Draka UK Limited

Directors' report and financial statements

Registered in England and Wales number

939069

31 December 2004

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2004.

Principal activities

In the United Kingdom, Draka operates through Draka UK Limited, which engages in the development, production and sale of instrumentation cable for industrial applications; low voltage cable for industrial and residential construction; fire-resistant cable for many applications, and copper wires primarily for use in cable manufacturing.

Business review

The economic conditions throughout 2004 continued to be difficult. However, there was a 39% increase in sales turnover against 2003, driven by a recovery in UK sales and increased trading within the Draka group. Raw material costs increased sharply in the year, and recovery of these increases contributed to the increase in turnover. Sales margins continued to be under pressure, although UK market conditions improved towards the end of the year.

In response to these difficult market conditions Draka UK continued its cost reduction policy. The benefits from reorganisation initiatives in previous years were captured, and further initiatives were taken to reduce costs and increase productivity during the year.

During the year Draka Holding NV established a joint venture with Alcatel, France, creating Draka Comteq BV, a world leader in optical fibre and communication cable. As a consequence Draka UK Limited transferred its telecommunication and data communication business to Draka Comteq UK Limited on 30th June 2004, a new company formed to participate in the joint venture. The assets and liabilities were transferred at carrying value whilst Draka UK Limited retained land & buildings pertaining to the operation.

During 2004 Draka Middle East, a trading division of Draka UK Limited in Dubai, was sold.

Future developments

Draka UK Limited has seen operating profits, before one-off restructuring costs, improve during 2005, because of a combination of ongoing cost savings, manufacturing productivity initiatives and improved market conditions.

Regrettably, our Leeds factory was closed by the end of 2005, as a result of the diminution in demand for instrumentation and control cables. The manufacture of selected instrumentation and control cables was transferred to our Derby site, creating additional jobs at that site.

In September 2005, Draka Holding N.V. arranged for the refinancing of Draka UK Limited by the injection of £35,500,000 of additional share capital and share premium, through its subsidiary company Draka UK Group Limited. This significant refinancing of Draka UK Limited has strengthened its balance sheet, following several years of extensive reorganisations and cost savings, and furthermore permitted the repayment of all of the parent company loans, with which Draka UK Limited had previously been financed. This is a very public, long term commitment by Draka Holding N.V. to their business in the UK.

Results and dividends

The Company recorded a trading loss on ordinary activities, before interest, tax and one-off reorganisation costs, of £0.8m. Also in the year costs of £3.3m were incurred relating to a reorganisation of the business, which included:

- A curtailment of manufacture of low value added products at Derby
- The restructuring of the Board of Directors and middle management in order to reduce costs.

The loss for the financial year after taxation was £6,863,000 (2003: £5,321,000 loss). The directors do not recommend the payment of a dividend *(2003: £nil)*.

Directors' report *(continued)*

Directors and their interests

The directors who held office during the year were as follows:

RA George	
I Dew	
RP Gouldstone	(resigned 9 March 2005)
DW Tindall	(resigned 5 August 2005)
RW Nash	(resigned 28 February 2005)
SK Bell	(resigned 24 May 2004)

No director who held office at the end of the year had any disclosable interest in the share capital or debentures of the company.

According to the register of directors' interests, no rights to subscribe for shares in the company or in any other group company were granted to any of the directors or their immediate families or exercised by them, during the financial year.

Disabled employees

The company gives every consideration to applications for employment from disabled persons, where a handicapped or disabled person may adequately cover the requirements of the job. Employees who become disabled during employment are given continued employment where possible, and equal opportunities for training and career development are provided for all disabled employees.

Employee consultation

During the year, the company has continued its practice of keeping employees informed on matters affecting them and on various factors relating to the performance of the company. This has been achieved through formal and informal meetings. Employees are consulted regularly on a wide range of matters affecting their interests. Additionally twice a year the Draka UK Management Board meets with the Works Council to discuss business issues and operational activities.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Registered office
PO Box 6500
Alfreton Road
Derby
DE21 4ZH

10 July 2006

I Dew
Company secretary

Statement of directors' responsibilities

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 of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Independent auditors' report to the members of Draka UK Limited

We have audited the financial statements on pages 5 to 18.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

10 July 2006

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 31 December 2004

	Note	£000	2004 £000	£000	2003 £000
Turnover	2		**154,649**		111,651
- continuing operations	3	**147,705**		100,707	
- discontinued operations	3	**6,944**		10,944	
Cost of sales			**(144,397)**		(102,894)
Gross profit			**10,252**		8,757
Distribution costs	3		**(7,671)**		(7,962)
Administrative expenses	3		**(3,366)**		(4,633)
Administrative expenses – exceptional items	4		**(3,331)**		-
Total administrative expenses			**(6,697)**		(4,633)
Operating loss			**(4,116)**		(3,838)
- continuing operations	3	**(3,432)**		(2,122)	
- discontinued operations	3	**(684)**		(1,716)	
Loss on sale of operation	4		**(1,382)**		-
Other interest receivable and similar income	7		**64**		67
Interest payable and similar charges	8		**(1,429)**		(1,550)
Loss on ordinary activities before taxation	9		**(6,863)**		(5,321)
Tax on loss on ordinary activities	10		**-**		-
Loss after tax and accumulated for the financial year	19		**(6,863)**		(5,321)

There were no recognised gains or losses in either the current or preceding years other than those disclosed in the profit and loss account.

The company transferred its telecommunication and data communication business to Draka Comteq UK Limited on 30 June 2004. The sale of a division known as Draka Middle East was completed on 30 December 2004.

Balance sheet
as at 31 December 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Intangible assets - negative goodwill	*11*		**(4,447)**		(5,004)
Tangible assets	*12*		**16,130**		22,996
			11,683		17,992
Current assets					
Stocks	*13*	**13,601**		13,040	
Debtors	*14*	**42,496**		30,725	
Cash at bank and in hand		**6,665**		931	
		62,762		44,696	
Creditors: amounts falling due within one year	*15*	**(47,511)**		(29,481)	
Net *current* assets			**15,251**		15,215
Total assets less current liabilities			**26,934**		33,207
Financed by					
Creditors: amounts falling due after more than one year	*16*		**36,724**		36,134
Capital and reserves					
Called up share capital	*18*	**202**		202	
Share premium account	*19*	**5,000**		5,000	
Capital redemption reserve	*19*	**5,120**		5,120	
Profit and loss account	*19*	**(20,112)**		(13,249)	
Equity shareholders' deficit	*19*		**(9,790)**		(2,927)
Total financing			**26,934**		33,207

These financial statements were approved by the board of directors on 10 July 2006 and were signed on its behalf by:

RA George
Director

I Dew
Director

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate. In September 2005, Draka Holding N.V. (the company's ultimate parent company) arranged, via its subsidiary Draka UK Group Ltd, for the injection of £35.5m of additional share capital and share premium. This additional equity has strengthened the company's balance sheet and allowed it to repay all of its parent company loans, with which Draka UK Ltd. had previously been financed.

Cash flow statement

Under FRS 1, the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Draka Holding NV, which is incorporated in the Netherlands, and its cash flows are included within the consolidated cash flow statement of that company.

Goodwill and negative goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets the difference is treated as purchased goodwill and is capitalised and amortised through the profit and loss account over its estimated economic life.

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated and, in the case of current assets, the period over which they are sold or otherwise realised.

Stocks

Stocks are stated at the lower of average cost and net realisable value. Costs include all direct costs incurred in bringing stocks to their present state and location including an appropriate proportion of manufacturing overheads.

Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:

Freehold land	nil
Freehold buildings	2½%
Plant and machinery	5%-33%
Fixtures and fittings	10-20%
Motor vehicles	25%

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred tax assets are recognised only to the extent that they are considered to be recoverable in the foreseeable future.

Pensions

The company operates a number of pension schemes providing benefits based on final pensionable pay. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions to these schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease.

2 Turnover

Turnover by geographical market is as follows:

	2004	2003
	£000	£000
United Kingdom	**88,743**	69,321
Europe	**42,702**	23,851
Rest of the world	**23,204**	18,479
	154,649	111,651

No further segmental analysis has been presented as the company has only one class of business.

Notes *(continued)*

3 Analysis of continuing and discontinued operations

	2004 Continuing £000	2004 Discontinued £000	2004 Total £000	2003 Continuing £000	2003 Discontinued £000	2003 Total £000
Turnover	**147,705**	**6,944**	**154,649**	100,707	10,944	111,651
Cost of sales	**(137,969)**	**(6,428)**	**(144,397)**	(92,733)	(10,161)	(102,894)
Gross profit	**9,736**	**516**	**10,252**	7,974	783	8,757
Distribution costs	**(7,051)**	**(620)**	**(7,671)**	(6,850)	(1,112)	(7,962)
Administrative expenses	**(2,786)**	**(580)**	**(3,366)**	(3,246)	(1,387)	(4,633)
Exceptional item	**(3,331)**	**-**	**(3,331)**	-	-	-
Operating loss	**(3,432)**	**(684)**	**(4,116)**	(2,122)	(1,716)	(3,838)

The discontinued operations relate to the transferral of the telecommunication and data communication business to Draka Comteq UK Limited and the sale of a division known as Draka Middle East.

4 Exceptional items

Loss on termination of operation

The loss on termination of operation relates fully to the write off of a division known as Draka Middle East on 30 December 2004.

Administrative expenses – exceptional items

During the year the company restructured part of the business, resulting in redundancy and other associated costs of £3.3 million.

5 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments:		
Emoluments in respect of qualifying services	**443**	478

The aggregate of emoluments of the highest paid director was £156,000 *(2003: £137,000)*. He is a member of a defined benefit scheme, under which his accrued pension at the year-end was £26,800 *(2003: £43,000)*.

	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**4**	5

Notes *(continued)*

6 Staff numbers and costs

The average number of persons employed (full-time equivalent) by the company during the year (including directors) was as follows:

	Number of employees	
	2004	2003
Production	**496**	564
Sales	**61**	70
Research and development	**14**	19
Management and other	**67**	84
	638	737

The aggregate payroll costs for these persons (including directors) was as follows:

	£000	£000
Wages and salaries	**14,153**	16,098
Social security costs	**1,152**	1,250
Pension costs	**1,376**	1,307
	16,681	18,655

7 Other interest receivable and similar income

	2004	2003
	£000	£000
Bank deposits	**64**	67

8 Interest payable and similar charges

	2004	2003
	£000	£000
Bank loans and overdrafts	**256**	174
Inter group loan balances	**1,173**	1,375
Other interest	**-**	1
	1,429	1,550

Notes *(continued)*

9 Loss on ordinary activities before taxation

		2004	2003
		£000	£000
This is stated after charging/(crediting):			
Depreciation	- owned assets	**2,981**	3,396
Goodwill amortisation		**(557)**	(557)
Auditors' remuneration	- audit fees	**59**	80
	- non-audit fees	**166**	273
Operating lease costs		**813**	707
Foreign exchange gain		**(20)**	(85)

10 Tax on loss on ordinary activities

Analysis of charge/(credit) in the year

	2004	2003
	£000	£000
UK corporation tax credit at 30% *(2003: 30%)*	-	-
Total current tax credit	-	-
Deferred taxation - origination and reversal of timing differences	-	-
	-	-

Factors affecting the tax credit for the current year

The current tax credit for the year is lower *(2003: lower)* than the standard rate of corporation tax in the UK of 30% *(2003: 30%)*. The differences are explained below:

	£000	£000
Current tax reconciliation:		
Loss on ordinary activities before tax	**(6,863)**	(5,321)
Current tax at 30% *(2002: 30%)*	**(2,059)**	(1,596)
Effects of:		
Expenses not deductible for tax purposes	**516**	554
Capital allowances for the year in excess of depreciation	**281**	224
Other timing differences	**(166)**	78
Additions to trading losses carried forward	**1,428**	740
Total current tax credit	-	-

Notes *(continued)*

11 Intangible assets

	Negative goodwill £000
Cost:	
At 1 January 2004 and 31 December 2004	9,591
Accumulated amortisation:	
At 1 January 2004	4,587
Credit for the year	557
At 31 December 2004	5,144
Net book value:	
At 31 December 2004	**4,447**
At 31 December 2003	5,004

12 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost:					
At 1 January 2004	3,736	60,415	6,459	463	71,073
Additions	122	318	61	2	503
Disposals	-	(14,064)	(1,136)	(134)	(15,334)
At 31 December 2004	3,858	46,669	5,384	331	56,242
Accumulated depreciation:					
At 1 January 2004	1,089	42,860	3,752	376	48,077
Charge for the year	92	2,045	826	18	2,981
Disposals	-	(9,792)	(1,060)	(94)	(10,946)
At 31 December 2004	1,181	35,113	3,518	300	40,112
Net book value:					
At 31 December 2004	**2,677**	**11,556**	**1,866**	**31**	**16,130**
At 31 December 2003	2,647	17,555	2,707	87	22,996

Included within land and buildings is land valued at £70,000 that is not depreciated.

Notes *(continued)*

13 Stocks

	2004 £000	2003 £000
Raw materials and consumables	**2,886**	2,491
Work in progress	**3,362**	2,444
Finished goods and goods for resale	**7,353**	8,105
	13,601	13,040

There was no material difference between the replacement cost of stock and its carrying value stated above.

14 Debtors

	2004 £000	2003 £000
Trade debtors	**20,089**	17,190
Amounts owed by group undertakings	**17,596**	9,225
Other debtors	**1,866**	591
Prepayments and accrued income	**255**	839
Pension surplus	**2,690**	2,880
	42,496	30,725

15 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Bank overdrafts	**2,073**	330
Trade creditors	**8,703**	7,827
Amounts owed to group undertakings	**33,523**	19,657
Other tax and social security	**347**	394
Other creditors	**1,323**	296
Accruals and deferred income	**1,542**	977
	47,511	29,481

16 Creditors: amounts falling due after more than one year

	2004 £000	2003 £000
Amounts repayable, other than by instalments to group undertakings		
Not wholly repayable within five years	**1,750**	1,750
Other	**34,974**	34,384
	36,724	36,134

Included in amounts owed to group undertakings is an amount of £34,974,000 payable to Draka Holding N.V., the company's ultimate holding company. Following the injection of £35,500,000 share capital and share premium in September 2005 this loan was repaid early.

There are no repayment terms associated with amounts repayable after five years.

Notes *(continued)*

17 Provisions for liabilities and charges

	Deferred taxation £000
At 1 January 2004 and **31 December 2004**	-

The amounts provided for deferred taxation are set out below:

	2004 £000	2003 £000
Tax effect of timing differences because of:		
Excess of capital allowances over depreciation	**1,241**	4,093
Other timing differences	**(1,241)**	(4,093)
	-	-

A deferred tax asset of £5.4m in respect of tax losses and other timing differences carried forward has not been recognised. The asset will be recoverable in future years as the company generates taxable profits.

18 Called up share capital

	2004 £000	2003 £000
Authorised		
300,000 ordinary shares of 1p each	**3**	3
200,000 deferred shares of £1 each	**200**	200
	203	203
Allotted issued and fully paid:		
200,001 ordinary shares of 1p each	**2**	2
200,000 deferred shares of £1 each	**200**	200
	202	202

Future development: Allotted, issued and fully paid share capital and share premium were increased in September 2005 by the amount of £35.5m.

19 Reconciliation of shareholders' funds and movements on reserves

	Share Capital Account £000	**Share Premium Account £000**	**Capital Redemption Reserve £000**	**Profit and Loss Account £000**	**Total £000**
At 1 January 2004	202	5,000	5,120	(13,249)	(2,927)
Loss for the year	-	-	-	(6,863)	(6,863)
At 31 December 2004	**202**	**5,000**	**5,120**	**(20,112)**	**(9,790)**

Notes *(continued)*

20 Commitments

(a) At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other assets	
	2004	2003	**2004**	2003
	£000	£000	**£000**	£000
Leases which expire:				
Within one year	**50**	-	**35**	97
In the second to fifth years inclusive	-	-	**438**	110
After five years	**305**	351	-	190
	355	351	**473**	398

(b) Capital commitments at 31 December 2004, for which no provision has been made in the financial statements, were as follows:

	2004	2003
	£000	£000
Authorised and contracted for	**40**	-

(c) *Guarantees*

The company has a duty deferment guarantee with Customs and Excise of £360,000 and performance bonds of £531,000.

The company unconditionally guarantees the borrowings of Draka UK Group Limited, which were £nil at the year end.

In March 2003, the Company entered into a €150 million revolving credit facility agreement between the Company (as guarantor), Draka Holding NV, ABN Amro Bank NV and Cooperatieve Central Raiffeisen Boerenkenbank BA.

(d) The company has hedging commitments associated with copper purchases with the parent company, Draka Holding NV, of £1,621,165 *(2003: copper purchases £984,000)*.

Notes *(continued)*

21 Pension commitments

Whilst the Company continues to account for pension costs in accordance with Statement of Accounting Practice 24 "Accounting for Pension Costs", under FRS 17 "Retirement Benefits" the following transitional disclosures are required:

Draka UK Pension Plan

The Company is the principal employer of the Draka UK Pension Plan ("the UK Plan"). The UK Plan is a funded defined benefit pension scheme operating in the UK and provides benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary and the last valuation of the UK Plan was completed as at 6 April 2002.

The most recent actuarial valuation showed that the market value of the scheme's assets was £5.2 million at 6 April 2002 and that the actuarial value of those assets represented 105% of the benefits that had accrued to members, after allowing the expected future increases in earnings. The contributions of the company and employees will remain at 9.3% and 4% of earnings respectively.

Draka UK (ex DCC) Pension Plan

The Company is also the principal employer of the Draka UK (ex DCC) Pension Plan ("the ex DCC Plan") which is a funded defined plan operating in the UK. The last valuation of the ex DCC Plan was completed as at 6 April 2003.

The most recent actuarial valuation showed that the market value of the scheme's assets was £24.2 million at 6 April 2003 and that the actuarial value of those assets represented 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 14.5% and 5% of earnings respectively.

For both schemes the assumption which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension.

The pension charge for both schemes for the year of £1.4 million *(2003: £1.3 million)* included £190,000 *(2003: £190,000)* in respect of the amortisation of experience surpluses that are being recognised over 14 years, the average remaining service lives of employees.

There was a prepayment of £2.7 million in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

The disclosure note below combines the assets and liabilities allocated to the Company for both Plans. Both Plans are multi-employer schemes where the assets are pooled. The estimated asset figures below represent Draka UK Limited's share of the Plans' assets in proportion to their liabilities.

The calculations for each scheme under FRS17 purposes have been estimated by rolling up the results of each valuation detailed above. Approximate valuations have been carried out on a set of assumptions consistent with those required under FRS 17 by a qualified Actuary. The major assumptions and calculation dates are as follows:

Pensions cost note

	As at 31 December 2004	**As at 31 December 2003**
Rate of increase in salaries	3.30%	4.20%
Rate of increase in pension payment	2.60%	2.50%
Discount rate	5.40%	5.50%
Inflation assumption	2.80%	2.70%

Notes *(continued)*

21 Pension commitments *(continued)*

The assets in the scheme and expected rates of return were:

	Long -term rate of return expected at 31 December 2004	Market Value as at 31 December 2004 £million	Long -term rate of return expected at 31 December 2003	Market Value as at 31 December 2003 £million
Equities	8.00%	30.80	8.00%	29.70
Bonds	4.50%	5.20	5.00%	4.60
Other	4.00%	2.00	4.00%	1.30
Total market value of assets		38.00		35.60
Present value of scheme liabilities		46.70		44.90
(Deficit) in the scheme		(8.70)		(9.30)
Related deferred tax asset		2.61		2.79
Net pension liability		(6.09)		(6.51)

Analysis of the amount charged in operating profit	**31 December 2004 £million**	**31 December 2003 £million**
Current service cost	1.58	1.55
Curtailment (gain)	(1.04)	-
Total operating charge	0.54	1.55

Analysis of the amount credited to other finance income	**31 December 2004 £million**	**31 December 2003 £million**
Expected return on pension scheme assets	2.60	2.17
Interest on pension scheme liabilities	(2.40)	(2.16)
Other financing income	0.20	0.01

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**31 December 2004 £million**	**31 December 2003 £million**
Actual return less expected return on scheme assets	1.03	3.35
Experience gains and losses arising on the scheme liabilities	0.12	0.03
Changes in assumptions underlying the present value of the scheme liabilities	(1.59)	(4.60)
Actuarial (loss) recognised in STRGL	(0.44)	(1.22)

Movement in (deficit) during the year	**31 December 2004 £million**	**31 December 2003 £million**
(Deficit) in scheme at beginning of the period	(9.30)	(7.60)
Movement in the period		
Current service cost	(1.58)	(1.55)
Contributions	1.38	1.06
Curtailment gain	1.04	-
Other finance income	0.20	0.01
Actuarial gain/(loss)	(0.44)	(1.22)
(Deficit) in scheme at end of the period	(8.70)	(9.30)

Notes *(continued)*

21 Pension commitments *(continued)*

History of experience gains **and losses**	**31 December 2004 £million**	**31 December 2003 £million**	**31 December 2002 £million**
Actual less expected return	1.03	3.35	(9.00)
As a % of assets	3%	9%	(31%)
Experience gains/(losses) on the liabilities	0.12	0.03	(0.70)
As a % of liabilities	0%	0%	(2%)
Total amount recognised in the STRGL	(0.44)	(1.22)	(13.00)
As a % of liabilities	(1%)	(3%)	(35%)

22 Related party transactions

As the company is a wholly owned subsidiary of Draka Holding NV the company has taken advantage of the exemption contained within FRS 8 'Related party transactions' and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Draka Holding NV, within which this company is included, can be obtained from the address given in note 23.

23 Ultimate parent and controlling company

The company is controlled by RMCA Holdings Limited, its immediate parent undertaking. The ultimate controlling party is Draka Holding NV, its ultimate parent undertaking.

The company is a subsidiary undertaking of Draka Holding NV, which is incorporated in the Netherlands.

The smallest and largest group of companies which publishes consolidated financial statements and of which this company is a member is Draka Holding NV.

Copies of these consolidated financial statements can be obtained from the Company Secretary, Draka UK Limited, PO Box 6500, Alfreton Road, Derby, DE24 4ZH.

24 Post balance sheet events

In September 2005, Draka Holding N.V. arranged for the refinancing of Draka UK Limited by the injection of £35.5 million of additional share capital and premium, via its subsidiary company Draka UK Group Limited. This significant refinancing of Draka UK Limited has strengthened its balance sheet, following several years of extensive reorganisations and cost savings, and furthermore permitted the repayment of all of the parent company loans, with which Draka UK Limited had previously been financed.