Draka UK Limited

Directors' report and financial statements

Registered in England and Wales number 939069

31 December 2001

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2001.

Principal activities

In the United Kingdom, Draka operates through Draka UK, which engages in the development, production and sale of instrumentation cable for industrial applications as well as multimedia and coaxial cable for the computer industry. In addition, Draka UK supplies low voltage cable for industrial and residential construction through wholesale companies. Draka UK also supplies fire-resistant cable for many applications.

Business review

2001 was a turbulent year for the cable industry. The global economic environment was very volatile with favourable market conditions during the first half year changing dramatically in the second six months. The economic slow down, major takeovers and acquisition of licences for mobile franchises resulted in disappointing results for the Telecommunication Cables sector whilst the market for Low-voltage and Special Purpose cable remained stable throughout the year despite price pressure in the low-voltage segment. The operating profit for the year before exceptional costs and financing was £1.7m *(2000: £3.8m)*.

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 to the company in 1999 in anticipation of shares to be issued at a future date. One share has been issued during 2002 in return for this payment.

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 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 2001 of £3,253,000 *(2000: £2,917,000 loss)*. The directors do not recommend the payment of a dividend *(2000: £nil)*.

Directors and their interests

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

RP Gouldstone
R Watts - resigned 31 January 2001
SK Bell
N Daly - resigned 31 January 2001
I Dew
RA George
RW Nash

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.

Directors' report *(continued)*

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.

Auditors

KPMG were reappointed auditors on 29 January 2002. However, after that date their business transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 23 May 2002 and the directors thereupon appointed KPMG LLP to fill the casual vacancy arising.

By order of the board

I Dew
Company secretary

14 February 2003

Registered office
PO Box 6500
Alfreton Road
Derby
DE24 4ZH

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 17.

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

14 February 2003

Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 31 December 2001

	Notes	**2001** **£000**	2000 £000
Turnover	*2*	**149,421**	147,282
Cost of sales		**(136,742)**	(133,290)
Gross profit		**12,679**	13,992
Distribution costs		**(4,367)**	(3,145)
Administrative expenses		**(6,569)**	(7,090)
Operating profit		**1,743**	3,757
Exceptional items – restructuring costs	*3*	**(2,620)**	(3,863)
Other interest receivable and similar income	*4*	**47**	58
Interest payable and similar charges	*5*	**(3,035)**	(3,108)
Loss on ordinary activities before taxation	*6*	**(3,865)**	(3,156)
Tax on loss on ordinary activities	*7*	**612**	239
Loss for the financial year	*16*	**(3,253)**	(2,917)

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

Balance sheet
as at 31 December 2001

	Notes		2001		2000
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets - negative goodwill	*8*		**(6,498)**		(8,115)
Tangible assets	*9*		**27,876**		25,718
			21,378		17,603
Current assets					
Stocks	*10*	**15,854**		19,973	
Debtors - due within one year		**34,557**		33,596	
- due after more than one year		**2,590**		3,640	
	11	**37,147**		37,236	
Cash at bank and in hand		**209**		4,863	
		53,210		62,072	
Creditors: amounts falling due within one year	*12*	**(69,950)**		(71,172)	
Net current liabilities			**(16,740)**		(9,100)
Total assets less current liabilities			**4,638**		8,503
Creditors: amounts falling due after more than one year	*13*		**(1,750)**		(1,750)
Provision for liabilities and charges	*14*		**(369)**		(981)
Net assets			**2,519**		5,772
Capital and reserves					
Called up share capital	*15*		**202**		202
Share premium account	*16*		**5,000**		5,000
Revaluation reserve	*16*		**-**		32
Profit and loss account	*16*		**(2,683)**		538
Equity shareholders' funds	*16*		**2,519**		5,772

These financial statements were approved by the board of directors on 14 February 2003 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 convention.

The financial statements have been prepared on the going concern basis that the directors believe to be appropriate. The company is dependent for its working capital on funds provided to it by Draka Holding NV, the company's ultimate parent undertaking. Draka Holding NV has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company.

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.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Depreciation of fixed assets is provided to write off the cost, 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%

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.

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 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.

Notes *(continued)*

2 Turnover

Turnover by geographical market is as follows:

	2001 £000	2000 £000
United Kingdom	**93,365**	94,387
Netherlands	**558**	3,511
Germany	**4,297**	4,403
Rest of Europe	**25,839**	21,129
Far East	**16,287**	15,188
North America	**2,881**	3,044
Rest of the world	**6,194**	5,620
	149,421	147,282

No further segmental analysis has been presented as the company has only one class of business. All turnover arises from continuing activities.

3 Exceptional items

	2001 £000	2000 £000
Restructuring costs	**2,620**	3,863
	2,620	3,863

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

4 Other interest receivable and similar income

	2001 £000	2000 £000
Bank deposits	**47**	55
Other interest	**-**	3
	47	58

Notes *(continued)*

5 Interest payable and similar charges

	2001	2000
	£000	£000
Bank loans and overdrafts	137	56
Inter group loan balances	2,893	3,040
Finance leases	3	12
Other interest	2	-
	3,035	3,108

6 Loss on ordinary activities before taxation

		£000	£000
This is stated after charging/(crediting):			
Depreciation	- owned assets	2,856	2,997
	- leased assets	9	32
Auditors' remuneration	- audit fees	88	88
	- non-audit fees	187	133
Operating lease costs		906	922
Loss on disposal of fixed assets		107	7
Foreign exchange (gain)/loss		(223)	10

7 Tax on loss on ordinary activities

	2001	2000
	£000	£000
Corporation tax credit @ 30%:		
Deferred taxation	(612)	(239)
	(612)	(239)

Notes *(continued)*

8 Intangible assets

	Negative goodwill £000
Cost:	
At 1 January 2001	9,591
Additions in the year	-
At 31 December 2001	9,591
Accumulated depreciation:	
At 1 January 2001	1,476
Charge for the year	1,617
At 31 December 2001	3,093
Net book value:	
At 31 December 2001	**6,498**
At 31 December 2000	8,115

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost or valuation:					
At 1 January 2001	4,151	59,194	3,803	1,122	68,270
Additions	128	2,935	2,697	82	5,842
Disposals	(750)	(781)	(309)	(86)	(1,926)
At 31 December 2001	3,529	61,348	6,191	1,118	72,186
Accumulated depreciation:					
At 1 January 2001	791	37,938	2,953	870	42,552
Charge for the year	77	2,499	216	73	2,865
Disposals	-	(722)	(309)	(76)	(1,107)
At 31 December 2001	868	39,715	2,860	867	44,310
Net book value:					
At 31 December 2001	**2,661**	**21,633**	**3,331**	**251**	**27,876**
At 31 December 2000	3,360	21,256	850	252	25,718

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

Notes *(continued)*

10 Stocks

	2001 £000	2000 £000
Raw materials and consumables	**1,708**	2,159
Work in progress	**5,387**	7,191
Finished goods and goods for resale	**8,759**	10,623
	15,854	19,973

11 Debtors

	2001 £000	2000 £000
Trade debtors	**23,331**	24,285
Amounts owed by group undertakings	**9,465**	7,140
Other debtors	**175**	86
Prepayments and accrued income	**536**	835
Pension surplus	**3,640**	4,890
	37,147	37,236

Included within the pension surplus is an amount of £2,590,000 *(2000: £3,640,000)* due after more than one year.

12 Creditors: amounts falling due within one year

	£000	£000
Bank overdraft	**1,400**	-
Trade creditors	**7,046**	7,342
Amounts owed to group undertakings	**59,280**	61,270
Other tax and social security	**492**	958
Other creditors	**293**	388
Accruals and deferred income	**1439**	1,214
	69,950	71,172

Group balances repayable on demand and interest is charged at a variable rate throughout the year.

13 Creditors: amounts falling due after more than one year

	£000	£000
Amounts repayable, other than by instalments, falling due in five years or more:		
Amounts owed to group undertakings	**1,750**	1,750

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

Notes *(continued)*

14 Provisions for liabilities and charges

	Deferred taxation £000
At 1 January 2001	981
Credit in the profit and loss account	(612)
At 31 December 2001	**369**

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

	2001 Provided £000	2001 Unprovided £000	2000 Provided £000	2000 Unprovided £000
Capital allowances in excess of depreciation	**3,965**	-	3,523	-
Other timing differences	**(3,596)**	-	(2,542)	-
	369	-	981	-

15 Called up share capital

	2001 £000	2000 £000
Authorised, allotted, issued and fully paid:		
200,000 ordinary shares of 1p each	**2**	2
200,000 deferred shares of £1 each	**200**	200
	202	202

16 Reconciliation of shareholders' funds and movements on reserves

	Share Capital £000	Share premium £000	Revaluation reserve £000	Profit and loss account £000	Total £000
At 1 January 2001	202	5,000	32	538	5,772
Loss for the year	-	-	-	(3,253)	(3,253)
Reserves transfer	-	-	(32)	32	-
At 31 December 2001	**202**	**5,000**	**-**	**(2,683)**	**2,519**

Notes *(continued)*

17 Remuneration of directors

	2001	2000
	£000	£000
Directors' emoluments:		
Emoluments in respect of qualifying services	**467**	534

The aggregate of emoluments of the highest paid director was £144,000 *(2001: £119,000)*. He is a member of a defined benefit scheme, under which his accrued pension at the year-end was £29,000 *(2001: £20,000)*.

	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	**5**	7

18 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	
	2001	2000
Production	**722**	749
Sales	**100**	118
Research and development	**11**	11
Management and other	**121**	120
	954	998

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

	£000	£000
Wages and salaries	**20,607**	21,257
Social security costs	**1,704**	1,866
Pension costs	**1,563**	1,157
	23,874	24,280

Notes *(continued)*

19 Commitments

(a) At 31 December 2001 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other assets	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Leases which expire:				
Within one year	**-**	49	**157**	137
In the second to fifth years inclusive	**-**	95	**359**	305
After five years	**351**	320	**-**	-
	351	464	**516**	442

(b) Capital commitments at 31 December 2001, for which no provision has been made in the financial statements, were as follows:

	2001	2000
	£000	£000
Authorised and contracted for	**905**	293

(c) Guarantees

The company has a duty deferment guarantee with Customs and Excise of £360,000 and performance bonds of £135,000.

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

(d) The company has hedging commitments associated with copper purchases with the parent company, Draka Holding NV, of £567,000.

20 Pension arrangements

The company operates two defined benefit pension schemes, the Draka UK (ex DCC) Pension Plan (which started in this accounting period) and the Draka UK Pension Plan (formerly known as the Draka Cardinal Final Salary Pension Scheme).

The Draka UK (ex DCC) Pension Plan commenced on 1 March 2001 for 653 employees who were previously members of the Delta Pension Plan, following the acquisition of the cable operations of Delta plc in 1999.

Both schemes are funded by company and employee contributions, and invested in managed funds separately from the assets of the employer. The pension costs below have been calculated in accordance with advice from an independent, qualified actuary.

Draka UK (ex DCC) Pension Plan

The latest actuarial valuation was made at 11 September 2001 using the defined accrued benefit method. The principal assumptions used were that future investment returns prior to retirement would be 9% per annum before and 8% per annum after retirement, and salary increases would be 6% per annum, with assets valued at market value.

Notes *(continued)*

20 Pension arrangements *(continued)*

The valuation showed the market value of the scheme assets of £36,955,000 were sufficient to cover 117% of accrued liabilities at the valuation date, with a surplus of £5,250,000. A company contribution holiday has been in place since the Plan's commencement (except for the payment of running expenses), supported by the existing surplus, and is presently expected to continue until the results of the next valuation, due in 2003, are available.

Draka UK Pension Plan

The latest actuarial valuation was made at 6 April 2000 using the defined accrued benefit method. The principal assumptions used were that future investment returns prior to retirement would be 9% per annum before and 8% per annum after retirement, and salary increases would be 6% per annum, with assets valued at market value.

The valuation showed the market value of the scheme 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. It has since been increased to 9.3% per annum of pensionable salaries. Expenses are paid in addition.

The overall company pension cost for 2001 was £1,563,000 *(2000: £1,260,000)*. There is a prepayment in respect of pension costs at 31 December 2001 of £3,640,000 *(31 December 2000: £4,890,000)*. This arises from a surplus in the Draka UK (ex DCC) Pension Plan as a result of the bulk transfer of assets and liabilities from the Delta Pension Plan. This surplus has been recognised in full as a prepayment and will reduce as the company contribution holiday continues.

FRS 17 'Retirement benefits' Transitional disclosures

Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The latest valuations for the schemes have been updated by the actuary on an FRS 17 basis as at 31 December 2001. The major assumptions used in this assessment were:

	31 December 2001
Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Rate of increase of pensions in deferment (excluding Guaranteed Minimum Pensions)	2.5%
Discount rate	6.0%
Inflation assumption	2.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

20 Pension arrangements *(continued)*

The fair value of the schemes' assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Value at 31 December 2001 £ million
Equities	28.6
Bonds	5.0
Other	2.0
	35.6

	Value at 31 December 2001 £ million
Present value of scheme liabilities	30.0
Surplus in the scheme	5.6
Related deferred tax liability	(1.7)
Net pension asset	3.9

The amount of this net pension asset would also be included in the company's distributable reserves.

21 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 22.

22 *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, PO Box 6500, Alfreton Road, Derby, DE24 4ZH.