26077

Interim Report
for the half-year to 28 June 1997

Trading Results

Trading conditions in the first six months remained very similar to those in the second half of 1996. Demand for our products in UK building related markets remained flat overall and Continental markets were stable but at lower levels with continued pricing pressure.

Turnover in the first half of 1997 was £448m (1996 £495m), with impact from recent disposals and the effect of the recent strength of Sterling. Pre-tax profits of £33.1m (1996 £11.5m) were 17% ahead of the underlying £28.3m in the first half of 1996, despite a £2.2m reduction in the sterling value of overseas profits because of the strong pound and associated business transaction costs approaching £1m. Earnings per share of 13.6p (1996 1.8p) were 20% ahead of the underlying 1996 performance of 11.3p.

Working capital ratios remained in line with those at the end of 1996, despite increases in the levels of stock and debtors due to higher material costs since then.

Group Structure

In my last report to you, I was pleased to confirm that Jon Scott-Maxwell had joined the Group as Chief Executive. Over the last few months Jon and his team have rigorously evaluated the strategy of the Group together with its constituent parts and their operating performance. In order to reflect our key objectives and geographic focus, the Group is being reconfigured around identified long-term growth businesses: Electrical Protection, Galvanizing, Electrolytic Manganese and Plumbing Products. The Group is therefore being restructured around five business areas: Electrical Protection, Industrial Services, Plumbing Products, Cables and Materials.

Electrical Protection comprises the Group's interests in circuit protection, including the strong brand names MEM and BILL, our developing US-based power voltage protection businesses, and our range of quality fire-resistant cable products. The Group's automotive and accessories businesses are also included in this area.

Industrial Services includes our galvanizing and galvanized products operations which have technical and market leadership in Australia, and are pushing ahead in Asia-Pacific and the USA. This business area also includes the Group's interests in Electrolytic Manganese, serving the worldwide battery and other market sectors, as well as our companies providing products and services to the mining and distribution industries in South Africa and Australia.

Plumbing Products comprises our well-established pan-European marketing and distribution operation, IBP, and our business interests in gas controls.

The two remaining business areas are our commodity Cables and the Materials operations, comprising our copper and copper-based forming businesses.

To strengthen the central corporate team Paul Smits has been appointed as Corporate Development Director and has joined the Delta plc board. He brings considerable experience in operating management and M&A on an international basis to that position.

We expect to announce the appointment of a Human Resources Director shortly. This individual will be directly responsible to the Chief Executive for the important management development objectives we wish to meet.

Business Performance and Development

Electrical Protection made a profit of £9.5m (1996 £8.4m) with good contributions from recent product introductions and cost savings flowing from last year's rationalisation. The acquisition of Innovative Technology increases our involvement in the fast growing TVSS market in the US and the recently announced acquisition of Elek provides us with a strategically important route to the European circuit protection market.

Industrial Services made a profit of £9.7m (1996 £9.2m) with good progress in all areas. Our greenfield galvanizing projects in Asia-Pacific are progressing well and are well positioned to benefit from the growth of galvanizing in this area. Production has already commenced at our second Malaysian facility and also at the Indonesian plant, in addition the Vietnamese investment is moving towards commissioning. The proposed acquisition of BHP's electrolytic manganese operations recently announced by our associate company, Delta Electrical Industries, will double the size of our involvement in the attractive worldwide battery business and place us as joint worldwide market leader in a growth industry.

In a flat UK market and against a background of volume and price pressure on the Continent, Plumbing Products made a profit of £9.8m (1996 £11.7m). German activity levels now appear to have stabilised. Progress continues on new product sourcing and development. A completely new range of plastic pipe fittings has been launched which will enable us to increase our market share.

Cables made a profit of £1.9m (1996 loss of £5.8m). This reflects the cost savings flowing from the rationalisation programme, the withdrawal from some cable types and the absence of the abnormal copper price impact in 1996. Market conditions remain very difficult with further price pressure reflecting the strength of sterling and fallout from troubled European cable markets.

Materials made a profit of £5.2m (1996 £4.6m). This reflects a lower activity base following the previously announced closure of some copper wire capacity, partially offset by the absence of the 1996 copper write down.

Interim Dividend

The Board has declared an unchanged interim dividend of 4.5p payable on 1 December 1997 to shareholders registered on 26 September 1997.

Following the recent budget the dividend will be paid as a Foreign Income Dividend (FID) which reduces the risk of needing to write off irrecoverable advance corporation tax (ACT). As such it is in the best interest of the company and shareholders as a whole, but unfortunately means that a minority of shareholders will be unable to claim a tax credit on the dividend.

Outlook

Sterling has reduced recently from its highest point but still remains strong. In fact pressure on our business increased towards the mid-year and still applies. We estimate that the impact of currency on profits in the second half of the year will be up to £6m.

There are early signs of rising volumes in the UK but conditions in our major trading markets remain challenging. As late cycle suppliers the benefit to us is delayed. Continental Europe looks more stable, with the Spanish markets brighter and some indications of a possible improvement in Germany. The South African and Australian markets continue to be tight but steady.

Opportunities for further operating improvements are being pursued. These initiatives will give cost savings and deliver benefits in asset management.

The reconfigured Group will now enable us to focus our energies. Our aim is to grow into an international electrical and engineering services group with high market responsiveness, providing customers with competitive products and services. With a management which is being invigorated, Delta is now moving in a clear strategic direction with increasing momentum.

Delta plc
1 Kingsway
London WC2B 6XF

Sir Martin Jacomb
Chairman
16 September 1997

Trading results
for the half-year to 28 June 1997

£ million	Notes	1997 Half-year to 28 June unaudited	1996 Half-year to 29 June Before exceptional items	1996 Half-year to 29 June Exceptional items - (note 5)	1996 Half-year to 29 June Total unaudited	1996 Year to 28 December audited
Turnover – continuing operations	4	**£447.9**	£494.5	–	£494.5	£950.0
Operating profit – continuing operations	3	**28.9**	21.5	(5.0)	16.5	47.4
Share of profits of associated companies		**7.2**	6.6	–	6.6	14.7
	4	**36.1**	28.1	(5.0)	23.1	62.1
Sale of businesses	5	**–**	–	(6.1)	(6.1)	(6.6)
Profit on ordinary activities before interest	4	**36.1**	28.1	(11.1)	17.0	55.5
Interest		**(3.0)**	(5.5)	–	(5.5)	(9.9)
Profit on ordinary activities before taxation		**33.1**	22.6	(11.1)	11.5	45.6
Taxation	6	**(11.8)**	(8.1)	0.5	(7.6)	(20.3)
Profit on ordinary activities after taxation		**21.3**	14.5	(10.6)	3.9	25.3
Minority interests		**(0.8)**	(1.1)	–	(1.1)	(2.5)
Preference dividends		**(0.1)**	(0.1)	–	(0.1)	(0.1)
Profit attributable to ordinary shareholders		**£20.4**	£13.3	£(10.6)	£2.7	£22.7
Earnings per 25p ordinary share		**13.6p**	8.9p		1.8p	15.2p
Ordinary dividends:						
Per 25p share		**4.5p**			4.5p	18.9p
Amount		**£6.7m**			£6.7m	£28.3m

Group balance sheet
at 28 June 1997

£ million	Notes	1997 Half-year to 28 June unaudited	1996 Half-year to 29 June unaudited	1996 Year to 28 December audited
Fixed assets				
Tangible assets		**212.4**	224.9	214.0
Investments – associated companies and other investments		**46.9**	39.9	40.1
		259.3	264.8	254.1
Current assets				
Stocks		**173.6**	178.9	161.4
Debtors – amounts falling due after one year		**7.6**	8.3	7.8
Debtors – amounts falling due within one year		**201.7**	195.1	184.1
Bank and other deposits	9	**33.9**	60.1	85.2
		416.8	442.4	438.5
Creditors – amounts falling due within one year				
Borrowings	9	**(64.7)**	(12.8)	(12.8)
Other creditors		**(191.8)**	(183.0)	(173.8)
Net current assets		**160.3**	246.6	251.9
Total assets less current liabilities		**419.6**	511.4	506.0
Creditors – amounts falling due after more than one year				
Borrowings	9	**(47.7)**	(150.2)	(145.6)
Provisions for liabilities and charges		**(17.3)**	(20.8)	(21.1)
Net assets		**£354.6**	£340.4	£339.3
Capital and reserves				
Called up share capital		**40.3**	40.2	40.3
Share premium account and other reserves		**75.0**	77.1	76.8
Profit and loss account		**230.5**	214.5	213.5
Equity shareholders' funds		**343.0**	329.0	327.8
Non-equity shareholders' funds		**2.8**	2.8	2.8
Total shareholders' funds		**345.8**	331.8	330.6
Equity minority interests		**8.8**	8.6	8.7
		£354.6	£340.4	£339.3

Group cash flow statement

for the half-year
to 28 June 1997

£ million	Notes	1997 Half-year to 28 June unaudited	1996 Half-year to 29 June unaudited(i)	1996 Year to 28 December audited
Net cash inflow from operating activities	7	**25.8**	31.8	109.7
Returns on investments and servicing of finance				
Interest paid less received		**(3.1)**	(5.5)	(10.4)
Preference dividends paid to shareholders		**(0.1)**	(0.1)	(0.1)
Dividends paid to minority shareholders		**(0.8)**	(1.3)	(1.7)
Net cash outflow from returns on investments and servicing of finance		**(4.0)**	(6.9)	(12.2)
Taxation		**(5.5)**	(8.1)	(19.2)
Capital expenditure and financial investment				
Capital expenditure		**(17.5)**	(13.2)	(27.8)
Sale of tangible fixed assets		**1.6**	1.2	2.2
Sale of other investments		**–**	–	0.1
Associated company loans		**(0.7)**	(0.7)	(1.0)
Purchase of own shares for ESOT		**(1.5)**	(1.0)	(1.0)
Net cash outflow from capital expenditure and financial investment		**(18.1)**	(13.7)	(27.5)
Acquisitions and disposals				
Purchase of businesses and utilisation of acquisition provisions		**(1.8)**	(7.8)	(12.5)
Purchase of investment in associated companies		**(0.6)**	(0.3)	(0.5)
Sale of businesses		**–**	17.0	28.1
Net cash disposed of on sale of businesses		**–**	(0.1)	(0.1)
Net cash (outflow) inflow from acquisitions and disposals		**(2.4)**	8.8	15.0
Equity dividends paid		**–**	–	(28.3)
Cash (outflow) inflow before use of liquid resources		**(4.2)**	11.9	37.5
Management of liquid resources				
Decrease (increase) in short term cash deposits		**25.6**	(21.7)	(36.5)
Financing				
Issue of ordinary share capital		**–**	0.3	0.9
Debt due within one year: increase in short term borrowings		**50.0**	8.0	37.9
repayment of short term borrowings		**(2.2)**	(29.2)	(57.8)
Debt due after one year: increase in loans		**1.7**	101.5	101.2
repayment of loans		**(100.4)**	(60.0)	(60.1)
Net cash (outflow) inflow from financing		**(50.9)**	20.6	22.1
(Decrease) increase in cash in the period		**£(29.5)**	£10.8	£23.1

(i) Restated to comply with the revisions to FRS 1 'Cash Flow Statements', as adopted in the 1996 full year report and accounts.

Analysis by activity and area

£ million	Half-year to 28 June 1997 Turnover	Profit before taxation	Net assets	Half-year to 29 June 1996 Turnover	Profit before taxation	Net assets
Analysis by activity (i) & (ii)						
Electrical protection (v)	**116.1**	**9.5**	**91.5**	123.9	8.4	92.4
Industrial services	**104.3**	**9.7**	**82.7**	101.1	9.2	77.1
Plumbing	**113.9**	**9.8**	**103.5**	128.6	11.7	112.1
Cables (iv)	**49.0**	**1.9**	**64.1**	66.3	(5.8)	75.4
Materials	**113.2**	**5.2**	**94.9**	123.8	4.6	94.6
Exceptional operating charges (vi)	**–**	**–**	**(3.6)**	–	(5.0)	(8.3)
	496.5	**36.1**	**433.1**	543.7	23.1	443.3
Sale of businesses	**–**	**–**	**–**	–	(6.1)	–
Interest/net borrowings	**–**	**(3.0)**	**(78.5)**	–	(5.5)	(102.9)
	496.5	**33.1**	**354.6**	543.7	11.5	340.4
Less: Associated companies	**(48.6)**	**–**	**–**	(49.2)	–	–
	£447.9	**£33.1**	**£354.6**	£494.5	£11.5	£340.4
Analysis by area (iii)						
Europe (v)	**327.5**	**19.8**	**300.8**	362.6	12.6	326.2
Asia – Pacific	**98.5**	**7.2**	**74.3**	98.5	7.1	71.1
North America (iv)	**25.7**	**2.0**	**17.0**	39.3	1.8	15.6
Africa	**44.8**	**7.1**	**44.6**	43.3	6.6	38.7
Exceptional operating charges (vi)	**–**	**–**	**(3.6)**	–	(5.0)	(8.3)
	496.5	**36.1**	**433.1**	543.7	23.1	443.3
Sale of businesses	**–**	**–**	**–**	–	(6.1)	–
Interest/net borrowings	**–**	**(3.0)**	**(78.5)**	–	(5.5)	(102.9)
	496.5	**33.1**	**354.6**	543.7	11.5	340.4
Less: Associated companies	**(48.6)**	**–**	**–**	(49.2)	–	–
	£447.9	**£33.1**	**£354.6**	£494.5	£11.5	£340.4
Analysis by destination						
Europe	**276.4**			313.3		
Asia – Pacific	**104.7**			104.4		
North America	**34.9**			47.7		
Near & Middle East	**21.5**			18.5		
Africa	**10.4**			10.6		
	£447.9			£494.5		

Analysis by activity and area (continued)

£ million	Half-year to 28 June 1997 Turnover	Half-year to 28 June 1997 Profit before taxation	Half-year to 28 June 1997 Net assets	Half-year to 29 June 1996 Turnover	Half-year to 29 June 1996 Profit before taxation	Half-year to 29 June 1996 Net assets
(i) Analysis by activity (based on 1996 segmental disclosure)						
Cables (iv)	144.1	6.0	137.6	168.0	(0.9)	142.8
Circuit protection (v)	71.1	6.5	57.1	76.3	5.2	62.6
Engineering	163.1	12.1	144.4	181.6	12.9	159.3
Industrial services	118.2	11.5	97.6	117.8	10.9	86.9
Exceptional operating charges	–	–	(3.6)	–	(5.0)	(8.3)
	496.5	36.1	433.1	543.7	23.1	443.3
(ii) Includes associated companies by activity:						
Electrical protection	8.9	0.9	3.8	11.7	1.0	3.9
Industrial services	32.0	4.4	28.0	28.9	4.1	26.0
Plumbing	7.7	1.9	13.7	8.6	1.5	9.1
(iii) Includes associated companies by area:						
Europe	8.9	0.9	4.4	11.7	1.0	3.9
Asia-Pacific	–	(0.1)	1.0	–	–	0.3
North America	0.7	0.1	1.5	0.6	0.1	1.5
Africa	39.0	6.3	38.6	36.9	5.5	33.3
(iv) Includes Surprenant Cable Corporation, sold 5 June 1996	–	–	–	13.4	(0.7)	–
(v) Includes British Electrical Repairs Ltd, sold 27 September 1996	–	–	–	8.4	0.1	7.5
(vi) Exceptional operating charges:						
Electrical protection	–	–	(0.1)	–	(1.8)	(1.3)
Plumbing	–	–	(1.0)	–	(3.2)	(2.6)
Cables	–	–	(1.8)	–	–	(3.4)
Materials	–	–	(0.7)	–	–	(1.0)
Total exceptional operating items Europe	–	–	(3.6)	–	(5.0)	(8.3)

Movement in shareholders' funds

£ million	1997 Half-year to 28 June	1996 Half-year to 29 June	1996 Year to 28 December
Profit for the period attributable to shareholders	**20.5**	2.8	22.8
Dividends	**(6.8)**	(6.8)	(28.4)
	13.7	(4.0)	(5.6)
Other recognised gains and losses for the period:			
Unrealised surpluses on revaluation of properties	**–**	–	2.4
Currency translation differences on foreign currency net investments	**1.5**	(5.7)	(12.5)
	1.5	(5.7)	(10.1)
Goodwill arising on acquisitions	**–**	(5.8)	(6.1)
Goodwill transferred to the profit and loss account on disposals	**–**	3.3	7.8
Shares issued	**–**	0.3	0.9
Net increase (decrease) in shareholders' funds	**15.2**	(11.9)	(13.1)
Shareholders' funds at the beginning of the period	**330.6**	343.7	343.7
Shareholders' funds at the end of the period	**£345.8**	£331.8	£330.6

Notes

1 The results for the half-year to 28 June 1997 have been prepared on the basis of the accounting policies adopted in the accounts for the year ended 28 December 1996.

2 The profit and loss accounts of overseas companies are translated into sterling at average exchange rates for the relevant accounting period. Their balance sheets and the foreign currency assets/liabilities of the UK companies, including hedging instruments, are translated at the rates ruling on the last day of the accounting period. The effect of the translation of unhedged net assets on reserves was a credit of £1.5 million (1996 debit £5.7 million).

3 The operating profit is after charging depreciation £15.0 million (1996 £16.8 million).

4 Both in 1996 and 1997 the impact of acquisitions and disposals on the Group's turnover and profit before taxation was not material to the Group or individual business segments except as disclosed in sub notes (iv) and (v) to the analysis by activity and area.

5 Exceptional items

£ million		1997 Half-year to 28 June	1996 Half-year to 29 June	1996 Year to 28 December
Operating exceptional charges:	Rationalisation and restructuring costs (continuing activities)	**–**	(5.0)	(5.0)
Non-operating exceptional items:	Loss on disposal of businesses	**–**	(6.1)	(8.6)
	Profit on disposal of businesses	**–**	–	2.0
		–	(6.1)	(6.6)
		–	£(11.1)	£(11.6)

Notes (continued)

6 Taxation has been provided at the appropriate rates on taxable profits and timing differences.

7 Net cash inflow from operating activities

£ million	1997 Half-year to 28 June	1996 Half-year to 29 June	1996 Year to 28 December
Operating profit (including share of profits of associated companies)	**36.1**	23.1	62.1
Share of profits of associated companies	**(7.2)**	(6.6)	(14.7)
Dividends from associated companies	**1.6**	0.8	3.5
Profits of associated companies less dividends received	**(5.6)**	(5.8)	(11.2)
Depreciation	**15.0**	18.0	33.0
Profit on sale of fixed assets	**(0.8)**	(0.2)	(0.6)
Working capital movements	**(22.7)**	–	20.9
Restructuring provision	**(2.7)**	(3.9)	(1.9)
Other items	**6.5**	0.6	7.4
	£25.8	£31.8	£109.7

8 Reconciliation of net cash flow to movements in net debt

(Decrease) increase in cash in the period	**(29.5)**	10.8	23.1
Cash outflow (inflow) from decrease/increase in debt and lease financing	**50.9**	(20.3)	(21.2)
Cash (inflow) outflow from decrease/increase in liquid resources	**(25.6)**	21.7	36.5
Change in net debt resulting from cash flows	**(4.2)**	12.2	38.4
Translation difference	**(1.1)**	(0.3)	3.2
Movement in net debt in the period	**(5.3)**	11.9	41.6
Net debt at the beginning of the period	**(73.2)**	(114.8)	(114.8)
Net debt at the end of the period	**£(78.5)**	£(102.9)	£(73.2)

9 Analysis of net assets, borrowings, cash and interest at 28 June 1997

£ million	By currency Net cash (borrowings) after hedging	Net operating assets	Net assets		By country Net cash (borrowings)	Net interest (payable) receivable
Sterling	43.1	258.8	301.9	UK	(92.1)	(3.8)
Other European	(39.0)	38.4	(0.6)	Other Europe	16.6	0.8
US dollars	(16.8)	15.5	(1.3)	USA	(0.1)	0.1
Asia-Pacific	(64.7)	74.4	9.7	Asia-Pacific	(5.4)	(0.2)
Other	(1.1)	46.0	44.9	Other	2.5	0.1
	£(78.5)	**£433.1**	**£354.6**		**£(78.5)**	**£(3.0)**

10 The full accounts for the year ended 28 December 1996 received an unqualified report from the auditors and were submitted to the registrar of companies. The figures for that year included above, are abridged accounts. These interim accounts are not full accounts and have not been subject to an audit and will not be submitted to the registrar of companies.

Printed by Royle Print Limited, London 13354