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Delta Electrical and Engineering Holdings B.V.

London

2005 Financial statements



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1.1 *Balance sheet as at December 31, 2005 (after appropriation of result)*

	<u>As at December 31, 2005</u>		<u>As at December 31, 2004</u>	
	GBP'000	GBP'000	GBP'000	GBP'000
Financial fixed assets				
Investments in subsidiaries		177,805		129,447
Current assets				
Amount due from group companies	271		989	
Other receivables	1,185		1,185	
Cash at bank and in hand	-		4,712	
		1,456		6,886
		<u>179,261</u>		<u>136,333</u>

	<u>As at December 31, 2005</u>		<u>As at December 31, 2004</u>	
Shareholder's equity				
Issued and paid-in capital	22,012		22,012	
Share premium	69,672		69,672	
Revaluation reserve	3,155		(48,716)	
Other reserves	81,053		93,365	
		175,892		136,333
Current liabilities				
Creditor	2,815			
Disposal provisions	554		-	
Other payables	-		-	
		3,369		-
		<u>179,261</u>		<u>136,333</u>

1.2 Profit and loss account for the year ended December 31, 2005

	2005		2004	
	GBP'000	GBP'000	GBP'000	GBP'000
Financial income				
Interest income	272		129	
Dividend income	<u>12,187</u>		<u>3,755</u>	
		12,459		3,884
Financial expenses				
Interest expenses	(783)		-	
	<u>(783)</u>		<u>-</u>	
		11,676		3,884
Gross profit on ordinary activities				
General and administrative expenses	(45)		29	
	<u>(45)</u>		<u>29</u>	
		11,631		3,913
Profit before taxation on ordinary activities				
Profit / (Loss) on disposals of investments		(438)		5,628
		<u>11,193</u>		<u>9,541</u>
Profit before taxation				
Taxation on ordinary activities		-		-
		<u>11,193</u>		<u>9,541</u>
Retained profit for the year				

1.3 Notes to the financial Statements

1.3.1 General

Activities

Delta Electrical and Engineering Holdings B.V. ('the Company') was incorporated on July 10, 1992. The Company is part of the Delta Group, of which Delta plc is the ultimate parent Company. The Company acts as an intermediate investment holding company for the Delta Group.

On 1 April 2003, the management and control of Delta Electrical and Engineering Holdings B.V. ('the Company') was relocated from Hengelo, the Netherlands, to London.

Review of the year

During 2005, the Company completed the disposal of the South African Industrial Supplies businesses on 30 September 2005 to a consortium comprising Ethos Private Equity Limited, Actis Africa Fund 2 LP, Old Mutual Life Assurance Company (South Africa) Limited and black economic partners Sphere Holdings (Proprietary) Limited and AKA Capital (Proprietary) Limited.

Effective 30 September 2005, the Company sold its AustCast business in Australia to a management-led buyout team

Effective 30 November 2005 the Company sold its Cutting Edges business in Australia to a management-led buyout team.

Also during 2005, the Company increased its investment in Innovative Technology Inc., USA by GBP1.7m.

Post balance sheet event

After period end, the Company sold 100% of the shares of Delta S.A. (Pty) Ltd., its South African holding company, to Rand Merchant Bank (a division of FirstRand Bank Limited South Africa) for a cash consideration of GBP91.1m.

Group structure

The Company forms part of the Delta Group and is a subsidiary of Delta plc which is the ultimate parent Company.

1.3.2 Consolidation

As the Company is an intermediate holding Company that is not directly involved in the day-to-day management of its subsidiaries, the Company has decided to make use of the provisions of Article 408, Book 2 of the Netherlands Civil code, which includes the exemption from sub-consolidation for an intermediate holding Company whose parent is domiciled within the European Union. Consequently, the consolidated financial statements of the ultimate parent Company Delta plc are filed together with these financial statements at the Chamber of Commerce in Enschede.

The financial statements are prepared in accordance with historical cost accounting rule, modified to include the revaluation of certain financial fixed assets and in accordance with applicable Accounting Standards in the United Kingdom (UK GAAP).

1.3.3 Accounting policies

The principal accounting policies for the Company are summarised below. They have all been applied consistently throughout the year and the preceding year with the exception of FRS 21 – Events after the Balance Sheet Date and FRS 23 – The Effects of Changes in Foreign Rates.

The Company has not chosen to early adopt the provisions of FRS 26 – Financial Instruments: Disclosure and Presentation. The Company has adopted the presentation provisions of FRS 25 – Financial Instruments: Disclosure and Presentation.

General

Unless otherwise stated, assets and liabilities are shown at the amount for which they were acquired or incurred.

Foreign currency

Transactions in overseas currencies are translated into sterling at the exchange rate ruling at the date of the transaction or, where forward exchange contracts have been taken out, at the contractual rates, or where as an approximation, the average rate for the period.

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

Determination of result

The result represents the difference between the realisable financial income and the costs and other charges for the year. The results on transactions are recognised in the year in which they are realised and losses are taken as soon as they are foreseeable. Costs are allocated to the reporting year to which they relate.

Financial fixed assets

The Company accounts for its investments in subsidiary undertakings by the equity method, whereby the original cost of the investments is adjusted for the movement in underlying net assets applicable to the investments since their date of acquisition with an adjustment to the Company's revaluation reserve, except where any diminution in the value of the investment is considered permanent. In such cases the permanent diminution is recorded as a reduction in the Company's profit and loss account.

Other assets and liabilities

Assets and liabilities are valued at net book value unless otherwise indicated. Where necessary, a provision for doubtful debts has been made.

Revaluation reserve

The revaluation reserve comprises the unrealised changes in the current value of the investments in subsidiaries as of January 1, 2006. Translation differences, realised changes such as dividends and profit and loss on sale of investments are directly recognised in the profit and loss account.

Provisions

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

Financial Instruments

The Company uses derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates. The derivative instruments used are foreign exchange swaps and forward foreign exchange contracts transacted with Delta Plc. Derivatives are not intended to be used for purposes other than hedging.

Gain or loss arising from movement in spot rate is taken to reserve, matching equivalent loss or gain on the underlying assets hedged, and the forward point gain or loss is recognised in the profit and loss account on an accrual basis.

Dividends

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

1.3.4 Notes to the balance sheet

Financial fixed assets

Investments in subsidiary companies comprise the following directly owned subsidiary companies:

Name	Domicile	Percentage Ownership
Industrial Galvanisers America Holdings Inc.	USA	100
Delta Group Overseas Holding GmbH	Germany	100
Delta S.A. (Pty) Limited *1 & 2	South Africa	100
Delta Group Holdings Pty Ltd. *3	Australia	100
Industrial Galvanizers Corporation of the Philippines Inc.	Philippines	100
IGCP Properties Inc.	Philippines	40
Vingal Industries Co Ltd.	Vietnam	55

*1 The disposal of the South African Industrial Supplies businesses owned by subsidiaries of Delta S.A. (Pty) Ltd was completed in September 2005.

*2 In August 2006, the South African holding company, Delta S.A. (Pty) Ltd was sold to Rand Merchant Bank (a division of FirstRand Bank Limited South Africa)

*3 The Australian Cutting Edges and AustCast businesses owned by subsidiaries of Delta Group Holdings (Pty) Ltd were sold in September and November 2005 respectively.

The movement in the investments in subsidiaries can be summarised as follows:

	Investment in Subsidiaries 2005	Investment in Subsidiaries 2004
Opening book value	129,447	105,297
Dividend received	(12,187)	(3,755)
Investment in subsidiaries (additional capital)	1,737	5,490
Liquidation of Delta Holdings UN SA	(5,250)	-
Disposals / Acquisitions	-	9,642
Revaluation of current value of investments	64,058	12,773
Closing book value	<u>177,805</u>	<u>129,447</u>

The revaluation of current value of investments includes the post-tax profit (after tax, disposal cost and the special dividend pay-out to DEI minority shareholders) from the disposal of the South African Industrial businesses and the Australian Cutting Edges and AustCast businesses.

Current assets

Amount due from group companies: This amount represents a short-term loan to Delta Plc. The loan is interest free and repayable on demand.

Other receivables

Includes GBP1,000k deferred consideration due upon sale of the Electrical division in January 2003. The deferred consideration was received after the year end in August 2006.

Shareholder's equity

Movements in shareholder's equity are reflected as follows:

	Issued and paid- in capital	Share premium	Revaluation reserve	Other reserves	Total
	<u>GBP'000</u>	<u>GBP'000</u>	<u>GBP'000</u>	<u>GBP'000</u>	<u>GBP'000</u>
January 1, 2005	22,012	69,672	(48,716)	93,365	136,333
Movements:					
Revaluation of investments			51,871		51,871
Hedging reserves / currency revaluation				(5,505)	(5,505)
Dividend paid				(18,000)	(18,000)
Net result for the year				11,193	11,193
December 31, 2005	<u>22,012</u>	<u>69,672</u>	<u>3,155</u>	<u>81,053</u>	<u>175,892</u>

The Company's authorised share capital consists of 910 ordinary shares with a nominal value of EUR 100 each of which 183 shares (2004: 183 shares) are issued and fully paid-up.

Creditors

This amount represents a current account with Delta Plc comprising GBP2.8m accrued interest charge on the forward exchange contract taken out by the Company with Delta plc to hedge the sterling value of its South African net assets.

Provisions

The provisions of GBP554,000 relate to the current estimate of future liabilities expected to arise as a result of businesses disposed.

Derivative financial instruments

The Company adopts the Group's fundamental treasury policy of risk management and control and not to undertake speculative transactions.

However, the Company did hedge to protect its share of the sterling value of the assets and proceeds from disposal of the South African Industrial Supplies businesses.

At balance sheet date, the total notional amount of outstanding foreign exchange contracts with Delta Plc was GBP47.6m.

1.3.5 Notes to the profit and loss account

Interest expense

The Company's interest expense of GBP783k is the interest differential on the forward exchange contracts taken out by the Company to protect its share of the sterling value of the assets and proceeds from disposal of the South African Industrial Supplies businesses.

Net losses on disposal of investments

The net losses on disposal of investments in 2005 comprise a disposal provision of GBP554,000 relating to the current estimate of future liabilities expected to arise as a result of businesses disposed; partly offset by a Social Security refund of GBP23k in respect of Delta Electrical & Engineering Holdings SL (sold in October 2004) and receipt of GBP93k in residual assets in respect of Delta Holdings UN SA which was liquidated in December 2004.

Tax on profit on ordinary activities before taxation

Current tax	GBP'000
UK corporation tax	<u>0</u>
	<u>0</u>
	GBP'000
Profit on ordinary activities before tax	<u>11,631</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30%	3,489
Group relief claimed for nil consideration	(3,489)
	<u>0</u>
Current tax charge for the year	<u>0</u>

1.3.6 Contingent liabilities

The company is registered under the group registration for UK Value Added Tax and is jointly liable for the amount of tax of £nil at 31 December 2005 (2004: £nil) in respect of the holding company and certain UK group undertakings.

1.3.7 Employees

During 2005, the Company had no employees (2004: nil).

1.3.8 Directors

During the year, Mr. A. Bunyan resigned as a director of the company. The directors of the company on 31/12/2005 were Mr. T.G. Atkinson, Mr. P. Marriott and Mr. Mark Luton.

London,

Directors:



Mr. T.G. Atkinson



Mr. P. R. Marriott



Mr. M. Luton

2.1 Audit

The Company's financial statements have not been audited since this is not required under the exemption by Article 396 subsection 6 of the Dutch Civil code.

2.2 Statutory regulation in respect of appropriation of result

In accordance with article 24 of the Articles of Association, appropriation of the net result after taxation for the year is at the discretion of the annual shareholders' meeting.

2.3 Proposed appropriation of net result

The 2005 result amounts to GBP11.2m and has been allocated to other reserves pending approval of the annual shareholder's meeting.