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Annual report and accounts 2001

DELTA

ELECTRICAL

Turnover: £233m   Profit: £10m

Overview Electrical products, systems and services used for the control and distribution of electricity in all situations to protect life, equipment and buildings.

Markets Industrial, commercial and residential.

Geographical locations Northern Europe, particularly the UK, Holland and Scandinavia. Asia Pacific, particularly Malaysia, Hong Kong, Australia and China.

INDUSTRIAL SERVICES

Turnover: £315m   Profit: £32m

Electrolytic Manganese

Overview Delta EMD has the leading position in the world market for the manufacturing and supply of Electrolytic Manganese Dioxide (EMD) which is used in the manufacture of dry cell batteries.

Markets EMD is supplied to the major manufacturers of alkaline dry cell batteries.

Geographical locations Delta EMD supplies its customers world-wide from plants in South Africa and Australia.

Galvanizing

Overview Industrial Galvanizers provides high quality hot-dip galvanizing services to its customers based on years of experience in corrosion management.

Markets Industrial Galvanizers market their services primarily to steel fabricators, specifiers and consulting engineers.

Geographical locations Industrial Galvanizers has expanded from its original base in Australia into Asia Pacific and North America with plants in Malaysia, Indonesia, Vietnam, Philippines, Florida, Virginia, South Carolina and Alabama.

FINANCIAL HIGHLIGHTS

	2001		2000	
	Before exceptional items and goodwill amortisation	After exceptional items and goodwill amortisation	Before exceptional items and goodwill amortisation	After exceptional items and goodwill amortisation
Profit before taxation	**£30.5m**	**£1.3m**	£46.9m	£22.3m
Continuing profit before taxation	**£33.2m**		£41.0m	
Basic earnings per ordinary share	**5.7p**	**(13.7)p**	15.5p	(5.0)p
Continuing basic earnings per ordinary share	**7.6p**		12.8p	
Dividends per ordinary share		**8.0p**		8.0p
Shareholders' funds		**£258.4m**		£293.5m
Net assets per ordinary share		**170p**		194p

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CHAIRMAN'S REPORT TO SHAREHOLDERS

During the year the major markets for all our businesses remained particularly challenging. Most of the Group experienced subdued trading during the first quarter and despite some improvement in the second quarter, this did not fully compensate for the poor start to the year. However, the improvement continued during the second half of the year, despite an increasingly difficult and uncertain economic situation.

Group turnover for the year was £594.2 million (2000 £687.3 million) resulting in profits before tax, goodwill amortisation and exceptional items of £30.5 million (2000 £46.9 million). Excluding discontinued businesses, turnover was £509.9 million (2000 £543.6 million) giving profits on the same basis of £33.2 million (2000 £41.0 million). Continuing earnings per share before goodwill amortisation and exceptional items were 7.6p compared to 12.8p in 2000 reflecting a substantially higher effective tax rate.

We took an exceptional operating charge of £6.4 million during the year mainly relating to the extensive restructuring programme in our Electrical businesses in the UK and Holland.

The interest charge fell during the year to £8.8 million (2000 £10.0 million) reflecting a lower average level of debt following the receipt of the proceeds from the disposals of United Power Corporation at the end of 2000 and International Building Products (IBP) and JW Singer during the second half of 2001. Gearing at the year-end was 20%.

The continuing tax charge (before exceptional items and goodwill amortisation) of £14.1 million was the same as the previous year (2000 £14.1 million) although continuing profits (before exceptional items and goodwill amortisation) have reduced. The increased effective tax rate is due to the Group earning the majority of its profits from businesses outside Europe against which we are not able to offset our accumulated tax losses. Following the disposal of United Power Corporation, there was an increase in the effective rate of US taxation.

Following the announcement in November 2000 of our intention to dispose of Plumbing, during the year we focused on executing that strategy. Despite the increasingly difficult environment for asset disposals, last October we announced the sale of IBP to Oystertec and in November we also sold JW Singer to Tyco. In December we announced the proposed sale of the Delta Fluid Products valve businesses to its management team. These businesses had all experienced tough trading conditions in recent years and their medium-term outlook remained extremely challenging. The disposal of Plumbing will enable Delta to focus its management and financial resources on our growth businesses.

Due to the change in the climate for asset disposals since our original announcement in November 2000 regarding the proposed sale of Plumbing and our decision then to provide for the anticipated loss, we have also taken an additional charge in 2001 of £13.4 million to cover the losses on disposals arising from the recent sales of our Plumbing businesses. We have also taken a further charge of £4.8 million relating to anticipated losses to be incurred on businesses which have yet to be sold. These have both been reported as exceptional items.

During the year we continued to focus on improving the market positions and growth drivers for our continuing businesses. In Electrical, we continued to shift the focus of the businesses from the manufacture of components and growing our Projects and Systems business which was successful in securing a number of large prestige projects during the year. Our Electrolytic Manganese Dioxide (EMD) business, where we are already the leading global supplier and low cost producer, will be further strengthened following the completion of new capacity at Nelspruit. Plans for commissioning this new capacity were delayed in light of customer destocking in the first half of the year. We now expect it to be operational by the end of 2002 when it will increase EMD's total capacity by 25%. Industrial Galvanizers (IG) successfully increased volumes and profits in their new plants in Asia Pacific and despite the impact on profits from the sharp slowdown in economic activity at their US plants, IG's US monthly sales and market share increased steadily.

Dividend

We are proposing to pay a final dividend of 4.5p which, after an interim dividend of 3.5p, gives a total full year dividend of 8.0p (2000 8.0p).

People

John Robinson, who had been a non-executive director since 1993, left the Board at the end of June. We thank him sincerely for his significant contribution to Delta over the past eight years.

Paul Smits, who had been on the Board since 1997, retired at the end of the year. In a career spanning thirty years, Paul made a tremendous contribution to the Group's businesses in South Africa, Australia and the USA. More recently, between 1997-2000 as Corporate Development Director, he played a leading role in the reshaping of Delta. We thank him for his significant contribution and wish him well in his retirement.

I would like to thank all of our employees at every level for their enthusiasm, professionalism and hard work over the past year.

Summary and outlook

As I have said, 2001 proved to be a challenging year for the Group with adverse economic factors holding back growth in our continuing businesses. However the improved second half performance demonstrates their ability to compete successfully in adverse circumstances. The economic situation remains uncertain, but given some improvement we can anticipate a continuation of the modest recovery seen towards the end of 2001.

Martin W. Jacomb

Sir Martin Jacomb, Chairman

CHIEF EXECUTIVE'S REVIEW

Second half recovery after a slow start reflects underlying growth trends.

Although several of our businesses experienced a slow start to the year, the improvement that we saw during the second half, despite the deteriorating global economic situation, is a clear demonstration of the relative resilience of our businesses. While the economic outlook remains uncertain, we believe that following the reshaping of Delta and the implementation of an extensive programme of operational improvements and cost reductions, our businesses are now in a stronger position to fight against these external pressures.

The results of our Electrical business were adversely affected by poor demand in the UK wholesaler segment at the start of the year and lower demand from customers in the Middle East in the period of heightened international tension in the fourth quarter. We continued to implement an extensive restructuring programme in both our UK and Dutch operations. This business is now operating from a significantly lower cost base leaving it better placed to compete in its international marketplace.

Despite the poor start to the year, our Industrial Services businesses have continued to perform well and the Division is continuing to meet the Group's financial targets for returns. Our Electrolytic Manganese business recovered strongly during the latter part of the year after a period of unprecedented customer destocking during the first half. Following a phase of substantial investment in new capacity, our Galvanizing business focused on building volumes in its new and existing plants. However, progress in Asia Pacific was more than offset by slower growth than we had planned for at our US galvanizing businesses resulting from the deterioration in the US economy.

In line with our stated strategy of further increasing the strategic focus of the Group, we completed the sale of several of our Plumbing businesses despite the increasingly difficult environment for asset disposals. In November we completed the sale of the loss-making IBP business to Oystertec. It was clear that given the state of the European plumbing markets, this business would require significant further investment to meet Group targets. In November we sold JW Singer to Tyco and in December we announced signing an agreement to sell Delta Fluid Products (DFP) in St Helens and Donald Brown (Brownall) to its management.

We have continued to strengthen the operational management team across all our businesses, most notably in Electrical under Mike Galley's leadership.

Following the sale of IBP, Manfred Halper left the Group and in March Noel Gallagher joined the Management Board replacing Mike Amos as Group Director of Human Resources.

The performance of each business, together with comments on the territories in which they operated, is reported separately on pages 6 to 12 and in the business development section on page 13.

Jon Scott-Maxwell, Chief Executive

THE BOARD OF DIRECTORS

Sir Martin Jacomb, Chairman
Sir Martin Jacomb (72) was appointed non-executive Deputy Chairman of Delta in 1993 and became Chairman the following year. Sir Martin has a background in merchant banking and his current directorships include Canary Wharf Group plc, Minorplanet Systems plc, Share plc and the Oxford Playhouse Limited.

Jon Scott-Maxwell, Chief Executive
Jon Scott-Maxwell (50) joined Delta as Chief Executive at the end of 1996. Previously at GKN for sixteen years, latterly as divisional Managing Director of GKN's world-wide automotive driveline business, he has extensive international business experience and has lived and worked in Japan and Germany. Jon is also a non-executive director of Delta Electrical Industries Limited.

Mark Robson, Finance Director
Mark Robson (44) was appointed Finance Director and joined the Board in March 1999. Mark joined Delta from ICI where he was Finance Director of its Performance Chemicals business. During his time with ICI, Mark held a number of senior financial positions in the UK and Continental Europe. He joined ICI in 1985 from PriceWaterhouse. Mark is also a non-executive director of Delta Electrical Industries Limited.

Sir Philip Beck, Non-executive Director
Sir Philip Beck (67) was appointed a non-executive director in 1994. Sir Philip is currently non-executive director of Invensys plc, Kitagawa Europe Limited and Kitagawa Manufacturing Europe.

Tony Pedder, Non-executive Director
Tony Pedder (52) was appointed a non-executive director in July 1998. He has been Chief Executive of Corus Group PLC (previously British Steel) since September 2001. He is Vice-chairman of AvestaPolarit AB and he has been an Ambassador for British Business since 1997.

Charles Fisher, Non-executive Director
Charles Fisher (52) was appointed a non-executive director in June 2000. He has a background in property and building materials. He is Chairman of John Mowlem and Co PLC and of Country Homes and Gardens plc. He is also a non-executive director of Travis Perkins plc and Baggeridge Brick plc.

THE MANAGEMENT BOARD

Mike Galley, Electrical
Evan van Zyl, Electrolytic Manganese
John Hansen, Galvanizing
Jim Simpson, Delta Group Australia

Brian Wright, Delta South Africa
Todd Atkinson, Corporate Development and Legal Affairs
Noel Gallagher, Human Resources

the**intelligence**to**succeed**

Our Electrical brands have leading positions in their respective markets and are specified because of an excellent reputation for reliability and service.

Our Electrical products, systems and services are used for the control and distribution of medium and low voltage electricity to protect life, equipment and buildings. Our long-established brand names include: MEM and Bill in the UK, Malaysia and in Asia Pacific, Holec in Holland and Scandinavia and Elek in Germany. Over many years they have established leading market shares in their respective markets and they are specified because of their excellent reputation for reliability and safety. Demand is generated from both new-build activity and from refurbishment and upgrading of existing commercial and industrial properties.

With the increased use of computers, automation and intelligent systems, the marketplace requires greater levels of sophistication in switchgear and electrical controls. Delta's Electrical businesses are responding to these demands with new products and systems. We have developed new products and solutions for our customers in areas of increased added-value such as electronic controls, transient voltage surge suppression equipment, systems and associated services. An example of this proprietary technology is a new universal feedthrough filter which was launched by MEM during the year. This product, which is fitted downstream of the distribution board, offers both surge protection and RFI/EMI filtration to the circuit feeding computers and other sensitive equipment. Such products and services are forming an increasingly important competitive advantage in this business. We will continue to focus on differentiating our technology and creating value-added products and solutions for our customers and reducing our involvement in the manufacture of low value components.

The results for Electrical were adversely affected by a slow first quarter experienced by our UK businesses. This was due to destocking in the important wholesaler segment as several major customers moved to central warehousing following a period of distributor consolidation. Although wholesaler sales recovered during the second half, this was offset by a slowdown in orders from the Middle East for both MEM and Holec in the final quarter. Profits were £10.0 million on sales of £233.2 million, compared to profits of £11.2 million on sales of £244.2 million in 2000.

During 2001 we spent £5.6 million on restructuring our Electrical operations in both the UK and Holland. This resulted in the reduction of permanent headcount in the combined businesses of three hundred which is equivalent to approximately 10% of the total Electrical workforce. Greater use is being made of temporary labour which provides greater flexibility and allows more effective controls of direct labour costs in line with fluctuations in demand. The effect of this has been to lower substantially the ongoing cost bases of both our UK and Dutch Electrical businesses. At the same time we continued to implement a programme of product and manufacturing rationalisation across our operations and accelerating the policy of outsourcing the manufacture of low value components.

In the UK, after a slow first quarter, the important commercial and industrial wholesale segment showed steady recovery during the year. In particular, our Projects and Systems business, which partners electrical contractors and specifiers, was successful in obtaining a number of large orders for prestige commercial projects including two large contracts for switchgear and busbar trunking in the Canary Wharf development in London's Docklands. MEM launched its new Memshield 2 MPS Modular Panelboard system, whose space-saving features based on its modular design has been well received by electrical contractors and specifiers.

Holec Holland continued to make progress during the year. Order intake for Holec's Medium Voltage products did not increase as expected due to deferrals in the fourth quarter. In China, Holec's joint venture company, Zhenjiang Holec Electrical Systems continued to develop their market position in this important market.

Innovative Technology, our power protection business in the US which addresses the specialised market for transient voltage surge suppression (TVSS) equipment, saw its sales and profits affected in the second half by the slowing American economy. Nevertheless we believe that TVSS remains an attractive growth market in which Innovative Technology holds a strong position. A range of TVSS products is now being sold outside the USA under the MEM brand.

With the greater use of computers, automation and intelligent systems, modern buildings require increasingly sophisticated electrical controls and switchgear. During the year, MEM was involved in a number of large contracts to provide this equipment at Canary Wharf in London's Docklands.

thepowertolead

Delta EMD is the largest supplier of Electrolytic Manganese Dioxide to the world's major battery manufacturers.

Industrial Services comprises our two growth businesses of Electrolytic Manganese Dioxide (EMD) and Galvanizing as well as our performance Mining and Distribution businesses located in South Africa and Australia. Following the disposal of the majority of the Plumbing businesses, the remaining operations are now included in Industrial Services. Our growth businesses were adversely affected by a slow first half at EMD, the recession in the Australian construction market and the impact of the economic slowdown held back Galvanizing growth in the US. Our Mining and Distribution businesses maintained a steady performance during the year. Profits were £31.8 million on sales of £314.9 million compared to profits of £39.7 million on sales of £340.3 million in 2000.

Electrolytic Manganese

Delta EMD has a leading position on the global market for manufacture and supply of Electrolytic Manganese Dioxide (EMD). With a market share in excess of 20%, Delta EMD supplies all of the world's major battery manufacturers from two plants at Newcastle in Australia and at Nelspruit in South Africa. EMD is used principally in the manufacture of dry-cell alkaline batteries, although it is now also being supplied to the manufacturers of the next generation of advanced dry-cell batteries, such as lithium ion and high performance alkaline cells for high-drain applications.

EMD is a global product which is priced and traded in US dollars and is made to each individual battery manufacturers specifications. Our 49% holding in the Manganese Metal Company, a joint venture with Samancor, and a long-term supply agreement with BHP in Australia gives Delta EMD access to some of the highest grade manganese ore in the world.

Through its unique plant configuration and the efficiency of its manufacturing process, Delta EMD has established cost leadership in its industry. It is also recognised by its large international customers as being a reliable, high quality supplier backed up by excellent service. In recent years Delta EMD has invested in its research and development capability and this has resulted in the establishment of the most comprehensive R&D facility dedicated to EMD in the world. Approximately 2.5% of sales revenue is being invested in research and development and Delta EMD's ability to extract commercial benefits from this investment will be key to us making further gains in market share and growth as the world's leading EMD producer.

Delta EMD had a disappointing start to the year with sales and profits significantly affected by lower customer demand for its products. This was caused by overstocking in the supply chain at the end of 2000 which had resulted in high battery inventory levels, particularly in the US during the first half of 2001. This together with the effects of the weakening US economy, prompted retailers to start reducing inventories with the result that manufacturers cut production and reduced their stocks of raw materials. By the end of 2001, customer demand had begun to return to more normal levels resulting in a significantly improved second half performance for Delta EMD. Despite the short-term disruption to the growth in EMD demand, we remain confident that the more normal growth patterns for EMD will return. Historically demand for this product has grown in excess of 5% per annum, driven largely by the increased use of batteries in consumer electronics world-wide and from emerging markets.

In the light of the slower demand for EMD in the first half of the year, we delayed the completion of the planned capacity expansion at our Nelspruit plant in South Africa. The additional capacity expansion of 11,000 tonnes per annum is now due to be operational by the end of 2002 and will increase Delta's total EMD capacity by 25%, further strengthening our leading market position.

Global alkaline battery demand, which is the key determinant for growth in Electrolytic Manganese Dioxide, is largely driven by the increasing use of batteries in consumer electronics and toys world-wide and from growing demand in emerging markets.

INDUSTRIAL SERVICES

the**strength**to**build**

Industrial Galvanizers has established itself as one of the largest galvanizing groups in the world and has an excellent reputation for customer service and product quality.

Galvanizing

Industrial Galvanizers Corporation (IG) is a major supplier of galvanizing services in Australia, Asia Pacific and the Southeastern seaboard of the United States. Its principal activity is hot-dip galvanizing and in recent years IG has established itself as one of the largest galvanizing groups in the world. IG has built an unrivalled reputation in its industry for customer service and product quality. Based on a strategy originally developed in Australia, IG offers a fast turnaround for its galvanizing services, backed up by a high level of technical expertise based on many years' experience in the field of corrosion management.

Although Galvanizing is a long-established method of protecting steel against corrosion, its many advantages over other forms of protection, such as paint, are being increasingly recognised. While galvanizing is typically more expensive than other methods, extensive cost analysis studies have proved it to be significantly more cost and environmentally effective in the medium and long-term. Galvanized products typically have a useful life of up to forty years.

IG's hot-dip galvanizing products are also supported by its sister company, Ingal Products, which manufactures and sells a standard range of 'off the shelf' galvanized steel products such as lighting poles and crash barriers. The volumes from Ingal Products also provide IG with a base load for its galvanizing plants.

AusZinc Metals & Alloys is a recycling and manufacturing operation which purchases zinc residues produced by IG's plants and by external customers. From these recycling activities, AusZinc supplies a significant proportion of the zinc used in our Australian galvanizing plants, giving IG a further competitive advantage in its marketplace.

IG has a strong and entrepreneurial management team and over the past five years has successfully grown its business from its original base in Australia through organic growth and from the new plant openings and acquisitions in Asia Pacific and the Southeastern seaboard of the USA.

Specifiers and contractors in Australia, the US and Asia Pacific turn to Industrial Galvanizers for cost effective corrosion prevention solutions backed up by excellent customer service. As well as new-build and infrastructure projects, it also includes refurbishment of existing structures such as bridges, particularly in the United States.

Asia Pacific

IG Australia's operations experienced a disappointing year reflecting the lower levels of activity in Australian construction activity following the end of the Sydney Olympic Games and subdued general economic conditions. In particular, this impacted demand for general structural steel. Following the General Election, there were signs of a pick up in government funded infrastructure projects during the second half of the year.

Asia Pacific has been the focus of expansion by IG in recent years. IG has built or acquired five plants in Malaysia, Indonesia, Vietnam and the Philippines. Although growth has been impacted by the economic problems in the region in recent years, our plants in Asia Pacific continued to see the benefits of a gradual return of economic confidence. In particular, IG's two Malaysian plants at Nilai and Subang performed well during the year benefiting from substantial government spending on large infrastructure projects and the plants in the Philippines and Indonesia also contributed.

North America

In the past five years, IG has acquired or built five plants on the Southeastern seaboard of the USA. Several of these plants are still in the start-up phase of their development where building volumes and plant loading is critical to establishing their profitability. The slowdown in the American economy impacted these plans, particularly during the second half of the year when general industrial activity experienced a sharp downturn. Volumes at all our US plants were well below planned levels. In the medium to longer term, we believe that our investments in the USA will benefit from infrastructure refurbishment programmes and from consolidation currently taking place in the American galvanizing market. Despite the unhelpful economic background, our priority is to increase volumes through our plants and to maximise the benefits of the strong regional presence which we have built through our network.

INDUSTRIAL SERVICES

Mining and Distribution

Our Mining and Distribution businesses based in Australia and South Africa provide the Group with a valuable source of earnings. Although these businesses have limited long-term growth potential due to the size of the market in which they operate, they typically have strong defendable market positions and generate a steady earnings stream. They generally have low capital requirements and their profits, even after the payment of dividends and tax, make a significant positive contribution to the Group's cash flow. Once again, these businesses made a good contribution to the Group during the year. The performance of the main companies is detailed below:

Australia

Donhad, the manufacturer and supplier of grinding media and other forged products for the mining industry, had a good year and increased profits on the previous year. This was despite the closure by its major customers of two large mines in Australia. This was offset by a healthy increase of volumes to export customers, notably in Indonesia, Papua New Guinea and Ghana.

Cutting Edges, which supplies replacement parts for earth moving equipment, diesel engines and trucks, showed steady improvement during the year underpinned by a stronger, more focused management structure. Export sales for proprietary parts increased during the year and the new small joint venture in Chile started operations and traded well during the period.

South Africa

Electrical Repair Engineering (ERE) which is the largest electrical repairer in Africa, had a very satisfactory year with sales growth achieved in its heavy transformers business and in traditional market sectors, such as traction and off-highway vehicle repairs. Good progress was made in broadening the range of services provided by the company, including the complete refurbishment of two dragline electrical drive systems. Although the installed base of motors and transformers in South Africa is declining, opportunities for growth exist in targeting new export markets and from the trend of large industries outsourcing their electrical repairs.

Equipment Spare Parts (ESP), which supplies replacement parts for earthmoving equipment, diesel engines and trucks, had a good year despite a depressed transport industry and a minimal increase in activity in the construction industry. Export sales enjoyed good growth and the strategy of targeting customers in the mining industry has proved to be successful.

BUSINESS DEVELOPMENT

After the good progress made in the previous year, 2001 proved to be more difficult in terms of both trading and strategic development. External economic factors held back growth in our continuing businesses although the improved second half demonstrated their improved ability to compete in adverse circumstances. The underlying growth drivers remain and we anticipate positive developments again during 2002.

More frustrating was the adverse effect on the implementation of our plans to divest of the Plumbing businesses and to achieve the values we had expected when we first announced their intended sale in November 2000. Nevertheless, IBP and JW Singer have been sold and an agreement has been signed to sell the Valves businesses. These represent the majority of the Plumbing division. The remaining businesses continue to trade profitably and will be sold when reasonable values can be achieved.

We continue to position our businesses so that we offer products and services targeted at market segments with better than average growth prospects. These include the increased use of electricity both installed and portable and the increasing need to find more effective ways of managing the environment through the efficient use of limited natural resources.

The demand for our Electrical products and services is being driven by increased use of electricity and electronics per capita and per square metre of commercial and industrial facilities. During 2001 we increased our systems capability offering complete systems for both new build and refurbishment. We have been successful in meeting not only the product but also the demanding service requirements on several large and complex prestige projects. The new range of Modular Panel Board systems complete with design software for medium-to-small sized projects has been well received in the market and sales increased during the year. Offering systems and packaged sub-assemblies will be the key focus for growth in Low Voltage.

Both Holec and MEM will continue to focus on developing the technology and market for electronic Residual Current Devices, where we have a world leading position and can benefit from economies of scale, including supplying significant volumes, branded as required to other major competitors to achieve maximum market access. For more commodity-type components, we will continue to progressively outsource the components from a well-established international strategic partner with better economies of scale than ourselves. These products will still be marketed under our brands.

Holec will develop Medium Voltage sales from the introduction of the new 25KV product using their environmentally friendly vacuum technology. Holec is recognised as a market and technological leader in this field.

In Industrial Services, Electrolytic Manganese continues to increase its global market share maintaining its leading position through cost leadership, excellent service and investment in research and development. The planned capacity expansion has been postponed to the second half of 2002 due to the temporary downturn experienced in 2001 resulting from the severe customer destocking. As global demand returns to the underlying growth trend the expansion will allow us to maintain our low cost base and obtain a larger share of the growth than competitors further increasing our overall global market share and meeting the Group margin and growth targets. The investment in Research and Development over recent years is significant at 2.5% of sales and is yielding benefits in new improved materials and lower production costs.

In Australia Galvanizing has benefited from several relatively small acquisitions consolidating its position during the downturn in construction activity experienced in the first half of 2001. Now that the market demand is improving this consolidation should allow us to enhance earnings in a market with relatively low underlying growth. In Asia Pacific, our plants in Malaysia are showing the growth potential of this region. It is encouraging that now our plants in Indonesia and the Philippines are both benefiting from large contracts for transmission poles required to deliver electricity throughout both archipelagos. The US operations increased sales each month gaining market share, despite the severe downturn in economic activity. Now all the start ups have been completed, the focus is on accelerating the sales growth at these operations based on our reputation for excellent service and quality.

Over recent years the Group has made significant investments in each of our businesses. The focus in 2002 will be to maximise the earnings growth from these investments and exploiting the underlying growth of those businesses.

Jon Scott-Maxwell, Chief Executive

FINANCIAL REVIEW

As indicated at last year's Annual General Meeting, much of the Group experienced subdued trading during the first quarter and despite some improvement in the second quarter, this did not fully compensate for the poor start to the year. Nevertheless we continued to see further improvement in the second half of the year despite an increasingly difficult and uncertain global economic situation, particularly following the attacks on America in September.

Disposals

In November 2001 the Plumbing fittings businesses were sold to Oystertec plc for a net cash consideration of £24.4 million and JW Singers Ltd was sold to Tyco Fire Products Manufacturing Ltd for £2.2 million. Due to the increasingly difficult and uncertain economic situation experienced since the Group's announcement in November 2000 of the planned disposal of the Plumbing businesses, these transactions gave rise to a loss on disposal of £13.4 million in addition to the provision for the anticipated loss of £41.9 million booked in the 2000 report and accounts in respect of these businesses. In addition, the value of the assets in the remaining Plumbing businesses which are still to be disposed of, have been further reduced (as an exceptional charge) by £4.8 million to their current anticipated realisable value.

The Group has also announced that it has exchanged contracts for the sale of its valve businesses Delta Fluid Products and Donald Brown (Brownall) to its management team. On completion of this transaction, the Group will receive approximately £5.5 million in cash.

Profit and loss format

Following the disposal of a substantial part of the Plumbing division, the results of the Plumbing businesses yet to be disposed of have been incorporated into the Industrial Services business segment as continuing activities. Last year's comparative figures have been restated accordingly.

To clarify the underlying, on-going profit performance in the year the profit and loss account discloses discontinued businesses and exceptional items and amortisation of goodwill in separate columns.

Dividends

The directors have recommended a final dividend of 4.5p per share (2000 4.5p), making the total dividend for the year 8.0p per share (2000 8.0p). The dividend will be paid on 3 June 2002.

Taxation

The continuing tax charge (before exceptional items and goodwill amortisation) of £14.1 million was the same as the previous year (2000 £14.1 million) although continuing profits (on the same basis) fell. The increased effective tax rate is due to the Group earning the majority of its profits from businesses outside Europe against which we are not able to offset our accumulated tax losses.

Cash flows

Group operating profit was £23.3 million, which included profits of £0.6 million from sales of fixed assets and was after charging depreciation and amortisation of goodwill of £29.6 million. Working capital decreased by £5.6 million and other items and restructuring provisions amounted to a net inflow of £4.4 million, resulting in a net cash inflow from operating activities of £62.3 million.

Interest paid was £16.0 million and interest received £8.8 million. Preference shareholders were paid £0.1 million in dividends and minority shareholders in subsidiaries £3.2 million, resulting in a net cash outflow from returns on investments and servicing of finance of £10.5 million.

Equity dividends of £12.0 million and tax of £17.5 million were paid in the year. Dividends of £4.5 million were received from associates.

Expenditure on the purchase of tangible fixed assets was £36.5 million, whilst sales of fixed assets generated £1.7 million. Loans made to joint ventures and associated companies reduced by £2.8 million (net). The net cash outflow from capital expenditure and financial investment was £32.0 million.

£1.1 million was used for the purchase of businesses and associates. Sales of businesses generated £25.8 million, less £2.4 million in respect of net cash in the businesses sold. The net cash inflow from acquisitions and disposals was therefore £22.3 million and the overall net cash inflow before the use of liquid resources and financing was £17.1 million.

The issue of ordinary shares generated £0.1 million. There was a net £1.2 million decrease in debt due within one year and a net £78.2 million decrease in debt due after one year, giving a net cash outflow from financing of £79.3 million. Cash, short-term cash deposits and current asset investments decreased by £62.2 million.

FRS 13

The narrative disclosures required by FRS 13 are included in this Financial Review. The numerical disclosures can be found in note 30 to the Financial Statements.

Borrowings and borrowing facilities

Net borrowings (after taking into account current asset money market funds) decreased from £73.9 million to £58.5 million. Net gearing decreased to 20% (2000 22%), reflecting the decrease in net borrowings. The net interest charge decreased to £8.8 million (2000 £10.0 million).

There were two significant changes to our borrowing facilities during the year. We repaid one quarter of the US Private Placement (USD 12.5 million) in accordance with the planned amortisation schedule. We also agreed to reduce the available amount of our revolving credit facility from £165 million to £140 million following the disposal of the Fittings business, in line with our reduced borrowing requirements.

During early 2002 a decision was taken to repay the remaining USD 37.5 million of the Private Placement, again as a result of the Plumbing division disposals.

At the end of 2001, 77% of the Group's gross borrowings of £114.3 million (2000 £192.3 million) were under facilities maturing in one year or more (2000 88%). In addition we had surplus committed facilities of £74.2 million (2000 £26.7 million), and cash and liquid resources (which includes current asset investments and money market funds) of £57.9 million (2000 £121.5 million). Cash and liquid resources were unusually high at the end of 2000 due to the receipt of the proceeds from the sale of United Power on the last working day of the year. This cash was used to reduce debt in the first week of January 2001. Further details of the borrowing structure are given in notes 20 and 30 to the accounts.

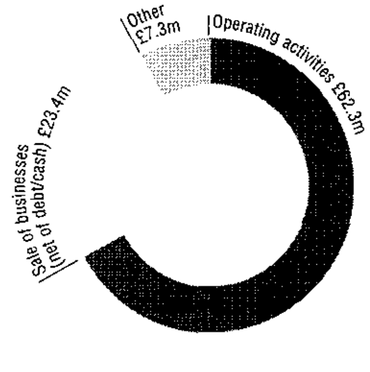
Treasury policies

The underlying philosophy of the Group's Treasury policies remains one of risk management and control, and no speculative transactions are undertaken. Group Treasury does not operate as a profit centre. Group Treasury's activities are closely monitored by the Delta plc Treasury Committee. This committee has a mandate to make recommendations to the Board on matters of treasury policy and to implement those policies approved by the Board. There were no significant changes to treasury policy during 2001.

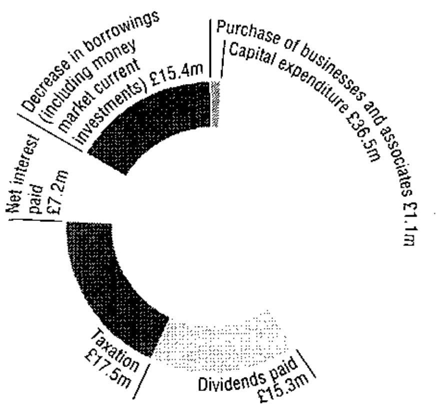
Currency exposures arising from trading transactions are mostly covered as they arise (typically on the placing of a firm order), with forecast exposures covered forward to a more limited extent, and no material exposures left uncovered once they have been identified.

The bulk of the Group's translation exposures are hedged into sterling, thus fixing the sterling value of the profits of overseas companies as they arise. Hedging is carried out using a materiality level of 3% of Group net assets, below which exposures are generally not hedged, subject to an overall cap of 10% on unhedged exposures. We do not hedge profits in anticipation, and so the sterling value of overseas profits earned during the year is sensitive to the strength of sterling, particularly against the Euro, the US dollar, the Australian dollar and the South African rand. The US dollar is used as the functional currency for certain of the Group's non United States subsidiaries (principally the Electrolytic Manganese

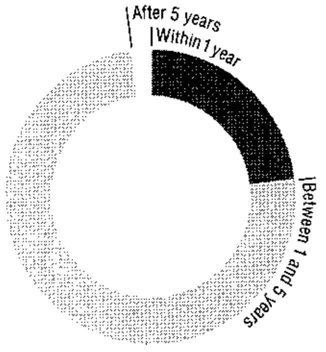
Source of funds



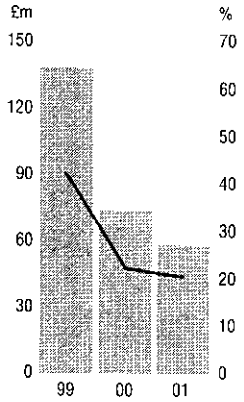
Use of funds



Maturity of debt



Net borrowings and gearing



Net borrowings (including money market fund current investments)

Gearing

Gearing is defined as net borrowings (including money market fund current investments) as a percentage of shareholders' equity (share capital, reserves and minority interests)

businesses in South Africa and Australia), reflecting the fact that they sell into the world market primarily in US dollars. Further information on this policy is given in the Accounting Policies note.

Group Treasury carries out the Group's interest rate risk management, using interest rate swaps to provide the Group with some protection against movements in interest rates. The gross principal value of interest rate swaps outstanding at the year-end was £180.9 million (2000 £115.1 million).

It remains the Group's policy to maintain and develop strong relationships with a range of banks, reflecting its world-wide operations, and to maintain a range of committed and uncommitted borrowing facilities to meet its financing needs.

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

Effect of interest and exchange rates

The Group's underlying borrowings are principally in two currencies: Euro and US dollars (see notes 20 and 30). Most of the remainder is in overseas operating companies in those companies' own currencies. Hedging to match currency assets with currency liabilities is carried out by Delta plc Group Treasury using a mixture of foreign exchange swaps and currency borrowings.

The impact of the translation of unhedged net assets on reserves was a charge of £2.7 million (2000 £3.4 million).

M P W Robson, Finance Director

DIRECTORS' REPORT

The directors of Delta plc submit their report together with the audited financial statements for the year ended 29 December 2001.

Business review and future developments

The Chairman's report to shareholders on pages 2 and 3, the Chief Executive's review of the year on page 4 and pages 6 to 13, the financial review on pages 14 to 16 and details of the Board of directors of Delta plc on page 5, form part of the directors' report. Information about Group businesses, financial performance and likely future developments are to be found in those sections.

Dividends and transfer to reserves

The directors declared an interim dividend of 3.5p (2000 3.5p) per ordinary share which was paid on 3 December 2001. They now recommend a final dividend of 4.5p (2000 4.5p) per ordinary share making a total for the year of 8.0p (2000 8.0p). Dividends paid and proposed for the year amount to £12.1 million (2000 £12.1 million) leaving £32.5 million to be transferred from reserves (2000 £19.5 million transferred from reserves).

Acquisitions and disposals

In November 2000 as part of our strategy to increase the Group's focus, the Board's decision to dispose of the Plumbing businesses was announced. As a result of this decision the value of the assets in the Plumbing businesses were reduced by £39.4 million to their anticipated realisable value which was treated as an exceptional item in 2000 together with goodwill of £26.2 million in respect of the Plumbing businesses, which had previously been written off direct to reserves. In November 2001 the Plumbing fittings businesses were sold to Oystertec plc for a net cash consideration of £24.4 million and J W Singers Ltd was sold to Tyco Fire Products Manufacturing Ltd for £2.2 million. These transactions together with the disposal of several of the Plumbing associated companies gave rise to a loss on disposal of £13.4 million in addition to the provision for the anticipated loss of £41.9 million booked in the 2000 accounts for these businesses. In 2001 the value of the assets in the Plumbing businesses which are still to be disposed of, have been further reduced (as an exceptional charge) by £4.8 million to their anticipated realisable value.

The Group has also announced that it has exchanged contracts for the sale of its valve businesses Delta Fluid Products and Donald Brown (Brownall) to its management team. On completion of this transaction, the Group will receive approximately £5.5 million in cash.

Property values

In the opinion of the directors, there was no significant difference between the market value and the book value of property at 29 December 2001.

Donations

During the year the Group donated £31,000 (2000 £133,000) to charities of which £5,000 (2000 £5,000) was in the United Kingdom. There were no political donations made during the year (2000 Nil).

Employment policies

(i) Equal opportunity in employment

It is the Group's policy to treat employees equally and fairly without unlawful or unfair discrimination on the grounds of colour, race, nationality, ethnic or national origin, sex, marital status or disability. Wherever possible the employment, retention and appropriate training of disabled people is supported, having regard to their particular aptitudes and abilities. To this end, equal opportunity in employment and career development is promoted through the empowerment of our divisions and their management teams to develop their policies and practices to suit their particular circumstances. Guidance is available to them in achieving this objective, through the Group's Human Resources function.

(ii) Organisation and people development

In an international and diverse group of Delta's standing there is a clear recognition that an effective people development strategy is essential for sustained business success. The people development strategy in 2001 was concentrated on the management strengths within the main businesses, i.e. Electrical and Industrial Services while providing the necessary organisation and support to the Plumbing businesses to facilitate the disposal process. There were also major changes to the Head Office functions to reflect the refocusing of the Group.

(iii) Communication and employee involvement

The Group emphasises the need for two way communication with managers and employees throughout the Group. This recognises that a better informed, knowledgeable workforce is more productive and committed to achieving the Group's business goals. Employee involvement in and an awareness of the financial and economic performance of the Group is promoted where possible through the Delta European Works Council, the Save As You Earn Share Schemes and divisional communication programmes.

Health, safety and environmental policy

(i) Health and safety at work

It is Group policy to safeguard the health, safety and welfare of all employees whilst at work and to aim to provide a working environment which is safe and with minimum risk to the health of employees and others, including visitors and the general public. The Policy aims to ensure that appropriate legislative requirements pertaining to Health and Safety at Work are met at all workplaces within the Group.

To achieve this, the Managing Director of each business area is responsible to the Chief Executive and ultimately to the Delta plc Board for Health and Safety at Work within their business area. Site General Managers are further delegated the responsibility of day to day implementation and monitoring of the Health and Safety Policy appertaining to the site for which they have responsibility.

(ii) Environmental policy

The Group's Environmental Policy is to achieve best available techniques that reduce waste and environmental impacts by the adoption of appropriate practices in Group operations. There are clear management responsibilities to ensure full compliance with continuing best practice in this area.

It is the Group's objective to manage its activities to ensure where possible they are acceptable to the community and that any adverse effects on the environment are reduced to a practicable minimum.

The Group also aims to:

- Encourage and promote the interchange of environmental information and technology among its operating companies.
- Provide information to enable Group processes, whether used under licence or otherwise, to be operated without unacceptable effects on the environment.
- Encourage its operating companies to establish and implement for themselves environmental policies and environmental management systems.

Directors

The names and brief biographical details of the directors as at the date of this report are listed on page 5. All such directors held office throughout the year.

Board changes

John Robinson and Paul Smits retired from the Board on 30 June and 23 December 2001 respectively.

Election of directors

The Chairman, Sir Martin Jacomb retires under the provisions of Section 293 of the Companies Act 1985 (as amended) having already reached the age of 70 offers himself for re-election.

The directors retiring by rotation are Mark Robson and Tony Pedder who, being eligible, offer themselves for re-election.

Remuneration policy

The remuneration arrangements for executive directors and senior executives are recommended by the Appointments and Remuneration Committee to the Board who are responsible for the policy. Further details of the policy may be found on page 20.

Substantial shareholders

As at 13 March 2002, the date of this report, the Company has been notified, pursuant to the Companies Act 1985, of the following interests in its issued ordinary share capital:

Mr Edouard Stern	12.17%
Fidelity International Limited	8.92%
MFP Partners L.P.	4.75%
Prudential PLC	4.29%
Legal & General Investment Management Limited	3.92%

Research and development

The Group spent £6.5 million (2000 £5.7 million) on R & D as defined by SSAP 13 and had significant development expenditure associated with production processes, product improvement and tooling.

Payment of creditors

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

Trade creditor days of the Company for the year ended 29 December 2001 were 26 days (2000 42 days), based upon the average daily amount invoiced by suppliers during the year.

Insurance of directors

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

Power to purchase own shares

The directors believe that it remains advantageous for the Company to be able to purchase its own ordinary shares in the market. Accordingly, resolution 7, which will be proposed as a special resolution at the annual general meeting, seeks renewal of the general authority originally conferred on the Company in 1990 to make such market purchases. The details of the maximum aggregate number of shares which could be purchased and the minimum and maximum price at which such shares would be purchased are contained in the resolution.

The Company has not purchased any of its own shares since the power was first conferred. The directors have no present intention of utilising this authority and will only make such purchases if they believe earnings per share would be improved.

Corporate governance

Application of the principles of Section One of the Combined Code (the 'Principles')

The Board, having regard to all relevant laws and regulations affecting the Company, is committed to applying the principles of Corporate Governance set out in Section One of the Combined Code. The Board applies the Principles through its policy of empowerment of management and enabled through the recruitment, development and retention of employees of the highest calibre throughout its business, reinforced with prescriptive procedures and policies which are reviewed and updated on a regular basis. In particular the Principles are applied through:

(a) engaging sufficiently experienced and independent non-executive directors who review the constitution, powers reserved to and delegated from the Board, its remuneration and other policies, financial reporting and internal financial control procedures; and
(b) through the provision of timely, accurate and relevant flows of information and proposals to the Board, and from the Board to stakeholders and auditors.

To this end, the Company has the following Group Policies:

(a) Corporate Policy, incorporating the delegation of authority and treasury rules which establishes a clear framework of ethics and compliance;
(b) Financial Policy, providing clear guidelines and procedures to assist in carrying out Group financial policies in a consistent manner throughout the Group;
(c) Safety, Health and Environmental Policy;
(d) Corporate Identity Specifications governing the use of the Delta trade mark; and
(e) Share Dealing Code of Conduct.

Statement of compliance with the provisions of Section One of the Combined Code (the 'Provisions')

The Board has throughout the financial year considered the Principles and the Provisions and has substantially complied with the Provisions. This Corporate Governance Report follows where possible the Code of Best Practice set out in the Combined Code. Any non-compliance with the Provisions, details of the periods of non-compliance and the reasons therefore are contained in the relevant paragraphs below:

(i) Board of directors

The Board meets at least eleven times a year and is responsible for the overall direction and strategy of the Group. It has a schedule of matters specifically reserved to it for decision and has set up advisory committees on other specific matters.

The Board has established a procedure for all directors to take independent professional advice, if necessary, at the Company's expense. All directors have access to the advice and services of the Company Secretary and senior management, and through established procedures directors are at all times made fully aware of their responsibilities, duties and obligations.

(ii) Board committees

Details of the Appointments and Remuneration Committee can be found on page 20 and of the Audit Committee on page 25. The Board has established a Treasury Committee whose objectives are to improve the quality and visibility of the Group's treasury analysis and control. The Treasury Committee meets up to eleven times a year in advance of Board meetings. It has a mandate to make recommendations to the Board in matters of treasury policy and to implement those policies approved by the Board. Its members are the Delta plc Board executive directors and the Group Treasurer, Deputy Group Treasurer and Group Financial Controller and is chaired by Mark Robson. Its responsibilities include monitoring both the Group translation-hedging position and its interest rate risk position and instituting transactions to manage them.

(iii) Chairman, CEO and Senior Independent Director

The roles of the Chairman and Chief Executive are separate. Tony Pedder is the senior independent director.

(iv) Board balance

The Board of directors comprises of two executive and four non-executive directors. This majority of non-executive directors brings an independent judgement to the management of the Group. The non-executive directors are free from any business or other relationships which could interfere with the exercise of their judgement.

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

The non-executive directors have no service contracts and are not eligible for bonuses or to participate in the Long Term Incentive Plan or the 1999 Executive Share Option Scheme. In addition, no pension contributions are made on their behalf.

(v) Supply of information, appointments to the Board and re-election of directors

The Company Secretary is responsible for the collation of Board papers and their presentation to the directors in advance of each Board meeting and works closely with the Chairman to ensure the dissemination of accurate and timely information.

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. All directors must retire at the first annual general meeting following their initial appointment.

Each year (excluding those directors retiring and not seeking re-election and those retiring following their appointment during the year) the number nearest to but not exceeding one-third of the directors shall retire by rotation. Given the current structure of the Board the retirement provisions continue to require each director to submit himself for re-election at no more than three year intervals. The Board have reviewed the retirement provisions in the articles of association of the Company (the 'Articles') in light of its continuing circumstances and developing best practice and undertake, notwithstanding the provisions of the Articles, to ensure that each director will offer himself for re-election at no more than three year intervals.

(vi) Directors' remuneration

The Appointments and Remuneration Committee consists of all the non-executive directors and is chaired by Sir Philip Beck. The objectives of the Committee are to advise and make recommendations to the Board on the terms of service and remuneration of the executive directors of the Board and all senior executives. The Committee normally meets three times a year. Remuneration policy is determined by the Board.

(a) Remuneration policy

The key objectives of the remuneration policy are to attract, develop and retain high calibre executives and to ensure that executives are appropriately rewarded and developed in order to enhance the performance of the Group in the interests of shareholders. In recommending appropriate levels of remuneration the Committee uses information from independent sources on remuneration and benefit levels for similar jobs in comparable companies, whilst at all times having due regard to the performance and the nature of the trading activities of such companies and of the Group.

The Group operates an Executive Share Option Scheme ('ESOS') details of which are set out on page 23.

The Group also operates the Group Executive Bonus Plan which is linked to the financial performance of the Group. The executive directors' bonus payments are based on the pre-tax profits, cash performance and tax rate for the Group against pre-set targets set by the Appointments and Remuneration Committee. For the Chief Executive the theoretical maximum bonus payable is 100% of salary and for the Finance Director it is 80% of salary.

The other senior executives' bonus payments are also based on specific financial performance and where appropriate the achievement of measurable personal objectives.

Certain senior executives retain options granted under the terms of the Company's Inland Revenue approved Senior Executive Share Option Scheme ('SESOS') and the Long Term Incentive Plan ('LTIP'). No options have been granted under the SESOS since 1994 and under the LTIP since 1999. Full details of directors' emoluments, of options held by directors and details of directors' share interests in respect of the year ended 29 December 2001 are shown on pages 21 to 23.

(b) Service contracts and compensation

Jon Scott-Maxwell's service contract with the Company commenced on 16 November 1996. Notwithstanding the notice period for the termination of the employment of Jon Scott-Maxwell as Chief Executive, which is 12 months, if Jon Scott-Maxwell ceases to be employed by Delta plc as Chief Executive in circumstances which (a) arise out of the restructuring of Delta plc and which (b) have the prior approval of the Board of Delta plc, Jon Scott-Maxwell shall become entitled to compensation for loss of office as if the notice period in his service contract were 24 months.

Mark Robson's service contract with the Company commenced on 18 March 1999. Up to 31 December 2001 inclusive, the contract could have been terminated by the Company upon the provision of not less than 24 months' written notice; after that date the Company may terminate the contract by giving not less than 12 months' written notice. Mark Robson may terminate the contract at any time by giving to the Company not less than 12 months' written notice.

In recommending the contract periods and termination payments (where applicable) of Jon Scott-Maxwell and Mark Robson, the Committee's overriding concern was to ensure that continuity at the most senior executive level was assured whilst acknowledging that the reduction of such notice periods to 12 months was desirable. The Committee will continue to review the appropriateness of contractual notice periods for executive directors and the most senior executives in the light of the Company's future development.

(vii) Pensions and remuneration

Delta's pension policy is to offer most of its senior executives membership of the Delta Pension Plan (the 'Plan') or the local equivalent if based outside the UK. Executive directors participate in the Plan within a special category for senior executives. The Plan is a funded, Inland Revenue approved, final salary, occupational pension scheme. It provides a pension of up to two thirds of final pensionable salary, subject to the completion of 20 years' pensionable service up to normal retirement age.

The arrangements also provide lump sum life assurance cover of up to four times pensionable salary and make provision for spouses' and dependants' pensions and early retirement provisions, including ill-health. All Plan benefits are subject to Inland Revenue limits. Where a limit is imposed by the 'earnings cap', a funded unapproved retirement benefit scheme ('FURBS') may be used to increase pension and death benefits and this is applicable currently to the executive directors. The FURBS is operated on a defined contribution basis with the contributions being based upon an agreed percentage rate of the director's salary.

Full details of the directors' remuneration and pension entitlements are as follows:

	Directors' remuneration				
				2001	2000
	Basic salary (inclusive of directors' fees) £	Other emoluments# £	Bonus £	Total £	Total £
Sir Martin Jacomb *(Chairman)*	100,000	–	–	100,000	90,000
J P Scott-Maxwell[⊘]	320,000	111,730	–	431,730	396,481
P M Smits[†] (resigned 23 December 2001)	230,593	31,894	–	262,487	295,487
Sir Philip Beck	25,000	–	–	25,000	23,750
M P W Robson[@]	226,000	79,030	–	305,030	271,475
A P Pedder	25,000	–	–	25,000	23,750
J H Robinson[¥] (resigned 30 June 2001)	14,025	–	–	14,025	26,647
C M Fisher	25,000	–	–	25,000	14,583
Total	**965,618**	**222,654**	–	**1,188,272**	1,142,173

\# Other emoluments include benefits in kind and relocation allowances.

⊘ Included in the total value of benefits in kind for J P Scott-Maxwell is an amount of £98,380 (2000 £71,183) which represents additional amounts contributed during the year under a funded unapproved retirement benefit scheme. J P Scott-Maxwell was the highest paid director.

† P M Smits' other emoluments included allowances paid in connection with his relocation from the USA to the UK and were intended to put him in a position, after taking into account taxation differentials, where he was no better or worse off as a result of his carrying out his duties in the UK.

Following his retirement as an executive on 23 August 2001, P M Smits entered into a consultancy agreement with the Company which is subject to 30 days notice in order to assist with the completion of certain projects approved by the Board. The consultancy fees for the period from 24 August 2001 until the year-end are included under the basic salary and directors' fees above.

In accordance with P M Smits retirement provisions £1.5 million (gross) was transferred to the UK Delta Pension Plan from the US pension arrangements and an annuity was purchased from a US insurance company to cover the unfunded element of his pension. The cost of this annuity taking into account taxation was £1.2 million.

@ Included in the total value of benefits in kind for M P W Robson is an amount of £38,712 (2000 £26,550) which represents additional amounts contributed during the year under a funded unapproved retirement benefit scheme and a relocation allowance of £19,748 (2000 £19,748).

¥ Total sums paid to third parties for the services of directors were £14,025 (2000 £26,647) paid in respect of J H Robinson which included the sum of £1,525 (2000 £2,897) in respect of the National Insurance Contributions ('NIC's') to be paid by such third party. The NIC's rate in question was 12.2% during 2001.

	Pension entitlements		
	Additional pension earned in the year £	Accrued entitlement £	Age at end of year
J P Scott-Maxwell	2,054	8,766	50
M P W Robson	2,698	6,876	43
P M Smits	17,145	167,428	58
Total	**21,897**	**183,070**	

Aggregate totals	2001 £	2000 £
Salaries and benefits	**1,188,272**	1,142,173
Gains made on exercise of share options	**nil**	nil
Amounts paid to or receivable under the LTIP	**13,486**	7,723
Pension contributions to money purchase schemes	**137,092**	96,640

1 Retirement benefits on a defined benefit basis are accruing to two directors as at 29 December 2001 (2000 three directors).

2 The accrued pension entitlement shown is the amount that would be paid in each year on retirement at normal retirement age, based on pensionable service to the end of the financial year.

3 The normal retirement age for all executive directors is 60.

4 *Spouses pension is 50% of prospective pension or, in the case of death in service, one third of final pensionable salary if* greater. An orphan's pension is applicable where there is no spouse and additionally the Trustees of the Pension Plan have discretionary powers to consider other dependants.

5 For P M Smits, benefits were established both in the USA and UK to provide an overall pension from his agreed retirement date of 23 August 2001. Further details are contained in the emoluments section on page 21.

6 Following retirement, pensions increase at an annual rate in line with RPI up to 5%.

7 The contributions payable by the directors under the Plan during the year were: J P Scott-Maxwell £3,780 and M P W Robson £3,780.

(viii) Directors' share options over ordinary shares in the Company

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

Name	Option scheme	As at 30 December 2000	Granted during year	Exercised during year	Lapsed during year	As at 29 December 2001	Subscription price payable (per share)	Date on which options become exercisable	Date on which options lapse
J P Scott-Maxwell	SAYE	6,849	–	–	–	6,849	99p	01/01/04	01/07/04
	LTIP	20,204	–	10,102	10,102	–	0p	21/05/01	21/06/01
	ESOS	184,000	–	–	–	184,000	154p	11/06/02	11/06/09
	ESOS	106,000	–	–	–	106,000	150p	29/11/03	29/11/10
	ESOS	-	248,000	–	–	248,000	129p	29/06/04	29/06/10
	Total	317,053	248,000	10,102	10,102	544,849			
M P W Robson	SAYE	12,992	–	–	12,992	–	99p	01/01/08	01/07/08
	SAYE	-	15,344	–	–	15,344	82p	01/01/09	01/07/09
	ESOS	94,000	–	–	–	94,000	154p	11/06/02	11/06/09
	ESOS	51,000	–	–	-	51,000	150p	29/11/03	29/11/10
	ESOS	–	51,000	–	–	51,000	156p	25/01/04	25/11/11
	ESOS	–	131,300	–	–	131,300	129p	29/06/04	29/06/11
	Total	157,992	197,644	-	12,992	342,644			

(a) The open market value of Delta plc 25p ordinary shares was 114p per share (middle market closing value as quoted in the Daily Official List of the London Stock Exchange plc) on 28 December 2001.

(b) Shares subject to rights granted in 1998 under the LTIP were acquired by the Employee Share Ownership Trust (ESOT) at an average cost of 330p.

(c) J P Scott-Maxwell exercised 10,102 options under the LTIP on 6 June 2001 at a market value of £1.33 per share. These conditional options were granted in 1998 and vested to the extent of 10,102 shares, with the remaining 10,102 options lapsing, due to certain company performance conditions not being satisfied.

(ix) Directors' interests in shares

Directors' share holdings	Number of ordinary shares of 25p each owned At 29 December 2001	At 30 December 2000
The holdings of the directors and their families (at the end of the financial year) all of which are beneficially owned in ordinary shares of the company were:		
Sir Martin Jacomb	82,600	82,600
J P Scott-Maxwell	150,102	125,000
Sir Philip Beck	7,370	7,370
A P Pedder	5,000	5,000
M P W Robson	20,580	20,000
C M Fisher	36,000	36,000

No changes in the share holdings shown above have taken place between 29 December 2001 and 13 March 2002.

Other than the share holdings shown in the table above and the options disclosed on page 22, 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. 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.

(x) ESOS

The ESOS was approved by the shareholders at the annual general meeting held in May 1999 and was developed as a replacement for the LTIP (see (xi) below). Only executive directors and senior executives in the Group participate in the ESOS. There have been no changes to the rules of the ESOS since its approval by the shareholders and no changes to the Board's policy on the requirements for participation. No part of any ESOS award is eligible for pension contributions.

The ESOS was designed to provide a straightforward alignment with shareholders' interests to the extent that participants only gain if and to the extent that the share price rises. It emphasises the commitment of the Group to linking reward and performance against agreed targets, recognising the return provided to shareholders and the long term performance of the Company.

Awards under the ESOS are granted in tranches up to one times annual salary on an annual basis. The performance condition initially attached to the ESOS is that options can only normally be exercised if the growth in the Company's earnings per share at least matches the growth in the Retail Price Index plus an average of at least 3% per annum over a period of at least three years. In addition, exercise of options will also be subject to the condition that earnings per share of the Company reaches or exceeds 20p per share in at least one financial year prior to the options becoming exercisable. Subject to the fulfilment of the performance criteria, options will be exerciseable between three and ten years following grant.

(xi) LTIP

As detailed in the Remuneration Policy on page 20, no further awards under the LTIP have been made since 1999. There have been no changes to eligibility to participate in or in the rules of the LTIP over the last year. No part of any LTIP award is eligible for pension contributions.

Awards are calculated by reference to achievement against Group earnings per share or business area financial performance against profit plan. The maximum annual award is 35% of salary in the year to which the award relates.

Awards are split into three equal parts: the first third in cash; the second third in the form of rights to acquire the Company's ordinary shares ('rights'); and the final third either in cash or in the form of further rights, at the discretion of participants ('the base LTIP award'). The number of shares covered by these rights is matched by the Company's grant of rights to acquire further shares. In normal circumstances, these rights can be realised three years after the base LTIP awards are approved.

The value of the Company match depends on the growth of the total return delivered by the Company to its shareholders compared to the growth in the total return delivered to shareholders of FT-SE Mid-250 companies over the three years. The maximum value of the Company match will be £3 for every £1 of LTIP base award delivered as rights. Smaller matching awards are made depending on performance if the return is lower. The Company match is £1 for every £1 of base LTIP award delivered as rights if the total return is less than the FT-SE Mid-250 average return.

(xii) Internal control

The directors have overall responsibility for the Group's system of internal control and reviewing its effectiveness. Such a system can only manage rather than eliminate risk and provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has reviewed its existing processes, in the light of the publication of 'Internal Control: Guidance for Directors on the Combined Code', for identifying, evaluating and managing the significant risks faced by it including operational, compliance and financial risks. The Company has established the procedures necessary to comply with the guidance throughout 2001. The essential elements of the Group's internal control procedures are summarised as follows:

- A schedule of issues reserved to the Board ensures the directors have control over significant strategic, financial, organisational and compliance issues.
- The directors delegate to the executive management, comprising the executive directors and members of the Management Board together with specialist management, the duty of establishing, implementing and maintaining a system of internal controls appropriate to the various business environments in which the Group operates.
- The system of internal controls has been developed over many years to meet current needs regarding the opportunities and risks facing the Group and includes a review process to identify changes to them.
- The internal controls are communicated by means of policy and procedural manuals which cover amongst other issues:
  (i) Organisational structures.
  (ii) Delegation of authorities to operational management.
  (iii) Control of cash and profit through three year business plans and annual budgets which are approved by the Board.
  (iv) Accounting and financial policies to ensure consistency, integrity and accuracy of the Group's accounting records.
  (v) Defined procedures for appraisal, review and control of investment expenditure.
- The Treasury Committee recommends to the Board appropriate policies in respect of all significant treasury transactions and financing operations and implements those policies approved by the Board.

The Management Board, regularly reviews the principal risks facing the Group and the effectiveness of the established control procedures, reporting its findings to the Board. In addition to the existing external audit procedures, it also either receives a certification of compliance with the Group's manuals from the senior managers for areas for which they are responsible or separate statements in the case of Delta Electrical Industries Limited. In the latter case that company's shares are quoted on the Johannesburg Stock Exchange with substantial minority interests. The Company has been informed that nothing has come to the attention of their directors, nor to the attention of their external auditors to indicate that any material breakdown in the functioning of their defined internal controls and systems has occurred during the year under review or up to the date of approval of the annual report and accounts.

(xiii) Internal audit

In 2001 the Board established an internal audit function. The work of internal audit focuses on those areas of the business which are considered to be higher risk. A three year rolling audit programme has been developed, to ensure that the significant areas of the business are independently reviewed within the three year period. The internal audit function reports on a regular basis to management and the Audit Committee.

(xiv) Euro

Each Group company, in conjunction with its customers and suppliers where appropriate, has developed a plan for the introduction of the Euro that best suits its own circumstances. Companies in participating countries are adopting the Euro as their functional currency only from 2002. Companies in other countries (such as the UK) are taking appropriate steps depending on the nature of their anticipated trading use of the Euro. Costs to date have been minimal and have been fully expensed. Future costs will be expensed as incurred and will be identified separately in the accounts if they are significant. The Group does not believe that the introduction of the Euro will be material to its financial condition, operations or liquidity.

(xv) Going concern

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

(xvi) Audit Committee

The Audit Committee consists of all the non-executive directors and is chaired by Charles Fisher. It normally meets three times a year to review the published financial information, the scope and nature of the external audit and the effectiveness of internal financial controls. The meetings are also attended by the external auditors. The Chief Executive, the Finance Director and other senior financial executives attend when invited to do so. The Audit Committee provides the external auditors with a direct line of communication to the non-executive directors.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as the Company's auditors will be proposed at the annual general meeting.

On behalf of the Board

J P Marciso
Secretary
13 March 2002

RESPONSIBILITY OF THE DIRECTORS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial information is published on the Company's website www.deltaplc.com. The maintenance and integrity of the Delta plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

On behalf of the Board

J P Narciso
Secretary
13 March 2002

AUDITORS' REPORT

Independent auditors' report to the members of Delta plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report, the chairman's statement, the operating and financial review and the corporate governance statement.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the Group at 29 December 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors

London
13 March 2002

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 29 December 2001

	Notes	Continuing: Pre-exceptional items and goodwill amortisation £ million	Continuing: Exceptional items (note 5) and goodwill amortisation £ million	Continuing: Sub total £ million
Total turnover		548.1	–	548.1
Less share of joint ventures and associates	4	(38.2)	–	(38.2)
Group turnover	1	509.9	–	509.9
Cost of sales	2	(373.7)	(0.6)	(374.3)
Gross profit		136.2	(0.6)	135.6
Distribution costs and administrative expenses	2	(100.0)	(9.4)	(109.4)
Group operating profit		36.2	(10.0)	26.2
Share of profits of joint ventures and associates	4	5.6	(0.9)	4.7
Total operating profit		41.8	(10.9)	30.9
Profit on sale of property	5	–	–	–
Disposal of businesses	5	–	–	–
Use of provision made in previous year	5	–	–	–
Provision for diminution in value of businesses to be disposed of	5	–	(4.8)	(4.8)
Profit on ordinary activities before interest		41.8	(15.7)	26.1
Net interest – parent and subsidiaries	6	(7.2)	–	(7.2)
joint ventures and associates	6	(1.4)	–	(1.4)
Profit on ordinary activities before taxation, exceptional items and goodwill amortisation		33.2	–	33.2
Exceptional items and goodwill amortisation		–	(15.7)	(15.7)
Profit on ordinary activities before taxation	1,7	33.2	(15.7)	17.5
Taxation	8	(14.1)	0.2	(13.9)
(Loss) profit on ordinary activities after taxation		19.1	(15.5)	3.6
Minority interests		(7.6)	–	(7.6)
(Loss) profit for the financial year		11.5	(15.5)	(4.0)
Dividends	9	(12.1)	–	(12.1)
Transfer (from) to reserves	25	(0.6)	(15.5)	(16.1)
Earnings per 25p ordinary share:				
Basic	10	7.6p		(2.7)p
Diluted	10	7.6p		(2.7)p
Earnings per 25p ordinary share before goodwill amortisation:				
Basic	10			0.3p
Diluted	10			0.3p
Earnings per 25p ordinary share before exceptional items and goodwill amortisation:				
Basic	10			7.6p
Diluted	10			7.6p

2001 Discontinued operations £ million	2001 Total £ million	2000 Continuing Pre-exceptional items and goodwill amortisation £ million	2000 Continuing Exceptional items (note 5) and goodwill amortisation £ million	2000 Continuing Sub total £ million	2000 Discontinued operations £ million	2000 Total £ million
94.8	**642.9**	584.5	–	584.5	158.4	742.9
(10.5)	**(48.7)**	(40.9)	–	(40.9)	(14.7)	(55.6)
84.3	**594.2**	543.6	–	543.6	143.7	687.3
(63.8)	**(438.1)**	(397.5)	–	(397.5)	(101.4)	(498.9)
20.5	**156.1**	146.1	–	146.1	42.3	188.4
(23.4)	**(132.8)**	(101.8)	(10.5)	(112.3)	(37.1)	(149.4)
(2.9)	**23.3**	44.3	(10.5)	33.8	5.2	39.0
0.3	**5.0**	6.6	(0.5)	6.1	0.6	6.7
(2.6)	**28.3**	50.9	(11.0)	39.9	5.8	45.7
–	**–**	–	–	–	1.2	1.2
(55.3)	**(55.3)**	–	–	–	48.4	48.4
41.9	**41.9**	–	–	–	1.0	1.0
–	**(4.8)**	–	(23.7)	(23.7)	(40.3)	(64.0)
(16.0)	**10.1**	50.9	(34.7)	16.2	16.1	32.3
(0.1)	**(7.3)**	(10.1)	–	(10.1)	0.2	(9.9)
(0.1)	**(1.5)**	0.2	–	0.2	(0.3)	(0.1)
(2.7)	**30.5**	41.0	–	41.0	5.9	46.9
(13.5)	**(29.2)**	–	(34.7)	(34.7)	10.1	(24.6)
(16.2)	**1.3**	41.0	(34.7)	6.3	16.0	22.3
(0.2)	**(14.1)**	(14.1)	0.2	(13.9)	(7.6)	(21.5)
(16.4)	**(12.8)**	26.9	(34.5)	(7.6)	8.4	0.8
–	**(7.6)**	(7.6)	–	(7.6)	(0.6)	(8.2)
(16.4)	**(20.4)**	19.3	(34.5)	(15.2)	7.8	(7.4)
–	**(12.1)**	(12.1)	–	(12.1)	–	(12.1)
(16.4)	**(32.5)**	7.2	(34.5)	(27.3)	7.8	(19.5)
	(13.7)p	12.8p		(10.2)p		(5.0)p
	(13.6)p	12.8p		(10.2)p		(5.0)p
	(10.6)p			(7.2)p		(1.9)p
	(10.6)p			(7.2)p		(1.9)p
	5.7p			12.8p		15.5p
	5.6p			12.8p		15.4p

BALANCE SHEETS

At 29 December 2001

		Group		Company	
	Notes	2001 £ million	2000 £ million	2001 £ million	2000 £ million
Fixed assets					
Intangible assets – goodwill	11	**71.2**	81.2	**–**	–
Tangible assets	12	**181.6**	191.1	**–**	–
Investments					
Joint ventures: share of gross assets	13	**6.1**	13.9	**–**	–
share of gross liabilities	13	**(4.6)**	(7.7)	**–**	–
loans to joint ventures	13	**1.1**	3.7	**–**	2.6
		2.6	9.9	**–**	2.6
Associated companies	13	**21.4**	23.8	**–**	–
Other investments	13	**0.5**	0.5	**0.3**	0.3
Group companies	13	**–**	–	**361.8**	503.2
		277.3	306.5	**362.1**	506.1
Current assets					
Stocks	14	**94.2**	111.1	**–**	–
Debtors – amounts falling due after one year	15	**5.5**	6.0	**0.2**	0.3
Debtors – amounts falling due within one year	15	**109.7**	134.6	**44.5**	10.4
Investments – money market funds	13	**2.3**	56.4	**–**	54.2
Investments – other	13	**2.1**	3.1	**–**	–
	13	**4.4**	59.5	**–**	54.2
Bank and other deposits		**53.5**	62.0	**6.1**	0.2
		267.3	373.2	**50.8**	65.1
Creditors – amounts falling due within one year					
Borrowings	20	**(26.4)**	(23.1)	**(61.5)**	(99.8)
Other creditors	16	**(128.2)**	(144.0)	**(10.0)**	(13.1)
Net current assets (liabilities)		**112.7**	206.1	**(20.7)**	(47.8)
Total assets less current liabilities		**390.0**	512.6	**341.4**	458.3
Creditors – amounts falling due after more than one year					
Borrowings	20	**(87.9)**	(169.2)	**(83.0)**	(163.4)
Provisions for liabilities and charges	21	**(8.9)**	(14.8)	**–**	(1.4)
Net assets		**293.2**	328.6	**258.4**	293.5
Capital and reserves					
Called up share capital	23	**40.4**	40.4	**40.4**	40.4
Share premium account	25	**31.6**	31.5	**31.6**	31.5
Revaluation reserve	25	**41.3**	28.6	**94.2**	129.8
Profit and loss account	25	**145.1**	193.0	**92.2**	91.8
Equity shareholders' funds		**255.6**	290.7	**255.6**	290.7
Non-equity shareholders' funds	23	**2.8**	2.8	**2.8**	2.8
Total shareholders' funds		**258.4**	293.5	**258.4**	293.5
Equity minority interests		**34.8**	35.1	**–**	–
		293.2	328.6	**258.4**	293.5

The accounts on pages 28 to 52 were approved by the directors on 13 March 2002 and are signed on their behalf by:

Sir Martin Jacomb, Chairman

Mark Robson, Finance Director

GROUP CASH FLOW STATEMENT

For the year ended 29 December 2001

	Notes	2001 £ million	2000 £ million
Net cash inflow from operating activities	26	**62.3**	65.9
Dividends received from associates		**4.5**	2.1
Returns on investments and servicing of finance			
Interest received		**8.8**	6.3
Interest paid		**(16.0)**	(16.3)
Preference dividends paid		**(0.1)**	(0.2)
Dividends paid to minority shareholders		**(3.2)**	(3.4)
Net cash outflow from returns on investments and servicing of finance		**(10.5)**	(13.6)
Taxation		**(17.5)**	(12.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(36.5)**	(39.7)
Sale of tangible fixed assets		**1.7**	21.0
Associated company loans		**2.8**	1.6
Net cash outflow from capital expenditure and financial investment		**(32.0)**	(17.1)
Acquisitions and disposals			
Purchase of businesses	29	**(0.8)**	(19.8)
Purchase of investment in associated companies	29	**(0.3)**	–
Sale of businesses	29	**25.8**	78.6
Net cash disposed of on sale of businesses	29	**(2.4)**	(1.0)
Net cash inflow from acquisitions and disposals		**22.3**	57.8
Equity dividends paid		**(12.0)**	(12.0)
Cash inflow before use of liquid resources and financing		**17.1**	70.8
Management of liquid resources			
Decrease (increase) in short term cash deposits and current asset investments		**44.4**	(50.3)
Financing			
Issue of ordinary share capital		**0.1**	0.1
Debt due within one year: increase in short term borrowings		**0.5**	1.1
repayment of short term borrowings		**(1.7)**	(3.1)
Debt due after one year: increase in loans		**–**	1.0
repayment of loans		**(78.2)**	(11.5)
Net cash outflow from financing		**(79.3)**	(12.4)
(Decrease) increase in cash in the period	27 & 28	**(17.8)**	8.1

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 29 December 2001

	2001 £ million	2000 £ million
Loss for the financial year	**(20.4)**	(7.4)
Other recognised losses for the year:		
Currency translation differences on foreign currency net investments	**(2.7)**	(3.4)
Total recognised losses for the year	**(23.1)**	(10.8)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 29 December 2001

Reported profit on ordinary activities before taxation	**1.3**	22.3
Realisation of property revaluation surpluses of previous years	**-**	10.6
Difference between historical cost depreciation and actual depreciation charge for the period calculated on the revalued amount	**0.2**	0.2
Historical cost profit on ordinary activities before taxation	**1.5**	33.1
Historical cost loss for the period retained after taxation, minority interests and dividends	**(32.3)**	(8.7)

MOVEMENT IN TOTAL SHAREHOLDERS' FUNDS

For the year ended 29 December 2001

Loss for the financial year	**(20.4)**	(7.4)
Dividends	**(12.1)**	(12.1)
	(32.5)	(19.5)
Other recognised losses for the year	**(2.7)**	(3.4)
Goodwill transferred to the profit and loss account in respect of businesses sold or to be disposed of (note 5 i & iii)	**-**	32.5
Shares issued	**0.1**	0.1
Net (decrease) increase in shareholders' funds for the year	**(35.1)**	9.7
Total shareholders' funds at the beginning of the year	**293.5**	283.8
Total shareholders' funds at the end of the year	**258.4**	293.5

ACCOUNTING POLICIES

1 Accounting convention and Standards

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

In accordance with the transitional arrangements under FRS 17 'Retirement benefits', in the current year the Group has provided the additional disclosures that are required prior to full implementation in 2003. The Group has adopted FRS 18 'Accounting policies' from the beginning of 2001. The adoption of FRS 18 has had no effect on the results for the period nor on amounts disclosed for prior periods.

Following the disposal of a substantial part of the Plumbing division, the results of the Plumbing businesses yet to be disposed of have been incorporated into the Industrial Services business segment as continuing activities. Last year's comparative figures have been restated accordingly, with the impact on the Industrial Services segment as follows: turnover increased by £81.0 million, profit before tax increased by £7.6 million and net assets increased by £40.3 million (see note 1 principal activities).

2 Group consolidation

(i) The Group's financial statements comprise a consolidation of the holding company and all its subsidiaries.

(ii) The Group share of results of joint ventures and associated companies is included in the Group profit and loss account and its share of post-acquisition reserves is included in the Group balance sheet. The figures for associates and joint ventures are based on their latest audited accounts ending in the financial year, updated by reference to unaudited management accounts in certain cases to coincide with the Group's financial year.

(iii) The results of businesses acquired or sold during the year are dealt with from the date of acquisition or to the date of sale. From the beginning of 1998, the net goodwill arising on acquisition is capitalised and amortised through the profit and loss account over its expected useful life. The gain or loss on the disposal of a business is calculated by comparing the carrying value of the net assets sold and any unamortised goodwill (for businesses acquired after the beginning of 1998) or goodwill previously written off directly to reserves on acquisition (for businesses acquired prior to 1998) with the proceeds received. Capitalised goodwill is amortised over periods of up to 20 years.

3 Research and development, patents and trademarks

All expenses are written off as incurred.

4 Pensions and post retirement benefits

The costs of providing pensions and post retirement healthcare benefits are charged to the profit and loss account on a systematic basis, with surpluses and deficits arising, amortised over the expected average remaining service lives of current employees.

5 Stocks

Stocks are valued at the lower of cost (including an appropriate element of production overhead costs) and net realisable value of the separate items of stocks or of groups of similar items.

6 Tangible assets

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

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

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

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

7 Investment in subsidiary undertakings

The Company accounts for its investments in subsidiary undertakings by the equity method, whereby the original cost of the investments is adjusted for the movement in underlying net assets applicable to the investments since their date of acquisition with an adjustment to the Company's revaluation reserve.

ACCOUNTING POLICIES

8 Taxation

The profit and loss account charge is calculated at current rates of corporation tax and overseas tax on the profits for the year. It includes deferred tax calculated, at the appropriate rates, by the liability method on any timing differences, to the extent that it is probable that a liability or asset will crystallise.

9 Turnover

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

10 Foreign currency

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward foreign exchange contracts have been taken out, at the contractual rates. For consolidation purposes the profit and loss accounts of overseas companies are translated into sterling at average exchange rates for the financial year. Their balance sheets (including intangible assets) and also the foreign currency assets and liabilities of UK companies, including financial instruments hedging foreign currency investments, are translated into sterling at the rates ruling on the last day of the financial year or at a contractual rate if applicable. The exchange differences arising from the translation of the opening net assets of overseas companies and the exchange differences on foreign currency liabilities hedging those net assets, are taken directly to reserves. Similarly, the difference between the net profits of overseas companies translated at average rates and year end rates is taken directly to reserves.

Certain of the Group's non United States subsidiaries have adopted the US dollar as their functional currency, reflecting the fact that they sell into the world market primarily in US dollars and have a significant element of their cost base in US dollars. They maintain their accounting records in local currency, which are then translated into their functional currency (US dollars), using the temporal method, for reporting purposes. Fixed assets and other non-monetary assets and liabilities are translated at historical rates and monetary assets and liabilities at the closing rate. The resulting differences are accounted for in the profit and loss account in accordance with SSAP 20.

11 Financial instruments

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

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

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

NOTES ON THE ACCOUNTS

		2001 Turnover £ million	2001 Profit before taxation £ million	2001 Net assets £ million	2000 Turnover £ million	2000 Profit before taxation £ million	2000 Net assets £ million
1 Principal activities							
By activity	Electrical	**233.2**	**10.0**	**109.5**	244.2	11.2	111.2
	Industrial services	**314.9**	**31.8**	**179.6**	340.3	39.7	177.2
	Provision for diminution in value of businesses (note 5)	–	**(4.8)**	–	–	(23.7)	–
	Exceptional operating items (v)	–	**(6.3)**	**(1.4)**	–	(6.5)	(1.8)
	Goodwill (v)	–	**(4.6)**	**71.2**	–	(4.5)	81.2
	Continuing operations	**548.1**	**26.1**	**358.9**	584.5	16.2	367.8
	Discontinued operations (vi)	**94.8**	**(2.6)**	**(5.2)**	158.4	5.8	37.4
	Property profit (note 5)	–	–	–	–	1.2	–
	Disposal of businesses (note 5)	–	**(55.3)**	–	–	48.4	–
	Use of provision made in previous year (note 5)	–	**41.9**	–	–	1.0	–
	Provision for diminution in value of businesses (note 5)	–	–	**(2.0)**	–	(40.3)	(2.7)
	Interest/net borrowings & money market fund current investments	–	**(8.8)**	**(58.5)**	–	(10.0)	(73.9)
		642.9	**1.3**	**293.2**	742.9	22.3	328.6
	Less: joint ventures and associated companies (i)	**(48.7)**			(55.6)		
		594.2	**1.3**	**293.2**	687.3	22.3	328.6
By origin	Europe	**237.4**	**7.1**	**113.7**	243.7	6.9	112.6
	Asia Pacific	**171.3**	**14.4**	**93.6**	180.3	17.5	90.1
	North America	**45.3**	–	**37.9**	43.8	3.5	38.7
	Africa	**94.1**	**20.3**	**43.9**	116.7	23.0	47.0
	Provision for diminution in value of businesses (note 5)	–	**(4.8)**	–	–	(23.7)	–
	Exceptional operating items (v)	–	**(6.3)**	**(1.4)**	–	(6.5)	(1.8)
	Goodwill (v)	–	**(4.6)**	**71.2**	–	(4.5)	81.2
	Continuing operations	**548.1**	**26.1**	**358.9**	584.5	16.2	367.8
	Discontinued operations (vi)	**94.8**	**(2.6)**	**(5.2)**	158.4	5.8	37.4
	Property profit (note 5)	–	–	–	–	1.2	–
	Disposal of businesses (note 5)	–	**(55.3)**	–	–	48.4	–
	Use of provision made in previous year (note 5)	–	**41.9**	–	–	1.0	–
	Provision for diminution in value of businesses (note 5)	–	–	**(2.0)**	–	(40.3)	(2.7)
	Interest/net borrowings & money market fund current investments	–	**(8.8)**	**(58.5)**	–	(10.0)	(73.9)
		642.9	**1.3**	**293.2**	742.9	22.3	328.6
	Less: joint ventures and associated companies (ii)	**(48.7)**			(55.6)		
		594.2	**1.3**	**293.2**	687.3	22.3	328.6
By destination	Europe	**211.7**			222.5		
	Asia Pacific	**147.8**			147.4		
	North America	**76.1**			90.0		
	Near & Middle East	**17.9**			21.7		
	Africa	**56.4**			62.0		
	Continuing operations	**509.9**			543.6		
	Discontinued operations	**84.3**			143.7		
		594.2			687.3		
(i) Joint ventures and associated companies by activity:	Electrical	**10.4**	**(0.6)**	**3.0**	8.3	(0.3)	3.6
	Industrial services	**27.8**	**5.3**	**21.0**	32.6	6.4	21.7
	Discontinued (iii)	**10.5**	**0.3**	–	14.7	0.6	8.4
	Interest	–	**(1.5)**	–	–	(0.1)	–
		48.7	**3.5**	**24.0**	55.6	6.6	33.7

NOTES ON THE ACCOUNTS

		2001 Turnover £ million	2001 Profit before taxation £ million	2001 Net assets £ million	2000 Turnover £ million	2000 Profit before taxation £ million	2000 Net assets £ million
1 Principal activities (continued)							
(ii) Joint ventures and associated companies by origin:	Europe (iii)	**17.2**	**(0.6)**	**2.6**	19.4	0.1	11.2
	Asia Pacific (iii)	**4.0**	**0.2**	**1.1**	3.6	0.1	1.6
	North America	**0.5**	**0.2**	**0.7**	0.4	0.2	0.2
	Africa	**27.0**	**5.2**	**19.6**	32.2	6.3	20.7
	Interest	**-**	**(1.5)**	**-**	-	(0.1)	-
		48.7	**3.5**	**24.0**	55.6	6.6	33.7
(iii) Discontinued joint ventures and associated companies (Plumbing):	Europe	**10.5**	**0.3**	**-**	13.6	0.8	7.9
	Asia Pacific	**-**	**-**	**-**	1.1	(0.2)	0.5
	Interest	**-**	**(0.1)**	**-**	-	(0.3)	-
		10.5	**0.2**	**-**	14.7	0.3	8.4

(iv) Except as disclosed in the analysis by activity and origin and in sub-note (vi) the impact of disposals on turnover and profit before taxation was not material to the Group or individual business segments both in 2000 and 2001. The impact of acquisitions in 2001 on turnover and profit before taxation was not material to the Group or individual business segments.

		Exceptional operating items 2001 Profit before interest £ million	Exceptional operating items 2001 Provisions £ million	Exceptional operating items 2000 Profit before interest £ million	Exceptional operating items 2000 Provisions £ million	Goodwill 2001 Profit before interest £ million	Goodwill 2001 Intangible assets £ million	Goodwill 2000 Profit before interest £ million	Goodwill 2000 Intangible assets £ million
(v) By activity:	Electrical	**(5.6)**	**(1.3)**	(5.9)	(1.8)	**(3.8)**	**60.5**	(3.6)	66.2
	Industrial services	**(0.7)**	**(0.1)**	(0.6)	-	**(0.8)**	**10.7**	(0.9)	15.0
	Discontinued (Plumbing)	**(0.1)**	**-**	(0.1)	-	**-**	**-**	(0.1)	-
		(6.4)	**(1.4)**	(6.6)	(1.8)	**(4.6)**	**71.2**	(4.6)	81.2
By origin:	Europe	**(5.6)**	**(1.4)**	(6.1)	(1.8)	**(3.7)**	**59.4**	(3.7)	65.1
	Asia Pacific	**(0.3)**	**-**	-	-	**(0.2)**	**2.0**	(0.1)	2.1
	North America	**-**	**-**	-	-	**(0.2)**	**4.1**	(0.2)	4.3
	Africa	**(0.5)**	**-**	(0.5)	-	**(0.5)**	**5.7**	(0.6)	9.7
		(6.4)	**(1.4)**	(6.6)	(1.8)	**(4.6)**	**71.2**	(4.6)	81.2

		2001 Turnover £ million	2001 Profit before interest & non-operating exceptional items £ million	2001 Net assets £ million	2000 Turnover £ million	2000 Profit before interest & non-operating exceptional items £ million	2000 Net assets £ million
(vi) Discontinued activities:							
By activity:	Electrical	**-**	**-**	**(0.6)**	26.0	6.7	(4.2)
	Industrial services	**-**	**-**	**-**	2.6	0.3	-
	Plumbing	**94.8**	**(2.6)**	**(4.6)**	129.8	(1.7)	41.7
	Cables and materials	**-**	**-**	**-**	-	0.5	(0.1)
		94.8	**(2.6)**	**(5.2)**	158.4	5.8	37.4
By origin:	Europe	**90.6**	**(2.3)**	**(3.4)**	115.5	(1.5)	40.2
	Asia Pacific	**-**	**-**	**-**	1.1	(0.3)	-
	North America	**4.2**	**(0.3)**	**(1.8)**	39.2	7.3	(2.8)
	Africa	**-**	**-**	**-**	2.6	0.3	-
		94.8	**(2.6)**	**(5.2)**	158.4	5.8	37.4

NOTES ON THE ACCOUNTS

	2001				2000			
	Continuing activities				Continuing activities			
	Pre operational exceptional charges and goodwill amortisation £ million	Operating exceptional charges and goodwill amortisation £ million	Discontinued activities £ million	Total £ million	Pre operational exceptional charges and goodwill amortisation £ million	Operating exceptional charges and goodwill amortisation £ million	Discontinued activities £ million	Total £ million
2 Analysis of expenses								
Cost of sales	**373.7**	**0.6**	**63.8**	**438.1**	397.5	–	101.4	498.9
Distribution costs	**50.6**	**–**	**12.6**	**63.2**	52.2	0.1	21.0	73.3
Administrative expenses (incl. goodwill amortisation)	**49.4**	**9.4**	**10.8**	**69.6**	49.6	10.4	16.1	76.1
	100.0	**9.4**	**23.4**	**132.8**	101.8	10.5	37.1	149.4

	2001 £ million	2000 £ million
3 Group employees		
(a) Employee costs		
Aggregate remuneration – United Kingdom	**53.4**	59.4
Overseas	**96.5**	107.0
	149.9	166.4
Social security contributions	**14.0**	13.8
Pension contributions	**5.5**	6.4
Other employee costs	**6.7**	4.3
	176.1	190.9

	Average monthly number		Actual number at the year end	
	2001	2000	2001	2000
(b) Number of employees				
United Kingdom	**2,861**	3,216	**2,155**	3,070
Overseas	**7,054**	7,612	**6,211**	7,118
	9,915	10,828	**8,366**	10,188

(c) Pensions

The Group operates a number of pension arrangements throughout the world, including defined benefit schemes (of which 36% of Group employees are members), defined contribution schemes, obligatory statutory schemes and provident funds. The assets are held in separate trustee administered funds, unless determined otherwise by local best practice and regulations. Of the total pension contributions, £5.2 million (2000 £5.9 million) relates to overseas schemes. Where appropriate the pension contributions are assessed in accordance with the advice of a qualified independent actuary.

The main UK scheme, which is of a defined benefit type and covers 22% of all employees in the Group, was last subject to a formal actuarial valuation at 5 April 2000. Using the attained age method, the assumptions which have the most significant effect on the results of the valuation are fixed relative to the expected rate of inflation as follows: investment returns 3.5% higher, earnings growth 1.5% higher, pension increases in line with inflation. At the date of the latest actuarial valuation, the market value of the assets of the main UK scheme was £700.3 million and the actuarial value of the assets was sufficient to cover 125% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution rate was adjusted to amortise the surplus over the expected future service lives of the members. This resulted in the suspension of employer contributions (which began in October 1998 following the disposal of the Cables and Materials business to Cerro) being continued at least until the next formal actuarial valuation, when the position will be reviewed.

There is a provision of £0.8 million (2000 £6.6 million) for pensions, shown in note 21. The major part of this provision relates to the excess of the accumulated pension liability over the amount funded in overseas schemes.

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

FRS 17 specifies accounting practice and measurement techniques that differ significantly from SSAP 24. In the case of the Group's schemes, the most significant impact has been within the calculation of the actuarial value of liabilities. FRS 17 specifies the use of a discount rate which is lower than that used under SSAP 24, resulting in a higher present value of these liabilities. This fact, which is partially offset by the impact of the disposal of the Plumbing businesses during the year, results in a significantly lower surplus for the Group's schemes overall than that calculated in accordance with SSAP 24.

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

The schemes operating within The Netherlands are all schemes of the industry wide or multi-industry variety. In accordance with FRS 17, no net pension asset or liability is recognised in relation to such schemes, and the profit and loss charge consists of the cash pension cost (accounted for on an accruals basis).

NOTES ON THE ACCOUNTS

3 Group employees (continued)

(c) Pensions (continued)

The largest of these schemes (industry wide) consists of 147,000 members, of which employees of the Group total approximately 1,000. The latest actuarial valuation, prepared at 31 December 2000, showed total scheme assets of Euro 12.8 billion and a funding level of 128% on the statutory funding basis applicable in The Netherlands. In addition, Holec Holland NV is a participating employer in the Holec Pension Fund, which is a multi-employer defined benefit pension fund providing top-up benefits for 15 companies that were formerly part of the Holec group. The company's cost for the financial year ending 31 December 2001 amounted to £0.4 million in respect of 160 employees, out of a total of 485 active members in the fund. The latest available actuarial valuation was done as at 31 December 2000. The market value of the assets amounted to Euro 54.6 million for the fund as a whole. The funding level was 109% on the local technical funding basis, in which the most important assumption is a net interest rate of 4% per annum. The majority of the liabilities (76%) related to deferred pensioners and pensioners. The asset allocation was 85% bonds, 14% equities and 1% cash.

The surplus within the South African scheme, rolled forward to 31 December 2001, amounted to £1.6 million before related deferred tax effects and minority interests of 43.5% of the shares in the South African operation. This surplus has not been included within the analyses below on the basis that, as of the date of this report, there is significant uncertainty regarding the treatment of the surplus. The latest actuarial valuation of the South African scheme was performed at 31 December 2000. The amount of the surplus and the method by which it is allocated between stakeholders is to be reviewed in the light of new legislation, the implications of which are not expected to be clear before 2003.

The latest actuarial valuation of the UK and Australian schemes was 5 April 2000 and 1 January 2000 respectively, and the results were rolled forward to 31 December 2001. The major assumptions used as at 31 December 2001 were:

	UK %	Australia %
Rate of increase in pensionable salaries	3.6	4.0
Rate of increase in pension payments	3.0	n/a
Discount rate	5.8	6.0
Inflation rate	2.6	2.5
Expected rate of return on equities	7.3	8.4
Expected rate of return on bonds	5.0	5.1
Expected rate of return on property and cash	5.6	5.3

The assets and liabilities in the schemes at 29 December 2001 were:

	UK £ million	Australia £ million	Total £ million
Equities	251.0	3.3	254.3
Bonds	307.6	1.3	308.9
Property and cash	90.4	1.1	91.5
Total assets	649.0	5.7	654.7
Actuarial value of liabilities	(614.3)	(6.2)	(620.5)
Surplus (deficit)	34.7	(0.5)	34.2
Related deferred tax (liability) asset	(10.4)	0.1	(10.3)
Net pension asset (liability)	**24.3**	**(0.4)**	**23.9**

If the above amounts had been recognised in the financial statements, the Group's profit and loss reserve at 29 December 2001 would have been as follows:

Profit and loss reserve excluding pension asset	145.1
Pension asset, net of deferred tax liability of £10.3 million	23.9
Profit and loss reserve including pension asset	**169.0**

(d) Directors' emoluments

The disclosures required by the Companies Act 1985 are included within the Directors' report – pages 20 to 23.

	2001 Joint ventures £ million	2001 Associates £ million	2001 Total £ million	2000 Joint ventures £ million	2000 Associates £ million	2000 Total £ million
4 Turnover and profits of joint ventures and associated companies						
Group share of turnover	**17.6**	**31.1**	**48.7**	18.5	37.1	55.6
Group share of profits less losses before interest	**0.8**	**4.2**	**5.0**	1.3	5.4	6.7
Interest	**(0.3)**	**(1.2)**	**(1.5)**	(0.4)	0.3	(0.1)
Taxation (note 8)	**(0.2)**	**(2.5)**	**(2.7)**	(0.3)	(2.1)	(2.4)
Profit attributable to Delta shareholders	**0.3**	**0.5**	**0.8**	0.6	3.6	4.2

Dividends of £4.5 million (2000 £2.1 million) were received from joint ventures and associated companies.

NOTES ON THE ACCOUNTS

		2001 £ million	2000 £ million
5 Exceptional items			
Operating exceptional charges: – Rationalisation and redundancy (ii)		**(6.4)**	(6.6)
Profit on sale of property		**–**	1.2
Disposal of businesses:	Profit on disposals (i)	**–**	50.5
	Loss on disposals and termination of businesses (i)	**(55.3)**	(2.1)
		(55.3)	48.4
	Use of provision made in previous year	**41.9**	1.0
Write back of provision for diminution in value of Cables and materials businesses		**–**	1.6
Provision for diminution in value of businesses to be disposed of (Plumbing) (iii)		**(4.8)**	(65.6)
Total provision for diminution in value of businesses to be disposed of		**(4.8)**	(64.0)
Total non-operating exceptional items (ii)		**(18.2)**	(13.4)

(i) The loss on disposal of £55.3 million in 2001 includes £9.4 million of goodwill that was written back through reserves in 2000 and was included in the provision for diminution in the value of the Plumbing businesses made in 2000. In 2000 goodwill of £6.3 million, previously written off to reserves on the acquisition of businesses, was written back through reserves and charged to the profit and loss as part of the profit on disposal of £48.4 million above.

(ii) The tax credit attributable to operating exceptional items is £0.2 million (2000 £0.3 million), the tax charge attributable to non-operating exceptional items is £nil (2000 £6.4 million).

(iii) Goodwill of £nil (2000 £26.2 million), previously written off to reserves on the acquisition of businesses, was written back through reserves and charged to the profit and loss as part of the provision for diminution in value of the Plumbing businesses of £(4.8) million (2000 £(65.6) million) above. The remaining £4.8 million was charged against: fixed assets £(2.1) million, investments £3.3 million provision made in 2000 released and working capital £(6.0) million. In 2000 the remaining £39.4 million was charged against: fixed assets £(17.0) million, capitalised goodwill of subsidiary undertakings £(1.1) million, investments £(4.8) million and working capital £(16.5) million.

		2001 £ million	2000 £ million
6 Interest			
Interest payable:	On bank loans and overdrafts	**(11.5)**	(13.1)
	On other loans	**(3.3)**	(3.2)
	On finance leases	**(0.4)**	(0.4)
		(15.2)	(16.7)
Interest receivable		**7.9**	6.8
Share of joint ventures' and associates' interest (note 4)		**(1.5)**	(0.1)
		(8.8)	(10.0)

		2001 £ million	2000 £ million
7 The profit on ordinary activities before taxation is after charging:			
Amortisation of goodwill (including £nil (2000 £0.1 million) for associates)		**4.6**	4.6
Audit fees (i)	– PricewaterhouseCoopers (including £0.2 million (2000 £0.2 million), for parent Company)	**0.7**	0.8
	– Other auditors	**0.2**	0.2
Depreciation of tangible assets		**23.6**	24.9
Depreciation of leased assets		**1.4**	1.2
Operating lease rentals	– plant and equipment	**2.7**	3.7
	– other	**3.9**	3.7
Research and development		**6.5**	5.7

(i) PricewaterhouseCoopers received £0.9 million (2000 £0.7 million) in the UK and £0.2 million (2000 £0.5 million) overseas in respect of non-audit services during the year.

(ii) The translation of overseas profit before tax at the 2001 average rates of exchange, as compared with the 2000 average rates, decreased profits by £2.0 million.

	2001 £ million	2000 £ million
8 Taxation		
UK corporation tax 30.0% (2000 30.0%)	**19.6**	9.1
Double taxation relief	**(18.8)**	(8.6)
Overseas taxation	**11.8**	19.4
Prior year adjustments: – UK	**0.1**	0.3
– Overseas	**(1.3)**	(1.1)
Taxation of Group share of profits less losses of joint ventures and associated companies (note 4)	**2.7**	2.4
	14.1	21.5

The 2001 continuing tax charge of £13.9 million (2000 £13.9 million) is the same as 2000 although continuing profits (pre-exceptional items and goodwill) have reduced. The increased effective tax rate is due to the majority of Group profits being generated by businesses outside Europe which cannot be utilised against European accumulated tax losses. The 2000 tax charge represents a high proportion of profit before taxation as a result of the £65.6 million provision for diminution in the value of Plumbing businesses (see note 5), partially offset by a low tax charge on the gain on disposal of United Power Corporation. The tax charge has been reduced by £1.1 million (2000 £1.2 million) due to the utilisation of tax losses brought forward. The deferred tax credit included above is £1.5 million (2000 £2.4 million).

NOTES ON THE ACCOUNTS

		2001 £ million	2000 £ million
9 Dividends			
Preference (non-equity): 6.0% cumulative first preference shares and 4.5% cumulative second preference shares		**0.1**	0.1
Ordinary (equity):	Interim 3.5p (2000 3.5p)	**5.3**	5.3
	Proposed final 4.5p (2000 4.5p)	**6.7**	6.7
		12.0	12.0
Total dividends		**12.1**	12.1

10 Earnings per share

Basic earnings per share (EPS) is calculated in accordance with FRS 14, by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: those options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out in the table below.

To give a better understanding of the underlying results of the year, additional earnings per share figures are given on the face of the profit and loss account for continuing activities (both pre and post operations to be discontinued, exceptional items and amortisation of goodwill). The earnings are based on the attributable profit (pre and post-exceptional items) less preference dividends and goodwill amortisation (where applicable) as shown below. The weighted average number of shares used in the calculations are those shown in the table below.

	2001			2000		
	Total earnings £ million	**Weighted average no. of shares**	**Per-share amount total pence**	Total earnings £ million	Weighted average no. of shares	Per-share amount total pence
Loss attributable to shareholders	**(20.4)**	**149,703,645**		(7.4)	149,526,229	
Less: preference dividends	**(0.1)**			(0.1)		
Basic EPS	**(20.5)**	**149,703,645**	**(13.7)**	(7.5)	149,526,229	(5.0)
Effects of dilutive securities: options		**967,025**	**0.1**		890,622	–
Diluted EPS	**(20.5)**	**150,670,670**	**(13.6)**	(7.5)	150,416,851	(5.0)
Basic EPS (as above)	**(20.5)**	**149,703,645**	**(13.7)**	(7.5)	149,526,229	(5.0)
Effect of goodwill amortisation	**4.6**		**3.1**	4.6		3.1
Basic EPS excluding goodwill amortisation	**(15.9)**	**149,703,645**	**(10.6)**	(2.9)	149,526,229	(1.9)
Diluted EPS excluding goodwill amortisation	**(15.9)**	**150,670,670**	**(10.6)**	(2.9)	150,416,851	(1.9)
Basic EPS excluding goodwill amortisation (as above)	**(15.9)**	**149,703,645**	**(10.6)**	(2.9)	149,526,229	(1.9)
Effect of operating exceptional items before taxation (note 5)	**6.4**		**4.3**	6.6		4.4
Effect of non-operating exceptional items before taxation (note 5)	**18.2**		**12.1**	13.4		8.9
Effect of taxation on exceptional items (note 5 ii)	**(0.2)**		**(0.1)**	6.1		4.1
Basic EPS excluding exceptional items and goodwill amortisation	**8.5**	**149,703,645**	**5.7**	23.2	149,526,229	15.5
Diluted EPS excluding exceptional items and goodwill amortisation	**8.5**	**150,670,670**	**5.6**	23.2	150,416,851	15.4

	Cost £ million	**Provision for diminution in value of businesses to be disposed of £ million**	**Amortisation £ million**	**Net book value £ million**
11 Intangible assets – goodwill				
At 30 December 2000	94.1	(1.1)	(11.8)	81.2
Amortisation for the year	–	–	(4.6)	(4.6)
Currency translation	(6.3)	–	0.9	(5.4)
At 29 December 2001	**87.8**	**(1.1)**	**(15.5)**	**71.2**

All capitalised goodwill above is being amortised over 20 years.

NOTES ON THE ACCOUNTS

	Cost or valuation				Accumulated depreciation				
	Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	Book value £ million
12 Tangible assets									
Group: At 30 December 2000	109.3	226.0	101.7	437.0	17.6	145.1	83.2	245.9	191.1
Currency translation	(1.8)	(3.0)	(2.7)	(7.5)	(0.3)	(2.6)	(2.1)	(5.0)	(2.5)
Disposal of businesses	(15.1)	(59.0)	(16.5)	(90.6)	(9.3)	(50.9)	(15.7)	(75.9)	(14.7)
Other disposals	(0.6)	(3.3)	(5.6)	(9.5)	(0.1)	(3.0)	(5.2)	(8.3)	(1.2)
Acquisition of businesses	–	0.1	–	0.1	–	–	–	–	0.1
Expenditure 2001	8.7	17.7	9.5	35.9	–	–	–	–	35.9
Provision for diminution in asset value of businesses to be discontinued	–	–	–	–	0.6	1.4	0.1	2.1	(2.1)
Depreciation 2001	–	–	–	–	2.3	13.6	9.1	25.0	(25.0)
At 29 December 2001	**100.5**	**178.5**	**86.4**	**365.4**	**10.8**	**103.6**	**69.4**	**183.8**	**181.6**
Company: At 30 December 2000	–	–	0.1	0.1	–	–	0.1	0.1	–
Other disposals	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)	–
At 29 December 2001	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Analysis of cost or valuation of land and buildings at professional valuation in:	
1999 and earlier years	19.0
2000 & 2001	–
At cost	81.5
At 29 December 2001	**100.5**

	2001 £ million	2000 £ million
Analysis of net book value:		
Land and buildings: Freeholds	**84.9**	86.2
Long leaseholds (iii)	**2.1**	2.5
Short leaseholds (iii)	**2.7**	3.0
Plant and machinery	**74.9**	80.9
Fixtures, fittings, tools & equipment	**17.0**	18.5
At 29 December 2001	**181.6**	191.1

(i) The net book value includes land and buildings, plant, machinery and equipment held under finance leases of £2.5 million (2000 £3.4 million).

(ii) The net book value includes payments on account and assets in course of construction of £26.8 million (2000 £20.1 million).

(iii) A long leasehold is one with more than 50 years unexpired. A short leasehold is one with 50 years or less unexpired.

(iv) If the land and buildings were included at cost, the value before depreciation would be reduced by £8.6 million (2000 £7.8 million) and the accumulated depreciation increased by £3.5 million (2000 £3.8 million).

		Joint ventures			Associated companies					
	Trade investments unlisted £ million	Cost £ million	Share of reserves £ million	Loans £ million	Cost £ million	Share of reserves £ million	Loans £ million	Associate & joint venture goodwill £ million	Employee share ownership trust £ million	Total £ million
13 Investments									(ii)	
(a) Associates, joint ventures and other investments: cost and share of reserves										
Group: At 30 December 2000	0.2	6.6	(0.5)	3.7	5.2	15.6	3.0	0.1	0.3	34.2
Currency translation	–	(0.1)	–	(0.1)	(0.5)	(1.1)	(0.1)	–	–	(1.9)
Acquisitions, disposals and other movements	–	(4.5)	(0.4)	–	(0.9)	0.2	–	(0.1)	0.1	(5.6)
Movement in loans	–	–	–	(2.5)	–	–	0.7	–	–	(1.8)
Charge for year	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Provision for diminution in value	–	–	–	–	–	3.3	–	–	–	3.3
Amounts retained	–	–	0.4	–	–	(4.0)	–	–	–	(3.6)
Net book value at 29 December 2001	**0.2**	**2.0**	**(0.5)**	**1.1**	**3.8**	**14.0**	**3.6**	**–**	**0.3**	**24.5**
Company: At 30 December 2000	–	–	–	2.6	–	–	–	–	0.3	2.9
Movement in loans	–	–	–	(2.6)	–	–	–	–	–	(2.6)
Other movements	–	–	–	–	–	–	–	–	0.1	0.1
Charge for year	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Net book value at 29 December 2001	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.3**	**0.3**

13 Investments (continued)

(a) Associates, joint ventures and other investments (continued):

(i) The names of principal joint ventures and associated companies are given on pages 54 and 55.

(ii) At 29 December 2001, the 561,385 shares held by the ESOT (cost £1.6 million) had a market value of £0.6 million. At 29 December 2001, £1.3 million has been amortised to the profit and loss account. Dividend income payable to the ESOT has been waived. Further details of the operation of the long term incentive plan are given in the directors' report.

	Joint ventures		Associates	
	2001 £ million	2000 £ million	**2001 £ million**	2000 £ million
(b) The Group's share in the net assets of associates and joint ventures (excluding loans) comprises:				
Goodwill	–	0.1	–	–
Fixed assets	**1.0**	7.3	**10.8**	12.3
Current assets	**5.1**	6.5	**16.1**	22.6
Liabilities due within one year	**(4.5)**	(5.3)	**(6.2)**	(7.7)
Liabilities due after one year	**(0.1)**	(2.4)	**(2.9)**	(6.4)
Share of net assets	**1.5**	6.2	**17.8**	20.8

	Money market funds				Other			
	Group		Company		Group		Company	
	2001 £ million	2000 £ million	**2001 £ million**	2000 £ million	**2001 £ million**	2000 £ million	**2001 £ million**	2000 £ million
(c) Current asset investments:								
At 30 December 2000	**56.4**	–	**54.2**	–	**3.1**	2.7	–	–
Acquisitions, disposals and other movements	**(54.1)**	56.4	**(54.2)**	54.2	**(1.0)**	0.4	–	–
Net book value at 29 December 2001	**2.3**	56.4	–	54.2	**2.1**	3.1	–	–

The market value of the other (listed) investments is £2.1 million (2000 £3.1 million).

	Book value (i)			Amounts provided				
	At 30 December 2000 £ million	**Movements during year £ million**	**At 29 December 2001 £ million**	**At 30 December 2000 £ million**	**Movements during year £ million**	**At 29 December 2001 £ million**	**Net book value at 29 December 2001 £ million**	Net book value at 30 December 2000 £ million
(d) Holding company investments in Group companies:								
Shares	702.8	(27.1)	675.7	(77.2)	(18.4)	(95.6)	**580.1**	625.6
Loans	(105.3)	(95.9)	(201.2)	(17.1)	–	(17.1)	**(218.3)**	(122.4)
	597.5	(123.0)	474.5	(94.3)	(18.4)	(112.7)	**361.8**	503.2

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

(ii) The cost of shares in subsidiary companies is £584.1 million (2000 £575.6 million).

(iii) The names of the principal Group companies are given on pages 54 and 55.

	Group		Company	
	2001 £ million	2000 £ million	**2001 £ million**	2000 £ million
14 Stocks				
Raw materials	**29.6**	37.5	–	–
Work-in-progress	**17.9**	24.5	–	–
Finished goods	**46.7**	49.1	–	–
	94.2	111.1	–	–
Replacement cost	**96.6**	112.2	–	–

NOTES ON THE ACCOUNTS

		Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
15 Debtors					
Amounts falling due after one year:	Other debtors	**5.5**	5.8	**0.2**	0.3
	Prepayments and accrued income	**–**	0.2	**–**	–
		5.5	6.0	**0.2**	0.3
Amounts falling due within one year:	Trade debtors	**83.9**	113.6	**–**	–
	Amounts owed by Group companies	**–**	–	**32.8**	3.2
	Amounts owed by associates and joint ventures	**2.5**	2.9	**–**	–
	Other debtors	**17.0**	9.6	**11.0**	5.3
	Advance corporation tax recoverable	**–**	0.5	**–**	0.4
	Corporation tax recoverable	**1.8**	0.2	**–**	–
	Prepayments and accrued income	**4.5**	7.8	**0.7**	1.5
		109.7	134.6	**44.5**	10.4
		115.2	140.6	**44.7**	10.7
16 Other creditors					
Amounts falling due within one year:	Trade creditors	**55.5**	58.8	**0.3**	0.5
	Amounts owed to Group companies	**–**	–	**0.2**	0.4
	Amounts owed to associates and joint ventures	**0.8**	0.8	**–**	–
	Other creditors	**17.2**	17.5	**0.2**	1.1
	Corporate taxation	**8.6**	12.4	**0.2**	–
	Other taxation and social security	**7.7**	9.2	**0.1**	0.1
	Accruals and deferred income	**31.6**	38.5	**2.2**	4.2
	Dividends	**6.8**	6.8	**6.8**	6.8
		128.2	144.0	**10.0**	13.1
17 Capital commitments					
Future capital expenditure, contracted but not provided for		**7.6**	21.5	**–**	–
18 Contingent liabilities					
Financial guarantees		**9.9**	9.3	**4.8**	5.3

(i) It is not expected that any loss will arise in respect of these contingent liabilities.

(ii) The Company is registered under a group registration for value added tax and is jointly liable for the amount payable of £2.0 million at 29 December 2001 (2000 £1.6 million) in respect of certain UK Group companies.

		2001 Land and buildings £ million	2001 Plant and equipment £ million	2000 Land and buildings £ million	2000 Plant and equipment £ million
19 Commitments under operating leases					
Annual commitments under operating leases expiring:	Within one year	**1.0**	**0.6**	0.4	1.2
	Between one and five years	**2.9**	**1.9**	1.2	2.2
	After five years	**0.7**	**0.1**	1.7	0.1
		4.6	**2.6**	3.3	3.5

Company annual commitments for land and buildings are £0.3 million (2000 £0.3 million) for leases expiring between one and five years.

	Group Due within one year £ million	Group Due after one year £ million	Group Total £ million	Company Due within one year £ million	Company Due after one year £ million	Company Total £ million
20 Borrowings						
At the end of this year:						
Unsecured bank loans and overdrafts	16.4	67.0	83.4	52.9	65.7	118.6
Acceptances	0.1	–	0.1	–	–	–
	16.5	67.0	83.5	52.9	65.7	118.6
Senior unsecured loan notes due 1999/2004 (i)	8.6	17.3	25.9	8.6	17.3	25.9
Other unsecured loans	1.1	–	1.1	–	–	–
Finance leases (ii)	0.2	3.6	3.8	–	–	–
At 29 December 2001	**26.4**	**87.9**	**114.3**	**61.5**	**83.0**	**144.5**
At the end of last year:						
Unsecured bank loans and overdrafts	13.3	139.6	152.9	91.5	138.3	229.8
Acceptances	0.6	–	0.6	–	–	–
	13.9	139.6	153.5	91.5	138.3	229.8
Senior unsecured loan notes due 1999/2004 (i)	8.3	25.1	33.4	8.3	25.1	33.4
Other unsecured loans	0.1	1.0	1.1	–	–	–
Finance leases (ii)	0.8	3.5	4.3	–	–	–
At 30 December 2000	23.1	169.2	192.3	99.8	163.4	263.2

		Group 2001 £ million	Group 2000 £ million	Company 2001 £ million	Company 2000 £ million
The Group borrowings are repayable as follows:	Within one year	**26.4**	23.1	**61.5**	99.8
	Between one and two years	**75.8**	10.2	**74.4**	8.4
	Between two and five years	**9.6**	156.3	**8.6**	155.0
	After five years	**2.5**	2.7	**–**	–
		114.3	192.3	**144.5**	263.2
Group borrowings repayable wholly or partly in more than five years by instalments:		**3.9**	4.4	**–**	–

(i) The senior unsecured loan notes are denominated in US dollars, with a nominal value of $75 million. They were issued in July 1994, and are repayable in six equal annual instalments of $12.5 million, beginning in July 1999. $12.5 million (£8.6 million) is repayable in 2002, $25.0 million (£17.3 million) is repayable between 2003 and 2004. The interest rate on the loan notes is fixed at 7.88% per annum.

(ii) The net finance lease obligations due after more than one year are repayable as follows: £0.8 million between one and two years, £0.4 million between two and five years, £2.4 million after five years (2000 £0.4 million between one and two years, £0.4 million between two and five years, £2.7 million after five years).

	Group Insurance £ million	Group Pension provisions £ million	Group Diminution in asset value & restructuring provisions £ million	Group Other £ million	Group Deferred taxation £ million	Group Total £ million	Company Pension provisions £ million
21 Provisions for liabilities and charges	(i)	(ii)	(iii)		(iv)		(ii)
At 30 December 2000	1.4	6.6	4.5	1.9	0.4	14.8	1.4
Currency translation	–	(0.2)	(0.1)	(0.2)	–	(0.5)	–
Disposal of subsidiaries	–	(4.6)	–	–	–	(4.6)	–
Profit and loss: additional provision	–	0.4	5.7	0.3	–	6.4	–
Unused amounts released	–	(0.1)	–	(0.1)	(1.5)	(1.7)	(0.1)
Utilised	–	(1.3)	(5.3)	(0.3)	1.4	(5.5)	(1.3)
At 29 December 2001	**1.4**	**0.8**	**4.8**	**1.6**	**0.3**	**8.9**	**–**

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

(ii) See note 3 (c) pensions.

(iii) The diminution in net asset value and restructuring provisions includes:

- Costs to be incurred in respect of ongoing restructuring programmes principally in our Electrical business in the UK and Holland where a reduction of approximately 10% was made in the permanent workforce whilst implementing a programme of product and manufacturing rationalisation. All associated cash flows (which are in respect of 2001 restructuring provisions) are estimated to occur within twelve months of the balance sheet date.
- Costs associated with the conclusion of the major divestment programme of the Group's Cables and Materials and Fittings businesses (see note 5 exceptional items). It is anticipated that the majority of the associated cash flows will occur within the next 12 months.

NOTES ON THE ACCOUNTS

21 Provisions for liabilities and charges (continued)

		2001 Amount not provided £ million	2001 Amount provided £ million	2000 Amount not provided £ million	2000 Amount provided £ million
(iv) Deferred taxation					
United Kingdom tax on timing differences:	Excess of tax allowances over depreciation	**0.2**	**–**	0.4	–
	Other items	**(0.2)**	**–**	(0.4)	–
		–	**–**	–	–
Overseas tax on timing differences:	Excess of tax allowances over depreciation	**0.1**	**4.9**	2.2	5.3
	Other items	**–**	**(4.6)**	(1.9)	(4.9)
		0.1	**0.3**	0.3	0.4

No provision has been made for deferred taxation in respect of any future disposals of revalued properties, as the directors do not envisage a significant crystallisation of any such liability in the foreseeable future.

No deferred taxation has been provided on retained profits in overseas subsidiaries, as no material tax liability should arise in respect of them.

22 Related party transactions

In August 1999 the Group disposed of 20% of its shares in Holec Algemene Toelevering BV ('HAT') for £0.4 million (being the net asset value of the assets sold) to management. As part of the transaction the Group lent £0.4 million to management and £0.9 million to HAT (in addition to the existing indebtedness of HAT to the Group of £1.7 million). The loans are based on commercial interest rates linked to EURIBOR and are repayable in full.

During the year ended 29 December 2001, sales on normal trading terms, of £3.4 million and purchases on normal trading terms of £19.9 million were made to/from joint ventures and associated companies. As at 29 December 2001 debtors include £2.5 million owed by associated companies in respect of their purchases from the Group (see note 15), creditors include £0.8 million owed to associated companies in respect of purchases made by the Group (see note 16) and loans to associates and joint ventures were £4.7 million (see note 13).

Details of the Group's principal joint ventures and associated companies are set out on pages 54 and 55.

		6% Cumulative first preference shares of £1 each £ million	4.5% Cumulative second preference shares of £1 each £ million	Ordinary shares of 25p each £ million	Total share capital £ million
23 Share capital		(i)	(ii)	(iii)	
Authorised:	At 30 December 2000 and 29 December 2001	1.0	2.0	47.0	50.0
Called up share capital – allotted and fully paid:	At 30 December 2000	0.9	1.9	37.6	40.4
	Issued during year under share option schemes	–	–	–	–
	At 29 December 2001	**0.9**	**1.9**	**37.6**	**40.4**

(i) 1,000,000 shares authorised and 866,152 shares allotted and fully paid at 30 December 2000 and 29 December 2001.

(ii) 2,000,000 shares authorised and 1,940,000 shares allotted and fully paid at 30 December 2000 and 29 December 2001.

(iii) 188,000,000 shares authorised at 30 December 2000 and 29 December 2001, 150,347,611 shares allotted and fully paid at 29 December 2001 (2000 150,199,912).

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

(v) During the year the Company allotted a total of 147,699 ordinary shares of 25p each under the Save As You Earn Share Option Scheme at 91 pence, 99 pence and 108 pence. The aggregate nominal value of all the allotted shares was £36,925 and the consideration received for the allotments was £138,082.

		Executive	Save as you earn	International save as you earn	Senior executive
24 Share options					
Invitation to subscribe		3rd	10th	7th	–
Total number of participants at end of year		52	1,523	276	7
Options granted during year:	Date	29 June	29 October	29 October	–
	Number of shares	1,469,400	1,156,975	215,346	nil
Options exercised and shares allotted during year:	Number of shares	nil	108,122	39,577	nil

(i) At 29 December 2001, there were options outstanding, under the save as you earn scheme over 4,555,203 shares at prices between 82p and 459p, under the international scheme over 772,996 shares at prices between 82p and 315p, under the senior executive schemes over 225,400 shares at prices between 330p and 523p and under the ESOS over 3,313,045 shares between 117p and 156p.

(ii) In normal circumstances the options under the save as you earn share option scheme mature either 36, 60 or 84 months following grant and can be exercised within 6 months of the relevant maturity date. Options under the senior executive schemes can be exercised between three and ten years after the date on which options were granted subject to performance criteria being met.

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

NOTES ON THE ACCOUNTS

		Group			Company		
		Share premium account £ million	Revaluation reserve £ million	Profit and loss account £ million	Share premium account £ million	Revaluation reserve £ million	Profit and loss account £ million
25 Reserves							
Reserves at 30 December 2000		31.5	28.6	193.0	31.5	129.8	91.8
Movements during the year:							
Issue of shares		0.1	–	–	0.1	–	–
Net surplus (deficit) arising on revaluation:	Currency translation	–	12.4	(15.1)	–	–	–
	Group companies	–	–	–	–	(35.6)	–
Transfer of reserves		–	0.3	(0.3)	–	–	–
Transfers from profit and loss account:	Group companies	–	–	(32.2)	–	–	0.4
	Associated companies	–	–	(0.3)	–	–	–
		0.1	12.7	(47.9)	0.1	(35.6)	0.4
Reserves at 29 December 2001		**31.6**	**41.3**	**145.1**	**31.6**	**94.2**	**92.2**

(i) The profit and loss account of the Group includes profits retained in overseas Group companies totalling £42.3 million (2000 £55.0 million) which could be subject to local exchange control regulations if distributed as dividends.

(ii) The profit and loss account of the Group includes retained profits in associated companies of £12.2 million (2000 £12.4 million) of which £14.9 million (2000 £15.9 million) is retained overseas and which could be subject to local exchange control regulations if distributed as dividends.

(iii) The revaluation reserve of the Group includes £1.6 million (2000 £1.9 million) in respect of associated companies.

(iv) The profit for the year dealt with in the accounts of the Company is £12.5 million (2000 £19.1 million). As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

(v) The cumulative goodwill written off directly to reserves, attributable to continuing Group and associated companies held at the end of the year which were purchased prior to 1998, amounted to: positive goodwill £34.8 million (2000 £34.8 million). It has not proved possible to identify goodwill in respect of companies acquired prior to 1970, but the amounts are not considered to be material.

(vi) In the Group reserves £10.1 million (2000 £4.1 million) of exchange gains on foreign currency loans have been offset against exchange losses on the net investments in certain overseas subsidiaries and associated undertakings.

	2001 £ million	2000 £ million
(vii) Movement in Company shareholders' funds		
Profit for the financial year	**12.5**	19.1
Dividends	**(12.1)**	(12.1)
	0.4	7.0
Other recognised losses for the year – net (deficit) surplus arising on revaluation of Group companies	**(35.6)**	2.6
Shares issued	**0.1**	0.1
Net (decrease) increase in shareholders' funds for the year	**(35.1)**	9.7
Total shareholders' funds at the beginning of the year	**293.5**	283.8
Total shareholders' funds at the end of the year	**258.4**	293.5

	2001 £ million	2000 £ million
26 Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**23.3**	39.0
Depreciation and amortisation of goodwill	**29.6**	30.7
Profit on sale of fixed assets	**(0.6)**	(1.6)
(Increase) decrease in stocks	**(5.2)**	1.2
Decrease (increase) in debtors	**0.2**	(6.8)
Increase in creditors	**10.6**	5.3
Restructuring provisions	**(0.6)**	(0.8)
Other items	**5.0**	(1.1)
Net cash inflow from operating activities	**62.3**	65.9

	2001 £ million	2000 £ million
27 Reconciliation of net cash flow to movement in net debt		
(Decrease) increase in cash in the year	**(17.8)**	8.1
Cash outflow from decrease in debt and lease financing	**79.4**	12.5
Cash (inflow) outflow from (decrease) increase in liquid resources	**(44.4)**	50.3
Change in net debt resulting from cash flows	**17.2**	70.9
New finance leases	**(0.2)**	(0.1)
Other non-cash changes	**–**	(0.4)
Translation difference	**(2.6)**	(5.6)
Movement in net debt in the year	**14.4**	64.8
Net debt at the beginning of the year	**(70.8)**	(135.6)
Net debt at the end of the year	**(56.4)**	(70.8)

	At 30 December 2000 £ million	Cash flow £ million	Other non-cash changes £ million	Translation difference £ million	At 29 December 2001 £ million
28 Analysis of net debt					
Cash in hand, at bank	51.7	(14.2)	-	(2.3)	**35.2**
Overdrafts	(10.4)	(3.6)	-	0.5	**(13.5)**
Net cash	41.3	(17.8)	-	(1.8)	**21.7**
Debt due after one year	(165.7)	78.2	1.0	2.2	**(84.3)**
Debt due within one year	(11.9)	0.5	(1.0)	(0.3)	**(12.7)**
Finance leases	(4.3)	0.7	(0.2)	-	**(3.8)**
Debt	(181.9)	79.4	(0.2)	1.9	**(100.8)**
Liquid resources (i)	69.8	(44.4)	-	(2.7)	**22.7**
Net debt	(70.8)	17.2	(0.2)	(2.6)	**(56.4)**

(i) Included within liquid resources at 29 December 2001 were money market funds of £2.3 million (2000 £56.4 million), bank and other deposits repayable in excess of 24 hours notice of £18.3 million (2000 £10.3 million) and listed current asset investments of £2.1 million (2000 £3.1 million).

	Acquisitions		Disposals	
	2001 £ million	2000 £ million	**2001 £ million**	2000 £ million
29 Acquisition and disposal of businesses				
Goodwill	-	-	-	8.2
Tangible fixed assets	**0.1**	0.5	**14.7**	5.0
Investments in associated companies	**0.3**	-	**5.8**	-
Stocks	**0.3**	0.5	**16.6**	6.7
Debtors	-	0.3	**20.6**	9.1
Creditors (including tax)	-	(0.5)	**(15.2)**	(6.4)
Provisions	-	-	**(4.6)**	(0.7)
Minority interests	-	2.4	-	(0.6)
Net cash	-	-	**2.4**	1.0
Net assets acquired and disposed of	**0.7**	3.2	**40.3**	22.3
Goodwill	-	15.9	-	6.0
(Loss) profit on disposal	-	-	**(13.2)**	48.7
Utilisation of disposal and asset diminution provisions	-	-	-	(0.2)
	0.7	19.1	**27.1**	76.8
Cash consideration at average exchange rates	**1.1**	19.8	**25.8**	78.6
Prior year acquisitions/disposals	**(0.4)**	(0.3)	**1.6**	(1.9)
Currency translation	-	(0.4)	**(0.3)**	0.1
	0.7	19.1	**27.1**	76.8

(i) Acquisitions

All acquisitions have been made using acquisition accounting principles. None of the 2001 acquisitions were individually material to the Group. There were no material fair value adjustments to these acquisitions. The impact on the Group's profit and cash flows is not material.

(ii) Disposals

During the year the Group made the following disposals:

In November 2001 the Plumbing fittings businesses were sold to Oystertec plc for a net cash consideration of £24.4 million and JW Singers Ltd was sold to Tyco Fire Products Manufacturing Ltd for £2.2 million. These transactions together with the disposal of several of the Plumbing associated companies gave rise to a loss on disposal of £13.4 million in addition to the exceptional charge of £41.9 million (£32.5 million provision for diminution plus £9.4 million goodwill previously written off to reserves on acquisition) booked in the 2000 accounts.

The 2000 and 2001 results of these businesses have been included in discontinued activities for the purposes of these financial statements. The interest and tax charge on discontinued activities shown in the financial statements is that which directly arises as a result of their trading operations and discontinuance. Prior to disposal, these businesses contributed £5.1 million to the Group's net cash inflow from operating activities, paid £(0.1) million in respect of net returns on investments and servicing of finance, paid £(0.3) million in respect of taxation and utilised £(1.3) million for capital expenditure.

The Group has also announced that it has exchanged contracts for the sale of its valve businesses Delta Fluid Products and Donald Brown (Brownall) to its management team. On completion of this transaction, the Group will receive approximately £5.5 million in cash.

In 2001 the value of the assets in the Plumbing businesses have been further reduced (as an exceptional charge) by £4.8 million to their anticipated realisable value in respect of the remaining businesses at 29 December 2001 which are still to be disposed of.

NOTES ON THE ACCOUNTS

30 Financial instruments

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

		Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
(i) Interest rate and currency profile of financial assets and liabilities								
Financial assets								
At 29 December 2001	Cash and deposits	4.4	5.7	6.5	13.5	17.8	5.6	53.5
	Money market funds	–	–	–	–	2.3	–	2.3
	Foreign exchange swaps	–	–	–	–	190.5	–	190.5
	Loans to associates/joint ventures and other investments	3.4	1.1	–	–	2.5	–	7.0
	Other	1.1	–	–	–	0.2	0.9	2.2
		8.9	**6.8**	**6.5**	**13.5**	**213.3**	**6.5**	**255.5**
	Floating rate	8.4	6.8	6.5	13.5	150.7	5.6	191.5
	Fixed rate	–	–	–	–	62.1	0.9	63.0
	Interest free	0.5	–	–	–	0.5	–	1.0
		8.9	**6.8**	**6.5**	**13.5**	**213.3**	**6.5**	**255.5**

		Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
Weighted average fixed interest rate (%)		–	–	–	–	**4.9**	**7.5**	**4.9**
Weighted average period (years) for which rate is:	Fixed (a)	–	–	–	–	**1.3**	–	**1.3**
	Interest free (a)	–	–	–	–	–	–	–

(a) £0.9 million of fixed rate financial assets and £1.0 million of interest free financial assets have no set repayment date and so are excluded from this analysis.

		Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
At 30 December 2000	Cash and deposits	19.5	3.4	4.8	10.5	20.9	2.9	62.0
	Money market funds	–	54.2	–	–	2.2	–	56.4
	Foreign exchange swaps	–	–	–	–	175.9	–	175.9
	Loans to associates/joint ventures and other investments	5.4	1.1	–	–	3.5	–	10.0
	Other	1.4	0.1	–	–	0.3	0.8	2.6
		26.3	58.8	4.8	10.5	202.8	3.7	306.9
	Floating rate	25.8	58.4	4.8	10.5	199.3	2.9	301.7
	Fixed rate	–	0.4	–	–	3.0	0.8	4.2
	Interest free	0.5	–	–	–	0.5	–	1.0
		26.3	58.8	4.8	10.5	202.8	3.7	306.9

		Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
Weighted average fixed interest rate (%)		–	4.6	–	–	6.1	7.5	6.2
Weighted average period (years) for which rate is:	Fixed (b)	–	4.2	–	–	3.0	–	3.1
	Interest free (b)	–	–	–	–	–	–	–

(b) £0.8 million of fixed rate financial assets and £1.0 million of interest free financial assets have no set repayment date and so are excluded from this analysis.

30 Financial instruments (continued)

			Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
Financial liabilities									
At 29 December 2001	Borrowings		(69.6)	(36.1)	(0.1)	(0.8)	(0.9)	(6.8)	(114.3)
	Foreign exchange swaps		(72.9)	(50.5)	(46.5)	(11.4)	–	(0.6)	(181.9)
	Preference shares		–	–	–	–	(2.8)	–	(2.8)
			(142.5)	**(86.6)**	**(46.6)**	**(12.2)**	**(3.7)**	**(7.4)**	**(299.0)**
	Floating rate		(70.6)	(44.8)	(11.4)	(12.2)	(0.2)	(4.3)	(143.5)
	Fixed rate		(71.9)	(41.8)	(35.2)	–	(3.5)	(3.1)	(155.5)
	Interest free		–	–	–	–	–	–	–
			(142.5)	**(86.6)**	**(46.6)**	**(12.2)**	**(3.7)**	**(7.4)**	**(299.0)**
Weighted average fixed interest rate (%)			**4.7**	**6.5**	**6.0**	–	**3.8**	**9.4**	**5.6**
Weighted average period (years) for which rate is:		Fixed (c)	**1.1**	**1.6**	**0.9**	–	**1.5**	**10.0**	**1.4**
		Interest free	–	–	–	–	–	–	–

(c) The preference shares of £2.8 million are not redeemable and so are excluded from this analysis.

			Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
At 30 December 2000	Borrowings		(147.4)	(38.7)	–	(0.7)	(1.1)	(4.4)	(192.3)
	Foreign exchange swaps		(50.7)	(35.3)	(47.4)	(31.6)	–	(6.7)	(171.7)
	Preference shares		–	–	–	–	(2.8)	–	(2.8)
			(198.1)	(74.0)	(47.4)	(32.3)	(3.9)	(11.1)	(366.8)
	Floating rate		(101.6)	(40.6)	(28.8)	(32.3)	–	(7.9)	(211.2)
	Fixed rate		(96.5)	(33.4)	(18.6)	–	(3.9)	(3.2)	(155.6)
	Interest free		–	–	–	–	–	–	–
			(198.1)	(74.0)	(47.4)	(32.3)	(3.9)	(11.1)	(366.8)
Weighted average fixed interest rate (%)			5.0	7.9	7.0	–	4.2	9.4	5.9
Weighted average period (years) for which rate is:		Fixed (d)	1.4	2.0	1.0	–	2.7	10.5	1.7
		Interest free	–	–	–	–	–	–	–

(d) The preference shares of £2.8 million are not redeemable and so are excluded from this analysis.

	Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
Total financial assets less financial liabilities							
Floating rate	(62.2)	(38.0)	(4.9)	1.3	150.5	1.3	48.0
Fixed rate	(71.9)	(41.8)	(35.2)	–	58.6	(2.2)	(92.5)
Interest free	0.5	–	–	–	0.5	–	1.0
At 29 December 2001	**(133.6)**	**(79.8)**	**(40.1)**	**1.3**	**209.6**	**(0.9)**	**(43.5)**
Floating rate	(75.8)	17.8	(24.0)	(21.8)	199.3	(5.0)	90.5
Fixed rate	(96.5)	(33.0)	(18.6)	-	(0.9)	(2.4)	(151.4)
Interest free	0.5	-	-	-	0.5	-	1.0
At 30 December 2000	(171.8)	(15.2)	(42.6)	(21.8)	198.9	(7.4)	(59.9)

Floating rate liabilities principally bear interest at rates based on one- or three-month GBP-LIBOR and EURIBOR

30 Financial instruments (continued)

	2001 £ million	2000 £ million
(ii) Maturity profile of financial liabilities		
In one year or less, or on demand	**(208.3)**	(194.8)
In one to two years	**(75.8)**	(10.2)
In two to five years	**(9.6)**	(156.3)
In more than five years	**(5.3)**	(5.5)
	(299.0)	(366.8)

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

	2001	2000
(iii) Maturity profile of undrawn committed borrowing facilities		
In one to two years	**(74.2)**	–
In more than two years	–	(26.7)

(iv) Fair values of financial assets and financial liabilities

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

		2001		2000	
		Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Primary financial instruments used to finance the Group's operations:	Finance leases	**(3.8)**	**(4.9)**	(4.3)	(5.4)
	Borrowing under revolving credit facility	**(65.8)**	**(65.8)**	(138.3)	(138.3)
	Other borrowing	**(18.8)**	**(18.8)**	(16.3)	(16.3)
	US private placement	**(25.9)**	**(27.9)**	(33.4)	(34.3)
	Preference shares	**(2.8)**	**(2.1)**	(2.8)	(2.3)
		(117.1)	**(119.5)**	(195.1)	(196.6)
Financial assets:	Cash and short term deposits	**53.5**	**53.5**	62.0	62.0
	Money market funds	**2.3**	**2.3**	56.4	56.4
	Loans to associates/joint ventures and other investments	**7.0**	**7.0**	10.0	10.0
	Other	**2.2**	**2.2**	2.6	2.6
		65.0	**65.0**	131.0	131.0
Derivative financial instruments held to manage the interest rate profile:	Interest rate swaps	**–**	**(0.3)**	–	(0.2)
Derivative financial instruments held to manage the translation exposure:	Forward foreign currency contracts	**8.6**	**8.6**	4.2	4.2
Derivative financial instruments held to manage transaction exposures:	Forward foreign currency contracts	**–**	**(0.4)**	–	0.6
		(43.5)	**(46.6)**	(59.9)	(61.0)

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.
US private placement/finance leases	Fair value for the senior unsecured notes due 2004 and finance leases is based on the net present value (NPV) of future principal and interest flows assuming no early redemption.
Preference shares	The fair value of the two issues of preference shares, which are not redeemable, has been calculated using the average yield of undated gilts in perpetuity.
Interest rate swaps	Fair value is based on the market price of comparable instruments at the balance sheet date.
Foreign exchange deals	Fair value is calculated by marking each contract to market at exchange rates prevailing at the balance sheet date.

30 Financial instruments (continued)

(v) Currency and interest rate hedges

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

		2001 £ million	2000 £ million
Unrecognised gains (losses):	Positions on hedges at beginning of year	**0.4**	(0.2)
	Arising in previous years included in 2001 income	**(0.1)**	0.2
	Arising in previous years not included in 2001 income	**0.3**	–
	Arising in 2001	**(1.0)**	0.4
	Positions on hedges at year end	**(0.7)**	0.4
Of which:	Expected to be included in the next financial year	**(0.5)**	0.1
	Expected to be included after the next financial year	**(0.2)**	0.3
		(0.7)	0.4

(vi) Currency profile

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

	Net foreign currency monetary assets (liabilities)				
	Sterling £ million	Euro £ million	US dollar £ million	Other £ million	Total £ million
Functional currency of Group operation at 29 December 2001					
Euro	0.1	–	0.1	0.4	0.6
Australian dollar	(0.1)	–	–	1.0	0.9
US dollar	–	0.2	–	(2.2)	(2.0)
Other	–	(0.1)	(0.1)	0.6	0.4
	–	**0.1**	**–**	**(0.2)**	**(0.1)**
Functional currency of Group operation at 30 December 2000					
Euro	(0.3)	–	0.1	0.8	0.6
Australian dollar	(0.1)	–	(0.1)	0.9	0.7
US dollar	–	(0.1)	–	(3.3)	(3.4)
Other	–	(5.6)	0.2	(0.3)	(5.7)
	(0.4)	(5.7)	0.2	(1.9)	(7.8)

SHAREHOLDERS' INFORMATION

Calendar 2002

Dividends on ordinary shares	Final 2001	Announcement	**13 March 2002**
		Payable	**3 June 2002**
		to members registered on	**22 March 2002**
	Interim 2002	Announcement	**4 September 2002**
		Payable	**2 December 2002**
		to members registered on	**13 September 2002**
Distribution of documents to members	Interim report 2002 posted		**6 September 2002**
Annual general meeting	Proxies to reach registrars by 10am		**7 May 2002**
	Meeting to be held at 10am		**9 May 2002**
Accounting periods	First half year 2002 ends		**29 June 2002**
	Second half year 2002 ends		**28 December 2002**

OWNERSHIP OF ORDINARY SHARES

At 29 December 2001

By type of shareholder

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
6,762	85.6	Individual shareholders	10.4	6.9
1,011	12.8	Bank or Nominees	134.8	89.7
5	0.1	Insurance companies and pension funds	2.5	1.7
117	1.5	Other institutions	2.6	1.7
7,895	100.0		150.3	100.0

By size of shareholding

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
4,103	52.0	held up to 999 shares	1.7	1.1
3,537	44.8	held between 1,000 and 24,999 shares	11.4	7.6
184	2.3	held between 25,000 and 249,999 shares	16.1	10.7
71	0.9	held 250,000 shares and above	121.1	80.6
7,895	100.0		150.3	100.0

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

The Company has both a General and a Single Company PEP with Bank of Scotland as Plan Manager. Further information is available from the Company Secretary or, alternatively, the Plan Manager at the address detailed below for ISAs.

The Company has introduced a corporate ISA with Bank of Scotland, which provides UK residents with a tax efficient method in which to hold shares in Delta plc. Income on the shares held is reinvested in the ISA (subject to a minimum amount). Dividends are received subject to a 10% tax credit which is reclaimable until 5 April 2004, and there is no capital gains tax on sale. Further information is available from Bank of Scotland, PEP and ISA department, PO Box 17122, 600 Gorgie Road, Edinburgh EH11 3WA, helpline number: 0845 300 3980 or the Company Secretary.

Low cost share dealing service

A low cost share dealing facility in the Company's ordinary shares is available for all shareholders from the Company's stockbroker, Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 020 7588 2828.

Registrars

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and fourteenth annual general meeting of Delta plc will be held at the Thistle Hotel Charing Cross, Strand, London, WC2N 5HX on 9 May 2002 at 10am for the following purposes:

1. To receive and consider the accounts for the financial year ended 29 December 2001 and the report of the directors and auditors thereon.

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

3. To re-elect Sir Martin Jacomb as a director of the Company.

4. To re-elect M Robson as a director of the Company.

5. To re-elect T Pedder as a director of the Company.

6. To re-appoint PricewaterhouseCoopers as auditors of the Company and to authorise the directors to determine their remuneration.

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

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

(a) the maximum aggregate number of ordinary shares hereby authorised to be purchased is 7,600,000;

(b) the minimum price which may be paid for each such ordinary share is the nominal value of such share and the maximum price which may be paid for such ordinary shares is not more than 5 per cent. above the average of the middle market quotations for such shares taken from the Daily Official List of the London Stock Exchange plc for the five business days in respect of which such Daily Official List is published immediately preceding the date of purchase (in each case excluding expenses);

(c) unless previously revoked or varied the authority hereby conferred is to expire on 9 August 2003 or at the conclusion of the annual general meeting in 2003, whichever is the earlier;

(d) the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which may be or will be executed wholly or partly after the expiry of such authority, and may make a purchase of ordinary shares in pursuance of any such contract.

1 Kingsway, London WC2B 6NP
5 April 2002

On behalf of the Board
J P Narciso, Secretary

Notes:

(i) A person must be registered as the holder of ordinary shares by 10am on 7 May 2002 in order for such person to be entitled to attend or vote at the meeting in respect of those shares. 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.

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

(iii) Copies of service contracts under which the directors of the Company are employed and the register of directors' interests will be available for inspection at the Company's registered office, during normal office hours on any working day, from 5 April 2002 to the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting.

PRINCIPAL GROUP AND ASSOCIATED COMPANIES (iv)

At 29 December 2001

GROUP

UNITED KINGDOM

Delta Group Services Ltd	Service company for provision of intra-group staff services

ELECTRICAL

UNITED KINGDOM

Delta Electrical Ltd	Low voltage power distribution equipment and electrical accessories
MEM Ltd	Low voltage power distribution equipment and electrical accessories
Bill Circuit Protection & Control Ltd	Circuit protection products
Home Automation Ltd	Electronic control equipment

AUSTRALIA

Delta Electrical Group Pty Ltd	Distribution of electrical and electronic products
Holec Pty Ltd	Medium voltage power distribution equipment

BELGIUM – JOINT VENTURE

S A Schreder Hazemeyer N.V. 50.0% of 8,000 ordinary shares of BEF 100	Low and medium voltage power distribution equipment

CHINA – JOINT VENTURE

Zhenjiang Holec Electrical Systems Company Ltd 50.0% of the equity of CNY 63.22 million	Medium voltage power distribution equipment

DENMARK

Holec A/S	Low and medium voltage power distribution equipment

GERMANY

Elek GmbH	Power distribution equipment

NETHERLANDS

Holec Laagspanning B.V.	Low voltage power distribution equipment
Holec Middenspanning B.V.	Medium voltage power distribution equipment
HLK Energietechniek B.V.	Low voltage power distribution equipment

NETHERLANDS – ASSOCIATE

Holec Algemene Toelevering B.V. 40.0% of equity of NLG 6.8 million	General supplies

HONG KONG

Delta Electrical & Engineering Services Ltd	Distribution of electrical products

MALAYSIA

Delta Switchgear Sdn Bhd (91.8%)	Low voltage power distribution products

USA

Innovative Technology, Inc	Power protection equipment

INDUSTRIAL SERVICES

GALVANIZING:

AUSTRALIA

Industrial Galvanizers Corporation Pty Ltd	Galvanizing services

INDONESIA – JOINT VENTURE

PT Bukit Terang Paksi Galvanizing 50.0% of 1,500,000 ordinary shares of USD 1 each	Galvanizing services

MALAYSIA

IGC-Industrial Galvanizers Corporation (M) Sdn Bhd (63%)	Galvanizing services

PHILIPPINES

Industrial Galvanizers Corporation of the Philippines Inc.	Galvanizing services

VIETNAM

Vingal Industries Co Ltd (55%)	Galvanizing services

USA

Industrial Galvanizers America Inc	Galvanizing services

ELECTROLYTIC MANGANESE:

SOUTH AFRICA

Delta EMD (Pty) Ltd (55.0%)	Electrolytic manganese dioxide

AUSTRALIA

Delta EMD Australia Pty Ltd (55.0%)	Electrolytic manganese dioxide

MINING AND DISTRIBUTION:

AUSTRALIA

Donhad Pty Ltd (60.0%)	Mining consumables
D M Hull & Co Pty Ltd	Machined parts
Machin & Ewen Pty Ltd	Fasteners
Cutting Edges Pty Ltd	Distributor of replacement parts

SOUTH AFRICA

Delta Electrical Industries Ltd (56.4%)	Holding company
Electrical Repair Engineering (Pty) Ltd	Electrical repairs
Equipment Spare Parts Africa (Pty) Ltd	Distribution of replacement parts
Transwire (Pty) Ltd	Manufacture of covered copper conductors
Wire Electric (Pty) Ltd	Distribution of industrial consumables

SOUTH AFRICA – ASSOCIATES

Manganese Metal Co (Pty) Ltd 49.0% of 464,500 ordinary shares of 50c each	Manganese metal
Cobra Investments (Pty) Ltd 37.6% of 1,000,000 ordinary shares of ZAR 1 each	Plumbing products

INDUSTRIAL SERVICES

OTHER:

UNITED KINGDOM

Opella Ltd	Plastic products
Delta Fluid Products Ltd	Gas controls and flow indicators
Donald Brown (Brownall) Ltd	Valves and regulators
Investment Tooling International Ltd	Mouldmaking and specialist toolmakers

FRANCE

Sourdillon SA	Gas controls

MEXICO

Sourdillon de Mexico SA de CV (66%)	Gas controls

USA

Opella Inc	Plastic products
Sourdillon LLC	Gas controls

PRINCIPAL HOLDING COMPANIES

Delta Industries Ltd	UK
Delta Electrical Ltd (iii)	UK
Delta Engineering Holdings Ltd (iii)	UK
Delta Group Australia Pty Ltd	Australia
Delta S. A. Pty Ltd	South Africa
Holec Holland N.V.	Netherlands
Delta Electrical and Engineering Holdings B.V.	Netherlands

Notes

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

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

(iii) Shares held by Delta plc.

(iv) Audited information.

GROUP FINANCIAL INFORMATION

	1992 £ million	1993 £ million	1994 £ million	1995 £ million	1996 £ million	1997 £ million	1998 £ million	1999 £ million	2000 £ million	**2001 £ million**
Profit and loss account										
Turnover	785.9	832.7	898.6	1018.5	950.0	898.4	906.2	693.9	687.3	**594.2**
Profit before exceptional items, discontinued activities and interest	62.7	60.0	71.3	74.4	64.2	54.8	52.4	42.1	46.4	**37.2**
Profit before interest	60.7	60.0	71.3	63.4	55.5	(15.6)	52.9	37.5	32.3	**10.1**
Profit on ordinary activities before exceptional items, discontinued activities and taxation	57.0	53.4	65.1	64.1	54.7	47.8	39.9	31.2	36.5	**28.6**
Profit on ordinary activities before taxation	55.0	53.4	65.1	53.1	45.6	(22.5)	40.3	26.6	22.3	**1.3**
Profit for the year attributable to ordinary shareholders	33.9	34.2	41.1	29.9	22.7	(44.0)	19.6	5.3	(7.5)	**(20.5)**
Transfers to (from) reserves	13.2	12.7	18.0	1.6	(5.6)	(68.0)	7.6	(6.7)	(19.5)	**(32.5)**
Balance sheet										
Ordinary capital issued	36.9	37.1	37.2	37.4	37.5	37.5	37.5	37.5	37.6	**37.6**
Reserves	278.2	288.7	302.9	303.5	290.3	245.3	244.8	243.5	253.1	**218.0**
Equity shareholders' funds	315.1	325.8	340.1	340.9	327.8	282.8	282.3	281.0	290.7	**255.6**
Capital employed	407.6	408.2	420.4	466.7	411.9	373.5	527.7	459.0	402.5	**351.7**
Earnings and dividends										
Basic earnings per 25p ordinary share (pence)	23.0	23.1	27.7	20.1	15.2	(29.5)	13.1	3.5	(5.0)	**(13.7)**
Dividends per 25p ordinary share (pence)	14.0	14.5	15.5	18.9	18.9	16.0	8.0	8.0	8.0	**8.0**
Times covered	1.6	1.6	1.8	1.1	0.8	(1.8)	1.6	0.4	(0.6)	**(1.7)**
Underlying basic earnings per 25p ordinary share (pence) (excluding goodwill amortisation)	24.3	23.1	27.7	26.1	21.7	20.5	14.6	9.6	12.8	**7.6**
Dividends per 25p ordinary share (pence) excluding the FID enhancement	14.0	14.5	15.5	16.0	16.0	16.0	8.0	8.0	8.0	**8.0**
Times covered	1.6	1.6	1.8	1.6	1.4	1.3	1.8	1.2	1.6	**0.9**
Statistics										
Taxation as a percentage of profit before taxation (%) excluding exceptional items and discontinued activities	33.3	33.1	34.1	36.3	35.8	32.4	36.8	42.0	38.6	**49.3**
Taxation as a percentage of profit before taxation (%)	34.5	33.1	34.1	40.1	44.5	(87.8)	36.2	49.6	96.4	**>100.0**
Return on capital employed (%) before goodwill, exceptional items and discontinued activities	15.7	14.7	17.2	16.8	14.6	14.0	13.7	11.4	14.6	**13.9**
Return on capital employed (%) before exceptional items and discontinued activities	15.7	14.7	17.2	16.8	14.6	14.0	11.6	8.5	10.8	**9.9**
Return on capital employed (%)	15.2	14.7	17.2	14.3	12.6	(4.0)	11.7	7.6	7.5	**2.7**
Net assets per 25p ordinary share (pence)	213	220	229	228	219	189	188	187	194	**170**
Debt/equity ratio	0.3:1	0.2:1	0.2:1	0.3:1	0.2:1	0.3:1	0.7:1	0.5:1	0.3:1	**0.2:1**
Ratio of current assets to current liabilities	1.6:1	1.8:1	1.7:1	2.0:1	2.3:1	1.9:1	1.8:1	2.1:1	2.2:1	**1.7:1**
Stock Market price of ordinary shares										
Highest (pence)	505	554	579	533	463	387.5	340	179	161	**158**
Lowest (pence)	335	416	431	374	323	242.5	98	107	101	**86**

UK Capital Gains Tax

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

Notes:

(i) The figures for 1992 have been restated to reflect the inclusion of acceptances in debt.

(ii) In arriving at the underlying earnings per share, exceptional items, discontinued activities and goodwill amortisation have been excluded, to reflect more closely the trend in underlying earnings.

(iii) The 1997 figures have been restated to comply with FRS 9 'Associates and joint ventures'.

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