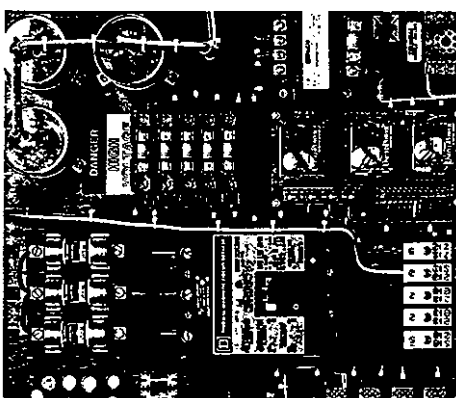
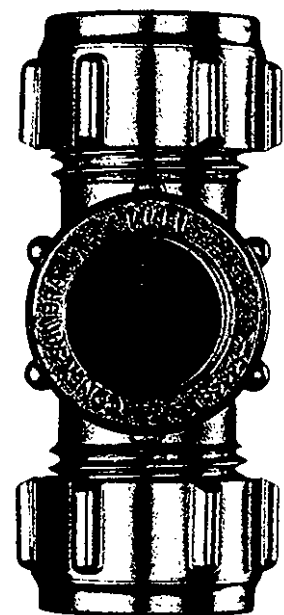
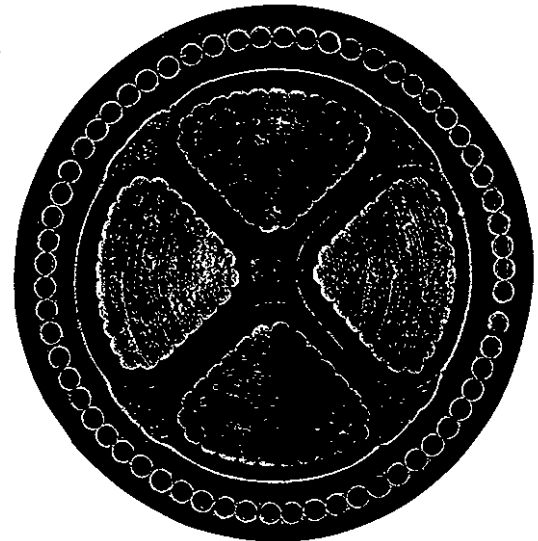


**DELTA**

Annual report and accounts

2322382



Delta plc is an international industrial group with four main businesses: electric cables, circuit protection, engineering and industrial services. In each business area Delta companies have leading market positions. With a compact headquarters and tight financial controls, Delta is decentralised with strong management accountability. We employ some 12,100 people worldwide and over half our business is outside the UK with operations in Continental Europe, USA, Australia, Africa and the Pacific Rim.

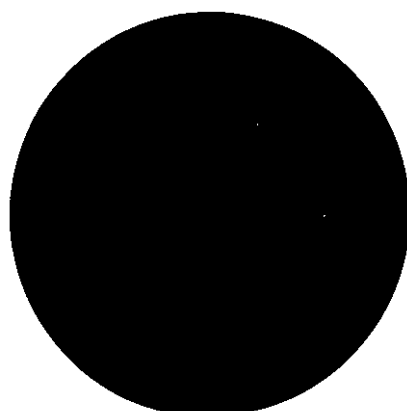
### Contents

1	Financial highlights
2	Operations overview
4	Chairman's report to shareholders
6	Chief executive's review of the year
8	– Cables
10	– Circuit protection
12	– Engineering
14	– Industrial services
16	– Business development
17	Financial review
20	The Group board
21	Board of directors of Delta plc
22	Directors' report
29	Auditors' reports
30	Group profit and loss account
31	Balance sheets
32	Group cash flow statement
33	Statement of total recognised gains and losses
34	Accounting policies
35	Notes on the accounts
45	Principal Group and associated companies
46	Shareholders' information
47	Notice of annual general meeting
48	Group financial information

## Financial highlights

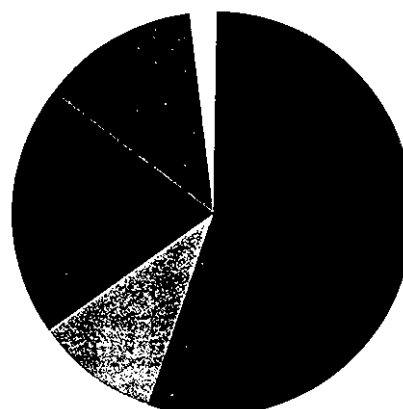
	1996		1995	
	Before exceptional items	After exceptional items	Before exceptional items	After exceptional items
Profit before interest	£67.1m	£55.5m	£74.4m	£63.4m
Profit before taxation	£57.2m	£45.6m	£64.1m	£53.1m
Earnings per ordinary share	22.8p	15.2p	26.1p	20.0p
Dividends per ordinary share:				
Paid as a conventional dividend		4.5p		4.5p
Payable as a Foreign Income Dividend		14.4p		14.4p
Total dividend for year		18.9p		18.9p
Equivalent to a total conventional dividend		16.0p		16.0p
Shareholders' funds		£330.6m		£343.7m
Net assets per ordinary share		219p		228p

1996 Profits by division  
(before exceptional items)



■ Cables 3%  
 ■ Circuit protection 19%  
 ■ Engineering 42%  
 ■ Industrial services 36%

1996 Sales by  
geographical destination



■ UK 44%  
 ■ Germany 7%  
 ■ France 2%  
 ■ Spain 2%  
 ■ Other Europe 10%  
 ■ Asia-Pacific 20%  
 ■ North America 8%  
 ■ Near and Middle East 5%  
 ■ Africa 2%

Share price annual high/low (pence)

87	195-320
88	246-328
89	264-365
90	272-384
91	277-450
92	335-505
93	416-554
94	431-579
95	374-533
96	323-463

## Operations overview

### Cables

#### Utility

Supertension  
Power

#### Industrial

Medium voltage  
Low voltage

#### Special

Fire hazard  
Communication  
Performance

### Circuit protection

#### Medium voltage

500v switchgear  
MCCBs  
Motor control

#### Low voltage

250v switchgear  
Mcbs/rcds  
Accessories

#### Ancillary

Lighting/security  
Automotive

	1996	1995
Sales	£314m	£368m
Profit	£2m	£1m

	1996	1995
Sales	£151m	£146m
Profit	£13m	£12m

## Engineering

### Plumbing

Water supply  
Heating  
Air conditioning/refrigeration

### Flow control

Gas controls  
Regulators  
High integrity

### Extrusions/Components

Extrusions  
Components

## Industrial services

### Repair & Services

Electrical equipment  
Protective coatings

### Distribution & Consumables

Consumables  
Spare parts  
Electronic equipment

### Industrial supply

Electrolytic manganese  
 $\text{Mn}_3\text{O}_4$   
Other

	1996	1995
Sales	£346m	£380m
Profit	£28m	£38m

	1996	1995
Sales	£240m	£233m
Profit	£24m	£24m

## Chairman's report to shareholders

Our commitment to the development of highly innovative, quality products on an increasingly international scale continued during the year. Although demand in European markets was subdued, the sustained export efforts of all our divisions were rewarded by the encouraging number of orders received from new markets. We also began to see the benefits of our rationalisation efforts during the year, particularly in Cables division. However, overall trading conditions were difficult.

Profit before tax was £45.6 million (1995 £53.1 million), resulting in earnings per share of 15.2p (1995 20.0p). The Group's turnover, which was affected by the highly abnormal fall in the price of copper in June and the divestment of some peripheral businesses, decreased 7% to £950.0 million (1995 £1,018.5 million).

Stringent management of working capital and moderate capital expenditure in a year of consolidation resulted in a strong cash flow which lowered the interest charge. Underlying pre-tax profits were £62.9 million (1995 £64.1 million), which were then reduced by the metal write-down of £5.7 million to give a pre-exceptional outturn of £57.2 million. In order to counteract weaker demand levels experienced by the plumbing and circuit protection businesses, a rationalisation exercise was initiated and we took an exceptional charge of £5.0 million. Losses on the disposal of businesses involved a further exceptional charge of £6.6 million. Thus underlying earnings per share would have been 25.2p (1995 26.1p) but for the metal write-down and exceptionals.

### Dividend

We are again proposing to pay a final dividend of 14.4p as a Foreign Income Dividend (FID). Our net UK taxable income has been reduced by the exceptional items, leaving insufficient room to absorb fully the Advance Corporation Tax (ACT) on an ordinary dividend. Thus, paying a Foreign Income Dividend affords the optimal approach to this situation. The Foreign Income Dividend will be fully enhanced by the equivalent of a normal tax credit, thereby protecting the position of our UK tax exempt and overseas shareholders whilst yielding significant income benefit for UK tax paying shareholders. The total dividends for the year, including the interim

dividend of 4.5p and the enhanced final dividend of 14.4p, thus amount to a maintained 18.9p per ordinary share (1995 18.9p).

### People

The Group continues to encourage the development of internal talent and it is pleasing to see that many Group companies either have achieved or are striving to achieve Investor in People accreditation. The continuous improvement of standards of customer care and service by all our employees is essential for us to achieve our goals.

In what has been a varied and challenging year, the hard work and enthusiasm of our employees has been well appreciated and we would like to thank them for their dedication and loyalty.

Robert Easton retired as Chief Executive at the end of November and we would like to thank him also for his contribution to the Group over the past 22 years.

Jon Scott-Maxwell joined the Group as Chief Executive on 1st December 1996. Jon has a BSc degree in Engineering Science and his career has given him substantial international experience, particularly during his 16 years within GKN, being based successively in the UK, Japan and Germany. This experience will be of great value to our Group. The Board and I very much look forward to working with him as he guides Delta into the next stage of its growth.

### Outlook

The economic outlook remains unclear, but there are some indications of increased demand in the UK. On the Continent, Western European markets remain for the moment in the doldrums but are no longer deteriorating, while Central Europe is showing more encouraging signs. The Australian and South African economies, though stable, are not showing much strength but growth in South East Asia continues apace.

The Group is poised to move forward, building on its operational strengths. We intend to realise our potential by focusing resources on higher added value products and markets with higher growth opportunities. I am confident that under the management leadership of Jon Scott-Maxwell we shall do so successfully.



Jon Scott-Maxwell, Chief Executive and Sir Martin Jacomb, Chairman

*Martin W. Jacomb*

Sir Martin Jacomb, Chairman

## Chief executive's review of the year

Trading conditions were weak during the first half of the year in the UK and throughout the year in Germany and France. Growth continued throughout South East Asia, whilst in Australia the economy remained slow except for the mining and telecommunications sectors. US trading remained at reasonable levels but in South Africa growth in the non-agricultural economy fell away as the year progressed. In addition, there was the extraordinary fall in the copper price in June which resulted in a write-down in the value of our metal stock. The end of the year saw some signs of strengthening demand in the UK and some recovery in the price of copper.

Trading in the first six months reflected the depressed nature of the construction markets. This was further exacerbated by the extreme and prolonged winter weather conditions in Continental Europe. Ongoing strong management control focused on cost reduction throughout the year and in response to these market conditions, rationalisation was undertaken within the Group's engineering and circuit protection operations. The second half of the year saw a return to more stable trading conditions with the addition of rationalisation benefits beginning to show through.

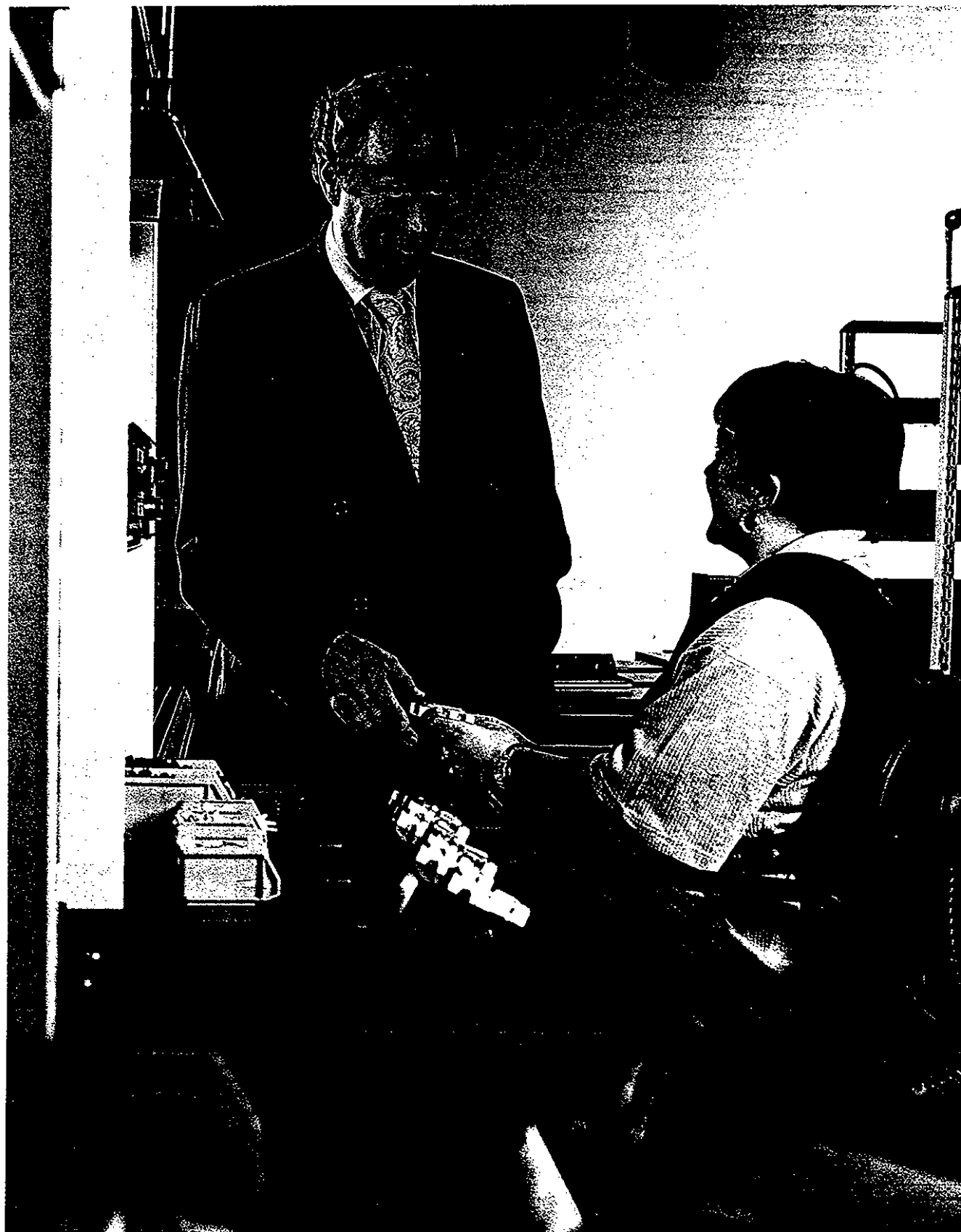
Turnover decreased by 7% to £950.0 million due to the reduced price of copper and the sale of peripheral businesses. The plumbing and circuit protection businesses were particularly hit by the poor trading conditions and therefore to maintain ongoing profitability an exceptional charge of £5.0 million was taken to effect the necessary

rationalisation. Before the charge, pre-interest profits of £67.1 million (1995 £74.4 million) were achieved, maintaining a return on sales slightly above 7%. Effective control of working capital resulted in a strong cash flow and reduced the interest charge. Pre-tax profits before exceptional charges were £57.2 million, after absorbing the £5.7 million write-down in the value of metal stocks. Pre-exceptional pre-tax profits achieved were therefore £62.9 million which compares with an equivalent figure of £64.1 million. Underlying earnings per share were 22.8p (1995 26.1p) and would have been 25.2p but for the metal write-down.

The rationalisation projects to re-shape Cables division continued to be implemented as planned; the first stage was completed during the year and the second announced in early 1997. Following a year of very high capital expenditure in 1995, the lower 1996 spend of £27.8 million was a result of the Group's consolidation after a period of intense new product development and management's execution of the rationalisation programmes. Investment in Circuit Protection's product and market development continued to make steady progress and the division achieved underlying profit improvement. Competitive pressures on the Engineering businesses were maintained in the second half of the year resulting in a similar underlying result to that of the first half. Industrial Services improved their performance and developed the growth prospects in Asia Pacific.

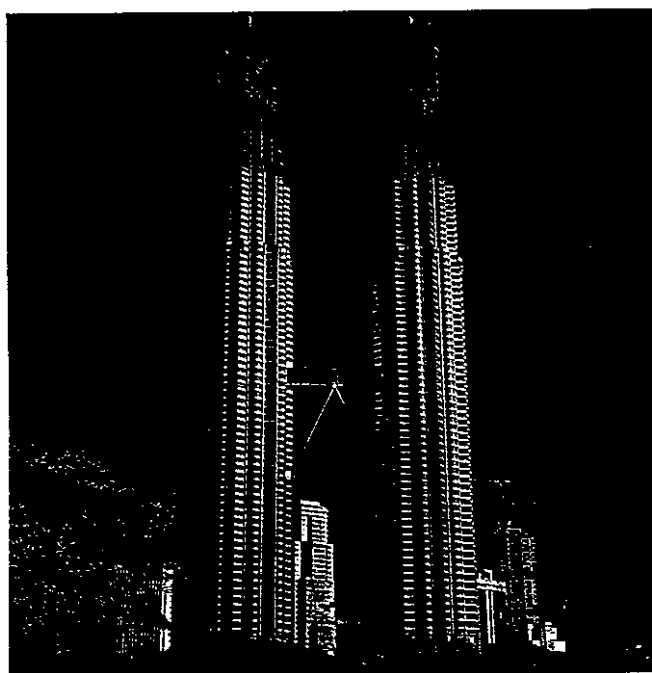
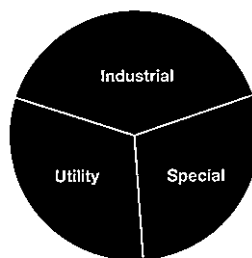
The performance of each division together with comments on the territories in which they operate is reported separately on the following pages.





Maria Jones demonstrates the new circuit breaker assembly line to Jon Scott-Maxwell at MEM 250v, Holyhead.

## Technically superior, quality cable designs achieving international growth



**Left:** The installation of Firetuf in the world's tallest building in Kuala Lumpur is part of a major export drive into new overseas markets.

**Right:** High technical and safety standards demanded by London Underground's Jubilee Line Extension are met by Delta cable.

The division was restructured into three separate units: Cable Materials, Energy Cables and Special Cables. Rationalisation completed during the year included various plant reorganisations and the closures of the Stalybridge factory and the Northern Distribution Centre. In addition there has been a focus on developing employee skills and quality performance. Sales reduced to £314.1 million due to the reduction in the price of copper and the deliberate withdrawal from certain cable markets. Profits from continuing businesses were an underlying £6.2 million. The metal write-down of £3.3 million and first half pre-disposal losses of £0.7 million in Surprenant gave a reported profit of £2.2 million (1995 £0.7 million).

### Delta Cable Materials

Cable Materials manufactures copper rod, wire and aluminium wire for supply to the cable operations and

increasingly to external customers. Productivity in the rod mill improved steadily and demand was similar to the previous year. The planned change in Energy Cables' product mix and volumes for wire products was largely compensated by increased external sales but nevertheless the profits from wire production were below expectations. TCL, an associated company, lost a major contract which will significantly reduce the demand for wire, resulting in the closure of the wire mill at Brimsdown during 1997.

### Delta Energy Cables

Energy Cables is a leading UK producer of power distribution cables ranging from 1kV up to 150kV in a variety of materials and designs. An extensive range of medium and low voltage cables is also sold, primarily through electrical wholesalers and cable distributors, for use in a variety of industrial, commercial and residential



applications. Domestic demand from the RECs was steady and exports to Asia Pacific remained strong. The number of contracts for higher added-value supertension cable is gradually gaining momentum and establishing a sound presence in this market segment.

The domestic market for medium and low voltage cables remained subdued and highly competitive with some import penetration. Despite these market conditions, efforts to reduce costs through rationalisation, selective pricing action and the withdrawal from lower margin segments resulted in improved profitability. Exports were buoyant with increasing demand in Asia Pacific. New product ranges were introduced during the year, meeting the high technical standards required by such projects as the London Underground Jubilee Line Extension.

#### **Delta Special Cables**

These cables are used in communication and control applications and many are designed to function with circuit integrity in hazardous and demanding environments. Delta's quality products continued to enjoy strong demand in the UK and profits improved. Sustained export effort was rewarded in new markets where the Firtuf range was widely accepted. Installations included prestigious projects such as the Twin Towers in Kuala Lumpur, the Hong Kong Chek Lap Kok Airport and the Dubai Chicago Beach Hotel. A number of new products are planned for launch in both the UK and overseas during 1997, including category 5 data cable. This continuing product development further demonstrates commitment to seeking higher added-value cable designs.

# Circuit protection

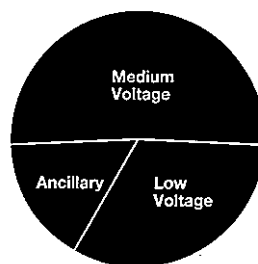
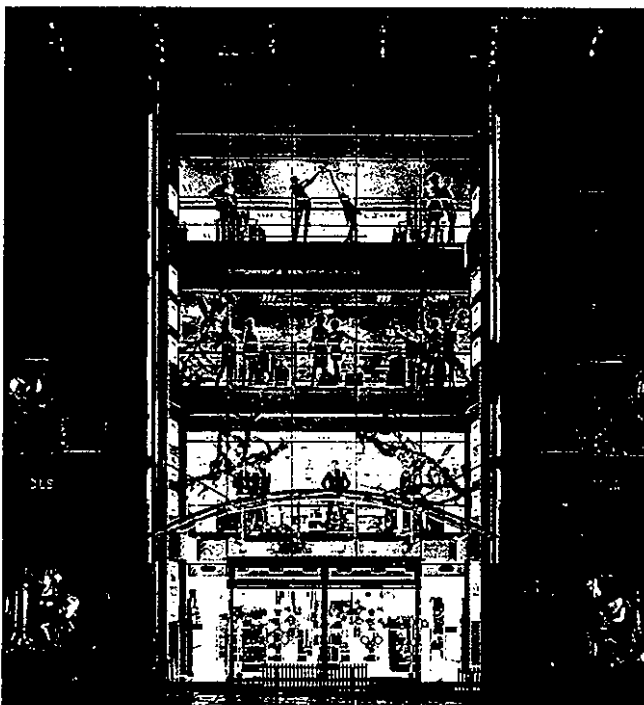
## Reliability, quality and innovation are the key components of Circuit Protection

The UK markets for circuit protection products remained depressed until late in the year when demand from projects improved. Exports were moderate with continuing weakness in the Middle East, whereas Asia Pacific showed some growth. Significant investment in product and market development continued; successfully building on several new product launches and establishing a presence in new markets. Profits increased to £13.0 million before the £2.0 million exceptional charge for rationalisation, in spite of increased revenue commitments required to support growth and subdued demand levels in the UK.

### Medium voltage circuit protection

Designed to protect 500v electrical circuits from overload,

Mempower's 'absolutely fabulous' power distribution system was installed at Harvey Nichols in Leeds.



these products include miniature and moulded case circuit breakers, fused switches, motor starters and distribution systems used generally for industrial and commercial applications. Delta is predominant in the UK with two strong brands, MEM and BILL, a comprehensive range and its own advanced technology.

MEM 500v successfully expanded sales for recently launched new products such as Memshield 2, Talisman Plus, Mempower, the 10kA MCB and FCS. Increased marketing effort was directed towards major projects, winning several; including the British Airways Business Development Headquarters at Prospect Park, the expansion programme at Heathrow Terminals 1 & 2, Microsoft's computer software headquarters and the new stand complex at Chelsea Football Club. Productivity improvements were achieved through the implementation of cell manufacturing at both MEM 500v and Delta Electrical Systems. DES had another successful year for sales of Class Four switchboards incorporating the FCS fuse-combination switch and also launched a new MCCB board.

MEM Malaysia, with its own distribution outlets in Thailand, Singapore, Hong Kong and Indonesia, continued to be held back by low demand from its traditional Middle East export markets. However this was partially offset by stronger demand from within the ASEAN. The new M6 half-cycle MCB launched at the end of 1995 met strong demand which required additional investment in tooling to meet increasing sales. The management and sales structure in the ASEAN has been strengthened to improve market penetration.

### Low voltage circuit protection

Protecting 250v circuits, these products include consumer units, miniature circuit breakers and RCDs as well as wiring

Below: Sensitive electrical equipment was protected by United Power at the 1996 Summer Olympic Games in Atlanta, Georgia.

accessories and lighting control systems. They are mostly for commercial and residential use and Delta is a primary UK supplier.

MEM 250v switchgear overcame poor market conditions benefiting from the first full year sales of the new 10kA MCB and RCD pod to achieve a record profit. This new high performance range with a unique modular capability has been received well in the UK and provided increased export opportunities. New investment at the Holyhead facility ensures sufficient cost effective volume production is available. Home Automation continued to develop the market for the D Bus distributed intelligence building control system.

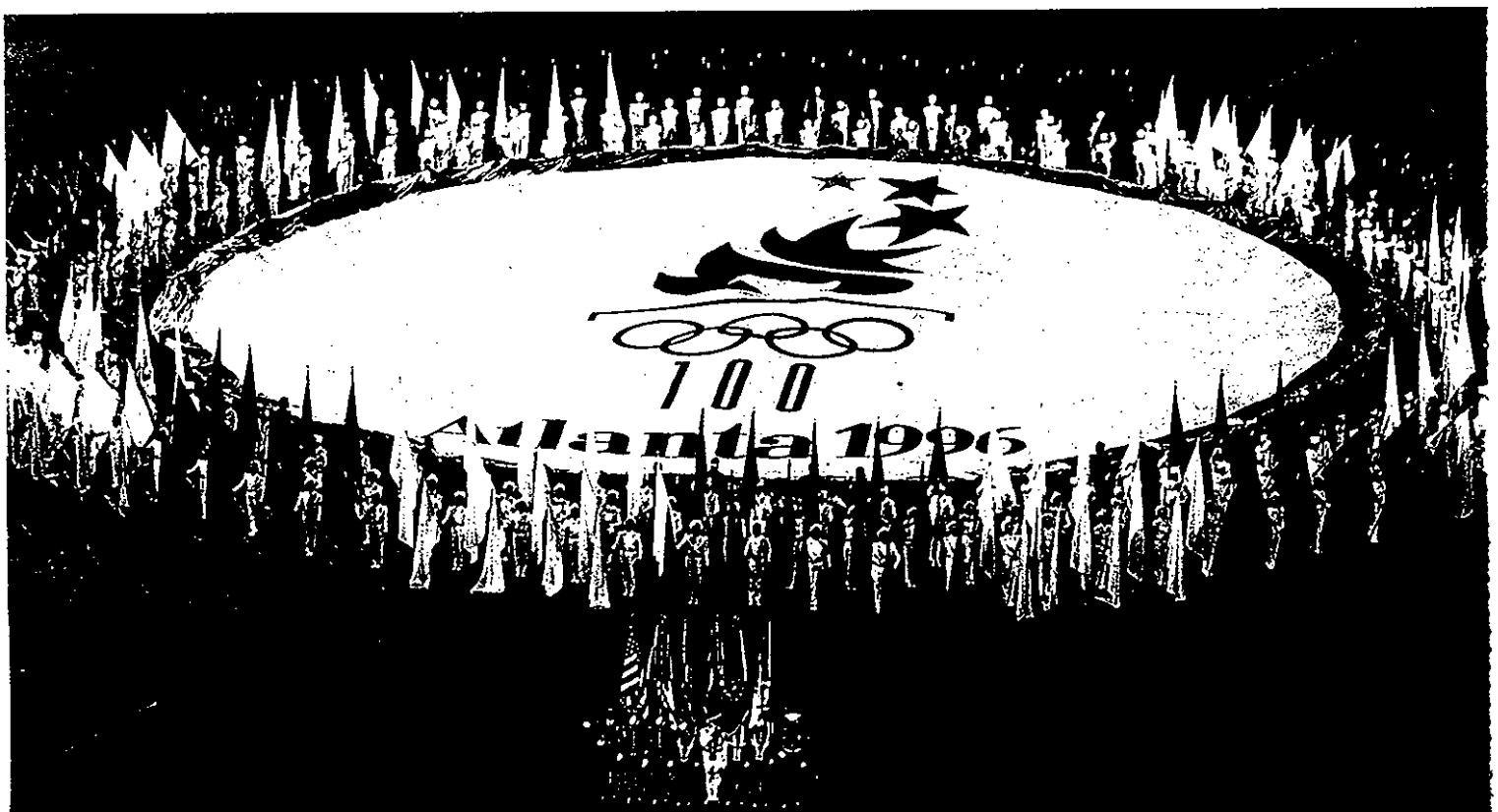
In the early part of the year, demand for wiring accessories was hit hard by a combination of depressed housing expenditure and imports at the lower end of the

market. Redundancies were necessary to contain costs and improved returns were achieved within the year. MEM continued to gain market share through the expansion of its highly successful Memstyle range.

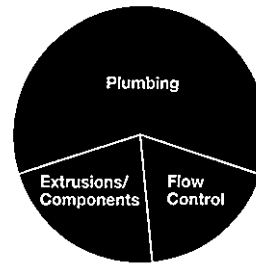
#### **Ancillary circuit protection**

Delta Schoeller, a manufacturer of automotive switches and power points achieved the planned cost reductions from de-manning at Schoeller in Germany and made good progress for the launch of several new products in 1997. These are particularly for supply to General Motors in the US and the Volkswagen Group. BERL was divested in September.

United Power, which represents our recent entry into the US power protection market, continued to progress well during the year.



## International market penetration and growth continues with focused development



Trading conditions remained difficult with the early part of the year in Northern and Central Europe adversely affected by an unusually long and cold period which reduced construction activity to very low levels. There was little change to the competitive pressures experienced during the first half, although Germany weakened moderately. Thus a similar underlying performance was achieved in the second half, giving a trading profit of £30.2 million for the year before the metal stock write-down of £2.4 million and the £3.0 million exceptional charge for rationalisation.

### Plumbing products

International Building Products is the leading pan-European supplier of a wide range of quality products for the connection of many types of pipe for the supply of water and heating.

IBP vigorously defended its European market share despite the tough market conditions, gaining benefit from its strong pan-European organisation which has been extended with new distribution centres established in Denmark and Germany. Demand in the UK and Scandinavia has shown some improvement with Southern Europe stable and Germany and France continuing to be weak. IBP built on its already strong market position in Eastern Europe and in Poland opened a second warehouse to meet increased demand. IBP also gained the first benefits from recently strengthened representation in China.

Rationalisation of the production facilities has continued with the objective of maintaining cost leadership. The emphasis on improved productivity and tight overhead control continued. The UK fittings operations were reorganised and a site closed, further investments in automated manufacture came on stream and the utilisation of the relatively low cost facilities in Poland increased.

Supergrif introduced a new range of shower products and extended its range of design award winning taps. Increased sales opportunities are being generated by IBP's compression joints, the versatility of which makes them suitable for use with a variety of tube materials. Opella introduced new plastic plumbing products and acquired a range of plastic waste fitting with the purchase of Dubois.

### Flow controls

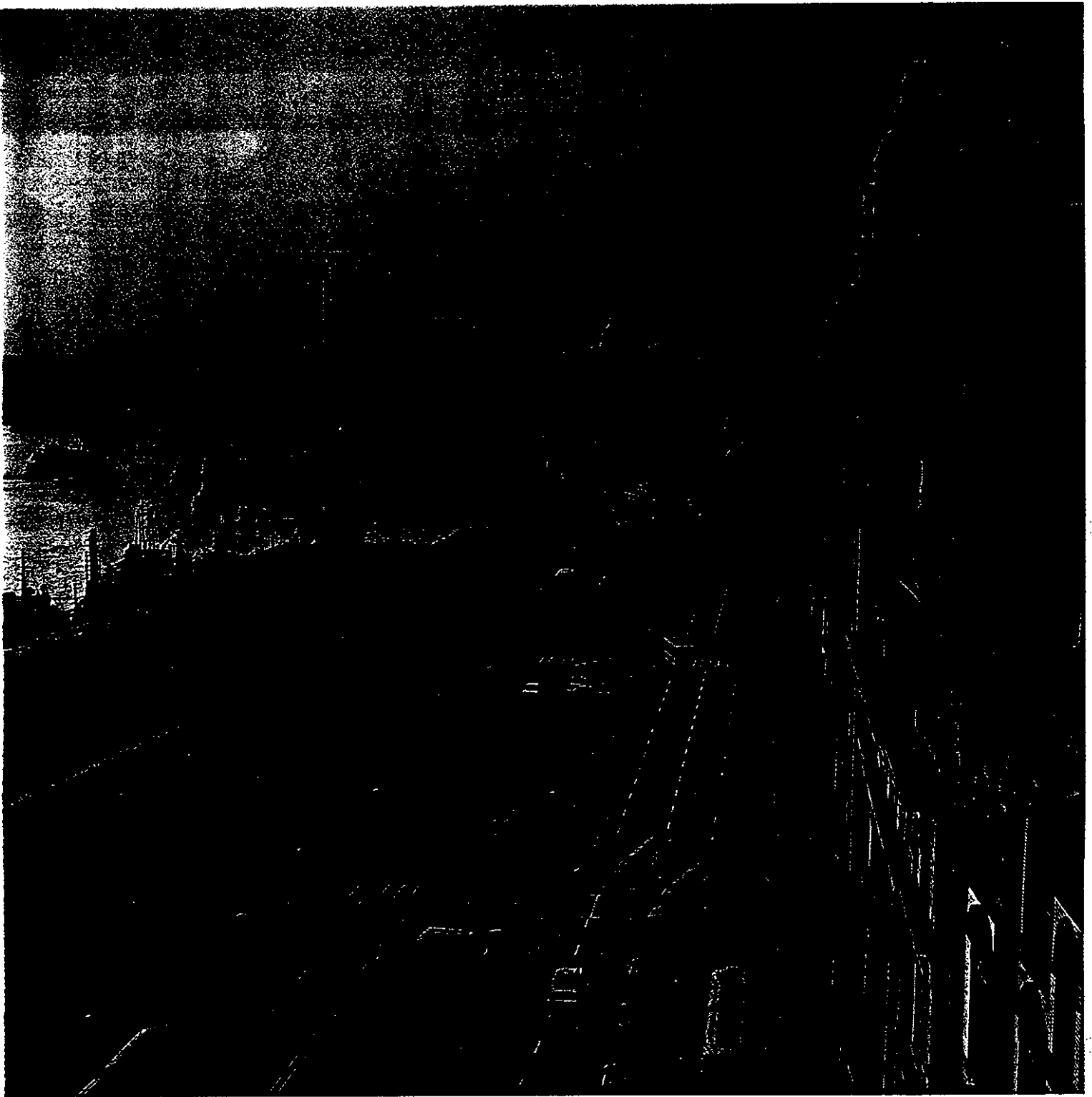
These products control the pressure, flow and combustion of gases as well as their remote measurement and monitoring.

Sourdillon, with headquarters in France, continued to invest in new product development to maintain a leading role in gas cooker controls. The US operation progressed strongly making further increases in market share. Acrotec, the Mexican company in which Delta holds a minority share, performed well in a difficult economic climate and represents a significant growth opportunity.

Delta Fluid Products, manufacturing gas pressure regulators and valves in the UK, had a good start to the year but a lack of orders for UK gas controls adversely affected results in the second half. KWB which supplies the offshore and process industries had a reasonable year and Rouse, Thompson & Lloyd was divested in October.

### Extrusions and components

These are extruded brass alloy products and components sold to industrial customers. Delta is a principal UK producer. Delta Extruded Metals exceeded performance expectations despite experiencing a return to more normal export demand levels after an unusually strong 1995. Delta Manganese Bronze performed well improving its international market penetration while Smiths Metal Centres in the UK achieved another creditable performance in the



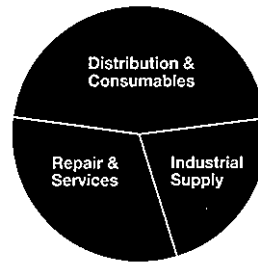
tougher market conditions prevailing. The UK component companies met expectations achieving modest profit growth. Accurate Forging in the USA produced a reasonable performance and continued to invest in automation and process control.

Above: IBP is benefiting from increased representation in rapidly growing Far East markets.

Right: The British Library's prestigious new building has IBP Conex quality products installed.



## A growing international network of quality products and services



Mining in Australia was one of the few sectors to achieve growth in an otherwise difficult economy, whilst in South Africa the strong start in the domestic economy was not sustained. However, the 30% depreciation of the Rand stimulated exports. Turnover increased to £240.1 million and profits improved to £24.1 million.

### Australia

Delta is the market leader for galvanizing in the Asia Pacific region providing durable and cost effective protection for steel. It also produces and distributes mining and industrial consumables, electrical and electronic products and spare parts for off highway equipment.

Industrial Galvanizers performed well at its established operations in Australia and Malaysia. The acquisition of BHP Civil Products in December will further strengthen the product manufacturing base. The establishment of a second plant in Malaysia and new facilities in Indonesia and Vietnam will benefit from the high growth in the region when they commence production during 1997. The new US facility being constructed near Richmond, Virginia in addition to Southeastern Galvanizers which was acquired in 1996 provides growth opportunity.

Donhad, a supplier of grinding media, performed well into a strong mining sector. Cutting Edges, Bell-IRH and the other distribution operations had to work hard to maintain their margin on reduced volume in a depressed market. West Footscray Engineering, a forging plant, was sold in December.

### South Africa

Delta Electrical Industries, an associated company, is the premier repairer of electric motors and transformers, a distributor of replacement parts for off highway equipment and a producer of high grade electrolytic manganese dioxide used in dry-cell batteries.

DEI acquired Genwest Industries in July and with ERE, merged the two principal electrical repair businesses to form one division focused on extending market leadership.

Equipment Spare Parts continues to expand its activities, becoming the major independent replacement parts distributor for earthmoving equipment, heavy trucks, diesel engines and transmissions.

The 50% expansion in capacity at Delta EMD was successfully commissioned in December to increase world market share and meet customer demand. The performance of both Delta EMD and Manganese Metal Company (who predominantly trade in US dollars) was positively impacted by the Rand depreciation.

Cobra, the foremost domestic manufacturer of plumbing products where Delta has a minority stockholding, produced acceptable returns despite tough trading conditions.

**Right: Industrial Galvanizers' new plants are perfectly placed to take advantage of the rapid economic growth in Asia Pacific.**



Right: Much of Melbourne's Grand Prix circuit is assured maintenance-free durability by Industrial Galvanizers.



## Identifying long-term growth potential

Since joining Delta in December last year the first priority has been to understand the current status of the operations. Secondly we have begun a process to establish how we will increase shareholder value by achieving more sustainable and long term profitable growth. The way forward is not yet fully determined but working together with those responsible for each of the businesses is providing the analysis we require to develop the available alternatives.

Delta has several well established national or regional market positions. The MEM brand is well known and respected in the UK, Middle East and Malaysia and the IBP brands, Conex, >B< and Triflow lead the market across Europe. Cables is the price leader in the UK. Perhaps less well known is the excellent reputation for quality and service that has been earned by Industrial Galvanizers in Australia and Malaysia, the global market share of Delta EMD, the technical leadership provided by Donhad to the Australian mining industry or the essential service being provided by ERE in Southern Africa.

The Group has many operating strengths; effective decentralised management, strong financial controls, focus on increasing profits and reducing costs, tight cash management, commodity risk management and loyal and dedicated employees. The existing rationalisation programmes are addressing the major structural opportunities to improve efficiencies. There is always room for continuous improvement of market awareness, customer service, improved quality standards, further reductions in cost and working capital, inter-company or divisional benefits and the development of skilled people.

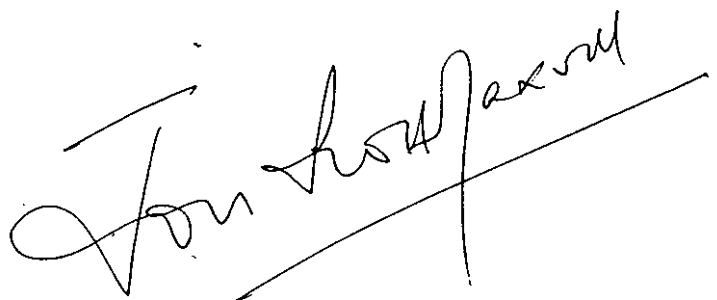
Recent rationalisation completed or being implemented aligns the capacity, efficiencies and therefore costs with the

demand levels now being experienced. With the copper price returning to more normal behaviour and with little or no help from higher sales, the second half performance in 1996 demonstrated the basic health and strength of the Group. Delta also has a strong balance sheet ensuring that we can fund the planned organic growth and accelerate this with bolt-on acquisitions.

Those businesses and markets with the best potential for long term profitable growth are being analysed to determine what is required to enable us to realise the potential they offer. There are also several good performance businesses which do not have such significant growth potential but their profit and cash performance is healthy and sustainable and they therefore make a substantial contribution to the Group.

This process of analysis will enable us to decide how best to realise the full potential of our strengths; where the main focus should be; what geographical cover is desirable and how best to exploit or modify our traditionally vertically integrated operations.

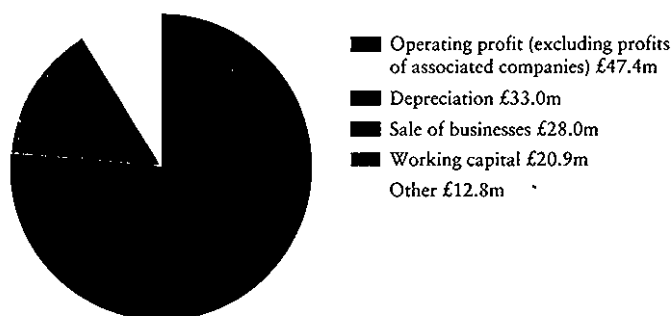
There is still much work to be done which will take further time. However we now have a more stable platform on which we can build and move forward to increase shareholder value based on long term profitable growth.

A handwritten signature in black ink, appearing to read 'Jon Scott-Maxwell', written over a horizontal line.

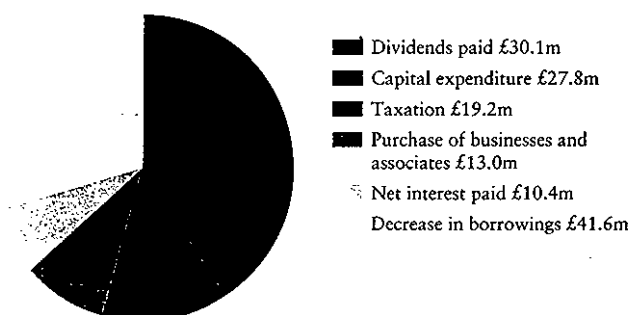
Jon Scott-Maxwell, Chief Executive

## Financial review

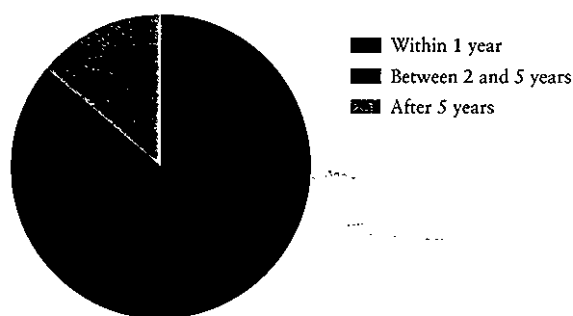
Source of funds (£m)



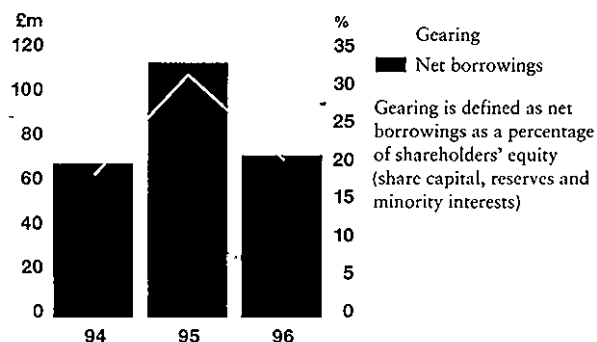
Use of funds (£m)



Maturity of debt



Net borrowings and gearing



The underlying trading conditions during the year were obscured by significant adverse non-trading events; a large fall in the copper price, exceptional restructuring costs and disposals. Cash inflow was strong in the year at £38.4 million.

The dramatic fall in the price of copper in June has had a significant effect upon the Group's results in three areas. First, it led to an immediate charge to profit and loss as we wrote down the value of the copper content of our stocks at the interim stage. Secondly, it reduced the monetary value of our working capital, which gave a cash inflow in the second half of the year. The third effect was on turnover, where the lower copper price reduced the value of a given volume of sales.

In the second half of 1996 and into 1997 we have seen further fluctuation in the copper price, with some overall increase, though not to pre-June 1996 levels. The market is currently driven by a short-term shortage of supply, coupled with a longer-term anticipation of more production coming on stream.

Exceptional rationalisation and restructuring charges amounted to £5.0 million and related to operations in Circuit protection and Engineering. These were automotive switch manufacturing in Germany, accessory manufacturing in the UK and plumbing and gas control activities across Europe. We have also continued the programme of rationalisation of our Cables businesses for which we provided in 1995. We have closed the factory in Stalybridge and made a number of consequential rearrangements of activities between the remaining sites. In January 1997 we announced further rationalisation across several sites, which included the closure of the copper wire mill at Brimsdown.

We disposed of four businesses during the year: Surprenant Cable Corporation in the USA, British Electrical Repairs Limited and Rouse, Thompson & Lloyd in the UK, and West Footscray Engineering in Australia. The net effect of these was an exceptional £6.6 million charge to profit and loss account, which included £7.8 million of goodwill previously written off to reserves.

As last year, we have adopted a three column presentation for the Group profit and loss account to distinguish between the Group's trading, including the copper write down of £5.7 million, and the effect of the exceptional restructuring charges and disposal costs.

## Dividends

The directors have recommended a final dividend of 14.4p per share, paid as a Foreign Income Dividend (FID), as was last year's. The adverse effects of the fall in the copper price and restructuring charges have fallen disproportionately on the profits of the UK businesses, leaving us once again unable to absorb the ACT on a conventional dividend. Paying the 1996 final dividend as a FID remains the optimum way of dealing with this, and has limited the amount of ACT written off to £1.6 million.

Since a shareholder receiving a FID is unable to claim a refund of the associated ACT (which can be done with a conventional dividend) the level of the dividend has been enhanced by 25% from that which it would have been had it been paid as a conventional dividend. This protects the position of our non-taxpaying shareholders, and produces an enhanced return for those who are taxpayers.

The dividend is only covered 0.8 times by the year's reported profits but is covered 1.2 times by profit before exceptional items, and would have been covered 1.3 times were it not for the effect of the fall in the copper price. Without the enhancement associated with the FID, that would have been equivalent to cover of 1.6 times.

We will once again be paying the final dividend on 1 July.

## Cash flows

Operating profit was £62.1 million, which included £14.7 million share of profits of associates and was after charging depreciation of £33.0 million. Working capital reduction generated £20.9 million, due in part to lower material prices, £3.5 million was received as dividends from associates and other items generated £4.9 million. This gave a net cash inflow from operations of £109.7 million.

Interest paid amounted to £11.5 million and interest received £1.1 million. Ordinary shareholders were paid £28.3 million in dividends and preference and minority shareholders in subsidiaries £1.8 million. Total tax paid was £19.2 million, of which £7.8 million was paid in the UK and £11.4 million overseas.

Capital expenditure ran at somewhat lower levels, following the very high spend in 1995 (£40.5 million), and amounted to £27.8 million. We remain committed to maintaining the level of capital expenditure necessary to

continue to produce innovative new products and develop new markets. Sales of fixed assets generated £2.2 million. The purchase of businesses absorbed £12.5 million and a further £0.5 million was invested in associates. Sales of businesses generated £28.0 million.

The proceeds of the issue of new shares in respect of employee share schemes were £0.9 million. An increase in loans to associated companies absorbed £1.0 million, and the purchase of own shares for the ESOT, £1.0 million. There were also other items at a net inflow of £0.1 million.

These gave a net cash inflow of £38.4 million, which after adjusting from the average currency rates used in the cash flow to year end rates gave a decrease in net borrowings of £41.6 million, compared with a net increase in net borrowings of £45.4 million in 1995.

## Borrowings and borrowing facilities

Net borrowings decreased from £114.8 million to £73.2 million. This was the net of a £20.0 million increase in gross borrowings (including overdrafts and acceptances) from £138.4 million to £158.4 million and a £61.6 million increase in cash balances, from £23.6 million to £85.2 million. Gearing fell to 22% (1995 33%).

Lower levels of average borrowings decreased the Group's net interest charge to £9.9 million (1995 £10.3 million). It was covered six times by the profit on ordinary activities before interest (1995 six times).

Committed borrowing facilities amount to £170.0 million, of which £165.0 million matures in July 2000 and £5.0 million in February 2001. In June 1996 Delta Group International Holdings Limited issued £100.0 million of FID preference shares. These shares are due for redemption in June 1997, and the investor's credit risk is supported by letters of credit issued under the Group's £165.0 million credit facility.

At the end of the year 92% of the Group's year end gross borrowings are either due in three years or more or supported by facilities with a maturity date at least three years hence (1995 79%). In addition we have surplus committed facilities of £65.0 million and cash of £85.2 million.

Further details of the borrowing structure is given in note 19 to the accounts.

The analysis of the Group's net borrowings and net interest by country is set out below:

Country*	1996 Closing net (borrowings) cash £ million	1995 Closing net (borrowings) cash £ million	1996 Net interest (payable) receivable £ million	1995 Net interest (payable) receivable £ million
UK	(119.6)	(117.6)	(10.4)	(10.3)
Other European	43.4	(2.9)	0.4	—
North America	1.2	3.4	0.1	0.1
Asia-Pacific	—	0.4	(0.2)	(0.1)
Other	1.8	1.9	0.2	—
Total	(73.2)	(114.8)	(9.9)	(10.3)

\* Country of borrowing or depositing entity.

### Treasury policies

The underlying philosophy of the Group's treasury policies remains one of risk management and control.

No speculative transactions are undertaken. Group Treasury does not operate as a profit centre.

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 only to a limited extent, and no material exposures left uncovered once they have been identified.

For most foreign currencies, we adjust, on at least a monthly basis, our financial liabilities in each currency so that they equal the operating assets in that currency. This eliminates translation exposures on assets used in overseas businesses operating in those currencies. In addition, the foreign currency interest provides a partial hedge against the translation of the profits of those businesses.

The balance between fixed and floating interest rates in each currency where we have material net borrowings is monitored regularly by the Board and adjusted in line with their recommendations.

It remains the Group's policy to maintain and develop strong banking relationships and to maintain a range of committed and uncommitted borrowing facilities to meet its financing needs.

### Effect of interest and exchange rates

Most of the Group's underlying net borrowings are in sterling, with the principal exception being the US Private Placement. Some of the hedging is achieved by means of forward foreign exchange deals in overseas finance companies, but the majority of it is achieved by a mixture

of forward foreign exchange deals and longer term cross-currency swaps executed by Group Treasury. At the year end the gross value of forward foreign exchange deals used in translation hedging was £93.8 million, and the gross value of cross-currency swaps was £36.1 million.

The analysis of the Group's net assets by currency at the year end is shown in the following table.

Currency	Net (borrowings) cash £ million	Effect of hedging £ million	Net financial assets (liabilities) after hedging £ million	Net operating assets £ million	1996 Net assets £ million	1995 Net assets £ million
Sterling	(39.7)	77.1	37.4	254.4	291.8	317.1
Other						
European	6.2	(42.0)	(35.8)	39.9	4.1	2.8
US dollars	(39.7)	28.0	(11.7)	13.9	2.2	1.0
Asia-Pacific	(1.8)	(60.0)	(61.8)	64.3	2.5	2.9
Other	1.8	(3.1)	(1.3)	40.0	38.7	28.4
Total	(73.2)	—	(73.2)	412.5	339.3	352.2

The effect of the translation of unhedged net assets on reserves was a charge of £12.5 million (1995 £3.6 million credit), primarily related to our associated undertakings in South Africa.

The effect of the translation hedging, combined with the overall low level of gearing, is to give net interest-bearing liabilities in all hedged currencies and net interest-bearing assets in sterling.

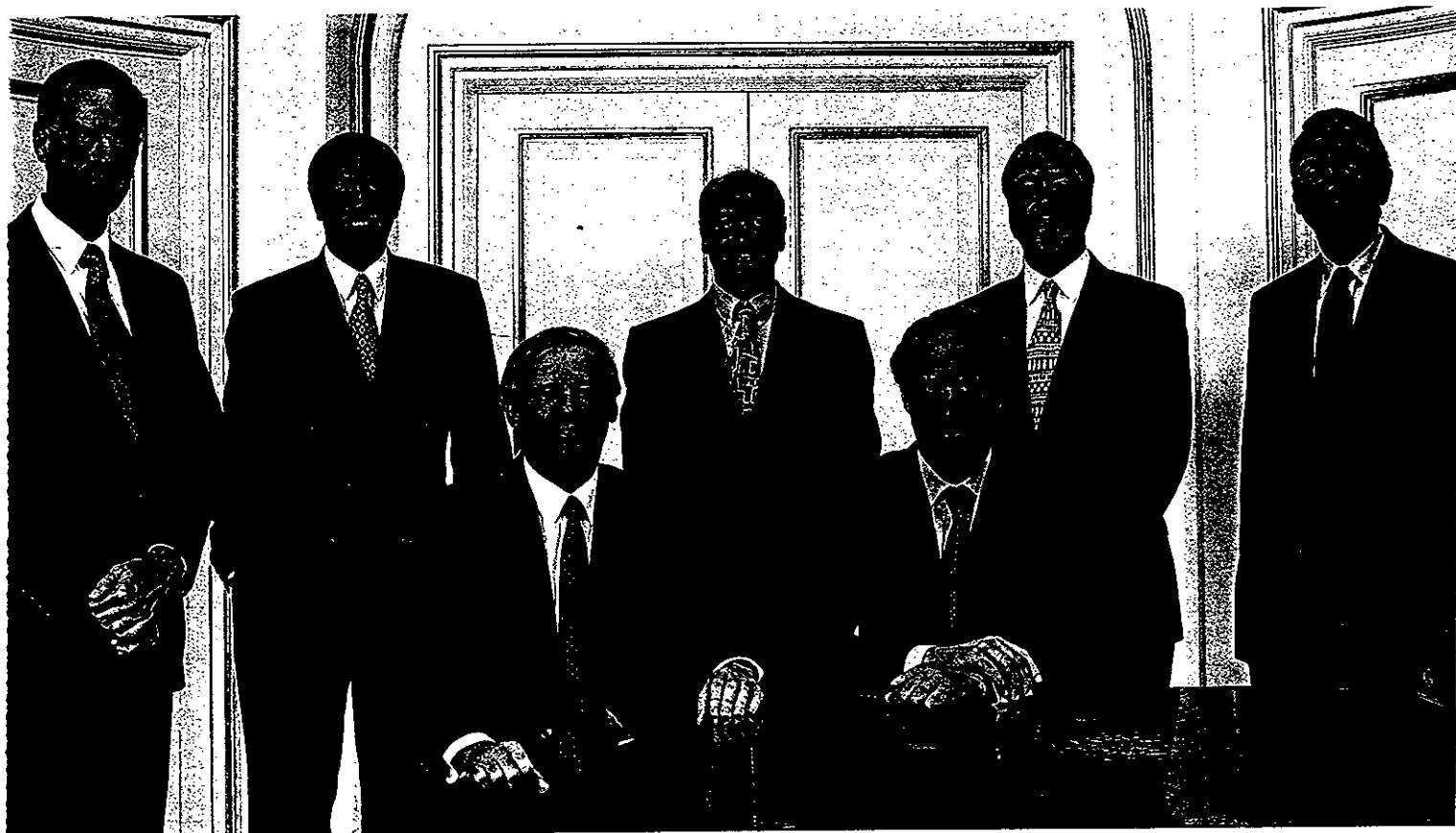
Interest rate risk management is carried out by Group Treasury, using interest rate swaps. The gross principal value of interest rate swaps outstanding at the year end was £66.3 million. The analysis of the Group's interest rate fixing profile at the year end is shown in the table below:

Currency	Net financial assets (liabilities) after hedging £ million	Rate reset within 6 months £ million	Rate reset after 1 year £ million
Sterling	37.4	37.4	—
Other European	(35.8)	(3.8)	(32.0)
US dollars	(11.7)	3.1	(14.8)
Asia-Pacific	(61.8)	(25.6)	(36.2)
Other	(1.3)	(1.3)	—
Total	(73.2)	9.8	(83.0)



M Gill, Finance director

## The Group board



Left to right:

Paul Smits, managing director – USA; age 53.

Richard Watts, managing director – Cables; age 50.

Graham Salter, managing director – Australia; age 51.

Eddie Garvey, managing director – Engineering; age 59.

Jon Scott-Maxwell, chief executive; age 45.

Clive Robertson, managing director – Circuit Protection & Controls; age 47.

Mike Gill, finance director; age 48.

## Board of directors of Delta plc

The directors at the date of this report and their responsibilities and other directorships are:

	Responsibilities	Other directorships
Sir Martin Jacomb *†	Chairman (non-executive)	Prudential Corporation plc Marks & Spencer plc The RTZ Corporation PLC
J P Scott-Maxwell	Chief executive	—
M Gill	Finance director	—
Sir Philip Beck *†	Non-executive	Railtrack Group plc Siebe plc Yorkshire Electricity plc
Sir Brian Moffat O.B.E. *†	Non-executive	British Steel plc Enterprise Oil plc
J H Robinson *†	Non-executive	Smith & Nephew plc Low & Bonar PLC

\* Member of Appointments and Remuneration Committee [Chairman Sir Philip Beck]

† Member of Audit Committee [Chairman J H Robinson]

Notes: 1 All directors are full-time executives, unless otherwise indicated.  
2 Directorships of other Group and associated companies are excluded.

### Board changes

R A Easton retired from the Board on 30 November 1996. J P Scott-Maxwell was appointed chief executive on 1 December 1996.

### Election of directors

The directors retiring by rotation are Sir Martin Jacomb and Sir Philip Beck who, being eligible, offer themselves for re-election.

J P Scott-Maxwell, having been appointed since the last annual general meeting, will also retire and being eligible, offer himself for election.

The unexpired period of the service contract of J P Scott-Maxwell is three years. Sir Martin Jacomb and Sir Philip Beck have no service contracts.

### Non-executive directors

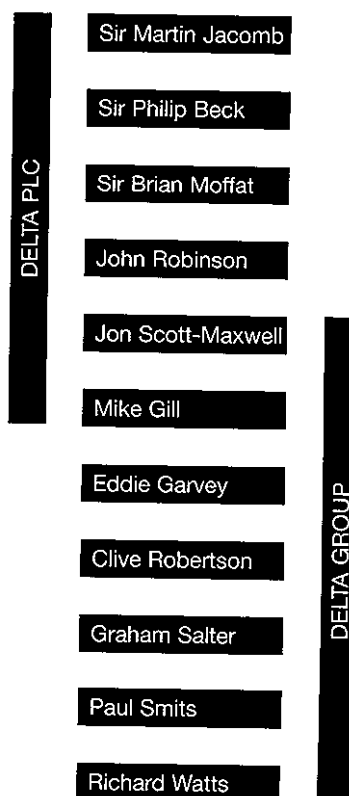
Sir Martin Jacomb. Appointed non-executive deputy chairman of Delta in 1993 and became non-executive chairman in 1994. He is chairman of the Prudential Corporation plc and the British Council and is aged 67.

Sir Philip Beck. Appointed a non-executive director in 1994. He is a director of Railtrack Group plc, Siebe plc and Yorkshire Electricity plc and is aged 62.

Sir Brian Moffat O.B.E. Appointed a non-executive director in 1994. He is chairman and chief executive of British Steel plc and a director of Enterprise Oil plc and is aged 58.

John Robinson. Appointed a non-executive director in 1993. He is chief executive of Smith & Nephew plc and a director of Low & Bonar PLC and is aged 56.

### Board structure



## Directors' report

The directors of Delta plc submit their report together with the audited financial statements for the year ended 28 December 1996.

### Business review and future developments

The Chairman's report to shareholders on pages 4 and 5, the Chief Executive's review of the year on pages 6 to 16, the Financial Review on pages 17 to 19 and the Board of Directors of Delta plc on page 21, form part of the directors' report. Information about Group businesses, financial performance and likely future developments are to be found in those sections.

### Dividends and transfer to reserves

The directors declared a conventional interim dividend of 4.5p (1995 4.5p) per ordinary share which was paid on 2 December 1996. They now recommend a final dividend in the form of a fully enhanced Foreign Income Dividend (FID) of 14.4p per ordinary share (1995 FID 14.4p) making a total for the year of 18.9p (1995 18.9p). The final dividend comprises a base-line FID of 11.5p, which is enhanced by a further 2.9p. Dividends paid and proposed for the year amount to £28.4 million (1995 £28.4 million) requiring £5.6 million to be transferred from reserves (1995 £1.6 million transferred to reserves).

### Acquisitions and disposals

During the year the Group acquired the businesses of Southeastern Galvanizing in the USA and BHP Civil Products in Australia. The total consideration for these and several smaller businesses was £13.2 million.

The Group disposed of the business of Surprenant Cable Corporation in June 1996, which was sold for £16.6 million and in September British Electrical Repairs Limited and United Calibration Laboratories Limited were sold for £9.3 million. In addition, several smaller businesses were also sold during the year.

### Property values

- (i) The freehold and leasehold properties of certain companies were revalued during the year and the revised values included in the Group balance sheet.
- (ii) In the opinion of the directors, there was no significant difference between the market value and the book value of property at 28 December 1996.

### Charitable donations

During the year the Group donated £66,973 to charities of which £39,111 was in the United Kingdom.

### Employment policies

#### (i) *Equal opportunity in employment*

It is the Group's policy to treat people 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 and retention of disabled people is supported, commensurate with their capabilities.

To this end, equal opportunity in employment is promoted and guidance given to companies in achieving this objective.

#### (ii) *Development and training*

The Group recognises that the training of employees is an integral part of its business activities and is fundamental to continuing efficiency and profitability. The Delta Training Centre is equipped to cater for common requirements in the most cost-effective manner.

Delta operates successful graduate, technician and modern apprentice programmes and also works closely with schools and institutions of further and higher education, providing information on opportunities in our industries and offering workshop experience at Delta facilities.

#### (iii) *Involvement*

The Group recognises the importance of two-way communication and supports the participation of employees in consultative committees, briefing groups, suggestion schemes or other suitable means.

Employee representatives are fully involved in the operation of the Delta Pension Plan and other localised pension arrangements where appropriate. Eligible employees are encouraged to participate in the Company's 'Save as you Earn' share option schemes (which are now available in a number of European locations and Australia) and Personal Equity Plans.



*(iv) Health and safety at work*

The Group has a comprehensive policy statement in order to safeguard the health, safety and welfare of all employees whilst at work and to provide, so far as is reasonably practicable, a working environment which is safe and with minimum risk to the health of employees and others.

**Environmental policy**

The Group is committed to best environmental practice and has clear management responsibilities to ensure full compliance. The Group's overall policy forms the basis of further detailed policies that are appropriate to the individual operating businesses.

Management seeks to minimise the impact on the environment of all aspects of the Group's operations by means of environmentally sound practices which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost.

**Substantial shareholders**

As at 18 March 1997, the date of this report, the Company has been notified, pursuant to the Companies Act 1985, of the following interest in its issued ordinary share capital:

Prudential group of companies	6.86%
AXA group of companies	3.32%
B.A.T. Industries plc group of companies	3.09%

**Research and development**

Excluding significant development expenditure associated with production processes, product improvement and tooling, the Group spent £2.0 million on R & D as defined by SSAP 13.

**Payment of creditors**

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

**Control of raw materials**

Some of the Group's units are substantial users of copper. Group policy is one of no speculation and relevant units are controlled by the use of centrally directed, obligatory long positions, to which they must adhere.

**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 4, which will be proposed as a special resolution at the annual general meeting, seeks renewal of the general authority conferred on the Company in 1990 to make such market purchases. The details of 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.

**Power to dispense with statutory pre-emption rights**

Resolution 5, which will be proposed at the annual general meeting as a special resolution, seeks renewal of the directors' authority to disregard statutory pre-emption rights when allotting shares in respect of any rights issue or under an employees' share scheme and in respect of allotments of equity securities for cash, up to a nominal amount of £1,873,277.20 (which represents 5 per cent. of the Company's issued ordinary share capital as at the date of this report). Under the resolution, this renewed authority would end either fifteen months after the resolution is passed or at the end of the annual general meeting in 1998, whichever is the earlier. In exercising this authority the directors will comply with the guidelines of the London Stock Exchange and the Investment Committees of the Association of British Insurers and the National Association of Pension Funds on pre-emption rights.

## **Report of the Appointments & Remuneration Committee**

The Appointments & Remuneration Committee's composition, responsibilities and operation comply with the provisions in section A of the Annex to the Listing Rules of the London Stock Exchange Limited; in implementing its policy, the Committee has given full consideration to the provisions of section B of the Annex to the Listing Rules.

### *(i) Remuneration Policy*

The remuneration arrangements for executive directors and senior executives are determined by the Appointments and Remuneration Committee of the Board. The Committee consists of the non-executive directors and is chaired by Sir Philip Beck. The key objectives of the Committee are to ensure that the Company's remuneration policy attracts and retains high calibre executives and that executives are appropriately rewarded and motivated to enhance the performance of the Group in the interests of shareholders. For guidance the Committee uses information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies and specific surveys which it commissions.

The remuneration package for each executive director, which is determined by reference to the scope of responsibility and the sustained level of individual performance, consists of basic salary and benefits, pension contributions and participation in the Company's Long Term Incentive Plan ('LTIP'). Full details of the LTIP are given below. In addition, certain executive directors and senior executives retain options granted under the terms of the Company's Inland Revenue approved Senior Executive Share Option Scheme, which they will be able to exercise in accordance with the Rules of that Scheme. No options have been granted under the Scheme since 1994, when it was replaced by the LTIP. Full details of options held by directors under the LTIP and the Senior Executive Share Option Scheme and details of directors' emoluments in respect of the year ended 28 December 1996 are shown on pages 25 and 26.

### *(ii) Service contracts*

J P Scott-Maxwell's initial service contract with the Company is for a three year period. After this period and up to the date of the fifth anniversary of his appointment, the notice period will be reduced so that the contract can be terminated by the Company or J P Scott-Maxwell on 24 months' written notice. After the fifth anniversary of his appointment, the notice period will be reduced to 12 months' written notice on either side. In setting the contract period, the Committee's overriding concern was to ensure that continuity at the most senior executive level was assured. Accordingly, the Committee agreed that it would be desirable to maintain the contractual 24 months' notice period contained in the service agreements of other executive directors and the most senior executives in the Group at present. The Committee will continue to review the appropriateness of contractual notice periods for executive directors and the most senior executives in the light of the Company's future development.

### *(iii) Pensions*

Delta's policy is to offer most of its senior executives membership of the Delta Management Pension Plan or the local equivalent if based outside of the UK. Executive directors participate in the Plan on the same basis as 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 at normal pension age, subject to the completion of 20 years service. The Plan also provides life assurance cover of four times pensionable salary, pension payable in the event of retirement due to ill-health and spouse's pensions in the event of death.

All Plan benefits are subject to Inland Revenue limits. Where a limit is imposed by the earnings 'cap', a funded unapproved retirement benefit scheme may be used to increase pension and death benefits to the level that would apply if there were no earnings cap. Contributions to the Plan and any funded unapproved arrangement by the Company are at the same level, namely a percentage rate of members' salaries based on the funding requirements as determined by an independent actuary.

Full details of the directors' remuneration are as follows:

	1996			1995
	Emoluments £	Performance related bonus £	Pension contributions £	Total £
Sir Martin Jacomb ( <i>chairman</i> )	62,611 #	—	—	70,385
J P Scott-Maxwell †	23,694 #	—	2,021	—
R A Easton †	261,043 #	13,173	210,225	335,103
M Gill	148,752 #	6,480	44,146	189,029
Sir Philip Beck	19,167	—	—	17,500
Sir Brian Moffat	19,167	—	—	17,500
J H Robinson	19,167	—	—	17,500
M Q Walters *	—	—	—	5,833
<b>Total</b>	<b>553,601</b>	<b>19,653</b>	<b>256,392</b>	<b>829,646</b>
				652,850

\* M Q Walters retired on 27 April 1995.

† J P Scott-Maxwell became Chief Executive on 1 December 1996, in place of R A Easton, who retired on 30 November 1996.

# Overall emoluments figures include the following values for benefits in kind: Sir Martin Jacomb £2,611, J P Scott-Maxwell £2,861, R A Easton £6,043 and M Gill £9,752.

On his retirement, the Company contributed £135,000 to the Plan by way of additional funding of R A Easton's pension entitlement (included in the above pension contributions column) following 22 years of service. R A Easton will be entitled to draw his pension under the Plan from November 1998; in the meantime, the Company will pay him a pension of £77,500 per annum. No further compensation for loss of office is payable. R A Easton was permitted to exercise his outstanding rights under the LTIP pursuant to the discretions under its rules. These were exercised on 16 January 1997 and 31,011 shares were thereupon released to him by the Trustees of the ESOT, at a nominal consideration, when the open market value of the Company's shares was 373p per share. R A Easton will also be permitted to exercise his outstanding options under the Senior Executive Share Option Scheme in accordance with its rules at prices between 393p and 455p per share.

#### (iv) LTIP

The LTIP was introduced in 1993 and further developed in 1994 to replace the Company's Senior Executive Share Option Scheme. Only executive directors and the most senior executives in the Group participate in the LTIP. There have been no changes in the rules of the LTIP over the last year and no changes to the Committee's policy on the requirements for participation. No part of any LTIP award is eligible for pension contributions.

The LTIP was designed to contribute to increasing shareholder returns and the motivation of senior management over the longer term and it emphasises a strong link between reward and performance against agreed targets, specifically recognising the return provided to shareholders and the long term performance of the Company.

Awards under the LTIP are calculated by reference to achievement against two factors:—

- Group or divisional financial performance against profit plan; and
- personal performance against pre-set strategic objectives.

The maximum annual award is 35% of salary in the year to which the award relates.

Awards are split into three equal parts; the first third is delivered to participants in cash; the second third is delivered in the form of rights to acquire the Company's ordinary shares ('rights'); and the final third is delivered either in cash or in the form of further rights, at the discretion of participants. The number of shares covered by these rights is matched by the Company's grant of rights to acquire further shares. In normal circumstances, these rights can be realised three years after the base LTIP awards are approved. Once the base LTIP award has been made, the Committee has no discretion to increase or decrease the number of shares comprised in each award.

The value of the Company's matching grant will vary and will depend on the growth of the total return delivered by the Company to its shareholders compared to the growth in the total return delivered to shareholders of FT-SE Mid-250 companies over the three years. The maximum value of the Company match will be £3 for every £1 of LTIP base award delivered as rights, but this will only accrue if the growth in total return delivered by the Company to shareholders exceeds the growth in the return to shareholders of FT-SE Mid-250 companies by 3% per annum over the three year period. Smaller matching awards will be made

depending on performance, if the return is less than this; the Company match will be £2 for every £1 of LTIP base award and £2.50 for every £1 of LTIP base award if the total return exceeds the FT-SE Mid-250 average return by 1% and 2% respectively. The Company match is £1.50 for every £1 of LTIP base award if the total return matches the FT-SE Mid-250 average return. These awards are calculated on the same total shareholder return basis.

Details of the options held by executive directors are shown in the table below:

Number of shares reserved under options:

Name	Option scheme	As at 30 December 1995	Granted during year	Exercised during year	As at 28 December 1996	Subscription price payable (per share)	Market value at date of exercise	Year in which options become exercisable	Year in which options lapse
M Gill	Senior Executive	14,000	—	—	14,000	388p or 330p*	—	1995 or 1997	2002
		2,800	—	—	2,800	455p or 387p*	—	1996 or 1998	2003
	Long Term Incentive Plan	5,410	—	—	5,410	nominal	—	1997	1997
		11,513	—	—	11,513	nominal	—	1998	1998
	SAYE	6,703	—	—	6,703	317p	—	2000	2000
Total		40,426	—	—	40,426				

- (i) J P Scott-Maxwell will participate in the LTIP with effect from 1 January 1997 and is likely to be granted rights to acquire shares in the Company pursuant to the rules of the LTIP in Spring 1998.
- (ii) In the case of options exercisable at two different prices, marked \*, which were granted pursuant to the rules of the Senior Executive Share Option Scheme 1991, options may only be exercised at the lower price between the 5th and 10th anniversaries of their grant date and then only if growth in the Company's earnings per share exceeds the retail price index by 2 per cent. per annum between the grant date and the proposed exercise date. When an option is exercised at whichever price, the opportunity to exercise it at the other price automatically lapses.
- (iii) The open market value of Delta plc 25p ordinary shares was 382½p per share (middle market closing value as quoted in the Daily Official List of the London Stock Exchange Limited) on 27 December 1996.
- (iv) Shares subject to rights granted in 1994 and 1995 under the LTIP were acquired by the Employee Share Ownership Trust (ESOT) at an average cost of 533p and 491p per share respectively.

### Corporate governance

The Company has complied with the provisions of the Cadbury Committee's 'Code of Best Practice' ('the Code') throughout the year.

#### (i) Board of directors

The Board of directors comprises two executive and four non-executive directors. The Board meets regularly 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 of directors on other specific matters. The roles of the chairman and chief executive are separate.

All directors have access to the advice and services of the company secretary, and the board of directors has established a procedure for all directors to take independent professional advice, if necessary, at the Company's expense.

The Board is made up of a majority of non-executive directors who bring an independent judgement to the management of the Group. They are free from any business or other relationships which could interfere with the exercise of their judgement.

The fees for non-executive directors' duties are determined by the Board with regard to market comparisons, within the restrictions contained in the Company's Articles of Association.

The non-executive directors have no service contracts and are not eligible for bonuses or to participate in the LTIP. In addition, no pension contributions are made on their behalf.

#### (ii) Board committees

The Board has two committees:

- The Appointments and Remuneration Committee consists of all the non-executive directors and is chaired by Sir Philip Beck. The objectives of the Committee are to advise on the terms of service and remuneration of the members of the Board and all senior executives. The Committee normally meets three times a year.
- The Audit Committee consists of all the non-executive directors and is chaired by J H Robinson. It normally meets four 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 and for part of the meeting by the Group finance director and other senior financial executives. The Audit Committee provides the external auditors with a direct line of communication to the non-executive directors.

*(iii) Internal financial control*

The directors have overall responsibility for the Group's system of internal financial controls. Such systems can provide only reasonable and not absolute assurance against material financial misstatement or loss. The essential elements of the Group's internal financial control procedures involve:

- The control of cash and profit through three year business plans and annual budgets. All plans and budgets are approved by the Board. The Group reports monthly on current year results and updated forecasts which are subject to a review by divisional and Group management.
- Defined procedures for the appraisal, review and control of capital expenditure.
- Policies which are communicated via a series of corporate manuals.
- A formal mechanism, based on self-assessment, for the measurement of risks and assessment of the principal financial controls across the Group. The evaluation of risk forms an integral part of this assessment.

The Audit Committee, on behalf of the Board, has reviewed the principal risks and the effectiveness of the established control procedures. In addition to the existing external audit procedures, it also receives a certification of compliance with the Group's manuals from the senior managers for areas for which they are responsible.

*(iv) 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.

*(v) Report by the Auditors*

The report by the Auditors on corporate governance matters is set out on page 29.

**Auditors**

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

By order of the Board

J P Narciso  
Secretary  
18 March 1997

## **Responsibility of the directors for the preparation of the financial statements**

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

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

By order of the Board

J P Narciso  
Secretary  
18 March 1997

## **Auditors' report**

### **To the Members of Delta plc**

We have audited the financial statements on pages 30 to 45.

### **Respective responsibilities of directors and auditors**

As described on page 28 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 28 December 1996 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London  
18 March 1997

Coopers & Lybrand  
Chartered Accountants and Registered Auditors

## **Report by the auditors to Delta plc on corporate governance matters**

In addition to our audit of the financial statements we have reviewed the directors' statements on pages 26 and 27 concerning the Company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v).

### **Basis of opinion**

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group or Company to continue in operational existence.

### **Opinion**

With respect to the directors' statements on internal financial control and on going concern on page 27, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the Company and examination of relevant documents, in our opinion the directors' statement on page 26 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

London  
18 March 1997

Coopers & Lybrand  
Chartered Accountants

## Group profit and loss account

For the year ended 28 December 1996

	Notes	1996			1995		
		Before exceptional items £ million	Exceptional items (note 5) £ million	Total £ million	Before exceptional items £ million	Exceptional items (note 5) £ million	Total £ million
<b>Turnover – continuing operations</b>	<b>1</b>	<b>950.0</b>	<b>—</b>	<b>950.0</b>	<b>1,018.5</b>	<b>—</b>	<b>1,018.5</b>
Cost of sales		(732.1)	(1.6)	(733.7)	(795.8)	(6.2)	(802.0)
<b>Gross profit</b>		<b>217.9</b>	<b>(1.6)</b>	<b>216.3</b>	<b>222.7</b>	<b>(6.2)</b>	<b>216.5</b>
Distribution costs and administrative expenses	<b>2</b>	(165.5)	(3.4)	(168.9)	(164.2)	(4.8)	(169.0)
<b>Operating profit – continuing operations</b>	<b>4</b>	<b>52.4</b>	<b>(5.0)</b>	<b>47.4</b>	<b>58.5</b>	<b>(11.0)</b>	<b>47.5</b>
Share of profits of associated companies	<b>6</b>	14.7	—	14.7	15.9	—	15.9
		67.1	(5.0)	62.1	74.4	(11.0)	63.4
Sale of businesses	<b>5</b>	—	(6.6)	(6.6)	—	—	—
<b>Profit on ordinary activities before interest</b>		<b>67.1</b>	<b>(11.6)</b>	<b>55.5</b>	<b>74.4</b>	<b>(11.0)</b>	<b>63.4</b>
Interest	<b>7</b>	(9.9)	—	(9.9)	(10.3)	—	(10.3)
<b>Profit on ordinary activities before taxation</b>	<b>1</b>	<b>57.2</b>	<b>(11.6)</b>	<b>45.6</b>	<b>64.1</b>	<b>(11.0)</b>	<b>53.1</b>
Taxation	<b>8</b>	(20.5)	0.2	(20.3)	(23.3)	2.0	(21.3)
<b>Profit on ordinary activities after taxation</b>		<b>36.7</b>	<b>(11.4)</b>	<b>25.3</b>	<b>40.8</b>	<b>(9.0)</b>	<b>31.8</b>
Minority interests		(2.5)	—	(2.5)	(1.8)	—	(1.8)
<b>Profit for the financial year</b>		<b>34.2</b>	<b>(11.4)</b>	<b>22.8</b>	<b>39.0</b>	<b>(9.0)</b>	<b>30.0</b>
Dividends	<b>9</b>	(28.4)	—	(28.4)	(28.4)	—	(28.4)
<b>Transfer (from) to reserves</b>	<b>24</b>	<b>5.8</b>	<b>(11.4)</b>	<b>(5.6)</b>	<b>10.6</b>	<b>(9.0)</b>	<b>1.6</b>
<b>Earnings per 25p ordinary share</b>	<b>10</b>	<b>22.8p</b>		<b>15.2p</b>	<b>26.1p</b>		<b>20.0p</b>



## Balance sheets

At 28 December 1996

	Notes	Group		Holding company	
		1996 £ million	1995 £ million	1996 £ million	1995 £ million
<b>Fixed assets</b>					
Tangible assets	11	214.0	238.7	—	—
Investments					
Associated companies and other investments	12(a)	40.1	40.4	0.7	0.4
Group companies	12(b)	—	—	362.1	481.4
		254.1	279.1	362.8	481.8
<b>Current assets</b>					
Stocks	13	161.4	196.6	—	—
Debtors – amounts falling due after one year	14	7.8	8.1	5.4	5.4
Debtors – amounts falling due within one year	14	184.1	189.1	21.5	16.4
Bank and other deposits		85.2	23.6	24.4	0.2
		438.5	417.4	51.3	22.0
<b>Creditors – amounts falling due within one year</b>					
Borrowings	19	(12.8)	(29.7)	(0.4)	(10.6)
Other creditors	15	(173.8)	(179.8)	(39.0)	(41.2)
<b>Net current assets</b>		251.9	207.9	11.9	(29.8)
<b>Total assets less current liabilities</b>		506.0	487.0	374.7	452.0
<b>Creditors – amounts falling due after more than one year</b>					
Borrowings	19	(145.6)	(108.7)	(44.1)	(108.3)
Provisions for liabilities and charges	20	(21.1)	(26.1)	—	—
<b>Net assets</b>		339.3	352.2	330.6	343.7
<b>Capital and reserves</b>					
Called up share capital	21	40.3	40.2	40.3	40.2
Share premium account	24	31.1	30.3	31.1	30.3
Revaluation reserve	24	45.7	46.5	154.4	167.7
Profit and loss account	24	213.5	226.7	104.8	105.5
Equity shareholders' funds		327.8	340.9	327.8	340.9
Non-equity shareholders' funds		2.8	2.8	2.8	2.8
<b>Total shareholders' funds</b>		330.6	343.7	330.6	343.7
Equity minority interests		8.7	8.5	—	—
		339.3	352.2	330.6	343.7

The accounts on pages 30 to 45 were approved by the directors on 18 March 1997 and are signed on their behalf by:

Sir Martin Jacomb  
Chairman

M Gill  
Finance director

## Group cash flow statement

For the year ended 28 December 1996

	Notes	1996 £ million	1995 £ million
<b>Net cash inflow from operating activities</b>	<b>26</b>	<b>109.7</b>	<b>59.9</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		1.1	2.1
Interest paid		(11.5)	(12.6)
Preference dividends paid		(0.1)	(0.1)
Dividends paid to minority shareholders		(1.7)	(1.3)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(12.2)</b>	<b>(11.9)</b>
<b>Taxation</b>		<b>(19.2)</b>	<b>(23.4)</b>
<b>Capital expenditure and financial investment</b>			
Capital expenditure		(27.8)	(40.5)
Sale of tangible fixed assets		2.2	3.1
Sale of other investments		0.1	—
Associated company loans		(1.0)	0.3
Purchase of own shares for ESOT		(1.0)	(0.8)
Loans to minority interests		—	(0.7)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(27.5)</b>	<b>(38.6)</b>
<b>Acquisitions and disposals</b>			
Purchase of businesses	29	(12.5)	(10.5)
Net cash acquired on purchase of businesses	29	—	0.1
Purchase of investment in associated companies	12	(0.5)	(1.9)
Sale of businesses	29	28.1	2.4
Net cash disposed of on sale of businesses	29	(0.1)	—
Movement in provisions for acquisitions		—	(0.2)
<b>Net cash inflow (outflow) from acquisitions and disposals</b>		<b>15.0</b>	<b>(10.1)</b>
<b>Equity dividends paid</b>		<b>(28.3)</b>	<b>(23.4)</b>
<b>Cash inflow (outflow) before use of liquid resources</b>		<b>37.5</b>	<b>(47.5)</b>
<b>Management of liquid resources</b>			
Increase in short term cash deposits		(36.5)	(4.1)
<b>Financing</b>			
Issue of ordinary share capital		0.9	2.0
Debt due within one year: increase in short term borrowings		37.9	16.9
repayment of short term borrowings		(57.8)	(16.6)
Debt due after one year: increase in loans		101.2	60.3
repayment of loans		(60.1)	(10.0)
Repayment of debentures		—	(6.5)
Capital element of finance lease rental payments		—	(0.1)
<b>Net cash inflow from financing</b>		<b>22.1</b>	<b>46.0</b>
<b>Increase (decrease) in cash in the period</b>		<b>23.1</b>	<b>(5.6)</b>

## Statement of total recognised gains and losses

For the year ended 28 December 1996

	1996 £ million	1995 £ million
<b>Profit for the financial year</b>	<b>22.8</b>	30.0
Other recognised gains and losses for the year:		
Unrealised surpluses on revaluation of properties	2.4	0.5
Currency translation differences on foreign currency net investments	(12.5)	3.6
<b>Total recognised gains and losses for the year</b>	<b>12.7</b>	34.1

## Note of historical cost profits and losses

<b>Reported profit on ordinary activities before taxation</b>	<b>45.6</b>	53.1
Realisation of property revaluation surpluses of previous years	2.0	0.5
Difference between historical cost depreciation and actual depreciation charge for the period calculated on the revalued amount	0.1	0.2
<b>Historical cost profit on ordinary activities before taxation</b>	<b>47.7</b>	53.8
<b>Historical cost (loss) profit for the period retained after taxation, minority interests and dividends</b>	<b>(3.5)</b>	2.3

## Movement in total shareholders' funds

<b>Profit for the financial year</b>	<b>22.8</b>	30.0
Dividends	(28.4)	(28.4)
	(5.6)	1.6
Other recognised gains and losses for the year	(10.1)	4.1
Goodwill arising on acquisitions	(6.1)	(7.7)
Goodwill transferred to the profit and loss account on disposals	7.8	0.8
Shares issued	0.9	2.0
<b>Net (decrease) increase in shareholders' funds for the year</b>	<b>(13.1)</b>	0.8
Shareholders' funds at the beginning of the period	343.7	342.9
<b>Shareholders' funds at the end of the period</b>	<b>330.6</b>	343.7

## Accounting policies

### 1 Accounting convention and Standards

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

These financial statements comply with FRS 1 'Cash Flow Statements' as revised in 1996 and FRS 8 'Related Party Disclosures'. The presentation of the cash flow has been amended in accordance with the revisions to FRS 1 and the comparative figures have been restated where applicable.

### 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 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 associated companies 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 companies acquired or sold during the year are dealt with from the date of acquisition or to the date of sale. Acquisitions are accounted for by the acquisition method of accounting, the net goodwill being written off directly to reserves in the year of acquisition. On the disposal of a business, goodwill paid on its acquisition is written off through the profit and loss account as part of the profit or loss on disposal.

### 3 Research and development, patents and trademarks

All expenses are written off as incurred.

### 4 Foreign currency

The profit and loss accounts of overseas companies are translated into sterling at average exchange rates for the financial year. Their balance sheets and also the foreign currency assets and liabilities of UK companies, including hedging instruments, are translated into sterling at the rates ruling on the last day of the financial year. The exchange differences arising from the translation of the opening net assets of overseas companies and the exchange differences on foreign currency liabilities hedging those net assets, are taken directly to reserves. Similarly, the difference between the net profits of overseas companies translated at average rates and year end rates is taken directly to reserves.

### 5 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.

### 6 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.

### 7 Tangible assets

- (i) Freehold and leasehold property is mainly valued on an open-market value for the existing-use basis. Each property in the UK is revalued regularly, once in every three years, while overseas the period between valuations varies according to local conditions.
- (ii) Depreciation is provided on the straight-line basis mainly 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%

- (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.

### 8 Taxation

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

### 9 Turnover

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

## Notes on the accounts

	1996			1995		
	Turnover £ million	Profit before taxation £ million	Net assets £ million	Turnover £ million	Profit before taxation £ million	Net assets £ million
<b>1 Principal activities</b>						
By activity: continuing activities						
Cables (i) & (iii)	314.1	2.2	128.7	368.1	0.7	157.1
Circuit protection (ii)	151.3	13.0	56.4	146.1	12.0	62.1
Engineering (iv)	346.1	27.8	147.3	380.4	38.0	169.2
Industrial services (v)	240.1	24.1	85.8	233.4	23.7	86.8
Exceptional operating charges (vi)	—	(5.0)	(5.7)	—	(11.0)	(8.2)
	1,051.6	62.1	412.5	1,128.0	63.4	467.0
Sale of businesses	—	(6.6)	—	—	—	—
Interest/net borrowings	—	(9.9)	(73.2)	—	(10.3)	(114.8)
	1,051.6	45.6	339.3	1,128.0	53.1	352.2
Less: Associated companies	(101.6)	—	—	(109.5)	—	—
	950.0	45.6	339.3	1,018.5	53.1	352.2
By area: continuing activities						
Europe (ii) & (iii)	697.3	32.1	300.2	774.5	39.9	344.9
Asia – Pacific (v)	198.5	15.9	65.5	178.9	13.5	60.2
North America (i) & (iv)	64.5	4.2	14.0	73.8	4.6	29.4
Africa (v)	91.3	14.9	38.5	100.8	16.4	40.7
Exceptional operating charges (vi)	—	(5.0)	(5.7)	—	(11.0)	(8.2)
	1,051.6	62.1	412.5	1,128.0	63.4	467.0
Sale of businesses	—	(6.6)	—	—	—	—
Interest/net borrowings	—	(9.9)	(73.2)	—	(10.3)	(114.8)
	1,051.6	45.6	339.3	1,128.0	53.1	352.2
Less: Associated companies	(101.6)	—	—	(109.5)	—	—
	950.0	45.6	339.3	1,018.5	53.1	352.2
By destination: continuing activities						
Europe	615.3			659.2		
Asia – Pacific	193.0			190.5		
North America	78.7			91.5		
Near & Middle East	41.2			55.8		
Africa	21.8			21.5		
	950.0			1,018.5		
(i) Includes Surprenant Cable Corporation sold 5 June 1996	13.2	(0.7)	—	33.6	(1.3)	16.5
(ii) Includes British Electrical Repairs Ltd sold 27 September 1996	13.3	0.5	—	16.3	(0.1)	8.0
(iii) Includes associated company	21.2	1.5	3.2	20.5	1.4	2.6
(iv) Includes associated company	1.3	0.1	1.4	0.5	0.1	1.5
(v) Includes associated companies: Africa	79.1	13.1	34.0	88.5	14.4	35.8
Asia – Pacific	—	—	0.8	—	—	—
(vi) Exceptional operating charges (also see note 5):						
Cables	—	—	(4.3)	—	(11.0)	(8.2)
Circuit Protection	—	(2.0)	—	—	—	—
Engineering	—	(3.0)	(1.4)	—	—	—
Total exceptional operating charges Europe	—	(5.0)	(5.7)	—	(11.0)	(8.2)
(vii) Both in 1995 and 1996 the impact of acquisitions and disposals on turnover and profit before taxation were not material to the Group or individual business segments except as disclosed in notes (i) and (ii) above.						

	1996			1995		
	Before exceptional charges £ million	Exceptional operating charges £ million	Total £ million	Before exceptional charges £ million	Exceptional operating charges £ million	Total £ million
<b>2 Distribution costs and administrative expenses – continuing operations</b>						
Distribution costs	95.4	0.2	95.6	96.7	0.5	97.2
Administrative expenses	70.1	3.2	73.3	67.5	4.3	71.8
	165.5	3.4	168.9	164.2	4.8	169.0

## Notes on the accounts

		1996 £ million	1995 £ million
<b>3 Group employees</b>			
(a) <i>Employee costs</i>	Aggregate remuneration – United Kingdom	<b>134.4</b>	139.6
	Overseas	<b>73.1</b>	75.9
		<b>207.5</b>	215.5
	Social security contributions	<b>19.0</b>	20.7
	Pension contributions	<b>10.4</b>	10.0
	Other employee costs	<b>4.2</b>	0.7
		<b>241.1</b>	246.9
		Average monthly number	Actual number at the year end
		1996	1995
		1996	1995
(b) <i>Number of employees</i>	United Kingdom	<b>8,607</b>	9,135
	Overseas	<b>4,500</b>	4,483
		<b>13,107</b>	13,618
		<b>12,132</b>	13,307

### (c) Pensions

The Group operates a number of pension schemes throughout the world. The major schemes, which cover 84% of scheme members, are of the defined benefit type. The assets are held in separate trustee administered funds, unless determined otherwise by local best practice and regulations.

Of the total pension contributions, £3.3 million (1995 £3.1 million) relates to overseas schemes. Where appropriate the pension contributions are assessed in accordance with the advice of a qualified actuary.

The main UK scheme, which covers 66% of all employees in Group pension schemes, was last assessed at 6 April 1994. Using the attained age method, the assumptions which have the most significant effect on the results of the valuation are those detailed below. They are fixed relative to the expected rate of inflation as follows: investment returns 3½% higher, earnings growth 1½% higher, pension increases in line with inflation.

At the date of the latest actuarial valuation, the market value of the assets of the main UK scheme was £401.4 million and the actuarial value of the assets was sufficient to cover 114% of the benefits that had accrued to members after allowing for expected future increases in earnings. The contribution rate has been adjusted to amortise the surplus over the expected future service lives of the members.

There is a provision of £7.8 million (1995 £9.1 million) for pensions, shown in note 20. The major part of this provision relates to the excess of the accumulated pension liability over the amount funded in overseas schemes.

There is a provision of £1.6 million (1995 £3.0 million) for post retirement benefits of US employees who have retired, or retire in the five year period to 31 December 2001. The continuing cost to the Group of £0.1 million (1995 £0.1 million) is charged to revenue. A weighted average discount rate of 7.5% has been assumed. Plan amendments during the year have resulted in a credit to revenue of £0.4 million (1995 £0.6 million).

### (d) Directors' emoluments

The disclosures required by the Companies Act 1985 are included within the Directors' report – pages 24 to 26

		1996 £ million	1995 £ million
<b>4 Operating profit before exceptional items</b>			
The operating profit is after charging:	Auditors' remuneration (ii)	<b>1.1</b>	1.2
	Depreciation of tangible assets (iii)	<b>31.7</b>	31.5
	Depreciation of leased assets	<b>0.1</b>	0.2
	Operating lease rentals – plant and equipment	<b>2.4</b>	2.6
	Property rental	<b>4.9</b>	4.8
	Research and development	<b>2.0</b>	2.6
(i) The translation of overseas profits at the 1996 average rates of exchange, as compared with the 1995 average rates, decreased profits by £(1.4) million.			
(ii) Coopers & Lybrand also received £0.5 million (1995 £0.3 million) in respect of non-audit services in the UK during the year.			
(iii) An additional £1.2 million, provided as part of the 1995 operating exceptional charge for the rationalisation of the Cables division, has been utilised against tangible assets, representing a further accelerated depreciation charge.			
<b>5 Exceptional items</b>			
Operating exceptional charges (continuing activities) – Rationalisation and restructuring costs [see also note 1(vi)]		<b>(5.0)</b>	(11.0)
Non-operating exceptional items –			
Sale of businesses:	Loss on disposals (i)	<b>(8.6)</b>	—
	Profit on disposals	<b>2.0</b>	—
		<b>(6.6)</b>	—
		<b>(11.6)</b>	(11.0)

(i) Included in the loss on disposals is £(6.4) million in respect of Surprenant Cable Corporation.

(ii) In accordance with accounting policy 2(iii) goodwill of £7.8 million, previously written off to reserves on the acquisition of the above businesses was written back through reserves and charged to the profit and loss as part of the loss on disposal of £(6.6) million above.

## Notes on the accounts

		1996 £ million	1995 £ million
<b>6 Profits of associated companies</b>			
Group share of profits less losses of associated companies, after interest		14.7	15.9
Taxation (note 8)		(4.1)	(5.5)
Profit attributable to Delta shareholders		10.6	10.4
Dividends of £3.5 million (1995 £3.7 million) were received from associated companies.			
<b>7 Interest</b>			
Interest payable:	On bank loans and overdrafts	(6.6)	(8.2)
	On other loans	(6.4)	(4.0)
	On finance leases	—	(0.1)
		(13.0)	(12.3)
Interest receivable		3.1	2.0
		(9.9)	(10.3)
<b>8 Taxation</b>			
UK corporation tax 33% (1995 33%)		4.2	15.6
Advance corporation tax written off		1.6	1.3
Double taxation relief		(0.4)	(12.8)
Overseas taxation		11.2	12.8
Prior year adjustments		(0.4)	(1.1)
Taxation of Group share of profits less losses of associated companies (note 6)		4.1	5.5
		20.3	21.3
The tax charge has been reduced by £0.8 million (1995 £0.4 million) due to the utilisation of tax losses brought forward.			
The deferred tax credit included above is £0.1 million (1995 £1.8 million).			
<b>9 Dividends</b>			
Preference (non-equity):	4.2% cumulative first preference shares and 3.15% cumulative second preference shares	0.1	0.1
Ordinary (equity):	Interim 4.5p (1995 4.5p)	6.7	6.7
	Proposed final 14.4p (1995 14.4p) – payable as a Foreign Income Dividend	21.6	21.6
		28.3	28.3
Total dividends		28.4	28.4
<b>10 Earnings per 25p ordinary share</b>			
Weighted average number of shares in issue during the year		149,704m	149,319m
Profit for the financial year attributable to ordinary shareholders		£22.7m	£29.9m
Earnings per 25p ordinary share		15.2p	20.0p
Profit for the financial year attributable to ordinary shareholders		£22.7m	£29.9m
Adjustment for exceptional items after tax		£11.4m	£9.0m
Adjusted profit for the financial year attributable to ordinary shareholders		£34.1m	£38.9m
Adjusted earnings per 25p ordinary share		22.8p	26.1p

## Notes on the accounts

	Cost or valuation				Accumulated depreciation				Book value £ million
	Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	Land and buildings £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Total £ million	
<b>11 Tangible assets</b>									
At 30 December 1995	115.4	320.9	79.4	515.7	7.7	211.0	58.3	277.0	238.7
Currency translation	(4.5)	(10.3)	(2.7)	(17.5)	(1.0)	(7.6)	(2.4)	(11.0)	(6.5)
Property revaluation	(0.4)	—	—	(0.4)	(0.4)	—	—	(0.4)	—
Disposal of businesses	(9.4)	(20.6)	(3.3)	(33.3)	(1.9)	(14.2)	(2.3)	(18.4)	(14.9)
Other disposals	(0.4)	(9.3)	(5.4)	(15.1)	—	(8.6)	(4.9)	(13.5)	(1.6)
Acquisition of businesses	2.4	1.8	0.3	4.5	—	0.1	0.1	0.2	4.3
Expenditure 1996	3.5	15.6	7.9	27.0	—	—	—	—	27.0
Depreciation 1996	—	—	—	—	2.0	22.1	8.9	33.0	(33.0)
<b>At 28 December 1996</b>	<b>106.6</b>	<b>298.1</b>	<b>76.2</b>	<b>480.9</b>	<b>6.4</b>	<b>202.8</b>	<b>57.7</b>	<b>266.9</b>	<b>214.0</b>

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

1994 and earlier years	39.3
1995	38.0
1996 (iv)	12.7
At cost	16.6

Analysis of net book value of land and buildings:

Freeholds	96.3
Long leaseholds (iii)	0.6
Short leaseholds (iii)	3.3

<b>At 28 December 1996</b>	<b>106.6</b>	<b>At 28 December 1996</b>	<b>100.2</b>
----------------------------	--------------	----------------------------	--------------

- (i) The net book value includes plant, machinery and equipment held under finance leases amounting to £0.4 million (1995 £0.4 million).  
(ii) The net book value includes payments on account and assets in course of construction £6.2 million (1995 £7.6 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) The revaluations which were made in 1996 comprise: UK £8.6 million and overseas £4.1 million valued on an existing use basis, these valuations having been carried out by Henry Butcher & Co, International Asset Consultants, in accordance with the RICS appraisal and valuation manual.  
(v) If the land and buildings were included at cost, the value before depreciation would be reduced by £28.3 million (1995 £30.4 million) and the accumulated depreciation increased by £14.8 million (1995 £15.8 million).

	Associated companies			Group	Group & Company	Total £ million
	Cost £ million	Share of reserves £ million	Loans £ million	Trade & other invest- ments £ million	Employee Share Ownership Trust £ million	
<b>12 Investments</b>				(ii)	(v)	(vi)
(a) Associated companies and other investments: cost and share of reserves						
At 30 December 1995	14.9	25.2	(0.2)	0.1	0.4	40.4
Currency translation	(3.6)	(7.6)	—	—	—	(11.2)
Acquisitions, disposals and other movements (iv)	0.5	(0.2)	—	(0.1)	1.0	1.2
Revaluation	—	2.4	—	—	—	2.4
Movement in loans	—	—	1.0	—	—	1.0
Charge for year	—	—	—	—	(0.7)	(0.7)
Amounts retained	—	7.0	—	—	—	7.0
<b>Net book value at 28 December 1996</b>	<b>11.8</b>	<b>26.8</b>	<b>0.8</b>	<b>—</b>	<b>0.7</b>	<b>40.1</b>

- (i) The names of associated companies are given on page 45.  
(ii) Associated companies' loans include an amount of £Nil (1995 £0.7 million) due to an associated company at call.  
(iii) The net book value of an associated company, listed overseas is £12.1 million (1995 £13.9 million), the market value being £36.2 million (1995 £49.3 million).  
(iv) During the year an investment costing £0.4 million was made in Indonesia.  
(v) The trade and other investments held by the Group were all unlisted.  
(vi) At 28 December 1996, the 508,600 shares held by the ESOT (cost £2.4 million) had a market value of £1.9 million. At 28 December 1996, £1.7 million has been amortised to the profit and loss account. Dividend income paid to the ESOT is used to defray the holding cost of the shares. A proportion of the funds to purchase these shares are borrowed by the ESOT under a loan facility guaranteed by the Company which are shown as borrowings in the Group balance sheet. The ESOT was omitted from the holding company balance sheet in 1995 and accordingly its balance sheet has been restated.



## Notes on the accounts

	Book value (i)				Amounts provided		Net book value at 28 December 1996	Net book value at 30 December 1995
	At 30 December 1995	Movements during year	At 28 December 1996	At 30 December 1995	Movements during year	At 28 December 1996		
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
<b>12 Investments (continued)</b>								
<i>(b) Holding company investments in Group companies</i>								
Shares	688.6	(13.4)	675.2	(1.4)	—	(1.4)	<b>673.8</b>	687.2
Loans	(188.5)	(105.9)	(294.4)	(17.3)	—	(17.3)	<b>(311.7)</b>	(205.8)
<b>Total</b>	<b>500.1</b>	<b>(119.3)</b>	<b>380.8</b>	<b>(18.7)</b>	<b>—</b>	<b>(18.7)</b>	<b>362.1</b>	<b>481.4</b>

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

(ii) The cost of shares in subsidiary companies is £523.1 million (1995 £524.2 million).

(iii) The names of the principal Group companies are given on page 45.

	Group		Holding company	
	1996 £ million	1995 £ million	1996 £ million	1995 £ million
<b>13 Stocks</b>				
Raw materials	35.0	42.1	—	—
Work-in-progress	37.4	44.3	—	—
Finished goods	89.0	110.2	—	—
	<b>161.4</b>	<b>196.6</b>	<b>—</b>	<b>—</b>
Replacement cost	163.5	197.9	—	—

<b>14 Debtors</b>				
Amounts falling due after one year:				
Other debtors	1.7	2.6	—	—
Prepayments and accrued income	0.1	0.1	—	—
Advance corporation tax recoverable	6.0	5.4	5.4	5.4
	<b>7.8</b>	<b>8.1</b>	<b>5.4</b>	<b>5.4</b>
Amounts falling due within one year:				
Trade debtors	152.5	170.2	—	—
Amounts owed by Group companies	—	—	7.6	10.3
Amounts owed by Associated companies	1.1	1.0	—	—
Other debtors	8.9	4.4	2.2	0.9
Prepayments and accrued income	10.6	7.4	2.8	1.0
Advance corporation tax recoverable	8.9	4.2	8.9	4.2
Corporation tax recoverable	1.2	1.2	—	—
Deferred tax	0.9	0.7	—	—
	<b>184.1</b>	<b>189.1</b>	<b>21.5</b>	<b>16.4</b>
	<b>191.9</b>	<b>197.2</b>	<b>26.9</b>	<b>21.8</b>

<b>15 Other creditors</b>				
Amounts falling due within one year:				
Trade creditors	67.1	77.9	—	—
Amounts owed to Group companies	—	—	—	3.2
Other creditors	10.1	8.4	0.4	0.3
Accruals and deferred income	44.9	40.8	10.1	8.5
Dividends	21.6	21.6	21.6	21.6
Corporate taxation	21.9	20.2	6.9	7.6
Other taxation and social security	8.2	10.9	—	—
	<b>173.8</b>	<b>179.8</b>	<b>39.0</b>	<b>41.2</b>

<b>16 Capital commitments</b>				
Future capital expenditure, contracted but not provided for	14.0	8.9	—	—

<b>17 Contingent liabilities</b>				
Financial guarantees	4.6	7.6	5.2	2.3

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

(ii) The holding company is registered under a group registration for value added tax and is jointly liable for the amount payable of £3.2 million at 28 December 1996 (1995 £3.8 million) in respect of certain UK group companies.

## Notes on the accounts

		1996		1995	
		Land and buildings £ million	Plant and equipment £ million	Land and buildings £ million	Plant and equipment £ million
<b>18 Commitments under operating leases</b>					
Annual commitments under operating leases expiring:					
	Within one year	0.5	0.6	0.3	0.7
	Between one and five years	1.5	1.5	1.0	1.0
	After five years	1.8	0.1	2.4	0.2
		<b>3.8</b>	<b>2.2</b>	<b>3.7</b>	<b>1.9</b>

		Group			Holding company		
		Due within one year £ million	Due after one year £ million	Total £ million	Due within one year £ million	Due after one year £ million	Total £ million
<b>19 Borrowings</b>							
At the end of this year:							
Bank loans, overdrafts and acceptances: Unsecured bank loans and overdrafts		9.8	0.1	9.9	—	—	—
Acceptances		2.3	—	2.3	—	—	—
		12.1	0.1	12.2	—	—	—
ESOT loan [ see note 12a (vi) ]		0.4	0.1	0.5	0.4	0.1	0.5
Senior unsecured loan notes due 1999/2004 (i)		—	44.0	44.0	—	44.0	44.0
Other unsecured loans		0.2	1.1	1.3	—	—	—
Preference shares issued by a subsidiary company (ii)		—	100.0	100.0	—	—	—
Finance leases (iii)		0.1	0.3	0.4	—	—	—
<b>At 28 December 1996</b>		<b>12.8</b>	<b>145.6</b>	<b>158.4</b>	<b>0.4</b>	<b>44.1</b>	<b>44.5</b>
At the end of last year:							
Bank loans, overdrafts and acceptances: Unsecured bank loans and overdrafts		21.5	59.8	81.3	10.1	59.7	69.8
Acceptances		7.6	—	7.6	—	—	—
		29.1	59.8	88.9	10.1	59.7	69.8
ESOT loan [ see note 12a (vi) ]		0.5	0.5	1.0	0.5	0.5	1.0
Senior unsecured loan notes due 1999/2004 (i)		—	48.1	48.1	—	48.1	48.1
Finance leases (iii)		0.1	0.3	0.4	—	—	—
<b>At 30 December 1995</b>		<b>29.7</b>	<b>108.7</b>	<b>138.4</b>	<b>10.6</b>	<b>108.3</b>	<b>118.9</b>

		Group		Holding company	
		1996 £ million	1995 £ million	1996 £ million	1995 £ million
The Group borrowings are repayable as follows:					
	Within one year	12.8	29.7	0.4	10.6
	Between one and two years	0.5	0.5	0.1	—
	Between two and five years	123.1	76.1	22.0	76.2
	After five years	22.0	32.1	22.0	32.1
		<b>158.4</b>	<b>138.4</b>	<b>44.5</b>	<b>118.9</b>

Group borrowings repayable wholly or partly in more than five years by instalments:

Senior unsecured loan notes due 1999/2004 (i)	44.0	48.1	44.0	48.1
---	------	------	------	------

(i) The senior unsecured loan notes are denominated in US dollars, with a nominal value of \$75 million. They were issued in July 1994, and are repayable in six equal annual instalments of \$12.5 million, beginning in July 1999. \$37.5 million (£22.0 million) is repayable between 1999 and 2001, \$37.5 million (£22.0 million) is repayable between 2002 and 2004. The interest rate on the loan notes is fixed at 7.88% per annum.

(ii) During the year Delta Group International Holdings Ltd, a wholly owned subsidiary of Delta plc, issued £100 million of 4.3701% redeemable preference shares at par to a UK financial institution. In accordance with FRS 4, these shares and their associated finance cost have been treated as debt and interest payable in the Group financial statements. The shares are required to be redeemed on 20 June 1997, but as they are supported by committed facilities with a maturity date of 19 July 2000, the liability has been disclosed within amounts due after more than one year.

(iii) The net finance lease obligations due after more than one year are repayable as follows: £0.3 million between two and five years.

## Notes on the accounts

	Pension provisions £ million	Post retirement benefit provisions £ million	Acquisition & disposal provisions £ million	Restruct- uring provisions £ million	Other provisions £ million	Deferred taxation £ million	Total £ million
<b>20 Provisions for liabilities and charges</b>	(i)	(i)		(ii)		(iii)	
At 30 December 1995	9.1	3.0	2.5	10.2	0.8	0.5	26.1
Currency translation	(1.5)	(0.2)	—	—	—	(0.1)	(1.8)
Disposal of subsidiaries	—	(0.8)	—	—	—	—	(0.8)
Profit and loss charge (credit)	1.1	(0.3)	(0.7)	5.0	0.1	(0.1)	5.1
Utilised	(0.9)	(0.1)	(0.6)	(6.9)	0.8	0.2	(7.5)
<b>At 28 December 1996</b>	<b>7.8</b>	<b>1.6</b>	<b>1.2</b>	<b>8.3</b>	<b>1.7</b>	<b>0.5</b>	<b>21.1</b>

(i) See note 3 (c) pensions.

(ii) See note 5 exceptional items.

		1996		1995	
		Amount not provided £ million	Amount provided £ million	Amount not provided £ million	Amount provided £ million
(iii) Deferred taxation					
United Kingdom tax on timing differences:	Excess of tax allowances over depreciation	9.9	2.4	9.0	4.2
	Other items	(0.3)	(2.4)	(0.4)	(4.2)
		9.6	—	8.6	—
Overseas tax on timing differences:	Excess of tax allowances over depreciation	0.7	1.9	0.7	2.8
	Other items	—	(1.4)	(0.1)	(2.3)
		10.3	0.5	9.2	0.5

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.

		4.2% Cumulative first preference shares of £1 each £ million	3.15% Cumulative second preference shares of £1 each £ million	Ordinary shares of 25p each £ million	Total share capital £ million
<b>21 Share capital</b>		(i)	(ii)	(iii)	
Authorised:	At 30 December 1995 and 28 December 1996	1.0	2.0	47.0	50.0
Called up share capital – allotted and fully paid:	At 30 December 1995	0.9	1.9	37.4	40.2
	Issued during year under share option schemes	—	—	0.1	0.1
	<b>At 28 December 1996</b>	<b>0.9</b>	<b>1.9</b>	<b>37.5</b>	<b>40.3</b>

(i) 1,000,000 shares authorised and 866,152 shares allotted and fully paid at 30 December 1995 and 28 December 1996.

(ii) 2,000,000 shares authorised and 1,940,000 shares allotted and fully paid at 30 December 1995 and 28 December 1996.

(iii) 188,000,000 shares authorised at 30 December 1995 and 28 December 1996, 149,860,755 shares allotted and fully paid at 28 December 1996 (1995 149,569,226).

(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.

		Save as you earn	International save as you earn	Senior executive
<b>22 Share options</b>				
Invitation to subscribe		5th	2nd	
Total number of participants at end of year		2,554	264	26
Options granted during year:	Date	18 October	18 October	—
	Number of shares	1,335,966	190,501	—
Options exercised and shares allotted during year:	Number of shares	191,379	150	100,000

(i) At 28 December 1996, there were options outstanding, under the save as you earn scheme over 3,048,129, shares at prices between 288p and 459p, under the international scheme over 269,217 shares at prices between 315p and 339p and options outstanding under the senior executive schemes over 1,297,000 shares at prices between 286p and 523p.

(ii) In normal circumstances the options can be exercised under the save as you earn share option scheme between three and seven years and for the senior executive schemes between three and ten years after the date on which options were granted.

(iii) The consideration received in respect of shares issued during the year under share options was £893,034.

## Notes on the accounts

### 23 Directors' share holdings

The holdings of the directors and their families in ordinary shares were:

		Number of ordinary shares of 25p each owned	
		At 28 December 1996	At 30 December 1995
Directors at the end of the financial year:	Sir Martin Jacomb	7,600	7,600
	R A Easton	110,000*	110,000
	J P Scott-Maxwell	10,000	10,000†
	M Gill	21,158	21,158
	Sir Philip Beck	1,600	1,600
	Sir Brian Moffat	600	600
	J H Robinson	600	600

\* As at date of retirement, 30 November 1996.

† As at date of appointment, 1 December 1996.

No changes in the share holdings shown above have taken place since 28 December 1996.

Other than the share holdings shown in the table above and the options disclosed on page 26, 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 the Company, being a contract of significance in relation to the Company's business.

### 24 Reserves

		Group			Holding 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
Reserves at 30 December 1995		30.3	46.5	226.7	30.3	167.7	105.5
Movements during the year:							
Share premiums		0.8	—	—	0.8	—	—
Net surplus (deficit) arising on revaluation:							
Currency translation		—	(1.3)	(11.2)	—	(0.1)	—
Property (iii)		—	2.4	—	—	—	—
Group companies		—	—	—	—	(13.2)	—
Goodwill on acquisitions (vi)		—	—	(6.1)	—	—	—
Goodwill transferred to the profit and loss account on disposals		—	—	7.8	—	—	—
Transfer of reserves		—	(1.9)	1.9	—	—	—
Transfers from profit and loss account:							
Group companies		—	—	(12.6)	—	—	(0.7)
Associated companies		—	—	7.0	—	—	—
		0.8	(0.8)	(13.2)	0.8	(13.3)	(0.7)
<b>Reserves at 28 December 1996</b>		<b>31.1</b>	<b>45.7</b>	<b>213.5</b>	<b>31.1</b>	<b>154.4</b>	<b>104.8</b>

- The profit and loss account of the Group includes profits retained in overseas Group companies totalling £35.7 million (1995 £39.0 million) which could be subject to local exchange control regulations if distributed as dividends.
- The profit and loss account of the Group includes retained profits in associated companies of £23.4 million (1995 £23.8 million) of which £22.1 million (1995 £22.4 million) is retained overseas and which could be subject to local exchange control regulations if distributed as dividends.
- The surplus arising on the revaluation of properties comprises £2.4 million in respect of associated companies.
- The revaluation reserve of the Group includes £3.4 million (1995 £1.3 million) in respect of associated companies.
- The profit for the year dealt with in the accounts of the holding company is £27.8 million (1995 £28.5 million). As permitted by Section 230 of the Companies Act 1985, the holding company has not presented its own profit and loss account.
- The cumulative goodwill written off attributable to continuing Group and associated companies held at the end of the year amounted to £99.1 million (1995 £100.8 million). It has not proved possible to identify goodwill in respect of companies acquired prior to 1970, but the amounts are not considered to be material.

### 25 Related party transactions

During the year ended 28 December 1996, sales on normal trading terms, of £6.4 million were made to associated companies.

As at 28 December 1996, debtors include £1.1 million owed by associated companies in respect of their purchases from the Group (see note 14) and loans to associates were £0.8 million (see note 12).

Details of the Group's principal associated companies are set out on page 45.

## Notes on the accounts

	1996 £ million	1995 £ million
<b>26 Reconciliation of operating profit to net cash inflow from operating activities</b>		
Operating profit (including share of profits of associated companies)	62.1	63.4
Share of profits of associates	(14.7)	(15.9)
Dividends from associates	3.5	3.7
Profits of associates less dividends received	(11.2)	(12.2)
Depreciation	33.0	31.7
Profit on sale of fixed assets	(0.6)	(1.0)
Decrease (increase) in stocks	19.2	(2.6)
Decrease (increase) in debtors	4.6	(9.7)
Decrease in creditors	(2.9)	(17.9)
Restructuring provision	(1.9)	10.2
Other items	7.4	(2.0)
<b>Net cash inflow from operating activities</b>	<b>109.7</b>	<b>59.9</b>

	At 30 December 1995 £ million	Cash flow £ million	Acquisitions (excluding cash & overdrafts) £ million	Other non-cash changes £ million	Exchange move- ments £ million	At 28 December 1996 £ million
<b>27 Analysis of net debt</b>						
Cash in hand, at bank	16.8	25.6	—	—	(1.5)	40.9
Overdrafts	—	(2.5)	—	—	0.5	(2.0)
<b>Net cash</b>	<b>16.8</b>	<b>23.1</b>	<b>—</b>	<b>—</b>	<b>(1.0)</b>	<b>38.9</b>
Debt due after one year	(108.4)	(41.1)	—	—	4.2	(145.3)
Debt due within one year	(31.3)	19.9	—	—	0.7	(10.7)
Finance leases	(0.4)	—	—	—	—	(0.4)
<b>Debt</b>	<b>(140.1)</b>	<b>(21.2)</b>	<b>—</b>	<b>—</b>	<b>4.9</b>	<b>(156.4)</b>
Liquid resources (i)	8.5	36.5	—	—	(0.7)	44.3
<b>Net Debt</b>	<b>(114.8)</b>	<b>38.4</b>	<b>—</b>	<b>—</b>	<b>3.2</b>	<b>(73.2)</b>

(i) The Group includes as liquid resources, term deposits of less than one year.

	1996 £ million	1995 £ million
<b>28 Reconciliation of net cash flow to movement in net debt</b>		
Increase (decrease) in cash in the period	23.1	(5.6)
Cash inflow from increase in debt and lease financing	(21.2)	(44.0)
Cash outflow from increase in liquid resources	36.5	4.1
<b>Change in net debt resulting from cash flows</b>	<b>38.4</b>	<b>(45.5)</b>
New finance leases	—	(0.3)
Translation difference	3.2	0.4
<b>Movement in net debt in the period</b>	<b>41.6</b>	<b>(45.4)</b>
Net debt at the beginning of the period	(114.8)	(69.4)
<b>Net debt at the end of the period</b>	<b>(73.2)</b>	<b>(114.8)</b>

## Notes on the accounts

	Disposals		Acquisitions	
	1996 £ million	1995 £ million	1996 £ million	1995 £ million
<b>29 Disposal and acquisition of businesses</b>				
Tangible fixed assets	14.9	0.1	4.3	0.4
Stocks	11.7	1.4	3.0	1.9
Debtors	5.0	0.6	0.5	2.4
Creditors (including tax)	(3.6)	(0.5)	(0.7)	(1.2)
Provisions	(0.8)	—	—	—
Minority interests	—	—	—	(0.6)
Cash	0.1	—	—	0.1
Net assets acquired and disposed of	27.3	1.6	7.1	3.0
Goodwill	7.8	0.8	6.1	7.5
Loss on disposal	(6.6)	—	—	—
Consideration (including deferred element) less costs of acquisition and disposal	28.5	2.4	13.2	10.5
Net cash inflow (outflow) at average exchange rates:				
Cash received (paid) including costs of acquisition and disposal	28.1	2.4	(12.5)	(10.5)
Cash sold/acquired with businesses	(0.1)	—	—	0.1
	28.0	2.4	(12.5)	(10.4)

### Disposals

During the year the Group disposed of the following businesses: Surprenant Cable Corporation (manufacture of specialist cables) in the USA, British Electrical Repairs Ltd (electrical & mechanical repair) and Rouse, Thompson & Lloyd Ltd (precision engineering) in the UK and West Footscray Engineering Pty Ltd (manufacture of industrial parts) in Australia. None of these disposals qualified as discontinued activities.

### Acquisitions

There were a number of acquisitions in 1995 and 1996, none of which were material. There were no significant fair value adjustments to these acquisitions. The impact of acquisitions on the Group's profit and cash flows is not material.

## Principal Group and associated companies

At 28 December 1996

### CABLES

#### UNITED KINGDOM

Delta Cables Holdings Ltd (iii)	Holding
Delta Crompton Cables Ltd	Power wiring and communication cables
Cables and Plastics Ltd	Electric cables
Aluminium Wire & Cable Co. Ltd	Electric cables
Delta Enfield Wires Ltd	Bare copper conductor
Delta Enfield Metals Ltd	Bare copper conductor
Delta Welding Equipment Ltd	Welding cables
Enfield Winding Wires Ltd	Winding wires

#### ASSOCIATED

Telephone Cables Ltd	Telecommunication cable systems
----------------------	---------------------------------

25.5% of 2,250,000 ordinary shares of £1 each

#### NETHERLANDS

Delta Crompton Cables BV	Electric cables
--------------------------	-----------------

#### GERMANY

Delta Kabel Vertriebs GmbH	Electric cables
----------------------------	-----------------

#### KENYA

East African Cables Ltd (75.6%)	Electric cables
---------------------------------	-----------------

#### HONG KONG

Delta Electrical & Engineering Services Ltd	Distribution of electrical products
---	-------------------------------------

### ENGINEERING

#### UNITED KINGDOM

Delta Engineering Holdings Ltd (iii)	Holding
Delta Extruded Metals Company Ltd	Extruded products
Delta (Manganese Bronze) Ltd	Extruded products
Smiths Metal Centres Ltd	Non-ferrous metal distributor
Conex-Sanbra Ltd	
(trading as IBP-Conex)	Plumbing fittings
Opella Ltd	Engineered plastic products
Delta Fluid Products Ltd	Gas controls and flow indicators
Delta EMS Ltd	Brass and aluminium forgings
Delta Precision Ltd	Industrial components
KWB Controls Ltd	Control valves and fittings
J W Singer & Sons Ltd	Non-ferrous diecasting

#### FRANCE

International Building Products France SA	Plumbing fittings
Sourdillon SA	Gas controls

#### GERMANY

Bänninger GmbH	Plumbing fittings
----------------	-------------------

#### POLAND

IBP "Instalfittings" Sp z o.o.	Plumbing fittings
--------------------------------	-------------------

#### SPAIN

Accesorios de Tubería de Cobre SA	Plumbing fittings
-----------------------------------	-------------------

#### USA

Accurate Forging Corporation (iv)	Brass & aluminium forgings
New England Centerless Grinding Co (iv)	Precision engineering
Sourdillon Inc (iv)	Gas controls

### CIRCUIT PROTECTION & CONTROL

#### UNITED KINGDOM

Delta Circuit Protection & Controls Ltd (iii)	Holding
MEM Limited	
500v Circuit Protection & Control	Circuit protection products
250v Circuit Protection & Control	Electrical accessories and domestic circuit protection
Bill Switchgear Ltd	Circuit protection products
Delta Electrical Systems Ltd	Power distribution equipment
Home Automation Ltd	Electronic control equipment
Johnson & Phillips (Capacitors) Ltd	Power factor correction equipment
Delta Schoeller Ltd	Automotive and micro switches
Monmer Foundry Ltd	Iron castings

#### MALAYSIA

Delta Switchgear Sdn Bhd (91.8%)	Circuit protection products
----------------------------------	-----------------------------

#### GERMANY

Schoeller & Co Elektrotechnische Fabrik GmbH & Co	Automotive electrical equipment
---	---------------------------------

#### USA

United Power Corporation (iv) (80.0%)	Power supply protection equipment
---------------------------------------	-----------------------------------

### INDUSTRIAL SERVICES

#### AUSTRALIA

Delta Group Australia Pty Ltd (95.3%)	Holding
Delta Fasteners Pty Ltd	Industrial distributor
Donhad Pty Ltd (60.0%)	Mining consumables
D M Hull & Co Pty Ltd	Machined parts
Machin & Ewen Pty Ltd	Fasteners
Industrial Galvanizers Corporation Pty Ltd	Protective coating services
Cutting Edges Pty Ltd	Distributor of renewal parts for construction equipment
Bell-IRH Industries Pty Ltd	Distribution of electrical and electronic products

#### INDONESIA-ASSOCIATED

PT Bukit Terang Paksi Galvanizing	Protective coating services
-----------------------------------	-----------------------------

50.0% of 1,500,000 ordinary shares of US\$1 each

#### MALAYSIA

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

#### VIETNAM

Vingal Industries Co Ltd (55%)	Protective coating services
--------------------------------	-----------------------------

#### SOUTH AFRICA-ASSOCIATED

Delta Electrical Industries Ltd	Electrical repair, industrial distribution and electrolytic manganese dioxide
---------------------------------	---

47.4% of 44,732,332 ordinary shares of 9c each

#### Manganese Metal Co (Pty) Ltd

49.0% of 464,500 ordinary shares of 50c each	Electrolytic manganese metal
--	------------------------------

#### Cobra Investments (Pty) Ltd

37.6% of 1,000,000 ordinary shares of R1 each	Plumbing products
---	-------------------

#### USA

Delta America Inc	Holding
Industrial Galvanizers-Southeastern, Inc	Protective coating services

#### ZIMBABWE

Enfield Holdings Ltd (iii)	Distributor of electric cable, electrical equipment and engineering products
----------------------------	--

#### Notes

- 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.
- 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.
- Shares held by Delta plc.
- Shares held by Delta America Inc.

## Shareholders' information

### Calendar 1997

Dividends on ordinary shares	Final 1996	Announcement	18 March 1997
		Payable	1 July 1997
		to members registered on	1 April 1997
	Interim 1997	Announcement	16 September 1997
		Payable	1 December 1997
		to members registered on	26 September 1997
Distribution of documents to members	Interim report 1997 posted		19 September 1997
Annual general meeting	Proxies to reach registrars by 5.00 p.m.		25 April 1997
	Meeting to be held at 12 noon		29 April 1997
Accounting periods	First half year 1997 ends		28 June 1997
	Second half year 1997 ends		3 January 1998

## Ownership of ordinary shares

At 28 December 1996

### By type of shareholder

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
7,019	81.6	Individual shareholders	8.9	5.9
47	0.6	Insurance companies and pension funds	9.7	6.5
1,531	17.8	Other institutions	131.3	87.6
8,597	100.0		149.9	100.0

### By size of shareholding

Shareholders			Ordinary shares in issue	
Number	%	Description	Number in millions	%
4,725	55.0	held up to 999 shares	1.9	1.3
3,522	41.0	held between 1,000 and 24,999 shares	10.3	6.9
236	2.7	held between 25,000 and 249,999 shares	20.0	13.3
114	1.3	held 250,000 shares and above	117.7	78.5
8,597	100.0		149.9	100.0

### Personal equity plans (PEPs)

The Company has both a General and a Single Company PEP with Bank of Scotland as Plan Manager. The PEPs provide UK residents with a tax efficient method in which to hold ordinary shares in Delta plc. Dividends arising on such shares are free of income tax and any gains made on the shares' stock market value whilst they are held in the PEP are free of capital gains tax. Further information is available from the Company Secretary or, alternatively, the Plan Managers at the following address:

Bank of Scotland (PEPs), PO Box 41, 101 George Street, Edinburgh EH2 3JH.

### Low cost share dealing service

A low cost share dealing facility in the Company's ordinary shares is available for all shareholders from the Company's stockbroker, Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. Telephone: 0171 588 2828.



## Notice of annual general meeting

Notice is hereby given that the one hundred and ninth annual general meeting of Delta plc will be held at the Adelphi Suite, The Waldorf, Aldwych, London WC2B 4DD on 29 April 1997 at 12 noon for the following purposes:

- 1 To receive and consider the directors' report and statement of accounts for the financial year ended 28 December 1996 and to declare a dividend.
- 2 (a) To re-elect Sir Martin Jacomb as a director of the Company;  
(b) To re-elect Sir Philip Beck as a director of the Company;  
(c) To elect J P Scott-Maxwell as a director of the Company.
- 3 To re-appoint Coopers & Lybrand as auditors and to authorise the directors to set the remuneration of the auditors.
- 4 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) 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 7,500,000;  
(b) the minimum price which may be paid for each such ordinary share is the nominal value of such share and the maximum price which may be paid for such ordinary shares is not more than 5 per cent. above the average of the middle market quotations for such shares taken from the Daily Official List of the London Stock Exchange Limited 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 29 July 1998 or at the conclusion of the annual general meeting in 1998, 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.
- 5 As special business, to consider and, if thought fit, pass the following resolution as a special resolution:  
THAT, the power of the directors to allot equity securities (as defined in section 94 (2) of the Companies Act 1985) for cash, contained in Article 19 of the Company's articles of association be renewed for a period ending on 29 July 1998 or at the conclusion of the annual general meeting in 1998, whichever is the earlier.

1 Kingsway, London WC2B 6XF  
3 April 1997

By order of the Board  
J P Narciso, Secretary

### Notes:

- (i) Preference shareholders have the right to attend but not to vote at this 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 5.00 p.m. on 25 April 1997 in order to be effective.
- (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 3 April 1997 to the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting.

## Group financial information

	1987 £ million	1988 £ million	1989 £ million	1990 £ million	1991 £ million	1992 £ million	1993 £ million	1994 £ million	1995 £ million	1996 £ million
<b>Profit and loss account</b>										
Turnover	532.3	655.7	840.2	793.6	774.0	785.9	832.7	898.6	1018.5	950.0
Profit before interest	61.2	72.7	96.5	90.9	68.9	60.7	60.0	71.3	63.4	55.5
Profit on ordinary activities before taxation	61.9	72.2	92.2	85.7	64.1	55.0	53.4	65.1	53.1	45.6
Profit for the year attributable to ordinary shareholders	40.5	46.1	55.4	51.8	39.8	33.9	34.2	41.1	29.9	22.7
Transfers to (from) reserves	27.5	29.8	36.1	31.3	19.1	13.2	12.7	18.0	1.6	(5.6)
<b>Balance sheet</b>										
Ordinary capital issued	36.2	36.4	36.6	36.7	36.8	36.9	37.1	37.2	37.4	37.5
Reserves	193.1	205.2	243.8	252.5	268.8	278.2	288.7	302.9	303.5	290.3
Equity shareholders' funds	229.3	241.6	280.4	289.2	305.6	315.1	325.8	340.1	340.9	327.8
Capital employed	237.6	295.9	364.3	373.7	390.9	407.6	408.2	420.4	466.7	411.9
<b>Earnings and dividends</b>										
Earnings per 25p ordinary share (pence)	28.0	31.7	38.0	35.4	27.0	23.0	23.1	27.7	20.0	15.2
Dividends per 25p ordinary share (pence)	9.0	11.2	13.2	14.0	14.0	14.0	14.5	15.5	18.9	18.9
Times covered	3.2	2.9	2.8	2.6	2.0	1.6	1.6	1.8	1.1	0.8
Underlying earnings per 25p ordinary share (pence)	28.6	32.7	36.6	35.7	28.0	24.3	23.1	27.7	26.1	22.8
Dividends per 25p ordinary share (pence) excluding the FID enhancement	9.0	11.2	13.2	14.0	14.0	14.0	14.5	15.5	16.0	16.0
Times covered	3.2	2.9	2.8	2.6	2.0	1.6	1.6	1.8	1.6	1.4
<b>Statistics</b>										
Taxation as a percentage of profit before taxation (%)	33.8	35.3	34.9	33.4	33.5	34.5	33.1	34.1	40.1	44.5
Return on capital employed (%)	26.6	27.3	29.2	24.8	18.0	15.2	14.7	17.2	14.3	12.6
Net assets per 25p ordinary share (pence)	158	166	192	197	208	213	220	229	228	219
Debt/equity ratio	—	0.1:1	0.2:1	0.2:1	0.1:1	0.3:1	0.2:1	0.2:1	0.3:1	0.2:1
Ratio of current assets to current liabilities	2.0:1	1.8:1	1.9:1	1.8:1	1.7:1	1.6:1	1.8:1	1.7:1	2.0:1	2.3:1
<b>Stock Market price of ordinary shares</b>										
Highest (pence)	320	328	365	384	450	505	554	579	533	463
Lowest (pence)	195	246	264	272	277	335	416	431	374	323

### UK Capital Gains Tax

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

### Notes:

- (i) The profits of overseas companies, for the years 1987 and 1988, have been translated at year end exchange rates.
- (ii) The figures for 1987 to 1992 have been restated to reflect the inclusion of acceptances in debt.
- (iii) The figures for 1987 to 1991 have been restated in accordance with FRS 3 with the exception that no adjustment has been made for discontinued activities.
- (iv) In arriving at the underlying earnings per share, exceptional items have been excluded, to reflect more closely the trend in underlying earnings.

**Secretary**

J P Narciso ACIS

**Registered office**

Delta plc (registered in London No 26077)

1 Kingsway

London WC2B 6XF

Telephone: 0171 836 3535

**Chief accountant**

J A Ford ACMA

**Treasurer**

M D Smith FCA MCT

**Auditors**

Coopers & Lybrand

1 Embankment Place

London WC2N 6NN

**Solicitors**

Theodore Goddard

150 Aldersgate Street

London EC1A 4EJ

**Registrars**

The Royal Bank of Scotland plc

P O Box 435

Owen House

8 Bankhead Crossway North

Edinburgh EH11 4BR

**Stockbrokers**

Cazenove & Co

12 Tokenhouse Yard

London EC2R 7AN

de Zoete & Bevan Limited

Ebbgate House

2 Swan Lane

London EC4R 3TS

**Merchant Bankers**

BZW Limited

Ebbgate House

2 Swan Lane

London EC4R 3TS

**DELTA**

*is the registered trademark of Delta plc*

*Designed by Tor Pettersen & Partners*

*Printed by Royle Print*

*Page 9 photograph courtesy of the Jubilee Line Extension Project*

*Page 10 photograph courtesy of Harvey Nichols*