Annual report and accounts 2003

DELTA

Delta businesses

DELTA EMD

Delta EMD is a leading global supplier of electrolytic manganese dioxide (EMD) used for the manufacture of dry cell batteries worldwide and has plants located at Nelspruit, South Africa and Newcastle, Australia.
Delta EMD is owned by Delta Electrical Industries Limited (DEI), a South African company listed on the Johannesburg Stock Exchange. Delta plc holds 56.4% of DEI's outstanding shares.

MANGANESE METAL COMPANY

Manganese Metal Company (MMC) is a leading global supplier of electrolytic manganese metal for the manufacture of steel, aluminium and electronic components and has production plants located in Nelspruit, South Africa and Krugersdorp, South Africa.
MMC is a member of the BHP Billiton Group with Delta plc holding 49% of MMC's outstanding shares.

GALVANIZING

Galvanizing Services

Delta's galvanizing businesses, Industrial Galvanizers, provide hot-dip galvanizing services in Australia, Asia Pacific and the United States.

Galvanized steel products

Delta's galvanizing businesses also fabricate galvanized steel products for use in construction and infrastructure projects in Australia, Asia Pacific and the United States.

Ingal Civil Products

Ingal Civil Products fabricates safety barriers, noise barriers, guide posts, bridge decking, corrugated pipe, arch culverts, storm water tanks and lintels.

Ingal EPS

Ingal EPS fabricates poles and towers for power transmission, telecommunications and street lighting.

Webforge

Webforge fabricates grating, flooring, sunscreens, hand rail and barrier systems as well as drainage gates and access covers. Webforge operates from eleven plants in Asia Pacific including four plants in Australia and one in New Zealand. Webforge participates in the fast-growing Chinese market with plants located in Guangzhou (Canton) and Wuxi (near Shanghai).

INDUSTRIAL SUPPLIES

Delta's Industrial Supplies businesses are located in Australia, South Africa and the United Kingdom and supply goods and services to the mining and construction industries, including grinding media, ground engaging tools, replacement parts and electrical repair. The South African based businesses (other than Cobra Watertech) are owned by Delta Electrical Industries Limited (DEI), a South African company listed on the Johannesburg Stock Exchange. Delta plc holds 56.4% of DEI's outstanding shares.

South Africa

Electrical Repair Engineering

Electrical Repair Engineering (ERE) repairs and services rotating and non-rotating electrical equipment used in a broad spectrum of South African industry. ERE also provides mechanical repair services.

Equipment Spare Parts

Equipment Spare Parts distributes throughout South Africa a full range of replacement parts, ground engaging tools and undercarriage parts for earthmoving equipment, diesel engines, transmissions and heavy trucks.

Transwire

Transwire has a leading South African market position for the manufacture of enamelled magnet wire. Transwire's manufacturing facility is located in Johannesburg and manufactures a complete range of magnet wire and rectangular and shaped conductors.

Wire Electric

Wire Electric distributes electrical insulation materials as well as bare and copper conductors to the South African electrical repair industry. Wire Electric also distributes industrial tapes and abrasive consumable materials.

Cobra Watertech

Cobra manufactures a comprehensive range of plumbing fittings, ranging from designer taps and mixers to water control technology for industrial and commercial applications. Delta plc holds 37.6% of Cobra's outstanding shares.

Australia

Cutting Edges

Cutting Edges manufactures and distributes ground engaging tools (e.g. edges, end bits, teeth and grader blades) and wear plates for earthmoving machines. Cutting Edges also distributes replacement parts for heavy duty diesel engines.

Donhad

Donhad manufactures forged steel grinding media for the global mining industry. Donhad operates from three plants in Australia, located in Perth, Townsville and Newcastle. Delta plc holds 60% of the outstanding shares of Donhad.

Machin & Ewen

Machin & Ewen manufactures and distributes machined bolts and nuts as well as cold formed machine screws, self tapping screws as well as semi tubular and solid rivets.

United Kingdom

Investment Tooling International

ITI operates from two sites in the United Kingdom and manufactures a wide range of tooling and moulds for use in commercial and industrial applications.

Financial highlights

	2003		2002	
	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 (loss) before taxation	**£29.7m**	**£12.7m**	£34.7m	£(78.6)m
Continuing profit before taxation	**£29.3m**		£28.0m	
Basic earnings (loss) per ordinary share	**7.0p**	**(3.7)p**	8.4p	(66.8)p
Continuing basic earnings per ordinary share	**7.0p**		5.2p	
Dividends per ordinary share		**2.0p**		8.0p
Shareholders' funds		**£147.7m**		£159.6m
Net assets per ordinary share		**96p**		104p

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

Contents

Chairman's report to shareholders

2003 was a year of substantial change for Delta. We completed the disposal of the Group's last remaining European based division, the Electrical Division, early in the year, and made several important management changes thereafter. Todd Atkinson joined the Board in July following his appointment as Chief Executive, and I succeeded Sir Martin Jacomb as Chairman at the end of the year. The Group is most appreciative of Sir Martin's many years of service on the Board and we wish him well in the future.

Further industry experience was added to the Board with the most recent appointment of Steve Marshall as a non-executive director. This appointment also furthers our efforts to assure board composition consistent with good corporate governance, and we now have the leadership and management in place to meet the challenges ahead.

The Group's operating profit for continuing businesses declined in 2003 from £29.7 million to £28.6 million on turnover that increased from £273.6 million to £334.8 million. As described more fully in these reports and accounts, the Group's 2003 results were both favourably and unfavourably impacted by significant currency exchange movements. Underlying trading varied by business unit as also described more fully in the Chief Executive's Review. Although significant improvements were made during the second half of the year, further improvements will be made during the current year with respect to overhead reductions and working capital management, as well as investment analysis and decisions.

During the second half of the year, we committed considerable resource to a thorough review of the Delta Pension Plan. Going forward, the plan will provide all members who qualify for early retirement with the plan prescribed early retirement benefits, rather than the more generous approach previously followed. At year end the plan enjoyed a slight surplus on the 2003 funding assumptions due to favourable investment experience. Following several years of not contributing to the plan, the Group will now resume the necessary contributions to fund future service pension obligations.

The Group remains a portfolio of diversified relatively small industrial businesses and we believe the ultimate measure of the Group's success will be financial performance. Several of our businesses perform well, some with very good returns and cash flows, whilst others have not achieved the same results due to less fortunate market positions or investments that have not yet performed to original expectations. The challenge for 2004 is to sustain the strong performances of our successful businesses and to improve the performance of our underperforming businesses, whilst allowing the improved earnings and cash flow to reach the bottom line by reducing overheads as well as the costs associated with the Group's past. A measure of our success will be the generation and accumulation of cash for further investment.

Following his appointment as Chief Executive, Todd Atkinson has led the Board's thorough review of the Group's businesses and strategic opportunities, with the findings addressed in detail in the Chief Executive's Review. The success of the Group over the longer term clearly will depend upon successful investment decisions, both with respect to acquisitions and future capital expenditure. Our track record in these areas has been disappointing and analysis of future investments will be undertaken rigorously and decisions will be made on stricter and more demanding criteria. Further investment will be an important part of the Group's future and fortunately our relatively strong balance sheet affords us the opportunity to be acquisitive. Through targeted and timely investment, we believe that there is considerable scope to grow certain of our existing businesses and, in time, to generate shareholder value through these investments.

The Board recommends the payment of a final dividend of 0.5p, providing a full year dividend of 2.0p which will allow for planned reinvestment in the Group's businesses.

Edouard Stern, Chairman

Chief Executive's review

Overview

The Group undertook significant change during 2003, with the disposal of the Electrical Division in January 2003 marking the last of the Group's European based divisions. Our immediate objectives for the second half of 2003 were largely achieved with the management teams necessary for the successful management of our existing businesses now in place with reduced overheads, and our focus on financial performance, careful investment and cash management renewed. Considerable resource also has been committed to a review of the Group's businesses and strategic opportunities as well as of the Delta Pension Plan, with the results described below.

Strategic review

Whilst the Group's first priority remains to improve the financial performance of our existing businesses by realising the benefits of our recent management changes and renewed focus on earnings and capital employed, the Board has undertaken a thorough strategic review.

As part of that review, the Board has considered thoroughly the three strategic options often cited as obvious opportunities for the Group: the acquisition of the DEI minorities, a managed break up of the Group, and a substantial return of capital. The Board has concluded that opportunities to improve the performance of several of the Group's businesses and to develop those businesses through further investment warrant doing so and will create shareholder value. The Board also has concluded that the limited savings and synergies possibly afforded through acquisition of the DEI minorities do not warrant a premium over the current share price.

The Group has demonstrated success in three areas: the management and development of Delta EMD's global EMD businesses, the operation of galvanizing businesses when well positioned by sound investment decisions, and the operation of small industrial businesses having good market positions in relatively small, stable and local markets. The Group's disappointing results in the past have resulted from businesses which now have been sold or discontinued and from investments that have not yet performed to original expectations. We will continue to focus our efforts on improving the performance of those earlier investments, and all future investments will be considered rigorously.

We anticipate further consolidation of global EMD production and supply following the termination of the US EMD anti-dumping investigation and the reduced profitability likely suffered by most EMD producers as a consequence of a weak US dollar. Delta EMD's competitive cost structure and proven quality and service afford a substantial foundation for growth in this consolidating market. The Group intends to participate in that consolidation process when attractive investment opportunities are identified. Further, the rapidly growing Asian markets for batteries and the underlying demand for EMD should present opportunities to develop further our participation in the Asian markets by utilising Delta EMD's process and product know-how through acquisitions or joint-ventures in China or elsewhere in Asia.

Whilst Manganese Metal Company has endured a most difficult year due to pricing pressures from Chinese supply and the weakened US dollar, the business continues to enjoy substantial competitive advantages with favourable access to quality ore, reliable supply of electrical power, and products differentiated by the absence of selenium. As the sole supplier of manganese metal outside of China, MMC remains uniquely positioned and the Group remains interested in further developing manganese businesses if attractive investment opportunities are identified.

Delta's galvanizing businesses remain one of the largest galvanizing groups in the world and have a substantial footprint in Australia, Asia and the United States. More importantly our galvanizing businesses enjoy process know-how as well as management expertise and experience that afford a substantial competitive advantage. Developing our galvanizing businesses through opportunistic mergers with, or acquisitions of, other well positioned galvanizing businesses remains an attractive opportunity for the Group, particularly when additional value can be created through our process know-how and management experience or through the better utilisation of plants.

The management teams of our Industrial Supplies businesses have performed well during the past five years, consistently providing substantial returns. Whilst their businesses do not necessarily provide platforms for substantial growth or expansion, the Group will consider further investment in certain of those businesses to sustain or improve the returns afforded by those businesses.

As evident from the Group's 2003 results, the Group's future results will depend in part upon currency exchange movements, which whilst important, will not shape our future investment strategy and will be managed through appropriate hedging policies and practices. Similarly, whilst the Group's existing tax inefficiencies might provide additional benefits to further investment in the United Kingdom or United States, those benefits alone will not shape the Group's strategy but will inform future acquisition decisions.

Delta Pension Plan

Considerable resource was committed to a review of the Delta Pension Plan and to the just completed tri-ennual actuarial valuation. The plan's administrative practices, particularly with respect to early retirement benefits, now offer plan prescribed benefits and cost neutral early retirement benefits. All other actuarial assumptions have been reviewed carefully as well. The plan trustee has agreed to continue an investment strategy reflecting the Group's ongoing financial ability to make annual contributions to the plan. That investment strategy remains relatively conservative, reflecting the timing of the plan's liabilities. Favourable investment experience since the valuation resulted in the plan having a small surplus at year end. Consequently going forward the Group will make contributions to the plan for future service pension obligations together with the cost of death-in-service benefits. The Group did not incur a pension expense under SSAP 24 during 2003 and plans to contribute approximately £0.5 million to the plan in 2004 for future service obligations. The deficit under FRS 17 shown in the notes to the accounts reduced significantly over the year from £119.7 million to £39.4 million, before taxation.

The plan's assets and liabilities remain substantial, particularly in proportion to the Group. Consequently, further review is underway to determine how best to manage the plan over the longer term.

Reduction of Group overheads

Further reduction of Group overheads remains an important opportunity to improve the Group's overall results. The Group formerly maintained corporate offices in London, Melbourne, Brisbane, the United States and Johannesburg. The closure of those offices in Melbourne and the United States was announced during 2003 together with redundancies in London and Brisbane. These closures and redundancies required exceptional expenses totalling £2.1 million and will afford ongoing savings of £2.2 million per annum. Whilst efforts to incrementally reduce group overheads continue across the Group, certain expenses will necessarily remain in the near term to address matters remaining from disposed businesses and the Group's past. For instance, we have incurred an exceptional expense of £0.8 million to provide for the winding down of our captive insurance company over the next several years and continue to address claims and administrative matters related to former businesses, such as the European Commission's investigation of copper fittings.

2003 trading results

The Group's operating profit for continuing businesses declined during 2003 from £29.7 million to £28.6 million on turnover that increased from £273.6 million to £334.8 million. Improved earnings from our Industrial Supplies businesses as well as from Webforge were more than offset by the losses suffered by Manganese Metal Company. Continuing earnings per share before exceptional items and goodwill amortisation of £(5.4) million (2002 £(0.7) million) were 7.0 pence, compared to 5.2 pence on the same basis in the prior year.

The Group's results were both favourably and unfavourably impacted by currency exchange movements as described below. Our reported interest expense of £4.7 million, for instance, included losses of £3.2 million on the revaluation of local currency financing balances resulting from currency exchange movements.

Following our review of the Group's businesses, assets and overheads, we incurred an exceptional charge of £4.4 million for asset impairment, as well as exceptional expenses of £2.5 million for redundancies throughout the Group and £6.3 million for additional disposal and business discontinuation provisions. We also incurred a non-operating exceptional expense of £5.2 million relating to transfer of assets to the Eaton pension plan necessary to fund the Delta Pension Plan liabilities assumed by that plan relating to former Electrical Division employees. These expenses were partly offset by an exceptional profit of £2.5 million on a foreign exchange contract and will afford reduced overheads and better focus on our remaining businesses as well as necessary provisions for potential future liabilities relating to disposed businesses.

Considerable focus was given during the second half of the year to improve the Group's cash position following disappointing working capital movements. Those efforts resulted in a year end reported net cash balance of £21.2 million.

Review of 2003 trading and prospects

Delta EMD

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

Delta EMD's successful management and development of their business, including their 1998 acquisition of a second plant in Newcastle, Australia, have contributed handsomely to their earnings growth during the past five years. Until 2003, the business also benefited from a strong US dollar and weaker South African rand and Australian dollar. Substantial currency exchange movements during 2003 and a considerable commitment of management resource and expense to the US anti-dumping investigation made 2003 a more difficult year.

Notwithstanding reduced US dollar denominated selling prices, Delta EMD's US dollar sales grew during the year by 6% with improved volumes. Whilst local currency denominated production costs were well managed, US dollar denominated margins weakened significantly due to strengthening of the Australian dollar and South African rand and resulting increases in such costs when translated to US dollars. Additional volumes and cost savings did not offset the reduced margins, and Delta EMD's underlying 2003 earnings fell below those achieved in 2002.

Delta EMD's profits in 2003 were £15.8 million on sales of £45.9 million compared to £15.6 million on sales of £47.1 million in 2002. Delta EMD's trading profits were buoyed by profits of £5.5 million on foreign exchange contracts and favourable out-of-period provision movements of £2.4 million. These profits and favourable adjustments were offset by £4.5 million of losses resulting from the revaluation of local currency account balances and £1.0 million of expenses related to the US anti-dumping investigation. The weakening US dollar also adversely impacted the translation of Delta EMD's US dollar earnings to Pound Sterling.

Underlying demand for batteries and EMD continues to grow globally. With the closure of Mitsui's production facility in Ireland and the suspension of production at Kerr-McGee's US facility, EMD capacity outside of China reduced during 2003. We would expect US dollar denominated selling prices to improve during 2004 to reflect the much weaker US dollar.

The US Department of Commerce intended to issue a preliminary determination with respect to its investigation of alleged dumping of EMD in the US market on 27 February 2004. That determination might have imposed US import duties on EMD imported from Japan, Greece, Ireland, South Africa and Australia. Unexpectedly, on 20 February 2004, Kerr-McGee Chemical LLC, a US producer of EMD, withdrew its petition inviting the Department of Commerce to terminate the investigation. Termination of the investigation was supported by two other US EMD producers, Erachem Comilog Inc. and Energizer Battery Manufacturing Inc., and was announced on 20 February 2004. The resolution of the US anti-dumping *investigation should in time settle the US market and may allow Delta EMD to secure additional US supply arrangements* for 2004.

As a lower cost producer of premium grade EMD, Delta EMD should be well positioned to secure additional share of this global market and to remain a leading supplier of EMD. Delta EMD's capacity will be increased by 9,000 tonnes during 2004 with the commissioning of additional production cells. Investment also continues for conversion to copper cathodes allowing production of lead reduced material as well as additional operating efficiencies.

EMD's 2004 margins and trading profits will depend upon currency exchange movements during the year. Delta EMD's 2003 underlying results were achieved with South African rand and Australian dollar average exchange rates against the US dollar of 7.5 and 1.5, respectively. Delta EMD's 2004 sales from South Africa are not covered with foreign exchange contracts and the remaining foreign exchange contract covering sales from Australia which will cover only a certain portion of Delta EMD's future Australian sales. Efforts continue to achieve further production efficiencies and to reduce overheads.

Manganese Metal Company

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

MMC participates in a global market with US dollar denominated selling prices. MMC suffered substantial losses during 2003 with efforts to reduce South African costs not offsetting the reduced US dollar margin resulting from reduced US dollar selling prices and the strengthening of the South African rand. The Group's 49% share of MMC's losses in 2003 were £(2.1) million on sales of £19.1 million compared to a profit of £4.6 million on sales of £22.3 million in the previous year.

Although MMC's 2003 volumes were in line with 2002, MMC lost market share to Chinese competitors who added production capacity during the year. Global demand for manganese metal has improved since mid-2003 with greater demand from steel and aluminium producers, together with particularly robust demand relating to the production of Series 200 stainless steel. Disrupted supply of Chinese manganese metal due to limited electrical power and more rigorous environment compliance also has reduced global supply and significantly improved market selling prices during the past six months.

MMC's proximity to superior grade manganese ore and reliable electrical power continues to afford MMC a competitive advantage, and their selenium free material remains preferred by many environmentally responsible customers. Profitability will remain dependent upon improved US dollar selling prices as well as strengthening of the US dollar from the current levels.

Galvanizing

Delta's galvanizing businesses provide hot-dip galvanizing services as well as fabricate galvanized steel products for local infrastructure and construction projects in Australia, Asia and the United States.

The acquisition of Webforge, a steel gratings fabricator with plants in Australia and Asia, was completed in February. Webforge has performed to plan since acquisition and provided much of the additional sales and earnings reported by the Galvanising division during 2003. Integration is largely complete with Webforge's galvanizing requirements now provided by sister companies and opportunities for Webforge and our other steel fabrication businesses to jointly develop sales channels well underway.

Our other galvanizing businesses did not achieve the overall sales or earnings growth expected during the year, with the improvements planned in the US and Asia not achieved, and neither AusZinc nor Ingal Civil Products able to provide the same exceptional performance of the prior year. Improvement in Asia remains partly dependent upon the recovery of our pole fabrication business in the Philippines, which awaits the release of government funds for further infrastructure development, and whilst volumes have improved in the US with the strengthening US economy, prices remain low due to overcapacity. Notwithstanding these particular challenges, the majority of our galvanizing business units continue to provide attractive returns. The challenge remains to reduce overheads and better focus our management resource.

Profits in 2003 were £8.3 million on sales of £124.2 million compared to £4.1 million on turnover of £85.7 million in 2002. Our galvanizing 2003 trading results were buoyed by the favourable translation of Australian dollar profits and by favourable out-of-period provision movements totalling £0.9 million. The results reported for our galvanizing businesses include a £1.0 million non-operating exceptional expense for the discontinuation of the Continuous Fastener Galvanizing ('CFG') business as well as £4.4 million of exceptional operating expenses for the impairment of assets associated with other projects and certain US plants.

The discontinuation of the CFG business and other projects reflects our intention to focus our management resource on those businesses that have the proven ability to provide satisfactory financial returns. The impairment of certain US production assets reflects the current under-utilisation and under-performance of our original investments.

The general economic conditions and construction activity in Australia, Asia and the United States should provide reasonably good markets for our galvanizing businesses during 2004. Our recent overhead reductions also should provide our galvanizing businesses substantial savings in 2004, and limited additional investment and focused working capital management should substantially improve cash flows. Our 2004 results may not include the same translation benefit and will not include similar out-of-period provision movements.

Industrial Supplies

Our Industrial Supplies businesses provide goods and services to local mining, transportation and construction industries in South Africa and Australia. The Group's South African based Industrial Supplies businesses are owned by Delta Electrical Industries Limited (DEI). Delta plc holds 56.4% of DEI's outstanding shares.

Our industrial supplies businesses enjoyed successful trading in 2003. When measured in local currencies, their financial performances were similar to those of last year, and the strengthening of the Australian dollar and South African rand substantially improved our translated results. Profits in 2003 increased to £17.5 million from £12.5 million on increased sales of £145.6 million compared to £118.5 million in the previous year.

The businesses are well managed, enjoy good market positions in relatively stable local markets and continue to provide attractive returns and cash flows. Whilst the businesses may not enjoy the same favourable translation in 2004, their underlying performance in local currencies is expected to continue. Working capital management and careful further investment provide some limited opportunity for further improvement from these businesses.

Group cash flow

Excluding disposal proceeds and acquisition payments, the Group's 2003 reported cash outflow totalled £11.6 million, including a working capital outflow of about £15 million at the Electrical Division prior to disposal. The disposal proceeds received by the Group were reduced during the year by cash payments against disposal provisions, including transfer of £5.2 million to fund the Delta Pension Plan liabilities relating to former Electrical Division employees assumed by the Eaton pension plan. Net proceeds from the disposal and acquisition of businesses totalled £92.1 million.

The Group's cash outflow included £12.2 million of foreign exchange contract settlements relating to net asset hedging and £4.0 million of settlements relating to hedging of inter-company loan balances. As reported previously, we have discontinued net asset hedging and consequently no longer have those cash exposures, and whilst the hedging of inter-company loan balances will be continued, we have substantially reduced the amount of inter-company loans thereby reducing that cash exposure.

As suggested by our disappointing working capital movements and related cash outflows, working capital management remains an opportunity for future cash generation. Reduced capital expenditures also remain an opportunity for improving our cash flow, following a year during which capital expenditures again disappointingly exceeded depreciation due largely to capacity expansions at our EMD plants.

The Group's reported cash flow and balances include the cash flows and balances of all the Group's consolidated entities. The cash flows and balances immediately available to the Group include only the dividends received from entities that are not wholly owned, as opposed to those entities' entire cash flows and balances. Consequently, the cash available to the Group is less than the Group's reported consolidated cash balance.

At year end 2003, the Group's reported net cash balance was £21.2 million, of which £14.3 million was immediately available to the Group in wholly-owned subsidiaries and not otherwise restricted. The generation and accumulation of cash for future investment remains a Group priority.

Final dividend

The Board has considered closely the Group's dividend payment policy following the reduction of our interim dividend and recommends the payment of a final dividend of 0.5p, providing a full year dividend of 2.0p. A dividend of this level allows for planned reinvestment in the Group's businesses.

Todd Atkinson, Chief Executive

Financial review

Profit and loss format

The directors have reviewed the way in which the Group's results are reported and have concluded that the reporting segments will be Electrolytic Manganese Dioxide, Manganese Metal, Galvanizing, Industrial Supplies and Group Costs.

Disposals

In December 2002 the Group announced its agreement to sell its Electrical Division to Eaton Corporation. Following shareholder approval at an Extraordinary General Meeting the sale was completed on 31 January 2003 for a cash consideration of £130.0 million. This has resulted in a loss of £87.8 million (including £14.3 million of goodwill previously written off to reserves) which was recognised as an exceptional item in 2003 and accordingly the assets of the Electrical division (including goodwill) were reduced by £73.5 million to their realisable value (in addition to the provision of £3.7 million made at the 2002 half year).

During the year the directors reviewed in detail the current status of the Group's disposals together with the extent of provisioning in relation to such disposals. As a consequence, the Group has taken an additional charge relating to disposed and discontinued businesses totalling £11.5 million, which has been treated as a non-operating exceptional charge in the accounts. The main items comprising this amount were: (i) £5.2 million relating to the payments made to Eaton to fund the cost of members transferring from the Delta Pension Plan to Eaton's pension fund as a result of the Electrical disposal; (ii) £1.2 million relating to the disposal in 2003 of the Group's remaining European plumbing businesses; (iii) £1.0 million relating to the Continuous Fastener Galvanizing business, and the remainder being the result of the reassessment of provisions required in respect of previously disposed businesses. All such businesses and impacts have been treated as discontinued operations within these financial statements.

Asset carrying values

During the year the directors initiated a review of the carrying value of the Group's assets. As a result of this review, a charge of £4.4 million (2002 £nil) has been taken to reflect the write down of particular fixed assets to recoverable amount. This amount has been treated as an operating exceptional item and is disclosed within the Tangible Assets note 12 as 'provision for diminution in asset value', together with £0.7 million relating to the fixed assets of the Continuous Fastener Galvanizing business.

Dividends

The directors have recommended a final dividend of 0.5p per share (2002 4.5p), making the total dividend for the year 2.0p per share (2002 8.0p). The dividend will be paid on 7 June 2004.

Taxation

The continuing tax charge of £10.4 million was lower than in the prior year (2002 £12.5 million) primarily as a result of reduced profitability. The effective tax rate relating to continuing business decreased marginally as a result of the change in the respective contributions to the Group's results from businesses in different tax jurisdictions with different effective tax rates.

Cash flows

The key features of the Group's cash flow for the year are as follows:

- Net cash inflow from operating activities totalled £27.6 million, a 34% reduction from the prior year primarily due to the disposal of the Electrical Division in January 2003, which included a £15 million working capital outflow in that month.
- Net cash outflows from foreign exchange instruments hedging investments in subsidiaries totalling £12.2 million. The Group has now ceased hedging investments in subsidiaries.
- Capital expenditure was £3.3 million less than 2002 primarily due to the disposal of Electrical, offset by significant capital works being completed within the Electrolytic Manganese Dioxide business at Nelspruit. Capital expenditure in 2003 was 125% of depreciation.
- Net cash inflow from disposals and acquisitions was £92.1 million, primarily being the net of the proceeds from the Electrical businesses disposed at the end of January 2003 and the acquisition of Webforge in February 2003.
- Following the receipt of the proceeds from the disposal of the Electrical Division in January 2003, the Group repaid its outstanding debt.

Borrowings and borrowing facilities

Net borrowings (after taking into account current asset money market funds) decreased from £46.1 million to net cash of £21.2 million. Net gearing decreased to nil (2002 24%).

The net interest charge decreased to £4.7 million (2002 £6.5 million) largely as a result of the Group moving into a positive cash position, together with the impact of foreign exchange differences on financing balances increasing to £3.2 million in 2003 from £1.5 million in 2002.

Following completion of the sale of the Electrical Division in January 2003 the Group's principal finance facility was repaid and cancelled. The Group has maintained positive net cash since January 2003, and a £15 million committed bank facility has been obtained to provide further funding headroom. Funding headroom is reviewed regularly during the year.

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

Treasury policies

The underlying philosophy of the Group's Treasury policies remains one of risk management and control, and no speculative transactions are undertaken. Group Treasury does not operate as a profit centre, and all 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. 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. Certain currency exposures within the control of Delta Electrical Industries Ltd and within our associate Manganese Metal Company, are not hedged.

During 2003 the Group ceased translational hedging of the sterling net asset value of overseas balance sheets denominated in other currencies.

We do not hedge the sterling value of profits arising in other currencies, and so the sterling value of overseas profits earned during the year is sensitive to the strength of sterling, particularly against 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 Dioxide 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. Interest rate exposures have been much reduced through the repayment of the Group's debt and the decision to cease hedging the sterling net asset value of the balance sheet. Accordingly the level of interest rate hedges in place has also been allowed to reduce. The gross principal value of interest rate swaps outstanding at the year-end was £21.0 million (2002 £93.4 million).

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

It remains the Group's policy to maintain and develop strong relationships with a range of banks, reflecting its world-wide operations.

Effect of interest and exchange rates

The impact of the translation of unhedged net assets on reserves was a charge of £4.6 million (2002 £1.3 million charge). The translation of overseas profit before tax at the 2003 average rates of exchange, as compared with the 2002 average rates, increased profits by £4.3 million (£0.9 million of this increase relating to non-operating exceptional losses).

M P W Robson, Finance Director

Board of Directors

Edouard Stern
Chairman

Edouard Stern (49) was appointed a non-executive director at the annual general meeting in May 2003 and became non-executive Chairman on 31 December 2003. Edouard has a background in investment banking. He was formerly a senior partner and member of the executive committee of Lazard Freres in New York and Paris. His current directorships include Altadis SA and Seita.

Todd Atkinson
Chief Executive

Todd Atkinson (47) was appointed Chief Executive and joined the Board in July 2003. Previously he was President of Delta America Inc before becoming the Group's Director of Corporate Development and Legal Affairs in 2000. Todd is also a non-executive director of Delta Electrical Industries Limited.

Mark Robson
Finance Director

Mark Robson (46) 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. At ICI, Mark held a number of senior financial positions in the UK and Continental Europe. He joined ICI in 1985 from Price Waterhouse. Mark is also a non-executive director of Delta Electrical Industries Limited.

Sir Philip Beck
Non-executive Director

Sir Philip Beck (69) was appointed a non-executive director in 1994. He was a non-executive director of Invensys plc until July 2003.

Tony Pedder
Non-executive Director

Tony Pedder (54) was appointed a non-executive director in July 1998. He was Chief Executive of Corus Group plc (previously British Steel) until March 2003.

Charles Fisher
Non-executive Director

Charles Fisher (54) was appointed a non-executive director in June 2000. He has a background in property and building materials. He is Chairman of Mowlem plc and of Country Homes and Gardens plc. He is also a non-executive director of Travis Perkins plc and Baggeridge Brick PLC.

Steven Marshall
Non-executive Director

Steven Marshall (47) was appointed a non-executive director with effect from 1 April 2004. He is Executive Chairman of Queens Moat Houses plc. He was formerly Group Chief Executive of Railtrack and prior to that the Group Finance Director. Before joining Railtrack, he was Group Chief Executive of Thorn plc having previously been their Group Finance Director.

Directors' report

The directors of Delta plc submit their report together with the audited financial statements for the year ended 3 January 2004.

Business review and future developments

The Chairman's report to shareholders on page 2, the Chief Executive's review of the year on pages 3 to 7, the financial review on pages 8 and 9, the Remuneration report by the Board of directors on pages 16 to 20 and details of the Board of directors of Delta plc on page 10, 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 from reserves

The directors declared an interim dividend of 1.5p (2002 3.5p) per ordinary share which was paid on 1 December 2003. They now recommend a final dividend of 0.5p (2002 4.5p) per ordinary share making a total for the year of 2.0p (2002 8.0p). Dividends paid and proposed for the year amount to £3.1 million (2002 £12.2 million) leaving £8.5 million to be transferred from reserves (2002 £112.7 million transferred from reserves).

Acquisitions and disposals

Following shareholder approval at the extraordinary general meeting on 31 January 2003 the Group sold its Electrical division to the Eaton Corporation for £130.0 million. The anticipated loss of £87.8 million was recognised as an exceptional item in 2002. An additional provision of £5.2 million has been recognised in the financial statements in 2003 following the finalisation of this transaction.

Opella Ltd and Opella Inc, manufacturers of plastic products and a stamping operation based in France were sold during the year for £4.4 million. These operations were formerly part of the Group's Plumbing operations, the divestment of which was announced in November 2000.

In February 2003 the Webforge group, which manufactures and supplies a range of construction and civil products, was acquired for a net cash consideration of £19.3 million. In addition several small businesses complementing our existing operations in South Africa were acquired.

Property values

In the opinion of the directors, there was no significant difference between the market value and the book value of property at 3 January 2004.

Donations

During the year the Group donated £33,000 (2002 £39,000) to charities of which £nil (2002 £13,000) was in the United Kingdom. There were no political donations made during the year (2002 £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.

(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. There were also significant 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.

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 applicable 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 10. With the exception of Edouard Stern who was elected to the Board at the annual general meeting in May, Todd Atkinson who was appointed Chief Executive in July and Steven Marshall who was appointed a non-executive director with effect from 1 April 2004, all such directors held office throughout the year. In addition, Jon Scott-Maxwell was director until his retirement on 2 July 2003 and Sir Martin Jacomb was a director until his retirement on 31 December 2003.

Election of directors

Todd Atkinson who having been appointed since the last annual general meeting, offers himself for re-election.
Charles Fisher is retiring by rotation, and being eligible, offers himself for re-election.
Steven Marshall who having been appointed since the last annual general meeting, offers himself 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. The Remuneration report by the Board of directors is set out on pages 16 to 20.

Substantial shareholders

As at 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:

Edouard Stern	25.9%
MFP Investors LLC	7.8%
Jupiter Asset Management Limited	4.6%
Legal & General Investment Management Limited	3.6%

Research and development

The Group spent £1.0 million during 2003 (2002 £6.0 million) on R & D as defined by SSAP 13 and had significant development expenditure associated with product development and the improvement of production processes. All research and development expenditure is expensed as incurred.

Payment of creditors

The Group's policy in respect of the majority of its trade creditors is to negotiate terms and conditions with its 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 3 January 2004 were 36 days (2002 32 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, which is enabled through the recruitment, development and retention of employees of the highest calibre throughout its businesses and 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) Health, Safety and Environmental Policy; and

(d) 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 (and also summarises where applicable, any non-compliance with the Provisions, details of the periods of non-compliance and the reasons therefor).

(i) Board of directors

The Board meets at least ten 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 Audit Committee can be found on page 15 and the Appointments and Remuneration Committee in the Remuneration report on page 16. In September 2003, a Nominations Committee was constituted. This Committee reviews the structure, size and composition of the Board, the appointment of Corporate Executives and new Board members and makes recommendations to the

Board as appropriate. The Committee also reviews the management's succession plan to ensure its adequacy. The Committee consists entirely of non-executive directors, is chaired by Edouard Stern and meets as necessary. The Board also has a Treasury Committee whose objectives are to maintain the quality and visibility of the Group's treasury analysis and control. The Treasury Committee 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, the Group Treasurer and Group Financial Controller and it is chaired by Mark Robson. Its responsibilities include monitoring exchange rate exposures 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 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. As Mr Stern beneficially owns 26% of the ordinary share capital of the Company, he is not deemed to be independent under the Combined Code.

(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 normally nine years. All directors must retire at the first annual general meeting following their initial appointment. Other than the Chairman, the Company regards all the non-executive directors as independent.

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) Internal control
The directors have overall responsibility for the Group's systems of internal control and for 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 established the procedures necessary to comply with the guidance throughout 2003 and up to the date of approving these financial statements. 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 senior executive management 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 any necessary 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) Management 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 Audit Committee regularly reviews the principal risks facing the Group and the effectiveness of the established control procedures, reporting its findings to the Board. 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 that company's directors, to indicate that any material breakdown in the functioning of its 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.

(vii) Internal audit

In 2002 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.

(viii) 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.

(ix) Audit Committee

The Audit Committee consists of all the independent 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

During 2003, the Group reviewed the services provided by its advisers, including external auditors. As part of this process, the Board initiated a tender for external auditors. As a result, during 2003 the Board appointed Deloitte & Touche LLP as external auditors in place of PricewaterhouseCoopers LLP who have resigned. The Group now has the same auditors throughout its operations. A resolution to reappoint Deloitte & Touche LLP as auditors to the Company will be proposed at the annual general meeting.

On behalf of the Board

J P Narciso, Secretary

16 March 2004

Remuneration report by the Board of Directors

This part of the Remuneration Report is unaudited.

The Board is responsible for remuneration for each Board member and senior executive in the Group. The Board has established an Appointments and Remuneration Committee ('the Committee') to advise it on appropriate remuneration policy. The Committee comprises all the independent non-executive directors of the Company as set out on page 10, and is chaired by Sir Philip Beck. The Committee met four times during 2003. The Company regards all Committee members as independent non-executive directors.

The terms of reference 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 senior executives of the Group's operating companies and the parent company.

In recommending appropriate levels of remuneration the Committee sought independent advice from a number of remuneration consultancies appointed by the Committee, the primary contributors being MITA Compensation Consultancy and New Bridge Street Consultants. None of the remuneration consultancies appointed provided any other services to the Company during the year.

Remuneration policy

In implementing its policy, the Committee has given full consideration to the Principles of Good Governance set out in the Combined Code with reference to Directors' remuneration. 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. As stated above, 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. A significant proportion of directors' remuneration is performance related through annual bonus and share option awards.

The Committee appreciates that its policy inevitably evolves over time in response to or by way of prediction of a large number of internal and external factors. Taking this into account, the policy as described above is currently expected to be maintained for the current and future years.

(a) Components of remuneration

Executive directors

Executive directors' remuneration consists of the following:

Basic salary

It is the Committee's responsibility to ensure that the basic salary for each executive director and senior executive is appropriate and competitive for the responsibilities involved and takes into account external market data. The salaries are reviewed annually on 1 January.

Bonus

The executive directors are members of the Group Executive Bonus Plan which is linked to the financial performance of the Group. The component measures are pre-tax profits, cash flow and tax rate against pre-set targets. For the Chief Executive the theoretical maximum bonus payable is 100% of salary and for the Finance Director it is 80% of salary.

Long term incentive plans

The Executive Share Option Scheme ('ESOS') was approved by the shareholders at the annual general meeting held in May 1999. Only executive directors and senior executives in the Group participate in the ESOS. The Scheme was amended in 2002 to reflect changes to the views of leading UK institutional investors.

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. Subject to the fulfilment of the performance criteria, options will be exercisable between three and ten years following grant.

Certain senior executives (but not executive directors) retain options granted under the terms of the Company's Inland Revenue approved Senior Executive Share Option Scheme ('SESOS'). No options have been granted under the SESOS since 1994.

Full details of directors' emoluments, of options held by directors and details of directors' share interests in respect of the year ended 3 January 2004 are shown on pages 18 to 20.

Pensions

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 (which is limited to basic salary excluding bonuses and long term incentive plans), 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.

Non-executive directors

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

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

Directors' fees - Articles of Association

The Articles of Association currently place a limit on the ordinary fees payable to directors of the Company of £100,000 per annum in aggregate, or such higher sum as determined by a special resolution of the Company (Article 98). In addition the Articles of Association permit extra remuneration to be paid to any director of the Company who performs additional services e.g. serving on committees of the Board (Article 100).

Certain committees of the Board e.g. Audit Committee, Appointments and Remuneration Committee and Nominations Committee may be regarded as standing committees and the directors believe that is more appropriate to place both ordinary remuneration and standing committee remuneration under one article. Therefore the directors propose that the limit currently over ordinary remuneration in Article 98 be extended to cover committee remuneration also. In Article 98 the level of £100,000 per annum for ordinary remuneration has not been revised since 1990 and now it is also to cover committee remuneration. The directors propose an increase to £300,000. Resolution No. 6 to be proposed at the annual general meeting is a special resolution to achieve this combination and increase.

Last year the total ordinary remuneration and standing committee remuneration for non-executive directors was £220,340 and it is not intended that there will be any increase to the actual fees being paid to directors this year. In reviewing fees in any future years the Board will apply the principles of the Combined Code so that levels of remuneration will reflect the time commitment and responsibilities of the role.

Service contracts

Todd Atkinson's service contract with the Company commenced on 2 July 2003. Either party may terminate the contract by giving not less than 12 months' notice.

Mark Robson's service contract with the Company commenced on 18 March 1999. Either party may terminate the contract at any time by giving not less than 12 months' notice.

No additional termination payments would be made beyond the contractual notice period in respect of Mark Robson and Todd Atkinson.

Jon Scott-Maxwell retired from the Board on 2 July 2003. His service contract with the Company commenced on 16 November 1996. Either party was able to terminate the contract by giving not less than 12 months' notice. He received £457,865 which is shown in the emoluments schedule under compensation in respect of loss of office. No additional termination payments were made beyond the contractual notice period.

The Committee will continue to review the appropriateness of contractual notice periods for executive directors and the most senior executives.

The non-executive directors have no formal written service contracts, but have letters of engagement with the Company. Details of these agreements are as follows:-

(i) Edouard Stern was appointed a non-executive director at the annual general meeting on 7 May 2003. He was subsequently appointed Chairman on 31 December 2003 under the terms of a letter dated 19 December 2003.

(ii) Pursuant to a letter dated 19 July 1994 issued by the Company, Sir Philip Beck was appointed a non-executive director of the Company with effect from 1 August 1994. His appointment was initially for a fixed term of three years. This was renewed for two further terms of three years and extended to the 2004 AGM when Sir Philip will retire from the Board.

(iii) Pursuant to a letter dated 1 July 1998 issued by the Company, Tony Pedder was appointed a non-executive director of the Company with immediate effect. His appointment was initially for a fixed term of three years expiring on 30 June 2001. This was renewed for a further term of three years and this expires on 30 June 2004.

(iv) Pursuant to a letter dated 6 June 2000 issued by the Company, Charles Fisher was appointed a non-executive director of the Company with immediate effect. His appointment was initially for a fixed term of three years expiring on 5 June 2003.

This was renewed for a further term of three years.

(v) Sir Martin Jacomb retired from the Board on 31 December 2003. He was appointed pursuant to a letter dated 15 October 1993 issued by the Company, as a non-executive director and was made Deputy Chairman of the Company with effect from 1 November 1993. He became Chairman in 1994. His appointment was initially for a fixed term of three years. This was renewed for two further terms of three years.

(b) Divestment bonus

Under arrangements made in connection with the negotiations for the disposal of the Electrical Division which was successfully completed, bonuses payable to executives involved calculated by reference to the proceeds of the sale amounted to £1.6 million in the aggregate. These bonuses were paid in March 2003. Of this amount Mark Robson and Jon Scott-Maxwell received £125,875 and £250,000 respectively. These amounts have been provided for in the 2003 accounts as part of the loss on disposal and is included within directors' remuneration in 2003.

This part of the remuneration report is audited

(c) Remuneration

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

						Directors' remuneration
					2003	2002
£	Basic salary (inclusive of directors' fees)	Other emoluments[1]	Bonus	Compensation in respect of loss of office	Total	Total
E Stern (*Chairman*)[2]	22,840	–	–	–	22,840	–
T G Atkinson[3]	144,220	6,718	58,000	–	208,938	–
M P W Robson[4]	252,000	20,059	201,475	–	473,534	367,549
Sir Philip Beck	32,500	–	–	–	32,500	25,000
A P Pedder	32,500	–	–	–	32,500	25,000
C M Fisher	32,500	–	–	–	32,500	25,000
Sir Martin Jacomb[5]	100,000	–	–	–	100,000	100,000
J P Scott-Maxwell[6]	171,106	6,406	290,000	457,865	925,377	432,645
Total	**787,666**	**33,183**	**549,475**	**457,865**	**1,828,189**	975,194

(1) Other emoluments include benefits in kind.

(2) E Stern was appointed to the Board on 7 May 2003.

(3) During the year the Company contributed £90,879 (2002 £nil) on behalf of T G Atkinson in respect of a funded unapproved retirement benefit scheme. T G Atkinson was appointed to the Board on 2 July 2003.

(4) Included in the total value of benefits in kind for M P W Robson is a relocation allowance of £6,583 (2002 £13,165). Also during the year the Company contributed on behalf of M P W Robson £45,235 (2002 £38,768) in respect of a funded unapproved retirement benefit scheme.

(5) Sir Martin Jacomb retired from the Board on 31 December 2003.

(6) During the year the Company contributed £49,465 (2002 £85,194) on behalf of J P Scott-Maxwell in respect of a funded unapproved retirement benefit scheme. J P Scott-Maxwell was the highest paid director and retired from the Board on 2 July 2003.

	Accrued pension as at 28 December 2002 £ per annum	Accrued pension as at 3 January 2004 £ per annum	Increase in accrued pension in the year £	Employee contributions paid over year £	Transfer value in respect of increase in accrued pension £
	(1)	(1)	(2)		(3)
T G Atkinson	7,560	11,000	3,311	3,942	20,751
M P W Robson	8,954	11,501	2,395	3,942	13,218
J P Scott-Maxwell	10,799	13,369	2,386	2,014	26,057

(1) The pension entitlement is that which would be paid annually on retirement based on service to the end of the year.

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

(3) The transfer value has been calculated on the basis of actuarial advice in accordance with GN11 less any directors' contributions over the year. The increase in the transfer value shown is less any member contributions paid during the year. The transfer value as at 3 January 2004 for T G Atkinson (who was then age 46) was £81,906 (£50,179 as at 28 December 2002). The increase in the transfer value (less member's contributions) was £27,785. The transfer value as at 3 January 2004 for M P W Robson (who was then age 45) was £82,259 (£58,357 as at 28 December 2002). The increase in transfer value (less member's contributions) was £19,960. The transfer value as at 3 January 2004 for J P Scott-Maxwell (who was age 51 at date of leaving) was £134,610 (£93,776 as at 28 December 2002). The increase in the transfer value (less member's contributions) was £38,820.

(4) Upon leaving the Company J P Scott-Maxwell was awarded one year's extra pensionable service. This equated to an additional pension of £1,763 per annum at a cost of £37,750.

Aggregate totals	2003 £	2002 £
Salaries and benefits	**1,828,189**	975,194
Gains made on exercise of share options	**nil**	nil
Pension contributions in respect of FURBS	**185,579**	123,962

(i) Retirement benefits on a defined benefit basis are accruing to two directors as at 3 January 2004 (2002 two directors).
(ii) 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.
(iii) The normal retirement age for all executive directors is 60.
(iv) A spouse's 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.
(v) Following retirement, pensions increase at an annual rate in line with RPI up to 5%.
(vi) The trustees have power to grant early retirement pensions but a member does not have a right to this.
(vii) No discretionary benefits are allowed for in the transfer values.

Directors' share options over ordinary shares in the Company

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

	Option Scheme	As at 28 December 2002	Granted during year	Exercised during year	Lapsed during year	As at 3 January 2004	Subscription price payable (per share)	Date on which options become exercisable	Date on which options lapse
T G Atkinson	ESOS	42,000*	–	–	–	42,000	154p	11/06/02	11/06/09
	ESOS	80,000*	–	–	–	80,000	150p	29/11/03	29/11/10
	ESOS	93,000*	–	–	–	93,000	129p	29/06/04	29/06/11
	ESOS	104,800*	–	–	–	104,800	118p	03/05/05	03/05/12
	ESOS	-	119,300*	–	–	119,300	110p	25/04/06	25/04/13
	ESOS	-	132,800*	–	–	132,800	115p	26/06/06	26/06/13
	Total	319,800	252,100*	–	–	571,900			
M P W Robson	SAYE	15,344	–	–	–	15,344	82p	01/01/09	01/07/09
	SAYE	9,895	–	–	–	9,895	72p	01/01/10	01/07/10
	ESOS	94,000	–	–	–	94,000	154p	11/06/02	11/06/09
	ESOS	51,000	–	–	–	51,000	150p	29/11/03	29/11/10
	ESOS	51,000	–	–	–	51,000	156p	25/01/04	25/01/11
	ESOS	131,300	–	–	–	131,300	129p	29/06/04	29/06/11
	ESOS	150,900	–	–	–	150,900	118p	03/05/05	03/05/12
	ESOS	–	171,800	–	–	171,800	110p	25/04/06	25/04/13
	Total	503,439	171,800	–	–	675,239			
J P Scott-Maxwell	SAYE	6,849	–	–	–	6,849#	99p	02/07/03	03/01/04
	ESOS	184,000	–	–	–	184,000#	154p	02/07/03	03/01/04
	ESOS	106,000	–	–	–	106,000#	150p	02/07/03	03/01/04
	ESOS	248,000	–	–	–	248,000#	129p	02/07/03	03/01/04
	ESOS	271,100	–	–	–	271,100#	118p	02/07/03	03/01/04
	Total	815,949	–	–	–	815,949			

* As at date of appointment, 2 July 2003
\# As at date of resignation, 2 July 2003

(i) The open market value of Delta plc 25p ordinary shares was 82.5p per share (middle market closing value as quoted in the Daily Official List of London Stock Exchange plc) on 2 January 2004.
(ii) The share price of the Delta plc ordinary shares for the year ranged from a minimum of 81p to a maximum of 124.5p.
(iii) All options were granted for nil consideration. The exercise price is the equivalent of the market price as at the date of grant.
(iv) The performance condition attached to the ESOS for those options that first become exercisable in June 2004 or later, is that options can only normally be exercised if the growth in the Company's earnings per share at least matches the Retail Price Index plus an average of at least 3% per annum over a period of at least three consecutive years. Performance conditions cannot be tested beyond the sixth anniversary of the grant date and all performance conditions are measured from a fixed base point, being the Company's earnings per share for the financial year preceding option grant. This performance target was chosen as it requires substantial improvement in the underlying financial performance of the Company before options can be exercised.

The earnings per share measure for the ESOS will be the basic earnings per share of the Company calculated in accordance with FRS 14 excluding any exceptional items disclosed in the published Report and Accounts. ESOS options that first become exercisable before June 2004 have an earnings per share performance condition similar to that for later granted options with performance always measured from a fixed base, although the condition can be re-tested beyond the sixth anniversary of grant. Additionally, options granted in 1999 can only be exercised if earnings per share achieves a level of 20p.

(v) The 132,800 ESOS options granted to T G Atkinson on 25 June 2003 are in respect of his appointment as Chief Executive of the Company.

Directors' interests in shares

The beneficial interest of the directors in the office at the end of the financial year in the shares of the Company at 28 December 2002 and 3 January 2004, including the beneficial interests of their families, are set out in the table below:

Directors' share holdings	Number of ordinary shares of 25p each owned At 3 January 2004	At 28 December 2002
E Stern (Chairman)•	**39,374,659**	39,374,659*
T G Atkinson	**10,010**	10,010*
M P W Robson	**20,941**	20,941
Sir Philip Beck	**7,370**	7,370
A P Pedder	**5,000**	5,000
C M Fisher	**36,000**	36,000

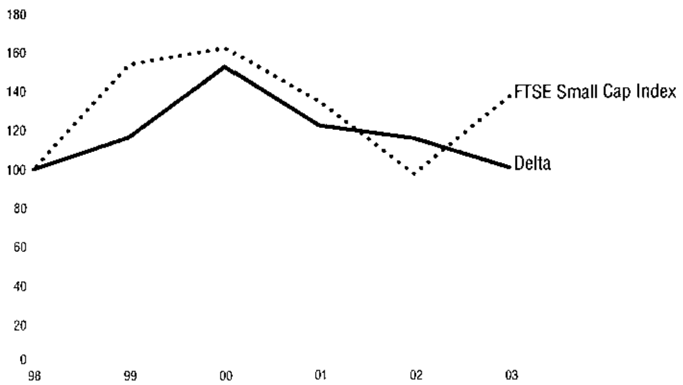
* On date of appointment

• Through his controlling interests in Mainz Holding Limited and Finance and Trading Limited, E Stern has a beneficial interest in the shares of the Company held by those entities. As at both 7 May 2003 and 3 January 2004, Mainz Holding Limited held 36,413,425 ordinary shares of the Company and Finance and Trading Limited held 2,961,234 ordinary shares of the Company.

No changes in the share holdings shown above have taken place between 3 January 2004 and 16 March 2004.

Other than the share holdings and the options shown in the tables above, 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.

The following information is unaudited



The chart above illustrates Delta's Total Shareholder Return performance for a five year period ending 31 December 2003 relative to the FTSE Small Cap Index (rebased to 100 in 1998). The FTSE Small Cap Index was selected on the basis that the Group forms part of this Index.

On behalf of the Board

J P Narciso
Secretary
16 March 2004

Responsibility of the directors for the preparation of the financial statements

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

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

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

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

On behalf of the Board

J P Narciso, Secretary
16 March 2004

Independent auditors' report to the members of Delta plc

We have audited the financial statements of Delta plc for the year ended 3 January 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the note of historical cost profits and losses, the reconciliation of movements in shareholders' funds, the statement of accounting policies and the related notes 1 to 31. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group as at 3 January 2004 and of the loss of the Group for the year then ended; and
- the financial statements and part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

London
16 March 2004

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

Group profit and loss account

For the year ended 3 January 2004

	Notes	2003 Continuing £ million	2003 Discontinued £ million	2003 Total £ million	2002 (as restated) Continuing £ million	2002 (as restated) Discontinued £ million	2002 (as restated) Total £ million
Turnover: Existing operations		302.0	22.7	324.7	273.6	268.7	542.3
Acquisitions		32.8	–	32.8	–	–	–
Total turnover		334.8	22.7	357.5	273.6	268.7	542.3
Less share of joint ventures and associates	4	(33.6)	(0.5)	(34.1)	(33.9)	(8.3)	(42.2)
Group turnover	1	301.2	22.2	323.4	239.7	260.4	500.1
Cost of sales	2	(216.4)	(18.8)	(235.2)	(158.6)	(202.4)	(361.0)
Gross profit		84.8	3.4	88.2	81.1	58.0	139.1
Distribution costs and administrative expenses	2	(56.3)	(3.0)	(59.3)	(57.7)	(58.0)	(115.7)
Operating profit: Existing operations		25.0	0.4	25.4	23.4	–	23.4
Acquisitions		3.5	–	3.5	–	–	–
Group operating profit		28.5	0.4	28.9	23.4	–	23.4
Share of profits of joint ventures and associates	4	0.1	(0.1)	–	6.3	(0.2)	6.1
Total operating profit		28.6	0.3	28.9	29.7	(0.2)	29.5
Disposal of businesses	5	–	(114.2)	(114.2)	–	(21.9)	(21.9)
Use of provision made in previous years	5	–	102.7	102.7	–	12.3	12.3
Provision for diminution in value of businesses to be disposed of	5	–	–	–	–	(92.0)	(92.0)
Profit (loss) on ordinary activities before interest		28.6	(11.2)	17.4	29.7	(101.8)	(72.1)
Net interest – parent and subsidiaries	6	(4.0)	–	(4.0)	(3.6)	(3.9)	(7.5)
joint ventures and associates	6	(0.7)	–	(0.7)	1.2	(0.2)	1.0
Profit on ordinary activities before taxation, exceptional items and goodwill amortisation		29.3	0.4	29.7	28.0	6.7	34.7
Operating exceptional items and goodwill amortisation	1(v)	(5.4)	(0.1)	(5.5)	(0.7)	(9.5)	(10.2)
Exceptional interest	5	–	–	–	–	(1.5)	(1.5)
Non-operating exceptional items		–	(11.5)	(11.5)	–	(101.6)	(101.6)
Profit (loss) on ordinary activities before taxation	1, 7	23.9	(11.2)	12.7	27.3	(105.9)	(78.6)
Taxation	8	(10.4)	–	(10.4)	(12.5)	(1.6)	(14.1)
Profit (loss) on ordinary activities after taxation		13.5	(11.2)	2.3	14.8	(107.5)	(92.7)
Minority interests		(7.7)	–	(7.7)	(7.6)	(0.2)	(7.8)
(Loss) for the financial year		5.8	(11.2)	(5.4)	7.2	(107.7)	(100.5)
Dividends	9	(3.1)	–	(3.1)	(12.2)	–	(12.2)
Transfer from reserves	25	2.7	(11.2)	(8.5)	(5.0)	(107.7)	(112.7)
Earnings (loss) per 25p ordinary share:							
Basic and diluted	10	3.7p		(3.7)p	4.7p		(66.8)p
Earnings (loss) per 25p ordinary share before goodwill amortisation:							
Basic and diluted	10	4.4p		(3.0)p	5.2p		(63.9)p
Earnings per 25p ordinary share before exceptional items and goodwill amortisation:							
Basic and diluted	10	7.0p		7.0p	5.2p		8.4p

Balance sheets

At 3 January 2004

	Notes	Group 2003 £ million	Group 2002 (as restated) £ million	Company 2003 £ million	Company 2002 (as restated) £ million
Fixed assets					
Intangible assets: Goodwill	11	**14.0**	10.1	**–**	–
Tangible assets	12	**100.4**	152.5	**–**	–
Investments: Joint ventures – share of gross assets	13	**1.6**	6.3	**–**	–
share of gross liabilities	13	**(1.2)**	(4.6)	**–**	–
loans to joint ventures	13	**1.1**	1.1	**–**	–
		1.5	2.8	**–**	–
Associated companies	13	**17.3**	20.8	**1.6**	–
Other investments	13	**–**	0.3	**–**	–
Group companies	13	**–**	–	**166.1**	286.8
		133.2	186.5	**167.7**	286.8
Current assets					
Stocks	14	**59.4**	91.6	**–**	–
Debtors – amounts falling due after one year	15	**4.0**	4.7	**0.6**	–
Debtors – amounts falling due within one year	15	**59.2**	99.6	**1.2**	12.9
Investments – money market funds	13	**13.0**	0.4	**8.2**	–
Investments – other	13	**–**	5.4	**–**	–
		13.0	5.8	**8.2**	–
Bank and other deposits		**31.7**	52.1	**0.6**	9.2
		167.3	253.8	**10.6**	22.1
Creditors – amounts falling due within one year					
Borrowings	20	**(22.5)**	(99.6)	**(26.9)**	(130.4)
Other creditors	16	**(64.4)**	(128.4)	**(3.4)**	(18.9)
Net current assets (liabilities)		**80.4**	25.8	**(19.7)**	(127.2)
Total assets less current liabilities		**213.6**	212.3	**148.0**	159.6
Creditors – amounts falling due after more than one year					
Borrowings	20	**(1.0)**	(4.4)	**–**	–
Provisions for liabilities and charges	21	**(29.6)**	(14.7)	**(0.3)**	–
Net assets		**183.0**	193.2	**147.7**	159.6
Capital and reserves					
Called up share capital	23	**40.7**	40.6	**40.7**	40.6
Share premium account	25	**32.5**	32.1	**32.5**	32.1
Revaluation reserve	25	**47.5**	45.2	**(21.6)**	(19.1)
Profit and loss account	25	**28.0**	42.7	**97.1**	107.0
Employee share ownership trust	31	**(1.0)**	(1.0)	**(1.0)**	(1.0)
Equity shareholders' funds		**144.9**	156.8	**144.9**	156.8
Non-equity shareholders' funds	23	**2.8**	2.8	**2.8**	2.8
Total shareholders' funds		**147.7**	159.6	**147.7**	159.6
Equity minority interests		**35.3**	33.6	**–**	–
		183.0	193.2	**147.7**	159.6

The accounts on pages 23 to 46 were approved by the directors on 16 March 2004 and are signed on their behalf by:

Edouard Stern
Chairman

Mark Robson
Finance Director

Group cash flow statement

For the year ended 3 January 2004

	Notes	2003 £ million	2002 (as restated) £ million
Net cash inflow from operating activities	26	27.6	42.0
Dividends received from associates		–	3.6
Returns on investments and servicing of finance			
Interest received		7.2	6.1
Interest paid		(10.0)	(12.8)
Preference dividends paid		(0.2)	(0.1)
Dividends paid to minority shareholders		(5.6)	(4.5)
Net cash outflow from returns on investments and servicing of finance		(8.6)	(11.3)
Taxation		(10.1)	(13.6)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(15.6)	(18.9)
Sale of tangible fixed assets		1.2	0.9
Associated company loans/cash received from restructuring associate		3.0	(0.8)
Net cash outflow from capital expenditure and financial investment		(11.4)	(18.8)
Acquisitions and disposals			
Purchase of businesses	29	(22.4)	(1.8)
Net cash acquired on purchase of businesses	29	1.3	–
Sale of businesses	29	115.0	14.9
Net cash disposed of on sale of businesses	29	(1.8)	(1.9)
Net cash inflow from acquisitions and disposals		92.1	11.2
Equity dividends paid		(9.1)	(12.1)
Cash inflow before use of liquid resources and financing	28	80.5	1.0
Management of liquid resources			
Decrease in short term cash deposits and current asset investments		1.5	6.0
Financing			
Issue of ordinary share capital		0.4	0.7
Debt due within one year: increase in short term borrowings		4.0	29.4
repayment of short term borrowings		(92.0)	(14.9)
Debt due after one year: increase in loans		0.4	7.8
repayment of loans		(0.1)	(26.4)
Net cash (outflow) inflow from foreign exchange instruments hedging investments in subsidiaries		(12.2)	6.9
Net cash (outflow) inflow from financing		(99.5)	3.5
(Decrease) increase in cash in the period	27 & 28	(17.5)	10.5

Statement of total recognised gains and losses

For the year ended 3 January 2004

	2003 £ million	2002 (as restated) £ million
Loss for the financial year	**(5.4)**	(100.5)
Other recognised losses for the year:		
Currency translation differences on foreign currency net investments	**(4.6)**	(1.3)
Total recognised losses for the year	**(10.0)**	(101.8)
Prior year adjustment (note 31)	**(1.1)**	
Total recognised losses since last report	**(11.1)**	

Note of historical cost profits and losses

For the year ended 3 January 2004

Reported profit (loss) on ordinary activities before taxation	**12.7**	(78.6)
Realisation of property revaluation gains of prior years	**6.9**	–
Difference between historical cost depreciation and actual depreciation charge for the period calculated on the revalued amount	**–**	0.1
Historical cost profit (loss) on ordinary activities before taxation	**19.6**	(78.5)
Historical cost loss for the period retained after taxation, minority interests and dividends	**(1.6)**	(112.6)

Reconciliation of movement in total shareholders' funds

For the year ended 3 January 2004

Loss for the financial year	**(5.4)**	(100.5)
Dividends	**(3.1)**	(12.2)
	(8.5)	(112.7)
Other recognised losses for the year	***(4.6)***	*(1.3)*
Goodwill transferred to the profit and loss account in respect of businesses sold or to be disposed of (note 5 ii)	**0.7**	14.3
Shares issued	**0.5**	0.7
Net decrease in shareholders' funds for the year	**(11.9)**	(99.0)
Total shareholders' funds at the beginning of the year (i)	**159.6**	258.6
Total shareholders' funds at the end of the year	**147.7**	159.6

(i) Shareholders' funds at the beginning of 2002 were originally £258.4 million before adding prior year adjustment of £0.7 million re the adoption of FRS 19 in 2002 and a further £(0.5) million re the prior year adjustments in 2003. Shareholders' funds at the beginning of 2003 were originally £160.7 million before adding prior year adjustment £(1.1) million in 2003 (see note 31).

Accounting policies

1 Accounting convention and Standards

The financial statements are prepared in accordance with the historical cost accounting convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable Accounting Standards in the United Kingdom. The Group has implemented UITF 38 'Accounting for ESOP trusts'. The Group's own shares held in its Employee Share Option Trust are now deducted in arriving at shareholders' funds and valued in accordance with UITF 38. Comparatives have been restated accordingly.

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, which does not exceed 20 years.

(iv) The gain or loss on the disposal of a business is calculated by comparing the carrying value of the net assets sold and any unamortised goodwill (for businesses acquired after the beginning of 1998) or goodwill previously written off directly to reserves on acquisition (for businesses acquired prior to 1998) with the proceeds received.

3 Research and development, patents and trademarks

All expenses are written off as incurred.

4 Pensions and post retirement benefits

The costs of providing 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, except where any diminution in the value of the investment is considered permanent. In such cases the permanent diminution is recorded as a reduction in the company's profit and loss account reserve.

8 Taxation

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

9 Turnover

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

10 Foreign currency

Transactions in overseas currencies are translated at the exchange rate ruling at the date of the transaction or, where forward foreign exchange contracts have been taken out, at the contractual rates. For 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, are taken directly to reserves. Similarly, the difference between the net profits of overseas companies translated at average rates and year end rates is taken directly to reserves. Up to August 2003 the exchange differences on foreign currency liabilities hedging the net assets of overseas companies, was taken 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. Foreign exchange differences on financing balances are included within interest.

11 Financial instruments

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

Interest differentials on derivative instruments are recognised by adjusting the net interest charge. Receipts and payments on interest rate instruments are recognised on an 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

		2003 Turnover £ million	2003 Profit before taxation £ million	2003 Net assets £ million	2002 (as restated) Turnover £ million	2002 (as restated) (Loss) before taxation £ million	2002 (as restated) Net assets £ million
1 Principal activities							
By activity	Electrolytic manganese dioxide	**45.9**	**15.8**	**47.8**	47.1	15.6	44.4
	Manganese metal	**19.1**	**(2.1)**	**10.1**	22.3	4.6	13.2
	Galvanizing (i)	**124.2**	**8.3**	**70.0**	85.7	4.1	55.4
	Industrial supplies	**145.6**	**17.5**	**38.4**	118.5	12.5	32.5
	Group costs	**–**	**(5.5)**	**1.6**	–	(6.4)	(4.1)
	Exceptional operating items (v)	**–**	**(4.3)**	**(0.2)**	–	–	–
	Goodwill (v)	**–**	**(1.1)**	**14.0**	–	(0.7)	10.0
	Continuing operations	**334.8**	**28.6**	**181.7**	273.6	29.7	151.4
	Discontinued operations (vi)	**22.7**	**0.3**	**0.7**	268.7	(0.2)	96.5
	Disposal of businesses (note 5)	**–**	**(114.2)**	**(0.8)**	–	(21.9)	–
	Use of provision made in previous year (note 5)	**–**	**102.7**	**(19.8)**	–	12.3	–
	Provision for diminution in value of businesses (note 5)	**–**	**–**	**–**	–	(92.0)	(3.2)
	Interest/net borrowings & money market fund current asset investments	**–**	**(4.7)**	**21.2**	–	(6.5)	(51.5)
		357.5	**12.7**	**183.0**	542.3	(78.6)	193.2
	Less: joint ventures and associated companies (ii)	**(34.1)**	**–**	**–**	(42.2)	–	–
		323.4	**12.7**	**183.0**	500.1	(78.6)	193.2
By origin	Europe	**5.4**	**(4.9)**	**4.4**	4.9	(6.5)	(2.0)
	Asia Pacific (i)	**195.3**	**25.2**	**98.8**	150.3	16.3	75.9
	North America	**13.2**	**(1.1)**	**12.4**	14.3	(1.1)	19.0
	Africa	**120.9**	**14.8**	**52.3**	104.1	21.7	48.5
	Exceptional operating items (v)	**–**	**(4.3)**	**(0.2)**	–	–	–
	Goodwill (v)	**–**	**(1.1)**	**14.0**	–	(0.7)	10.0
	Continuing operations	**334.8**	**28.6**	**181.7**	273.6	29.7	151.4
	Discontinued operations (vi)	**22.7**	**0.3**	**0.7**	268.7	(0.2)	96.5
	Disposal of businesses (note 5)	**–**	**(114.2)**	**(0.8)**	–	(21.9)	–
	Use of provision made in previous year (note 5)	**–**	**102.7**	**(19.8)**	–	12.3	–
	Provision for diminution in value of businesses (note 5)	**–**	**–**	**–**	–	(92.0)	(3.2)
	Interest/net borrowings & money market fund current asset investments	**–**	**(4.7)**	**21.2**	–	(6.5)	(51.5)
		357.5	**12.7**	**183.0**	542.3	(78.6)	193.2
	Less: joint ventures and associated companies (iii)	**(34.1)**	**–**	**–**	(42.2)	–	–
		323.4	**12.7**	**183.0**	500.1	(78.6)	193.2
By destination	Europe	**19.1**			17.9		
	Asia Pacific	**169.5**			125.7		
	North America	**42.9**			46.4		
	Near & Middle East	**0.2**			0.1		
	Africa	**69.5**			49.7		
	Continuing operations	**301.2**			239.8		
	Discontinued operations	**22.2**			260.3		
		323.4			500.1		

(i) During 2003 the acquisition of the Webforge Group increased Galvanizing (Asia Pacific) turnover by £32.8 million, operating profit (excluding goodwill amortisation) by £3.7 million and net assets (excluding borrowings & goodwill) by £15.0 million. The impact of other acquisitions on turnover and operating profit were not material to the Group or individual business segments in 2003 or 2002.

Notes on the accounts

		2003			2002		
		Turnover £ million	Profit before taxation £ million	Net assets £ million	Turnover £ million	Profit before taxation £ million	Net assets £ million
1 Principal activities (continued)							
(ii) Joint ventures and associated companies by activity:	Manganese metal	**19.1**	**(2.1)**	**10.1**	22.3	4.6	13.2
	Galvanizing	**1.0**	**0.3**	**1.5**	0.9	0.2	1.2
	Industrial supplies	**13.5**	**1.9**	**7.2**	10.7	1.5	7.4
	Discontinued (iv)	**0.5**	**(0.1)**	**–**	8.3	(0.2)	1.8
	Interest (iv)	**–**	**(0.7)**	**–**	–	1.0	–
		34.1	**(0.7)**	**18.8**	42.2	7.1	23.6
(iii) Joint ventures and associated companies by origin:	Asia Pacific	**1.0**	**0.3**	**1.5**	0.9	0.2	1.2
	Africa	**32.6**	**(0.2)**	**17.3**	33.0	6.1	20.6
	Discontinued (iv)	**0.5**	**(0.1)**	**–**	8.3	(0.2)	1.8
	Interest (iv)	**–**	**(0.7)**	**–**	–	1.0	–
		34.1	**(0.7)**	**18.8**	42.2	7.1	23.6
(iv) Discontinued joint ventures and associated companies:	Industrial supplies	**0.1**	**–**	**–**	0.1	0.1	0.2
	Electrical	**0.4**	**(0.1)**	**–**	8.2	(0.3)	1.6
	Interest	**–**	**–**	**–**	–	(0.2)	–
		0.5	**(0.1)**	**–**	8.3	(0.4)	1.8
	Europe	**0.3**	**(0.1)**	**–**	4.9	(0.6)	1.1
	Asia Pacific	**0.1**	**–**	**–**	3.0	0.3	0.2
	North America	**0.1**	**–**	**–**	0.4	0.1	0.5
	Interest	**–**	**–**	**–**	–	(0.2)	–
		0.5	**(0.1)**	**–**	8.3	(0.4)	1.8

		Exceptional operating items				Goodwill			
		2003		2002		2003		2002	
		Operating profit £ million	Provisions £ million	Operating profit £ million	Provisions £ million	Amortisation £ million	Intangible assets £ million	Amortisation £ million	Intangible assets £ million
(v) By activity:	Electrolytic manganese dioxide	**(0.2)**	**(0.2)**	–	–	**(0.1)**	**0.6**	–	0.8
	Galvanizing	**(4.8)**	**–**	–	–	**(0.4)**	**5.0**	(0.3)	2.5
	Industrial supplies	**(0.2)**	**–**	–	–	**(0.6)**	**8.4**	(0.4)	6.7
	Group costs	**0.9**	**–**	–	–	**–**	**–**	–	–
	Discontinued: Industrial supplies	**(0.1)**	**–**	–	–	**–**	**–**	–	0.1
	Electrical	**–**	**–**	(5.8)	(3.5)	**–**	**–**	(3.7)	–
		(4.4)	**(0.2)**	(5.8)	(3.5)	**(1.1)**	**14.0**	(4.4)	10.1
By origin:	Europe	**0.9**	**–**	–	–	**–**	**–**	–	–
	Asia Pacific	**(1.4)**	**(0.2)**	–	–	**(0.4)**	**5.2**	(0.3)	2.7
	North America	**(3.8)**	**–**	–	–	**(0.1)**	**0.5**	–	0.6
	Africa	**–**	**–**	–	–	**(0.6)**	**8.3**	(0.4)	6.7
	Discontinued: Europe	**(0.1)**	**–**	(5.8)	(3.5)	**–**	**–**	(3.7)	0.1
		(4.4)	**(0.2)**	(5.8)	(3.5)	**(1.1)**	**14.0**	(4.4)	10.1

		2003			2002		
		Turnover £ million	Operating profit £ million	Net assets £ million	Turnover £ million	Operating profit £ million	Net assets £ million
(vi) Discontinued activities:							
By activity:	Industrial supplies	**8.1**	**(0.1)**	**(1.8)**	46.3	2.4	3.2
	Electrical & other	**14.6**	**0.4**	**2.5**	222.4	(2.6)	93.3
		22.7	**0.3**	**0.7**	268.7	(0.2)	96.5
By origin:	Europe	**17.1**	**0.5**	**1.9**	210.9	(4.4)	87.2
	Asia Pacific	**2.5**	**–**	**–**	36.7	2.0	9.9
	North America	**3.1**	**(0.2)**	**(1.2)**	21.1	2.2	(0.6)
		22.7	**0.3**	**0.7**	268.7	(0.2)	96.5

Notes on the accounts

	2003 Continuing activities: Continuing £ million	2003 Continuing activities: Pre operating exceptional charges and goodwill amortisation Acquisitions £ million	2003 Continuing activities: Operating exceptional charges and goodwill amortisation £ million	2003 Discontinued activities £ million	2003 Total £ million	2002 Continuing activities: Pre operating exceptional charges and goodwill amortisation £ million	2002 Continuing activities: Operating exceptional charges and goodwill amortisation £ million	2002 Discontinued activities £ million	2002 Total £ million
2 Analysis of expenses									
Cost of sales	**188.8**	**23.9**	**3.7**	**18.8**	**235.2**	158.6	–	202.4	361.0
Distribution costs	**22.6**	**2.2**	**–**	**2.9**	**27.7**	28.7	–	33.1	61.8
Administrative expenses (incl. goodwill amortisation)	**26.7**	**3.1**	**1.7**	**0.1**	**31.6**	28.3	0.7	24.9	53.9
	49.3	**5.3**	**1.7**	**3.0**	**59.3**	57.0	0.7	58.0	115.7

	2003 £ million	2002 £ million
3 Group employees		
(a) Employee costs (including directors)		
Aggregate remuneration: United Kingdom	**7.4**	40.5
Overseas	**59.3**	78.7
	66.7	119.2
Social security contributions	**2.2**	8.5
Pension contributions	**4.7**	5.9
Other employee costs	**2.1**	2.2
	75.7	135.8

	Average monthly number 2003	Average monthly number 2002	Actual number at the year end 2003	Actual number at the year end 2002
(b) Number of employees				
United Kingdom	**292**	2,038	**122**	1,827
Overseas	**4,509**	6,048	**4,329**	5,477
	4,801	8,086	**4,451**	7,304

(c) Pensions

The Group operates a number of pension arrangements throughout the world, including defined benefit schemes (of which 13% 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, £4.5 million (2002 £5.5 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 a defined benefit scheme, covers 2% of the Group's employees and is currently the subject of a formal actuarial valuation at 5 April 2003, which we expect to be finalized shortly. For the purposes of these accounts, a formal review of the UK scheme was performed at 31 December 2003 using the same data as is being used for the 5 April 2003 valuation. Both the valuation and formal review have been performed by a professionally qualified actuary. The formal review uses the projected unit method, with the assumptions that have the most significant effect on the results of the valuation being investment returns 5.8%, earnings growth 3.2% and inflation 2.2%. The formal review shows the market value of the assets of the main UK scheme was £591.4 million and the actuarial value of the assets was sufficient to cover 101% of the benefits that had accrued to members after allowing for expected future increases in earnings. Pending the results of the formal actuarial valuation, the company plans to continue with its existing accounting practice of treating the SSAP 24 charge as £nil.

There is a provision of £0.3 million (2002 £0.4 million) for pensions included in employee related provisions shown in note 21. The major part of this provision relates to the excess of the accumulated 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 in these financial statements, the 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.

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

The surplus within the South African scheme, rolled forward to 31 December 2003, amounted to £0.7 million before related deferred tax effects and minority interests of 43.6% of the shares in the South African operation. During 2002, the Pension Funds Second Amendment Act, 2001, was passed in South Africa. Under this Act, surpluses in pension funds have to be used in a manner specified under the Regulations to the Act, to improve current and former members' benefits prior to the employer obtaining any benefit from the surplus. Consequently, it is considered unlikely that the company will obtain any benefit from the surplus within the South African scheme. The latest actuarial valuation of the South African scheme was performed at 31 December 2002.

Notes on the accounts

The latest actuarial valuation of the UK and Australian schemes was 5 April 2003 and 1 January 2003 respectively, and the results were rolled forward to 31 December 2003. The major assumptions used by the actuaries were:

	as at 3 January 2004		as at 28 December 2002		as at 29 December 2001	
	UK %	Australia %	UK %	Australia %	UK %	Australia %
Rate of increase in pensionable salaries	**3.8**	**4.0**	3.2	4.0	3.6	4.0
Rate of increase in pension payments	**3.0**	**n/a**	3.0	n/a	3.0	n/a
Discount rate	**5.4**	**6.0**	5.4	6.0	5.8	6.0
Inflation rate	**2.8**	**2.5**	2.2	2.5	2.6	2.5
Expected rate of return on equities	**7.0**	**6.8**	7.0	7.9	7.3	8.4
Expected rate of return on bonds	**4.9**	**4.3**	4.4	4.3	5.0	5.1
Expected rate of return on property and cash	**5.3**	**4.6**	5.0	5.0	5.6	5.3

The assets and liabilities in the schemes were:

	as at 3 January 2004			as at 28 December 2002			as at 29 December 2001		
	UK £ million	Australia £ million	Total £ million	UK £ million	Australia £ million	Total £ million	UK £ million	Australia £ million	Total £ million
Equities	**178.6**	**4.0**	**182.6**	190.0	2.8	192.8	251.0	3.3	254.3
Bonds	**340.9**	**1.3**	**342.2**	333.8	2.2	336.0	307.6	1.3	308.9
Property and cash	**62.5**	**1.3**	**63.8**	68.5	0.5	69.0	90.4	1.1	91.5
Total assets	**582.0**	**6.6**	**588.6**	592.3	5.5	597.8	649.0	5.7	654.7
Actuarial value of liabilities	**(620.8)**	**(7.2)**	**(628.0)**	(711.7)	(5.8)	(717.5)	(614.3)	(6.2)	(620.5)
(Deficit) surplus	**(38.8)**	**(0.6)**	**(39.4)**	(119.4)	(0.3)	(119.7)	34.7	(0.5)	34.2
Related deferred tax (liability) asset	**11.6**	**0.2**	**11.8**	35.8	0.1	35.9	(10.4)	0.1	(10.3)
Net pension (liability) asset	**(27.2)**	**(0.4)**	**(27.6)**	(83.6)	(0.2)	(83.8)	24.3	(0.4)	23.9

		as at 3 January 2004 £ million	as at 28 December 2002 £ million
If the above amounts had been recognised in the financial statements, the Group's profit and loss reserve would have been as follows:			
Profit and loss reserve excluding pension liability		**28.0**	42.7
Pension liability, net of deferred tax asset of £11.8 million (2002 £35.9 million)		**(27.6)**	(83.8)
Profit and loss reserve including pension liability		**0.4**	(41.1)
The following amounts would have been recognised in the performance statements in the year under the requirements of FRS 17:			
Operating profit:	*current service cost*	**1.4**	5.1
	gain on curtailment	**(6.5)**	-
Total operating (credit) charge		**(5.1)**	5.1
Other finance income:	expected return on pension scheme assets	**32.3**	39.2
	interest on pension scheme liabilities	**(38.9)**	(36.0)
Net (charge) credit		**(6.6)**	3.2
Statement of total recognised gains and losses:	actual return less expected return on pension scheme assets	**20.0**	(68.2)
	experience gains and losses arising on the scheme liabilities	**(13.5)**	1.2
	changes in assumptions underlying the present value of the scheme liabilities	**74.5**	(86.9)
Actuarial gain (loss) recognised in the statement of total recognised gains and losses		**81.0**	(153.9)
Movement in (deficit) surplus during the year:			
(Deficit) surplus in scheme at the beginning of the year		**(119.7)**	34.2
Movement in the year:	current service credit (cost)	**5.1**	(5.1)
	contributions	**0.8**	1.9
	other finance income	**(6.6)**	3.2
	actuarial gain (loss)	**81.0**	(153.9)
Deficit in scheme at the end of the year		**(39.4)**	(119.7)

Notes on the accounts

(c) Pensions (continued)

	2003			2002		
	£ million	% of scheme assets	% of present value of scheme liabilities	£ million	% of scheme assets	% of present value of scheme liabilities
Details of experience gains and losses:						
Difference between the expected and actual return on scheme assets	**20.0**	**(3.4)**	**n/a**	(68.2)	11.4	n/a
Experience gains and losses on scheme liabilities	**(13.5)**	**n/a**	**(2.2)**	1.2	n/a	0.2
Total amount recognised in statement of total recognised gains and losses	**81.0**	**n/a**	**12.9**	(153.9)	n/a	21.5

(d) Directors' emoluments

The disclosures required by the Companies Act 1985 are included within the Remuneration Report – pages 16 to 20.

	2003			2002		
	Joint ventures £ million	Associates £ million	Total £ million	Joint ventures £ million	Associates £ million	Total £ million
4 Turnover and profits of joint ventures and associated companies						
Group share of turnover	**1.2**	**32.9**	**34.1**	5.8	36.4	42.2
Group share of profits less losses before interest	**0.3**	**(0.3)**	**–**	0.4	5.7	6.1
Interest	**–**	**(0.7)**	**(0.7)**	–	1.0	1.0
Taxation (note 8)	**(0.1)**	**0.5**	**0.4**	–	(2.2)	(2.2)
Profit attributable to Delta shareholders	**0.2**	**(0.5)**	**(0.3)**	0.4	4.5	4.9

Dividends of £nil (2002 £3.6 million) were received from joint ventures and associated companies.

		2003 £ million	2002 £ million
5 Exceptional items			
Operating exceptional items:	Rationalisation and redundancy	**(2.5)**	(5.8)
	Currency gain	**2.5**	–
	Reduction in asset carrying values	**(4.4)**	–
Total operating exceptional items (i)		**(4.4)**	(5.8)
Exceptional interest (note 6)		**–**	(1.5)
Disposal of businesses:	Loss on disposals and termination of businesses (ii)	**(114.2)**	(21.9)
	Use of provision made in previous years	**102.7**	12.3
Provision for diminution in value of businesses to be disposed of (iii)		**–**	(92.0)
Total non-operating exceptional items (i)		**(11.5)**	(101.6)

(i) The tax credit attributable to operating exceptional items is £0.4 million (2002 £nil), the tax credit attributable to non-operating exceptional items is £0.5 million (2002 £0.1 million).

(ii) This represents the loss on disposal of the Electrical division and remaining Plumbing businesses (which are now reported within the Industrial Supplies segment) before use of £102.7 million of provisions made in previous years for diminution in value of businesses to be disposed of. A further £0.7 million of goodwill (2002 £nil) relating to the Plumbing businesses, previously written back through reserves on the acquisition of businesses was also charged to the profit and loss as part of the loss on disposal above.

(iii) A provision of £91.5 million for diminution in value of the Electrical division was made in 2002, £3.7 million was made at the 2002 half-year in respect of the Group's investment in an associate which manufactured supplies for the Electrical division and the remainder was made following the agreement to sell the Electrical division to the Eaton Corporation.

		2003 £ million	2002 £ million
6 Interest			
Interest payable:	On bank loans and overdrafts	**(7.7)**	(9.4)
	On other loans	**(3.2)**	(3.7)
	On finance leases	**–**	(0.4)
		(10.9)	(13.5)
Interest receivable		**6.9**	6.0
Share of joint ventures' and associates' interest (note 4)		**(0.7)**	1.0
		(4.7)	(6.5)

Interest payable includes £3.2 million (2002 £1.5 million) in respect of foreign exchange differences on financing balances.

Included within the interest payable on bank loans and overdrafts above in 2002 is an amount of £1.5 million relating to the early repayment of the US Private Placement, this amount was treated as an exceptional item.

Notes on the accounts

			2003 £ million	2002 £ million
7	**Profit (loss) on ordinary activities before taxation is after charging:**			
	Amortisation of goodwill (including £nil (2002 £nil) for associates)		**1.1**	4.4
	Audit fees	– Deloitte & Touche LLP (including £0.1 million (2002 £nil) for parent Company)	**0.4**	0.1
		– PricewaterhouseCoopers (including £nil (2002 £0.1 million) for parent Company)	**–**	0.4
	Depreciation of tangible assets		**12.5**	19.9
	Depreciation of leased assets		**–**	0.2
	Operating lease rentals: – plant and equipment		**1.0**	2.6
	– other		**2.3**	2.6
	Research and development		**1.0**	6.0
	Profit on disposal of fixed assets		**0.4**	–

In 2003 Deloitte & Touche were appointed the Group's auditors and received £0.1 million (2002 £nil) in respect of non-audit services during the year which all related to tax services.

In 2002, during which period they were the Group's auditors, PricewaterhouseCoopers received £0.9 million in respect of non-audit services during the year of which £0.4 million related to tax services, £0.3 million related to assistance with disposals and £0.1 million related to internal audit services. Of the total payments for non-audit services £0.7 million was paid in the UK and £0.2 million overseas.

The translation of overseas profit before tax at the 2003 average rates of exchange, as compared with the 2002 average rates, increased profits by £4.3 million (£0.9 million of this relating to non-operating exceptional losses).

8 Taxation

Analysis of tax charge for the year:

	2003 £ million	2002 £ million
UK corporation tax at 30.0% (2002 30.0%)	**6.0**	1.6
Double taxation relief	**(6.0)**	(1.0)
Overseas taxation	**10.3**	10.7
Adjustments for prior years	**(0.7)**	(0.2)
	9.6	10.5
Total current tax	**9.6**	11.1
Deferred taxation: Current year	**0.7**	0.7
Adjustments for prior years	**0.5**	0.1
	1.2	0.8
Taxation of Group share of profits less losses of joint ventures and associated companies (note 4)	**(0.4)**	2.2
Total tax charge	**10.4**	14.1

Factors affecting tax charge for the year:

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30.0% (2002 30.0%).

The differences are explained below:-

		2003 £ million	2002 £ million
Profit (loss) on ordinary activities before taxation		**12.7**	(78.6)
Add back: loss (profit) from joint ventures and associates		**0.7**	(7.1)
		13.4	(85.7)
Taxation charge (credit) at UK corporation tax rate of 30.0% (2002 30.0%)		**4.0**	(25.7)
Tax effect of expenses not deductible			
for tax purposes:	Operating exceptional items	**0.9**	1.7
	Goodwill amortisation	**0.3**	1.3
	Other net expenses	**1.5**	3.5
	Non-operating exceptional items	**3.2**	30.4
Timing differences subject to deferred tax		**(0.7)**	(0.7)
Adjustments to current tax charge in respect of prior periods		**(0.7)**	(0.2)
Withholding tax (incl. South African Secondary Tax on Companies)		**1.1**	0.8
Current tax charge for the year		**9.6**	11.1
Deferred tax movements taken to the profit & loss account		**1.2**	0.8
Joint ventures and associate tax		**(0.4)**	2.2
		10.4	14.1

Notes on the accounts

8 Taxation (continued)

Factors that may affect future tax charges:

During 2003 the Group's effective tax rate was higher than the UK corporation tax rate. The principal reason for this is that certain costs do not attract effective tax relief, including a large proportion of central Group overheads. Additionally a large proportion of the Group's profits are earned in South Africa, where the effective tax rate on distributed profits is 37.8%. It is anticipated that this effect will continue in the future.

Given the disposal of a significant part of the total Group via the Electrical and Plumbing divestments, taxation has been allocated between continuing and discontinued on the basis of the legal entities or businesses to which the relevant tax charge relates. Comparative amounts have been restated on this basis.

		2003 £ million	2002 £ 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 1.5p (2002 3.5p)	**2.2**	5.3
	Proposed final 0.5p (2002 4.5p)	**0.8**	6.8
		3.0	12.1
Total dividends		**3.1**	12.2

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

	2003			2002		
	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	**(5.4)**	**150,784,911**		(100.5)	150,578,972	
Less: preference dividends	**(0.1)**			(0.1)		
Basic EPS	**(5.5)**	**150,784,911**	**(3.7)**	(100.6)	150,578,972	(66.8)
Effect of goodwill amortisation	***1.1***		***0.7***	*4.4*		*2.9*
Basic EPS excluding goodwill amortisation	**(4.4)**	**150,784,911**	**(3.0)**	(96.2)	150,578,972	(63.9)
Basic EPS excluding goodwill amortisation (as above)	**(4.4)**	**150,784,911**	**(3.0)**	(96.2)	150,578,972	(63.9)
Effect of operating exceptional items before taxation (note 5)	**4.4**		**2.9**	7.3		4.8
Effect of non-operating exceptional items before taxation (note 5)	**11.5**		**7.6**	101.6		67.6
Effect of taxation on exceptional items (note 5 i)	**(0.9)**		**(0.5)**	(0.1)		(0.1)
Basic EPS excluding exceptional items and goodwill amortisation	**10.6**	**150,784,911**	**7.0**	12.6	150,578,972	8.4

	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 28 December 2002	91.2	(60.5)	(20.6)	10.1
Acquisitions in the year	3.0	–	–	3.0
Disposals in the year	(79.4)	60.8	18.5	(0.1)
Amortisation for the year	–	–	(1.1)	(1.1)
Currency translation	2.9	(0.3)	(0.5)	2.1
At 3 January 2004	**17.7**	**–**	**(3.7)**	**14.0**

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

Notes on the accounts

12 Tangible assets

		Cost or valuation: Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	Accumulated depreciation: Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	Net book value £ million
Group:	At 28 December 2002	97.0	138.0	81.8	316.8	21.3	78.2	64.8	164.3	152.5
	Currency translation	1.0	1.0	2.6	4.6	(0.2)	1.9	2.0	3.7	0.9
	Disposal of businesses	(52.7)	(47.4)	(69.9)	(170.0)	(16.8)	(33.6)	(57.7)	(108.1)	(61.9)
	Other disposals	(0.4)	(2.1)	(1.5)	(4.0)	–	(1.7)	(1.4)	(3.1)	(0.9)
	Acquisition of businesses	8.1	8.5	1.8	18.4	0.8	4.3	1.3	6.4	12.0
	Expenditure 2003	2.2	9.7	3.5	15.4	–	–	–	–	15.4
	Depreciation 2003	–	–	–	–	1.6	7.9	3.0	12.5	(12.5)
	Provision for diminution in asset value	–	–	–	–	2.0	3.1	–	5.1	(5.1)
	At 3 January 2004	**55.2**	**107.7**	**18.3**	**181.2**	**8.7**	**60.1**	**12.0**	**80.8**	**100.4**

Analysis of cost or valuation of land and buildings at professional valuation in:	2000 and earlier years	14.7
	2001 - 2003	–
	At cost	40.5
	At 3 January 2004	**55.2**

		2003 £ million	2002 £ million
Analysis of net book value:	*Land and buildings: Freeholds*	**42.2**	69.4
	Long leaseholds (iii)	–	2.1
	Short leaseholds (iii)	**4.3**	4.2
	Plant and machinery	**47.6**	59.8
	Fixtures, fittings, tools & equipment	**6.3**	17.0
	At 3 January 2004	**100.4**	152.5

(i) The net book value includes land and buildings, plant, machinery and equipment held under finance leases of £nil million (2002 £2.3 million).

(ii) The net book value includes payments on account and assets in the course of construction of £3.9 million (2002 £15.8 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 £5.6 million (2002 £6.7 million) and the accumulated depreciation increased by £3.6 million (2002 £1.8 million).

13 Investments

		Group: Trade investments unlisted £ million	Joint ventures: Cost £ million	Joint ventures: Share of reserves £ million	Joint ventures: Loans £ million	Associated companies: Cost £ million	Associated companies: Share of reserves £ million	Associated companies: Loans £ million	Group: Total £ million	Company: Associated companies Loans £ million
(a) Associates, joint ventures and other investments: cost and share of reserves										
Group:	At 28 December 2002 (as restated)	0.3	1.8	(0.1)	1.1	3.6	14.5	2.7	23.9	–
	Currency translation	–	0.1	(0.1)	–	(0.2)	0.2	0.1	0.1	–
	Acquisitions, disposals and other movements	(0.3)	(1.5)	–	–	(0.4)	2.4	(2.4)	(2.2)	–
	Movement in loans	–	–	–	–	–	–	1.7	1.7	1.6
	Amounts retained	–	–	0.2	–	–	(4.9)	–	(4.7)	–
	Net book value at 3 January 2004	**–**	**0.4**	**–**	**1.1**	**3.0**	**12.2**	**2.1**	**18.8**	**1.6**

(i) The names of principal joint ventures and associated companies are given on page 49.

(ii) Included in amounts retained of £(4.9) million for associates is £4.4 million in respect of cash remitted to the Group in connection with the restructuring of an associate.

Notes on the accounts

	Joint ventures 2003 £ million	Joint ventures 2002 £ million	Associates 2003 £ million	Associates 2002 £ million
13 Investments (continued)				
(b) The Group's share in the net assets of associates and joint ventures (excluding loans) comprises:				
Fixed assets	**1.0**	2.0	**13.4**	11.1
Current assets	**0.6**	4.3	**13.2**	18.0
Liabilities due within one year	**(0.2)**	(4.4)	**(5.2)**	(6.9)
Liabilities due after more than one year	**(1.0)**	(0.2)	**(6.2)**	(4.1)
Share of net assets	**0.4**	1.7	**15.2**	18.1

	Group: Money market funds 2003 £ million	Group: Money market funds 2002 £ million	Group: Other 2003 £ million	Group: Other 2002 £ million	Company: Money market funds 2003 £ million	Company: Money market funds 2002 £ million	Company: Other 2003 £ million	Company: Other 2002 £ million
(c) Current asset investments:								
At 28 December 2002	**0.4**	2.3	**5.4**	2.1	–	–	–	–
Acquisitions, disposals and other movements	**12.6**	(1.9)	**(5.4)**	3.3	**8.2**	–	–	–
Net book value at 3 January 2004	**13.0**	0.4	–	5.4	**8.2**	–	–	–

The market value of the other (listed) investments in 2002 was £5.4 million.

	Book value: At 28 December 2002 £ million	Book value: Movements during year £ million	Book value: At 3 January 2004 £ million	Amounts provided: At 28 December 2002 £ million	Amounts provided: Movements during year £ million	Amounts provided: At 3 January 2004 £ million	Net book (i) value at 3 January 2004 £ million	Net book value at 28 December 2002 £ million
(d) Holding company investments in Group companies:								
Shares	562.2	9.4	571.6	(173.8)	(11.6)	(185.4)	**386.2**	388.4
Loans	(84.5)	(118.5)	(203.0)	(17.1)	–	(17.1)	**(220.1)**	(101.6)
	477.7	(109.1)	368.6	(190.9)	(11.6)	(202.5)	**166.1**	286.8

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

(ii) The cost of shares in subsidiary companies is £600.2 million (2002 £584.1 million).

(iii) The names of the principal Group companies are given on page 49.

		Group 2003 £ million	Group 2002 (as restated) £ million	Company 2003 £ million	Company 2002 £ million
14 Stocks					
Raw materials		**15.5**	25.9	–	–
Work-in-progress		**5.5**	17.2	–	–
Finished goods		**38.4**	48.5	–	–
		59.4	91.6	–	–
Replacement cost		**59.6**	93.7	–	–
15 Debtors					
Amounts falling due after one year:	Other debtors	**4.0**	4.6	**0.6**	–
	Prepayments and accrued income	–	0.1	–	–
		4.0	4.7	**0.6**	–
Amounts falling due within one year:	Trade debtors	**50.5**	83.0	–	–
	Amounts owed by Group companies	–	–	**0.1**	9.1
	Amounts owed by associates and joint ventures	–	0.4	–	–
	Other debtors	**5.5**	8.6	**0.6**	1.8
	Corporation tax recoverable	**0.6**	1.8	–	–
	Prepayments and accrued income	**2.6**	5.8	**0.5**	2.0
		59.2	99.6	**1.2**	12.9
		63.2	104.3	**1.8**	12.9

Notes on the accounts

		Group 2003 £ million	Group 2002 (as restated) £ million	Company 2003 £ million	Company 2002 £ million
16 Creditors					
Amounts falling due within one year:	Trade creditors	**25.6**	46.5	**0.1**	0.3
	Amounts owed to Associated companies	**0.5**	–	–	–
	Amounts owed to Group companies	–	–	**0.4**	–
	Other creditors	**6.9**	22.1	**0.2**	2.2
	Corporate taxation	**4.5**	5.9	–	–
	Other taxation and social security	**1.1**	7.4	**0.1**	0.1
	Accruals and deferred income	**25.0**	39.6	**1.8**	9.4
	Dividends	**0.8**	6.9	**0.8**	6.9
		64.4	128.4	**3.4**	18.9
17 Capital commitments					
Future capital expenditure, contracted but not provided for		**3.6**	3.5	–	–
18 Contingent liabilities					
Financial guarantees		**5.7**	7.6	**1.6**	3.3

(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 £0.1 million at 3 January 2004 (2002 £1.3 million) in respect of certain UK Group companies.

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

		2003 Land and buildings £ million	2003 Plant and equipment £ million	2002 Land and buildings £ million	2002 Plant and equipment £ million
19 Commitments under operating leases					
Annual commitments under operating leases expiring:					
	Within one year	**0.5**	**0.2**	0.4	0.5
	Between one and five years	**3.3**	**0.6**	2.3	1.9
	After five years	**1.4**	–	0.6	0.1
		5.2	**0.8**	3.3	2.5

Company annual commitments for land and buildings are £0.2 million (2002 £0.2 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	20.7	0.3	21.0	26.9	–	26.9
Acceptances	1.7	–	1.7	–	–	–
	22.4	0.3	22.7	26.9	–	26.9
Other unsecured loans	0.1	0.7	0.8	–	–	–
At 3 January 2004	**22.5**	**1.0**	**23.5**	**26.9**	**–**	**26.9**
At the end of last year:						
Unsecured bank loans and overdrafts	96.8	0.5	97.3	130.4	–	130.4
Acceptances	2.5	–	2.5	–	–	–
	99.3	0.5	99.8	130.4	–	130.4
Other unsecured loans	0.1	0.9	1.0	–	–	–
Finance leases (i)	0.2	3.0	3.2	–	–	–
At 28 December 2002	99.6	4.4	104.0	130.4	–	130.4

		Group 2003 £ million	Group 2002 £ million	Company 2003 £ million	Company 2002 £ million
20 Borrowings (continued)					
The Group borrowings are repayable as follows:	Within one year	**22.5**	99.6	**26.9**	130.4
	Between one and two years	**0.3**	0.8	**–**	–
	Between two and five years	**0.7**	1.2	**–**	–
	After five years	**–**	2.4	**–**	–
		23.5	104.0	**26.9**	130.4
Group borrowings repayable wholly or partly in more than five years by instalments		**–**	3.1	**–**	–

(i) The net finance lease obligations due after more than one year in 2002 were repayable as follows: £0.1 million between one and two years, £0.4 million between two and five years, £2.5 million after five years.

Group	Employee related provisions £ million	Insurance £ million	Restructuring and disposal provisions £ million	Other £ million	Deferred taxation £ million	Total £ million
21 Provisions for liabilities and charges	(i)	(ii)	(iii)	(iv)	(v)	
At 28 December 2002 (as restated)	2.8	1.8	6.7	2.8	0.6	14.7
Currency translation	0.5	–	0.6	0.1	(0.1)	1.1
Acquisition/disposal of subsidiaries	–	–	(2.4)	(0.5)	(0.3)	(3.2)
Profit and loss: additional provision	0.6	–	18.0	1.0	1.2	20.8
unused amounts released	–	(0.2)	–	–	–	(0.2)
Utilised	(0.9)	–	(2.1)	(0.5)	(0.1)	(3.6)
At 3 January 2004	**3.0**	**1.6**	**20.8**	**2.9**	**1.3**	**29.6**

(i) Includes pension and long term compensation provisions.

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

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

(iv) Includes warranties, environmental and other provisions.

With respect to items (i), (ii) and (iv) above, the timing of cash outflows to settle such liabilities is currently expected to be over the next five years. With respect to item (iii) above, the timing of cash outflows to settle such liabilities is uncertain.

Provisions for liabilities and charges within the Company of £0.3 million (2002 £nil) relate to restructuring and disposals (see iii above) .

		2003 Amount not provided £ million	2003 Amount provided £ million	2002 Amount not provided £ million	2002 Amount provided £ million
(v) Deferred taxation					
Overseas tax on timing differences:	Excess of tax allowances over depreciation	**–**	**6.4**	–	6.5
	Other items	**–**	**(5.1)**	–	(5.9)
		–	**1.3**	–	0.6

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.

Included in other debtors due after one year (note 15) is a deferred tax asset representing overseas tax on timing differences of £2.9 million (2002 £2.5 million). This is analysed as £2.9 million other items (2002 £2.8 million) less £nil excess of tax allowances over depreciation (2002 £0.3 million).

The Group has tax losses in various territories. Where these tax losses are not expected to be used to reduce the Group's tax charge in future years, then no value is recorded for these tax losses.

22 Related party transactions

In December 2003 the Group completed the sale of its plastic products business, Opella Inc, to its management team for USD 1.1 million.

During the year ended 3 January 2004, purchases on normal trading terms of £3.4 million were made from joint ventures and associated companies, no sales were made in this period. As at 3 January 2004 creditors included £0.5 million in respect of purchases made from associates and joint ventures by the Group (see note 16) and loans to associates and joint ventures were £3.2 million (see note 13).

Details of the Group's principal joint ventures and associated companies are set out on page 49.

Notes on the accounts

			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 28 December 2002 and 3 January 2004	**1.0**	**2.0**	**47.0**	**50.0**
	Called up share capital – allotted and fully paid:	At 28 December 2002	0.9	1.9	37.8	40.6
		Issued during year under share option schemes	–	–	0.1	0.1
		At 3 January 2004	**0.9**	**1.9**	**37.9**	**40.7**

(i) 1,000,000 shares authorised and 866,152 shares allotted and fully paid at 28 December 2002 and 3 January 2004.

(ii) 2,000,000 shares authorised and 1,940,000 shares allotted and fully paid at 28 December 2002 and 3 January 2004.

(iii) 188,000,000 shares authorised at 28 December 2002 and 3 January 2004, 151,665,260 shares allotted and fully paid at 3 January 2004 (2002 151,240,073).

(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 425,187 ordinary shares of 25p each under the Save As You Earn Share Option Scheme and the International Save As You Earn Share Option Scheme at 72p, 82p, 91p, 99p and 108p. The aggregate nominal value of all the allotted shares was £106,297 and the consideration received for the allotments was £379,361.

			Executive	Save As You Earn	International Save As You Earn	Senior executive
24	**Share options**					
	Invitation to subscribe		5th	–	–	–
	Total number of participants at end of year		34	53	100	3
	Options granted during year:	Date	25 April & 26 June	–	–	–
		Number of shares	1,361,700	nil	nil	nil
	Options exercised and shares allotted during year:	Number of shares	nil	382,519	42,668	nil

(i) At 3 January 2004, there were options outstanding, under the Save As You Earn scheme over 456,335 shares at prices between 72p and 315p, under the international scheme over 443,976 shares at prices between 72p and 108p, under the senior executive schemes over 27,700 shares at prices between 469p and 523p and under the ESOS over 4,291,019 shares between 110p 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).

			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 28 December 2002		32.1	45.2	42.8	32.1	(18.3)	106.3
	Prior year adjustment (see note 31)		–	–	(0.1)	–	(0.8)	0.7
	Reserves at 28 December 2002 (as restated)		32.1	45.2	42.7	32.1	(19.1)	107.0
	Movements during the year:							
	Issue of shares		0.4	–	–	0.4	–	–
	Net surplus (deficit) arising on revaluation:	Currency translation	–	6.1	(10.7)	–	–	–
		Group companies	–	–	–	–	(2.5)	–
	Goodwill transferred to the profit and loss on disposals		–	–	0.7	–	–	–
	Transfer of reserves		–	(3.8)	3.8	–	–	–
	Transfers from profit and loss account:	Group companies	–	–	(3.8)	–	–	(9.9)
		Associated companies	–	–	(4.7)	–	–	–
			0.4	2.3	(14.7)	0.4	(2.5)	(9.9)
	Reserves at 3 January 2004		**32.5**	**47.5**	**28.0**	**32.5**	**(21.6)**	**97.1**

Notes on the accounts

25 Reserves (continued)

(i) The profit and loss account of the Group includes profits retained in overseas Group companies totalling £56.2 million (2002 £59.4 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 (losses) profits in associated companies of £11.3 million (2002 £13.1 million) of which £11.6 million (2002 £15.8 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 £1.8 million (2002 £1.3 million) in respect of associated companies.

(iv) The (loss) profit for the year dealt with in the accounts of the Company is £(6.8) million (2002 £26.3 million). As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

(v) The cumulative goodwill written off directly to reserves, attributable to continuing Group and associated companies held at the end of the year which were purchased prior to 1998, amounted to positive goodwill of £19.8 million (2002 £20.5 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 £5.0 million of exchange losses (2002 £2.7 million exchange gains) on foreign currency loans have been offset against exchange gains (2002 losses) on the net investments in certain overseas subsidiaries and associated undertakings.

(vii) Movement in Company shareholders' funds

	2003 £ million	2002 (as restated) £ million
(Loss) profit for the financial year	**(6.8)**	26.3
Dividends	**(3.1)**	(12.2)
	(9.9)	14.1
Other recognised losses for the year: net deficit arising on revaluation of Group companies	**(2.5)**	(113.8)
Shares issued	**0.5**	0.7
Net decrease in shareholders' funds for the year	**(11.9)**	(99.0)
Total shareholders' funds at the beginning of the year (i)	**159.6**	258.6
Total shareholders' funds at the end of the year	**147.7**	159.6

(i) Shareholders' funds at the beginning of 2002 were originally £258.4 million before adding a prior year adjustment of £0.7 million re the adoption of FRS 19 in 2002 and a further adjustment of £(0.5) million in 2003 (see note 31).

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

Operating profit	**28.9**	23.4
Depreciation, asset carrying value adjustments and amortisation of goodwill	**17.9**	24.5
Profit on disposal of fixed assets	**(0.4)**	–
Increase in stocks	**(5.3)**	(1.2)
Increase in debtors	**(5.7)**	(6.2)
Decrease in creditors	**(11.5)**	(1.8)
Restructuring provisions	**(0.9)**	1.9
Other items	**4.6**	1.4
Net cash inflow from operating activities	**27.6**	42.0

27 Reconciliation of net cash flow to movement in net debt

(Decrease) increase in cash in the year	**(17.5)**	10.5
Cash outflow from decrease in debt and lease financing	**87.7**	4.1
Cash inflow from decrease in liquid resources	**(1.5)**	(6.0)
Change in net debt resulting from cash flows	**68.7**	8.6
Disposals	**3.8**	–
Other non-cash changes	**(3.1)**	–
Translation difference	**(2.1)**	1.5
Movement in net debt in the year	**67.3**	10.1
Net debt at the beginning of the year	**(46.1)**	(56.2)
Net cash (debt) at the end of the year	**21.2**	(46.1)

Notes on the accounts

	At 28 December 2002 (as restated) £ million	Cash flow £ million	Disposals £ million	Other non-cash changes £ million	Translation difference £ million	At 3 January 2004 £ million
28 Analysis of net debt						
Cash in hand, at bank	39.7	(7.2)	–	(3.1)	(3.3)	**26.1**
Overdrafts	(5.9)	(10.3)	–	–	0.5	**(15.7)**
	33.8	(17.5)	–	(3.1)	(2.8)	**10.4**
Debt due after one year	(2.3)	(0.3)	0.4	0.9	0.3	**(1.0)**
Debt due within one year	(92.5)	88.0	–	(0.9)	(1.4)	**(6.8)**
Finance leases	(3.3)	–	3.4	–	(0.1)	**–**
Debt	(98.1)	87.7	3.8	–	(1.2)	**(7.8)**
Liquid resources (i)	18.2	(1.5)	–	–	1.9	**18.6**
Net (debt) cash	(46.1)	68.7	3.8	(3.1)	(2.1)	**21.2**

(i) Included within liquid resources at 3 January 2004 were money market funds of £13.0 million (2002 £0.4 million), bank and other deposits repayable in excess of 24 hours notice of £5.6 million (2002 £12.4 million) and listed current asset investments of £nil (2002 £5.4 million).

						Acquisitions		Disposals	
						2003	2002	2003	2002
	Assets acquired £ million	Accounting policy £ million	Fair value £ million	Total Webforge £ million	Other £ million	Total £ million	Total £ million	Total £ million	Total £ million
29 Acquisition and disposal of businesses									
Tangible fixed assets	11.0	–	0.8	11.8	0.2	**12.0**	0.6	**61.9**	16.2
Investments in associated companies	–	–	–	–	–	–	–	**1.5**	–
Stocks	3.0	–	–	3.0	2.0	**5.0**	0.4	**44.9**	4.0
Debtors	6.1	(0.1)	–	6.0	1.1	**7.1**	–	**52.9**	9.1
Creditors (including current tax)	(5.3)	(0.1)	–	(5.4)	(0.6)	**(6.0)**	(0.2)	**(39.2)**	(10.4)
Provisions (including deferred tax)	0.3	–	–	0.3	–	**0.3**	–	**(2.9)**	(1.6)
Minority interests	–	–	–	–	0.2	**0.2**	0.5	**(0.4)**	(1.5)
Borrowings	–	–	–	–	–	**–**	–	**(3.6)**	–
Net cash	1.3	–	–	1.3	–	**1.3**	–	**1.8**	1.9
Net assets acquired and disposed of	16.4	(0.2)	0.8	17.0	2.9	**19.9**	1.3	**116.9**	17.7
Goodwill				2.3	0.7	**3.0**	0.9	**0.1**	2.2
Loss on disposal (net of provisions made in prior years)				–	–	–	–	**(11.5)**	(9.6)
				19.3	**3.6**	**22.9**	2.2	**105.5**	10.3
Net cash consideration at average exchange rates (less £nil, 2002 £2.0 million paid to minority interests)						**22.4**	1.8	**115.0**	14.9
Deferred consideration and disposal costs not yet paid						**1.2**	0.4	**(10.0)**	(4.0)
Prior years acquisitions/disposals						**–**	–	**1.0**	–
Currency translation						**(0.7)**	–	**(0.5)**	(0.6)
						22.9	2.2	**105.5**	10.3

(i) Acquisitions

All acquisitions have been recorded using acquisition accounting principles. The fair value adjustments shown above relate to the Webforge Group. The fair value adjustments are in respect of the revaluation of land and buildings. The fair values included above have not been finialised and as such are provisional. There were no material fair value adjustments to the other acquisitions. The impact of acquisitions on the Group's profit is disclosed on the face of the profit and loss account and in notes 1 and 2. During 2003 acquisitions contributed £3.1 million to the Group's net cash inflow from operating activities, paid £(0.5) million in respect of tax and utilized £(0.6) million on capital expenditure.

In February 2003, the Webforge Group was acquired from the Pacifica Group for a total cash consideration of £19 million (Australian $52.5 million). Webforge manufactures and supplies a range of construction and civil products such as gratings for industrial flooring, handrails and fencing, the majority of which are protected by galvanizing. It operates in Australia, New Zealand, Indonesia, Philippines, Thailand, Malaysia and China.

(ii) Disposals

During the year the Group made the following disposals:

In December 2002 the Group announced its agreement to sell its Electrical division to Eaton Corporation. Following shareholder approval, the sale was completed on 31 January 2003 for a cash consideration of £130.0 million. The anticipated loss was recognised as an exceptional item in 2002 and the assets of the division were written down to their anticipated net realisable value (see note 5).

Opella Ltd and Opella Inc, manufacturers of plastic products and a stamping operation based in France were sold during the year for £4.4 million. These operations were formerly part of the Group's Plumbing operations, the divestment of which was announced in November 2000.

The 2003 and 2002 results of these businesses have been included in discontinued activities for the purposes of these financial statements. Prior to disposal, these businesses utilised £(14.4) million from the Group's net cash inflow from operating activities; paid £(0.5) million in respect of taxation and £(0.4) million for capital expenditure.

Notes on the accounts

30 Financial instruments

Further information on the Group's use of financial instruments is included in the Financial Review in the sections on borrowings and borrowing facilities, treasury policies and the effect of interest and exchange rates. This should be read in conjunction with the numerical disclosures set out here. Short-term debtors and creditors have been excluded from all disclosures (other than the currency profile). 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 3 January 2004	Cash and deposits	1.0	1.3	4.5	21.4	0.4	3.1	31.7
	Money market funds	–	–	–	–	13.0	–	13.0
	Foreign exchange deals	–	–	–	–	14.1	–	14.1
	Loans to associates/joint ventures and other investments	–	1.1	–	1.6	0.5	–	3.2
	Other	0.2	–	–	–	0.5	0.4	1.1
		1.2	**2.4**	**4.5**	**23.0**	**28.5**	**3.5**	**63.1**
	Floating rate	1.0	2.4	4.5	23.0	28.0	3.1	62.0
	Fixed rate	–	–	–	–	–	0.4	0.4
	Interest free	0.2	–	–	–	0.5	–	0.7
		1.2	**2.4**	**4.5**	**23.0**	**28.5**	**3.5**	**63.1**
Weighted average fixed interest rate (%)		–	–	–	–	–	**7.5**	**7.5**
Weighted average period (years) for which rate is: Fixed (a)		–	–	–	–	–	–	–
Interest free (a)		–	–	–	–	–	–	–

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

		Euro £ million	US dollar £ million	Australian dollar £ million	South African rand £ million	Sterling £ million	Other £ million	Total £ million
At 28 December 2002	Cash and deposits	4.7	2.2	8.0	14.6	18.1	4.5	52.1
	Money market funds	–	–	–	–	0.4	–	0.4
	Foreign exchange deals	–	–	–	–	107.1	–	107.1
	Loans to associates/joint ventures and other investments	2.6	1.1	–	–	5.8	–	9.5
	Other	0.9	–	–	–	1.2	0.5	2.6
		8.2	3.3	8.0	14.6	132.6	5.0	171.7
	Floating rate	7.3	3.3	8.0	14.6	86.4	4.5	124.1
	Fixed rate	0.4	–	–	–	45.3	0.5	46.2
	Interest free	0.5	–	–	–	0.9	–	1.4
		8.2	3.3	8.0	14.6	132.6	5.0	171.7
Weighted average fixed interest rate (%)		6.0	–	–	–	5.0	7.5	5.1
Weighted average period (years) for which rate is: Fixed (b)		2.8	–	–	–	1.2	–	1.2
Interest free (b)		1.3	–	–	–	–	–	1.3

(b) £0.5 million of fixed rate financial assets and £0.7 million of interest free financial assets have no set repayment date.

Notes on the accounts

30 Financial instruments (continued)

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

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

(c) Interest rate swaps have a notional principal of US$37.5 million expiring in September 2004. Two thirds of the exposure being hedged by the swap ceased during August 2003, with the remaining one third having ceased in January 2004.

	Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
Weighted average fixed interest rate (%)	–	–	**5.5**	–	**5.0**	–	**5.1**
Weighted average period (years) for which rate is: Fixed (d)	–	–	**1.0**	–	–	–	**1.0**
Interest free	–	–	–	–	–	–	–

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

		Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
At 28 December 2002	Borrowings	(80.5)	(13.0)	(2.8)	(1.8)	(0.2)	(5.7)	(104.0)
	Foreign exchange swaps	(4.0)	(40.4)	(48.9)	(15.0)	–	(0.5)	(108.8)
	Preference shares	–	–	–	–	(2.8)	–	(2.8)
		(84.5)	(53.4)	(51.7)	(16.8)	(3.0)	(6.2)	(215.6)
	Floating rate	(84.5)	(17.5)	(34.1)	(16.8)	–	(3.1)	(156.0)
	Fixed rate	–	(35.9)	(17.6)	–	(3.0)	(3.1)	(59.6)
		(84.5)	(53.4)	(51.7)	(16.8)	(3.0)	(6.2)	(215.6)

	Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
Weighted average fixed interest rate (%)	–	4.5	4.7	–	5.0	9.4	4.8
Weighted average period (years) for which rate is: Fixed (e)	–	1.5	0.9	–	1.2	10.0	1.8
Interest free	–	–	–	–	–	–	–

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

Total financial assets less financial liabilities	Euro	US dollar	Australian dollar	South African rand	Sterling	Other	Total
Floating rate	(3.5)	(7.3)	0.7	8.1	27.8	(0.2)	25.6
Fixed rate	–	–	(1.7)	–	(2.8)	0.4	(4.1)
Interest free	0.2	–	–	–	0.5	–	0.7
At 3 January 2004	**(3.3)**	**(7.3)**	**(1.0)**	**8.1**	**25.5**	**0.2**	**22.2**
Floating rate	(77.2)	(14.2)	(26.1)	(2.2)	86.4	1.4	(31.9)
Fixed rate	0.4	(35.9)	(17.6)	–	42.3	(2.6)	(13.4)
Interest free	0.5	–	–	–	0.9	–	1.4
At 28 December 2002	(76.3)	(50.1)	(43.7)	(2.2)	129.6	(1.2)	(43.9)

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

	2003 £ million	2002 £ million
(ii) Maturity profile of financial liabilities		
In one year or less, or on demand	**(37.1)**	(208.4)
In one to two years	**(0.3)**	(0.8)
In two to five years	**(0.7)**	(1.2)
In more than five years	**(2.8)**	(5.2)
	(40.9)	(215.6)

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

	2003 £ million	2002 £ million
(iii) Maturity profile of undrawn committed borrowing facilities		
Within one year	**(20.2)**	(41.3)
In one to two years	–	–

Notes on the accounts

30 Financial instruments (continued)

(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.

		2003 Book value £ million	2003 Fair value £ million	2002 Book value £ million	2002 Fair value £ million
Primary financial instruments used to finance the Group's operations:	Finance leases	–	–	(3.3)	(4.5)
	Borrowing under revolving credit facility	–	–	(89.8)	(89.8)
	Other borrowing	**(23.5)**	**(23.5)**	(10.9)	(10.9)
	Preference shares	**(2.8)**	**(2.1)**	(2.8)	(2.2)
		(26.3)	**(25.6)**	(106.8)	(107.4)
Financial assets:	Cash and short term deposits	**31.7**	**31.7**	52.1	52.1
	Money market funds	**13.0**	**13.0**	0.4	0.4
	Loans to associates/joint ventures and other investments	**3.2**	**3.2**	9.5	9.5
	Other	**1.1**	**1.1**	2.6	2.6
		49.0	**49.0**	64.6	64.6
Derivative financial instruments held to manage the interest rate profile:	Interest rate swaps	**(0.6)**	**(0.6)**	–	(1.2)
Derivative financial instruments held to manage the translation exposure:	Forward foreign currency contracts	**0.1**	**0.1**	(1.7)	(1.7)
Derivative financial instruments held to manage transaction exposures:	Forward foreign currency contracts	–	**4.4**	–	1.4
		22.2	**27.3**	(43.9)	(44.3)

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

Item	**Method**
Cash at bank, short-term borrowings	The fair value of these items approximates to the carrying amount.
Finance leases	Fair value for 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 mid-market value of shares as at 2 January 2004.
Interest rate swaps	Fair value is based on the market price of comparable instruments at the balance sheet date.
Foreign exchange deals	Fair value is calculated by marking each contract to market at exchange rates prevailing at the balance sheet date.

(v) Currency and interest rate hedges

The 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:

		2003 £ million	2002 £ million
Unrecognised gains (losses):	Positions on hedges at beginning of year	**0.2**	(0.7)
	Arising in previous years included in 2003 income	**(0.2)**	0.5
	Arising in previous years not included in 2003 income	–	(0.2)
	Arising in 2003	**4.4**	0.4
	Positions on hedges at year end	**4.4**	0.2
Of which:	Expected to be included in the next financial year	**4.4**	0.7
	Expected to be included after the next financial year	–	(0.5)
		4.4	0.2

Notes on the accounts

30 Financial instruments (continued)

(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 3 January 2004					
US dollar	–	–	–	(1.8)	(1.8)
Other	–	(0.8)	(1.3)	1.3	(0.8)
	–	**(0.8)**	**(1.3)**	**(0.5)**	**(2.6)**
Functional currency of Group operation at 28 December 2002					
Euro	–	–	0.1	0.1	0.2
Australian dollar	–	–	–	0.9	0.9
US dollar	–	–	–	(0.6)	(0.6)
Other	(0.1)	(1.0)	(0.5)	0.6	(1.0)
	(0.1)	(1.0)	(0.4)	1.0	(0.5)

31 Prior period adjustments

During the year the Group changed its accounting policy with regard to long term employee compensation arrangements in South Africa that are administered as part of a shadow share trust established for this purpose. Previously, the Group's obligations in relation to these trusts were only recorded when the compensation became payable whereas now it is accrued over the period during which the benefit is earned by the employee.

The Group has adopted UITF 38 'Accounting for ESOP trusts'. As a result, the shares in the ESOT are now valued at their original cost and deducted from shareholders' funds. At 3 January 2004, the 514,609 shares held by the ESOT (cost £1.5 million) had a market value of £0.4 million. At 3 January 2004, £0.5 million has been amortised to the profit and loss account. Dividend income payable to the ESOT has been waived. Further details of the operation of the long term incentive plan are given in the Remuneration Report. The effect of the above on the current and comparative figures are as follows:

		2003			2002		
		Before prior period adjustment £ million	Prior period adjustment £ million	As reported £ million	Before prior period adjustment £ million	Prior period adjustment £ million	As reported £ million
Profit and loss account							
Group	Profit (loss) on ordinary activites before taxation	**13.5**	**(0.8)**	**12.7**	(77.5)	(1.1)	(78.6)
	Profit (loss) on ordinary activites after taxation	**3.1**	**(0.8)**	**2.3**	(91.6)	(1.1)	(92.7)
	Minority interests	**(8.4)**	**0.7**	**(7.7)**	(8.3)	0.5	(7.8)
	Transfer from reserves	**(8.4)**	**(0.1)**	**(8.5)**	(112.1)	(0.6)	(112.7)
Company	(Loss) profit on ordinary activities before taxation	**(6.8)**	**–**	**(6.8)**	26.3	–	26.3
	(Loss) profit on ordinary activites after taxation	**(6.8)**	**–**	**(6.8)**	26.3	–	26.3
	Transfer (from) to reserves	**(9.9)**	**–**	**(9.9)**	14.1	–	14.1
Earnings per share							
Basic and diluted		**(3.7)**	**–**	**(3.7)**	(66.4)	(0.4)	(66.8)
Balance sheet							
Group	Other investments	**0.3**	**(0.3)**	**–**	0.6	(0.3)	0.3
	Debtors over 1 year	**8.2**	**(4.2)**	**4.0**	7.3	(2.6)	4.7
	Debtors under 1 year	**59.1**	**0.1**	**59.2**	99.5	0.1	99.6
	Bank and other deposits	**30.6**	**1.1**	**31.7**	51.8	0.3	52.1
	Other creditors	**(64.4)**	**–**	**(64.4)**	(128.1)	(0.3)	(128.4)
	Provisions	**(26.8)**	**(2.8)**	**(29.6)**	(12.3)	(2.4)	(14.7)
	Net assets	**189.1**	**(6.1)**	**183.0**	198.4	(5.2)	193.2
	Profit and loss account	**28.7**	**(0.7)**	**28.0**	42.8	(0.1)	42.7
	Employee share ownership trust	**–**	**(1.0)**	**(1.0)**	–	(1.0)	(1.0)
	Shareholders' funds	**149.4**	**(1.7)**	**147.7**	160.7	(1.1)	159.6
	Equity minority interests	**39.7**	**(4.4)**	**35.3**	37.7	(4.1)	33.6
Company	Other investments	**0.3**	**(0.3)**	**–**	0.3	(0.3)	–
	Investment in Group companies	**167.5**	**(1.4)**	**166.1**	287.6	(0.8)	286.8
	Net assets	**149.4**	**(1.7)**	**147.7**	160.7	(1.1)	159.6
	Revaluation reserve	**(20.2)**	**(1.4)**	**(21.6)**	(18.3)	(0.8)	(19.1)
	Profit and loss account	**96.4**	**0.7**	**97.1**	106.3	0.7	107.0
	Employee share ownership trust	**–**	**(1.0)**	**(1.0)**	–	(1.0)	(1.0)
	Shareholders' funds	**149.4**	**(1.7)**	**147.7**	160.7	(1.1)	159.6

Shareholders' information

Calendar 2004

Dividends on ordinary shares	Final 2003	Announcement	**16 March 2004**
		Payable	**7 June 2004**
		to members registered on	**26 March 2004**
	Interim 2004	Announcement	**2 September 2004**
		Payable	**1 December 2004**
		to members registered on	**10 September 2004**
Distribution of documents to members	Interim report 2004 posted		**6 September 2004**
Annual general meeting	Proxies to reach registrars by 11am		**3 May 2004**
	Meeting to be held at 11am		**5 May 2004**
Accounting periods	First half year 2004 ends		**3 July 2004**
	Second half year 2004 ends		**1 January 2005**

Ownership of ordinary shares

At 3 January 2004

By type of shareholder

Shareholders			Ordinary shares in issue	
Number	**%**	**Description**	**Number in millions**	**%**
6,309	86.2	Individual shareholders	10.4	6.9
911	12.4	Bank or Nominees	135.8	89.6
5	0.1	Insurance companies and pension funds	2.6	1.7
98	1.3	Other institutions	2.8	1.8
7,323	100.0		151.6	100.0

By size of shareholding

Shareholders			Ordinary shares in issue	
Number	**%**	**Description**	**Number in millions**	**%**
3,775	51.6	held up to 999 shares	1.5	1.0
3,311	45.2	held between 1,000 and 24,999 shares	11.2	7.4
176	2.4	held between 25,000 and 249,999 shares	14.8	9.8
61	0.8	held 250,000 shares and above	124.1	81.8
7,323	100.0		151.6	100.0

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

The Company offers both a self-select PEP and self-select ISA administered by Halifax Share Dealing Limited. Both accounts provide UK residents with a tax efficient method of holding shares in Delta plc. Any gains made on the shares' stock market value whilst they are held in a PEP or ISA are free of capital gains tax, and any dividends arising on such shares are free from income tax. Any dividends received on the shares held in a PEP or ISA can either be paid to you, or you can reinvest it.

Halifax Share Dealing is able to reclaim, on your behalf, the 10% tax credit on the value of dividends received on investments held within a PEP or ISA. However, following changes arising from The Finance Act 1998 this will not be possible from 6 April 2004 onwards.

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

Halifax Share Dealing Limited. Authorised and regulated by the Financial Services Authority, a Member of the London Stock Exchange and an Inland Revenue approved PEP and ISA Manager.

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., 20 Moorgate, London, EC2R 6DA. 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 sixteenth annual general meeting of Delta plc will be held at the Thistle Hotel Charing Cross, Strand, London, WC2N 5HX on 5 May 2004 at 11am for the following purposes:

1. To receive and consider the accounts for the financial year ended 3 January 2004 and the report of the directors and auditors thereon.

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

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

4. To re-elect Charles Fisher as a director of the Company.

5. To re-elect Steven Marshall as a director of the Company.

6. As special business, to approve the amendment of Article 98 of the Articles of Association of the Company by passing the following resolution as a special resolution:

THAT, Article 98 of the Articles of Association of the Company be amended by the addition of the words 'including for these purposes payments in connection with appointments onto standing committees of the Board' after the words 'ordinary remuneration' in the second line and by the deletion of the second line of the sum '£100,000' and the substitution therefor of the sum of '£300,000'.

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 London Stock Exchange plc for the five business days in respect of which such Daily Official List is published immediately preceding the date of purchase (in each case excluding expenses);
(c) unless previously revoked or varied the authority hereby conferred is to expire on 5 August 2005 or at the conclusion of the annual general meeting in 2005, 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.

8. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

THAT, the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined by Section 80(2) of the Act) with an aggregate nominal amount of up to £9,077,638 to such persons, on such terms and conditions and at such times as the directors may determine for a period of five years from the date on which this resolution is passed and to make any offer or agreement which would or might require any relevant securities as aforesaid to be allotted after the expiry of the said five years and to allot any relevant securities as aforesaid in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and all unexercised authorities previously granted to the directors to allot relevant securities to be and are hereby revoked.

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

1 Kingsway, London WC2B 6NP
16 March 2004

On behalf of the Board
J P Narciso, Secretary

Notes:

(i) Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, a person must be registered as the holder of ordinary shares by 6pm on 3 May 2004 in order for such person to be entitled to attend or vote at the meeting in respect of those shares. Changes to entries on the register after 6pm on 3 May 2004 shall be disregarded in determining the rights of any person to attend or vote (and the number of votes cast) at the meeting. A person must be registered as the holder of preference shares by the same time in order for such person to be entitled to attend the meeting in respect of those shares. Preference shares do not entitle their holders to vote at the meeting.
(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 16 March 2004 to the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting.

Notice of annual general meeting

Notice is hereby given that the one hundred and sixteenth annual general meeting of Delta plc will be held at the Thistle Hotel Charing Cross, Strand, London, WC2N 5HX on 5 May 2004 at 11am for the following purposes:

1(a) To receive and consider the accounts for the financial year ended 3 January 2004 and the report of the directors and auditors thereon.

1(b) To approve the report to shareholders on directors' remuneration for the year ended 3 January 2004.

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

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

4. To re-elect Charles Fisher as a director of the Company.

5. To re-elect Steven Marshall as a director of the Company.

6. As special business, to approve the amendment of Article 98 of the Articles of Association of the Company by passing the following resolution as a special resolution:

THAT, Article 98 of the Articles of Association of the Company be amended by the addition of the words 'including for these purposes payments in connection with appointments onto standing committees of the Board' after the words 'ordinary remuneration' in the second line and by the deletion of the second line of the sum '£100,000' and the substitution therefor of the sum of '£300,000'.

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 London Stock Exchange plc for the five business days in respect of which such Daily Official List is published immediately preceding the date of purchase (in each case excluding expenses);
(c) unless previously revoked or varied the authority hereby conferred is to expire on 5 August 2005 or at the conclusion of the annual general meeting in 2005, 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.

8. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

THAT, the directors be and they are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the 'Act') to exercise all powers of the Company to allot relevant securities (as defined by Section 80(2) of the Act) with an aggregate nominal amount of up to £9,077,638 to such persons, on such terms and conditions and at such times as the directors may determine for a period of five years from the date on which this resolution is passed and to make any offer or agreement which would or might require any relevant securities as aforesaid to be allotted after the expiry of the said five years and to allot any relevant securities as aforesaid in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and all unexercised authorities previously granted to the directors to allot relevant securities to be and are hereby revoked.

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

1 Kingsway, London WC2B 6NP
5 April 2004

On behalf of the Board
J P Narciso, Secretary

Notes:

(i) Pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, a person must be registered as the holder of ordinary shares by 6pm on 3 May 2004 in order for such person to be entitled to attend or vote at the meeting in respect of those shares. Changes to entries on the register after 6pm on 3 May 2004 shall be disregarded in determining the rights of any person to attend or vote (and the number of votes cast) at the meeting. A person must be registered as the holder of preference shares by the same time in order for such person to be entitled to attend the meeting in respect of those shares. Preference shares do not entitle their holders to vote at the meeting.

(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 16 March 2004 to the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting.

Erratum

Delta plc – Annual General Meeting Notice

The attached revised Annual General Meeting notice and proxy/attendance card contains a new resolution (No 1[b]) and the original resolution No 1 therefore has been re-numbered to No 1[a].

Principal group and associated companies (iii)

At 3 January 2004

Electrolytic Manganese Dioxide

SOUTH AFRICA

Delta EMD (Pty) Ltd (55%)	Electrolytic manganese dioxide

AUSTRALIA

Delta EMD Australia Pty Ltd (55%)	Electrolytic manganese dioxide

Manganese Metal

ASSOCIATE

SOUTH AFRICA

Manganese Metal Co (Pty) Ltd 49.0% of 464,500 ordinary shares of 50c each	Manganese metal

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 (70%)	Galvanizing services

PHILIPPINES

Industrial Galvanizers Corporation of the Philippines Inc	Galvanizing services

USA

Industrial Galvanizers America Inc	Galvanizing services

VIETNAM

Vingal Industries Co Ltd (55%)	Galvanizing services

Industrial Supplies

MINING AND DISTRIBUTION:

AUSTRALIA

Donhad Pty Ltd (60%)	Mining consumables
Machin & Ewen Pty Ltd	Fasteners
Cutting Edges Pty Ltd	Distribution of replacement parts

SOUTH AFRICA

Electrical Repair Engineering (Pty) Ltd	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

OTHER:

UNITED KINGDOM

Investment Tooling International Ltd	Mouldmaking and specialist toolmakers

ASSOCIATE

SOUTH AFRICA

Cobra Investments (Pty) Ltd (37.6%) 37.6% of 1,000,000 ordinary shares of ZAR 1 each	Plumbing products

Group

UNITED KINGDOM

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

Principal Holding Companies

Delta Group Australia Pty Ltd	Australia
Delta Electrical Industries Ltd (56.4%)	South Africa
Delta S. A. Pty Ltd	South Africa
Delta Electrical and Engineering Holdings B.V.	Netherlands

Notes

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

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

(iii) Audited information.

Group financial information

		1999 £ million	2000 £ million	2001 £ million	2002 £ million	**2003 £ million**
Profit and loss account (continuing)						
Turnover (including associates):	Electrolytic manganese dioxide	43.6	57.8	37.7	47.1	**45.9**
	Manganese metal	18.8	20.0	16.1	22.3	**19.1**
	Galvanizing	61.1	72.3	75.7	85.7	**124.2**
	Industrial supplies	123.8	119.4	118.5	118.5	**145.6**
	Total	247.3	269.5	248.0	273.6	**334.8**
Profit before exceptional items, goodwill amortisation and interest:	Electrolytic manganese dioxide	13.5	15.1	12.7	15.6	**15.8**
	Manganese metal	3.8	5.2	4.5	4.6	**(2.1)**
	Galvanizing	5.2	3.6	1.1	4.1	**8.3**
	Industrial supplies	11.6	12.4	13.3	12.5	**17.5**
	Group costs	(7.6)	(7.2)	(5.5)	(6.4)	**(5.5)**
	Total including Group costs	*26.5*	*29.1*	*26.1*	*30.4*	**34.0**
Balance sheet (including discontinued operations)						
Ordinary capital issued		37.5	37.6	37.6	37.8	**37.9**
Reserves		243.5	253.1	218.7	119.0	**107.0**
Equity shareholders' funds		281.0	290.7	256.3	156.8	**144.9**
Capital employed		456.3	402.5	352.4	244.7	**161.8**
Earnings and dividends						
Basic earnings (loss) per 25p ordinary share (pence)		3.5	(5.0)	(13.9)	(66.8)	**(3.7)**
Dividends per 25p ordinary share (pence)		8.0	8.0	8.0	8.0	**2.0**
Times covered		0.4	(0.6)	(1.7)	(8.4)	**(1.9)**
Statistics						
Return on capital employed (%)		7.6	7.5	2.7	(24.3)	**8.6**
Net assets per 25p ordinary share (pence)		187	194	171	104	**96**
Debt/equity ratio		0.5:1	0.3:1	0.2:1	0.3:1	**(0.1):1**
Ratio of current assets to current liabilities		2.1:1	2.2:1	1.7:1	1.1:1	**1.9:1**
Stock Market price of ordinary shares						
Highest (pence)		179	161	158	127	**125**
Lowest (pence)		107	101	86	76	**81**

UK Capital Gains Tax

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

Notes:

The profit and loss account information for 1999-2002 has been restated to reflect activities discontinued between 2000 and 2003 and the new segmental reporting structure adopted in 2003.

All other information above is as published in the financial statements for the respective years, restated as follows:

- 2002 being restated to reflect the implementation of UITF 38 and the change in accounting policy re long term employee compensation arrangements in South Africa (see note 31). The figures for 1999-2001 have not been restated.
- 2001 being restated to reflect the adoption of FRS 19. The figures for 1999 and 2000 have not been restated.
- 2000 being restated to exclude money market fund current investments in the calculation of capital employed and to include them within debt for the calculation of the debt/equity ratio. In 1999 the Group had no money market fund current investments.
- 1999-2000 being restated to include deferred tax in the calculation of capital employed.

Secretary
J P Narciso FCIS

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Telephone: 020 7836 3535

Chief accountant
J A Ford ACMA

Treasurer
P Marriott MCT

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Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Auditors
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