Draka UK Limited

Directors' report and financial statements

Registered in England and Wales number 939069

31 December 2007

Contents

Directors' report

The directors present their report, business review and the audited financial statements for the year ended 31 December 2007

Principal activities

Draka UK Limited is a wholly owned subsidiary of Draka Holding NV, a company quoted on the stock exchange of The Netherlands Draka UK Limited engages in the development, manufacture, distribution and sale of high quality electrical cables for industrial and domestic purposes, fire-resistant cable for many applications, instrumentation cables for industrial applications, and copper wires primarily for use in cable manufacture

Draka UK Limited benefits from close technical and commercial cooperation with its sister companies, which form the Draka Group, around the world

Business review

As Draka UK Limited is a wholly owned subsidiary, there are no benefits to its shareholder of providing a detailed business review within the report and financial statements The shareholder is kept fully appraised of all important strategies and key performance indicators through normal monthly management reporting

Draka UK Limited's strategy is designed to improve profit performance whilst managing working capital within acceptable levels In 2007 improvements were made in both working capital and underlying profitability

Emphasis within the business continues to focus upon customer service, product development in order to fulfil our customers' needs, and employee training in order to strengthen the Draka UK Team We have made significant progress in all areas and expect to continue to improve During 2008 the business will continue to progress its environmental policy which will reduce its environmental impact going forward

Key performance indicators for the business include profitability, working capital ratios, customer service performance and the monitoring of the business wide training strategy

In 2007, the price of copper, a major raw material for the business, continued to be volatile and this volatility has continued through the early part of 2008 The business has been successful in passing this volatility through to its selling prices Risk associated with copper price volatility of inventory and between the time of taking a sales order and fulfilling the sales order is comprehensively mitigated by the use of copper futures contracts

A significant proportion of Draka UK Limited's transactions are conducted in foreign currency Exchange rate risk is mitigated by the use of futures contracts

The risk policies for copper and currency will continue through 2008 and beyond

At the end of 2006 the planned closure of our Rugby distribution centre was announced to the workforce Plans included the building of a new distribution centre at our existing Derby site Changing business conditions have resulted in a need to revisit the Rugby closure plans, and a review is currently underway

Directors' report *(continued)*

Results and dividends

The company recorded a trading profit on ordinary activities before interest, tax and one-off reorganisation costs, of £2 4m *(2006 £1 0m trading profit)* In 2006 costs of £0 141m were incurred relating to the planned relocation of the national distribution centre from Rugby to Derby

The profit for the financial year after taxation was £2,871,000 *(2006 £1,512,000 profit)* The directors do not recommend the payment of a dividend *(2006 £nil)*

Directors and their interests

The directors who held office during the year were as follows

KI Samuel	(appointed 25 October 2007)
AEJ Carter	(appointed 25 October 2007)
I P Rice	(appointed 25 October 2007)
RA George	(resigned 26 October 2007)
I Dew	(resigned 26 October 2007)

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

Disclosure of information to auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

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

Charitable Donations

During the year, the company has made charitable donations of £1,000 *(2006 £nil)*

Directors' report *(continued)*

Auditors

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

By order of the board

AEJ Carter
Company secretary

Registered office
PO Box 6500
Alfreton Road
Derby
DE21 4ZH

19 May 2008

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 of Draka UK Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes These financial statements have been prepared under the accounting policies set out therein

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 auditor's 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

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 whether in our opinion the information given in the directors' report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions is not disclosed

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

KPMG LLP

Chartered Accountants
Registered Auditor

19 May 2008

Profit and loss account

for the year ended 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Turnover	2		**214,995**		213,183
Cost of sales			**(204,368)**		(202,794)
Gross profit			**10,627**		10,389
Distribution costs			**(4,019)**		(6,239)
Administrative expenses		**(4,201)**		(3,175)	
Administrative expenses – exceptional items	3	**-**		(141)	
Total administrative expenses			**(4,201)**		(3,316)
Operating profit			**2,407**		834
Other interest receivable and similar income	6		**168**		358
Other finance income	7		**1,010**		460
Interest payable and similar charges	8		**(889)**		(418)
Profit on ordinary activities before taxation	9		**2,696**		1,234
Tax on profit on ordinary activities	10		**175**		278
Retained profit for the financial year	19		**2,871**		1,512

In both the current and preceding year, the company made no material acquisitions and had no discontinued operations

Statement of total recognised gains and losses

for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Profit for the year	20	**2,871**	1,512
Actuarial gains recognised on pension scheme	22	**2,710**	3,140
Deferred tax impact of pension scheme accounting	10	**(729)**	(942)
Total recognised gains and losses relating to the year		**4,852**	3,710

Balance sheet
as at 31 December 2007

	Note	2007 £000	2007 £000	2006 £000	2006 £000
Fixed assets					
Intangible assets - negative goodwill	11		(2,775)		(3,203)
Tangible assets	12		8,276		9,881
			5,501		6,678
Current assets					
Stocks	13	14,248		17,321	
Debtors	14	43,211		42,603	
Cash at bank and in hand		9,643		17,353	
		67,102		77,277	
Creditors amounts falling due within one year	15	(45,799)		(59,157)	
Net current assets			21,303		18,120
Total assets less current liabilities			26,804		24,798
Creditors amounts falling due after more than one year	16		(1,750)		(1,750)
Net assets excluding pension asset/(liability)			25,054		23,048
Net pension asset/(liability)	22		109		(2,737)
Net assets including pension asset/(liability)			25,163		20,311
Capital and reserves					
Called up share capital	18		202		202
Share premium account	19		40,553		40,553
Capital redemption reserve	19		5,120		5,120
Profit and loss account	19		(20,712)		(25,564)
Shareholders' funds	20		25,163		20,311

These financial statements were approved by the board of directors on 19 May 2008 and were signed on its behalf by

KI Samuel
Director

AEJ Carter
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 on a going concern basis in accordance with applicable accounting standards and under the historical cost convention

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, impaired or sold In the case of current assets, it is 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

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

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%

Assets under construction are transferred into relevant fixed asset categories once they are ready for use

Notes *(continued)*

1 Accounting policies *(continued)*

Share based payments

The share option programme allows certain employees to acquire shares of Draka Holding N V Where material the fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting

Hedging

The company seeks to match copper sales to purchases, as far as possible This is performed by placing sales and purchase contracts with other group companies

Currency contracts are also held with other group companies to cover purchases in a foreign currency

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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 Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The pension scheme deficit is recognised in full The movement in the scheme deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses

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 contracted rate or the exchange rate ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Cash

Draka Holding NV has the legal ownership of the company's bank account with Bank Mendes Gans However the company is exposed to substantially all of the risks and rewards of ownership of the bank account and therefore records the balance as either cash at bank or bank overdraft in the balance sheet

Notes *(continued)*

2 Turnover

Turnover by geographical market is as follows

	2007 £000	2006 £000
United Kingdom	**109,152**	104,640
Europe	**23,153**	30,887
Rest of the world	**6,638**	7,228
Internal	**76,052**	70,428
	214,995	213,183

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

3 Exceptional items

Administrative expenses – exceptional items

During 2007 the company had exceptional costs of £nil *(2006 £141,000)* In 2006 the company restructured part of the business, resulting in redundancy and other associated costs

4 Remuneration of directors

	2007 £000	2006 £000
Directors' emoluments in respect of qualifying services	**516**	187
Company contributions to defined pension schemes	**33**	20
	549	207

The highest paid director received emoluments of £394,000 and company pension contributions of £14,000 were made to a defined benefit scheme on his behalf These emoluments include £203,000 that has been paid by Draka UK Limited acting on behalf of Draka Holding NV This payment relates to the promotion of a director into another Draka company, and is supported in Draka UK Limited's reporting to its ultimate parent undertaking

	Number	Number
Retirement benefits are accruing to the following number of directors under		
Defined benefit schemes	**3**	2

Notes *(continued)*

5 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	
	2007	2006
Production	**361**	372
Sales	**38**	35
Management and other	**27**	27
	426	434

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

	2007	2006
	£000	£000
Wages and salaries	**10,941**	10,340
Social security costs	**922**	894
Pension costs	**1,180**	1,460
	13,043	12,694

6 Other interest receivable and similar income

	2007	2006
	£000	£000
Bank deposits	**168**	358

7 Other finance income

	2007	2006
	£000	£000
Expected return on pension scheme assets (note 22)	**3,810**	3,230
Interest on pension scheme liabilities (note 22)	**(2,800)**	(2,770)
	1,010	460

Notes *(continued)*

8 Interest payable and similar charges

	2007 £000	2006 £000
Bank loans and overdrafts	136	112
Inter group loan balances	134	68
Other interest charges	619	238
	889	418

Included in 'Other interest charges' in 2007 is £290,000 relating to net foreign exchange losses In 2006, £69,000 of net foreign exchange losses were included within administrative expenses

9 Profit on ordinary activities before taxation

	2007 £000	2006 £000
This is stated after charging/(crediting)		
Depreciation - owned assets	1,913	2,170
Goodwill amortisation	(428)	(267)
Operating lease costs	768	717
Foreign exchange loss	290	69
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual financial statements	63	63
Fees payable to the company's auditor for other services		
Tax services	41	38
Pension scheme services	193	133

10 Tax on profit on ordinary activities

Analysis of charge in the year

	2007 £000	2006 £000
Corporation tax		
- current year charge/(credit)	-	107
- prior year adjustment	(107)	-
Deferred tax		
- current year credit	(554)	(400)
- movement in pension scheme	1,215	957
	554	664
Shown in the financial statements as		
Tax credit on profit on ordinary activities	(175)	(278)
Tax charge on pension movement within the statement of recognised gains and losses	729	942
	554	664

Notes *(continued)*

10 Tax on profit on ordinary activities *(continued)*

Factors affecting the tax charge for the current year

The current tax charge for the year is lower *(2006 lower)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007 £000	2006 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**2,696**	1,234
Current tax at 30% *(2006 30%)*	**809**	370
Effects of		
Other timing differences	**52**	78
Depreciation in excess of capital allowances	**313**	380
Non-taxable goodwill amortisation	**(128)**	(80)
Utilisation of trading losses carried forward	**(641)**	(626)
FRS 17 adjustment	**(405)**	(15)
Total current tax charge/(credit)	**-**	107

11 Intangible fixed assets

	Negative goodwill £000
Cost	
At 1 January 2007 and 31 December 2007	9,591
Accumulated amortisation	
At 1 January 2007	6,388
Credit for the year	428
At 31 December 2007	6,816
Net book value	
At 31 December 2007	**2,775**
At 31 December 2006	3,203

Notes *(continued)*

12 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Assets under construction £000	Total £000
Cost						
At 1 January 2007	3,858	38,141	5,299	286	-	47,584
Additions	3	158	51	-	247	459
Disposals	-	(3,420)	(13)	-	-	(3,433)
At 31 December 2007	3,861	34,879	5,337	286	247	44,610
Accumulated depreciation						
At 1 January 2007	1,435	31,291	4,708	269	-	37,703
Charge for the year	126	1,388	394	5	-	1,913
Disposals	-	(3,271)	(11)	-	-	(3,282)
At 31 December 2007	1,561	29,408	5,091	274	-	36,334
Net book value						
At 31 December 2007	**2,300**	**5,471**	**246**	**12**	**247**	**8,276**
At 31 December 2006	2,423	6,850	591	17	-	9,881

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

13 Stocks

	2007 £000	2006 £000
Raw materials and consumables	**1,752**	1,670
Work in progress	**3,764**	3,755
Finished goods and goods for resale	**8,732**	11,896
	14,248	17,321

There was no material difference between the replacement cost of stock and its carrying value stated above The company holds consignment stock from suppliers which it does not recognise until the raw material is used in production At the year-end, the company held £2,408,000 of consignment stock which it has not recognised

14 Debtors

	2007 £000	2006 £000
Trade debtors	**17,329**	16,938
Amounts owed by group undertakings	**24,195**	21,679
Other debtors	**611**	3,266
Prepayments and accrued income	**122**	320
Deferred tax asset (note 17)	**954**	400
	43,211	42,603

Notes *(continued)*

15 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	4,149	5,525
Amounts owed to group undertakings	36,896	49,909
Other tax and social security	2,393	349
Corporation tax	-	107
Other creditors	2,252	1,034
Accruals and deferred income	109	2,233
	45,799	59,157

16 Creditors. amounts falling due after more than one year

	2007 £000	2006 £000
Amounts repayable, other than by instalments to group undertakings		
Not wholly repayable within five years	1,750	1,750

There are no repayment terms associated with or interest accruing on amounts owed to group undertakings No security is held against these loans

17 Provisions for liabilities and charges

	Deferred taxation £000
At 1 January 2007	400
Movement during year	554
Deferred tax asset at 31 December 2007	954

The amounts provided for deferred taxation are set out below

	2007 £000	2006 £000
Tax effect of timing differences because of		
Excess of capital allowances over depreciation	-	(244)
Excess of depreciation over capital allowances	47	-
Other timing differences	907	644
	954	400

A deferred tax asset of £5 4m *(2006 £5 2m)* in respect of tax losses and other timing differences carried forward has not been recognised The deferred tax asset in the balance sheet at 31 December 2007 is £954,000 *(2006 £400,000)* The remainder of the asset will be recoverable in future years as the company generates taxable profits

Notes *(continued)*

17 Provisions for liabilities and charges *(continued)*

The deferred taxation asset relating to pension deficit (note 22)

	2007 £000	2006 £000
At 1 January	**1,173**	2,130
Movement in the profit and loss account during the year	**(486)**	(15)
Movement in the statement of recognised gains and losses in the year	**(729)**	(942)
At 31 December	**(42)**	1,173

18 Called up share capital

	2007 £000	2006 £000
Authorised		
300,000 *(2006 300,000)* ordinary shares of 1p each	**3**	3
200,000 *(2006 200,000)* deferred shares of £1 each	**200**	200
	203	203
Allotted issued and fully paid		
200,002 *(2006 200,002)* ordinary shares of 1p each	**2**	2
200,000 *(2006 200,000)* deferred shares of £1 each	**200**	200
	202	202

The deferred shares do not have the right to a dividend

19 Reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss £000
At beginning of year	40,553	5,120	(25,564)
Profit for the year	-	-	2,871
Actuarial profit recognised on pension scheme net of tax	-	-	1,981
At 31 December 2007	**40,553**	**5,120**	**(20,712)**

Notes *(continued)*

20 Reconciliation of movements in shareholders' funds/(deficit)

	2007 £000	2006 £000
Profit for the year	**2,871**	1,512
Other recognised gains and losses (net)	**1,981**	2,198
Net change in shareholders' funds	**4,852**	3,710
Opening shareholders' fund	**20,311**	16,601
Closing shareholders' funds	**25,163**	20,311

21 Commitments

(a) At 31 December 2007 the company was committed to making the following payments during the next year in respect of operating leases

	Land and buildings		Other assets	
	2007 £000	2006 £000	**2007 £000**	2006 £000
Leases which expire				
Within one year	-	-	**104**	72
In the second to fifth years inclusive	**50**	50	**260**	235
After five years	**305**	305	-	-
	355	355	**364**	307

(b) Capital commitments at 31 December 2007, for which no provision has been made in the financial statements, were as follows

	2007 £000	2006 £000
Authorised and contracted for	**100**	160

(c) Guarantees

The company has a duty deferment guarantee with Customs and Excise of £360,000 *(2006 £360,000)* and performance bonds of £170,000 *(2006 £409,000)*

The company unconditionally guarantees the borrowings of Draka UK Group Limited, which were £nil at both the current and prior year end

In December 2007, the Company entered into a €625 million revolving credit agreement between the Company (as guarantor), and Draka Holding NV, Cooperatieve Centrale Raiffeisen Boerenleenbank BA, ABM AMRO Bank NV, Fortis Bank (Nederland) NV, ING Bank NV and NIBC Bank NV

(d) The company has hedging commitments associated with copper purchases with the parent company, Draka Holding NV, with a fair value of £10,419,051 *(2006 £1,581,763)*

Notes *(continued)*

22 Pension commitments

The company adopted full FRS 17 'Retirement benefits' from 1 January 2005 The actuary has undertaken a valuation of the assets and liabilities of the scheme at 31 December 2007 Pension scheme assets are measured using market values Pension scheme liabilities are measured using a projected unit method The present value of scheme liabilities has been arrived at by projecting the results of the last full valuation forward to 31 December 2007

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 2005

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 benefit plan operating in the UK The last valuation of the ex DCC Plan was completed as at 5 April 2006

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 major assumptions and calculation dates are as follows

Pensions cost note

	31 December 2007	31 December 2006	31 December 2005
Rate of increase in salaries	**3 80%**	3 50%	3 50%
Rate of increase in pension payment	**3 10%**	2 90%	2 90%
Discount rate	**5 90%**	5 10%	5 10%
Inflation assumption	**3 30%**	3 00%	3 00%

The assets in the scheme and expected rates of return were

	Long–term rate of return expected at 31 December 2007	**Market Value as at 31 December 2007**	Long-term rate of return expected at 31 December 2006	Market Value as at 31 December 2006	Long-term rate of return expected at 31 December 2005	Market Value as at 31 December 2005
		£million		£million		£million
Equities	**7 80%**	**45 56**	8 00%	44 07	8 00%	40 10
Bonds	**4 50%**	**6 71**	4 20%	4 92	4 20%	4 60
Other	**4 50%**	**3 38**	4 00%	2 66	4 00%	2 00
Total market value of assets		**55 65**		51 65		46 70
Present value of scheme Liabilities		**55 50**		55 56		53 80
Surplus/(deficit) in the scheme		**0 15**		(3 91)		(7 10)
Related deferred tax asset		**(0 04)**		1 17		2 13
Net pension asset/(liability)		**0 11**		(2 74)		(4 97)

Notes *(continued)*

22 Pension commitments *(continued)*

Analysis of the amount charged in operating profit	31 December 2007 £million	31 December 2006 £million	31 December 2005 £million
Current service cost	**1 18**	1 46	1 38
Total operating charge	**1 18**	1 46	1 38

Analysis of the amount credited to other finance income	31 December 2007 £million	31 December 2006 £million	31 December 2005 £million
Expected return on pension scheme assets	**3 81**	3 23	2 82
Interest on pension scheme liabilities	**(2 80)**	(2 77)	(2 54)
Other financing income	**1 01**	0 46	0 28

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	31 December 2007 £million	31 December 2006 £million	31 December 2005 £million
Actual return less expected return on scheme assets	**(0 01)**	1 76	5 44
Experience gains and losses arising on the scheme liabilities	**0 03**	1 38	(0 06)
Changes in assumptions underlying the present value of the scheme liabilities	**2 69**	-	(3 74)
Actuarial gain recognised in STRGL	**2 71**	3 14	1 64

Movement in (deficit) during the year	31 December 2007 £million	31 December 2006 £million	31 December 2005 £million
(Deficit) in scheme at beginning of the year	**(3 91)**	(7 10)	(8 70)
Movement in the year			
Current service cost	**(1 18)**	(1 46)	(1 38)
Contributions	**1.52**	1 05	1 06
Curtailment gain	**-**	-	-
Other finance income	**1 01**	0 46	0 28
Actuarial gain	**2 71**	3 14	1 64
Surplus/(deficit) in scheme at end of the year	**0 15**	(3 91)	(7 10)

History of experience gains and losses	31 December 2007 £million	31 December 2006 £million	31 December 2005 £million	31 December 2004 £million	31 December 2003 £million
Actual less expected return	**(0 01)**	1 76	5 44	1 03	3 35
As a % of assets	**0%**	3%	12%	3%	9%
Experience gains/(losses) on the liabilities	**0 03**	1 38	(0 6)	0 12	0 03
As a % of liabilities	**0%**	2%	0%	0%	0%
Total amount recognised in the STRGL	**2 71**	3 14	1 64	(0 44)	(1 22)
As a % of liabilities	**5%**	6%	3%	(1%)	(3%)

Notes *(continued)*

23 Fair value of assets and liabilities

The company has forward currency contracts at 31 December that it has not recognised, with fair values as follows

- Commitment to buy US Dollars with a fair value of £10,955 and Euros with a fair value of £7,370,311 *(2006 £nil and £nil respectively)*
- Commitment to sell US Dollars with a fair value of £635,401 and Euros with a fair value of £9,547,476 *(2006 £161,617 and £15,365,597 respectively)*

24 Share based payments:

In June 2002 Draka Holding NV introduced a long-term incentive plan This plan is divided into an option plan and a share plan In May 2006 Draka Holding NV introduced a share plan for the Board of Management

Share options

Under the option plan, Draka Holding N V has granted stock options on its ordinary shares to qualifying members of senior management of the Company The options are granted for eight years, with an initial three-year restriction period during which they cannot be exercised

Share option arrangements granted before 7 November 2002 exist The recognition and measurement principles in FRS 20 have not been applied to these grants in accordance with the transitional conditions

All options are settled by physical delivery of ordinary shares

The fair value of the services received in return for share options granted are measured by reference to the fair value of share options granted The estimate of the fair value of services received is measured based on a binomial option pricing model The contractual life of the option (8 years) is used as an input into this model Expectations of early exercise are incorporated into the binomial option pricing model

Share options are granted under a service condition and, for grants to key management personnel, a non-market performance condition Such conditions are not taken into account in the grant date fair value measurement of the services received There are no market conditions associated with the share option grants

The number of options on Draka Holding NV ordinary shares at 1 January 2007, granted as part of the long-term incentive plan, was as follows

	Number of options granted
R George	1,112
I Dew	2,251

The exercise price of share options on this date was €13 51

There were no share options outstanding at 31 December 2007 following the resignation of R George and I Dew as directors of the company on 26 October 2007 The directors retained their share options on moving to another company within the Draka group

25 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 26

Notes *(continued)*

26 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, DE21 4ZH