Registered in England
No. 05040573

DRAKA COMTEQ UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2020

Prysmian Group

PRYSMIAN
Draka
General Cable

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Del Brenna
J Sessions
J L L Roberts

SECRETARY

C Briggs

REGISTERED OFFICE

Chickenhall Lane
Eastleigh
Hampshire
SO50 6YU
United Kingdom

INDEPENDENT AUDITORS

Ernst & Young LLP
Statutory Auditors
Grosvenor House, Grosvenor Square,
Southampton SO15 2BE
United Kingdom

STRATEGIC REPORT
for the year ended 31 December 2020

The directors present their strategic report on the affairs of the Company for the year ended 31 December 2020.

REVIEW OF THE BUSINESS

The principal activity of the Company is the manufacture and supply of copper and fibre cables for use in data network, telecom, studio broadcast and other multimedia markets.

Draka Comteq UK Limited is a subsidiary of Prysmian UK Group Limited as at 31 December 2020.

The Company is an integral part of the Group's multi-media solutions business unit and continues to benefit from group support in financial, technical, marketing and purchasing functions.

The Company recorded a loss for the financial year of £613,000 (2019: loss of £190,000). The directors continue to review costs in order to alleviate losses going forward.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risks to the business are associated with the global economy.

Following the finalisation of the Brexit process in January 2021, the Company has adapted its' internal processes to manage the changing requirements of international trade. We do not expect the Brexit outcomes to negatively affect the financial performance of the Company.

The extraordinary events of the Covid-19 pandemic impacted the results of the Company in the middle part of 2020. However, the recovery in the latter part of 2020 continues into 2021 and we are confident in the resilience of our organisation and our business. The Company continues to monitor and adapt to the ongoing impact of Covid-19 variants and continues to operate with a stringent approach to health & safety in order to safeguard its employees and business. Our supply chain continues to be highly responsive, and we can harness the strong differentiation of the markets and business sectors in which we operate.

Competitive pressure in the UK is a continuing risk for the Company, which could result in losing sales to key competitors. The Company manages this risk by striving continuously to improve quality, cost and delivery performance, by capitalising on its technical expertise and by maintaining strong relationships with customers.

Product development – any failure to improve existing products and to develop new solutions could result in adverse consequences for the Company in the future. Management ensure that research and development are given the profile that they deserve in order to maintain the Company's competitiveness and reputation as being the market leader in providing reliable and innovative products.

In reaction to the risk of variable demand the Company will continue to implement the following measures:

- Maintaining commercial strengths;
- Continued focus of the Draka brand together with utilising commercial contacts from within the Prysmian Group;
- Participating in group purchasing initiatives to pool spend and increase purchasing power to leverage more cost savings across all areas of the business.

STRATEGIC REPORT
for the year ended 31 December 2020

KEY PERFORMANCE INDICATORS

The Company monitors and reports KPIs covering all aspects of its business including commercial volumes and prices, industrial, logistics and fixed costs as well as key financial ratios to senior management of the ultimate parent company (Prysmian SpA). The main indicators are listed below.

	2020	2019
Turnover (decrease)/increase on previous year	(11.2%)	(0.4%)
Gross profit/Turnover percentage	11.0%	12.3%
Recurring EBITDA/Turnover percentage*	1.8%	3.0%
Operating (loss)/profit/Turnover percentage	(1.9%)	(0.7%)
Net Financial Position**	£0.711m	£2.124m

* Recurring EBITDA is calculated as operating (loss)/profit plus costs recharged from Group parent companies, plus depreciation and amortisation.

** Net Financial Position primarily represents loans to a fellow group company.

Approved by the Board of Directors and signed on behalf of the Board

M Del Brenna
Director
9 July 2021

DIRECTOR'S REPORT
for the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

FUTURE DEVELOPMENTS

In 2021, as indicated in the strategic report, the Company is expecting a recovery in sales and profitability to pre-Covid levels. The Company continues to strive to reduce the cost base and working capital in order to preserve profitability and the cash position. Furthermore, the Company will continue to improve quality and delivery performance, by capitalising on its technical expertise and by maintaining strong relationships with customers.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Company has performed a going concern assessment based on a rolling forecast, cashflow projections and sensitivity analysis for the next 12 months until July 2022. The Company has assessed the effect that a similar decrease in turnover to 2020 and a 5% and 10% decrease in turnover would have on revenue, contribution margin and recurring EBITDA. The 10% revenue decrease scenario is considered as an extreme impact, resulting in a reduced EBITDA, along with the subsequent negative cashflow implications. The Directors are confident that due to the Company's market strength and group sales these downside scenarios are remote. Nevertheless, the Company has received written support from its parent and can access further cash resources through its cash pooling agreement or from its fellow cash positive subsidiary.

In the first quarter of 2021, the business has seen a recovery of turnover and recurring EBITDA to above that of budget for 2021 and above the equivalent period in 2020 and 2019. For the second quarter of 2021, recurring EBITDA is expected to flatten to similar levels as budget, with the year end result being similar to 2019 budget. The first quarter of 2022 has been based on similar levels of economic activity as those expected in the second quarter of 2021. The Company is also working to further reduce their cost and increase production efficiency which started in 2018 and plan to continue doing this to improve its financial result.

On the basis of the improving operational result and with the help of the financial support from its parent company and its fellow subsidiary, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

DIVIDENDS

The directors do not recommend the payment of a dividend (2019: nil).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's operations expose it to a variety of financial risks that include the effects of demand for the Company's products, changes in commodity price risk (copper in particular), credit risk, liquidity risk, foreign exchange rate risk and interest rate risk. The policies set by the Board of Directors are implemented by the Company's finance department. The department has a policy and procedures manual that sets out specific guidelines to manage commodity risk, credit risk and exchange rate risk.

Commodity Price Risk

The Company is exposed to commodity price risk as a result of its operations. The Company manages this by agreeing appropriate pricing for copper purchases and intra-group transfer pricing for finished goods sales.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk

Customer credit risk is minimised by setting appropriate credit limits for long-term customers and by monitoring credit levels and ageing of debts. Credit risk in relation to cash and deposits with financial institutions is minimised through effective cash management and the application of central treasury management procedures.

Liquidity Risk

The Company actively monitors its gearing ratios and also the availability of debt finance compared to requirements in order to ensure that the Company has sufficient available funds for operations. The Company meets its day to day working capital requirements through an intercompany cash pool.

Foreign Exchange Rate Risk

The Company has exposure to foreign exchange rate risk both in terms of purchases and sales denominated in foreign currency. The risk is managed through the application of central treasury management procedures.

Interest Rate Risk

Under the Company's policy, interest rate risk is not hedged.

DIRECTORS

The directors who served during the year and to the date of this report were as follows:

M Del Brenna (appointed as a director on 27 July 2018).
J L L Roberts (appointed as a director on 5 October 2018).

L Caserta who was a director throughout 2020 resigned on 8 March 2021.
J Sessions was appointed a director on 17 March 2021.

DIRECTORS' QUALIFYING THIRD PARTY AND PENSION INDEMNITY PROVISIONS

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Prysmian Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the Company and its directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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:

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director of the Company at the date when this report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the 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.

The auditors, Ernst & Young LLP have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at Annual General Meeting.

M Del Brenna
Director
9 July 2021

Independent Auditors' Report to the Members of Draka Comteq UK Limited for the year ended 31 December 2020

Opinion

We have audited the financial statements of Draka Comteq UK Limited for the year ended 31 December 2020 which comprise of Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive income, the Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of until 31 July 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those relating to the reporting framework (International Accounting Standards and Companies Act 2006), the relevant direct and indirect tax compliance regulations. In addition, the Company has to comply with laws and regulations relating to its operations, including, data protection, anti-bribery and corruption and employee's health and safety.
- We understood how Draka Comteq UK Limited is complying with those frameworks by making enquiries with management to understand how the group maintains and communicates its policies and procedures to ensure compliance. We corroborated this through our review of the group's board minutes, through enquiry of employees to verify company policies, and through the inspection of employee handbooks. We also reviewed correspondence with the relevant tax authorities regarding tax compliance.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified improper recognition of revenue and management override of controls to be our fraud risk.
- To address our fraud risk around the improper recognition of revenue, we tested specific transactions back to source documentation, ensuring appropriate authorisation of the transactions. For revenue recognition we further tested to cash receipts as an external source of evidence.
- To address our fraud risk of management override, we tested journals entries identified by applying specific risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditors' Report to the Members of Draka Comteq UK Limited for the year ended 31 December 2020 (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Ernst & Young LLP

David Hales (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Southampton
9 July 2021

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2020

	Note	2020 £000	2019 £000
Turnover	5	28,514	32,104
Cost of sales		(25,367)	(28,141)
Gross profit		3,147	3,963
Distribution costs		(964)	(1,042)
Administrative expenses		(2,881)	(3,143)
Other operating income		150	-
Operating loss	6	(548)	(222)
Other finance charges	8	(85)	(109)
Interest payable and similar charges	9	(86)	(70)
Loss on ordinary activities before taxation		(719)	(401)
Tax on loss on ordinary activities	10	106	211
Loss for the financial year		(613)	(190)

All results are derived from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	2020 £000	2019 £000
Loss for the financial year	(613)	(190)
Actuarial loss recognised in the pension scheme	(1,334)	(1,061)
Movement on deferred tax relating to actuarial loss	352	180
Total comprehensive expense for the year	(1,595)	(1,071)

BALANCE SHEET
at 31 December 2020

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Tangible assets	11		**4,574**		4,646
Current assets					
Inventories	12	**3,369**		2,104	
Debtors	13	**6,791**		7,649	
		10,160		9,753	
Creditors - amounts falling due within one year	14	**(7,499)**		(6,723)	
Net current assets			**2,661**		3,030
Net assets less current liabilities			**7,235**		7,676
Creditors – amounts falling due after more than one year			**(34)**		-
Net assets excluding pension deficit			**7,201**		7,676
Pension liability	18		**(5,754)**		(4,634)
NET ASSETS			**1,447**		3,042
Capital and reserves					
Called up share capital	16		**14,000**		14,000
Share premium account			**5,675**		5,675
Accumulated losses			**(18,228)**		(16,633)
TOTAL EQUITY			**1,447**		3,042

The financial statements on pages 11 to 28 were approved by the Board of Directors on 9 July 2021 and signed on its behalf by:

M Del Brenna
Director

STATEMENT OF CHANGES IN EQUITY
at 31 December 2020

	Called up share capital £000	Share premium account £000	Accumulated losses £000	Total £000
At 1 January 2019	14,000	5,675	(15,562)	4,113
Loss for the financial year	-	-	(190)	(190)
Other comprehensive income for the year	-	-	(881)	(881)
At 31 December 2019 and 1 January 2020	14,000	5,675	(16,633)	3,042
Loss for the financial year	-	-	(613)	(613)
Other comprehensive expense for the year	-	-	(982)	(982)
At 31 December 2020	14,000	5,675	(18,228)	1,447

Notes to the financial statements (continued) for the year ended 31 December 2020

1. General information

Draka Comteq UK Limited is a wholly owned subsidiary of Prysmian UK Group Limited and is included in the consolidated financial statements of Prysmian SpA which are publicly available. The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Chickenhall Lane, Eastleigh, Hampshire, SO50 6YU.

2. Statement of compliance

The financial statements of Draka Comteq UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Company has adopted FRS 102 in these financial statements.

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, certain financial assets and liabilities are measured at fair value through profit or loss.

The Company meets its' day-to-day working capital requirements through the intercompany cash pooling arrangements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its' judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent Company, Prysmian SpA, includes the Company's cash flows in its own consolidated financial statements. Details of the ultimate parent company and from where its consolidated financial statements may be obtained are disclosed in note 20.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Company has performed a going concern assessment based on a rolling forecast, cashflow projections and sensitivity analysis for the next 12 months until July 2022. The Company has assessed the effect that a similar decrease in turnover to 2020 and a 5% and 10% decrease in turnover would have on revenue, contribution margin and recurring EBITDA. The 10% revenue decrease scenario is considered as an extreme impact, resulting in a reduced EBITDA, along with the subsequent negative cashflow implications. The Directors are confident that due to the Company's market strength and group sales these downside scenarios are remote. Nevertheless, the Company has received written support from its parent and can access further cash resources through its cash pooling agreement or from its fellow cash positive subsidiary.

Notes to the financial statements (continued) for the year ended 31 December 2020

3. Summary of significant accounting policies (continued)

Going Concern (continued)

In the first quarter of 2021, the business has seen a recovery of turnover and recurring EBITDA to above that of budget for 2021 and above the equivalent period in 2020 and 2019. For the second quarter of 2021, recurring EBITDA is expected to flatten to similar levels as budget, with the year end result being similar to 2019 budget. The first quarter of 2022 has been based on similar levels of economic activity as those expected in the second quarter of 2021. The Company is also working to further reduce their cost and increase production efficiency which started in 2018 and plan to continue doing this to improve its financial result.

On the basis of the improving operational result and with the help of the financial support from its parent company and its fellow subsidiary, the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency

The Company's functional and presentation currency is the pound sterling.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Non-monetary items measured at historic cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured at the exchange rate where fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Financial Instruments

Forward foreign exchange contracts are the derivatives used to manage exchange risk, and are entered into through a fellow Group Company, Prysmian Treasury S.r.l.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit and loss in finance cost or income as appropriate.

The Company does not currently apply hedge accounting for foreign exchange currency derivatives.

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sale of services

Revenue from services is recognised when the services are performed.

Notes to the financial statements (continued) for the year ended 31 December 2020

3. Summary of significant accounting policies (continued)

Government grants

Government grants relating to revenue are recognised as income on a systematic basis over the periods for which the grant is intended to compensate.

Post-retirement benefits

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays a fixed contribution into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

The Company operated a defined benefit plan for its employees until 31 December 2013. With effect from 1 January 2014, the Company closed the plan for future accrual. All benefits earned to that date have been preserved and members were offered the opportunity to join the defined contribution section of the scheme with effect from 1 January 2014.

The defined benefit obligation at the balance sheet date has been determined using the projected unit method by independent actuaries. The liability recognised in the balance sheet comprises the present value of the defined benefit pension obligation, determined by discounting the estimated future cash flows using the rate of interest on a high quality corporate bond, less the fair value of the plan assets. Actuarial gains and losses are charged or credited to Other Comprehensive Income in the period in which they occur.

Taxation including deferred tax

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(1) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax legislation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(2) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probably that they will be recovered against the reversal of tax liabilities or other future taxable profit.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of timing differences.

Notes to the financial statements (continued) for the year ended 31 December 2020

3. Summary of significant accounting policies (continued)

Tangible assets

Tangible assets including assets under construction are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

The principal annual rates of depreciation used are as follows:

Freehold Land	Nil
Freehold Buildings	3%
Plant and machinery	7%-33%
Fixtures and fittings	7%-33%

Impairment reviews are carried out where events or circumstances indicate that the carrying value of assets may not be recoverable. The recoverability of assets is measured by comparison of the carrying value of the asset to the net operating cash flows expected to be generated by it or, where appropriate by the relevant cash generating unit. Assets under construction are not subject to depreciation until such time as the completed asset has been successfully commissioned.

Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell.

Cost is determined on the basis of first-in, first-out and represents materials, direct labour and an appropriate proportion of factory overhead expenses.

Provisions for impairment are made for obsolete, slow-moving or defective items where appropriate.

Share Based Payments

The ultimate parent company, Prysmian SpA, operates an equity settled share option scheme in which certain of the Company's employees participate. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding entry to the intercompany account held with the parent.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Going Concern

A going concern analysis was performed based on forecasts and known future outcomes to establish potential business risks. Given the impact of the Covid-19 pandemic on the wider UK and global economies, the going concern assessment performed by management is considered to be a significant judgement.

4. Critical accounting judgements and estimation uncertainty (continued)

Useful economic lives of tangible assets

The depreciation charge is the recognition of the decline in the value of the asset and allocation of the cost of the asset over the expected useful life. Judgments are made on the estimated useful life of the assets which are regularly reviewed to reflect the changing environment.

Inventory provisioning

The impairment of inventory provision is the recognition of the decline in the value of inventory based upon its age and usage. Judgement is made on the estimated impairment required against the net carrying amount of inventory which is detailed in note 12.

Impairment of debtors

The impairment of debtors provision is the recognition of the recoverable value of trade debtors based upon the ageing profile. Judgement is made on the estimated impairment required against the net carrying amount of trade debtors which is detailed in note 13.

Deferred tax

The recognition of deferred tax assets is considered a critical accounting estimate because the underlying assumptions can change from period to period. Further information on the Company's deferred taxes is detailed in note 15.

Defined benefit pension scheme

The evaluation of the defined benefit pension scheme's future obligations include actuarial assumptions including life expectancy, asset valuations and discount rates which are detailed in note 18.

5. Turnover

	2020 £000	2019 £000
Analysis of turnover by geography:		
United Kingdom	7,180	8,806
Rest of Europe	20,992	23,271
Rest of World	342	27
	28,514	32,104

	2020 £000	2019 £000
Analysis of turnover by category:		
Sale of goods	28,490	31,844
Services	24	260
	28,514	32,104

Notes to the financial statements (continued)
for the year ended 31 December 2020

6. Operating loss

Operating loss is stated after charging/(crediting):

	2020 £000	2019 £000
Income from government grants (coronavirus job retention scheme)	(150)	-
Depreciation of tangible fixed assets	261	277
Operating lease charges	111	127
Audit fees payable to the Company's auditor	12	12
Inventories recognised as expense	21,478	23,728
Change in inventory impairment provision	(63)	97

7. Employees and directors

Other pension costs include only those items included within operating costs. Items reported within the statement of comprehensive income have been excluded.

Employee costs during the year amounted to:	2020 £000	2019 £000
Wages and salaries	2,426	2,540
Social security costs	228	295
Other pension costs (note 18)	281	273
	2,935	3,108

The monthly average number of persons employed (full-time equivalent) by the Company during the year was:

	2020 Number	2019 Number
Production	65	70
Engineering support	4	4
Management and other	3	3
	72	77

L Caserta, M Del Brenna and J L L Roberts received remuneration from Prysmian Cables & Systems Limited in the current year. Costs have not been recharged to the Company as their services in relation to the Company are incidental to those of the Prysmian group as a whole.

Notes to the financial statements (continued) for the year ended 31 December 2020

7. Employees and directors (continued)

Share Based Payments

In 2015 Prysmian SpA, implemented a share-based incentive plan in which some of the Company's employees participate.

This new plan is intended for the Groups' key managers who, at the Company's discretion, have the managerial skills to affect Group growth. The Plan, which develops over a period of three years, envisages that upon achieving certain pre-set Performance Conditions, the Participants are assigned shares of the Company.

Participation in the Plan is voluntary. The purchased shares will be subject to a retention period during which time they cannot be sold and/or transferred.

Prysmian SpA recharge the relevant cost to the Company.

8. Other finance charges

	2020 £000	2019 £000
Expected return on pension scheme assets (note 18)	202	291
Interest on pension scheme liabilities (note 18)	(287)	(400)
	(85)	(109)

9. Interest payable and similar charges

	2020 £000	2019 £000
Interest payable to group undertaking	(2)	(1)
Other interest payable and similar charges	(84)	(69)
	(86)	(70)

Changes in the fair value of derivatives are included in other interest payable and similar charges. A loss arising from derivatives of £4,000 (2019: loss £23,000) is reported in other interest payable and similar charges.

Notes to the financial statements (continued)
for the year ended 31 December 2020

10. Income tax

The tax (credit)/charge comprises:

	2020 £000	2019 £000
Analysis of tax credit in the year		
Current Taxation		
Group relief	-	(87)
Adjustments in respect of prior years	(4)	(159)
Total current tax credit	(4)	(246)
Deferred taxation		
Current year deferred tax charge	(111)	37
Adjustments in respect of prior years	9	(2)
Total deferred tax charge	(102)	35
Total tax credit on loss on ordinary activities	(106)	(211)

The current tax credit for the year is lower (2019: higher) than the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%). The differences are explained below.

	2020 £000	2019 £000
Loss on ordinary activities before taxation	(719)	(401)
Tax credit on loss on ordinary activities at standard UK Corporation tax rate of 19.00% (2019: 19.00%)	(137)	(76)
Effects of:		
Expenses not deductible for tax purposes	3	1
Other short term timing differences	-	(4)
Depreciation in excess of capital allowances for the year	25	28
Adjustments in respect of prior years	3	(160)
Current tax credit for financial year	(106)	(211)

The adjustments in respect of previous years relates to an underestimate (2019: overestimate) in prior years of tax liabilities.

Notes to the financial statements (continued) for the year ended 31 December 2020

11. Tangible assets

	Land & buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At 1 January 2020	5,023	12,718	468	-	18,209
Transfers	-	135		(135)	-
Additions	-	-	-	189	189
Disposals					
At 31 December 2020	5,023	12,853	468	54	18,398
Accumulated depreciation					
At 1 January 2020	1,026	12,069	468	-	13,563
Charge for the year	145	116	-	-	261
At 31 December 2020	1,171	12,185	468	-	13,824
Net book value					
At 31 December 2020	3,852	668	-	54	4,574
At 31 December 2019	3,997	649	-	-	4,646

The net book value of freehold land, included in land and buildings above, is £240,000 at 31 December 2020 (2019: £240,000).

12. Inventories

	2020 £000	2019 £000
Raw materials and consumables	1,916	603
Work in progress	587	573
Finished goods and goods for resale	866	928
	3,369	2,104

Inventories are stated after provisions for impairment of £359,000 (2019: £421,000).

Notes to the financial statements (continued) for the year ended 31 December 2020

13. Debtors

	2020 £000	2019 £000
Amounts falling due within one year:		
Trade debtors	1,582	1,659
Loans to fellow group undertakings	711	2,120
Amounts owed by group undertakings	3,202	2,470
Deferred tax asset (note 15)	165	14
Prepayments and accrued income	39	597
	5,699	6,860
Amounts falling due after more than one year:		
Deferred tax asset (note 15)	1,092	789
	6,791	7,649

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand.

Loans to fellow group undertakings is an intercompany treasury facility with Prysmian Treasury Srl which is repayable on demand and attracted an interest rate of 0.00% at 31 December 2020 (2019: 0.46%).

Financial assets arising from derivatives of £12,000 (2019: £12,000) are reported in amounts owed by group undertakings.

Debtors are stated after provisions for impairment of £6,000 (2019: £6,000).

14. Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	5,340	4,510
Amounts owed to group undertakings	1,480	1,748
Other creditors including taxation and social security	123	217
Accruals and deferred income	556	248
	7,499	6,723

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand. Financial liabilities arising from derivatives of £36,000 (2019: £33,000) are reported in amounts owed to group undertakings.

Notes to the financial statements (continued) for the year ended 31 December 2020

15. Deferred tax

	2020 £000	2019 £000
Tax effect of timing differences because of:		
Tax losses	1,562	1,262
Depreciation in excess of capital allowances	(747)	(690)
Other short term timing differences	14	14
Non recognition of deferred tax asset	(664)	(572)
	165	14

Deferred tax asset relating to pension deficit:

	2020 £000	2019 £000
At 1 January	789	644
Movement in the profit and loss account during the year	(49)	(35)
Movement in the statement of comprehensive income in the year	352	180
At 31 December	1,092	789

In March 2021, the UK Government announced that the corporation tax rate will increase to 25% from April 2023. If Finance Act 2021 legislation which was enacted on 10 June 2021 increasing the corporation tax rate to 25%; had been enacted as at 31 December 2020, the effect on the deferred tax asset would have been to increase it to £1,656,000 and the effect on the tax credit in the income statement would have been to increase to £129,000.

16. Called up share capital

	2020 £000	2019 £000
Allotted and fully paid		
14,000,002 ordinary shares of £1 each (2019: 14,000,002)	14,000	14,000

17. Capital and other commitments

The lease charge in the year relates substantially to rolling leases without future commitment. At 31 December the Company had no off-balance sheet arrangements.

Notes to the financial statements (continued)
for the year ended 31 December 2020

18. Pension Scheme

Defined Benefit Scheme

The Company is a participating employer of the Draka U.K. Pension Plan ("the U.K. Plan"). The U.K. Plan is a defined benefit pension scheme operating in the UK. The scheme is closed to new members and from 1 January 2014 closed for future accrual.

The last valuation of the U.K. Plan was completed as at 31 December 2018.

The Company pays £27,500 per month to the U.K. Plan in respect of funding deficit contributions.

At 31 December 2020, the actuary has estimated that the market value of the assets of the scheme was £11,720,000 (2019: £10,560,000) and was equal to 67.1% (2019: 69.5%) of the present value of benefits accrued to members.

The pension cost for 2020 is nil (2019: nil) in total for the members of the defined benefit section of the scheme. The defined contribution cost for 2020 is £251,000 (2019: £273,000). Amounts outstanding in respect of Company contributions to the defined benefit scheme at 31 December 2020 were nil (2019: nil) and to the defined contribution scheme at 31 December 2020 were £23,000 (2019: £25,000).

Composition of the Defined Benefit Scheme

The defined benefit scheme has been valued at 31 December 2020 by a qualified independent actuary in accordance with the requirements of FRS 102. The principal assumptions used in this valuation were:

	2020	*2019*
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	N/A	2.5%
Rate of increase in deferred pensions	N/A	3.4%
Discount rate	1.9%	3.0%
Inflation	3.2%	3.6%

The mortality assumptions used in the Company actuarial valuations are based on S1PXA YOB MC 1% p.a. consistent with prior year. The mortality assumptions used in the valuation of the defined benefit pension liabilities of the Company U.K. plans are summarised in the table below:

	2020 *Years*	*2019* *Years*
Longevity at age 40 for current pensioners	47.3	47.3
Longevity at age 65 for current pensioners	22.3	22.3

The assumptions used by the actuary are chosen, in accordance with the principles set out in FRS 102, from a range of possible actuarial assumptions that, due to the timescale covered, may not necessarily be borne out in practice. These assumptions are recommended by the actuary and approved by the Company.

Notes to the financial statements (continued) for the year ended 31 December 2020

18. Pension Scheme (continued)

The fair value of the scheme's 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 are thus inherently uncertain, were:

	2020 £000	***2020 %***	*2019 £000*	*2019 %*
Equities	**2,012**	***17.2***	1,812	*17.2*
Bonds	**4,373**	***37.3***	3,940	*37.3*
Cash	**443**	***3.8***	400	*3.8*
Property	**359**	***3.1***	324	*3.1*
Other Quoted Securities	**4,533**	***38.6***	4,084	*38.6*
Total market value of assets	**11,720**	***100***	10,560	*100*

Reconciliation of present value of scheme liabilities

	2020 £000	**2019 £000**
At 1 January	15,194	13,433
Interest cost	287	400
Actuarial (gain)/loss	2,299	1,975
Past service cost	30	-
Administration costs and taxes	-	-
Benefits paid	(336)	(614)
At 31 December	17,474	15,194

Reconciliation of fair value of scheme assets

	2020 £000	**2019 £000**
At 1 January	10,560	9,649
Expected return on scheme assets	202	291
Actuarial gain/(loss)	965	914
Contributions by employer	329	320
Benefits paid	(336)	(614)
At 31 December	11,720	10,560

Scheme assets do not include any of the Company's own financial instruments, or any property occupied by the Company.

Notes to the financial statements (continued)
for the year ended 31 December 2020

18. Pension Scheme (continued)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at 31 December. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was a gain of £1,167,000 (2019: gain £1,205,000).

Analysis of the amount recognised in the profit and loss account

	2020 £000	2019 £000
Interest cost	(287)	(400)
Expected return on scheme assets	202	291
Pension administration cost	-	-
Plan loss on benefit charges for GMP equalisation	-	-
	(85)	(109)

Of the total above £85,000 (2019: £109,000) has been included in other finance costs, £nil (2019: £nil) has been included in administrative expenses. Actuarial gains and losses have been reported in the statement of comprehensive income.

The cumulative amount of actuarial gains and losses recognised in the statement of comprehensive income is a net loss of £6,279,000 (2019: net loss of £4,945,000).

19. Related party transactions

The Company has used the exemption under paragraph 1.12(e) from the provision of Financial Reporting Standard No. 102 as a subsidiary undertaking (where 100% of the voting rights are controlled by its ultimate parent company) not to disclose transactions with other entities that are part of, or investees of, the Prysmian SpA group. Consolidated financial statements of Prysmian SpA are publicly available.

20. Ultimate parent and controlling party

The Company's immediate parent company is Prysmian UK Group Limited.

Prysmian SpA is the Company's ultimate parent company and controlling party. Prysmian SpA is incorporated in Italy and heads the smallest and largest group for which consolidated financial statements are prepared.

Copies of the consolidated financial statements of Prysmian SpA are available online at www.prysmiangroup.com.