Company No: 26077

DELTA

Annual Report and Accounts
For the year ended 31 December 2008

www.deltaplc.com
Stock Exchange Code: DLTA

Co no. 26077

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Welcome

Delta plc is an international group headquartered in the UK and listed on the London Stock Exchange with manufacturing operations employing over 2,700 people in Australia, Asia, South Africa, the UK and the United States.

Delta's Business Segments:

Engineered Steel Products **Galvanizing Services** **Manganese Materials**

Contents

DELTA

Operational & Financial Highlights

Group Results

- Revenue has increased 24% from £266.4 million to £330.8 million.
- Operating profit from continuing businesses before exceptional items increased 109% from £17.6 million to £36.7 million (after exceptional items 2007: £5.5 million – 2008: £39.9 million).
- Profit after tax from continuing businesses before exceptional items increased 53% from £21.0 million to £32.2 million (after exceptional items 2007: £8.4 million – 2008: loss of £11.9 million).
- Effective tax rate from continuing businesses before exceptional items was 23% (2007: 17%).
- Cash flow from operations before tax increased 82% from £26.9 million to £49.0 million.
- Net cash[1] at the year end of £109.6 million.
- Earnings per share from continuing businesses before exceptional items increased 22% from 13.9p to 17.0p (after exceptional items 2007: 9.1p – 2008: loss 11.4p).
- Dividend for the year increased 30% from 5.0p to 6.5p.

[1] Net cash is defined as Cash and cash equivalents plus Other financial assets less Bank overdrafts and Borrowings.

Divisional Results

- Engineered Steel Products pre-exceptional operating profit increased from £15.3 million to £21.3 million, on revenues that increased from £147.4 million to £200.9 million.
- Galvanizing Services operating profit reduced from £12.3 million to £10.2 million on revenues that increased from £84.5 million to £86.6 million.
- Delta EMD reported a pre-exceptional operating profit of £9.2 million (2007: £4.9 million loss) on revenues that increased from £34.5 million to £43.3 million.

Results Commentary

- The Group enjoyed an exceptionally good year with significantly improved operating profit and operating cash flow. The Group's businesses were resilient to the worsening global economic conditions, and the Group ended the year in a strong financial position. An important step forward also was made toward de-risking and de-scaling the Delta Pension Plan.

DELTA

Group at a Glance

Engineered Steel Products   Galvanizing Services   Manganese Materials

BUSINESS DIVISIONS	Engineered Steel Products	Galvanizing Services	Manganese Materials	
% OF CONTINUING REVENUE	60.7%	26.2%	13.1%	2008
	55.3%	31.7%	13.0%	2007

DIVISION

ENGINEERED STEEL PRODUCTS

PRINCIPAL OPERATIONS

Delta's Engineered Steel Products businesses produce road safety barrier systems, power transmission and distribution, lighting and telecommunications poles, industrial grating and access systems, and forged steel grinding media.

LOCATION

AUSTRALIA, ASIA, NEW ZEALAND AND THE UK

COMPANIES

Ingal Civil Products
www.ingalcivil.com.au
Ingal Civil Products produces road safety barriers including guardrail, wire rope safety barriers and crash attenuation barriers.

Ingal EPS
www.ingaleps.com.au
Ingal EPS produces poles for power transmission and distribution, telecommunications and lighting.

Webforge
www.webforge.com.au
Webforge produces access systems including grating, flooring, handrail and barriers, as well as sunscreens, drainage gates and access covers.

Webforge operates from eleven plants in Asia Pacific including four plants in Australia, one in New Zealand and six in Asia.

Donhad Pty Ltd
www.donhad.com.au
Donhad manufactures forged steel grinding media for the mining industry and operates from three plants in Australia, located in Perth, Townsville and Newcastle. Delta plc holds 60% of the outstanding shares of Donhad, with MolyCop, the global leader in forged steel grinding media and a subsidiary of the Scaw Metals Group, holding the remaining 40% shareholding.

Investment Tooling International Limited
www.iti-manchester.co.uk
ITI operates in the United Kingdom and manufactures a wide range of steel tooling and moulds for use in commercial and industrial applications.

Hi-Light Industries Pty Limited
www.hi-light.com.au
Hi-Light manufactures and installs architectural sunscreen systems in Australia. It also supplies aluminium walkways and handrails.

GALVANIZING SERVICES

Delta's hot-dip galvanizing services are provided from nine plants in Australia, three in Asia, and five in the United States. Delta also reclaims Zinc from ash and dross and produces Zinc alloys and oxides.

AUSTRALIA, ASIA PACIFIC AND THE UNITED STATES

Industrial Galvanizers Corporation
Industrial Galvanizers Corporation operates hot-dip galvanizing plants in Australia, Asia and the South East of the USA. Galvanizing provides a superior protection against the corrosion of steel products, and Industrial Galvanizing facilities are designed to galvanize a variety of customers' products, including large structural steel, fabricated steel products and smaller manufactured steel products.

Industrial Galvanizers Australia
www.ingal.com.au

Industrial Galvanizers America
www.indgalv.net

Industrial Galvanizers Asia
www.asia.indgalv.com.au

AusZinc Metals & Alloys
www.auszinc.com.au
AusZinc Metals & Alloys is an Australia-based business that reclaims Zinc from the by-products of the Group's Australian galvanizing operations and recycles them to produce a variety of Zinc alloys and oxides.

MANGANESE MATERIALS

Delta's interests in Manganese Materials businesses include Delta EMD, a leading global supplier of Electrolytic Manganese Dioxide for use in the manufacture of disposable batteries, and Manganese Metal Company, a leading global supplier of manganese metal for use in the production of steel, aluminium and electronic components.

SOUTH AFRICA

Delta EMD
www.deltaemd.com
Delta EMD is a leading global supplier of electrolytic manganese dioxide (EMD) used for the manufacture of disposable batteries worldwide.

Delta EMD's plant is located at Nelspruit, South Africa.

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.

Manganese Metal Company
www.mmc.co.za
Manganese Metal Company (MMC) is a leading global supplier of electrolytic manganese metal used in the production of steel, aluminium and electronic components. MMC produces only selenium-free electrolytic manganese — the purest form of manganese — to meet the specialised needs of its customers around the world.

MMC has a production plant located in Nelspruit, South Africa.

MMC is a member of the BHP Billiton Group, and Delta plc owns a 49% shareholding.

DELTA

Chairman's Statement

Steve Marshall
Chairman

"Many businesses would envy Delta's current position as we enter a downturn, with relatively diverse businesses, many with defensive characteristics, and net cash in the bank . . . To enhance the marketability and attractiveness of Delta as an equity investment, the Board remains keen to pursue all options for enhancing long-term value for shareholders."

OVERVIEW OF 2008 RESULTS

Overall trading performance during the year was excellent. Profit before tax and before exceptionals of £41.9 million was up 66%. Cash flow generated from operations at £49.0 million was up 82%, assisted by reductions in working capital levels.

Engineered Steel Products made strong progress across the Australian and Asian operations. Galvanizing Services was resilient, despite the impact of remarkable commodity price volatility on its marketplace. Delta EMD produced a significant turnaround from last year's operating loss, benefitting from the decision to reduce production capacity.

Following a competitive market auction, some £450 million of Pensioner liabilities were transferred to Pensions Insurance Corporation via the purchase of an insured bulk annuity. Delta funded some £50 million in cash to facilitate the transaction, which I am relieved to report was negotiated and signed prior to the most recent turmoil in the financial markets. This represents an important step forward for shareholders in reducing the scale and risks associated with the Delta Pension Plan (DPP), albeit further action is desirable as and when market conditions permit.

Despite funding the above transaction, Group consolidated net cash at year end amounted to £109.6m. This, alongside healthy underlying cash generation, provides Delta with the ongoing flexibility to continue to invest in the core operations, fund add-on acquisitions and when the time is right to consider further actions on the DPP.

Key Priorities for 2009

Inevitably, trading conditions will be tougher over the coming year, with even the relatively resilient Australian economy having recently reported GDP contraction. These impacts are already apparent in some businesses to a degree, albeit we expect much of Delta's portfolio to demonstrate defensive characteristics during a downturn. A strong operational focus will therefore be high on management's list of 2009 priorities.

The ongoing programme to upgrade plant in existing markets and add capacity in new markets will continue so long as these continue to demonstrably add to medium and long-term value. Add-on acquisitions are likely to become available to cash buyers at more realistic prices than previously. These will be actively considered, provided they have strategic logic as part of the Delta Group.

Many businesses would envy Delta's current position as we enter a downturn, with relatively diverse businesses, many with defensive characteristics, and net cash in the bank. In the short term, these are indeed important assets. Yet the options for the strategic development of the Group continue to be limited by the scale, risks and regulatory constraints imposed by the DPP. To enhance the marketability and attractiveness of Delta as an equity investment, the Board remains keen to pursue all options for enhancing long-term value for shareholders.

For 2009, operational management's exclusive focus will be on optimising trading performance during the downturn, and on the active longer term development of the businesses. At the centre, efforts will also focus on further simplifying the Group's portfolio of businesses, generating further net cash in the balance sheet, and on monitoring market opportunities to further de-risk and de-scale the DPP at fair value.

DIVIDEND

The Board has recommended a final dividend of 4.6p per share (2007: 3.4p per share) which would provide a full year 2008 dividend of 6.5p per share (2007: 5.0p per share).

Steve Marshall
Chairman
25 March 2009

Engineered Steel Products
Sunscreen products.

Galvanizing Services
Galvanizing zinc.

Manganese Materials
Manganese metal.

Chief Executive's Review

Todd Atkinson
Chief Executive

"The Group's 2008 financial performance was exceptionally good, and a substantial reduction in the Group's pension liabilities was achieved."

2008 RESULTS

We are pleased to report that the Group's revenue improved during the year by 24.2% to £330.8 million (2007: £266.4 million) and the Group's profit after tax for the year from continuing operations and before exceptional items improved by 53.3% to £32.2 million (2007: £21.0 million), providing basic earnings per share from continuing operations and before exceptional items of 17.0 pence (2007: 13.9 pence).

The Group's total profit included exceptional items, including a £48.8 million charge related to the de-scaling and de-risking of the Delta Pension Plan, a £2.8 million charge for closure costs and a £6.0 million gain on sale of surplus property. Including exceptional items and discontinued operations, the Group's loss for the year attributable to equity holders was £3.2 million (2007: profit of £17.2 million), providing basic losses per ordinary share attributable to equity shareholders of 5.7 pence (2007: basic earnings per share of 14.2 pence).

The Group's year-end net cash balance decreased to £109.6 million from £128.9 million with the payment of £50.2 million toward the de-scaling and de-risking of the Delta Pension Plan.

The Board has recommended a final dividend of 4.6 pence per share, which would provide a full year dividend of 6.5 pence per share (2007: 5.0 pence per share).

REVIEW OF 2008 TRADING

Engineered Steel Products

The Group's Engineered Steel Products division performed very well and improved upon the prior year's performance. Operating profit increased by 39.2% to £21.3 million (2007: £15.3 million) on continuing revenue that increased by 36.3% to £200.9 million (2007: £147.4 million).

Ingal Civil Products (ICP) performed very well during the year with improved sales volumes and the effective management of higher steel costs. Further benefits were realised from ICP's recent commissioning of new more automated roll forming equipment and a bespoke galvanizing facility, resulting in improved revenue and operating profit. The sale of ICP's former site was concluded during the year, resulting in a £6.0 million exceptional gain and an additional £8.6 million cash inflow. ICP continued to benefit from a strong market position as well as highway refurbishment and infrastructure investments funded by the Australian government. The expansion of ICP's business with additional product technologies also progressed with the development of alternative barrier systems, as well as the successful introduction of complementary products. ICP's market position against foreign imports also improved during the year, as difficulties with competitors' imported product were experienced in the marketplace, and the Australian dollar weakened.

The performance of Ingal EPS was disrupted during the year by difficulties with product sourced from China. The rectification required on imported poles at the beginning of the year disrupted production at Ingal EPS's two Australian manufacturing plants and required considerable additional effort to assure timely supply, resulting in extra costs and poor efficiencies. The Australian market for power transmission and distribution poles and lighting poles remained strong during the year. Our market-leading supply of poles to the Australian market will require a combination of domestically produced products as well as imported products. Ingal EPS's market strategy and operations will be focused during the coming year to properly service the Australian pole market, and improve Ingal EPS's financial performance.

Webforge Australia performed very well during the year by maintaining its strong market position and effectively managing higher steel costs. Revenue and operating profit improved substantially on similar volumes, providing exceptional financial performance. Webforge management also successfully integrated Hi-Light Industries following acquisition at the beginning of the year, and have begun to realise the planned synergies between Webforge's and Hi-Light's architectural products businesses. Webforge management also made further progress toward enlarging Webforge's market shares in complementary products such as expanded metal products, civil products and planking.

Webforge Asia performed exceptionally well during the year. Sales volumes improved modestly and selling prices were successfully managed against volatile Asian steel prices and increasingly competitive markets. Revenue and operating profit improved over the prior year. Further progress toward the development of greenfield plants in Western China and the Middle East was made, and an additional forge welder will soon be commissioned at Webforge's plant in Guangzhou, China. The greenfield plant in Chengdu, China is under construction and should be commissioned during the coming year. Efforts to develop Webforge Asia's market positions in the Middle East, Vietnam and India also continued during the year with success.

Donhad's volumes sold improved substantially during the year as Australian mining activity continued to be strong, and Donhad's market position improved against foreign imports. Steel supply and costs were managed successfully, and markedly improved revenue and operating profit resulted. Donhad management also successfully managed the challenges of satisfying additional demand whilst continuing to develop opportunities to participate in developing market segments, such as Australia's planned development of substantial magnetite iron ore mining capacity.

Market conditions for Investment Tooling International (ITI), the Group's remaining business in the United Kingdom, continued to be difficult during the year; nonetheless, a small operating profit was achieved. At year end, one of ITI's UK operations was closed at a cost of £0.7 million, and efforts to sell the other operation are now under way.

Galvanizing Services

The Group's Galvanizing Services division performed well during the year but didn't match the very good performance of 2007. Zinc prices declined substantially during the year which pressured selling prices at the Group's hot-dip galvanizing operations, and also particularly affected the financial performance of AusZinc, the Group's zinc reclamation business. Galvanizing Service's operating profit declined by 17.1% to £10.2 million (2007: £12.3 million) on continuing revenue that increased by 2.5% to £86.6 million (2007: £84.5 million). Galvanizing volumes in Australia continued to be restrained by

ENGINEERED STEEL PRODUCTS

Engineered Steel Products	Galvanizing Services	Manganese Materials
60.7%	**26.2%**	**13.1%**

% of Continuing Revenue

Delta's Engineered Steel Products businesses produce road safety barrier systems, power transmission and distribution, lighting and telecommunications poles, industrial grating and access systems, and forged steel grinding media.

Chief Executive's Review
continued

capacity, as well as by difficulties recruiting and retaining labour in Australia's labour market. Selling prices were managed effectively against substantial declines in zinc prices, resulting in improved value added per tonne, which offset higher labour costs. Revenue and operating profit consequently improved, and cash flows were enhanced as the value of zinc inventories declined. The development of a greenfield plant in Melbourne progressed, and the plant will be commissioned shortly. Upgrades to plants in Newcastle and Brisbane also progressed to plan, and Galvanizing management's efforts to realise incremental improvements toward improved energy efficiencies and improved chemical utilisation continued with success.

US Galvanizing's market position continued to improve during the year, and provided sales volumes similar to 2007 in softer market conditions. Economic conditions deteriorated during the year in the United States and adversely affected galvanizing volumes toward the end of the year. Whilst lower zinc prices heightened price competition in the United States, selling prices were well managed. FIFO zinc costs, as well as higher energy and labour costs, reduced margins and resulted in reduced operating profit.

The performance of the Group's Asian galvanizing operations varied during the year. Market volumes declined with deteriorating economic conditions and uncertain political environments, and price competition intensified with lower zinc prices and reduced market volumes. The Group's two Malaysian operations performed reasonably well in difficult market conditions, but fell short of 2007's very good result, whilst operating profit from the Group's Philippine operation improved modestly. The performance of the Group's galvanizing operation in Indonesia improved over the prior year, with good volumes and reduced zinc costs. Management's efforts to optimise efficiencies and reduce costs also assisted, whilst necessary improvements were made to plant and equipment.

AusZinc's input costs and selling prices are determined with reference to the LME zinc price; consequently, AusZinc's financial performance remains closely tied to movements in the LME zinc price. The year's substantial decline in the LME zinc price significantly reduced AusZinc's selling prices and margins on products produced with zinc residues sourced at higher prices. Consequently, AusZinc's revenue and operating profit declined. AusZinc management nonetheless succeeded in realising good sales volumes and operational efficiencies. AusZinc's share of the galvanizing zinc market was maintained, agricultural zinc oxide sales volumes improved, and zinc oxide export volumes were improved substantially. Management also successfully reduced inventories providing good cash flow and reducing AusZinc's exposure to future zinc price movements.

Manganese Materials

Delta EMD

The global market for electrolytic manganese dioxide (EMD) settled during the year with the closure of Delta EMD's Australian production site, and the resolution of anti-dumping investigations in Europe, Japan and the United States. Demand for EMD for use in the manufacture of disposable batteries remained strong, and market selling prices reflected a more balanced market, affording recovery of higher input costs, particularly substantially higher manganese ore costs, as well as better margins.

"We should be relatively well positioned to weather the most difficult economic conditions in 2009 and to continue investment in the Group's core businesses."

Consequently, 2008 was a markedly better year for Delta EMD: revenues increased by 25.5% to £43.3 million (2007: £34.5 million), and pre-exceptional operating profit improved to £9.2 million (2007: operating loss of £4.9 million). Sales revenue increased with improved selling prices and favourable exchange rate movements; however, total sales volumes declined during the year with the closure of Delta EMD's Australian production site at the end of March 2008. Nonetheless, all of Delta EMD's Australian stock that was on hand at the beginning of the year, or produced prior to closure of the Australian production site, was sold by year end, and sales volumes of South African product increased by 6% and exceeded production. Selling prices for EMD produced at the Group's South African plant were increased at the beginning of the year by approximately 20% and by approximately 60% during April 2008 when a substantial manganese ore cost increase was announced. Delta EMD's remaining Australian stock was produced prior to the manganese ore cost increase and selling prices for that stock were not increased.

The operating profit reported by the Group for Delta EMD does not include £1.8 million of additional rehabilitation provisions required for Delta EMD's Australian residue disposal and production sites, or £0.3 million of additional impairment charges related to Delta EMD's Australian assets, both of which have been treated as exceptional closure costs. However, it does include £0.9 million of costs incurred managing the Australian production site since production ceased in March 2008, which is net of gains realised on the sale of certain supplies and raw materials, as well as £0.4 million of one-off costs associated with defending anti-dumping investigations (2007: £0.8 million).

As planned, production at Delta EMD's Australian production site ceased during March 2008. The plant was decommissioned during the year, and surplus supplies and raw materials were sold. Delta EMD continues to explore the possible sale of the 9 hectare production site with certain plant and equipment whilst also preparing for demolition and rehabilitation of that site. Discussions also continue with parties interested in purchasing Delta EMD's Australian residue disposal site, a 25 hectare site located on Kooragang Island.

Manganese Metal Company (MMC)

The financial performance of MMC during the year was exceptionally good. Market selling prices for electrolytic manganese metal (EMM) were high, and MMC maintained its market niche and price premium with superior quality and service. Demand for use of EMM as an alloying agent by steel and aluminium makers was high and provided good sales volumes. MMC management successfully managed disruptions to electrical power, and realised good operational efficiencies. Exceptionally good operating profit and cash flow resulted.

Our earlier impairment of the Group's share of MMC's net assets in 2005, which was partially reversed in 2007, was reversed in full during the year, resulting in a £6.4 million exceptional credit, and MMC's fourth quarter results have been included in the Group's accounts.

Efforts to dispose MMC progressed during the year, and should be concluded shortly, provided a reasonable valuation can be funded. MMC has been reclassified to an asset held-for-sale on the balance sheet and thus accounted for as a discontinued operation.

Cash Flow and Balances

The Group's cash generated from operations before tax totalled £49.0 million (2007: £26.9 million) and reflects improved operating profit and favourable working capital movements. The value of zinc inventories held by our Galvanizing Services businesses reduced with the lower zinc prices, and Delta EMD's inventories reduced as the inventories remaining from Delta EMD's Australian plant were sold.

As described more fully below, the Group committed £50 million during the year toward the de-scaling and de-risking of the Delta Pension Plan.

Capital expenditure increased to £13.1 million during the year (2007: £7.5 million) and exceeded depreciation, which totalled £6.5 million. The total expenditure included expenditures toward Australian Galvanizing's greenfield plant in Melbourne, Australia and Webforge Asia's greenfield plant in Chengdu, China.

The Group's net cash balance decreased to £109.6 million (2007: £128.9 million), of which £87.7 million is held by the Company or in wholly owned subsidiaries. The balance was enlarged during the year by favourable foreign exchange movements.

Delta Pension Plan

During the year the Delta Pension Plan (DPP) completed the purchase of a bulk annuity from Pension Insurance Corporation (PIC). The Group contributed £50 million to that purchase, and the DPP transferred specifically identified assets to PIC, all in exchange for a bulk annuity that insured the DPP's obligations to participants who were retirees on 31 December 2007. Before year end, individual annuities were issued to those retirees, discharging any further liability to them. As the pensions payable to those retirees have now been secured through another source, and the Group's pension liabilities have been reduced substantially, as indicated by the Group's year end IAS 19 total liability of £197.2 million (2007: £631.2 million).

The participant population remaining in the DPP now includes only active and deferred participants, as well as those participants who retired after 31 December 2007. As the average age of the participant

GALVANIZING SERVICES

Engineered Steel Products	Galvanizing Services	Manganese Materials
60.7%	**26.2%**	**13.1%**

% of Continuing Revenue

Delta's hot-dip galvanizing services are provided from nine plants in Australia, three in Asia, and five in the United States. Delta also reclaims Zinc from ash and dross and produces zinc alloys and oxides.

Chief Executive's Review
continued

population is much younger, the mortality assumptions employed to determine the Group's IAS 19 liability have been revised, and now include a medium cohort (i.e. PxA92MC).

These more prudent mortality assumptions contributed to a modest year end IAS 19 net deficit of £2.5 million (2007: net surplus of £9.5 million). The Group's IAS 19 total liabilities were determined with an assumed inflation rate of 2.5% (2007: 3.1%) and a 6.3% discount rate (2007: 5.8%), which estimates the year end investment return for AA corporate bond with durations similar to the DPP liabilities.

In anticipation of the DPP's purchase of the PIC bulk annuity, the trustee Board revised the DPP's investment strategy. As at 31 December 2008, the DPP's assets included £5.3 million of equity investments, £175.7 million of investment grade corporate bonds, and £13.7 million of property and cash. The DPP fortunately avoided most of the consequences of the financial markets' recent volatility.

Strategic Development
The Group's core businesses remain attractive platforms for investment, and increasingly attractive opportunities for the development of those businesses through acquisition should be available during 2009. Our investment strategy remains to invest in businesses that provide complementary products or services, and that can be effectively integrated into a core business.

As importantly, the Group will continue to invest in our core businesses through organic investment to increase capacity where appropriate, to expand our geographic footprint, and to develop complementary products and services.

The Group's profits, cash flow and accumulated capital should allow such investment activities to continue during 2009 notwithstanding deteriorating economic conditions.

The geographic spread and diversity of the Group's businesses remain unusually broad for a relatively small group, and the ownership of several of the Group's business remains complicated by minority interests. The Delta Pension Plan, whilst substantially smaller following the PIC transaction, also remains an uncertain, long-term liability for the Group. As a consequence, the Group's shares are not as actively followed or traded as would be desired. To increase the attractiveness of the Group, our strategic focus therefore remains to further de-scale and de-risk the Delta Pension Plan, and to simplify the Group around businesses with appropriate strategic focus.

2009 Prospects
Whilst the effects of deteriorating global economic conditions and the credit crunch are not presently apparent at all the Group's businesses, our outlook for 2009 remains cautious.

The Australian economy appears to be relatively resilient, and the Group's core businesses remain relatively well positioned to endure deteriorating economic conditions. Nonetheless, we foresee some decline in sales volumes at the Group's core businesses from the levels achieved in 2008. The benefit of continuing, and perhaps increased, government spend in Australia on infrastructure development and improvement is expected to be offset by the deferral or cancellation of projects requiring private funding, most likely resulting in reduced sales volumes.

Mining output in Australia also is likely to reduce during the year, and Donhad's sales volumes are expected to reduce. Donhad's margins are likely to be affected by pressure on selling prices, as mining houses seek cost savings, and will be dependent upon sourcing cost competitive steel.

The markets served by the Group's businesses in Asia and the United States will be affected by deteriorating global economic conditions and are not likely to benefit as immediately from government spend on infrastructure development and improvement. Asian markets also are likely to be affected by political instability and reduced foreign investment. Consequently, we expect sales volumes in Asia and the United States to reduce from 2008 levels and selling price competition to heighten.

Input costs at the Group's core businesses are expected to reduce during the year with reduced costs for energy, steel and zinc likely to reduce production costs. Inflationary pressures also are expected to reduce. Business unit management are prepared to reduce fixed cost to the extent possible should sales volumes reduce during the year.

"The Group's core businesses remain attractive platforms for investment."

Reduced battery sales and production are expected to reduce global demand for electrolytic manganese dioxide during the year. Consequently, Delta EMD does not expect to sell sufficient volumes during 2009 to fully utilise its South African plant, and does not intend to invest in stocks. The selling price increases necessary to recover higher conversion costs and to recover the overhead costs arising from plant under-utilisation were announced at the beginning of the year and have been implemented. Consequently, Delta EMD's South African plant is expected to perform in line with 2008.

Reduced steel and aluminium production are expected to reduce demand for electrolytic manganese metal during 2009, and volumes produced and sold by MMC are expected to decline from 2008 levels. MMC's selling prices also are likely to be affected by declines in market selling prices. Nonetheless, whilst MMC is not expected to match 2008's exceptional result during the year, it is expected to perform well.

In summary, the Group's 2008 financial performance was exceptionally good, and a substantial reduction to the Group's pension liabilities was achieved. Given the nature of the Group's businesses and our geographic footprint, as well as the Group's strong financial position, we should be relatively well positioned to weather the more difficult economic conditions in 2009, and to continue investment in the Group's core businesses.

Todd Atkinson
Chief Executive
25 March 2009

MANGANESE MATERIALS

Engineered Steel Products	Galvanizing Services	Manganese Materials
60.7%	**26.2%**	**13.1%**

% of Continuing Revenue

Delta EMD is a leading global supplier of electrolytic manganese dioxide (EMD) used in the manufacture of disposable batteries worldwide. Manganese Metal Company (MMC) is a leading global supplier of manganese metal used in the production of steel, aluminium and electronic components.

Financial Review

Jon Kempster
Finance Director

INCOME STATEMENT — PRESENTATION

The Group's Consolidated Income Statement reflects a number of exceptional items that have been separately disclosed in order to provide increased clarity to the performance of the Group. The largest of the exceptional items relates to the pension scheme. As mentioned in the Chief Executive's Review, the completion of the pensioner buyout transaction led to a settlement charge being expensed and shown separately of £48.8 million. The transaction consisted of two stages. The first was the purchase of the bulk annuity policy into the Delta Pension Scheme from PIC. The second stage occurred in the second half and culminated in the individual annuity policy documents being issued by PIC just prior to the year end. The last stage was a key part of the transaction structure as this element allowed the Group to discharge fully the liability of that portion of the pension scheme population and to show a much reduced pension scheme in terms of both assets and liabilities (as detailed in note 40). In order to achieve this outcome a data verification exercise was undertaken in the second half and a further premium adjustment amount of £0.8 million was paid to PIC by the pension scheme.

The other exceptional items within continuing operations were (see note 12):

(i) Business closure costs of £2.8 million, of which £2.1 million related to the EMD Australian closure. The major part of the cost was an additional provision for the rehabilitation of the residue site, taking into account of updated input prices. £0.7 million relates to the closure of the Kirkby operation of the ITI business in the UK.

(ii) A £6.0 million profit on the sale of land at Kirrawee in Australia. The consideration was £8.6 million.

(iii) £1.5 million tax credit giving rise to a deferred tax asset arising from an increase in the depreciable tax asset values in our Australian business group.

The exceptional items within discontinued operations comprised:

(i) A £6.4 million credit reflecting the completion of the reversal of a previous impairment in the Group's investment in Manganese Metal Company (MMC). Following the initiation of a sale process for MMC by the majority owner, Samancor, Delta has reclassified its investment in MMC to "Held for Sale", and its share of MMC results to discontinued operations.

(ii) A credit of £0.5 million, of which £0.3 million relates to release of provisions established at the time of former disposals and £0.2 million tax refund in South Africa related to the sale of the Industrial Supply business in 2005.

OPERATIONS

The Group revenue from continuing operations increased from £266.4 million to £330.8 million. Operating profit before exceptional items, from continuing operations, increased from £17.6 million to £36.7 million, a 109% increase. Of the total increase in operating profit of £19.1 million, £14.1 million arose from the return to profit of the EMD business. The translational impact of foreign exchange rates on the 2008 operating profit on the same basis (as compared to 2007 rates) was £2.3 million. The operating profit performance of the individual segments is more fully discussed in the operations reviews within the Chief Executive's Review.

The Group has had a good year, and has benefited both from the buoyant economic conditions in Australia and the turnaround of the fortunes of the majority owned EMD business. The commodity price position in 2008 had major impacts on the Group. Zinc prices reduced as the year progressed and saw the replacement cost of zinc release working capital. There was some pressure on selling prices, but an emphasis on service and quality meant the majority of the businesses managed to maintain value-added in this declining price environment. Steel prices had a major impact as they increased dramatically mid-year. Selling prices were increased and gave rise to major revenue increases, and in some instances stock profits. The EMD business saw major changes to its business following the closure of the Australian plant, and the finalisation of all the anti-dumping duty issues.

Selling prices were increased to minimise the likelihood of any future anti-dumping investigations and to pass on the increased input costs, especially manganese ore. This gave rise to more acceptable margins in addition to stock profits.

EARNINGS PER SHARE

Earnings per share from continuing business on a pre-exceptional basis has increased 22% from 13.9p to 17.0p. On a pre-exceptional basis for the continuing and discontinued operations the earnings per share increased from 13.8p to 18.2p.

INTEREST

The Group's net interest income (before the IAS 19 pension net expense) was flat at £6.6 million, despite the payment of the pension contribution of £50 million paid mid-year. The better rate environment in the majority of the year offset the impact of this payment on the average cash balances.

The IAS 19 net pension expense of £1.6 million in 2008 compared to a net pension credit of £0.7 million in 2007.

TAXATION

The Group's 2008 net tax expense (including deferred tax), excluding exceptional items and discontinued operations, was £9.7 million (2007: £4.3 million), and the effective tax rate for 2008 was 23% (2007: 17%). The Group operates in many countries, and the effective rate reflects this, with various applicable statutory rates, on average around 28%. The utilization of tax losses in certain territories, and positive adjustments to prior year tax benefited the effective tax rate, and overall, brought it below the average rate for the territories in which we operate.

Information upon the Group's accumulated tax losses is provided within note 29 to the consolidated financial statements.

GROUP CASH FLOW AND BALANCES

The cash generated from operations before tax was £49.0 million, increased from £26.9 million in 2007. The overall greater profitability in the current year aided by a working capital inflow has led to the substantial increase in the operating cash flow. Working capital benefited from a declining zinc price and the sale of the EMD stocks following the closure of the Australian plant. This was offset by the greater cost of steel included in our stock balances and the impact of the increased selling prices on the receivables at year end.

Capital expenditure was £13.1 million (2007: £7.5 million) which compared to a depreciation charge of £6.5 million (2007: £7.6 million). As set out in Note 5, £8.7 million of the total capital expenditure related to the previously disclosed expansion and redevelopment of our Galvanizing operations specifically in Australia. A new site is being commissioned in Melbourne in the first quarter 2009, while other plants have and are being upgraded in order to be able to work more efficiently, and to enable more volume to be processed. It is expected that this programme will be largely complete in 2009, and capital expenditure will then return to more normal levels. In Engineered Steel Products, we have commenced the construction of the new Webforge site in Chengdu, China. This is expected to commence operational production in the second half of 2009. The Group acquired the Hi-Light business in January for a cash outflow of £2.9 million.

Overall the cash flow in the year benefited from the sale of the former Ingal Civil Products site in Sydney for £8.6 million. In the year DEI paid a dividend and also made a capital distribution. The cash flow reflects the minority portion of those payments (£1.4 million and £3.2 million respectively), as these reduce the overall cash reported by the Group. It is expected that DEI will make further distributions once certain asset sales are realised and tax matters resolved.

Dividends paid to equity holders totalled £8.2 million (2007: £7.2 million).

The Group ended the year with a net cash position of £109.6 million, a decrease of only £19.3 million in the year from £128.9 million after paying a pension settlement of £50 million. The cash within the Company and its wholly owned subsidiaries totalled £87.7million (2007: £113.4 million). The net cash position provides the Group with significant funds with which to look at possibilities to de-scale and/ or de-risk the pension scheme further, and to continue to invest in acquisitions and organic growth opportunities.

TREASURY POLICY

The Group's treasury policy remains one of risk management and control. No speculative transactions are undertaken. Group treasury activities are closely monitored by the Group Finance Department, who make recommendations to the Board on matters of treasury policy and implement the 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 currency exposures.

The Group does not normally use translational hedging to protect the sterling value of its non-sterling assets.

The sterling value of operating profits arising in other currencies are not hedged. Consequently, the sterling value of overseas profits remains subject to currency exchange movements. The US dollar is used as the functional currency for MMC.

No instruments are entered into to mitigate the impact of interest rates, although this is reviewed regularly.

Due to the significant cash balances held by the Group, the Group is exposed to credit risks with counterparty banks. In particular, the Group has cash balances with banks located in the UK, Republic of South Africa, Australia, and the United States, and consequently has an exposure to those banking sectors. The balances are held with large commercial banks. At year end the large balances were held in Australia and the UK. In order to minimise market risk, Treasury policy dictates that surplus cash in the UK must be deposited in AAA-rated money market funds, whilst in Australia it must be deposited with AA-rated banks.

Jon Kempster
Finance Director
25 March 2009

Board of Directors

Steven Marshall FCMA

Non-Executive Chairman and Chairman of the Nominations Committee

Steven Marshall (52) was appointed Chairman in March 2005, having joined the Board as a Non-Executive director in April 2004. He is also Chairman of Balfour Beatty plc, the international engineering and construction group, and a Non-Executive director of Southern Water, the regulated public utility.

Steven is a former Group Chief Executive of Railtrack Group plc and of Thorn plc, having also been Group Finance Director at each company. He is also a former Chairman of Queens' Moat Houses plc and of Torex Retail plc. Steven is a Fellow of the Chartered Institute of Management Accountants.

Todd Atkinson

Chief Executive

Todd Atkinson (52) was appointed Chief Executive and joined the Board in July 2003. Todd is also Non-Executive Chairman of Delta Electrical Industries Limited. Previously he was President of Delta America Inc. before becoming the Group's Director of Corporate Development and Legal Affairs in 2000.

Jon Kempster ACA

Finance Director

Jon Kempster (46) was appointed Finance Director in October 2006. He was previously Group Finance Director of Low & Bonar PLC from 2001 to 2006, and, prior to this, Group Finance Director of Linden PLC and FII Group PLC. Jon was a Non-Executive director of Nanette Real Estate Group NV.

Andrew Walker

Non-Executive Director, Senior Independent Director and Chairman of the Audit Committee

Andrew Walker (57) was appointed a Non-Executive director in May 2005. He is also a Non-Executive director of API Group plc, Manganese Bronze plc, May Gurney plc, Plastic Capital plc, Porvair plc and Ultra Electronic Holdings plc, and Non-Executive Chairman of Brintons Ltd. His career has also included service as Group Chief Executive of McKechnie plc and South Wales Electricity plc.

Mark Lejman

Non-Executive Director and Chairman of the Remuneration Committee

Mark Lejman (52) was appointed a Non-Executive director in May 2006. He is also Chief Executive of Cosalt plc, the industrial services and leisure products group, and also a Non-Executive director of Berkshire East NHS Trust. Mark was an Executive director of Morgan Crucible Company plc, and CEO of their Carbon division, the Company's largest operating division. His career also includes being Chief Executive of Acordis Cellulosic Fibres and, prior to that, Chief Executive of Courtaulds' Acrylic Fibres business.

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

A review of the Group's principal activities and likely future developments can be found in the Chairman's Statement, Chief Executive's Review and Financial Review.

BUSINESS REVIEW

The Company is required to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2008, the position at the end of that financial year and a description of the principal risks and uncertainties facing the Group. The Chairman's Statement, Chief Executive's Review and Financial Review, together with the following review, address these requirements.

There are a number of potential risks and uncertainties which could have an impact on the Group's financial performance.

Global, Political and Economic conditions

The Group operates from sites in 12 countries and has either sales or sourcing arrangements with various other countries within Asia, Africa and South America. Whilst the Group benefits from the growth opportunities in these continents, it is similarly exposed to the economic, political and business risks associated with such international operations. Throughout its operations the Group encounters different legal and regulatory requirements including those for taxation, exchange control (including repatriation of profits), environmental, operational and competitive matters. A large part of the Group's operations are dependent on the construction, public and private infrastructure and mining markets in Australia. Such markets are impacted by a number of factors including government policy, interest rates and commodity prices.

As highlighted in note 25 to the Financial Statements, the Group meets its day-to-day working capital requirements through cash and cash equivalents. The current economic conditions create uncertainty particularly over the level of demand for the Group's products and services and the exchange rates we transact in, and thus the consequences for the cost of the Group's raw materials.

Management monitor such risks and conditions, maintaining insurance cover and amending business procedures as appropriate to attempt to mitigate any exposure whilst remaining in compliance with local and Group requirements.

Foreign exchange

The Group operates in many countries, with substantially all of the Group's operating profit earned outside the UK. As such, the Group is exposed to movements in exchange rates between sterling and other world currencies, particularly the South African rand and the US and Australian dollars, which could adversely or positively impact results.

Raw material and energy prices

The Group's products and services utilise a range of raw materials most notably zinc, steel and manganese ore. Our operations also require substantial quantities of electricity and natural gas. The pricing for these raw material inputs is largely determined by international or national factors beyond the Group's control or influence. Short-term volatility in the pricing of such inputs and any decrease in availability can significantly impact the Group's financial performance.

The Group has developed strong relationships with its suppliers and uses contractual means where possible to minimise the risk. Contingency plans exist where availability of energy is an issue to ensure production is not disrupted.

Pensions

The Delta Pension Plan (DPP), the Group's UK defined benefit plan, had an IAS 19 valuation net deficit of £2.5 million at 31 December 2008 (2007: surplus of £9.5 million), with the DPP's assets totalling £194.7 million and its liabilities totalling £197.2 million (2007: assets of £640.7 million and liabilities £631.2 million).

Notwithstanding, the financial position of the DPP is exposed to the risk of changes in expected returns, the market value of investments, expected inflation and changes in the expected longevity of its members. The DPP is also exposed to changes in UK laws and regulations with regard to pension plans.

The next triennial valuation of the DPP liabilities is due as at 31 March 2009 and we expect the Trustee Board will review the assumptions used for the 2006 valuation. We also expect to discuss with the Trustee Board the best means possible to achieve their long term aim of funding the buy-out cost of the DPP. In the meantime the Group's financial position and performance has strengthened the Group's employer covenant. The buy-out cost of the DPP varies significantly with market conditions, particularly expected investment returns and inflation, as well as with mortality assumptions, and unfortunately, current market conditions do not afford an attractive buy-out cost. Nonetheless the Group continues to investigate means to further de-scale and de-risk the DPP in anticipation of improved market conditions.

Litigation and investigations

As with any business, the Group is subject to the risk of litigation from third parties. The Group seeks to address such claims proactively.

In accordance with accounting requirements, provision is made where required to address such litigation and the consequent costs of defence.

Potential liabilities re disposed businesses

The Group's divestment programme during the late 1990s and early 2000s resulted in certain liabilities being retained pursuant to various agreements to dispose of those businesses and assets. Many, but not all, of these liabilities expire with the passage of time.

The Group proactively seeks timely resolution of such liabilities and estimates on a regular basis the expected financial outcome of such retained liabilities, and includes such estimates within provisions.

Environmental liabilities

The Group conducts its operations with an aim to ensure compliance

Directors' Report
continued

with all environmental laws and regulations. If necessary, the Group will commit the resources necessary to address non-compliances.

The Group has obligations to remediate contaminated sites both currently owned and in some cases those that have been sold. The Group maintains provisions for these liabilities which are reviewed regularly.

Employees
The Group's operations are typically based on small sites and are geographically disparate. The management teams employed are typically small and as such, the Group has a reliance on the management teams employed. The Group recognises the importance of this resource and as such, reviews its remuneration policy together with its recruitment and training policy on a regular basis in order to ensure the Group continues to retain and attract the best possible management teams. The Group also strives to implement successful management development and succession plans.

Key performance indicators
Given the range and geographical spread of businesses within the Group, key performance indicators are generally specific to the nature of the operations of each business. Additionally, a number of segment-based key metrics regarding financial and operating performance are focused upon at Group level.

With regard to health and safety, the Group employs Lost Time and Medically Treated Injury metrics, together with collecting near miss data. This data is reported to divisional and Group senior management on a monthly basis, together with commentary regarding remedial, corrective and continuous improvement actions. Given the spread of businesses within the Group and local country definitional differences, it is not possible to meaningfully aggregate such data. Consequently, this data is compiled at a business unit level only.

In terms of environmental compliance, the Group employs key performance indicators through its varied businesses capturing performance against pre-defined benchmarks or targets for items including waste product tonnes per tonne of final product, energy use per tonne, scrap produced per tonne of final product, etc. The Group is actively seeking alternate uses for its waste streams. Similar to the health and safety measures described above, it is not possible to provide meaningful and accurate Group or segment-wide data as the challenges and opportunities in relation to environmental management are largely driven by local directives and objectives, which differ markedly throughout the Group.

SHARE CAPITAL
Details of the structure of the Company's share capital and changes in the share capital during the year are disclosed in note 30 to the consolidated financial statements. The ordinary shares in issue represent 93.2% of the issued share capital by nominal value, whereas the 6% Cumulative first preference shares in issue represent 2.1% and the 4.5% Cumulative second preference shares in issue represent 4.7%.

The rights and obligations attaching to the Company's ordinary shares and preference shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House or by writing to the Deputy Secretary at the Company's registered office. Voting at a general meeting is by a show of hands unless a poll is duly demanded.

Resolution 7 will be proposed at the annual general meeting to renew the directors' authority to allot shares subject to the limits set out in the resolution.

The voting rights in respect of shares held by the Delta plc Employee Share Ownership Trust are exercisable by the Trustees. However, in accordance with investor protection guidelines, the Trustees abstain from voting and would take independent advice before accepting any offer for the Company in a takeover bid situation.

DIVIDENDS
The directors declared an interim dividend of 1.9p (2007: 1.6p) per ordinary share which was paid on 17 October 2008. They now recommend a final dividend of 4.6p (2007: 3.4p) per ordinary share making a total for the year of 6.5p (2007: 5.0p).

ACQUISITION OF HI-LIGHT INDUSTRIES
On 7 January 2008, Delta acquired 100% of the shares of Hi-Light Industries Pty Ltd ("Hi-Light") from its former private owners for a total consideration plus expenses of £2.9 million, including deferred consideration of £0.3 million. The deferred consideration is due to be paid in 2009 and 2010 in two equal instalments.

Hi-Light is a manufacturer and installer of architectural sunscreen systems, and a supplier of aluminium walkways and handrails. The business is reported in the Engineered Steel Products segment.

DONATIONS
During the year the Group donated £22,000 (2007: £5,000) to charities of which £nil (2007: £nil) was in the United Kingdom. There were no political donations made during the year (2007: £nil).

DIRECTORS
The names and brief biographical details of the directors as at the date of this report are listed on page 14.

Details of the directors' interests in the shares of the Company can be found in the Directors' Remuneration Report.

SUBSTANTIAL SHAREHOLDERS
As at 20 March 2009, the Company was aware of the following interests in 3% or more of the Company's ordinary share capital:

Name	Shareholding	Percentage of issued capital
Steel Partners II LLP	19,598,167	12.75%
Aberforth Partners LLP	18,791,315	12.22%
Artemis Investment Management Limited	10,886,948	7.08%
Legal & General Group plc	8,883,542	5.77%
Schroders plc	8,241,426	5.37%
Liberty Square Asset Management LLP	6,701,000	4.36%
Barclays PLC	4,997,314	3.25%

RESEARCH AND DEVELOPMENT

The Group spent £0.6 million during 2008 (2007: £0.6 million) on research and development primarily associated with product development and the improvement of production processes. The criteria in IAS 38 for capitalising such expenditure were not met and consequently all such expenditure was expensed as incurred.

FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

Details of the Group's financial risk management and treasury policies are contained in notes 2 and 25.

PAYMENT OF CREDITORS

The Group's policy in respect of the majority of its trade creditors is to negotiate terms and conditions and, provided these are met, 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 Group for the year ended 31 December 2008 were 43 days (2007: 37 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 and has entered into qualifying third party indemnities with its directors, as permitted by the Companies Act 2006. The indemnities are available for inspection during normal business hours at the Company's registered office and will be available at the annual general meeting.

APPOINTMENT / REPLACEMENT OF DIRECTORS

Details governing the appointment and replacement of directors are contained in the Corporate Governance Report under the heading "*The Board, its directors and operations*".

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 9, which will be proposed as a special resolution at the annual general meeting, seeks to renew the existing general authority to make market purchases. 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

The directors have acknowledged the latest guidance on going concern. The Group has considerable financial resources, with net cash of £109.6 million at 31 December 2008. As highlighted in the Chief Executive's Review, our outlook for 2009 remains cautious, however, the Group continues to trade profitably, and is expected to be cash-generative for the year.

Consequently, after making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and to successfully manage the identified business risks disclosed in note 25 to the Group's financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Group's financial statements.

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person currently serving as a director of the Company at the date this report is approved is aware, there is no relevant audit information of which the Company's auditors are unaware and each director hereby confirms that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to reappoint Deloitte LLP as auditors to the Company will be proposed at the annual general meeting.

This report was approved by the Board of directors on 25 March 2009 and is signed on its behalf by:

Todd Atkinson
Director

Corporate Governance Report

COMPLIANCE STATEMENT

The Board is committed to high standards of corporate governance which it considers are critical to business integrity and to maintaining investors' trust in the Company. This statement, together with the Directors' Remuneration Report, seeks to demonstrate how the principles of good governance, advocated by the Combined Code on Corporate Governance (2006) ("Code") have been applied.

The Company has complied with Section 1 of the Code for the duration of the year.

THE BOARD, ITS DIRECTORS AND OPERATIONS

As of the date of this report, the Board comprises three Non-Executive directors and two Executive directors, whose names and brief biographies appear on page 14. All the Non-Executive directors are considered independent.

The roles and responsibilities of the Chairman and Chief Executive were clearly separated.

The Board is the principal decision-making forum of the Group and exercises overall control of the Group's affairs by addressing 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, sufficiently in advance of each Board meeting to enable detailed review. Such papers address strategic matters, items reserved for Board review and approval, forecast, budget and actual 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 Annual Report and Accounts is set out on page 28.

The Group's procedures 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 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 play a leading role in corporate accountability and governance through their membership on the various committees of the Board. The membership and remit of each committee, together with a record of directors' attendance, is described below. Where 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 nine years. However, directors must stand for election by shareholders at the first annual general meeting following their initial appointment. Terms and conditions of appointment for Non-Executive directors are available for inspection upon request during normal business hours and at the annual general meeting and are referred to in the Directors' Remuneration Report.

Each year the number nearest to but not exceeding one-third of the directors (excluding those directors retiring and not seeking re-election and those retiring and seeking election following their appointment during the year) retires 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 cognisant 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

Nomination Committee

The Nomination Committee presently comprises Steven Marshall (Chairman), Mark Lejman and Andrew Walker.

The Committee reviews the structure, size and composition of the Board and recommends changes thereto to the Board for its consideration. The Committee meets as and when required and engages external consultants to identify candidates to fill Board vacancies as and when they arise.

Audit Committee

The Audit Committee presently comprises Andrew Walker (Chairman) and Mark Lejman. The Board has determined that Andrew Walker has recent and relevant financial experience for the purpose of the Combined Code.

The Chief Executive and other senior executives, whilst not members of the Committee, are invited to attend meetings of the Committee when required.

The Committee is responsible for:

- monitoring the financial reporting process by reviewing interim and annual accounts before their submission to the Board;
- reviewing and monitoring the independence of the statutory auditor by advising the Board on the appointment, reappointment and removal of external Auditors and their remuneration both for audit and non-audit work;
- monitoring the effectiveness of the Group's internal control, internal audit function and risk management systems; and
- monitoring the statutory audit of the annual and consolidated accounts.

Procedures exist within the Group to promptly identify any potential non-audit services for pre-approval.

In fulfilling its responsibility of monitoring the integrity of the financial reports to shareholders, the Committee reviewed the accounting principles, policies and practices adopted in preparing financial information. The annual report, interim report and preliminary announcement were reviewed, as was the accounting treatment of material transactions open to different approaches. The Committee considers reports from management and the external Auditors in determining the accounting treatment of material transactions open to different approaches.

Information on the internal control and risk management systems and the review thereof is provided in the internal control and risk management disclosure statement below.

The Committee approved the external Auditors' terms of engagement, scope of work, the process for the 2008 interim review and the applicable levels of materiality. The Committee reviewed all matters of significance with the external Auditors based on their findings and confirmed that all matters had been satisfactorily resolved.

The audit partner of Deloitte LLP has a direct line of communication to the Chairman of the Audit Committee. The Committee reviewed the external Auditors' performance and concluded that it was satisfactory.

The Committee reviewed written confirmation from Deloitte LLP's of its independence and objectivity, relating to external audit services, within the context of applicable regulatory requirements and professional standards. A resolution to reappoint Deloitte LLP as auditors until the conclusion of the annual general meeting in 2010 will be proposed at the Company's 2009 annual general meeting.

In addition, the Committee reviewed the appointment, remuneration and utilisation of the Group's internal audit function, which during the year was outsourced to PricewaterhouseCoopers LLP. A review of the Group's internal audit function is provided in the internal control and risk management disclosure statement below.

Remuneration Committee

The Remuneration Committee presently comprises Mark Lejman (Chairman), Steven Marshall and Andrew Walker.

Further details on this committee are contained in the Directors' Remuneration Report on page 22.

The terms of reference of the Nomination, Audit and Remuneration Committees are published on the Company's website.

MEETINGS OF THE BOARD AND BOARD COMMITTEES

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

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings in the year	10	3	3	0[1]
Number of meetings attended:				
S Marshall	10	n/a	3	0
T G Atkinson	10	n/a	n/a	n/a
J Kempster	10	n/a	n/a	n/a
M Lejman	9	·3	3	0
A Walker	10	3	3	0

[1] No formal meetings of the Nomination Committee were held during 2008. However, the Board's size, structure and composition was kept under review by informal discussions between Committee members. The Nomination Committee has already met once in 2009, and we anticipate further meetings during the year.

BOARD PERFORMANCE EVALUATION

During the year a formal evaluation of the performance of the Board, its committees and individual directors was carried out by means of detailed questionnaires.

The results of the questionnaires were discussed by the Board. The process confirmed that the Board and its committees were functioning correctly, and that all the directors continued to contribute positively to the Board.

RELATIONS WITH SHAREHOLDERS

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

The Chief Executive and Finance Director meet with shareholders on a regular basis. Significant points from such meetings are communicated to the Board on a regular basis.

Shareholders are 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 which are available on the Company'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

Corporate Governance Report
continued

least 20 working days prior to the meeting. The Company indicates the level of proxy votes lodged in respect of each resolution proposed at the annual general meeting, together with the number of proxy votes for and against each resolution and the number of shares withheld, following each vote on a show of hands. 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 (excluding associates and joint ventures) and undertakes to direct the identification, evaluation and management of significant risks faced by the Group. This process is regularly reviewed and is in accordance with Turnbull guidance.

Internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed. 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 2008 and up to the date of this Annual Report. 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 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 business unit's monthly report. Any changes of significance are reported to the Board. Schedules of pending litigation and potential liabilities pertaining to disposed businesses are circulated to the Board.

(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 Group 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 approved by the Board, as part of the Group's profit plan.

Actual performance against budget and detailed forecasts is reported on a monthly basis. Written monthly reports accompany monthly financial schedules 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 senior management 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 LLP. Business units are selected for internal audit using a risk-based approach, with one or more locations of each business unit audited on at least a three year rotational basis. 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. Internal audit reports and reports monitoring the resolution of points raised are shared with the external auditors. The Group's internal audit resource has 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 the function effective in achieving its objectives.

(vi) Whistle-blowing procedures

The Group has whistle-blowing procedures in place providing employees with a means of communicating, independent of Executive management, any concern relating to perceived malpractice, improper business practices, management impropriety or other similar matters. No reports were received during the year.

Corporate Social Responsibility

OVERVIEW

Delta recognises the importance of its social and corporate responsibilities.

This statement draws on salient information contained within the Group's policies which deal with ethical conduct, human resources, training, heath and safety and environment.

In formulating this statement we acknowledge our responsibility to provide such information to shareholders, customers, employees and any other stakeholders who have association with the Group.

The statement focuses on the following areas:

- Employment
- Ethical code of conduct
- Health and safety
- Environmental matters

EMPLOYMENT

Delta appreciates that the workforce is fundamental to the good operation of the Group and to the success it has achieved. We strive to treat our employees in a fair and proper manner and be sympathetic to an individual's issues and concerns. We are an equal opportunities employer, committed to providing employment irrespective of sex, marital status, race, religion, disability or age. Should an employee become disabled while employed, the Company makes every effort to enable them to continue in employment by retraining, modification of duties or alternative work, as necessary.

The personal and professional development of employees is supported by training programmes, both in-house and externally. The Group participates in a number of apprenticeship/workplace training programmes, and in some jurisdictions training levies apply to promote and financially support such initiatives.

ETHICAL CODE OF CONDUCT

The Group is committed to ensuring high standards in its business management and dealings as the following indicate:

- Each employee is charged with applying their best endeavours and integrity to promote the interests of the Group.
- Involvement in activities which could be construed as being competitive to the Group are forbidden.
- Confidentiality of information regarding the business of the Group, its customers and contacts is strictly maintained.
- The work of the Group is carried out with respect for the rule of law and compliance with industry legislation and standards.
- Discriminatory action against employees, customers or suppliers is not tolerated.
- The Group has a formalised "whistle-blowing" policy in place to allow any employee to voice concerns on a confidential basis.

COMMUNITY

We continue to recognise the importance of our relationship with the communities in which we operate and encourage our businesses and employees to provide support to their communities. Given the structure of the Group, community contact is currently organised by the site managers who place a high value in establishing and maintaining good relationships.

HEALTH AND SAFETY

The Group is committed to providing a safe workplace for our employees, and to ensuring that contractors, customers or other visitors to any of our sites are entering a safe environment.

The Group has increased its efforts to achieve an environment which does not tolerate accidents. This year a great deal of effort and training has taken place to increase the understanding of the importance and significance of this subject.

All lost time injuries or medically treated injuries are investigated and fully documented. This helps us to ensure that each site is moving towards an environment that minimises any possibility of a repeat incident or any other incident that may be closely aligned to it. Our aim and desire is to achieve a zero tolerance philosophy towards accidents in the workplace.

ENVIRONMENTAL MATTERS

The Group is committed to best environmental practice. We seek to minimise the impact on the environment of the Group's operations by means of environmentally sound practices which take practical steps to control effectively or eliminate any known pollution.

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. Employees are briefed by management in matters of policy and procedure relating to potential environmental risk that may concern their particular area of operation. 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. Environmental incidents are reported to the Board through the divisional monthly reports.

Directors' Remuneration Report

The following sections of the Directors' remuneration report are unaudited.
This report has been prepared in accordance with the Companies Act 1985 (as amended) and the relevant requirements of the UK Listing Authority's Listing Rules. A resolution to approve this report will be proposed at the annual general meeting of the Company.

REMUNERATION COMMITTEE (THE "COMMITTEE")

Role and composition of the Committee

The role of the Committee includes:

(a) determining and agreeing with the Board the policy for the remuneration of the Company's Chairman, Executive directors, and members of senior management;
(b) approving the design of, and determining targets for, any performance related pay schemes operated by the Company and approving the total annual payments made under such schemes;
(c) reviewing the design of all share incentive plans for approval by the Board and shareholders; and
(d) determining the remuneration for the Company's Chairman, Executive directors and senior management.

The Board, within the limits prescribed by the Company's articles of association, determines Non-Executive directors' remuneration.

The terms of reference of the Committee can be found on the Company's website at www.deltaplc.com and copies are available on request.

The Committee presently comprises Mark Lejman (Chairman), Steven Marshall and Andrew Walker.

The Committee met three times during the year. The Chief Executive attends Committee meetings by invitation when required. The Chairman and Chief Executive are excluded from matters regarding their own remuneration. No director is involved in deciding his own remuneration.

In order to remain informed of the latest developments and market trends in remuneration best practice, the Committee has access to survey information and advice from independent remuneration consultants where the Committee determines this is required. During the year, the Committee considered market remuneration data produced by Hewitt New Bridge Street Consultants. Hewitt New Bridge Street Consultants also reviewed and confirmed whether the performance conditions under the Performance Share Plan had been met in respect of awards vesting during the financial year.

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 Executives are fairly and responsibly rewarded in return for high levels of performance. The Company's remuneration policy is designed to support key business strategies, align the interests of Executive directors and senior management with those of shareholders and create a strong, performance-oriented environment and at the same time attract, motivate and retain talent. Accordingly, all Executive directors and senior management 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.

Components of Executive Directors' Remuneration

REMUNERATION MIX

The key components of the remuneration of the executive directors are basic salary, annual performance-related bonuses, share-based incentives and pensions.

The Group has an on-going strategic challenge to re-shape its business portfolio and actively manage legacy matters including the Delta Pension Plan. With such challenges in mind, the Committee determined in 2006, in consultation with shareholders, that executive directors' remuneration would place more emphasis on annual incentives rather than longer-term incentives with a total remuneration package that is broadly market competitive. Within this mix, the equity related component is significant with 50% of the annual incentive and the entire longer-term incentive being equity based.

In 2008, 47.3% of the Chief Executive's remuneration on an expected-value basis was performance related; for the Finance Director the figure was 49.5% (see illustrative charts below).

BASIC SALARY
The basic salary of the Executive directors is reviewed annually by the Committee and is targeted at the upper quartile of companies of comparable size. This is in line with the Committee's objective to attract and retain Executive directors who have the right skills and experience and are of the highest calibre. Basic salaries are the only pensionable element of remuneration.

ANNUAL PERFORMANCE RELATED BONUSES AND THE DEFERRED BONUS PLAN (DBP)
The maximum potential annual performance related bonuses for the Chief Executive and Finance Director are 150% and 140% of basic salary respectively. One-half of any bonus payable is paid in cash and the other half is deferred in ordinary shares in the Company through the Deferred Bonus Plan, which provides a substantial portion of the executive directors' equity based incentive compensation.

Annual performance related bonuses are determined by the Committee with reference to the Group's financial performance (50% of total bonus) and the achievement of agreed specific personal objectives (50%).

Group financial performance is measured with reference to two separate tests of financial performance: (i) earnings per share from continuing operations, excluding exceptional items, and (ii) cash flow generated prior to acquisitions, disposals, dividends and shares issues and/or buy backs. The earnings test is given a two-thirds weighting, and the free cash flow test is given a one-third weighting.

The Committee reviews the Group's actual financial performance against the Group's approved annual budget, taking into account unforeseen circumstances to the extent the Committee in its sole discretion considers appropriate.

The 2008 bonuses payable to the Chief Executive and Finance Director were determined by the Committee in line with the foregoing, and their 2009 bonuses will be determined in the same manner. For purposes of 2008 bonuses, a full payout was awarded in respect of the Group's financial performance.

Deferred bonus share awards are determined with reference to 50% of the total bonus payable as determined by the Committee and calculated with a share price equal to the average of the middle-market quotation of shares over the five dealing days immediately preceding the grant date.

Deferred bonus share awards are forfeited on cessation of employment prior to the normal vesting date (the third anniversary of grant) except in the case of "good leavers" in which case the deferred shares are vested upon cessation of employment. The deferred shares would also be vested early on a change of control of the Company

PERFORMANCE SHARE PLAN (PSP)
Under the terms of the PSP, selected individuals may be granted a conditional award of ordinary shares in the Company, ordinarily vesting on the third anniversary of grant subject to continued employment within the Group and the satisfaction of performance conditions. Awards also rest on a change of control of the Company, and if an employee leaves the Group as a "good leaver".

Vesting of awards granted during 2008 is subject to performance targets relating to the Company's relative Total Shareholder Return (TSR) compared to that of the constituents of the FTSE Small Cap Index (excluding investment trusts) (Comparator Group) over a fixed three-year period.

Shares will vest, subject to the Committee confirming that the Company's underlying financial performance has been satisfactory over the performance period ("Financial Underpin Condition"), as follows:

Rank of the Company's TSR Performance against the Comparator Group

	% of award vesting
Below median	0
Median	25
Upper quartile	100

Shares will vest on a straight-line basis for performance between median and upper quartile.

The Committee considers that a combination of the relative measure TSR and the Financial Underpin Condition suitably aligns participants' interests with investors.

Awards under the PSP are limited to a total number of shares having a market value at the date of grant of no more than 50% of the grantee's salary, except in exceptional circumstances, such as recruitment or retention, where a grant may be as much as 100% of the grantee's salary. The market value is the average of the middle-market quotation of the shares over the five dealing days immediately preceding the date of grant.

Share Award Scheme for Chief Executive
A one-off share award of 264,961 ordinary shares in the Company was granted to Mr Atkinson on 4 January 2006 at an option price of £nil. Under the terms of the agreement, the shares vested on 30 September 2008 and upon exercise of the option Mr Atkinson was also entitled to shares equal in value to the dividends that would have been paid on the vested shares during the period between the date of grant and the date of vesting.

Directors' Remuneration Report
continued

EXECUTIVE SHARE OPTION SCHEME (ESOS)
Grants under the ESOS, approved by the shareholders at the annual general meeting held in May 1999, were made annually until 2005 and had values of up to one times annual salary. No further grants are to be made under the ESOS.

Options granted before 29 June 2001 are subject to the following performance conditions:

(i) 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 Prices Index plus 3% per annum; and
(ii) earnings per share before exceptional items must equal or exceed 20 pence.

Options granted on or 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 options are granted for £nil consideration. The exercise price for options is the five day average price preceding the date of grant.

Subject to the fulfilment of the foregoing performance conditions, options are exercisable between the third and tenth anniversary of the grant date and also on a change of control of the Company.

All performance conditions are measured against earnings per share before exceptional items for the financial year preceding option grant. The performance conditions for the ESOS options granted in 2001, 2002, 2003, 2004 and 2005 have been satisfied, whilst the performance conditions for the options granted in 1999 and 2000 have not been satisfied.

PENSIONS
Executive directors are invited to participate in the Delta Pension Plan. The plan is a funded, HM Revenue & Customs 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 HM Revenue & Customs limits including HM Revenue & Customs earnings cap. The Delta Pension Plan introduced a "notional" Earnings Cap (Notional Cap) from 6 April 2006 to ensure that, for members impacted at the time by the Earnings Cap, benefits and contributions continue to be calculated in the same way.

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 HM Revenue & Customs limits.

By Deed dated 23 October 2003 the Company established a retirement benefits scheme for Mr Atkinson known as the Delta plc Funded Unapproved Retirement Benefits Scheme (the "FURB Scheme"). The FURB Scheme is a sponsored superannuation scheme as defined in Section 624 of the Income and Corporation Taxes Act 1988, and obligated the Company to make contributions to the scheme equal to forty percent (40%) of the portion of Mr Atkinson's basic salary that exceeded the equivalent of the cap formerly imposed by section 590C of the Income and Corporations Taxes Act 1988. The FURB scheme was amended effective 1 April 2006 such that no further contributions have been made to the scheme since that date and instead the Company has made supplemental salary payments to Mr Atkinson in the same amount. Those supplemental salary payments are subject to tax withholdings. In due course, the FURB Scheme will be dissolved and the investment account will be distributed to Mr Atkinson in lieu of any pension entitlement under the Scheme.

Messrs Atkinson and Kempster receive a supplement to their annual salaries equal to 40% and 20% respectively of the portion of their basic salaries that exceeds the equivalent of the Notional Cap referred to above.

SHARE OWNERSHIP GUIDELINES
The Committee has adopted guidelines for Executive directors, whereby the Committee expects them to retain 50% of shares acquired under the Company's share incentive plans (after tax and any financing costs), until a holding of 100% of salary is achieved.

Components of Non-Executive Directors' Remuneration
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 performance-related bonus or share-based incentives nor are they eligible for membership of any of the Group's pension plans.

The remuneration of Non-Executive directors and Chairman are reviewed periodically to ensure they remain market-competitive. Non-Executive directors' remuneration is reviewed by the Chairman and the Executive directors and approved by the Board as a whole. The remuneration of the Chairman is reviewed and set by the Committee.

DIRECTORS' SERVICE CONTRACTS
It is the Company's policy that the period of notice for Executive directors will not exceed 12 months.

Executive directors	Notice period	Date of appointment
Todd Atkinson	12 months	2 July 2003
Jon Kempster	6 months	31 October 2006

The service contracts of Messrs Atkinson and Kempster provide for no additional termination payments beyond statutory payments that may be applicable.

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 upon termination.

The Committee strives to achieve an appropriate balance between ensuring continuity, minimising termination payments and limiting notice periods to no more than 12 months.

The following sections of the Remuneration Report are audited.

DIRECTORS' EMOLUMENTS

Aggregate directors' remuneration, excluding pension entitlements under defined benefit pension schemes.

£	2008	2007
Basic salary	730,000	728,080
Other emoluments	153,007	146,771
Bonus — cash element	331,050	279,538
Shares awarded under the Deferred Bonus Plan	331,050	279,538
	1,545,107	1,433,927

The following are the emoluments afforded to individual directors. Details of dates of appointment, resignation and change in role are included in the Directors' Report.

£	Basic salary	Other emoluments[1]	2008 Bonus — cash element	DBP share award[2]	Total	2007 Total
Executive						
T G Atkinson	340,000	113,959	204,000	204,000	861,959	799,048
J Kempster	220,000	39,048	127,050	127,050	513,148	446,799
Non-Executive						
S Marshall	100,000	—	—	—	100,000	100,000
M Lejman	35,000	—	—	—	35,000	32,500
K van Riel	—	—	—	—	—	23,080
A Walker	35,000	—	—	—	35,000	32,500
Total	730,000	153,007	331,050	331,050	1,545,107	1,433 ,927

(1) Other emoluments include benefits in kind, pension related salary supplement, tax return preparation and car allowances.
(2) Total value of the award to be granted to Mr Atkinson and Mr Kempster under the DBP as part of their annual bonus which is expensed over the applicable retention period.
(3) Mr Van Riel resigned from the Board on 8 October 2007.

EXTERNAL APPOINTMENTS

The fees earned by Mr Atkinson in his role as a Non-Executive director of Delta Electrical Industries Limited are payable to the Company.

PENSIONS

Pension entitlements under defined benefit pension schemes

Retirement benefits on a defined benefit basis are accruing to two directors as at 31 December 2008 (2007: two directors). The accrued pension entitlements shown in the table immediately below are the amounts 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 Messrs Atkinson and Kempster is 60 and 65 respectively. 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 Company has 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.

The following Executive directors had accrued entitlements under the Delta Pension Plan as follows:

£	Accrued pension 1 January 2008[1]	Increase in accrued pension in the year[2]	Accrued pension 31 December 2008[1]
T G Atkinson	27,572	5,095	32,667
J Kempster	4,387	4,106	8,493

(1) The pension entitlement is that which would be paid annually on retirement at normal retirement age, based on service to the end of the year or date of leaving, whichever is earlier.
(2) The increase in the accrued pension during the year has been adjusted to remove any distortion due to inflation over the year.

Directors' Remuneration Report
continued

The following table sets out the transfer value of directors' accrued benefits under the Delta Pension Plan calculated in a manner consistent with 'Retirement Benefit Schemes — Transfer Values (GN 11)' published by the Institute of Actuaries and the Faculty of Actuaries.

£	Transfer value 1 January 2008	Contributions made by the director	Increase in transfer value, net of contributions	Transfer value 31 December 2008
T G Atkinson	313,261	5,640	9,947	328,848
J Kempster	24,321	5,640	15,430	45,391

The following additional information is given to comply with the requirements of the UK Listing Authority Listing Rules which differ in some respects from the equivalent statutory requirements:

£	Increase in accrued pension in the year in excess of inflation	Transfer value of increase in year less directors' contributions
T G Atkinson	3,716	34,854
J Kempster	3,887	15,477

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

DEFERRED BONUS PLAN

Conditional awards of shares made to executive directors under the DBP are shown below. Details of the conditions upon which share awards vest are disclosed within '*Components of Executive Directors' Remuneration*'.

	Total interest at 1 January 2008	Number of shares conditionally awarded during 2008	Total interest at 31 December 2008	Market price at date of 2008 award	Vesting date for shares awarded during 2008
T G Atkinson	117,086	196,107	313,193	91.5 pence	26/03/2011
J Kempster	—	109,399	109,399	91.5 pence	26/03/2011

PERFORMANCE SHARE PLAN

Conditional awards of shares made to executive directors under the PSP are shown below. Details of the performance criteria attaching to share awards are disclosed within "Components of Executive Directors' Remuneration".

	Total number of shares					
	as at 1 January 2008	conditionally awarded during the year	exercised during the year	at 31 December 2008	Market price at date of 2008 award	Vesting date shares awarded during 2008
T G Atkinson	194,682	148,634	—	343,316	91.5 pence	26/03/2011
J Kempster	200,712	96,175	—	296,887	91.5 pence	26/03/2011

SHARE AWARD AGREEMENT FOR CHIEF EXECUTIVE

Pursuant to a share award agreement dated 4 January 2006, as at 1 January 2008 Mr Atkinson held an option over 264,961 ordinary shares in the Company. On 26 November 2008 he exercised the nil priced option and, in accordance with the terms of the agreement, he was awarded an additional 56,057 shares on exercise of the option, being equal in value to the dividends that would have been paid on the vested shares between the date of grant and the date of vesting. On the date of exercise when the market price was 71.3 pence per share, 132,926 shares were sold to cover tax and exercise costs and the balance of 188,092 shares were issued to Mr Atkinson. At 31 December 2008 Mr Atkinson held no further option over ordinary shares in the Company under the agreement.

EXECUTIVE SHARE OPTION SCHEME

Directors' share options over ordinary shares in the Company

No Executive share options have been granted since 2005. Details of the performance criteria attaching to share options are disclosed within "*Components of Executive Directors' Remuneration*".

Option scheme	As at 1 January 2008	Granted during year	Exercised during year	Lapsed during year	**As at 31 December 2008**	Subscrip-tion price payable (per share)	Date on which options become exercisable	Expiry date
T G 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
ESOS	241,667	—	—	—	**241,667**	120p	29/06/08	29/06/15
Total	1,162,965	—	—	—	**1,162,965**			

The highest mid-market price of the Company's ordinary shares during the year was 135.0p and the lowest was 68.0p. The year end price was 83.25p.

DIRECTORS' INTERESTS IN SHARES

The beneficial interests in the shares of the Company of the directors in office at 31 December 2008, including the beneficial interests of their families, are set out in the table below:

	Number of ordinary shares of 25p each owned	
Directors' shareholdings	**At 31 December 2008**	**At 1 January 2008**
T G Atkinson	218,092	30,000
J Kempster	17,500	17,500
M Lejman	50,569	10,000
S Marshall	15,000	15,000
A Walker	9,074	—

No changes to the above holdings have occurred between 31 December 2008 and the date of this report.

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.

This chart shows the value, at the end of the 2008 financial year, of £100 invested in the Company on 31 December 2003 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year ends. The FTSE Small Cap Index was selected for comparison as the Group forms part of that index.

On behalf of the Board

Mark Lejman
Remuneration Committee, Chairman
25 March 2009

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that IFRS financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' RESPONSIBILITY STATEMENT

We Confirm To The Best Of Our Knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. The management report, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Chief Executive
Todd Atkinson
25 March 2009

Finance Director
Jon Kempster
25 March 2009

Independent Auditors' Report to the Members of Delta plc

We have audited the consolidated financial statements of Delta plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense, and the related notes 1 to 40. These Group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent Company financial statements of Delta plc for the year ended 31 December 2008.

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether 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 whether in our opinion the information given in the Directors' Report is consistent with the consolidated financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive's Review and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 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 statement on internal control covers 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 other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group 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 Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated 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 Group financial statements and the part of the Directors' Remuneration Report to be audited.

OPINION

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Group financial statements.

Deloitte LLP Deloitte LLP

Chartered Accountants and Registered Auditors
London, United Kingdom
25 March 2009

DELTA

Consolidated Income Statement

For the year ended 31 December 2008

£ million	Notes	2008 Before exceptional items	2008 Exceptional items (note 12)	2008 Total	2007 (restated) Before exceptional items	2007 (restated) Exceptional items (note 12)	2007 (restated) Total
Continuing operations:							
Revenue	4	**330.8**	**—**	**330.8**	266.4	—	266.4
Cost of sales		**(243.8)**	**—**	**(243.8)**	(200.3)	—	(200.3)
Gross profit		**87.0**	**—**	**87.0**	66.1	—	66.1
Distribution costs and administrative expenses		**(50.3)**	**—**	**(50.3)**	(48.5)	—	(48.5)
Business closure costs		**—**	**(2.8)**	**(2.8)**	—	(13.9)	(13.9)
Profit on sale of property, plant and equipment		**—**	**6.0**	**6.0**	—	1.8	1.8
Operating profit		**36.7**	**3.2**	**39.9**	17.6	(12.1)	5.5
Share of post-tax profit of joint venture	20	**0.2**	**—**	**0.2**	0.4	—	0.4
Investment income	9	**30.7**	**—**	**30.7**	41.0	—	41.0
Finance costs	10	**(25.7)**	**—**	**(25.7)**	(33.7)	—	(33.7)
Pension settlement	10	**—**	**(48.8)**	**(48.8)**	—	—	—
Profit/(loss) before tax	6	**41.9**	**(45.6)**	**(3.7)**	25.3	(12.1)	13.2
Tax	11	**(9.7)**	**1.5**	**(8.2)**	(4.3)	(0.5)	(4.8)
Profit/(loss) for the year from continuing operations		**32.2**	**(44.1)**	**(11.9)**	21.0	(12.6)	8.4
Discontinued operations:							
Profit for the year from discontinued operations	13	**1.8**	**6.9**	**8.7**	0.1	8.7	8.8
Profit/(loss) for the year		**34.0**	**(37.2)**	**(3.2)**	21.1	(3.9)	17.2
Attributable to:							
Equity holders of the parent		**27.8**	**(36.3)**	**(8.5)**	21.1	0.7	21.8
Minority interests	33	**6.2**	**(0.9)**	**5.3**	—	(4.6)	(4.6)
		34.0	**(37.2)**	**(3.2)**	21.1	(3.9)	17.2
Earnings per share							
From continuing operations:							
Basic	15	**17.0**		**(11.4)**	13.9		9.1
Diluted	15	**17.0**		**(11.4)**	13.8		9.0
From continuing and discontinued operations:							
Basic	15	**18.2**		**(5.7)**	13.8		14.2
Diluted	15	**18.2**		**(5.7)**	13.7		14.1

Following the re-classification of the Associate entity MMC as "held for sale", it has also been re-classified from Continuing to Discontinued (see note 20).

Consolidated Balance Sheet

At 31 December 2008

£ million	Notes	2008	2007
Non-current assets			
Goodwill	16	**8.4**	6.1
Other intangible assets	17	**0.3**	—
Property, plant and equipment	18	**83.9**	71.9
Interests in associates and joint venture	20	**—**	1.5
Other investments	20	**1.0**	—
Deferred tax assets	29	**6.0**	2.4
Other receivables	22	**0.5**	0.8
		100.1	82.7
Current assets			
Inventories	21	**54.5**	56.0
Trade and other receivables	22	**61.4**	49.9
Derivative financial instruments at fair value	25	**1.7**	—
Assets classified as held for sale	20	**12.4**	2.1
Other financial assets	23	**2.7**	2.6
Cash	24	**108.1**	128.7
		240.8	239.3
Total assets		**340.9**	322.0
Current liabilities			
Trade and other payables	26	**(53.7)**	(42.1)
Current tax liabilities		**(0.9)**	(1.2)
Bank overdrafts	24	**—**	(1.0)
Borrowings	27	**(1.2)**	(1.4)
Provisions	28	**(2.0)**	(3.5)
		(57.8)	(49.2)
Net current assets		**183.0**	190.1
Non-current liabilities			
Other payables	26	**(4.3)**	(8.0)
Retirement benefit obligation	40	**(2.5)**	—
Deferred tax liabilities	29	**(4.6)**	(2.2)
Provisions	28	**(4.2)**	(3.8)
		(15.6)	(14.0)
Total liabilities		**(73.4)**	(63.2)
Net assets		**267.5**	258.8
Equity			
Share capital	30	**41.3**	41.3
Share premium account	30	**34.0**	34.0
Translation reserves	31	**27.1**	(0.8)
Employee share ownership trust	30	**(2.1)**	(2.2)
Retained earnings	32	**138.9**	159.0
Equity attributable to equity holders of the parent		**239.2**	231.3
Minority interests	33	**28.3**	27.5
Total equity		**267.5**	258.8

The financial statements were approved by the Board of directors and authorised for issue on 25 March 2009. They were signed on its behalf by:

Todd Atkinson
Chief Executive

Jon Kempster
Finance Director

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

£ million	Notes	2008	2007
Actuarial (losses)/gains on defined benefit pension schemes	32	**(12.5)**	8.9
IAS 19 defined benefit pension asset recoverability net adjustment	32	**9.5**	(9.5)
Exchange differences on translation of foreign operations	31	**27.9**	10.6
Exchange differences recycled to net income on disposal		**—**	0.4
Net income recognised directly in equity		**24.9**	10.4
(Loss)/profit for the year		**(3.2)**	17.2
Total recognised income for the year		**21.7**	27.6
Attributable to:			
Equity holders of the parent		**14.8**	31.9
Minority interests		**6.9**	(4.3)
		21.7	27.6

Consolidated Cash Flow Statement

For the year ended 31 December 2008

£ million	Notes	2008	2007
Cash generated from operations before tax	36	**49.0**	26.9
Tax			
Exceptional tax refunded		**0.2**	1.5
Other corporate tax paid		**(10.2)**	(9.2)
Net cash generated from operating activities		**39.0**	19.2
Investing activities			
Disposal of businesses and subsidiaries		**—**	4.4
Proceeds on disposal of property, plant and equipment		**9.2**	3.4
Acquisition of business	35	**(2.9)**	—
Payments in respect of closed and disposed business		**(2.5)**	(0.8)
Purchases of property, plant and equipment		**(13.1)**	(7.5)
Proceeds of deferred consideration received in respect of disposed entities		**—**	1.3
Net cash (used in)/generated by investing activities		**(9.3)**	0.8
Financing activities			
Interest received		**7.5**	7.2
Interest paid		**(0.5)**	(0.6)
Pension Plan settlement contribution and costs		**(50.2)**	—
Dividends paid to equity holders of the parent	14	**(8.2)**	(7.2)
Dividends paid to minority interests	14	**(1.5)**	(1.4)
Capital distribution paid to minority interests		**(3.2)**	—
Repayments of borrowings		**(1.7)**	(0.8)
New bank loans raised		**0.9**	0.2
Repayment of loan due from joint venture		**0.8**	—
Repayments of obligations under finance leases		**(0.1)**	—
Purchase of shares for ESOT		**(1.1)**	(1.1)
Cash received on exercise of options under ESOT		**0.4**	—
Proceeds on issue of shares		**—**	0.3
Outflow to other financial assets	23	**(0.1)**	(2.6)
Net cash used in financing activities		**(57.0)**	(6.0)
Net (decrease)/increase in cash and cash equivalents		**(27.3)**	14.0
Cash and cash equivalents at the beginning of the year		**127.7**	109.0
Effect of foreign exchange rate changes on cash and cash equivalents		**7.7**	4.7
Cash and cash equivalents at the end of the year	36	**108.1**	127.7

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1 GENERAL INFORMATION

Delta plc (the Company) is a public limited company incorporated in Great Britain under the Companies Act 1985 (as amended). The principal activities of the Company and its subsidiaries (the Group) are described in the 'Group at a Glance' section of the Annual Report and listed in note 19.

The reporting currency of Delta plc is sterling. The functional currency of Delta's subsidiaries, associates and joint venture have been determined in accordance with IAS 21 "The effects of changes in foreign exchange rates" to be the currency of the country in which each operation is incorporated, with the exception of Manganese Metal Company, an associate, whose functional currency has been determined to be the United States dollar.

Adoption of new and revised standards

The Group has elected to implement *IFRS 8: Operating Segments* in advance of its effective date of 1 January 2009. Two interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current year. They are:

IFRIC 11: IFRS 2 — Group and Treasury Share Transactions.
IFRIC 14: IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies in these consolidated financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised)	Borrowing Costs
IFRS 2 (Revised)	Share-based payments vesting conditions and cancellations
IFRIC 12	Service Concession Arrangements

The directors continue to evaluate the impact of these Standards and Interpretations but do not currently anticipate that the future adoption of them will have a material impact on the consolidated financial statements of the Group.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared in accordance with IFRS adopted in the European Union, and they therefore comply with Article 4 of the IAS Regulation. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The consolidated financial statements have been prepared on the going concern basis (see the Directors' Report on page 17 of this Annual Report for further details).

The principal accounting policies set out below have been consistently applied to all years presented in these financial statements.

Basis of consolidation

The consolidated financial statements comprise the results, cash flows, assets and liabilities of Delta plc and all its subsidiaries, recognising any minority interest in those subsidiaries, together with the Group's share of the results and net assets of its associates and joint venture. The financial statements of subsidiaries, associates and joint venture are prepared as of the same reporting date using consistent accounting policies. Intercompany balances and transactions between subsidiaries, including any unrealised profits arising from intercompany transactions, are eliminated on consolidation.

Subsidiaries are entities where the Group has the power to govern the financial and operating policies, generally accompanied by a share of more than 50% of the voting rights. Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which the Group ceases to control them. Where a subsidiary is less than 100% owned by the Group, the minority interest share of the results and net assets are recognised at each reporting date. Where a company with minority interests has net liabilities, no asset is recorded within minority interests unless the minority shareholder has an obligation to make good its share of the net liabilities.

Associates are entities over which the Group has the power to exercise significant influence but not control or joint control, generally accompanied by a share of between 20% and 50% of the voting rights. Joint ventures are entities subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Investments in associates and joint ventures are accounted for using the equity method. If the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has obligations in relation to or made payments on behalf of the associate or joint venture.

Business combinations

All business combinations are accounted for by applying the purchase method. The cost of a business combination is measured as the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed and any equity instruments issued by the Group in exchange for control of the acquiree, together with any costs directly attributable to the combination. The identifiable assets, liabilities and contingent liabilities of the acquiree are measured initially at fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations* which are recognised at fair value less costs to sell. The excess of the cost of the business combination over the Group's interest in the fair value of the identifiable assets (including any intangibles recognised), liabilities and contingent liabilities is recognised as goodwill.

2 **SIGNIFICANT ACCOUNTING POLICIES** continued

Business combinations continued

The interests of minority shareholders in the acquiree are initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill acquired in business combinations represents the excess of the cost of a business combination over the Group's interest in the fair value of the identifiable assets (including any intangibles recognised), liabilities and contingent liabilities of the subsidiary, associate or joint venture at the date of acquisition. Goodwill is carried at cost less any accumulated impairment loss. Goodwill is tested at least annually for impairment or if circumstances indicate that the carrying value may be impaired. Any impairment is calculated in accordance with IAS 36 "Impairment of assets" and is recognised immediately in the consolidated income statement and is not subsequently reversed. Goodwill subsisting on disposal of the related operation is taken to the consolidated income statement as part of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any provision for impairment. They are amortised in accordance with the relevant income stream over their useful lives from the time they are first available for use. The estimated time useful lives vary according to the specific use of the asset but are typically: 1 to 3 years for customer relationships; up to 1 year for customer order backlogs; and 1 to 5 years for trademarks and brand. Intangible assets which are not being amortised are subject to annual impairment reviews.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with *IFRS 5 Non-current assets held for sale and discontinued operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Revenue recognition

Revenue from the sale of goods is measured at the fair value of the consideration received and is recognised when the Group has transferred the significant risks and rewards of ownership of the goods and services to the buyer, when the amount of revenue can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is measured net of discounts, value added tax and other sales related taxes.

Revenue is typically recognised once the Group has performed its services for the customer, evidenced either by delivery of finished goods or other evidence of completion of work.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES continued

Leasing

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Group. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets capitalised under finance leases are depreciated over the shorter of the useful economic life of the asset or the lease term.

Leases other than finance leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

The financial statements for each of the Group's subsidiaries, associates and joint ventures are prepared using their functional currency. The functional currency is the currency of the primary economic environment in which an entity operates.

The functional currency of all the Group's subsidiaries and joint venture is the currency of the country in which that subsidiary or joint venture operates. Manganese Metal Company, the Group's 49% South African associate, uses the US dollar as its functional currency.

The presentation currency of the Group and functional currency of Delta plc is sterling.

Foreign currency transactions are translated into the functional currency of the entity using exchange rates prevailing at the dates of the transactions. Exchange differences resulting from the settlement of such transactions and from the translation at exchange rates ruling at the balance sheet date of monetary assets and liabilities denominated in currencies other than the functional currency of the entity are recognised in the consolidated income statement.

The balance sheets of foreign operations are translated into pound sterling using the exchange rate at the balance sheet date and the income statements are translated into pound sterling using the average exchange rate for the year. Where this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, the exchange rate on the transaction date is used.

Exchange differences arising upon consolidation are taken to the cumulative translation reserve in equity. The cumulative exchange difference held in shareholders' equity in respect of an operation is transferred to the consolidated income statement upon disposal.

Borrowing costs

Borrowing costs are recognised in the income statement in the year in which they are incurred.

Operating profit

Operating profit is defined as revenue from continuing operations less related expenses and is stated before the share of post-tax profits/ (losses) of associates and joint venture and before investment income, other gains and losses, finance costs and tax.

Exceptional items

Exceptional items are items of income or expense considered by the directors, either individually or, if of a similar type, in aggregate, as being material and which require disclosure in order to provide additional information to assist the understanding of the financial information.

Retirement benefit costs

The Group operates defined benefit pension plans and defined contribution pension plans.

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Group operates a number of funded defined benefit pension plans, where actuarially determined payments are made to trustee-administered funds.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Group accounts for actuarial gains and losses in full through the consolidated statement of recognised income and expense in the year in which they occur. Where the actuarial valuation of the plan demonstrates that the plan is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future.

The current service cost is included in distribution costs and administrative expenses in the consolidated income statement. Past service costs, if any, are similarly included where the benefits have vested, otherwise they are amortised on a straight-line basis over the vesting period. Gains and losses on settlements and curtailments are taken to the consolidated statement of recognised income and expenses.

The expected return on assets of funded defined benefit pension plans is recorded in other gains and losses in the consolidated income statement. The expected interest on pension plan liabilities is recorded in finance costs in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Retirement benefit costs continued

A defined contribution plan is one under which fixed contributions are paid to a third party. The Group has no further payment obligations once these contributions have been paid. The contributions are recognised in the consolidated income statement when they are due.

Taxation

The Group's liability for current tax, including UK and foreign tax, is provided at amounts expected to be paid or recovered using tax rates that have been enacted or substantially enacted by the balance sheet date.

Tax expense represents the sum of tax currently payable and deferred tax. The tax currently payable is based on the taxable profit for the year. Taxable profit differs from reported profit in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax base of assets and liabilities used in the computation of taxable profit and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible differences can be utilised. Deferred tax is provided for on unremitted earnings within the Group where it is expected that these earnings will be distributed in the future.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to corporate taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses. Cost comprises purchase price and directly attributable costs.

Freehold land and assets under construction are not depreciated. For all other property, plant and equipment, depreciation is calculated on a straight-line basis to allocate cost less residual values of the assets over their estimated useful economic lives as follows:

Freehold buildings	50 years
Leasehold property	Term of lease
Plant and machinery, including motor vehicles	4 to 25 years
Fixtures, fittings, tools and equipment	5 years

Research and development

Expenditure on research is recognised as an expense in the consolidated income statement as incurred. Expenditure incurred on development projects is capitalised as an intangible asset from the point that it is probable that the expenditure will generate sufficient future economic benefits and the costs can be measured reliably. Previously expensed development expenditure is not reinstated in the consolidated balance sheet.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis for our Galvanizing Services' related businesses or otherwise a weighted average cost basis. Cost comprises directly attributable purchase and conversion costs and an allocation of production overheads based on normal operating capacity. Net realisable value is the estimated selling price less estimated costs of completion and marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Impairment of assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is written down to its recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset. If the asset does not generate cash inflows that are largely independent of those from other assets

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES continued

or groups of assets, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The present value of estimated future cash flows is calculated using discount rates reflecting the risks specific to that asset and the current market assessment of the time value of money for the value in use calculation. Impairments are recognised in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of the recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated cash flow statement comprise cash at bank and in hand, money market deposits and other short-term highly liquid investments with original maturities at acquisition of three months or less, and bank overdrafts. Bank overdrafts are shown within current liabilities in the consolidated balance sheet.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Foreign currency options are measured using quoted foreign exchange rates, yield curves derived from quoted interest rates matching maturities of the contracts and foreign currency volatilities derivied from quoted prices for similar foreign currency options.
- The fair value of non-derivative financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets through profit and loss (FVTPL)

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host.

'Held-to-maturity' investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

'Available for sale'

The Group has an investment in unlisted shares that are not traded in an active market that was formerly classified as an associate. However, following the initiation of a formal sales process by the majority shareholder, the Group has re-classified the investment as 'available-for-sale'.

Loans and receivables

Trade receivables are measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Embedded derivatives

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL. The Group chooses not to disclose the effective interest rate for debt instruments that are classified as at fair value through profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Trade payables

Trade payables, loans and other payables are measured at fair value and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Note 25 sets out details of the fair values of the derivative instruments used for hedging purposes.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line of the income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Cash flow hedges continued

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

2 SIGNIFICANT ACCOUNTING POLICIES continued

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists in respect of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and where the amount can be reliably estimated by the directors. Where the impact is material, provisions are discounted to present value.

Share-based payments

The Group operates various equity-settled incentive schemes for certain employees. For equity-settled share options and awards, the services received from employees are measured by reference to the fair value of the share options or awards granted. Fair value is calculated at grant date and recognised in the consolidated income statement, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of options or awards that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating fair value.

Fair value is measured using either the Black–Scholes option pricing or Stochastic model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Employee Share Ownership Trust

Investments in own shares (held through an Employee Share Ownership Trust) are shown at cost as a deduction from shareholders' equity and shown under the heading "Employee Share Ownership Trust" in the consolidated balance sheet. The costs of administration of the Employee Share Ownership Trust are included in the consolidated income statement as they accrue. Dividends on shares held by the Trust have been waived.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described above, management has made various judgements that potentially have a significant effect on the amounts recognised in the financial statements. These judgements relate primarily to the following items:

Pensions (see note 40)

The obligation in respect of the Group's retirement benefit obligations is dependent on a number of estimates including those relating to mortality, inflation, salary increases and the rate at which liabilities are discounted. Any change in these assumptions would impact the retirement benefit obligation recognised.

Provisions in respect of disposed entities (see note 28)

Provisions in respect of disposed entities relate to the current estimate of future liabilities expected to arise as a result of businesses disposed, where the Group has retained responsibility for items including product warranty, product liability and environmental remediation. At the end of each reporting period management performs a detailed assessment of expected future cash outflows relating to these obligations, and adjusts remaining provisions accordingly. In reviewing these provisions consideration is given to the historical utilisation of such provisions, and the expected costs of works either ongoing currently or reasonably expected to be undertaken for which the Group would be liable.

Carrying amount of certain assets and goodwill (see note 16)

In reviewing the carrying value of certain assets and capitalised goodwill, estimates of future financial performance of the assets and businesses concerned are taken into account. The estimates inherently include assumptions of internal and external factors that, whilst considered reasonable at the date of these accounts, may change in the future from those levels currently expected.

Intangible assets arising on acquisition (see note 17)

In determining the fair value of intangible assets arising on acquisition the directors are required to make judgements regarding the timing and amount of future cash flows applicable to the businesses being acquired, discounted using an appropriate discount rate. The directors estimate the appropriate discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

The useful life used to amortise intangible assets relates to the future performance of the assets acquired and management's judgement of the period over which economic benefit will be derived from the asset.

Deferred tax assets (see note 29)

Deferred tax has only been recognised where it has been assumed that the deferred tax asset is recoverable. The accumulated losses reported by the Group for tax purposes in various tax jurisdictions have not been recognised as deferred tax assets where the directors hold the view that it is improbable that the Group will be able to utilise them in the future. The future use, if any, of these accumulated losses will depend upon applicable tax rules and regulations, and upon the Group generating appropriate taxable income in those jurisdictions.

4 REVAENUE

An analysis of significant categories of revenue, as defined and disclosed in accordance with *IAS 18: Revenue,* is given below:

£ million	Notes	**2008**	2007
Continuing operations:			
Sales of goods and services		**330.8**	266.4
Interest on bank deposits	9	**7.2**	7.2
Discontinued operations:			
Sales of goods and services	13	—	2.6
		338.0	276.2

5 SEGMENTAL INFORMATION

The Group has adopted IFRS 8 *Operating Segments* in advance of its effective date, with effect from 1 January 2008. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 *Segment Reporting*) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as a starting point for the identification of such segments. However, as the Group is organised into three operating divisions, Engineered Steel Products, Galvanizing Services and Manganese Materials, and these operating divisions were both the basis on which the Group reported its primary segment information under IAS 14 and the basis for internal reporting to the Chief Executive, no fundamental change in segments has been required.

The details of the principal activities are as follows:

Engineered Steel Products	Manufacture and distribution of galvanized steel products, grinding media and engineered tooling.
Galvanizing Services	Provision of hot-dip galvanizing and zinc reclamation services.
Manganese Materials	Manufacture and distribution of electrolytic manganese dioxide for use in the manufacture of primary batteries and producer of electrolytic manganese metal.

Information regarding the Group's operating segments is reported below. Amounts reported for the prior year have been restated to conform with the requirements of IFRS 8.

Year ended 31 December 2008

Continuing operations

£ million	**Engineered Steel Products**	**Galvanizing Services**	**Manganese Materials**	**Eliminations**	**Total**
External sales	200.9	86.6	43.3	—	330.8
Inter-segment sales[1]	0.4	3.9	—	(4.3)	—
Total revenue	201.3	90.5	43.3	(4.3)	330.8
Segment result	21.3	10.2	9.2	—	40.7
Central administration costs and directors' salaries					(4.0)
Operating profit (pre-exceptional)					36.7
Share of profit of joint venture					0.2
Investment income					30.7
Finance costs					(25.7)
Pension settlement					(48.8)
Business closure costs [2]					(2.8)
Exceptional gain on disposal of property [3]					6.0
Loss before tax (continuing operations)					**(3.7)**
Tax					(8.2)
Loss after tax (continuing operations)					**(11.9)**

Discontinued operations

£ million	**Total**
Share of profits of joint venture	1.8
Reversal of impairment	6.4
Release of provisions of previously disposed operations	0.3
Profit before tax (discontinued operations)	**8.5**
Tax credit	0.2
Profit after tax (discontinued operations)	**8.7**
Consolidated loss for the year	**(3.2)**

(1) Inter-segment sales are charge at prevailing market rates
(2) The business closure costs comprise £2.1 million in the Manganese materials segment and £0.7 million in the Engineered steel products segment (see note 12).
(3) The exceptional gain on disposal of property is in the Engineered steel products segment (see note 12).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

5 **SEGMENTAL INFORMATION** continued

Year ended 31 December 2007

Continuing operations

£ million	Engineered Steel Products	Galvanizing Services	Manganese Materials(1)	Eliminations	Total
External sales	147.4	84.5	34.5	—	266.4
Inter-segment sales (1)	0.2	5.3	—	(5.5)	—
Total revenue	147.6	89.8	34.5	(5.5)	266.4
Segment result	15.3	12.3	(4.9)	—	22.7
Central administration costs and directors' salaries					(5.1)
Operating profit					17.6
Share of profits of joint venture					0.4
Investment income					41.0
Finance costs					(33.7)
Business closure costs (2)					(13.9)
Exceptional gain on disposal of property (3)					1.8
Loss before tax (continuing operations)					**13.2**
Tax					(4.8)
Profit after tax (continuing operations)					**8.4**

Discontinued operations £ million	Galvanizing Services	Eliminations	Total
External sales	2.6	—	2.6
Inter-segment sales (1)	—	—	—
Total revenue	2.6	—	2.6
Segment result	0.3	—	0.3
Reversal of impairment of investment in associate			2.1
Profit on sale of operation (4)			2.0
Release of provisions of previously disposed operations (5)			2.9
Profit before tax (discontinued operations)			**7.3**
Tax credit			1.5
Profit after tax (discontinued operations)			**8.8**
Consolidated profit for the year			**17.2**

(1) Inter-segment sales are charged at prevailing market rates.
(2) The business closure costs were in the Manganese Materials segment (see note 12).
(3) The exceptional gain on disposal of property was in the Manganese Materials segment (see note 12).
(4) The profit on sale of operation was in the Galvanizing Services segment (see notes 12 and 13).
(5) The release of provisions related various entities in the Engineered Steel Products and Galvanizing Services segments.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without the allocation of the share of profits of joint ventures and associates, central administration costs including directors' salaries, investment income and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance

Segment assets

£ million	2008	2007
Engineered Steel Products	**90.0**	69.3
Galvanizing Services	**78.5**	65.9
Manganese Materials	**48.5**	52.6
Total segment assets	**217.0**	187.8
Unallocated assets	**123.9**	134.2
Consolidated total assets	**340.9**	322.0

5 SEGMENTAL INFORMATION continued

Other segment information

Capital additions and depreciation

£ million	2008	2007
Additions to non-current assets		
Engineered Steel Products	**4.0**	3.9
Galvanizing Services	**8.7**	2.7
Manganese Materials	**0.4**	0.9
	13.1	7.5
Depreciation and amortisation		
Engineered Steel Products	**3.1**	2.3
Galvanizing Services	**2.8**	2.7
Manganese Materials	**0.9**	2.6
	6.8	7.6

Geographical information

The Group operates in six principal geographical areas — United Kingdom (country of domicile), Australasia, South-East Asia, North and South America, Near and Middle East and Africa.

The Group's revenue from external customers by geographical location is detailed below:

£ million	2008	2007
Europe (including UK)	**20.5**	19.2
Australasia	**209.6**	158.9
South-East Asia	**56.0**	50.5
North and South America	**38.6**	34.6
Near and Middle East	**1.7**	1.8
Africa	**4.4**	1.4
Total revenue	**330.8**	266.4

Information about major customers

The Group has many customers in different geographical locations. No customer had sales which exceeded 10% of Group revenues (2007: none).

6 PROFIT FOR THE YEAR

Profit for the year for total operations has been arrived at after charging/(crediting):

£ million	Notes	2008	2007
Cost of inventories recognised as expense		**160.1**	139.5
Research and development costs		**0.6**	0.6
Depreciation of property, plant and equipment	18	**6.5**	7.6
Amortisation of other intangible assets	17	**0.3**	—
Operating lease rentals: — land and buildings		**2.5**	2.1
— plant and equipment		**1.9**	1.4
Staff costs	8	**62.0**	50.7
Recycling of foreign currency translation reserve on disposal of business units		**—**	0.4
Part reversal of impairment of share of net assets of associate	20	**(6.4)**	(2.1)
Impairment of goodwill	16	**—**	0.6
Impairment of property, plant and equipment	18	**(0.6)**	5.7
Impairment of inventories	21	**0.7**	1.6
Impairment of trade receivables	22	**0.6**	0.3

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

7 AUDITORS' FEES

An analysis of the Auditors' remuneration is as follows:

£ million	2008	2007
Fees payable to Delta plc's Auditors, Deloitte LLP,		
for the audit of the Company and UK subsidiaries' annual accounts	**0.2**	0.2
Fees payable to Delta plc's Auditors, Deloitte LLP,		
and its associates for other services to the Group:		
— The audit of the Company's subsidiaries pursuant to legislation	**0.3**	0.3
Total audit fees for Delta plc Group	**0.5**	0.5
Non-audit fees payable to Delta plc's Auditors, Deloitte LLP,		
and its associates for other services to the Group:		
— Tax fees: project and compliance	**—**	0.1
Total non-audit fees for Delta plc Group	**—**	0.1
Total fees (audit and non-audit) payable to Delta plc's Auditors		
and its associates	**0.5**	0.6

8 STAFF NUMBERS AND COSTS

The average monthly numbers of employees (including directors) were:

Number	2008	2007
UK	**75**	81
Overseas	**2,687**	2,593
	2,762	2,674

The actual number of employees as at 31 December 2008 was 2,760 consisting of 74 (UK) and 2,686 (overseas). The average figures include staff from disposed businesses up to their effective date of disposal.

The above average figures are further analysed as follows:

Number	2008	2007
Engineered Steel Products	**1,608**	1,450
Galvanizing Services	**933**	964
Manganese Materials	**206**	241
Group Administration	**15**	19
	2,762	2,674

£ million	2008	2007
The aggregate remuneration comprised:		
Wages and salaries	**57.5**	46.5
Social security costs	**0.8**	0.7
Other pension costs	**3.7**	3.5
	62.0	50.7

Wages and salaries include share-based payment expenses of £0.4 million (2007: £0.4 million).

The Directors' Remuneration Report contains disclosures relating to the emoluments, share options, pensions and long-term incentive interests of the directors.

9 INVESTMENT INCOME

£ million	Note	Continuing operations 2008	2007
Interest on bank deposits		**7.2**	7.2
Expected return on defined benefit pension scheme assets	40	**23.5**	33.8
		30.7	41.0

10 FINANCE COSTS (INCLUDING PENSION SETTLEMENT)

£ million	Note	Continuing operations 2008	2007
Interest on bank overdrafts and loans		**0.6**	0.6
Expected interest on defined benefit pension scheme liabilities	40	**25.1**	33.1
		25.7	33.7
Pension settlement		**48.8**	—
		74.5	33.7

11 TAX

Tax expense

£ million		2008 Continuing	2008 Discontinued	2008 Total	2007 Continuing	2007 Discontinued	2007 Total
Corporate tax:							
Current tax	— current year	**9.5**	—	**9.5**	7.0	—	7.0
Deferred tax	— current year	**2.1**	—	2.1	(0.5)	—	(0.5)
Adjustment in respect of prior years							
	— current tax	**(0.8)**	**(0.2)**	**(1.0)**	(1.9)	(1.5)	(3.4)
	— deferred tax	**(2.6)**	—	**(2.6)**	0.2	—	0.2
Tax expense for the year		**8.2**	**(0.2)**	**8.0**	4.8	(1.5)	3.3

Following the change in rate on 1 April 2008 from 30% to 28%, Corporation tax is calculated at an average rate for the year of 28.5% (2007: 30%).

Tax in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax expense

The total charge for the year can be reconciled to the accounting profit as follows:

£ million	2008	2007
(Loss)/profit before tax:		
Continuing operations	**(3.7)**	13.2
Discontinued operations (including disposals)	**0.3**	3.2
	(3.4)	16.4
Tax at the UK corporation tax rate of 28.5% (2007: 30%)	**(1.0)**	4.9
Tax effect of items not deductible/assessable for tax purposes:		
Non-deductible closure costs of EMD Australia business	**0.6**	4.6
Net release of provisions relating to disposed entities	**(0.1)**	(0.9)
Deferred tax not recognised on Delta Pension Plan settlement costs	**10.4**	—
IAS 19 pension deferred tax adjustment	**0.6**	(0.2)
Other expenses that are not tax deductible	**0.2**	0.2
Tax effect of utilisation of tax losses, capital allowances not previously recognised	**(4.1)**	(1.6)
Tax effect of unrelieved current year tax losses	**2.8**	0.7
Effect of different tax rates of subsidiaries operating in other jurisdictions	**0.1**	(0.3)
Withholding tax	**0.8**	0.4
Adjustment in respect of prior years	**(3.6)**	(3.2)
Other	**1.3**	(1.3)
Tax expense for the year	**8.0**	3.3

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

12 EXCEPTIONAL ITEMS

Exceptional items are items of income or expense considered by the directors, either individually or, if of a similar type, in aggregate, as being material and which require disclosure in order to provide additional information to assist the understanding of the financial information.

Continuing operations

£ million		**Year ended 31 December 2008**	Year ended 31 December 2007
Profit on sale of property	(a)	**6.0**	1.8
Settlement costs in relation to Delta Pension Plan	(b)	**(48.8)**	—
Closure of site	(c)	**(0.7)**	—
Business closure costs	(d)	**(2.1)**	(13.9)
Deferred tax thereon	(d)	—	(0.5)
Deferred tax arising from establishment of Australian consolidated tax group	(e)	**1.5**	—
		(44.1)	(12.6)

(a) The exceptional profit on sale of property of £6.0 million in the year ended 31 December 2008 relates to the disposal of a former site of an Australian Engineered Steel Products business on 27 June 2008. Total net consideration amounted to £8.6 million.

The 2007 exceptional profit on sale of property of £1.8 million in the year ended 31 December 2007 relates to the disposal of adjacent land to the Group's EMD plant in Australia. The consideration received amounted to £3.3 million.

(b) The settlement costs in relation to the Delta Pension Plan constitute a one-off contribution by, and charge to the Group of £49.9 million to the Trustees toward a total bulk annuity purchase of £450.9 million, incremental settlement-related credit of £2.1 million, together with associated advisers' costs of £1.0 million. The purchase of the bulk annuity was in relation to the funding of DPP liabilities pertaining to the pensioner population. This pensioner population substantially relates to former employees of UK businesses no longer owned by the Group. For more details, see note 40.

(c) On 12 December 2008 the Group announced the closure of its machine tool manufacturing site at Kirkby, Nottinghamshire, UK. The expected costs associated with this closure amounted to £0.7 million.

(d) On 18 December 2007, the Group announced the closure of its EMD Australian business, as part of a co-ordinated plan to address the ongoing loss-making nature of that business. Additional liabilities of £2.1 million were recognised in 2008 as follows:

(i) Site restoration and rehabilitation costs of £1.8 million (2007: £3.9 million).
(ii) Impairment of plant and equipment to its recoverable amount of £0.3 million (2007: £5.7 million)
(iii) Impairment of inventories of £nil relates to the impairment of inventories value to their recoverable amount (2007: £1.3 million).
(iv) Rationalisation, redundancy and retrenchment costs of £nil (2007: £2.0 million).
(v) Impairment of goodwill of £nil (2007: £0.6 million).

In 2007 a deferred tax amount of £0.5 million for the EMD Australian operations relating to future tax losses was no longer considered recoverable, and was impaired to zero.

(e) In 2008 the Australian operations claimed a one-off tax credit arising from the establishment of a consolidated tax group for the Australian entities.

12 EXCEPTIONAL ITEMS continued

Discontinued operations

£ million		Year ended 31 December 2008	Year ended 31 December 2007
Reversal of impairment of share of net assets of associate	(f)	**6.4**	2.1
Releases of provisions in relation to disposed entities	(g)	**0.3**	3.1
Profit on sale of discontinued operations	(h)	**—**	2.0
Refund of South African capital gains tax	(i)	**0.2**	1.5
		6.9	8.7

(f) The reversal of the impairment of the net assets of the associate refers to the recognition of £6.4 million (2007: £2.1 million) carrying value in respect of Manganese Metal Company (MMC), following an improvement in its trading results and cash flows. MMC was impaired by £8.5 million to a £nil carrying value in the year ended 31 December 2005. This impairment is now fully reversed.

(g) During the year, an exceptional item was charged to profit for the year from discontinued operations of £0.3 million related to net adjustment of provisions pertaining to disposed businesses (2007: £3.1 million credit) (see note 13).

(h) The exceptional profits on sale of discontinued operations for the year ended 31 December 2007 consist of: £0.3 million profit after tax for the disposed business of Machin & Ewen Pty Ltd, £nil gain/loss for the disposal of Vingal Industries Co. Ltd and £1.7 million profit after tax following the disposal of Delta Group Overseas Holdings GmbH, a former Group holding company, together with its subsidiary Kele GmbH. More details are provided in note 13.

(i) During 2008, a refund of capital gains tax of ZAR3.0 million — £0.2 million (2007: ZAR21.4 million — £1.5 million) was received from the South African tax authorities in respect of the disposal of the former South African Industrial Supplies businesses in September 2005.

13 PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS

Share of post-tax profits of an associate relate to MMC which is currently undergoing a sales process, and so has been re-classified as "held for sale" and reported as a discontinued operation (see note 20 for more details).

The table below details the operating results through to disposal and the consequent post-tax gain on sale of the disposed businesses. All revenue shown is from parties external to the Group.

Year ended 31 December 2008

£ million	Notes	Pre-exceptional	Exceptional	Total
Operating profit		**—**	**—**	**—**
Adjustments to provisions		—	0.3	0.3
Profit before tax		**—**	**0.3**	**0.3**
Exceptional tax credit	11	—	0.2	0.2
Profit after tax		**—**	**0.5**	**0.5**
Share of post-tax profits of associate		1.8	—	1.8
Reversal of impairment	12	—	6.4	6.4
Net profit attributable to discontinued operations		**1.8**	**6.9**	**8.7**

During the year, a sales process was initiated by the majority owner of MMC, the Associate of the Group, and MMC has therefore been re-classified from Continuing to Discontinued (see note 20 for more details).

Discontinued operations included a net receipt of £1.6 million (2007: £2.1 million) to the Group's net operating cash flows, net receipt of £nil (2007: £4.5 million) in respect of investing activities and net receipt of £nil (2007: £0.1 million) in respect of financing activities.

The effect of discontinued operations on segment results is disclosed in note 5.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

13 PROFIT FOR THE YEAR FROM DISCONTINUED OPERATIONS continued

Year ended 31 December 2007

£ million	Notes	Pre-exceptional	Exceptional	Total
Revenue		—	2.6	2.6
Expenses		0.1	0.6	0.7
Operating profit		**0.1**	**3.2**	**3.3**
Unwinding of discount on provisions		—	(0.1)	(0.1)
Profit before tax		**0.1**	**3.1**	**3.2**
Attributable tax credit	12	—	1.5	1.5
Profit after tax		**0.1**	**4.6**	**4.7**
Reversal of impairment	12	—	2.1	2.1
Profit on sale of discontinued operations	12	—	2.0	2.0
Net profit attributable to discontinued operations		**0.1**	**8.7**	**8.8**

Discontinued operations included a net receipt of £2.1 million to the Group's net operating cash flows, net receipt of £4.5 million in respect of investing activities and net receipt of £0.1 million in respect of financing activities.

The effect of discontinued operations on segment results is disclosed in note 5.

14 DIVIDENDS

Preference dividends

£ million	2008	2007
6.0% cumulative first preference shares and 4.5% cumulative second preference shares	**0.1**	0.1

Ordinary dividends

£ million		2008	2007
Proposed dividends for the period:			
— ended 30 June 2007	*(1.6 pence per share)*	—	2.5
— ended 31 December 2007	*(3.4 pence per share)*	—	5.2
— ended 30 June 2008	*(1.9 pence per share)*	**2.9**	—
— ended 31 December 2008	*(4.6 pence per share)*	**7.1**	—
		10.0	7.7

£ million		2008	2007
Paid dividends for the period:			
— ended 31 December 2006	*(3.0 pence per share)*	—	4.6
— ended 30 June 2007	*(1.6 pence per share)*	—	2.5
— ended 31 December 2007	*(3.4 pence per share)*	**5.2**	—
— ended 30 June 2008	*(1.9 pence per share)*	**2.9**	—
		8.1	7.1
Total preference and ordinary dividends paid		**8.2**	7.2

The proposed final dividend of 4.6 pence is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated financial statements. It will be payable on 8 May 2009.

Dividends in respect of minority interests

£ million	2008	2007
Proposed dividends for the period:		
— ended 30 June 2007	—	0.7
— ended 31 December 2007	—	0.7
— ended 30 June 2008	—	—
— ended 31 December 2008	**2.9**	—
	2.9	1.4

14 **DIVIDENDS** continued

£ million	2008	2007
Paid dividends for the period:		
— ended 30 June 2007	—	0.7
— ended 31 December 2007	—	0.7
— ended 30 June 2008	—	—
— ended 31 December 2008	1.5	—
	1.5	1.4

15 EARNINGS PER SHARE

In addition to the IAS 33 measure of earnings per share, underlying earnings per share have been shown because the directors consider that this gives a more meaningful indication of the core performance of the Group by excluding those items that may distort comparability.

The calculation of the earnings per share figures is based on the earnings and weighted average number of shares tables presented below.

	Continuing operations		Discontinued operations		Total operations	
Pence per share	2008	2007	2008	2007	2008	2007
IAS 33 — after exceptional items						
Basic earnings per share	(11.4)	9.1	5.7	5.1	(5.7)	14.2
Diluted earnings per share	(11.4)	9.0	5.7	5.1	(5.7)	14.1
Before exceptional items						
Basic earnings per share	17.0	13.9	1.2	(0.1)	18.2	13.8
Diluted earnings per share	17.0	13.8	1.2	(0.1)	18.2	13.7

Earnings

	Continuing operations		Discontinued operations		Total operations	
£ million	2008	2007	2008	2007	2008	2007
IAS 33 — after exceptional items						
(Loss)/profit attributable to equity holders	(8.5)	21.8	—	—	(8.5)	21.8
Adjustments:						
(Loss)/profit — discontinued	(8.7)	(8.8)	8.7	8.8	—	—
Minority interests' share of above	—	1.0	—	(1.0)	—	—
Preference dividends (note 14)	(0.1)	(0.1)	—	—	(0.1)	(0.1)
	(17.3)	13.9	8.7	7.8	(8.6)	21.7
Before exceptional items						
Total per above	(17.3)	13.9	8.7	7.8	(8.6)	21.7
Adjustments:						
Exceptional items — continuing (note 12)	44.1	12.6	—	—	44.1	12.6
Minority interests' share of above	(0.9)	(5.2)	—	—	(0.9)	(5.2)
Exceptional items — discontinued (note 12)	—	—	(6.9)	(8.7)	(6.9)	(8.7)
Minority interests' share of above	—	—	0.1	0.7	0.1	0.7
	25.9	21.3	1.9	(0.2)	27.8	21.1

Weighted average number of ordinary shares

Number of shares (million)	2008	2007
For basic earnings per share		
Weighted average number of ordinary shares[1]	152.2	153.0
For diluted earnings per share		
Total per above[1]	152.2	153.0
Effect of dilutive share options[2]	0.2	0.9
Revised weighted average number of shares	152.4	153.9

[1] The number of ordinary shares represents the weighted average for the period. The average number of ordinary shares in issue excludes those held in the Delta plc Employee Share Ownership Trust, which are treated as cancelled.

[2] For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. Where basic earnings per share are at a loss, the anti-dilutive effect of any further shares is ignored.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

16 GOODWILL

£ million	Total
Cost	
At 31 December 2006	5.8
Reversal of reclassification of assets held for sale[1]	0.5
Exchange differences	0.4
At 31 December 2007	6.7
Acquisition	1.6
Exchange differences	0.7
At 31 December 2008	**9.0**
Accumulated impairment losses	
At 31 December 2006	—
Impairment loss[2]	(0.6)
At 31 December 2007	(0.6)
Impairment loss[2]	—
At 31 December 2008	**(0.6)**
Carrying amount	
At 31 December 2008	**8.4**
At 31 December 2007	6.1

[1] Reversal arose on adoption of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as at 31 December 2007.

[2] Before impairment testing, goodwill of £0.6 million was attributable to the Manganese Materials business at the current year end. Due to the events and circumstances outlined in note 12(d), the Group has recorded an impairment loss against this goodwill of £0.6 million, bringing the carrying amount to £nil.

Goodwill at 31 December 2008 related to the following business segments: Engineered Steel Products £5.9 million (2007: £4.0 million); Galvanizing Services £2.5 million (2007: £2.1 million); and Manganese Materials £nil (2007: £nil).

The Group's goodwill at 31 December 2008 totalled £8.4 million, being approximately 3% of the Group's total assets.

The Group's accounting policy regarding impairment testing of goodwill is stated in note 2 and includes testing annually for impairment or more frequently if indicators of impairment exist. The goodwill impairment testing uses a methodology similar to that described below.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows into perpetuity based on an estimated growth rate not in excess of the average long-term growth rate for the relevant countries and markets in which the respective Cash Generating Unit participates.

The rate used to discount the forecast cash flows is based on an estimate of Delta's weighted average cost of capital, as adjusted for factors specific to the particular CGU.

17 OTHER INTANGIBLE ASSETS

£ million	Trademarks	Customer lists	Customer relationships	Total
Cost				
At 31 December 2007	—	—	—	—
Acquisition of subsidiary	0.3	0.1	0.1	0.5
Exchange differences	0.1	—	—	0.1
At 31 December 2008	**0.4**	**0.1**	**0.1**	**0.6**
Accumulated amortisation				
At 31 December 2007	—	—	—	—
Charge for the year	(0.2)	—	(0.1)	(0.3)
At 31 December 2008	**(0.2)**	**—**	**(0.1)**	**(0.3)**
Carrying amount				
At 31 December 2008	**0.2**	**0.1**	**—**	**0.3**
At 31 December 2007	—	—	—	—

Intangible assets arise from the acquisition of Hi-Light Industries Pty Ltd. Details of the acquisition, including its fair value, are shown in note 35.

18 PROPERTY, PLANT AND EQUIPMENT

£ million	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
Cost				
At 31 December 2006	43.2	96.4	8.0	147.6
Capital additions	0.9	5.8	0.8	7.5
Exchange differences	3.0	4.7	0.6	8.3
Reclassified from assets held for sale	2.9	4.7	0.9	8.5
Disposal of businesses	(0.7)	(3.2)	(0.5)	(4.4)
Disposals	(1.7)	(4.0)	(1.0)	(6.7)
At 31 December 2007	47.6	104.4	8.8	160.8
Capital additions	2.5	9.5	1.1	13.1
Exchange differences	8.3	11.1	1.1	20.5
Acquisition of business	—	0.4	0.3	0.7
Disposals	(3.0)	(2.6)	(1.3)	(6.9)
At 31 December 2008	**55.4**	**122.8**	**10.0**	**188.2**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

18 PROPERTY, PLANT AND EQUIPMENT continued

£ million	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
Accumulated depreciation and impairment losses				
At 31 December 2006	(9.6)	(57.6)	(6.3)	(73.5)
Depreciation charge for the year	(1.1)	(5.7)	(0.8)	(7.6)
Exchange differences	(0.8)	(3.7)	(0.5)	(5.0)
Impairment losses	(2.3)	(3.3)	(0.1)	(5.7)
Reclassified from assets held for sale	(0.7)	(4.6)	(0.7)	(6.0)
Sale of businesses	0.4	3.4	0.4	4.2
Depreciation written back on disposed assets	—	3.8	0.9	4.7
At 31 December 2007	(14.1)	(67.7)	(7.1)	(88.9)
Depreciation charge for the year	(1.2)	(4.6)	(0.7)	(6.5)
Exchange differences	(3.1)	(8.9)	(0.8)	(12.8)
Acquisition of business	—	(0.1)	(0.1)	(0.2)
Impairment losses	—	0.6	—	0.6
Depreciation written back on disposed assets	0.5	1.9	1.1	3.5
At 31 December 2008	**(17.9)**	**(78.8)**	**(7.6)**	**(104.3)**

Carrying amount				
At 31 December 2008	**37.5**	**44.0**	**2.4**	**83.9**
At 31 December 2007	33.5	36.7	1.7	71.9

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

£ million	Land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
At 31 December 2008	**0.1**	**0.9**	**0.1**	**1.1**
At 31 December 2007	0.1	0.9	—	1.0

Operating lease commitments are disclosed in note 38.

The Group does not pledge any property, plant and equipment as security for liabilities (2007: £nil) or provide as collateral or hold guarantees over these assets (2007: £nil).

Capital commitments

£ million	2008	2007
Commitments for the acquisition of property, plant and equipment	**3.0**	0.7

19 PRINCIPAL GROUP AND ASSOCIATED COMPANIES AT 31 DECEMBER 2008

Country of incorporation	Company	% Interest	Activity
Great Britain	Delta plc	n/a	Parent holding company
Australia	Hi-Light Industries Pty Ltd	100%	Galvanized steel products
Australia	Webforge Australia Pty Ltd	100%	Galvanized steel products
Australia	Donhad Pty Limited	60%	Mining consumables
Australia	Galvline Tasmania Pty Ltd	100%	Galvanizing services
Australia	Industrial Galvanizers Corporation Pty Ltd	100%	Galvanizing services
China	Chengdu Webforge Grating Co Ltd	100%	Galvanized steel products
China	Guangzhou Webforge Grating Co Ltd	100%	Galvanized steel products
China	Wuxi Webforge Grating Co Ltd	100%	Galvanized steel products
China	Wuxi Webforge Trading Co Ltd	100%	Galvanized steel products
Indonesia	PT Webforge Indonesia	100%	Galvanized steel products
Indonesia	PT Bukit Terang Paksi Galvanizing (i)	50%	Galvanizing services
Malaysia	Webforge (KL) Sdn Bhd	100%	Galvanized steel products
Malaysia	Industrial Galvanizers Corporation (Malaysia) Sdn Bhd	70%	Galvanizing services
New Zealand	New Zealand Webforge (NZ) Ltd	100%	Galvanized steel products
Philippines	Webforge Philippines Inc	100%	Galvanized steel products
Philippines	Industrial Galvanizers Corporation of the Philippines Inc	100%	Galvanizing services
Singapore	Webforge (Singapore) Pte Ltd	100%	Galvanized steel products
South Africa	Delta EMD (Pty) Ltd (ii)	56.4%	Electrolytic Manganese
South Africa	DEI Services (Pty) Ltd	100%	Group services
South Africa	Manganese Metal Co (Pty) Ltd (iii)	49%	Manganese metal
Thailand	Webforge (Thailand) Ltd	100%	Galvanized steel products
Great Britain	Delta Group Services Ltd (iv)	100%	Group services
Great Britain	Investment Tooling International Ltd	100%	Machine tool manufacturing
USA	Industrial Galvanizers Alabama Inc	100%	Galvanizing services
USA	Industrial Galvanizers South Carolina Inc	100%	Galvanizing services
USA	Industrial Galvanizers Southeastern Inc	100%	Galvanizing services
USA	Industrial Galvanizers Virginia Inc	100%	Galvanizing services

(i) Accounted for as a joint venture to 30 June 2008, and as an investment from 1 July 2008. Please see note 20 for disclosure concerning lack of significant influence.

(ii) Delta plc's interests in electrolytic manganese dioxide are held indirectly through Delta Electrical Industries Ltd which is listed on the Johannesburg Stock Exchange, and reports results to 27 December.

(iii) Accounted for as an associate, and disclosed as "held for sale". The statutory annual financial statements of MMC are made up to 30 June each year.

(iv) With the exception of Delta Group Services Ltd, all of the above named companies are indirectly owned by Delta plc.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

20 INTERESTS IN ASSOCIATE, JOINT VENTURE AND OTHER

Consolidated balance sheet

	Associate		Joint venture		Other		Total	
£ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Cost of investment	**2.1**	—	**—**	0.4	**0.6**	—	**2.7**	0.4
Loans	**—**	—	**—**	0.9	**0.2**	—	**0.2**	0.9
Share of post-acquisition profits	**1.8**	—	**—**	—	**0.2**	—	**2.0**	—
Exchange differences	**2.1**	—	**—**	0.2	**—**	—	**2.1**	0.2
Reversal of impairment of associate	**6.4**	2.1	**—**	—	**—**	—	**6.4**	2.1
Total interest	**12.4**	2.1	**—**	1.5	**1.0**	—	**13.4**	3.6

Following the initiation of a sale process for the Group's associate, MMC, by the majority shareholder, the Group's interest in its associate has been reclassified and is presented as 'held for sale'. (See the Chief Executive's Review on page 9, and the Financial Review on page 12 for details.)

Following a regular review of the Joint Venture in 2008, the Directors concluded that significant influence over the operations of PT Bukit no longer existed, and so, from 30 June 2008, the Joint Venture has been reclassified as an Other Investment on the Consolidated balance sheet.

The following 100% balance sheet information is not included in the Consolidated balance sheet but is detailed here for disclosure purposes only:

	Associate		Joint venture		Total	
£ million	**2008**	2007	**2008**	2007	**2008**	2007
Total assets (100%)	**50.3**	27.4	**3.3**	5.5	**53.6**	32.9
Total liabilities (100%)	**(25.0)**	(20.7)	**(0.6)**	(2.5)	**(25.6)**	(23.2)
Net assets (100%)	**25.3**	6.7	**2.7**	3.0	**28.0**	9.7

Consolidated income statement

Revenue

The following 100% revenue and profit before interest and tax figures are not included in the Consolidated income statement, but are detailed here for disclosure purposes only:

	Associate		Joint venture		Total	
£ million	**2008**	2007	**2008**	2007	**2008**	2007
Revenue (100%)	**54.2**	32.8	**5.1**	5.8	**59.3**	38.6
Profit before interest and tax (100%)	18.7	**3.7**	1.5	**1.7**	20.2	**5.4**

Share of post-tax gains of associate and joint venture

	Associate		Joint venture		Total	
£ million	**2008**	2007	**2008**	2007	**2008**	2007
Share of post-tax profits before asset impairment of associate	**1.8**	—	**0.2**	0.4	**2.0**	0.4
Partial reversal of exceptional asset impairment of associate	**6.4**	2.1	**—**	—	**6.4**	2.1
Share of post-tax gains	**8.2**	2.1	**0.2**	0.4	**8.4**	2.5

The Group's share of post-tax gains in its associate has been reclassified and presented in discontinued operations.

The statutory annual financial statements of MMC are made up to 30 June each year. For the purpose of applying the equity method of accounting, the latest monthly management accounts have been used, with appropriate adjustments made, for statutory reporting purposes.

21 INVENTORIES

£ million	2008	2007
Raw materials	**27.2**	25.0
Work-in-progress	**3.3**	3.8
Finished goods	**24.0**	27.2
	54.5	56.0

Impairment charges of £0.7 million (2007: £1.6 million) against Group inventories were made in the Consolidated income statement (see note 6). The directors consider that there is no material difference between the balance sheet value of inventories and their replacement cost.

22 TRADE AND OTHER RECEIVABLES

£ million	2008	2007
Amounts falling due within one year:		
Trade receivables	**59.2**	47.0
Allowance for doubtful debts	**(1.8)**	(1.6)
	57.4	45.4
Other receivables	**0.7**	2.3
Corporate tax receivables	**1.0**	0.1
Prepayments and accrued income	**2.3**	2.1
Trade and other receivables	**61.4**	49.9
Amounts falling due after one year:		
Other receivables	**0.4**	0.8
Prepayments and accrued income	**0.1**	—
Other receivables	**0.5**	0.8

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

The average credit period on sale of goods is 39 days (2007: 45 days). The time periods from date of invoice from which interest is charged on trade receivables varies from business to business within the Group. The Group has provided fully for all trade receivables over 120 days overdue. Trade receivables between 30 and 120 days are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to the past default experience of the business concerned.

Included in the Group's aggregate trade receivable balance are trade receivables with a carrying amount of £13.1 million (2007: £9.1 million) which are overdue at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that these amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 54 days (2007: 59 days).

Included within trade receivables are amounts which are past due but for which no allowance is made. Past due up to 30 days £9.6 million (2007: £5.8 million); past due between 30 and 60 days £3.5 million (2007: £2.4 million); past due between 60 and 90 days £nil million (2007: £0.8 million) and past due greater than 90 days £nil million (2007: £0.1 million).

The movement in the aggregate allowances for doubtful debts is as follows:

£ million	2008	2007
Balance at the beginning of the year	**1.6**	1.4
Exchange differences	**0.4**	0.1
Reclassified from assets held for sale	**—**	0.3
Amounts written off during the year	**(0.6)**	(0.3)
Increase in allowances recognised in profit and loss	**0.4**	0.1
Balance at the end of the year	**1.8**	1.6

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large, diverse and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the aggregate allowances for doubtful debts detailed above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

23 OTHER FINANCIAL ASSETS

£ million	2008	2007
Other financial assets	**2.7**	2.6

£2.7 million (2007: £2.6 million) cash has been secured as collateral in support of a €3.0 million letter of credit maturing in 2012.

24 CASH AND CASH EQUIVALENTS

£ million	2008	2007
Cash	**108.1**	128.7
Bank overdrafts	—	(1.0)
Cash and cash equivalents	**108.1**	127.7

Cash as at 31 December 2008 includes money market funds of £30.6 million (2007: £51.7 million) and bank and other deposits repayable in excess of 24 hours' notice of £39.2 million (2007: £55.6 million).

£24.2 million (2007: £18.8 million) of the Group's net cash is subject to exchange controls or is similarly restricted.

The bank overdrafts are repayable as follows:

£ million	2008	2007
On demand or within one year	—	(1.0)
	—	(1.0)

The carrying amounts of the Group's cash balances are denominated in the following currencies:

At 31 December 2008

£ million	GBP	AUD	ZAR	USD	Other	Total
Cash	**27.2**	**50.9**	**9.5**	**7.4**	**13.1**	**108.1**

At 31 December 2007

£ million	GBP	AUD	ZAR	USD	Other	Total
Cash	51.8	55.0	10.9	3.2	7.8	128.7
Bank overdrafts	(0.5)	—	(0.5)	—	—	(1.0)
	51.3	55.0	10.4	3.2	7.8	127.7

25 FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 27, cash and cash equivalents disclosed in note 24, other financial assets disclosed in note 23 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 30 to 32.

Gearing ratio

The Board reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group does not have significant debt, and does not therefore set a target gearing ratio.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

25 FINANCIAL INSTRUMENTS continued

Categories of financial instruments

£ million	Notes	Carrying value 2008	2007
Financial assets			
Cash and cash equivalents	24	**108.1**	127.7
Fair value through profit and loss			
Other investments	20	**1.0**	1.5
Forward exchange contracts	25	**1.7**	—
Held-to-maturity investment	23	**2.7**	2.6
Loans and receivables	22	**61.9**	50.7
Available for sale financial assets	20	**12.4**	2.1
		187.8	184.6
Financial liabilities			
Borrowings	27	**(1.2)**	(1.4)
Loans and payables	26	**(58.0)**	(50.1)
		(59.2)	(51.5)

Financial risk management objectives

The Group's fundamental treasury policy remains one of risk management and control, and not to undertake speculative transactions. Group Treasury does not operate as a profit centre, and all activities are closely monitored by the Group Finance Department, who make recommendations to the Board on matters of treasury policy and to implement policies approved by the Board.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves and monitoring forecast and actual cash flows, as well as ensuring that the maturity profiles of the financial assets adequately provide for capital spending. Liquidity risk management is discussed in the Treasury Policy section of the Financial Review on page 13.

Credit risk

The Group's financial assets include investments, trade and other receivables, derivatives and cash and cash equivalents.

Credit risk refers to the risk that a counterparty will default on its obligations in respect of these instruments to the Group.

With regard to trade receivables, Group policy is only to deal with counterparties with an appropriate credit rating. Furthermore, credit risk relating to trade receivables is considered lower than average due to the nature of our clients being large blue chip corporates and companies involved in government-funded infrastructure work. Our clients are also spread across diverse industries and geographical areas. Appropriate credit checks are undertaken on potential customers before sales commence.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

25 FINANCIAL INSTRUMENTS continued

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency exchange risk

Material currency exposures arising from trading transactions at most of the Group's businesses are covered as they arise. However, the Manganese Materials businesses do not cover trading currency exposures.

The Group utilises currency derivatives to hedge its exposure to fluctuations in foreign exchange rates. The derivative instruments used are foreign exchange swaps and forward foreign exchange contracts. The Group does not trade in financial instruments, so there are no derivatives held for trading purposes.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
£ million	**2008**	2007	**2008**	2007
Australian dollar	**(1.1)**	—	**50.9**	55.0
US dollar	**—**	—	**7.4**	3.2
South African rand	**—**	(0.5)	**9.5**	10.9
Other	**(0.1)**	(1.4)	**13.1**	7.8

Foreign currency sensitivity analysis

An analysis of cash and cash equivalents by currency is set out above. As none of these balances are hedged, the Group's sensitivity to currency gains or losses upon these balances is proportional to their values. Significantly all such translation gains or losses would be reported
within equity.

The Group is mainly exposed to Australian dollars, US dollars and South African rand.

The following table details the Group's sensitivites to a 10% increase and decrease in pound sterling against the respective foreign currencies. The 10% is the rate used when reporting foreign currency risk internally to key management personnel, and represents management's assessment of the reasonably possible change in foreign exchange rates in a normal year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number in the table indicates an increase in other equity where the pound sterling strengthens 10% against the relevant currency. For a 10% weakening of the pound sterling against the relevant currency, there would be an equal and opposite impact on the other equity, and the balances in the tables would be negative.

	Consolidated	
£ million	**2008**	2007
Australian dollar		
Other equity	**(5.0)**	(5.5)
US dollar		
Other equity	**(0.7)**	(0.3)
South African rand		
Other equity	**(1.0)**	(1.0)

Forward foreign exchange contract

The sterling values of operating profits arising in other currencies are not hedged. Consequently, the sterling value of overseas profits remains subject to currency exchange movements. The Group does not normally use net investment hedging to protect the sterling value of its non-sterling assets and no such hedging was used in 2007 or 2008.

25 FINANCIAL INSTRUMENTS continued

£ million	2008 Book Value	2008 Fair Value	2007 Book Value	2007 Fair Value
Foreign exchange contracts:				
Forward exchange contracts	**1.7**	**1.7**	—	—

Analysed as:

£ million	2008 Book Value	2008 Fair Value	2007 Book Value	2007 Fair Value
Current	**1.7**	**1.7**	—	—

At the balance sheet date, the total notional amount of outstanding foreign exchange contracts that the Group has committed was £7.8 million (2007: £5.6 million).

Positive fair values for derivative financial instruments are disclosed as assets in the Consolidated balance sheet and negative fair value derivative financial instruments are disclosed as liabilities in the Consolidated balance sheet.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Due to the significant cash balances held by the Group, the Group is exposed to credit risks with counterparty banks. In particular, the Group has cash balances with banks located in the Republic of South Africa, Australia, China and the United States, and consequently has an exposure to those banking sectors. The balances are held with large commercial banks.

The Group has no outstanding interest rate hedges. The Group's only significant interest rate exposures are in respect of interest receivable on cash balances.

The weighted average interest rates applied are as follows:

Year ended 31 December 2008

Interest rate (%)	GBP	AUD	ZAR	USD	Other	Total
Cash	**5.5%**	**6.5%**	**12.7%**	**1.1%**	**1.2%**	**6.1%**

Year ended 31 December 2007

Interest rate (%)	GBP	AUD	ZAR	USD	Other	Total
Cash	5.6%	6.7%	10.6%	3.9%	1.9%	6.3%
Bank overdrafts	5.6%	—	12.7%	—	—	9.4%

All Group cash balances and borrowings attract interest at floating rates, thus exposing the Group to cash flow interest risk. A 1% change in interest rate would impact income by some £0.1 million.

The directors estimate that the fair value of the Group's cash balances and borrowings are equal to the book value shown.

The other principal features of the Group's cash balances and borrowings are as follows:

(i) Bank overdrafts are repayable on demand.

(ii) No overdrafts (2007: £nil) have been secured by a charge over certain of the Group's assets.

Intra-Group loan economic hedges

The Group has taken out financial instruments to economically hedge the sterling value of loans granted (or payable) by Delta plc and other Group companies, where the loan is not in Delta plc's functional currency (pounds sterling). The financial instruments used are forward foreign exchange contracts. The fair values of these contracts at the balance sheet date are set out in the table above.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

26 TRADE AND OTHER PAYABLES

£ million	2008	2007
Amounts due within one year:		
Trade payables	**21.9**	21.2
Amounts owed to associates	**—**	0.3
Other payables	**12.1**	6.9
Other taxation and social security payables	**3.5**	2.2
Accruals and deferred income	**16.2**	11.5
	53.7	42.1
Amounts due after one year:		
Other payables	**1.1**	0.9
Other taxation and social security payables	**0.1**	—
Accruals and deferred income	**3.1**	7.1
	4.3	8.0
	58.0	50.1

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

The average credit period on purchases of supplies is 43 days (2007: 37 days). Arrangements differ between business units regarding the payment of interest on outstanding balances. The Group has financial risk management policies in place to ensure that payables are paid within credit timeframes.

At the year end, the intrinsic value of vested cash-settled share-based payments for the Group was £nil (2007: £nil).

27 BORROWINGS

£ million	At 31 December 2008	At 31 December 2007
Bank loans	**1.1**	1.4
Finance lease liabilities	**0.1**	—
	1.2	1.4

Bank loans of £1.1 million (2007: £1.4 million) are unsecured.

At 31 December 2008, the Group had available £0.4 million (2007: £0.9 million) of undrawn committed facilities in respect of which all conditions precedent had been met.

The directors estimate that the fair value of the finance lease liabilities is equal to the book value shown.

Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
£ million	At 31 December 2008	At 31 December 2007	At 31 December 2008	At 31 December 2007
No later than 1 year	**0.1**	—	**0.1**	—
Later than 1 year and not later than 5 years	—	—	—	—
Later than 5 years	—	—	—	—
Less future finance charges	—	—	—	—
Present value of minimum lease payments	**0.1**	—	**0.1**	—

Finance leases relate to vehicles with lease terms of up to 5 years. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

28 PROVISIONS

£ million	Restructuring provisions[i]	Disposed entities[ii]	Other[iii]	Total
At 31 December 2007	2.0	1.9	3.4	7.3
Additional provisions in the year	0.5	0.5	0.5	1.5
Utilisation of provisions in the year	(1.8)	(0.3)	(0.4)	(2.5)
Release of provisions in the year	—	(0.9)	—	(0.9)
Acquisitions	—	—	0.1	0.1
Exchange adjustments	0.2	0.1	0.2	0.5
Unwinding of discount of provisions	—	0.2	—	0.2
At 31 December 2008	**0.9**	**1.5**	**3.8**	**6.2**
Analysed as:				
Current liabilities	0.8	1.1	0.1	2.0
Non-current liabilities	0.1	0.4	3.7	4.2
	0.9	**1.5**	**3.8**	**6.2**

(i) Restructuring provisions relate to the closure of the EMD Australian business (see note 12).
(ii) Provisions in respect of disposed entities relate to the current estimate of future liabilities expected to arise as a result of businesses disposed.
(iii) Includes rehabilitation and employee-related provisions.

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29 DEFERRED TAX

(Assets) / liabilities

£ million	Accelerated tax depreciation of plant and equipment	Accelerated tax depreciation and timing differences of property	Retirement benefit obligations	Unremitted earnings	Tax losses	Accrued employment entitlements and other timing differences	Total
At 31 December 2006	6.0	1.0	0.3	0.1	(2.8)	(4.5)	0.1
Re-classified from assets and associated liabilities held for sale	—	—	—	—	—	(0.1)	(0.1)
Disposals of businesses	—	—	—	—	—	0.2	0.2
(Credit)/charge to income for the year	(1.0)	0.1	(0.3)	—	(1.6)	2.5	(0.3)
Exchange differences	0.1	0.1	—	—	—	(0.3)	(0.1)
At 31 December 2007	5.1	1.2	—	0.1	(4.4)	(2.2)	(0.2)
(Credit)/charge to income for the year	(2.3)	—	—	—	3.6	(1.8)	(0.5)
Exchange differences	(0.1)	0.1	—	—	(0.1)	(0.6)	(0.7)
At 31 December 2008	**2.7**	**1.3**	**—**	**0.1**	**(0.9)**	**(4.6)**	**(1.4)**

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balance (after offset) for balance sheet purposes:

£ million	2008	2007
Deferred tax liabilities	**4.6**	2.2
Deferred tax assets	**(6.0)**	(2.4)
	(1.4)	(0.2)

Deferred tax not recognised

£ million	2008	2007
Capital losses	**(71.8)**	(11.8)
Tax losses	**(14.0)**	(11.7)
Property, plant and equipment	**(6.9)**	(9.2)
Retirement benefit obligations	**(10.9)**	—
Other timing differences	**—**	(0.9)
Unremitted foreign earnings	**33.9**	28.7
	(69.7)	(4.9)

Deferred tax has not been recognised where it has been assumed that the deferred tax asset is not recoverable. The amount of deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax is recognised at the balance sheet date is £246.0 million (2007: £13.1 million), together with Virginia, USA state tax losses of £8.7 million at a tax rate of 6% (2007: £nil at 6%).

The substantial increase in capital losses arose in connection with the liquidation of a subsidiary. This crystallised a loss partly originating from the sale of Netherlands electrical trades in 2003 and partly from transactions in earlier years. However, the relevant submissions have not yet been agreed with HM Revenue and Customs.

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 future: £44 million in the UK (2007: £34 million) and £3 million in Australia (2007: £5 million). The UK and Australian tax losses have no applicable expiry date. The future use, if any, of these accumulated losses will depend upon applicable tax rules and regulations, and upon the Group generating appropriate taxable income in those countries. Consequently, the figures include losses which it is improbable that the Group will be able to utilise in the future.

A deferred tax asset has not been recognised in respect of temporary differences in the UK as there is insufficient evidence that the asset will be recovered. The amount of the deductible temporary differences not recognised relates to capital allowances in excess of depreciation: £23.9 million (2007: £29.8 million). The asset would be recovered if there were sufficient UK profits in the future.

No deferred tax has been recognised on the unremitted earnings of overseas subsidiaries, associates and joint venture. No deferred tax liability has been recognised in respect of temporary differences of £120.9 million (2007: £95.8 million) associated with retained profits in overseas subsidiaries. These temporary differences are not expected to reverse because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. Temporary differences arising in connection with interests in associates and joint venture are insignificant.

30 SHARE CAPITAL, SHARE PREMIUM AND EMPLOYEE SHARE OWNERSHIP TRUST

Share capital and share premium

£ million	**2008**	2007
Share Capital:		
Ordinary shares	**38.5**	38.5
Preference shares	**2.8**	2.8
	41.3	41.3

Ordinary shares

	Ordinary share capital		**Share premium**	
£ million	**2008**	2007	**2008**	2007
Authorised:				
188 million ordinary shares of 25p each	**47.0**	47.0	**—**	—
Issued and fully paid:				
At the beginning of the year	**38.5**	38.4	**34.0**	33.8
Exercise of share options	**—**	0.1	**—**	0.2
At the end of the year	**38.5**	38.5	**34.0**	34.0

The Company has one class of ordinary share.

The total number of authorised ordinary shares was 188,000,000 (2007: 188,000,000) and 153,763,755 were shares allotted and fully paid at 31 December 2008 (2007: 153,763,755).

Preference shares

£ million		**2008**	2007
Authorised:			
1,000,000	6% Cumulative first preference shares of £1 each	**1.0**	1.0
2,000,000	4.5% Cumulative second preference shares of £1 each	**2.0**	2.0
		3.0	3.0
Issued and fully paid:			
866,152	6% Cumulative first preference shares of £1 each	**0.9**	0.9
1,940,000	4.5% Cumulative second preference shares of £1 each	**1.9**	1.9
		2.8	2.8

The total number of authorised cumulative first preference shares was 1,000,000 (2007: 1,000,000) and 866,152 shares allotted and fully paid at 31 December 2008 (2007: 866,152). The total number of authorised cumulative second preference shares was 2,000,000 (2007: 2,000,000) and 1,940,000 shares allotted and fully paid at 31 December 2008 (2007: 1,940,000). The preference shares are not redeemable.

30 SHARE CAPITAL, SHARE PREMIUM AND EMPLOYEE SHARE OWNERSHIP TRUST continued

Employee Share Ownership Trust

Shares in the ESOT are valued at their original cost and deducted from equity. The dividends on the shares held in the ESOT are waived except to the extent of 0.01p per share.

In lieu of issuing new shares, it is intended that all share-based incentives will be satisfied through the Delta plc ESOT by way of market purchase. During the year, 962,500 shares were purchased to satisfy share-based incentives at an average share price of 119p. (2007:928,700 shares at 121p). At 31 December 2008, the 1,537,197 shares (2007: 1,265,911 shares) held by the ESOT had a market value of £1.3 million (2007: £1.4 million).

£ million	**2008**	2007
Balance at 1 January 2008	**2.2**	1.0
Acquisition of shares	**1.1**	1.1
Satisfaction of options	**(0.9)**	(0.2)
Cash (remitted by)/collected by Trustees	**(0.3)**	0.3
Balance at 31 December 2008	**2.1**	2.2

During the year, the Employee Share Ownership Trust ("ESOT") satisfied options granted under the 1999 Delta Executive Share Option Scheme ("ESOS") totalling 617,670 shares (2007: 142,556 shares) and awards made under the Deferred Bonus Plan 2006 ("DBP") of 7,203 shares (2007: 34,842 shares), and 66,341 shares in regards to the Save As You Earn and International Save As You Earn share option schemes (2007: nil). However, no shares were satisfied by the ESOS (2007: 111,475 shares) or any cash settled shares in relation to the DBP (2007: 6,032 shares). In addition, the Company did not issue any ordinary shares pursuant to the ESOS (2007: 219,816 shares); and did not issue shares in regards to the Save As You Earn and International Save As You Earn share option schemes (2007: 42,088 shares), so there was no consideration (2007: £0.3 million). This resulted in no increase to share capital or to the share premium account (2007: £0.1 million and £0.2 million respectively). For 2007, the 42,088 ordinary shares of 25p each under the Save As You Earn share option scheme at 82p and 108p and the International Save As You Earn share option scheme at 82p had an aggregate nominal value of £10,522 and consideration received of £nil million.

31 TRANSLATION RESERVE

£ million	Foreign currency translation reserve(i)
Balance at 31 December 2006	(11.8)
Exchange differences on translation of foreign operations	10.6
Exchange differences written back on disposals	0.4
Balance at 31 December 2007	(0.8)
Exchange differences on translation of foreign operations	27.9
Balance at 31 December 2008	**27.1**

(i) Exchange differences arising from the translation of foreign operations on consolidation are included within the foreign currency translation reserve. Cumulative translation differences were deemed to be zero at the IFRS transition date of 4 January 2004. Any gains and losses recognised in the consolidated income statement on subsequent disposal of foreign operations will therefore exclude translation differences prior to that transition date.

32 RETAINED EARNINGS

£ million	Notes	Total
Balance at 31 December 2006		144.4
Dividends paid	14	(7.1)
Profit for the year		21.8
Share-based payments		0.5
Actuarial gains for year	40	8.9
IAS 19 defined benefit pension asset recoverability assessment	40	(9.5)
Balance at 31 December 2007		159.0
Dividends paid	14	(8.2)
Loss for the year		(8.5)
Share-based payments		0.4
Satisfaction of share options by ESOT		(0.8)
Actuarial losses for year	40	(12.5)
IAS 19 defined benefit pension asset recoverability assessment	40	9.5
Balance at 31 December 2008		**138.9**

(i) The retained earnings of the Group includes profits retained in overseas Group companies totalling £117.8 million (2007: £109.3 million) which could be subject to local exchange control regulations if distributed as dividends.

(ii) The retained earnings of the Group includes retained net profits in associated companies of £2.4 million (2007: £0.6 million) of which £nil (2007: £nil) is retained overseas and which could be subject to local exchange control regulations if distributed as dividends.

33 MINORITY INTERESTS

£ million	Notes	Total
Balance at 31 December 2006		33.2
Dividends paid	14	(1.4)
Exchange adjustments		0.3
Share of loss for the year		(4.6)
Balance at 31 December 2007		27.5
Dividends paid	14	(2.9)
Share of capital distribution		(3.2)
Exchange adjustments		1.6
Share of profit for the year		5.3
Balance at 31 December 2008		**28.3**

34 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates and joint venture are disclosed below:

	Sale of goods		Purchase of goods[1]		Amounts owed to related parties [1]		Amounts owed by related parties [2]	
£ million	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Associate and joint venture	—	—	**(4.8)**	(3.6)	**(0.5)**	(0.2)	**0.2**	0.9

[1] The purchase of goods, and amounts owed to related parties relate to the supply of Manganese products by the Associate MMC.
[2] The amounts owed by a related party is a loan due by the Joint Venture, P T Bukit.

The key management are considered to be the Board of Directors. The remuneration of the directors is set out in the Directors' Remuneration Report.

Notes to the Consolidated Financial Statements (continued)

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35 ACQUISITION OF HI-LIGHT INDUSTRIES PTY LTD

On 7 January 2008, Delta acquired 100% of the shares of Hi-Light Industries Pty Ltd ("Hi-Light") from its former private owners for a total consideration plus expenses of £2.9 million, including deferred consideration of £0.3 million. The deferred consideration is due to be paid in 2009 and 2010 in two equal instalments, subject to the satisfaction of certain warranties and achievements of a number of sales-related and profitability targets. These consideration figures were subject to a purchase price adjustment following the finalisation and completion of completion accounts as at 31 December 2007.

Hi-Light is engaged in the manufacture of galvanized steel products in Australasia and will be reported in the Engineered Steel Products segment. This transaction has been accounted for in 2008 using the purchase method of accounting in accordance with IFRS 3: Business Combinations. All assets and liabilities have been recognised at their provisional fair values. The residual over the net assets acquired has been recognised as goodwill.

In the year to 31 December 2008, Hi-Light contributed operating profit of £0.4 million on revenues of £5.1 million.

Fair values and type of consideration

The following table details the book values, fair value adjustments and fair values of Hi-Light Industries Pty Ltd's assets and liabilities at the date of acquisition:

£ million	**Book value**	**Fair value Adjustments**	**Finalised fair value**
Customer lists	—	0.1	0.1
Customer relationships	—	0.1	0.1
Trademarks	—	0.3	0.3
Property, plant and equipment	0.2	0.2	0.4
Inventories	0.5	0.1	0.6
Trade and other receivables	0.7	(0.1)	0.6
Trade and other payables	(0.5)	(0.1)	(0.6)
Employee entitlements	(0.1)	—	(0.1)
Total intangibles and tangibles (net assets)	**0.8**	**0.6**	**1.4**
Equity minority interests			—
Net attributable assets acquired			**1.4**
Goodwill arising on acquisition			1.5
Total consideration/acquisition cost (including expenses)			**2.9**

Satisfied by:

Cash	2.5
Directly attributable transaction costs	0.1
Deferred, contingent consideration	0.3
	2.9

Net cash outflow arising on acquisition

Cash consideration	2.6
Cash and cash equivalents	—
	2.6

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

£ million	2008	2007
Operating profit from continuing operations	**39.9**	5.5
Operating profit from discontinued operations	**—**	3.3
Operating profit	**39.9**	8.8
Adjustments for:		
Business closure costs	**2.8**	13.9
Depreciation of property, plant and equipment	**6.5**	7.6
Amortisation of other intangible assets	**0.3**	—
Reversal of provisions on disposed business	**(0.3)**	(0.1)
Gain on disposal of property, plant and equipment	**(6.0)**	(1.6)
Gain on receipt of warranty claim	**—**	(0.6)
Movement in provisions	**0.8**	(2.8)
Movement in derivatives	**(1.7)**	(0.1)
Expense for share options	**0.4**	0.4
Operating cash flows before movements in working capital	**42.7**	25.5
Decrease in inventories	**7.6**	10.1
Increase in receivables	**(3.4)**	(7.3)
Increase/(decrease) in payables	**2.1**	(1.4)
	6.3	1.4
Cash generated from operations before tax	**49.0**	26.9

Cash and cash equivalents in the consolidated cash flow statement are reconciled to the consolidated balance sheet as follows:

£ million	2008	2007
Cash	**108.1**	128.7
Bank overdrafts	**—**	(1.0)
Cash and cash equivalents per the consolidated cash flow statement	**108.1**	127.7

37 CONTINGENT LIABILITIES

£ million	2008	2007
Financial guarantees	**3.2**	2.9

It is not expected that any loss will arise in respect of these financial guarantees all of which were undertaken in the ordinary course of business.

In addition to the liabilities for which provisions have been made, 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 unprovided liabilities arising is remote.

38 OPERATING LEASE COMMITMENTS

At the balance sheet date, the aggregate amount of minimum lease payments under non-cancellable operating leases are as follows:

£ million	2008	2007
Within one year	**4.0**	3.2
In the second to fifth years inclusive	**8.0**	6.3
After five years	**10.9**	2.3
Total commitments under operating leases	**22.9**	11.8

Operating lease commitments relate to operating leases over property, plant and equipment in businesses throughout the Group.

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39 SHARE-BASED PAYMENTS

IFRS 2: Share-based payments has only been applied to equity instruments that were granted after 7 November 2002 and that had not vested before 1 January 2005.

Included within staff costs are IFRS 2 expenses related to share-based payments totalling £0.4 million (2007: £0.5 million).

Save As You Earn schemes

The Company has a scheme in place known as "Save As You Earn" (SAYE), and its international equivalent, known as "International Save As You Earn" (ISAYE). There have been no SAYE or ISAYE grants since October 2002 (and thus this share-based payment scheme does not fall under the provisions of IFRS 2). Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. In normal circumstances the options mature either 36, 60 or 84 months following grant and can be exercised within six months of the relevant maturity date. Options are forfeited if the employee leaves the Group before the option vests.

Executive Share Option Scheme (ESOS)

The Company has a share option scheme for executives of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The options are exercisable between three and ten years after the date on which the options were granted subject to performance criteria being met. Options are forfeited if the executive leaves the Group before the options vest.

ESOS was approved by shareholders at the May 1999 Annual General Meeting. The scheme was amended in 2002 to reflect the preferences of certain institutional investors. Grants under the ESOS were made annually and had values of up to one times annual salary. No grants have been made since 2005.

ESOS options are subject to the following performance conditions:

(a) granted before 29 June 2001, 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 Prices Index plus 3% per annum; and
- earnings per share before exceptional items must equal or exceed twenty pence.

(b) granted on or after 29 June 2001, 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 Prices Index plus 3% per annum.

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**2,524,339**	**112.7**	3,269,686	110.6
Granted during the year	—	—	—	—
(Forfeited) during the year	**(391,369)**	**123.1**	(271,500)	121.2
(Exercised) during the year	**(296,652)**	**92.9**	(473,847)	93.0
Outstanding at the end of the year	**1,836,318**	**103.2**	2,524,339	112.7
Exercisable at the end of the year	**1,836,318**	**103.2**	1,450,339	102.8

The weighted average share price at the date of exercise for share options exercised during the year was 111.8p (2007: 137.4p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.8 years (2007: 5.8 years) and have exercise prices ranging from 83p to 154p.

There were no options granted under this scheme in 2008, 2007 or 2006. The scheme was replaced by the Performance Share Plan which was approved by shareholders on 28 April 2006.

Expected volatility was determined by calculating the historical volatility of the Company's share price over six years prior to the year of grant. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of £nil (2007: £0.1 million) relating to the above equity-settled ESOS during the year.

39 SHARE-BASED PAYMENTS continued

Share Award Scheme for Chief Executive

Details of the share award outstanding during the year are as follows:

	2008		2007	
	Number of shares	**Weighted average exercise price (p)**	Number of shares	Weighted average exercise price (p)
Outstanding at the beginning of the year	**264,961**	**Nil**	264,961	Nil
Dividends paid as share award during the year	**56,057**	**Nil**	—	—
(Exercised) during the year	**(321,018)**	**Nil**	—	—
Outstanding at the end of the year	—	—	264,961	Nil
Exercisable at the end of the year	—	—	—	—

The Group recognised an expense of £0.1 million (2007: £0.1 million) related to the above equity-settled share award scheme during the year.

Performance Share Plan

The Performance Share Plan was introduced in 2006 to replace the ESOS. The conditional awards generally have a three year vesting period and an exercise price of £nil. The extent to which an award under the plan may vest will be determined by the Company's Total Shareholder Return ("TSR") performance over the three year period commencing the start of the financial year in which the grant was made against the TSR performance of the constituents of the FTSE SmallCap Index (excluding investment trusts) over the same period. For median performance, one quarter may vest, rising proportionally to full vesting for upper quartile performance.

Regardless of the Company's TSR performance, no part of an award under the plan will vest unless the Financial Underpin Condition is met, the Financial Underpin Condition being that the Remuneration Committee considers that the Company's underlying financial performance over the same measurement period is satisfactory.

Awards are forfeited if the executive leaves the Group before the awards vest.

Details of the share awards outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**640,844**	**Nil**	333,247	Nil
Granted during the year	**763,810**	**Nil**	378,142	Nil
(Forfeited) during the year	**(319,023)**	**Nil**	(70,545)	Nil
Outstanding at the end of the year	**1,085,631**	**Nil**	640,844	Nil
Exercisable at the end of the year	—	—	—	—

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39 SHARE-BASED PAYMENTS continued

The awards outstanding at the end of the year have a weighted average remaining contractual life of 1.7 years and have an exercise price of £nil (2007: 2.2 years and have an exercise price of £nil).

In 2008, an award was granted on 28 March (2007: 22 March and 10 April). The estimated fair values of the award granted on this date was 46.5p (2007: 55.3p and 52.0p respectively). The total fair value was £355,172 (2007: £140,423 and £64,629 respectively. The fair values were calculated using a stochastic model. The inputs used for fair valuing awards granted during 2008 were as follows:

	2008	2007
Weighted average share price at date of grant	**92.0p**	138.5
Weighted average exercise price	**£nil**	£nil
Weighted average expected volatility	**28.6%**	25.2%
Weighted average expected life	**3.0 years**	3.0 years
Risk free rate	**4.0%**	5.3%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a historical period commensurate with the expected performance period for the award. Participants are entitled to receive the dividends that would have been received on the vested shares therefore the dividend yield does not impact on the valuation of the awards.

The Group recognised total expenses of £0.2 million (2007: £0.2 million) related to the above equity-settled share-based Performance Share Plan during the year.

Deferred Bonus Plan

The Deferred Bonus Plan was introduced in 2006. One half of any bonus payable under the scheme is paid in cash with the other half being deferred in ordinary shares in the Company.

Deferred bonus share awards are forfeited on cessation of employment prior to the third anniversary of award, except in the case of "good leavers" in which case the deferred shares are released early.

Details of the share awards outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**182,680**	**Nil**	—	—
Granted during the year	**343,287**	**Nil**	223,554	Nil
(Forfeited) during the year	**(96,172)**	**Nil**	—	—
(Vested) during the year	**(7,203)**	**Nil**	(40,874)	Nil
Outstanding at the end of the year	**422,592**	**Nil**	182,680	Nil
Exercisable at the end of the year	**—**	**—**	—	—

The awards outstanding at the end of the year have a weighted average remaining contractual life of 2.0 years and have an exercise price of £nil. (2007: 2.2 years and have an exercise price of £nil).

In 2008, an award was granted on 27 March (2007: 22 March). The estimated fair value of the award granted on this date was 83.6p (2007: 127.0p). The total fair value was £286,988 (2007: £283,995).

The fair values were calculated using Black-Scholes option pricing model. The inputs used for fair valuing awards granted during 2008 were as follows:

	2008	2007
Weighted average share price at date of grant	**91.5p**	139.0
Weighted average exercise price	**£nil**	£nil
Weighted average expected volatility	**25.0%**	25.0%
Weighted average expected life	**3.0 years**	3.0 years
Risk free rate	**4.5%**	4.7%
Expected dividend yield	**3.0%**	3.0%

39 **SHARE-BASED PAYMENTS** continued

Expected volatility was determined by calculating the historical volatility of the Company's share price over a historical period commensurate with the expected performance period for the award. Participants are not entitled to receive the dividends that would have been received on the vested shares. The share awards were issued for £nil consideration and the exercise price is £nil.

The Group recognised total expenses of £0.1 million (2007: £0.1 million) related to the above equity-settled Deferred Bonus Plan during the year.

40 RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates a number of defined contribution retirement benefit schemes for qualifying employees. The related pension assets are held in trustee administered funds separate from the Company, unless required otherwise by local best practice and regulations. The total cost charged to income of £3.3 million (2007: £3.1 million) represents contributions payable to those schemes by the Group at rates specified in the rules of the respective schemes.

Defined benefit scheme

The Group operates a funded defined benefit scheme for qualifying employees in the United Kingdom via the Delta Pension Plan (DPP). Under the DPP, participants are entitled to pension retirement benefits of 1.67% of final salary per year of service on attainment of a retirement age of 65 years. The Group had a further defined benefit scheme in Australia, the Delta Australia Superannuation Fund (DASF) until the DASF was closed and proceedings commenced to dissolve the pension fund as at 1 December 2006.

The Group has opted to recognise all actuarial gains and losses immediately via the consolidated statement of recognised income and expense.

Details of valuation assumptions for the purposes of this Annual Report

The most recent actuarial valuation of the DPP's assets and liabilities for financial reporting purposes was performed at 31 December 2008 by independent actuaries Xafinity Consulting Limited. The projected unit credit method was used for valuation purposes. The projected unit credit method is an accrued benefits valuation method in which the plan liabilities make allowance for projected earnings.
The actuarial valuation used the following principal assumptions:

	2008	2007
Discount rate	**6.3%**	5.8%
Inflation rate	**2.5%**	3.1%
Expected return on equity instruments	**7.0%**	7.0%
Expected return on debt instruments	**6.3%**	4.5%
Expected return on property and cash	**6.0%**	6.0%
Expected rate of salary increases	**3.5%**	4.1%
Future pension increases	**3.0%**	3.1%
Mortality assumptions:		
Life expectancy at age 65		
Non-pensioners, currently aged 45	**PxA92MC**	PxA92c2020
—Male	**23.1**	19.8
—Female	**25.9**	22.8
Pensioners, currently aged 65	**PxA92MC**	PxA92c2006
— Male	**22.0**	18.6
—Female	**24.9**	21.5

The expected return on DPP assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with yields on government bonds. Returns on property are assumed to be 1% per annum lower than those on equities. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the DPP holdings of these instruments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

40 RETIREMENT BENEFIT SCHEMES continued

The estimated sensitivities regarding the principal assumptions used to measure the scheme liabilities as above are set out as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10%
Inflation rate	Increase/decrease by 0.5%	Increase/decrease by 6%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease 0.1%
Rate of mortality	Increase by 1 year	Increase by 1.5%

Amounts included in the consolidated income statement

The amounts recognised in respect of the defined benefit scheme are as follows:

£ million	Notes	2008	2007
Current service cost		**(0.4)**	(0.4)
Expected interest on defined benefit pension scheme liabilities	10	**(25.1)**	(33.1)
Expected return on defined benefit pension scheme assets	9	**23.5**	33.8
Amounts (charged)/credited to the consolidated income statement		**(2.0)**	0.3
Actuarial (losses)/gains in consolidated statement of recognised income and expense		**(12.5)**	8.9
		(14.5)	9.2

Current service cost is included in distribution costs and administrative expenses.

Amounts included in the consolidated balance sheet

The aggregated amount recognised in the consolidated balance sheet in respect of the Group's defined benefit pension schemes are as follows:

£ million	2008	2007
Fair value of plan assets	**194.7**	640.7
Present value of plan liabilities	**(197.2)**	(631.2)
Net defined benefit (deficit)/surplus before consideration of the IAS 19 asset recoverability assessment [1]	**(2.5)**	9.5
Adjustment in respect of the IAS 19 asset recoverability assessment [1]	**—**	(9.5)
Net consolidated balance sheet retirement benefit liability	**(2.5)**	—

[1] The IAS 19 valuation conducted for the year ended 31 December 2007 produced a net defined benefit pension surplus of £9.5 million. The directors considered that there was sufficient uncertainty so as to not warrant recognition of the net defined benefit surplus as a retirement benefit asset in the consolidated balance sheet.

The cumulative amount of net actuarial gains taken to the consolidated statement of recognised income and expense is £38.1 million since the date of transition to IFRS.

Reconciliations of movements in the consolidated balance sheet

Overall movements in the present value of defined benefit plan were as follows:

£ million	2008	2007
Net (asset)/liability at start of year	**(9.5)**	0.2
Current service cost	**0.4**	0.4
Contributions	**(50.3)**	(0.5)
Settlement	**47.8**	—
Net interest expense/(credit)	**1.6**	(0.7)
Actuarial losses/(gains)	**12.5**	(8.9)
Net liability/(asset) at end of year	**2.5**	(9.5)

The above aggregated table can be split into the following liabilities and assets tables.

40 RETIREMENT BENEFIT SCHEMES continued

Movements in the present value of DPP liabilities were as follows:

£ million	2008	2007
Opening present value of plan liabilities	**631.2**	652.0
Service cost	**0.4**	0.4
Interest cost	**25.1**	33.1
Contributions	**0.1**	0.1
Settlements	**(413.7)**	—
Actuarial gains	**(27.3)**	(20.8)
Benefits paid	**(18.6)**	(33.6)
Closing present value of plan liabilities	**197.2**	631.2

Movements in the fair value of DPP assets were as follows:

£ million	2008	2007
Opening fair value of plan assets	**640.7**	651.8
Expected return on plan assets	**23.5**	33.8
Settlements	**(461.5)**	—
Actuarial losses	**(39.8)**	(11.9)
Employer contributions	**50.3**	0.5
Member contributions	**0.1**	0.1
Benefits paid	**(18.6)**	(33.6)
Closing fair value of plan assets	**194.7**	640.7

The actual return on DPP assets was £(16.3) million (2007: £22.0 million).

Employer contributions in 2009 are expected to approximate to the regular payments made in 2008 for the DPP of £0.4 million (i.e. excluding the settlement).

Further analysis of DPP's assets

Scheme assets are analysed as follows:

£ million	2008	2007
Equity instruments	**5.3**	203.2
Debt instruments and insured policies	**175.7**	406.5
Property and cash	**13.7**	31.0
	194.7	640.7

Percentage	2008	2007
Equity instruments	**3%**	32%
Debt instruments and insured policies	**90%**	63%
Property and cash	**7%**	5%
	100%	100%

The expected rates of return on each of the scheme assets are disclosed in the valuation assumptions section above. The DPP assets do not include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2008

40 RETIREMENT BENEFIT SCHEMES continued

Five-year history

The five-year history of aggregate experience adjustments is as follows:

£ million	2008	2007	2006	2005 [i]	2004 [i]
Fair value of scheme liabilities	**197.2**	631.2	652.0	672.8	626.1
Fair value of scheme (assets)	**(194.7)**	(640.7)	(651.8)	(670.6)	(611.7)
Deficit/(surplus) in the schemes	**2.5**	(9.5)	0.2	2.2	14.4
Experience adjustments on schemes' liabilities					
(Gains)/losses (£m)	**(27.3)**	(20.8)	(14.2)	47.4	(1.3)
Percentage of schemes' liabilities	**(13.84%)**	(3.30%)	(2.18)%	7.05%	(0.21%)
Experience adjustments on schemes' assets					
(Losses)/gains (£m)	**(39.8)**	(11.9)	(12.4)	60.0	26.0
Percentage of schemes' assets	**(20.44%)**	(1.86%)	(1.90%)	8.95%	4.25%

(i) Included DASF scheme figures also.

Additional information with respect to the DPP

Triennial valuation

The next triennial valuation for the DPP is due as of 31 March 2009. At the last valuation, as of 5 April 2006, the DPP's assets totalled £658.1 million and its liabilities totalled £663.5 million, resulting in a net deficit of £5.4 million. The following assumptions were employed: discount rate 5.2%; annual increase in pensionable earnings: 3.75%; annual pension increases: from 2.55% to 3.0%; cash commutation: 25%; and price inflation: 2.75%. Mortality tables used were PxA92c2006 for pensioners and PxA92c2020 for active and deferred members. Further details, including major extracts of the valuation report, can be found on our website (www.deltaplc.com).

Analysis of scheme assets

The scheme assets of the Delta Pension Plan at 31 December 2008 may be further analysed as follows:

£ million	2008
UK index tracking equity instruments	2.5
Non UK index tracking equity instruments	2.8
Total equity instruments	**5.3**
UK corporate bonds	175.7
Total debt instruments and insured policies	**181.0**
Property and cash	**13.7**
	194.7

Of the above table's asset values, 93.5% is managed by Legal & General Investment Management, 2.9% by Blackrock Investment Management (UK) Ltd., and 2.5% by UBS Global Asset Management, a total of 98.9% . The Trustee receives advice regarding investment strategy and asset allocation from Watson Wyatt.

40 RETIREMENT BENEFIT SCHEMES continued

Participant population

The Group continues to make pension contributions to the DPP for current participants.

In the following tables, 'M' denotes Male, 'F' denotes Female, and 'T' denotes Total. 'Current' denotes participants in current employment with the Group's UK businesses. 'Deferred' denotes participants who have departed the Group's UK businesses, however are not yet drawing a pension. 'Pensioners' are those in receipt of a pension.

The number of plan participants as at 31 December 2008 (Previous years: 5 April) for the years below was as follows:

Number of participants	Current	Deferred	Pensioners	Total
2004	94	10,291	10,845	**21,230**
2005	86	9,681	10,799	**20,566**
2006	79	7,824	10,600	**18,503**
2007	72	7,564	10,349	**17,985**
31 December 2008	57	7,114	197	**7,368**

The 7,368 plan participants at 31 December 2008 may be analysed as follows:

	Current			Deferred			Pensioners			Total		
Age	**M**	**F**	**T**	**M**	**F**	**T**	**M**	**F**	**T**	**M**	**F**	**T**
<25	—	—	—	1	—	1	—	—	—	1	—	1
25-34	8	—	8	173	75	248	—	—	—	181	75	256
35-44	15	3	18	928	497	1,425	—	—	—	943	500	1,443
45-54	13	4	17	1,723	663	2,386	9	11	20	1,745	678	2,423
55-64	14	—	14	2,299	317	2,616	52	55	107	2,365	372	2,737
65-74	—	—	—	340	11	351	68	2	70	408	13	421
75-84	—	—	—	86	1	87	—	—	—	86	1	87
85+	—	—	—	—	—	—	—	—	—	—	—	—
Total	**50**	**7**	**57**	**5,550**	**1,564**	**7,114**	**129**	**68**	**197**	**5,729**	**1,639**	**7,368**

The liabilities of the Delta Pension Plan as at 31 December 2008 pertained to the participant population as follows:

Age: £million	Current	Deferred	Pensioners	Total
<25	—	—	—	—
25—34	0.2	1.3	—	1.5
35—44	1.1	22.3	—	23.4
45—54	1.1	78.1	1.1	80.3
55—64	2.1	76.5	8.4	87.0
65—74	—	3.5	1.4	4.9
75—84	—	0.1	—	0.1
85+	—	—	—	—
Total	**4.5**	**181.8**	**10.9**	**197.2**

Independent Auditors' Report to the Members of Delta plc

We have audited the parent company financial statements of Delta plc for the year ended 31 December 2008 which comprise the balance sheet and the related notes 1 to 16. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Delta plc for the year ended 31 December 2008, and on the information in 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

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, Chief Executive's Review and Financial Review that is cross-referred from the Business Review section of the Directors' Report.

In addition, we also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report, as described in the contents section, and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
25 March 2009

Individual Company Balance Sheet

At 31 December 2008

£ million	Notes	2008	2007
Fixed assets			
Investments in Group companies	2	**222.6**	187.1
		222.6	187.1
Current assets			
Debtors — amounts falling due within one year	3	**0.4**	0.8
Investments — money market funds on demand		**27.1**	54.3
Cash at bank and in hand		**0.1**	0.1
Derivative financial instruments at fair value	14	**1.7**	—
		29.3	55.2
Current liabilities			
Creditors — amounts falling due within one year			
Borrowings	4	**(8.3)**	(8.6)
Other creditors	5	**(2.3)**	(1.9)
		(10.6)	(10.5)
Net current assets		**18.7**	44.7
Total assets less current liabilities		**241.3**	231.8
Net assets excluding pension surplus/(deficit)		**241.3**	231.8
Pension surplus/(deficit)	10	**(2.5)**	—
Net assets including pension surplus/(deficit)		**238.8**	231.8
Capital and reserves			
Called up share capital	7	**41.3**	41.3
Share premium account	7, 8	**34.0**	34.0
Revaluation reserve	8	**122.3**	107.8
Profit and loss account	8	**43.3**	50.9
Employee share ownership trust	7, 8	**(2.1)**	(2.2)
Total shareholders' funds	9	**238.8**	231.8

The Company balance sheet and related notes 1 to 16 were approved by the Board of directors on 25 March 2009 and signed on its behalf by:

Todd Atkinson
Chief Executive

Jon Kempster
Finance Director

Notes to the Individual Company Financial Statements

1 PRINCIPAL ACCOUNTING POLICIES FOR THE COMPANY

The separate financial statements of the Company are presented as required by the Companies Act 1985, as amended. As permitted by that Act, the parent company financial statements have been prepared in accordance with UK Financial Reporting 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 and law in the United Kingdom (UK GAAP).

The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and the preceding year.

As permitted by Section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the year. The Company reported a loss for the year ended 31 December 2008 of £5.4 million (2007: profit of £4.4 million).

Amounts payable to Deloitte LLP by the Company for its audit amounted to £0.1 million (2007: £0.1 million).

The Company has taken advantage of the exemption from preparing a cash flow statement under the terms of *FRS 1 (revised) — Cash Flow Statements.* The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Delta plc Group.

Investments 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.

Foreign currency

Transactions in overseas currencies are translated into sterling 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.

Non-monetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at the closing rate.

Pensions

The Company operates a defined benefit pension plan.

A defined benefit pension plan is one that specifies the amount of pension benefit that an employee will receive on retirement. The Company operates a funded defined benefit pension plan, where actuarially-determined payments are made to a trustee-administered fund.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method and is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The Company accounts for actuarial gains and losses in full through the profit and loss account reserve in the year in which they occur. Where the actuarial valuation of the plan demonstrates that the plan is in surplus, the recognisable asset is limited to that for which the Group can benefit in the future.

The current service cost and gains and losses on settlements and curtailments are included in the Company profit and loss account.

Past service costs, if any, are similarly included where the benefits have vested otherwise they are amortised on a straight-line basis over the vesting period.

The expected return on assets of the funded defined benefit pension plan and the expected interest on pension plan liabilities are recorded in the Company profit and loss account.

Further details of the Company's defined benefit pension plan are given in note 10.

Provisions

Provisions are recognised when a present obligation (legal or constructive) exists in respect of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and where the amount can be reliably estimated.

1 **PRINCIPAL ACCOUNTING POLICIES FOR THE COMPANY** continued

Leases

Leases are classified as finance leases where substantially all the risks and rewards of ownership are transferred to the Company. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the liability and finance charge to produce a constant rate of interest on the finance lease balance outstanding. Assets capitalised under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases other than finance leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. Any incentives to enter into operating leases are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Tax

The profit and loss account tax charge is calculated at current rates of corporation tax on the taxable profits/losses 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 tax 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.

Borrowing costs

Borrowing costs are recognised in the Company profit and loss account in the period in which they are incurred.

Financial instruments

The Company uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange rates. The derivative financial instruments used are foreign exchange swaps and forward foreign exchange contracts.

Derivative financial instruments are measured at fair value in the balance sheet with changes charged to the profit and loss account.

Gains or losses arising from changes in fair value of derivative financial instruments are recognised in the profit and loss account. The Company does not hold derivatives for trading or speculative purposes.

Dividends

Dividends declared after the year end represent a non-adjusting balance sheet event and therefore no liability is recognised until the dividend is declared.

Share capital

Ordinary shares and preference shares are classified as equity instruments, and are recorded at the proceeds received, net of direct issue costs.

Investments in own shares (held through an Employee Share Ownership Trust) are shown at cost as a deduction from shareholders' funds. The costs of administration of the Employee Share Ownership Trust are included in the Company profit and loss account as they accrue. Dividends on shares held by the Trust have been waived.

Share-based payments

The Company operates various equity-settled incentive schemes for certain employees. For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options granted in accordance with FRS 20. Fair value is calculated at grant date and recognised in the profit and loss account, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating fair value.

Fair value is measured using the Black–Scholes and Stochastic option pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Further information is given in the Directors' Remuneration Report and in note 13.

Notes to the Individual Company Financial Statements (continued)

2 INVESTMENTS IN GROUP COMPANIES

£ million	Shares	Net loans	Total
Gross amount			
At 31 December 2006	902.0	(514.4)	387.6
Revaluations	28.9	—	28.9
Increase in net loans	—	(2.9)	(2.9)
At 31 December 2007	930.9	(517.3)	413.6
Acquisition of additional share capital in subsidiary	17.6	—	17.6
Revaluations	15.8	—	15.8
Increase in net loans	—	(6.0)	(6.0)
At 31 December 2008	**964.3**	**(523.3)**	**441.0**
Provisions made for diminution in value			
At 31 December 2006 and 31 December 2007	(209.4)	(17.1)	(226.5)
Revaluations	8.1	—	8.1
At 31 December 2008	**(201.3)**	**(17.1)**	**(218.4)**
Net book value			
At 31 December 2008	**763.0**	**(540.4)**	**222.6**
At 31 December 2007	721.5	(534.4)	187.1

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

(ii) The cost of shares in subsidiary companies is £842.0 million (2007: £824.5 million).

(iii) The names of the principal Group companies are given in note 19 to the consolidated financial statements.

3 DEBTORS

£ million	2008	2007
Amounts falling due within one year:		
Other debtors	**0.2**	0.2
Prepayments and accrued income	**0.2**	0.6
	0.4	0.8

4 BORROWINGS

Borrowings of £8.3 million (2007: £8.6 million) consist of overdrafts repayable on demand and due within one year.

5 OTHER CREDITORS

£ million	2008	2007
Amounts falling due within one year:		
Other taxation and social security	**0.1**	0.1
Other creditors	**0.6**	0.1
Accruals and deferred income	**1.6**	1.7
	2.3	1.9

6 OPERATING LEASE COMMITMENTS

At the balance sheet date, the Company has annual commitments under operating leases expiring:

£ million	2008	2007
Within one year	**0.1**	0.1
In the second to fifth years inclusive	**0.1**	0.1
	0.2	0.2

Company annual lease commitments are in respect of land and buildings.

7 SHARE CAPITAL, SHARE PREMIUM AND EMPLOYEE SHARE OWNERSHIP TRUST

Share capital and share premium

£ million	2008	2007
Share Capital:		
Ordinary shares	**38.5**	38.5
Preference shares	**2.8**	2.8
	41.3	41.3

Ordinary shares

	Ordinary share capital		Share premium	
£ million	**2008**	2007	**2008**	2007
Authorised:				
188 million ordinary shares of 25p each	**47.0**	47.0	**—**	—
Issued and fully paid:				
At the beginning of the year	**38.5**	38.4	**34.0**	33.8
Exercise of share options	**—**	0.1	**—**	0.2
At the end of the year	**38.5**	38.5	**34.0**	34.0

The Company has one class of ordinary share.

The total number of authorised ordinary shares was 188,000,000 (2007: 188,000,000) and 153,763,755 were shares allotted and fully paid at 31 December 2008 (2007: 153,763,755).

During the year, the Company did not issue any ordinary shares.

Preference shares

	6% Cumulative first preference shares		4.5% Cumulative second preference shares	
£ million	**2008**	2007	**2008**	2007
Authorised:				
1 million ordinary shares of £1 each/2 million ordinary shares of £1 each	**1.0**	1.0	**2.0**	2.0
Issued and fully paid:				
At the beginning of the year	**0.9**	0.9	**1.9**	1.9
At the end of the year	**0.9**	0.9	**1.9**	1.9

The total number of authorised cumulative first preference shares was 1,000,000 (2007: 1,000,000) and 866,152 shares allotted and fully paid at 31 December 2008 (2007: 866,152). The total number of authorised cumulative second preference shares was 2,000,000 (2007: 2,000,000) and 1,940,000 shares allotted and fully paid at 31 December 2008 (2007: 1,940,000). The preference shares are not redeemable.

Employee Share Ownership Trust

During the year, the Employee Share Ownership Trust (ESOT) satisfied options granted under the 1999 Delta Executive Share Option Scheme (ESOS) (617,670 shares), awards made under the Deferred Bonus Plan 2006 (DBP) (7,203 shares) and awards made under the Save As You Earn and International Save As You Earn share option schemes (66,341 shares); none of these shares were cash settled.

Shares in the ESOT are valued at their original cost and deducted from equity. The dividends on the shares held in the ESOT are waived except to the extent of 0.01p per share.

In lieu of issuing new shares, it is intended that all share-based incentives will be satisfied through the Delta plc ESOT by way of market purchase. During the year, 962,500 shares were purchased to satisfy share-based incentives at an average share price of 119p. At 31 December 2008, the 1,537,197 shares (2007: 1,265,911 shares) held by the ESOT had a market value of £1.3 million (2007: £1.4 million).

Notes to the Individual Company Financial Statements (continued)

8 RESERVES

£ million	Share premium account	Revaluation reserve	Profit and loss account	Employee Share Ownership Trust	Total
At 31 December 2007	34.0	107.8	50.9	(2.2)	190.5
Acquisition of shares	—	—	—	(1.1)	(1.1)
Satisfaction of share options by ESOT	—	—	(0.8)	0.9	0.1
Cash remitted by Trustees	—	—	—	0.3	0.3
Revaluation surplus on investments	—	14.5	9.4	—	23.9
Loss for the year	—	—	(5.4)	—	(5.4)
Equity impact of share-based payments	—	—	0.4	—	0.4
Dividends paid	—	—	(8.2)	—	(8.2)
Actuarial losses on defined benefit pension plan	—	—	(12.5)	—	(12.5)
FRS 17 asset recoverability assessment	—	—	9.5	—	9.5
At 31 December 2008	**34.0**	**122.3**	**43.3**	**(2.1)**	**197.5**

The profit and loss account reserve before the addition of the pension deficit of £2.5 million was £45.8 million (2007: before the addition of a pension surplus of £nil was £50.9 million).

9 RECONCILIATION OF MOVEMENTS IN COMPANY SHAREHOLDERS' FUNDS

£ million	2008	2007
(Loss)/profit for the year	**(5.4)**	4.4
Satisfaction of share options by ESOT	**(0.8)**	—
Equity impact of share-based payments	**0.4**	0.5
Dividends paid	**(8.2)**	(7.1)
Surplus arising on revaluation of investments in Group companies	**23.9**	28.9
Actuarial (losses) / gains (note 10)	**(12.5)**	8.7
FRS 17 asset recoverability assessment (note 10)	**9.5**	(9.8)
	6.9	25.6
New shares issued	**—**	0.3
Acquisition of shares	**(1.1)**	(1.1)
Satisfaction of share options by ESOT	**0.9**	0.2
Cash remitted by/(collected by) Trustees	**0.3**	(0.3)
Net increase to shareholders' funds	**7.0**	24.7
Opening shareholders' funds	**231.8**	207.1
Closing shareholders' funds including pension deficit	**238.8**	231.8
Pension deficit (note 10)	**2.5**	—
Closing shareholders' funds excluding pension deficit	**241.3**	231.8

10 PENSIONS

The Company operates a defined benefit pension scheme for qualifying employees in the United Kingdom, being the Delta Pension Plan (DPP). The DPP is a final salary scheme. Additional information regarding DPP is contained in the consolidated financial statements of Delta plc.

The most recent actuarial valuation of the DPP's assets and liabilities for financial reporting purposes was performed at 31 December 2008 by independent actuaries Xafinity Consulting Limited. The projected unit credit method was used for valuation purposes. The projected unit credit method is an accrued benefits valuation method in which the plan liabilities make allowance for projected earnings. The actuarial valuation used the following principal assumptions:

10 PENSIONS continued

	2008	2007
Discount rate	**6.3%**	5.8%
Inflation rate	**2.5%**	3.1%
Expected return on equity instruments	**7.0%**	7.0%
Expected return on debt instruments	**6.3%**	4.5%
Expected return on property and cash	**6.0%**	6.0%
Expected rate of salary increases	**3.5%**	4.1%
Future pension increases	**3.0%**	3.1%
Mortality assumptions:		
Life expectancy age 65		
Non-pensioners, currently aged 45	**PxA92MC**	PxA92c2020
—Male	**23.1**	19.8
—Female	**25.9**	22.8
Pensioners, currently aged 65	**PxA92MC**	PxA92c2006
— Male	**22.0**	18.6
—Female	**24.9**	21.5

The expected return on DPP assets is a blended average of projected long-term returns for the various asset classes. Asset class returns are based on a forward looking building block approach. Equity returns are developed based on the selection of an equity risk premium above the risk free rate which is measured in accordance with yields on government bonds. Returns on property are assumed to be 1% per annum lower than those on equities. Bond returns are selected by reference to the yields on government and corporate debt as appropriate to the DPP holdings of these instruments.

The estimated sensitivities regarding the principal assumptions used to measure the scheme liabilities as above are set out as follows:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 10%
Inflation rate	Increase/decrease by 0.5%	Decrease/increase by 6%
Rate of salary growth	Increase/decrease by 0.5%	Increase/decrease 0.1%
Rate of mortality	Increase by 1 year	Increase by 1.5%

The fair value of DPP's assets and liabilities at each balance sheet date were:

£ million	2008	2007
Fair value of plan assets	**194.7**	641.0
Present value of plan liabilities	**(197.2)**	(631.2)
Net defined benefit (deficit)/surplus before consideration of the FRS 17 asset recoverability assessment[1]	**(2.5)**	9.8
Adjustment in respect of the FRS 17 asset recoverability assessment[1]	**—**	(9.8)
Net balance sheet retirement benefit liability	**(2.5)**	—

[1] The FRS 17 valuation conducted for the year ended 31 December 2007 produced a net defined benefit pension valuation surplus of £9.8 million. However, in accordance with FRS 17 paragraph 37, this DPP surplus is limited to the Company's ability to recover that surplus, whether by reduced contributions in the future or through refunds of DPP. The directors consider that there is sufficient uncertainty so as to not warrant recognition of the net defined benefit valuation surplus as a pension surplus on the Individual Company balance sheet.

Amounts charged to operating profit were:

£ million	2008	2007
Current service cost	**0.4**	0.4

Amounts charged/(credited) to net interest were:

£ million	2008	2007
Expected return on pension scheme assets	**(23.5)**	(33.8)
Expected interest on pension scheme liabilities	**25.1**	33.1
	1.6	(0.7)

Notes to the Individual Company Financial Statements (continued)

10 **PENSIONS** continued

The actuarial (losses)/gains recognised in the statement of total recognised gains and losses (before recoverability assessment discussed above) were:

£ million	2008	2007
Actuarial (losses)/gains in statement of total recognised gains and losses	(12.5)	8.7

Movement in the pension surplus/(deficit) during the year (before recoverability assessment discussed above):

£ million	2008	2007
Surplus at the start of the year	9.8	0.3
Movement in the year:		
Current service cost	(0.4)	(0.4)
Contributions	50.3	0.5
Settlement	(47.8)	—
Other finance (charge)/credit	(1.6)	0.7
Actuarial (losses) / gains	(12.5)	8.7
Accounting policy adjustment in respect of FRS 17 (revised)	(0.3)	—
(Deficit)/surplus in scheme at the end of the year	(2.5)	9.8

Movements in the present value of defined benefit plan liabilities were as follows:

£ million	2008	2007
Opening present value of plan liabilities	631.2	652.0
Service cost	0.4	0.4
Interest cost	25.1	33.1
Contributions	0.1	0.1
Settlements	(413.7)	—
Actuarial gains	(27.3)	(20.8)
Benefits paid	(18.6)	(33.6)
Closing present value of plan liabilities	197.2	631.2

Movements in the fair value of defined benefit plan assets were as follows:

£ million	2008	2007
Opening fair value of plan assets	641.0	652.3
Foreign exchange translation	—	—
Expected return on plan assets	23.5	33.8
Settlements	(461.5)	—
Actuarial losses	(39.8)	(12.1)
Employer contributions	50.3	0.5
Member contributions	0.1	0.1
Benefits paid	(18.6)	(33.6)
Accounting policy adjustment in respect of FRS 17 (revised)	(0.3)	—
Closing fair value of plan assets	194.7	641.0

The actual return on plan assets was £(16.3) million (2007: £22.0 million).

Employer contributions in 2009 are expected to approximate to the regular payments made in 2008 for the DPP of £0.4 million (i.e. excluding the settlement).

10 **PENSIONS** continued

Further analysis of DPP's assets

Scheme assets are analysed as follows:

£ million	**2008**	2007
Equity instruments	**5.3**	203.5
Debt instruments and insured policies	**175.7**	406.5
Property and cash	**13.7**	31.0
	194.7	641.0

Percentage	**2008**	2007
Equity instruments	**3%**	32%
Debt instruments and insured policies	**90%**	63%
Property and cash	**7%**	5%
	100%	100%

The expected rates of return on each of the scheme assets are disclosed in the valuation assumptions section above. The plan assets do not include any of the Company's own financial instruments, nor any property occupied by, or other assets used by, the Company.

Five-year history

The five-year history of aggregate experience adjustments is as follows:

£ million	**2008**	2007	2006	2005	2004
Fair value of scheme liabilities	**197.2**	631.2	652.0	667.0	620.8
Fair value of scheme (assets)	**(194.7)**	(641.0)	(652.3)	(664.0)	(606.6)
Deficit/(surplus) in the schemes	**2.5**	(9.8)	(0.3)	3.0	14.2
Experience adjustments on schemes' liabilities					
(Gains)/losses (£m)	**(27.3)**	(20.8)	(14.2)	47.4	(0.5)
Percentage of schemes' liabilities	**(13.84%)**	(3.30%)	(2.18)%	7.05%	(0.21%)
Experience adjustments on schemes' assets					
(Losses)/gains (£m)	**(39.8)**	(12.1)	(12.4)	59.2	25.3
Percentage of schemes' assets	**(20.44%)**	(1.85%)	(1.90%)	8.92%	4.17%

Additional information with respect to the DPP

The Group continues to make pension contributions to the DPP for current participants. At 31 December 2008 there were 7,368 members in total, comprising 197 pensioners (including any dependants' pensions in payment), 7,114 deferred participants and 57 current participants.

Further additional information concerning the DPP is provided in the Consolidated financial statements' Retirement benefit schemes note (note 40).

Triennial valuation

The next triennial valuation for the DPP is due as of 5 April 2009. At the last valuation, as of 5 April 2006, the DPP's assets totalled £658.1 million and its liabilities totalled £663.5 million, resulting in a net deficit of £5.4 million as at 5 April 2006. The following assumptions were employed: discount rate 5.2%; annual increase in pensionable earnings: 3.75%; annual pension increases: from 2.55% to 3.0%; cash commutation: 25%; and price inflation: 2.75%. Mortality tables used were PxA92c2007 for pensioners and PxA92c2020 for active and deferred members. Further details, including major extracts of the valuation report, can be found on our website www.deltaplc.com.

Notes to the Individual Company Financial Statements (continued)

11 DIVIDENDS

Preference dividends

£ million	2008	2007
6.0% cumulative first preference shares and 4.5% cumulative second preference shares	**0.1**	0.1

Ordinary dividends

£ million		2008	2007
Proposed dividends for the period:			
ended 30 June 2007	(1.6 pence per share)	—	2.5
ended 31 December 2007	(3.4 pence per share)	—	5.2
ended 30 June 2008	(1.9 pence per share)	**2.9**	—
ended 31 December 2008	(4.6 pence per share)	**7.1**	—
		10.0	7.7

£ million		2008	2007
Paid dividends for the period:			
ended 31 December 2006	(3.0 pence per share)	—	4.6
ended 30 June 2007	(1.6 pence per share)	—	2.5
ended 31 December 2007	(3.4 pence per share)	**5.2**	—
ended 30 June 2008	(1.9 pence per share)	**2.9**	—
		8.1	7.1

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these parent company financial statements. It will be payable on 8 May 2009.

12 CONTINGENT LIABILITIES

£ million	2008	2007
Financial guarantees	**1.5**	1.5

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

Other

The Company 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.

13 SHARE-BASED PAYMENTS

FRS 20: Share-based payments has only been applied to equity instruments that were granted after 7 November 2002 and that had not vested before 1 January 2005.

Included within staff costs are FRS 20 expenses related to share-based payments totalling £0.4 million (2007: £0.5 million).

Save As You Earn schemes

The Company has a scheme in place known as "Save As You Earn" (SAYE), and its international equivalent, known as "International Save As You Earn" (ISAYE). There have been no SAYE or ISAYE grants since October 2002 (and thus this share-based payment scheme does not fall under the provisions of IFRS 2). Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. In normal circumstances the options mature either 36, 60 or 84 months following grant and can be exercised within six months of the relevant maturity date. Options are forfeited if the employee leaves the Group before the option vests.

Executive Share Option Scheme (ESOS)

The Company has a share option scheme for executives of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The options are exercisable between three and ten years after the date on which the options were granted subject to performance criteria being met. Options are forfeited if the executive leaves the Group before the options vest.

ESOS was approved by shareholders at the May 1999 Annual General Meeting. The scheme was amended in 2002 to reflect the preferences of certain institutional investors. No grants have been made since 2005.

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

ESOS options are subject to the following performance conditions:

(a) granted before 29 June 2001, 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 Prices Index plus 3% per annum; and
- — earnings per share before exceptional items must equal or exceed twenty pence.

(b) granted on or after 29 June 2001, 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 Prices Index plus 3% per annum.

Details of the share options outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**2,524,339**	**112.7**	3,269,686	110.6
Granted during the year	**—**	**—**	—	—
(Forfeited) during the year	**(391,369)**	**123.1**	(271,500)	121.2
(Exercised) during the year	**(296,652)**	**92.9**	(473,847)	93.0
Outstanding at the end of the year	**1,836,318**	**103.2**	2,524,339	112.7
Exercisable at the end of the year	**1,836,318**	**103.2**	1,450,339	102.8

The weighted average share price at the date of exercise for share options exercised during the year was 111.8p (2007: 137.4p).

The options outstanding at the end of the year have a weighted average remaining contractual life of 4.8 years (2007: 5.8 years) and have exercise prices ranging from 83p to 154p.

There were no options granted under this scheme in 2008, 2007 or 2006. The scheme was replaced by the Performance Share Plan which was approved by shareholders on 28 April 2006.

Expected volatility was determined by calculating the historical volatility of the Company's share price over six years prior to the year of grant. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Individual Company Financial Statements (continued)

13 SHARE-BASED PAYMENTS continued

The Group recognised total expenses of £nil (2007: £0.1 million) relating to the above equity-settled ESOS during the year.

Share Award Scheme for Chief Executive

The Company has a Share Award Scheme for the Chief Executive of the Group. This is a one-off award of shares in the Company. The shares vest three years after the date on which the shares were granted. The shares were issued for £nil consideration. The shares are forfeited if the Chief Executive leaves the Group before they vest. The exercise price is £nil.

Details of the share award outstanding during the year are as follows:

	2008		2007	
	Number of shares	**Weighted average exercise price (p)**	Number of shares	Weighted average exercise price (p)
Outstanding at the beginning of the year	**264,961**	**Nil**	264,961	Nil
Dividends paid as share award during the year	**56,057**	**Nil**	—	—
(Exercised) during the year	**(321,018)**	**Nil**	—	—
Outstanding at the end of the year	**—**	**—**	264,961	Nil
Exercisable at the end of the year	**—**	**—**	—	—

The share award was granted on 4 January 2006, but effective 28 September 2005. The estimated fair value of the shares awarded was 109.5p at the date of grant. The total fair value at date of grant was £290,000.

The fair value of these options was deemed to be the share price on the date of grant based on a discounted cash flow valuation of the future dividend stream, as dividends will be payable on these shares during the period between the date of grant and the date of vesting.

The Group recognised an expense of £0.1 million (2007: £0.1 million) related to the above equity-settled share award scheme during the year.

Performance Share Plan

The Performance Share Plan was introduced in 2006 to replace the ESOS. The conditional awards generally have a three year vesting period and an exercise price of £nil. The extent to which an award under the plan may vest will be determined by the Company's Total Shareholder Return ("TSR") performance over the three year period commencing the start of the financial year in which the grants are made, against the TSR performance of the constituents of the FTSE SmallCap Index (excluding investment trusts) over the same period. For median performance, one quarter may vest, rising proportionally to full vesting for upper quartile performance.

Regardless of the Company's TSR performance, no part of an award under the plan will vest unless the Financial Underpin Condition is met, the Financial Underpin Condition being that the Remuneration Committee considers that the Company's underlying financial performance over the same measurement period is satisfactory.

Awards are forfeited if the executive leaves the Group before the awards vest.

Details of the share awards outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**640,844**	**Nil**	333,247	Nil
Granted during the year	**763,810**	**Nil**	378,142	Nil
(Forfeited) during the year	**(319,023)**	**Nil**	(70,545)	Nil
Outstanding at the end of the year	**1,085,631**	**Nil**	640,844	Nil
Exercisable at the end of the year	**—**	**—**	—	—

The awards outstanding at the end of the year have a weighted average remaining contractual life of 1.7 years and have an exercise price of £nil (2007: 2.2 years and have an exercise price of £nil).

13 SHARE-BASED PAYMENTS continued

In 2008, an award was granted on 28 March (2007: 22 March and 10 April). The estimated fair value of the award granted on this date was 46.5p (2007: 55.3p and 52.0p respectively). The total fair value was £355,172 (2007: £140,423 and £64,629 respectively). The fair values were calculated using a stochastic model. The inputs used for fair valuing the award granted during 2008 were as follows:

	2008	2007
Weighted average share price at date of grant	**92.0p**	138.5p
Weighted average exercise price	**£nil**	£nil
Weighted average expected volatility	**28.6%**	25.2%
Weighted average expected life	**3.0 years**	3.0 years
Risk-free rate	**4.0%**	5.3%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a historical period commensurate with the expected performance period for the award. Participants are entitled to receive the dividends that would have been received on the vested shares therefore the dividend yield does not impact on the valuation of the awards.

The Group recognised total expenses of £0.2 million (2007: £0.2 million) related to the above equity-settled share-based Performance Share Plan during the year.

Deferred Bonus Plan

The Deferred Bonus Plan was introduced in 2006. One-half of any bonus payable under the scheme is paid in cash with the other half being deferred in ordinary shares in the Company.

Details of the share awards outstanding during the year are as follows:

	2008		2007	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	**182,680**	**Nil**	—	—
Granted during the year	**343,287**	**Nil**	223,554	Nil
(Forfeited) during the year	**(96,172)**	**Nil**	—	—
(Vested) during the year	**(7,203)**	**Nil**	(40,874)	Nil
Outstanding at the end of the year	**422,592**	**Nil**	182,680	Nil
Exercisable at the end of the year	—	—	—	—

The awards outstanding at the end of the year have a weighted average remaining contractual life of 2.0 years and have an exercise price of £nil (2007: 2.2 years and have an exercise price of £nil).

In 2008, an award was granted on 27 March (2007: 22 March). The estimated fair value of the award granted on this date was 83.6p (2007: 127.0p). The total fair value was £286,988 (2007: £283,995).

The fair values were calculated using Black–Scholes option pricing model. The inputs used for fair valuing awards granted during 2008 were as follows:

	2008	2007
Weighted average share price at date of grant	**91.5p**	139.0p
Weighted average exercise price	**£nil**	£nil
Weighted average expected volatility	**25.0%**	25%
Weighted average expected life	**3.0 years**	3.0 years
Risk-free rate	**4.5%**	4.7%
Expected dividend yield	**3.0%**	3.0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over a historical period commensurate with the expected performance period for the award. Participants are not entitled to receive the dividends that would have been received on the vested shares. The share awards were issued for £nil consideration and the exercise price is £nil.

The Group recognised total expenses of £0.1 million (2007: £0.1 million) related to the above equity-settled Deferred Bonus Plan during the year.

Notes to the Individual Company Financial Statements (continued)

14 FINANCIAL INSTRUMENTS

	2008		2007	
£ million	**Book Value**	**Fair Value**	Book Value	Fair Value
Foreign exchange contracts	**1.7**	**1.7**	—	—

At the balance sheet date, the total notional amount of outstanding foreign exchange contracts that the Company has committed was £7.1 million (2007: £4.6 million).

Currency derivatives

The Company utilises currency derivatives to manage its exposure to fluctuations in foreign exchange rates. The derivative instruments used are foreign exchange swaps and forward foreign exchange contracts. The Company does not trade in financial instruments, so there are no derivatives held for trading purposes.

Intra-group loan economic hedging

The Company has taken out financial instruments to manage its exposure to foreign exchange movements on loans granted by (or payable to) Delta plc and other Delta Group companies, where the loan is not in Delta plc's functional currency (pound sterling). The financial instruments used are forward foreign exchange contracts. The fair values of these contracts at the balance sheet date are set out in the table above and are accounted for in the profit and loss account.

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.
Foreign exchange deals	Fair value is calculated by marking each contract to market at appropriate spot or forward exchange rates prevailing at the balance sheet date.

15 STAFF COSTS

The average monthly number of employees (including directors) were:

Number	**2008**	2007
UK — Group administration	**15**	19

£ million	**2008**	2007
The aggregate remuneration comprised:		
Wages and salaries	**1.7**	2.3
Social security costs	**0.2**	0.2
Other pension costs	**0.1**	0.2
	2.0	2.7

16 DIRECTORS' REMUNERATION

Directors' remuneration details are given in the Directors' remuneration report of the annual report on page 22.

Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Delta plc will be held at The Crowne Plaza Hotel, 19 New Bridge Street, London EC4V 6DB at 11 am on Wednesday, 6 May 2009 for the following business:

To consider and, if thought fit, to pass the following ordinary resolutions:

1. To receive and consider the accounts and the reports of the directors and auditors for the financial year ended 31 December 2008.
2. To approve the directors' remuneration report for the financial year ended 31 December 2008.
3. To declare a final dividend of 4.6 pence per ordinary share, payable on 8 May 2009 to shareholders registered at close of business on 4 May 2009.
4. To re-elect Steven Marshall as a director of the Company.
5. To reappoint Deloitte LLP as auditors of the Company until the conclusion of the next annual general meeting.
6. To authorise the directors to determine the remuneration of the auditors.

AUTHORITY TO ALLOT SHARES

7. THAT:
   (a) the directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £8,559,061;
   (b) such authority shall expire on the date of the annual general meeting in 2010 or on 30 June 2010, whichever is the earlier, and shall be in substitution for all previous authorities pursuant to the said Section 80, which are hereby revoked, without prejudice to any allotment of securities pursuant thereto;
   (c) by such authority the directors may make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after the expiry of such period; and
   (d) for the purpose of this Resolution, words and expressions defined in or for the purposes of the said Section 80 shall bear the same meanings herein.

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

AUTHORITY TO DISAPPLY PRE-EMPTION RIGHTS

8. THAT:
   (a) the directors be empowered to allot equity securities wholly for cash:
      (i) in connection with a rights issue; and
      (ii) otherwise than in connection with a rights issue, up to an aggregate nominal amount of £1,922,046, as if Section 89(1) of the Companies Act 1985 (the "Act") did not apply to any such allotment;
   (b) such power shall expire on the date of the annual general meeting in 2010 or on 30 June 2010, whichever is the earlier, and shall be in substitution for all previous disapplications of Section 89 of the Act, which shall cease to have effect, without prejudice to any allotment of securities pursuant thereto;
   (c) by such power the directors may make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after the expiry of such period;
   (d) for the purposes of this Resolution:
      (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders (other than the Company) on the register on a record date fixed by the directors of ordinary shares in proportion to their respective holdings (for which purpose holdings in certificated and uncertificated form may be treated as separate holdings) but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory;
      (ii) references (except in paragraph (e) below) to an allotment of equity securities shall include a sale of treasury shares;
      (iii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights; and
      (iv) words and expressions defined in or for the purposes of Part IV of the Act shall bear the same meanings herein; and
   (e) the power in paragraph (a) above, in so far as it relates to the allotment of equity securities rather than the sale of treasury shares, is granted pursuant to the resolution conferring authority under Section 80 of the Act passed on the date hereof.

Shareholders' Information

EXPLANATORY NOTES

The directors believe that the proposed resolutions are in the best interests of the Company and its shareholders and unanimously recommend shareholders to vote in favour of the proposed resolutions, as the directors intend to do in respect of their own beneficial shareholdings.

RESOLUTION 4 — Re-election of director

Full biographical details of each director are set out on page 14 of this report.

All directors are subject to an annual performance review and the Board confirms that Steven Marshall, who is proposed for re-election, continues to perform effectively and to demonstrate commitment to his role.

RESOLUTION 7 — Authority to allot shares

This ordinary resolution is proposed in order to provide a measure of authority to the directors to allot ordinary shares, limited to approximately 22% of the issued share capital of the Company at 25 March 2009, in circumstances defined by the resolution so as to enable them to respond, in the interests of the Company, to any appropriate opportunities that may arise.

RESOLUTION 8 — Power to waive pre-emption rights

This first special resolution seeks authority, limited to approximately 5% of the issued share capital of the Company at 25 March 2009, regarding allotments, other than to members proportionately to their respective shareholdings and for which payment is to be wholly in cash. Additionally, the resolution seeks authority for the Company to sell or otherwise deal with treasury shares (being shares acquired and held by the Company) without necessarily involving shareholders.

This limited authority will enable the directors to issue shares, in the interests of the Company, in response to any appropriate opportunities that may arise. For transactions of a substantial nature involving the allotment of shares, it is normal for the UK Listing Authority or company law to require shareholder approval for the specific transaction notwithstanding this general authority.

RESOLUTION 9 — Authority for market purchases

This authority renews the authority granted at last year's AGM and represents not more than 10% of the ordinary issued share capital as at 25 March 2009. The directors will only exercise this authority if they consider it is in the best interest of shareholders generally and if the purchase could be expected to result in an increase in earnings per shares.

If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled, thereby reducing the number of ordinary shares in issue.

RESOLUTION 10 — Authority to Retain a Notice Period of Fourteen Clear Days for General Meetings

Resolution 10 is required to reflect the proposed implementation in August 2009 of the Shareholder Rights Directive. The regulation implementing this Directive will increase the notice period for general meetings of the company to 21 days. The Company is currently able to call general meetings (other than an Annual General Meeting) on 14 clear days' notice and would like to preserve this ability. In order to be able to do so after August 2009, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 10 seeks such approval. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed.

VOTING ARRANGEMENTS

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, a person must be registered as the holder of ordinary shares by 6 pm on 4 May 2009 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 6 pm on 4 May 2009 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.

A member entitled to attend and vote at the AGM may appoint one or more proxies, whether a member of the Company or not, to exercise all or any of his rights to attend and to speak and vote on his behalf. A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member. A form of proxy is enclosed for the use of members who may wish to vote but who are unable to attend the meeting. To be valid, forms of proxy must reach the registrars no later than 48 hours prior to the time set for the meeting. Completing and returning a form of proxy will not prevent a member from attending and voting at the meeting should the member so wish.

An indirect investor who is not a registered member ("Nominated Person") may have the right to be appointed as a proxy, or have someone else appointed as his proxy, if agreed with the member who holds the shares on his behalf. Alternatively, the Nominated Person may have a right to give voting instructions to the person holding the shares. A Nominated Person does not have the rights of a member to appoint a proxy as described above.

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Shareholders' Information (continued)

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those direction; and (ii) if more than one corporate representative for the same shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those representative who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representatives. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

ISSUED SHARE CAPITAL AND TOTAL VOTING RIGHTS

The Company's issued ordinary share capital as at 25 March 2009 consists of 153,763,755 shares of 25p each holding one vote.

DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the Company's registered office during normal office hours on any business day from 25 March 2009 to the date of the meeting, and at the place of the meeting from fifteen minutes prior to and during the meeting:

- copies of service contracts under which the directors of the Company are employed;
- qualifying third party indemnities between the Company and the directors; and
- Memorandum and Articles of Association.

SHAREHOLDING ENQUIRIES

Enquiries relating to your shareholding should be made to our registrars, Equiniti Limited, whose contact details are as follows:

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex, BN99 6DA
Telephone: 0871 384 2528

Additionally, for those with hearing disabilities, the Registrars have provided a textphone number, 0871 384 2255.

Calls made to 0871 numbers are charged at 8p per minute from a BT landline. Other telephone providers costs may vary.

Shareview, www.shareview.co.uk, allows shareholders to view their details on line and download forms, e.g. stock transfer forms, dividend mandates and change of address.

Enquiries on other matters should be addressed to the Company Secretary at the following address:
Delta plc
Bridewell Gate
9 Bridewell Place
London, EC4V 6AW

SHARE PRICE

	Pence
Year end	83.25
High	135.0
Low	68.0

The share price is available on the Company's website, www.deltaplc.com

SHARE DEALING SERVICE

Telephone and Internet share dealing services have been arranged through Equiniti Limited, providing a simple way for UK residents to buy or sell Delta shares. For telephone transactions call 0845 603 7037 between 8 am and 4.30 pm Monday to Friday and for Internet dealing log on to www.shareview.co.uk/products/Pages/BuyandSellShares.aspx. You will need your Shareholder Reference Number, found on share certificates, dividend tax vouchers and proxy cards.

SHAREHOLDER COMMUNICATIONS

Are you still receiving communications in hardcopy? Why not take advantage of electronic communications and thereby enable the Company to communicate in a more environmentally friendly and cost-effective manner.

You can elect to receive documents and information electronically by viewing them on the Company's website. In this case a hard copy notification that documents and information have been published on the Company's website will be sent to you. If you would like to take advantage of this option, please write to our Registrars at the above address advising them that you would like to receive future documentation and information electronically by viewing them on the Company's website.

Alternatively, you can elect to receive notification by email that documents and information have been published on the Company's website, by registering on Shareview at www.shareview.co.uk/shareholders/Pages/Paperfreecommunication.aspx. You will need your Shareholder Reference Number, found on share certificates, dividend tax vouchers and proxy cards.

ELECTRONIC VOTING

In line with market practice and as stated in Delta's Annual Report and Accounts for 2007, we have considered the introduction of electronic voting in respect of this year's annual general meeting. It has been decided not to introduce this facility at present and a further review will take place in 2009.

DIVIDEND PAYMENTS

Do you still receive your dividend payments in the form of a cheque? Why not have your future dividends paid directly into your bank account. Paying your dividends into your bank account is more secure and convenient than payments by cheque. To take advantage of this method of payment you can either:

- log on to www.shareview.co.uk/shareholders/Pages/Dividends.aspx;
- write to the Registrars providing your bank details; or
- complete the "Direct Payment Request Form" which will be attached to your next dividend cheque.

SHAREGIFT

The Company supports ShareGift, the charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Through ShareGift, shareholders with very small numbers of shares which might be considered uneconomic to sell are able to donate them to charity. Donated shares are aggregated and sold by ShareGift, the proceeds being passed on to a wide range of charities.

For those shareholders who wish to use ShareGift, transfer forms are available from the Registrars and further details of the scheme can be found on the website www.sharegift.org.

WARNING TO SHAREHOLDERS

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and make a record of any other information they may give you, e.g. telephone number, address, etc.
- Check that they are properly authorised by the FSA before getting involved. You can check at www.fsa.gov.uk/register
- The FSA also maintains on its website a list of unauthorised overseas firms who are targeting, or have targeted, UK investors and any approach from such organisations should be reported to the FSA so that this list can be kept up to date and any other appropriate action can be considered. If you deal with an unauthorised firm, you would not be eligible to receive payment under the Financial Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml or, if you do not have access to the Internet, on 0845 606 1234.
- Inform our Registrars on 0871 384 2528. They are not able to investigate such incidents themselves but will record the details and pass them on to the Company and liaise with the FSA.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

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Financial Calendar & Advisers

CALENDAR 2009

Dividends on ordinary shares	Final 2008	Announcement	**25 March 2009**
		Record Date	**14 April 2009**
		Payment Date	**8 May 2009**
	Interim 2009	Announcement	**August 2009**
Annual general meeting		Proxies to reach registrars by 6 pm	**4 May 2009**
		Meeting to be held at 11 am	**6 May 2009**
Accounting periods		First half year 2009 ends	**30 June 2009**
		Second half year 2009 ends	**31 December 2009**

OWNERSHIP OF ORDINARY SHARES

Shareholders at 31 December 2008			Ordinary shares in issue	
Number	**%**	**Description**	**Millions**	**%**
2,155	50.8	held up to 999 shares	0.9	0.6
1,880	44.3	held between 1,000 and 24,999 shares	6.3	4.1
134	3.2	held between 25,000 and 249,999 shares	10.9	7.1
70	1.7	held 250,000 shares and above	135.7	88.2
4,239	**100.0**		**153.8**	**100.0**

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Delta plc
Bridewell Gate
9 Bridewell Place
London, EC4V 6AW

REGISTRARS
Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex, BN99 6DA

STOCKBROKERS
Arbuthnot
20 Ropemaker Street
London, EC2Y 9AR

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2 New Street Square
London, EC4A 3BZ

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