		2004 £ million	2003 £ million
8	**Taxation**		
	Analysis of tax charge for the year:		
	UK corporation tax at 30.0% (2003 30.0%)	1.9	6.0
	Double taxation relief	(1.9)	(6.0)
	Overseas taxation	10.7	10.3
	Adjustments for prior years	(1.0)	(0.7)
	Total current tax	9.7	9.6
	Deferred tax: Current year	(0.5)	0.7
	Adjustments for prior years	(0.3)	0.5
	Total deferred tax	(0.8)	1.2
	Taxation of Group share of profits less losses of joint ventures & associated companies (note 4)	0.6	(0.4)
	Total tax charge	9.5	10.4

Factors affecting tax charge for the year:
The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30.0% (2003 30.0%).
The differences are explained below:-

	2004 £ million	2003 £ million
Profit on ordinary activities before taxation	30.5	12.7
Add back: loss from joint ventures and associates	0.5	0.7
	31.0	13.4
Taxation charge at UK corporation tax rate of 30.0% (2003 30.0%)	9.3	4.0
Tax effect of expenses not deductible for tax purposes: Operating exceptional items	-	0.9
Non-operating exceptional items	-	3.2
Goodwill amortisation	0.3	0.3
Other non-deductible expenses	0.9	1.0
Tax effect of non-taxable income	(1.4)	(0.9)
Overseas profits subject to tax at lower rate	(0.1)	(0.1)
Timing difference not subject to deferred tax	0.1	1.5
Timing differences subject to deferred tax	0.5	(0.7)
Adjustments to current tax charge in respect of prior periods	(1.0)	(0.7)
Withholding tax (incl. South African Secondary Tax on Companies)	1.1	1.1
Current tax charge for the year	9.7	9.6
Deferred tax movements taken to the profit & loss account	(0.8)	1.2
Joint ventures and associate tax	0.6	(0.4)
	9.5	10.4

The 2004 tax charge on continuing businesses was reduced by £1.3m due to matters relating to prior years, including the resolution of an historical tax dispute in South Africa which resulted in a tax refund and release of provisions. This beneficial effect cannot be expected to be repeated in future years.

Notes on the accounts

		2004 £ million	2003 £ million
9 Dividends			
Preference (non-equity):	6.0% cumulative first preference shares and 4.5% cumulative second preference shares	**0.1**	0.1
Ordinary (equity):	Interim 0.6p (2003 1.5p)	**0.9**	2.2
	Proposed final 2.4p (2003 0.5p)	**3.7**	0.8
		4.6	3.0
Total dividends		**4.7**	3.1

10 Earnings per share

Basic earnings per share (EPS) is calculated in accordance with FRS 14, by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out in the table below. The earnings are based on the attributable profit (pre and post-exceptional items) less preference dividends and goodwill amortisation (where applicable) as shown below.

	2004			2003		
	Total earnings £ million	**Weighted average no. of shares**	**Per share amount total pence**	Total earnings £ million	Weighted average no. of shares	Per share amount total pence
Profit (loss) attributable to shareholders	**14.8**	**151,174,618**		(5.4)	150,784,911	
Less: preference dividends	**(0.1)**			(0.1)		
Basic EPS	**14.7**	**151,174,618**	**9.7**	(5.5)	150,784,911	(3.7)
Effects on dilutive securities: options	**-**	**80,658**		-	-	
Diluted EPS	**14.7**	**151,255,276**	**9.7**	(5.5)	150, 784,911	(3.7)
Basic EPS (as above)	**14.7**	**151,174,618**	**9.7**	(5.5)	150,784,911	(3.7)
Effect of goodwill amortisation	**1.3**		**0.9**	1.1		0.7
Basic EPS excl. goodwill amortisation	**16.0**	**151,174,618**	**10.6**	(4.4)	150,784,911	(3.0)
Diluted EPS excl. goodwill amortisation	**16.0**	**151,255,276**	**10.6**	(4.4)	150,784,911	(3.0)
Basic EPS excl. goodwill amortisation (as above)	**16.0**	**151,174,618**	**10.6**	(4.4)	150,784,911	(3.0)
Effect of operating exceptional items before taxation (note 5)	**-**		**-**	4.4		2.9
Effect of non-operating exceptional items before taxation (note 5)	**-**		**-**	11.5		7.6
Effect of taxation on exceptional items (note 5 iii)	**0.1**		**-**	(0.9)		(0.5)
Basic EPS excluding exceptional items and goodwill amortisation	**16.1**	**151,174,618**	**10.6**	10.6	150,784,911	7.0
Diluted EPS excluding exceptional items and goodwill amortisation	**16.1**	**151,255,276**	**10.6**	10.6	150,784,911	7.0

Notes on the accounts

		Cost £ million	Amort-isation £ million	Net book value £ million
11	**Intangible assets - goodwill**			
	At 3 January 2004	17.7	(3.7)	14.0
	Acquisitions (note 29)	1.3	-	1.3
	Amortisation for the year	-	(1.3)	(1.3)
	Currency translation	0.5	(0.2)	0.3
	At 1 January 2005	**19.5**	**(5.2)**	**14.3**

All capitalised goodwill above is being amortised over the useful economic life of the acquisitions. This does not exceed 20 years.

		Cost or valuation				Accumulated depreciation				
		Land & buildings £ million	Plant & machinery £ million	Fixtures, fittings, tools & equipment £ million	Total £ million	Land & buildings £ million	Plant & machinery £ million	Fixtures, fittings, tools & equipment £ million	Total £ million	Net book value £ million
12	**Tangible assets**									
	Group:									
	At 3 January 2004	55.2	107.7	18.3	181.2	8.7	60.1	12.0	80.8	100.4
	Currency translation	(3.1)	(5.7)	(0.2)	(9.0)	(0.6)	(3.1)	(0.3)	(4.0)	(5.0)
	Disposals	(1.6)	(1.2)	(3.6)	(6.4)	(0.1)	(0.9)	(2.1)	(3.1)	(3.3)
	Acquisitions (note 29)	(0.9)	-	-	(0.9)	(0.6)	0.8	0.1	0.3	(1.2)
	Expenditure 2004	3.0	6.2	1.6	10.8	-	-	-	-	10.8
	Depreciation 2004	-	-	-	-	1.3	7.4	2.2	10.9	(10.9)
	At 1 January 2005	**52.6**	**107.0**	**16.1**	**175.7**	**8.7**	**64.3**	**11.9**	**84.9**	**90.8**

Included in the above are payments on account and assets in the course of construction:

At 3 January 2004	0.3	3.6	-	3.9
Currency translation	-	(0.3)	-	(0.3)
Expenditure 2004	-	3.4	0.3	3.7
Transfer to completed assets	(0.3)	(3.3)	(0.3)	(3.9)
At 1 January 2005	-	**3.4**	-	**3.4**

Analysis of cost or valuation of land and buildings at professional valuation in:

2001 and earlier years	13.3
2002 - 2004	-
At cost	39.3
At 1 January 2005	**52.6**

		2004 £ million	2003 £ million
Analysis of net book value:			
Land and buildings:	Freehold	**40.0**	42.2
	Short leasehold	**3.9**	4.3
Plant and machinery		**42.7**	47.6
Fixtures, fittings, tools & equipment		**4.2**	6.3
At 1 January 2005		**90.8**	100.4

(i) If the land and buildings were included at cost, the net book value of land and buildings would be reduced by £7.8 million (2003 £9.2 million).

Notes on the accounts

	Joint ventures			Associated companies			Group	Company
	Cost £ million	Share of reserves £ million	Loans £ million	Cost £ million	Share of reserves £ million	Loans £ million	Total £ million	Associated company loan £million
13 Investments								
(a) Associates, joint ventures and other investments: cost and share of reserves								
At 3 January 2004	0.4	-	1.1	3.0	12.2	2.1	18.8	1.6
Currency translation	-	(0.1)	-	(0.1)	-	(0.1)	(0.3)	(0.1)
Disposals	-	-	-	(0.5)	(6.7)	(0.3)	(7.5)	(0.3)
Repayment of loans	-	-	-	-	-	(1.3)	(1.3)	(1.2)
Amounts retained	-	0.1	-	-	(1.2)	-	(1.1)	-
Net book value at 1 January 2005	**0.4**	**-**	**1.1**	**2.4**	**4.3**	**0.4**	**8.6**	**-**

(i) The names of principal joint ventures and associated companies are given on page 74.

	Joint ventures		Associates	
	2004 £ million	2003 £ million	**2004 £ million**	2003 £ million
(b) The Group's share in the net assets of associates and joint ventures (excluding loans) comprises:				
Fixed assets	**0.9**	1.0	**6.7**	13.4
Current assets	**0.5**	0.6	**9.8**	13.2
Liabilities due within one year	**(1.0)**	(0.2)	**(9.1)**	(5.2)
Liabilities due after more than one year	**-**	(1.0)	**(0.7)**	(6.2)
Share of net assets	**0.4**	0.4	**6.7**	15.2

	Group				Company	
	Money market funds		Other		Money market funds	
	2004 £ million	2003 £ million	**2004 £ million**	2003 £ million	**2004 £ million**	2003 £ million
(c) Current asset investments:						
At 3 January 2004	**13.0**	0.4	**-**	5.4	**8.2**	-
Acquisitions, disposals and other movements	**10.7**	12.6	**-**	(5.4)	**11.2**	8.2
Net book value at 1 January 2005	**23.7**	13.0	**-**	-	**19.4**	8.2

	Book value			Amounts provided				
	At 3 January 2004 £ million	Movements during year £ million	At 1 January 2005 £ million	At 3 January 2004 £ million	Movements during year £ million	At 1 January 2005 £ million	Net book value at 1 January 2005 £ million	Net book value at 3 January 2004 £ million
(d) Holding company investments in Group companies:								
Shares	571.6	224.4	796.0	(185.4)	(24.0)	(209.4)	**586.6**	386.2
Loans	(203.0)	(217.8)	(420.8)	(17.1)	-	(17.1)	**(437.9)**	(220.1)
	368.6	6.6	375.2	(202.5)	(24.0)	(226.5)	**148.7**	166.1

(i) The net book value of shares is equivalent to the issued share capital and reserves of the subsidiary companies.

(ii) The cost of shares in subsidiary companies is £779.1 million (2003 £600.2 million).

(iii) The names of the principal Group companies are given on page 74.

Notes on the accounts

		Group		Company	
		2004 £ million	2003 £ million	2004 £ million	2003 £ million
14	**Stocks**				
	Raw materials	18.7	15.5	-	-
	Work-in-progress	6.8	5.5	-	-
	Finished goods	40.8	38.4	-	-
		66.3	59.4	-	-
	Replacement cost	69.6	59.6	-	-
15	**Debtors**				
	Amounts falling due after one year:				
	Other debtors	0.7	1.1	0.3	0.6
	Deferred tax (note 21)	3.2	2.9	-	-
		3.9	4.0	0.3	0.6
	Amounts falling due within one year:				
	Trade debtors	50.3	50.5	-	-
	Amounts owed by Group companies	-	-	-	0.1
	Other debtors	2.7	5.5	0.3	0.6
	Corporation tax recoverable	1.3	0.6	-	-
	Prepayments and accrued income	1.8	2.6	0.2	0.5
		56.1	59.2	0.5	1.2
		60.0	63.2	0.8	1.8
16	**Creditors**				
	Amounts falling due within one year:				
	Trade creditors	26.1	25.6	0.1	0.1
	Amounts owed to Associated companies	0.4	0.5	-	-
	Amounts owed to Group companies	-	-	4.1	0.4
	Other creditors	8.0	6.9	0.2	0.2
	Corporate taxation	5.5	4.5	-	-
	Other taxation and social security	1.2	1.1	0.1	0.1
	Accruals and deferred income	22.0	25.0	1.4	1.8
	Dividends	3.7	0.8	3.7	0.8
		66.9	64.4	9.6	3.4
17	**Capital commitments**				
	Future capital expenditure, contracted but not provided for	2.8	3.6	-	-
18	**Contingent liabilities**				
	Financial guarantees	2.7	5.7	1.6	1.6

It is not expected that any loss will arise in respect of these financial guarantees.

The Company is registered under a group registration for value added tax and is jointly liable for the amount payable of £0.1million at 1 January 2005 (2003 £0.1 million) in respect of certain UK Group companies.

The European Commission's competition directorate is continuing its investigation into allegations of anti-competitive behaviour among certain manufacturers of copper plumbing fittings, including the

Notes on the accounts

18 Contingent liabilities (continued)

Group's former plumbing fittings business. Notwithstanding the Group's subsequent disposal of that business, the Group retains some responsibility in relation to the outcome of the Commission's investigation and is co-operating fully with the Commission. Whilst the investigation is not subject to a prescribed timetable, the Commission could issue a statement of objections during 2005, and a final decision (including as regards any fine) would follow thereafter. Legal counsel have advised that applicable regulations limit the fines that could be imposed to 10% of the group's total turnover in the business year preceding the imposition of the fine. The investigation is expected to result in a fine, however the Commission is afforded considerable discretion in the determination of such fines as well as in the reduction of fines imposed on parties who seek leniency and co-operate with the Commission. Given the stage of this particular investigation and the Commission's considerable discretion in determining fines, it is not possible to estimate the level of fine that might be imposed upon the Group. Any decision by the Commission could be appealed to the European Courts, although an appeal would not typically suspend payment of a fine. Consequently, no provision has been raised in respect of this matter except for legal expenses expected to be incurred in connection with the investigation.

In addition to the liabilities for which provisions have been made and those described above, the Group has contingent liabilities arising in the ordinary course of business and from businesses previously disposed, from which it is currently anticipated that the likelihood of any material liabilities arising is remote.

		2004		2003	
		Land and buildings £ million	Other £ million	Land and buildings £ million	Other £ million
19 Commitments under operating leases					
Annual commitments under operating					
leases expiring:	Within one year	**1.1**	**0.3**	0.5	0.2
	Between one and five years	**1.3**	**1.1**	3.3	0.6
	After five years	**0.4**	**-**	1.4	-
		2.8	**1.4**	5.2	0.8

Company annual commitments for land and buildings are £0.2 million (2003 £0.2 million) for leases expiring between one and five years.

	Group			Company		
	Due within one year £ million	Due after one year £ million	Total £ million	Due within one year £ million	Due after one year £ million	Total £ million
20 Borrowings						
At the end of this year:						
Unsecured bank loans and overdrafts	18.6	0.1	18.7	16.7	-	16.7
Other unsecured loans	0.2	0.6	0.8	-	-	-
At 1 January 2005	**18.8**	**0.7**	**19.5**	**16.7**	**-**	**16.7**
At the end of last year:						
Unsecured bank loans and overdrafts	20.7	0.3	21.0	26.9	-	26.9
Acceptances	1.7	-	1.7	-	-	-
	22.4	0.3	22.7	26.9	-	26.9
Other unsecured loans	0.1	0.7	0.8	-	-	-
At 3 January 2004	22.5	1.0	23.5	26.9	-	26.9

Notes on the accounts

	Group 2004 £ million	Group 2003 £ million	Company 2004 £ million	Company 2003 £ million
20 **Borrowings (continued)**				
The Group borrowings are repayable as follows:				
Within one year	**18.8**	22.5	**16.7**	26.9
Between one and two years	**0.2**	0.3	**-**	-
Between two and five years	**0.5**	0.7	**-**	-
	19.5	23.5	**16.7**	26.9

In both 2003 and 2004 there were no Group borrowings repayable wholly or partly in more than five years by instalments.

	Employee related provisions £ million	Insurance £ million	Restructuring & disposal provisions £ million	Other £ million	Deferred taxation £ million	Group Total £ million	Company Restructuring £ million
21 **Provisions for liabilities and charges**	(i)	(ii)	(iii)	(iv)	(v)		
At 3 January 2004	3.0	1.6	20.8	2.9	1.3	29.6	0.3
Currency translation	0.3	-	-	(0.3)	-	-	-
Profit and loss:							
Additional provision	0.1	-	-	1.3	0.2	1.6	-
Unused amounts released	-	-	(1.2)	(0.2)	(1.0)	(2.4)	-
Utilised	(1.7)	(0.1)	(2.1)	(0.4)	0.6	(3.7)	(0.2)
At 1 January 2005	**1.7**	**1.5**	**17.5**	**3.3**	**1.1**	**25.1**	**0.1**

(i) Includes pension and long term compensation provisions.

(ii) Delta Insurance Ltd, a captive insurance company, is a wholly owned subsidiary of the Group. Provision is made for claims incurred but which have not yet been notified, based on advice from its insurance managers and consulting actuaries.

(iii) Restructuring and disposal provisions relate to future liabilities expected to arise as a result of businesses disposed (see note 5 exceptional items).

(iv) Includes warranties, environmental and other provisions.

With respect to items (i), (ii) and (iv) above, the timing of cash outflows to settle such liabilities is currently expected to be over the next five years. With respect to item (iii) above, the timing of cash outflows to settle such liabilities is uncertain, however we expect the majority of these matters to be resolved during the next three years.

	2004 Amount provided £ million	2003 Amount provided £ million
(v) Deferred taxation		
Overseas tax on timing differences:		
Capital allowances in excess of depreciation	**6.6**	6.4
Tax losses	**(2.9)**	(1.8)
Other timing differences	**(2.6)**	(3.3)
Deferred tax liabilities (above)	**1.1**	1.3
Deferred tax assets – other timing differences (note 15)	**(3.2)**	(2.9)
Net deferred tax asset	**(2.1)**	(1.6)

Notes on the accounts

21 Provisions for liabilities and charges (continued)

(v) Deferred taxation (continued)

	2004 £ million
Movement on deferred taxation in the period:	
Net deferred tax asset at 3 January 2004	**(1.6)**
Credit to profit and loss account	**(0.8)**
Currency translation and other movements	**0.3**
Net deferred tax asset at 1 January 2005	**(2.1)**

The accumulated losses reported by the Group for tax purposes in various tax jurisdictions include the following, most of which were incurred by disposed businesses. The following figures are subject to audit by tax authorities and do not include amounts recognised as deferred tax assets that are expected to be utilised in the near future.

Country	Closing tax losses 2004 £ million
Germany	97
United Kingdom	19
United States	9
Other jurisdictions	2

The future use, if any, of these accumulated losses will depend upon then governing tax rules and regulations, and upon the Group generating appropriate taxable income in those countries.

22 Related party transactions

During the year ended 1 January 2005, purchases on normal trading terms of £3.8 million (2003 £3.4 million) were made from joint ventures and associated companies, no sales were made in this period. As at 1 January 2005 creditors included £0.4 million (2003 £0.5 million) in respect of purchases made from associates and joint ventures by the Group (see note 16) and loans to associates and joint ventures were £1.5 million (2003 £3.2 million). See note 13.

Details of the Group's principal joint ventures and associated companies are set out on page 74.

	6% Cumulative first preference shares of £1 each £ million	4.5% Cumulative second preference shares of £1 each £ million	Ordinary shares of 25p each £ million	Total share capital £ million
23 Share capital	(i)	(ii)	(iii)	
Authorised:				
At 3 January 2004 and 1 January 2005	**1.0**	**2.0**	**47.0**	**50.0**
Called up share capital - allotted and fully paid:				
At 3 January 2004	0.9	1.9	37.9	40.7
Issued during year under share option schemes	-	-	-	-
At 1 January 2005	**0.9**	**1.9**	**37.9**	**40.7**

(i) 1,000,000 shares authorised and 866,152 shares allotted and fully paid at 3 January 2004 and 1 January 2005.

(ii) 2,000,000 shares authorised and 1,940,000 shares allotted and fully paid at 3 January 2004 and 1 January 2005.

(iii) 188,000,000 shares authorised at 3 January 2004 and 1 January 2005, 151,697,846 shares allotted and fully paid at 1 January 2005 (2003 151,665,260).

Notes on the accounts

23 Share capital (continued)

(iv) The non-equity preference shares are not redeemable and are non-voting except in circumstances where the Company proposes to abrogate, modify or vary their rights. They have preferential rights to return of capital on a winding up.

(v) During the year the Company allotted a total of 32,586 ordinary shares of 25p each under the Save As You Earn Share Option Scheme and the International Save As You Earn Share Option Scheme at 72p and 82p. The aggregate nominal value of all the allotted shares was £8,146 and the consideration received for the allotments was £23,832.

		Executive	Save As You Earn	International Save As You Earn	Senior executive
24 Share options		(i)	(i) (ii) & (iii)	(i)	(i) & (ii)
Invitation to subscribe		6th	-	-	-
Total number of participants at end of year		25	33	73	-
Options granted during year:	Date:	16 April & 20 September	-	-	-
	Exercise prices	83p & 86p respectively	-	-	-
	Number of shares	1,381,591	-	-	-
Options exercised and shares allotted during year:	Number of shares	-	11,061	21,525	-

(i) At 1 January 2005, there were options outstanding under the UK Save As You Earn Scheme over 260,014 shares at prices between 72p and 270p, under the International Save As You Earn Scheme over 350,890 shares at prices between 72p and 108p, under the Senior Executive Share Option Scheme over nil shares and under the Executive Share Option Scheme over 4,702,914 shares between 83p and 156p.

(ii) In normal circumstances the options under the Save As You Earn Share Option Scheme mature either 36, 60 or 84 months following grant and can be exercised within 6 months of the relevant maturity date. Options under the Executive schemes can be exercised between three and ten years after the date on which options were granted subject to performance criteria being met.

(iii) In preparing the accounts the directors have taken advantage of the exemption available to Inland Revenue approved SAYE schemes under UITF 17 (revised).

	Group				Company			
	Share premium account £ million	Revaluation reserve £ million	Profit & loss account £ million	Employee share ownership trust £ million	Share premium account £ million	Revaluation reserve £ million	Profit and loss account £ million	Employee share ownership trust £ million
25 Reserves								
At 3 January 2004	32.5	47.5	28.0	(1.0)	32.5	(21.6)	97.1	(1.0)
Movements during year:								
Issue of shares	-	-	-	-	-	-	-	-
Net surplus (deficit) arising on revaluation:								
Currency translation	-	(8.0)	3.2	-	-	-	-	-
Group companies	-	-	-	-	-	17.5	-	-
Transfer of reserves	-	(13.3)	13.3	-	-	22.4	(22.4)	-
Transfers to (from) profit and loss account:								
Group companies	-	-	11.2	-	-	-	(12.2)	-
Associated companies	-	-	(1.1)	-	-	-	-	-
	-	(21.3)	26.6	-	-	39.9	(34.6)	-
At 1 January 2005	**32.5**	**26.2**	**54.6**	**(1.0)**	**32.5**	**18.3**	**62.5**	**(1.0)**

Notes on the accounts

25 Reserves (continued)

(i) The profit and loss account of the Group includes profits retained in overseas Group companies totalling £56.2 million (2003 £56.2 million) which could be subject to local exchange control regulations if distributed as dividends.

(ii) The profit and loss account of the Group includes retained net profits in associated companies of £4.8 million (2003 £11.3 million) of which £5.2 million (2003 £11.6 million) is retained overseas and which could be subject to local exchange control regulations if distributed as dividends.

(iii) The revaluation reserve of the Group includes £nil (2003 £1.8 million) in respect of associated companies.

(iv) The loss for the year dealt with in the accounts of the Company is £(7.5) million (2003 £(6.8) million) As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

(v) The cumulative goodwill written off directly to reserves, attributable to continuing Group and associated companies held at the end of the year which were purchased prior to 1998, amounted to positive goodwill of £19.8 million (2003 £19.8 million). It has not proved possible to identify goodwill in respect of companies acquired prior to 1970, but the amounts are not considered to be material.

(vi) In 2003 in the Group reserves £0.5 million of exchange gains on foreign currency loans were offset against exchange losses on the net investments in certain overseas subsidiaries and associated undertakings. Following the cessation of hedging in August 2003, there were no such gains/losses to be offset in 2004.

(vii) Movement in Company shareholders' funds

	2004 £ million	2003 £ million
Loss for the financial year	**(7.5)**	(6.8)
Dividends	**(4.7)**	(3.1)
	(12.2)	(9.9)
Other recognised gains (losses) for the year: net surplus (deficit) arising on revaluation of Group companies	**17.5**	(2.5)
Shares issued	**-**	0.5
Net increase (decrease) in shareholders' funds for the year	**5.3**	(11.9)
Total shareholders' funds at the beginning of the year	**147.7**	159.6
Total shareholders' funds at the end of the year	**153.0**	147.7

(viii) Shares in the Employee share ownership trust (ESOT) are valued at their original cost and deducted from shareholders' funds. At 1 January 2005, the 514,609 (2003 514,609) shares held by the ESOT which cost £1.5 million had a market value of £0.5 million (2003 £0.4 million). At 1 January 2005, £0.5 million (2003 £0.5 million) has been amortised to the profit and loss account. Dividend income payable to the ESOT has been waived. Further details of the operation of the long term incentive plan are given in the Directors' remuneration report.

26 Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	**32.6**	28.9
Depreciation, asset carrying value adjustments and amortisation of goodwill	**12.2**	17.9
Profit on disposal of fixed assets	**-**	(0.4)
Increase in stocks	**(9.1)**	(5.3)
Decrease (increase) in debtors	**1.4**	(5.7)
Increase (decrease) in creditors	**1.1**	(11.5)
Decrease in provisions	**(0.8)**	(0.9)
Other items	**-**	4.6
Net cash inflow from operating activities	**37.4**	27.6

Notes on the accounts

		2004 £ million	2003 £ million
27	**Reconciliation of net cash flow to movement in net debt**		
	Increase (decrease) in cash in the year	**0.8**	(17.5)
	Cash outflow from decrease in debt and lease financing	**3.8**	87.7
	Cash outflow (inflow) from increase (decrease) in liquid resources	**16.7**	(1.5)
	Change in net debt resulting from cash flows	**21.3**	68.7
	Disposals	**-**	3.8
	Other non-cash changes	**(2.7)**	(3.1)
	Translation difference	**2.8**	(2.1)
	Movement in net debt in the year	**21.4**	67.3
	Net cash (debt) at the beginning of the year	**21.2**	(46.1)
	Net cash at the end of the year	**42.6**	21.2
	Net cash comprises the following Group balance sheet accounts:		
	Current asset investments – money market funds	**23.7**	13.0
	Bank and other deposits	**38.4**	31.7
	Borrowings falling due within one year	**(18.8)**	(22.5)
	Borrowings falling due after one year	**(0.7)**	(1.0)
	Net cash at the end of the year	**42.6**	21.2

		At 3 January 2004 £ million	Cash flow £ million	Other non-cash changes £ million	Translation difference £ million	At 1 January 2005 £ million
28	**Analysis of net debt**					
	Cash in hand, at bank	26.1	2.3	(2.7)	1.2	**26.9**
	Overdrafts	(15.7)	(1.5)	-	1.3	**(15.9)**
		10.4	0.8	(2.7)	2.5	**11.0**
	Debt due after one year	(1.0)	0.2	-	0.1	**(0.7)**
	Debt due within one year	(6.8)	3.6	-	0.3	**(2.9)**
	Debt	(7.8)	3.8	-	0.4	**(3.6)**
	Liquid resources (i)	18.6	16.7	-	(0.1)	**35.2**
	Net cash	21.2	21.3	(2.7)	2.8	**42.6**

(i) Liquid resources at 1 January 2005 include money market funds of £23.7 million (2003 £13.0 million) and bank and other deposits repayable in excess of 24 hours notice of £11.5 million (2003 £5.6 million).

(ii) £4.2 million (2003 £4.6 million) of the Group's net cash is restricted and not immediately available to other members of the Group.

Notes on the accounts

29 Acquisition and disposal of businesses

(i) Disposals

In November 2004 the Group and its co-investees sold their investment in Cobra Investments (Pty) Ltd (which manufactures a comprehensive range of plumbing fittings) to Distribution and Warehousing Network Ltd. The net proceeds in respect of the Group's 37.6% share in Cobra was £4.2 million. The Group also sold its intermediate holding company, Delta Electrical and Engineering Holdings S.L. during the year, the net proceeds of which was £0.5 million.

The 2003 and 2004 results of these businesses have been included in discontinued activities for the purposes of these financial statements. Prior to disposal this business repaid £1.2 million of the equity loan advanced from Delta plc which is included in the Group's cash flow from capital expenditure and financial investment.

(ii) Acquisitions

During the year the Group finalised the fair value of the opening balance sheet of Webforge, which was acquired in 2003 from Pacifica Group. The table below presents the provisional values reflected in the 2003 accounts, together with the adjustments thereto. There were no acquisitions made in 2004. All acquisitions have been recorded using acquisition accounting principles.

	Acquisitions					Disposals
	2004	2003				2004
		Provisional	2004 adjustments		Amended fair	
	Total £ million	value £ million	Revaluation £ million	Other £ million	value £ million	Total £ million
	(i)		(ii)	(iii)		
Tangible fixed assets	-	12.0	(0.3)	(0.9)	10.8	-
Investments in associated companies	-	-	-	-	-	7.5
Stocks	-	5.0	-	-	5.0	-
Debtors	-	7.1	-	-	7.1	-
Creditors (incl. current tax)	-	(6.0)	-	-	(6.0)	-
Provisions (incl. deferred tax)	-	0.3	-	-	0.3	-
Minority interests	-	0.2	-	-	0.2	-
Borrowings	-	-	-	-	-	-
Net cash	-	1.3	-	-	1.3	-
Net assets acquired and disposed of	-	19.9	(0.3)	(0.9)	18.7	7.5
Goodwill	-	3.0	0.3	1.0	4.3	-
Loss on disposal (net of provisions made in prior years)	-	-	-	-	-	(1.5)
	-	22.9	-	0.1	23.0	6.0
Net cash payable/receivable at average exchange rates	1.2	22.4	-	0.1	22.5	4.5
Deferred consideration payable/receivable and disposal costs not yet paid	-	1.2	-	-	1.2	(0.3)
Amounts in respect of prior years acquisitions /disposals	(1.3)	-	-	-	-	1.5
Currency translation	0.1	(0.7)	-	-	(0.7)	0.3
	-	22.9	-	0.1	23.0	6.0

(i) Excludes the adjustments made to the 2003 provisional valuation which are disclosed separately. The cash outflow of £1.2 million is in respect of deferred consideration for a business acquired in 2003 in South Africa.

(ii) Finalisation of property valuations within Webforge's Asian businesses £0.3 million.

(iii) Finalisation of accounting policy alignments and amounts in dispute relating to the purchase consideration £0.9 million.

Notes on the accounts

30 Financial instruments

Further information on the Group's use of financial instruments is included in the Financial Review in the sections on borrowings and borrowing facilities, treasury policies and the effect of interest and exchange rates. This should be read in conjunction with the numerical disclosures set out here. Short-term debtors and creditors have been excluded from all disclosures (other than the currency profile (section vi)). The Group does not trade in financial instruments, so there are no financial instruments held for trading purposes.

(i) Interest rate and currency profile of financial assets and liabilities

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
Financial assets							
At 1 January 2005:							
Cash and deposits	0.2	1.9	12.9	18.9	0.3	4.2	38.4
Money market funds	-	-	-	-	23.7	-	23.7
Foreign exchange deals	4.3	2.3	1.3	-	0.7	0.1	8.7
Loans to associates/ joint ventures and other investments	-	1.1	-	-	-	-	1.1
Other	0.1	-	-	-	0.2	0.3	0.6
	4.6	5.3	14.2	18.9	24.9	4.6	72.5
Floating rate	4.6	5.3	14.2	18.9	24.9	4.3	72.2
Fixed rate	-	-	-	-	-	0.3	0.3
	4.6	**5.3**	**14.2**	**18.9**	**24.9**	**4.6**	**72.5**

(a) £0.3 million of fixed rate financial assets have a weighted average fixed interest rate of 7.5% and no set repayment date.

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
At 3 January 2004:							
Cash and deposits	1.0	1.3	4.5	21.4	0.4	3.1	31.7
Money market funds	-	-	-	-	13.0	-	13.0
Foreign exchange deals	-	-	-	-	14.1	-	14.1
Loans to associates/ joint ventures and other investments	-	1.1	-	1.6	0.5	-	3.2
Other	0.2	-	-	-	0.5	0.4	1.1
	1.2	2.4	4.5	23.0	28.5	3.5	63.1
Floating rate	1.0	2.4	4.5	23.0	28.0	3.1	62.0
Fixed rate	-	-	-	-	-	0.4	0.4
Interest free	0.2	-	-	-	0.5	-	0.7
	1.2	2.4	4.5	23.0	28.5	3.5	63.1

Notes on the accounts

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
30 **Financial instruments (continued)**							
Financial assets (continued)							
At 3 January 2004:							
Weighted average fixed interest rate (%)	-	-	-	-	-	7.5	7.5
Weighted average period (years) for which rate is: Fixed (b)	-	-	-	-	-	-	-
Interest free (b)	-	-	-	-	-	-	-

(b) £0.4 million of fixed rate financial assets and £0.5 million of interest free financial assets have no set repayment date.

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
Financial liabilities							
At 1 January 2005:							
Borrowings	(0.1)	(1.2)	(1.2)	(14.5)	(0.3)	(2.2)	(19.5)
Foreign exchange deals	(0.1)	(2.6)	-	(5.3)	-	(0.7)	(8.7)
Preference shares (c)	-	-	-	-	(2.8)	-	(2.8)
	(0.2)	**(3.8)**	**(1.2)**	**(19.8)**	**(3.1)**	**(2.9)**	**(31.0)**
Floating rate	(0.2)	(3.8)	(1.2)	(19.8)	(0.3)	(2.9)	(28.2)
Fixed rate	-	-	-	-	(2.8)	-	(2.8)
	(0.2)	**(3.8)**	**(1.2)**	**(19.8)**	**(3.1)**	**(2.9)**	**(31.0)**

(c) The preference shares of £2.8 million are not redeemable and have a weighted average interest rate of 5%.

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
At 3 January 2004:							
Borrowings	(1.0)	(1.2)	(5.0)	(13.3)	(0.2)	(2.8)	(23.5)
Foreign exchange deals	(3.5)	(7.9)	(0.5)	(1.6)	-	(0.5)	(14.0)
Interest rate swaps (d)	-	(0.6)	-	-	-	-	(0.6)
Preference shares	-	-	-	-	(2.8)	-	(2.8)
	(4.5)	(9.7)	(5.5)	(14.9)	(3.0)	(3.3)	(40.9)
Floating rate	(4.5)	(9.7)	(3.8)	(14.9)	(0.2)	(3.3)	(36.4)
Fixed rate	-	-	(1.7)	-	(2.8)	-	(4.5)
	(4.5)	(9.7)	(5.5)	(14.9)	(3.0)	(3.3)	(40.9)

(d) Interest rate swaps had a notional principle of US$37.5 million expiring in September 2004.

Notes on the accounts

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
30 Financial instruments (continued)							
Financial liabilities (continued)							
At 3 January 2004:							
Weighted average fixed interest rate (%)	-	-	5.5	-	5.0	-	5.1
Weighted average period (years) for which rate is: Fixed (e)	-	-	1.0	-	-	-	1.0
Interest free	-	-	-	-	-	-	-

(e) The preference shares of £2.8 million are not redeemable.

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
Total financial assets less financial liabilities							
Floating rate	4.4	1.5	13.0	(0.9)	24.6	1.4	44.0
Fixed rate	-	-	-	-	(2.8)	0.3	(2.5)
At 1 January 2005	**4.4**	**1.5**	**13.0**	**(0.9)**	**21.8**	**1.7**	**41.5**
Floating rate	(3.5)	(7.3)	0.7	8.1	27.8	(0.2)	25.6
Fixed rate	-	-	(1.7)	-	(2.8)	0.4	(4.1)
Interest free	0.2	-	-	-	0.5	-	0.7
At 3 January 2004	(3.3)	(7.3)	(1.0)	8.1	25.5	0.2	22.2

Floating rate liabilities principally bear interest at rates based on one or three-month LIBOR or South Africa bank prime rates.

	2004 £ million	2003 £ million
(ii) Maturity profile of financial liabilities		
In one year or less, or on demand	**(27.4)**	(37.1)
In one to two years	**(0.3)**	(0.3)
In two to five years	**(0.5)**	(0.7)
In more than five years	**(2.8)**	(2.8)
	(31.0)	(40.9)

Preference shares of £2.8 million, which are not redeemable, are included in the 'In more than five years' category.

(iii) Maturity profile of undrawn committed borrowing facilities		
Within one year	**(15.2)**	(20.2)

(iv) Fair values of financial assets and financial liabilities

The Group does not trade in financial instruments. The following table provides a comparison, by category, of the carrying amounts and the estimated fair value of the Group's financial assets and financial liabilities. Set out on the table below is a summary of the methods and assumptions used to determine fair values.

Notes on the accounts

	2004 Book value £ million	2004 Fair value £ million	2003 Book value £ million	2003 Fair value £ million
30 Financial instruments (continued)				
(iv) Fair values of financial assets and financial liabilities (continued)				
Primary financial instruments used to finance the Group's operations:				
Other borrowing	**(19.5)**	**(19.5)**	(23.5)	(23.5)
Preference shares	**(2.8)**	**(1.8)**	(2.8)	(2.1)
	(22.3)	**(21.3)**	(26.3)	(25.6)
Financial assets:				
Cash and short term deposits	**38.4**	**38.4**	31.7	31.7
Money market funds	**23.7**	**23.7**	13.0	13.0
Loans to associates/ joint ventures and other investments	**1.1**	**1.1**	3.2	3.2
Other	**0.6**	**0.6**	1.1	1.1
	63.8	**63.8**	49.0	49.0
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	**-**	**-**	(0.6)	(0.6)
Derivative financial instruments held to manage the translation exposure:				
Forward foreign currency contracts	**-**	**(0.2)**	0.1	0.1
Derivative financial instruments held to manage transaction exposures:				
Forward foreign currency contracts	**-**	**-**	-	4.4
	41.5	**42.3**	22.2	27.3

The following methodology has been used to establish estimated fair values:

Item	**Method**
Cash at bank, short-term borrowings	The fair value of these items approximates to the carrying amount.
Preference shares	The fair value of the two issues of preference shares, which are not redeemable, has been calculated using the mid-market value of shares as at 1 January 2005.
Interest rate swaps	Fair value is based on the market price of comparable instruments at the balance sheet date.
Foreign exchange deals	Fair value is calculated by marking each contract to market at exchange rates prevailing at the balance sheet date.

(v) Currency and interest rate hedges

The table below shows the extent to which the Group has unrecognised off-balance sheet positions in respect of financial instruments used as hedges at the beginning and end of the year. It also shows how they are expected to be included in the profit and loss account by year. Relative to interest rates and exchange rates at the year-end, the hedges increase (decrease) reported costs as follows:

Notes on the accounts

	2004 £ million	2003 £ million
30 Financial instruments (continued)		
(v) Fair values of financial assets and financial liabilities (continued)		
Unrecognised gains (losses):		
Positions on hedges at beginning of year	**4.4**	0.2
Arising in previous years included in 2004 (2003) income	**(4.4)**	(0.2)
Arising in previous years not included in 2004 (2003 income)	**-**	-
Arising in 2004 (2003)	**(0.2)**	4.4
Positions on hedges at year end	**(0.2)**	4.4
Of which:		
Expected to be included in the next financial year	**(0.2)**	4.4
	(0.2)	4.4

(vi) Currency profile

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their own functional currencies. The amounts shown take into account the effect of any foreign exchange contracts entered into to manage currency risks.

	Net foreign currency monetary assets (liabilities)						
	Sterling £ million	Euro £ million	Rand £ million	AU dollar £ million	US dollar £ million	Other £ million	Total £ million
Functional currency of Group operation:							
US dollar	0.1	0.7	(18.3)	(6.8)	-	0.4	(23.9)
Other	-	(0.8)	2.9	2.0	(0.8)	0.1	3.4
At 1 January 2005	**0.1**	**(0.1)**	**(15.4)**	**(4.8)**	**(0.8)**	**0.5**	**(20.5)**
At 3 January 2004:							
US dollar	-	-	-	-	-	(1.8)	(1.8)
Other	-	(0.8)	-	-	(1.3)	1.3	(0.8)
	-	(0.8)	-	-	(1.3)	(0.5)	(2.6)

Shareholders' information

Calendar 2005

Dividends on ordinary shares	Final 2004	Announcement	**24 March 2005**
		Payable	**13 June 2005**
		to members registered on	**8 April 2005**
	Interim 2005	Announcement	**1 September 2005**
		Payable	**5 December 2005**
		to members registered on	**9 September 2005**
Distribution of documents to members		Interim report 2005 posted	**6 September 2005**
Annual general meeting		Proxies to reach registrars by 11am	**3 May 2005**
		Meeting to be held at 11am	**5 May 2005**
Accounting periods		First half year 2005 ends	**2 July 2005**
		Second half year 2005 ends	**31 December 2005**

Ownership of ordinary shares

At 1 January 2005

By type of shareholder

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
5,769	87.7	Individual shareholders	9.0	5.9
727	11.0	Bank or Nominees	138.7	91.4
4	0.1	Insurance companies and pension funds	0.6	0.4
81	1.2	Other institutions	3.4	2.3
6,581	100.0		151.7	100.0

By size of shareholding

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
3,531	53.6	held up to 999 shares	1.4	0.9
2,834	43.1	held between 1,000 and 24,999 shares	9.4	6.2
155	2.4	held between 25,000 and 249,999 shares	11.8	7.8
61	0.9	held 250,000 shares and above	129.1	85.1
6,581	100.0		151.7	100.0

Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs)

The Company offers both a self-select PEP and self-select ISA administered by Halifax Share Dealing Limited. Both accounts provide UK residents with a tax efficient method of holding shares in Delta plc. Any profit made through the sale of shares whilst they are held in a PEP or ISA are free of capital gains tax. Any dividends received on the shares held in a PEP or ISA can either be paid to you, or from April 2005 you can have it automatically reinvested.

Further information regarding the Halifax Share Dealing PEP and Halifax Share Dealing ISA is available from Halifax Share Dealing Limited, PEP and ISA Department, Trinity Road, Halifax, HX1 2RG, telephone number: 0870 600 9966, or from the Company Secretary.

The value of your investments and the income from them can go down as well as up. You may not get back the full amount you have invested. If you are in any doubt about the suitability of an ISA or whether to buy or sell shares, you should consult an appropriate Financial Advisor. The levels and bases of taxation can change and the value of any tax advantages to you will depend on your individual circumstances.

Halifax Share Dealing Limited. Registered in England No 3195646. Registered Office: Trinity Road, Halifax, HX1 2RG Authorised and regulated by the Financial Services Authority, a member of the London Stock Exchange and an Inland Revenue approved PEP and ISA Manager.

Registrars

Our registrars, Lloyds TSB Registrars, operate a call centre dealing with shareholder enquiries. Should you need any information in respect of your shareholding, please call 0870 600 3970. Additionally, for those with hearing disabilities, the Registrars have provided a textphone number, 0870 600 3950.

Notice of annual general meeting

Notice is hereby given that the one hundred and seventeenth annual general meeting of Delta plc will be held at the Thistle Hotel Charing Cross, Strand, London, WC2N 5HX on 5 May 2005 at 11 am for the following purposes:

1. To receive and consider the accounts for the financial year ended 1 January 2005 and the report of the directors and auditors thereon.

2. To approve the report to shareholders on directors' remuneration for the year ended 1 January 2005.

3. To declare a final dividend on the ordinary shares.

4. To re-elect Todd Atkinson as a director of the Company.

5. As special business, to consider and, if thought fit, pass the following resolution as a special resolution:

THAT, the authority conferred on the Company by a special resolution passed at the extraordinary general meeting of the Company held on 25 April 1990 and subsequently renewed annually to make market purchases (as defined by Section 163(3) of the Companies Act 1985 as amended) of ordinary shares of 25p each in its capital be renewed provided that:-

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 15,000,000;
(b) the minimum price which may be paid for each such ordinary share is the nominal value of such share and the maximum price which may be paid for such ordinary shares is not more than 5 per cent. above the average of the middle market quotations for such shares taken from the Daily Official List of London Stock Exchange plc for the five business days in respect of which such Daily Official List is published immediately preceding the date of purchase (in each case excluding expenses);
(c) unless previously revoked or varied the authority hereby conferred is to expire on 5 August 2006 or at the conclusion of the annual general meeting in 2006, whichever is the earlier; and
(d) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which may be or will be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

6. To appoint Deloitte & Touche LLP as auditors of the Company and to authorise the directors to determine their remuneration.

1 Kingsway, London WC2B 6NP
24 March 2005

On behalf of the Board
J P Narciso, Secretary

Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, a person must be registered as the holder of ordinary shares by 6pm on 3 May 2005 in order for such person to be entitled to attend or vote at the meeting in respect of those shares. Changes to entries on the register after 6pm on 3 May 2005 shall be disregarded in determining the rights of any person to attend or vote (and the number of votes cast) at the meeting. A person must be registered as the holder of preference shares by the same time in order for such person to be entitled to attend the meeting in respect of those shares. Preference shares do not entitle their holders to vote at the meeting.

Any member entitled to attend and vote at this meeting may appoint one or more proxies, whether a member of the Company or not, to attend and vote on the member's behalf. A form of proxy is enclosed for the use of members who may wish to vote but who are unable to attend the meeting. This must reach the registrars not later than 48 hours prior to the time set for the meeting in order to be effective. Completing and returning a form of proxy will not prevent a member from attending and voting at the meeting should the member so wish.

Copies of service contracts under which the directors of the Company are employed and the register of directors' interests will be available for inspection at the Company's registered office during normal office hours on any business day from 24 March 2005 to the date of the meeting, and at the place of the meeting from fifteen minutes prior to and during the meeting.

Principal group and associated companies (iv)

At 1 January 2005

GALVANIZING

AUSTRALIA	
Industrial Galvanizers Corporation Pty Ltd	Galvanizing services
Webforge Australia Pty Ltd	Galvanized steel products
CHINA	
Guangzhou Webforge Grating Co Ltd	Galvanized steel products
Wuxi Webforge Grating Co Ltd	Galvanized steel products
INDONESIA	
PT Webforge Indonesia	Galvanized steel products
PT Bukit Terang Paksi Galvanizing (50%) (joint venture)	Galvanizing services
MALAYSIA	
Webforge (KL) Sdn Bhd	Galvanized steel products
IGC-Industrial Galvanizers Corporation (M) Sdn Bhd (70%)	Galvanizing services
NEW ZEALAND	
Webforge (NZ) Ltd	Galvanized steel products
PHILIPPINES	
Industrial Galvanizers Corporation of the Philippines Inc	Galvanizing services
Webforge Philippines Inc	Galvanized steel products
SINGAPORE	
Webforge (Singapore) Pte Ltd	Galvanized steel products
USA	
Industrial Galvanizers America Inc	Galvanizing services
VIETNAM	
Vingal Industries Co Ltd (55%)	Galvanizing services

ELECTROLYTIC MANGANESE DIOXIDE

SOUTH AFRICA	
Delta Emd (Pty) Ltd (iii) (55%)	Electrolytic manganese dioxide
AUSTRALIA	
Delta EMD Australia Pty Ltd (iii) (55%)	Electrolytic manganese dioxide

MANGANESE METAL

ASSOCIATE	
SOUTH AFRICA	
Manganese Metal Co (Pty) Ltd (49%)	Manganese metal

INDUSTRIAL SUPPLIES

AUSTRALIA	
Donhad Pty Ltd (60%)	Mining consumables
Machin & Ewen Pty Ltd	Fasteners
Cutting Edges Pty Ltd	Distribution of replacement parts
SOUTH AFRICA	
Electrical Repair Engineering (Pty) Ltd (iii)	Electrical repairs
Equipment Spare Parts Africa (Pty) Ltd (iii)	Distribution of replacement parts
Transwire (Pty) Ltd (iii)	Manufacture of covered copper conductors
Wire Electric (Pty) Ltd (iii)	Distribution of industrial consumables
UNITED KINGDOM	
Investment Tooling International Ltd	Mouldmaking and specialist toolmakers

Notes

(i) The issued share capital of each of the companies, is in the form of fully paid ordinary shares. The percentage of the equity held by the Group is 100%, unless otherwise stated. Certain of the smaller Group companies and non-trading companies have been omitted.

(ii) Companies without a designation are incorporated and operate in Great Britain. Those overseas are incorporated and operate in the country under which they are listed.

(iii) Subsidiaries of Delta Electrical Industries Ltd, a South African company which is listed on the Johannesburg Stock Exchange. DEI is 56.4% indirectly owned by Delta plc.

(iv) Audited information.

Group financial information

	2000 £ million	2001 £ million	2002 £ million	2003 £ million	**2004 £ million**
Profit and loss account (continuing)					
Turnover (including associates):					
Electrolytic manganese dioxide	57.8	37.7	47.1	45.9	**34.2**
Manganese metal	20.0	16.1	22.3	19.1	**22.2**
Galvanizing	72.3	75.7	85.7	124.2	**131.1**
Industrial supplies	107.2	107.5	107.9	132.1	**150.0**
Total	257.3	237.0	263.0	321.3	**337.5**
Profit before exceptional items, goodwill amortisation and interest:					
Electrolytic manganese dioxide	15.1	12.7	15.6	15.8	**5.2**
Manganese metal	5.2	4.5	4.6	(2.1)	**(1.4)**
Galvanizing	3.6	1.1	4.1	8.3	**12.5**
Industrial supplies	10.7	12.1	11.0	15.6	**20.7**
Group costs	(7.2)	(5.5)	(6.5)	(5.5)	**(4.1)**
Total including Group costs	27.4	24.9	28.8	32.1	**32.9**
Balance sheet (including discontinued operations)					
Ordinary capital issued	37.6	37.6	37.8	37.9	**37.9**
Reserves	253.1	218.7	119.0	107.0	**112.3**
Equity shareholders' funds	290.7	256.3	156.8	144.9	**150.2**
Capital employed	402.5	352.4	244.7	161.8	**148.0**
Earnings and dividends					
Basic earnings (loss) per 25p ordinary share (pence)	(5.0)	(13.9)	(66.8)	(3.7)	**9.7**
Dividends per 25p ordinary share (pence)	8.0	8.0	8.0	2.0	**3.0**
Times covered	(0.6)	(1.7)	(8.4)	(1.9)	**3.2**
Statistics					
Return on capital employed (%)	7.5	2.7	(24.3)	8.6	**21.6**
Equity shareholders' funds per 25p ordinary share (pence)	194	171	104	96	**99**
Debt/equity ratio	0.3:1	0.2:1	0.3:1	(0.1):1	**(0.3):1**
Ratio of current assets to current liabilities	2.2:1	1.7:1	1.1:1	1.9:1	**2.2:1**
Stock Market price of ordinary shares					
Highest (pence)	161	158	127	125	**103.5**
Lowest (pence)	101	86	76	81	**77.5**

UK Capital Gains Tax

The market value of Delta plc ordinary shares on 31 March 1982 was 42.5p per share

Notes:

The profit and loss account information for 2000-2003 has been restated to reflect activities discontinued between 2000 and 2003 and the new segmental reporting structure adopted in 2003. All other information above is as published in the financial statements for the respective years, restated as follows:

(i) 2002 being restated to reflect the implementation of UITF 38 and the change in accounting policy re long term employee compensation arrangements in South Africa. The figures for 1999-2001 have not been restated.

(ii) 2001 being restated to reflect the adoption of FRS 19. The figures for 1999 and 2000 have not been restated.

(iii) 2000 being restated to exclude money market fund current investments in the calculation of capital employed and to include them within debt for the calculation of the debt/equity ratio.

(iv) 2000 being restated to include deferred tax in the calculation of capital employed.

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