

**Draka UK Limited**

**Directors' report and financial  
statements**

Registered in England and Wales number 939069

31 December 1999



## **Financial statements**

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## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 1999.

### **Principal activities**

The principal activity of the company is the manufacture, distribution and marketing of electrical and wire cables.

### **Business review**

The company acquired the industrial cables, special cables and copper wire businesses of Delta Crompton Cables Limited on 2 March 1999 for net consideration of £13.579 million, as detailed in note 25 to the financial statements.

A major restructuring and rationalisation programme was initiated in order to reorganise and reduce the cost base of the considerably enlarged business. The momentum of the programme progressed well with the closure of two production sites in the year and the whole programme is due to be completed during the course of 2000.

Competition and the strength of sterling made trading in certain markets difficult, but overall volumes were held and the acceleration of the programme to reduce the cost base provided a better result than was originally anticipated.

### **Shares to be issued**

In order to provide the company with further capital following the acquisition of the Delta business the holding company paid £5 million during the period to the company in anticipation of shares to be issued at a future date.

### **Future developments**

The company will seek to develop new products and markets and will invest to ensure optimum factory efficiencies, whilst also safeguarding essential quality, health and safety and environmental standards. These policies together with the reduced cost base will enable the company to further improve its position.

### **Results and dividends**

The company recorded a loss on ordinary activities after taxation, for the year ended 31 December 1999 of £4,421,000 (1998: £1,134,000 profit). The directors do not recommend the payment of a dividend (1998: £nil).

### **Directors and their interests**

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

|               |   |
|---------------|---|
| RP Gouldstone | - appointed 6 August 1999                       |
| R Watts       | - appointed 14 May 1999                         |
| SK Bell       |   |
| N Daly        | - appointed 6 August 1999                       |
| I Dew         |   |
| RA George     | - appointed 6 August 1999                       |
| M Hall        | - resigned 6 August 1999                        |
| RW Nash       | - appointed 14 November 2000                    |
| T Rodgers     | - appointed 6 August 1999, resigned 8 June 2000 |

## **Directors' report** *(continued)*

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

### **Disabled employees**

The company gives every consideration to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a handicapped or disabled person. 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.

### **Year 2000**

Management have confirmed that their strategy and contingency planning in association with the Year 2000 issue has resulted in the company having no significant problems arising out of the date change.

### **Auditors**

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

By order of the board



**I Dew**  
*Company secretary*

20 December 2000

**Registered office:**  
Crowther Road  
Washington  
Tyne & Wear  
NE38 0AQ

## **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.



St Nicholas House  
Park Row  
Nottingham  
NG1 6FQ

## **Report of the auditors to the members of Draka UK Limited**

We have audited the financial statements on pages 5 to 19.

### **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. 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants  
Registered Auditors*

20 December 2000

**Profit and loss account**  
*for the year ended 31 December 1999*

|  | <i>Notes</i> | 1999<br>£000   | 1998<br>£000 |
|--|--------------|----------------|--------------|
| <b>Turnover</b>  | <b>2</b>     |                |              |
| continuing operations  |              | 21,152         | 25,654       |
| Acquisitions   |              | 92,615         | -            |
|  |              | 113,767        | 25,654       |
| Cost of sales  | 3            | (98,640)       | (20,990)     |
| <b>Gross profit</b>  |              | 15,127         | 4,664        |
| Distribution costs   | 3            | (6,006)        | (1,270)      |
| Administrative expenses  | 3            | (5,303)        | (1,325)      |
| <b>Operating profit</b>  |              |                |              |
| continuing operations  |              | 1,184          | 2,069        |
| Acquisitions   |              | 2,634          | -            |
|  |              | 3,818          | 2,069        |
| Exceptional items - restructuring costs and loss on sale of property | 5            | (8,532)        | -            |
| Other interest receivable and similar income                         | 6            | 319            | 173          |
| Interest payable and similar charges                                 | 7            | (2,223)        | (576)        |
| <b>(Loss)/profit on ordinary activities before taxation</b>          | <b>8</b>     | <b>(6,618)</b> | <b>1,666</b> |
| Tax on (loss)/profit on ordinary activities                          | 9            | 2,197          | (532)        |
| <b>(Loss)/profit for the financial year</b>                          | <b>20</b>    | <b>(4,421)</b> | <b>1,134</b> |

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

On 2 March 1999 the company purchased the trade and assets of the cabling division of Delta plc. There were no material acquisitions in the preceding year. In both the current and preceding years, the company had no discontinued operations.

**Note of historical cost profits and losses**

|  | 1999<br>£000 | 1998<br>£000 |
|--|--------------|--------------|
| Reported (loss)/profit on ordinary activities before taxation  | (6,618)      | 1,666        |
| Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | 3            | 13           |
| Historical cost (loss)/profit on ordinary activities before taxation   | (6,615)      | 1,679        |
| Historical cost (loss)/profit for the year retained after taxation   | (4,418)      | 1,147        |

**Balance sheet**  
*as at 31 December 1999*

|  | <i>Notes</i> | <b>1999</b>     | <b>1998</b>     |
|--|--------------|-----------------|-----------------|
|  |              | <b>£000</b>     | <b>£000</b>     |
| <b>Fixed assets</b>  |              |                 |                 |
| Intangible assets - negative goodwill                          | 10           | (3,839)         | -               |
| Tangible assets  | 11           | 27,415          | 10,789          |
| Investments  | 12           | 100             | -               |
|  |              | <b>23,676</b>   | <b>10,789</b>   |
| <b>Current assets</b>  |              |                 |                 |
| Stocks   | 13           | 15,324          | 3,352           |
| Debtors  | 14           | 37,473          | 5,868           |
| Investment held for sale                                       | 15           | -               | 3,085           |
| Cash at bank and in hand                                       |              | 2,793           | 2,595           |
|  |              | <b>55,590</b>   | <b>14,900</b>   |
| <b>Creditors: amounts falling due within one year</b>          | 16           | <b>(67,512)</b> | <b>(10,794)</b> |
| <b>Net current (liabilities)/assets</b>                        |              | <b>(11,922)</b> | <b>4,106</b>    |
| <b>Total assets less current liabilities</b>                   |              | <b>11,754</b>   | <b>14,895</b>   |
| <b>Creditors: amounts falling due after more than one year</b> | 17           | <b>(1,750)</b>  | <b>(5,566)</b>  |
| <b>Provision for liabilities and charges</b>                   | 18           | <b>(1,315)</b>  | <b>(1,219)</b>  |
| <b>Net assets</b>  |              | <b>8,689</b>    | <b>8,110</b>    |
| <b>Capital and reserves</b>                                    |              |                 |                 |
| Called up share capital  | 19           | 202             | 202             |
| Share premium account relating to shares to be issued          | 20           | 5,000           | -               |
| Revaluation reserve  | 20           | 132             | 546             |
| Profit and loss account  | 20           | 3,355           | 7,362           |
| <b>Equity shareholders' funds</b>                              | 21           | <b>8,689</b>    | <b>8,110</b>    |

These financial statements were approved by the board of directors on 20 December 2000 and were signed on its behalf by:



**R Gouldstone**  
*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 accounting rules, as modified to include the revaluation of certain fixed assets.

#### ***Cash flow statement***

Under Financial Reporting Standard Number 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.

#### ***Basis of consolidation***

As the company is wholly owned by Draka Holding NV, which is incorporated in the Netherlands, it has applied the provisions of Section 228 of the Companies Act 1985 in not preparing consolidated financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

#### ***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. The estimate economic life of goodwill is up to ten years.

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.

#### ***Tangible fixed assets***

Certain land and buildings are restated periodically to reflect professional valuations. Other fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation of fixed assets is provided to write off the cost or valuation, less estimated residual value, over the estimated useful lives of the assets at the following annual rates:

|                              |                 |
|------------------------------|-----------------|
| Freehold land                | - nil           |
| Freehold buildings           | - 2%            |
| Leasehold land and buildings | - life of lease |
| Plant and equipment          | - 5-33%         |
| Motor vehicles               | - 25%           |

## **Notes** *(continued)*

### **1**      **Accounting policies** *(continued)*

#### ***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.

#### ***Taxation***

The charge for taxation is based on the profit 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 taxation is only provided where, in the opinion of the directors, there is reasonable evidence that such taxation will become payable 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.

#### ***Turnover***

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

#### ***Revaluation reserve***

Surpluses arising on the revaluation of assets are credited to a non-distributable reserve known as the revaluation reserve. On the disposal of the revalued asset, any remaining revaluation surplus corresponding to the disposed item is also transferred to the profit and loss account.

#### ***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 under finance leases are included in tangible fixed assets and are depreciated over their useful economic lives. Rental income from operating leases is included in the profit and loss account on a straight line basis over the period of the lease.

#### ***Investments in subsidiaries***

Investments in subsidiary undertakings are stated at cost less provisions for permanent diminution in the underlying net assets of subsidiaries.

## Notes (continued)

### 2 Turnover

Turnover by geographical market is as follows:

|                   | Continuing<br>operations | Acquisitions  | Total          |               |
|-------------------|--------------------------|---------------|----------------|---------------|
|                   | 1999                     | 1999          | 1999           | 1998          |
|                   | £000                     | £000          | £000           | £000          |
| United Kingdom    | 18,401                   | 57,999        | 76,400         | 20,355        |
| Netherlands       | 1,722                    | 791           | 2,513          | 2,591         |
| Germany           | 14                       | 1,535         | 1,549          | 77            |
| Rest of Europe    | 833                      | 14,247        | 15,080         | 2,124         |
| Far East          | 59                       | 11,486        | 11,545         | 217           |
| North America     | 16                       | 23            | 39             | 87            |
| Rest of the world | 107                      | 6,534         | 6,641          | 203           |
|                   | <u>21,152</u>            | <u>92,615</u> | <u>113,767</u> | <u>25,654</u> |

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

### 3 Analysis of acquisitions and continuing operations

|                         | Continuing<br>operations | Acquisitions | Total         |              |
|-------------------------|--------------------------|--------------|---------------|--------------|
|                         | 1999                     | 1999         | 1999          | 1998         |
|                         | £000                     | £000         | £000          | £000         |
| Cost of sales           | 17,985                   | 80,655       | 98,640        | 20,990       |
| Distribution costs      | 1,006                    | 5,000        | 6,006         | 1,270        |
| Administrative expenses | 977                      | 4,326        | 5,303         | 1,325        |
|                         | <u>1,983</u>             | <u>9,326</u> | <u>11,309</u> | <u>2,595</u> |

### 4 Administrative expenses - exceptional items

A review of the estimated useful lives of plant and equipment was performed during 1998. As a consequence of this review the estimated useful life of certain fixed assets was revised from 14 to 20 years. The net book value of these assets is being depreciated over their remaining revised useful life. The effect of this was to reduce the depreciation charge in that year by £332,000. This figure has been included within administrative expenses in 1998.

**Notes (continued)**

**5 Exceptional item**

|                                | 1999<br>£000 | 1998<br>£000 |
|--------------------------------|--------------|--------------|
| Restructuring costs            | 7,631        | -            |
| Loss on sale of Esher property | 901          | -            |
|                                | <u>8,532</u> | <u>-</u>     |

Following the acquisition of the Delta business the company carried out a substantial restructuring programme. This incorporated the manufacturing operations and rationalisation of the workforce and ancillary activities.

**6 Other interest receivable and similar income**

|                  | £000       | £000       |
|------------------|------------|------------|
| On bank deposits | 212        | 165        |
| Other            | 107        | 8          |
|                  | <u>319</u> | <u>173</u> |

**7 Interest payable and similar charges**

|                                | £000         | £000       |
|--------------------------------|--------------|------------|
| On bank loans and overdraft    | 250          | 82         |
| On loan from group undertaking | 1,959        | 494        |
| On finance leases              | 10           | -          |
| Other interest                 | 4            | -          |
|                                | <u>2,223</u> | <u>576</u> |

**8 (Loss)/profit on ordinary activities before taxation**

|   | £000    | £000    |
|---|---------|---------|
| <i>This is stated after charging/(crediting):</i> |         |         |
| Depreciation                                      |         |         |
| - owned assets                                    | 2,991   | 1,051   |
| - leased assets                                   | 33      | -       |
| Auditors' remuneration                            |         |         |
| - audit fees                                      | 90      | 24      |
| - non-audit fees                                  | 29      | 17      |
| Hire of plant                                     | 559     | 170     |
| Profit on disposal of fixed assets                | (89)    | (7)     |
| Foreign exchange gain                             | (7)     | -       |
|   | <u></u> | <u></u> |

## Notes (continued)

### 9 Tax on (loss)/profit on ordinary activities

|   | 1999<br>£000   | 1998<br>£000 |
|---|----------------|--------------|
| <i>Corporation tax (credit)/charge @ 31%:</i> |                |              |
| Current taxation                              | (211)          | 236          |
| Deferred taxation                             | (1,986)        | 296          |
|   | <u>(2,197)</u> | <u>532</u>   |

### 10 Intangible assets

|  | £000         | £000     |
|--|--------------|----------|
| <i>Negative goodwill</i>                   |              |          |
| Opening balance                            | -            | -        |
| Additions on acquisition of Delta business | 4,022        | -        |
|  | <u>4,022</u> | <u>-</u> |
| Amortisation in the year                   | (183)        | -        |
|  | <u>3,839</u> | <u>-</u> |

### 11 Tangible fixed assets

|                                  | Land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Fixtures and<br>fittings<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|----------------------------------|-------------------------------|--------------------------------|----------------------------------|---------------------------|---------------|
| <i>Cost or valuation:</i>        |                               |                                |                                  |                           |               |
| At 1 January 1999                | 4,837                         | 18,147                         | 2,209                            | -                         | 25,193        |
| On acquisition                   | -                             | 48,002                         | 2,255                            | 1,256                     | 51,513        |
| Additions                        | 252                           | 1,150                          | 248                              | 18                        | 1,668         |
| Disposals                        | (79)                          | (1,178)                        | (307)                            | (163)                     | (1,727)       |
| Permanent diminution in value    | (767)                         | -                              | -                                | -                         | (767)         |
|                                  | <u>4,243</u>                  | <u>66,121</u>                  | <u>4,405</u>                     | <u>1,111</u>              | <u>75,880</u> |
| <i>Accumulated depreciation:</i> |                               |                                |                                  |                           |               |
| At 1 January 1999                | 956                           | 11,648                         | 1,800                            | -                         | 14,404        |
| On acquisition                   | -                             | 29,483                         | 1,840                            | 905                       | 32,228        |
| Charge for the year              | 111                           | 3,099                          | 283                              | 104                       | 3,597         |
| Disposals                        | -                             | (955)                          | (307)                            | (149)                     | (1,411)       |
| Permanent diminution in value    | (353)                         | -                              | -                                | -                         | (353)         |
|                                  | <u>714</u>                    | <u>43,275</u>                  | <u>3,616</u>                     | <u>860</u>                | <u>48,465</u> |
| <i>Net book value:</i>           |                               |                                |                                  |                           |               |
| At 31 December 1999              | <u>3,529</u>                  | <u>22,846</u>                  | <u>789</u>                       | <u>251</u>                | <u>27,415</u> |
| At 31 December 1998              | <u>3,881</u>                  | <u>6,499</u>                   | <u>409</u>                       | <u>-</u>                  | <u>10,789</u> |

## Notes (continued)

### 11 Tangible fixed assets (continued)

Included within land and buildings is land valued at £420,000 which is not depreciated.

The net book value of land and buildings comprises short leasehold buildings of £9,000 (1998: £9,000) and freehold land and buildings of £3,520,000 (1998: £3,872,000).

The freehold land and buildings were last revalued at 30 June 1987 and all other tangible fixed assets were last revalued at 31 December 1990. Both revaluations were performed on an open market basis.

The land and building of one site have been devalued by the directors, as the facilities on that site have been closed and the site is held for sale.

Original cost and depreciation based on cost of all assets included at valuation are as follows:

|  | Land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Fixtures<br>and<br>fittings<br>£000 | Motor<br>Vehicles<br>£000 | Total<br>£000 |
|--|-------------------------------|--------------------------------|-------------------------------------|---------------------------|---------------|
| At original cost                                   | 4,477                         | 65,213                         | 4,247                               | 1,111                     | 75,048        |
| Accumulated depreciation                           | (871)                         | (42,307)                       | (3,442)                             | (860)                     | (47,480)      |
| <b>Net historical cost<br/>at 31 December 1999</b> | <b>3,606</b>                  | <b>22,906</b>                  | <b>805</b>                          | <b>251</b>                | <b>27,568</b> |

### 12 Fixed asset investments

|                               | 1999<br>£000 | 1998<br>£000 |
|-------------------------------|--------------|--------------|
| <i>Unlisted investments:</i>  |              |              |
| Balance at 1 January          | -            | -            |
| Acquired on acquisition       | 100          | -            |
| <b>Balance at 31 December</b> | <b>100</b>   | <b>-</b>     |

The directors do not consider that the market value of the investments is materially different from the net book value.

### 13 Stocks

|                                     | £000          | £000         |
|-------------------------------------|---------------|--------------|
| Raw materials and consumables       | 2,172         | 1,303        |
| Work in progress                    | 4,900         | 677          |
| Finished goods and goods for resale | 8,252         | 1,372        |
|                                     | <b>15,324</b> | <b>3,352</b> |

**Notes (continued)**

**14 Debtors**

|   | 1999<br>£000  | 1998<br>£000 |
|---|---------------|--------------|
| <i>Amounts falling due within one year:</i> |               |              |
| Trade debtors                               | 31,516        | 5,220        |
| Amounts owed by group undertakings          | 5,011         | 412          |
| Other debtors                               | 301           | 75           |
| Prepayments and accrued income              | 645           | 161          |
|   | <u>37,473</u> | <u>5,868</u> |

**15 Investment held for sale**

|                             | £000     | £000         |
|-----------------------------|----------|--------------|
| Freehold land and buildings | -        | 3,085        |
|                             | <u>-</u> | <u>3,085</u> |

**16 Creditors: amounts falling due within one year**

|                                    | £000          | £000          |
|------------------------------------|---------------|---------------|
| Bank overdraft                     | 8,438         | 1,847         |
| Trade creditors                    | 9,116         | 2,148         |
| Amounts owed to group undertakings | 46,357        | 5,649         |
| Corporation tax                    | -             | 211           |
| Other tax and social security      | 1,919         | 518           |
| Other creditors                    | 316           | 174           |
| Accruals and deferred income       | 1,366         | 247           |
|                                    | <u>67,512</u> | <u>10,794</u> |

**17 Creditors: amounts falling due after more than one year**

|   | 1999<br>£000 | 1998<br>£000 |
|---|--------------|--------------|
| <i>Amounts repayable, other than by instalments, falling due in five years or more:</i> |              |              |
| Amounts owed to group undertakings  | 1,750        | 5,566        |
|   | <u>1,750</u> | <u>5,566</u> |

There are no repayment terms or interest charged on this debt.

**Notes (continued)**

**18 Provisions for liabilities and charges**

|   | <b>Deferred taxation</b> |              |
|---|--------------------------|--------------|
|   | <b>1999</b>              | <b>1998</b>  |
|   | <b>£000</b>              | <b>£000</b>  |
| Balance at 1 January  | 1,219                    | 923          |
| (Credit)/charge for the year in the profit and loss account | (1,986)                  | 296          |
| Charge on fair value adjustment (see note 25)               | 2,082                    | -            |
| <b>Balance at 31 December</b>                               | <b>1,315</b>             | <b>1,219</b> |

The amounts provided for deferred taxation and the amounts not provided are set out below:

|  | <b>1999</b>     |                   | <b>1998</b>     |                   |
|--|-----------------|-------------------|-----------------|-------------------|
|  | <b>Provided</b> | <b>Unprovided</b> | <b>Provided</b> | <b>Unprovided</b> |
|  | <b>£000</b>     | <b>£000</b>       | <b>£000</b>     | <b>£000</b>       |
| Difference between accumulated depreciation and accelerated capital allowances | 3,438           | -                 | 1,391           | -                 |
| On revaluation of assets   | -               | -                 | -               | 169               |
| Other timing differences   | (2,123)         | -                 | (172)           | -                 |
|  | <b>1,315</b>    | <b>-</b>          | <b>1,219</b>    | <b>169</b>        |

**19 Called up share capital**

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| <i>Authorised, allotted, issued and fully paid:</i> |             |             |
| 200,000 ordinary shares of 1p each                  | 2           | 2           |
| 200,000 deferred shares of £1 each                  | 200         | 200         |
|   | <b>202</b>  | <b>202</b>  |

**20 Share premium and reserves**

|                                      | <b>Share premium</b> | <b>Revaluation reserve</b> | <b>Profit and Loss account</b> | <b>Total</b> |
|--------------------------------------|----------------------|----------------------------|--------------------------------|--------------|
|                                      | <b>£000</b>          | <b>£000</b>                | <b>£000</b>                    | <b>£000</b>  |
| Balance at 1 January 1999            | -                    | 546                        | 7,362                          | 7,908        |
| Loss for the year                    | -                    | -                          | (4,421)                        | (4,421)      |
| Reserves transfer                    | -                    | (414)                      | 414                            | -            |
| Premium on share issue less expenses | 5,000                | -                          | -                              | 5,000        |
| <b>Balance at 31 December 1999</b>   | <b>5,000</b>         | <b>132</b>                 | <b>3,355</b>                   | <b>8,487</b> |

## Notes (continued)

### 21 Reconciliation of movement in shareholders' funds

|                                     | 1999<br>£000 | 1998<br>£000 |
|-------------------------------------|--------------|--------------|
| (Loss)/profit for the year          | (4,421)      | 1,134        |
| Shares to be issued                 | 5,000        | -            |
| Net addition to shareholders' funds | 579          | 1,134        |
| Opening shareholders' funds         | 8,110        | 6,976        |
| Closing shareholders' funds         | 8,689        | 8,110        |

### 22 Remuneration of directors

|  | £000 | £000 |
|--|------|------|
| <i>Directors' emoluments:</i>                |      |      |
| Emoluments in respect of qualifying services | 358  | 145  |
| Pension costs                                | 20   | 11   |
|  | 378  | 156  |

The aggregate of emoluments of the highest paid director was £168,000 (1998: £60,000). He is a member of a defined benefit scheme, under which his accrued pension at the year end was £2,000 (1998: £5,000).

|   | 1999<br>Number | 1998<br>Number |
|---|----------------|----------------|
| <i>Retirement benefits are accruing to the following number of directors under:</i> |                |                |
| Defined benefit schemes   | 7              | 2              |

### 23 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<br>1999 | 1998 |
|--------------------------|-----------------------------|------|
| Production               | 833                         | 244  |
| Sales                    | 130                         | 15   |
| Research and development | 18                          | 14   |
| Management and other     | 150                         | 21   |
|                          | 1,131                       | 294  |

**Notes** *(continued)*

**23 Staff numbers and costs** *(continued)*

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

|                       | 1999<br>£000  | 1998<br>£000 |
|-----------------------|---------------|--------------|
| Wages and salaries    | 19,739        | 5,055        |
| Social security costs | 1,598         | 579          |
| Pension costs         | 341           | 245          |
|                       | <u>21,678</u> | <u>5,879</u> |

**24 Commitments**

- (a) At 31 December 1999 the company had annual commitments under non-cancellable operating leases as follows:

|  | <b>Land and buildings</b> |              | <b>Other assets</b> |              |
|--|---------------------------|--------------|---------------------|--------------|
|  | 1999<br>£000              | 1998<br>£000 | 1999<br>£000        | 1998<br>£000 |
| <i>Leases which expire:</i>            |                           |              |                     |              |
| Within one year                        | 95                        | -            | 198                 | 6            |
| In the second to fifth years inclusive | 369                       | 49           | 260                 | 128          |
|  | <u>464</u>                | <u>49</u>    | <u>458</u>          | <u>134</u>   |

- (b) Capital commitments at 31 December 1999, for which no provision has been made in the financial statements, were as follows:

|                               | 1999<br>£000 | 1998<br>£000 |
|-------------------------------|--------------|--------------|
| Authorised and contracted for | <u>426</u>   | <u>103</u>   |

- (c) **Guarantees**

The company has given bank guarantees of £167,000.

The company unconditionally guarantees the borrowings of Draka UK Group Limited.

**Notes (continued)**

**25 Acquisitions**

On 2 March 1999 the company acquired the trade and assets of the cables division of Delta plc. The acquisition has been accounted for using the acquisition method of accounting. The resulting negative goodwill of £4,022,000 was capitalised and amortised through the profit and loss account in the period in which non-monetary assets acquired are recovered. In the case of fixed assets this is the period over which they are depreciated and current assets, the period over which they are sold or otherwise realised.

|                                      |   | Book value<br>£000 | Fair value<br>adjustments<br>£000 | Fair value<br>£000 |
|--------------------------------------|---|--------------------|-----------------------------------|--------------------|
| <b>Fixed assets</b>                  |   |                    |                                   |                    |
| Tangible                             | a | 11,935             | 7,350                             | 19,285             |
| Investments                          | b | 36                 | 64                                | 100                |
| <b>Current assets</b>                |   |                    |                                   |                    |
| Stock                                | c | 14,461             | (539)                             | 13,922             |
| Debtors                              |   | (2,483)            | -                                 | (2,483)            |
| <b>Liabilities</b>                   |   |                    |                                   |                    |
| Creditors                            | d | (11,206)           | 65                                | (11,141)           |
| <b>Net assets</b>                    |   | <u>12,743</u>      | <u>6,940</u>                      | <u>19,683</u>      |
| Cash                                 |   |                    |                                   | 12,743             |
| Acquisition expenses                 |   |                    |                                   | 836                |
| <b>Net consideration</b>             |   |                    |                                   | <u>13,579</u>      |
| Gross negative goodwill arising      |   |                    |                                   | (6,104)            |
| Less: deferred tax                   |   |                    |                                   | 2,082              |
| <b>Net negative goodwill arising</b> |   |                    |                                   | <u>(4,022)</u>     |

The fair value adjustments comprise the following:

- a Adjustments to bring fixed assets into line with group depreciation rates;
- b Revaluation of investment to directors' valuation;
- c Adjustment to bring net stock valuation into line with group accounting policy; and
- d Adjustment to provisions to bring into line with group accounting policy.

## Notes (continued)

### 25 Acquisitions (continued)

The following financial information is relevant for the acquisition for the period from the beginning of its financial year, 3 January 1999 to the acquisition date, 2 March 1999.

|                      | £000   |
|----------------------|--------|
| Turnover             | 19,471 |
| Operating loss       | (738)  |
| Exceptional items    | -      |
| Loss before taxation | (856)  |
| Taxation             | (257)  |

In the year ended 2 January 1999 the entity made a loss after taxation of £1.9 million.

### 26 Pension arrangements

The company operates a defined benefit scheme – the Draka Cardinal Scheme, covering certain of its employees in the UK. It is funded by company and employee contributions, and invested in managed funds with recognised insurance companies.

The pension cost has been calculated in accordance with advice from an independent, qualified actuary. The latest actuarial valuation was made at 6 April 1999 using the defined accrued benefit method. The principal assumptions used were that future investment returns prior to retirement would be 9% per annum and 8% per annum after retirement, and salary increases of 6% per annum.

The valuation shows the market value of the scheme's assets of £4,299,000 were sufficient to cover 102% of accrued liabilities at the valuation date, with a surplus of £67,000. The company contribution rate was set at 7.8% per annum of pensionable salaries.

The company pension cost for 1999 was £341,000 (1998: £245,000).

All contributions outstanding by the company at 31 December 1999 of £137,000 (1998: £86,000) have been paid into the scheme in 2000 together with accumulated interest.

From March 1999 the former Delta employees will continue to participate in the Delta Pension Scheme for a further year. Arrangements are also being put in place to transfer them into a new Draka scheme in March 2000 if sufficient employees opt for membership of this new scheme.

**Notes** *(continued)*

**27 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 Financial Reporting Standard Number 8 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 28.

**28 Ultimate parent and controlling company**

The company is controlled by RMCA Holdings Limited, its 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, Crowther Road, Crowther Industrial Estate, Washington, Tyne and Wear, NE38 0AQ.