

DRAKA COMTEQ UK LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2018

Prysmian
Group



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Del Brenna
L Caserta
J L L Roberts

SECRETARY

C Briggs

REGISTERED OFFICE

Chickenhall Lane
Eastleigh
Hampshire
SO50 6YU
United Kingdom

INDEPENDENT AUDITORS

Ernst & Young LLP
Statutory Auditors
Wessex House, 19 Threefield Lane
Southampton, Hampshire SO14 3QB
United Kingdom

STRATEGIC REPORT (continued)

The directors present their strategic report on the affairs of the company for the year ended 31 December 2018.

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 2018.

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 £1,369,000 (2017: loss of £970,000). The directors continue to review costs in order to alleviate losses going forward.

During 2018, Prysmian UK Group Limited provided the company with a capital contribution of £5,000,000.

PRINCIPAL RISKS AND UNCERTAINTIES

The main risk to the business is associated with the global economy. The company is not only exposed to UK markets but also mainland Europe where the economic outlook remains uncertain.

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 (continued)**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.

	2018	2017
Turnover increase on previous year	4.9%	11.4%
Gross profit/Turnover percentage	9.9%	8.7%
EBITDA/Turnover percentage	(2.9%)	(1.8%)
Operating (loss)/profit/Turnover percentage	(3.8%)	(2.9%)

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



L. Caserta
Director

17 September 2019

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2018.

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

FUTURE DEVELOPMENTS

In 2019, as indicated in the strategic report, the focus will continue to improve quality, cost and delivery performance, by capitalising on its technical expertise and by maintaining strong relationships with customers.

Depending on the finalisation of the Brexit process expected in 2019, the overall UK economy could be significantly impacted by the outcome. Although the company is implementing all possible measures to mitigate the potential negative effect on the business, it is difficult to exclude a negative consequence on the company's results.

DIVIDENDS

The directors do not recommend the payment of a dividend (2017: 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.

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.

Exchange Rate Risk

The company has exposure to 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' REPORT (continued)

DIRECTORS

The directors of the Company who were in office at the date of signing the financial statements are shown on page 1.

Mr L Caserta held office throughout the year. Mr M Del Brenna was appointed as a director on 27 July 2018.

Mr J L L Roberts who was a director throughout 2017 resigned on 30 July 2018 and was reappointed on 5 October 2018.

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:

- 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.

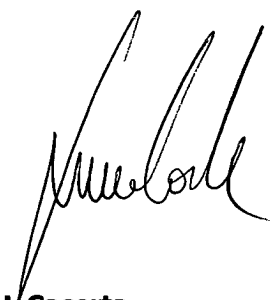
DIRECTORS' REPORT (continued)

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.



L Caserta
Director

17 September 2019

Independent Auditors' Report to the Members of Draka Comteq UK Limited

Opinion

We have audited the financial statements of Draka Comteq UK Limited for the year ended 31 December 2018 which comprise Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, 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" (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 2018 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 below. 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 - 25, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

Independent Auditors' Report to the Members of Draka Comteq UK Limited

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

A further description of our responsibilities for the audit of the financial statements is located on the

Independent Auditors' Report to the Members of Draka Comteq UK Limited

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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.



David Hales
for and on behalf of Ernst & Young LLP, Senior Statutory Auditor
Southampton
17 September 2019

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	5	32,246	30,732
Cost of sales		(29,049)	(28,056)
Gross profit		3,197	2,676
Distribution costs		(1,138)	(959)
Administrative expenses		(3,287)	(2,598)
Operating (loss)		(1,228)	(881)
Other finance charges	8	(105)	(138)
Interest payable and similar charges	9	(110)	(119)
Loss on ordinary activities before taxation		(1,443)	(1,138)
Tax on loss on ordinary activities	10	74	168
Loss for the financial year		(1,369)	(970)

All results are derived from continuing operations.

There is no material difference between the results above and their historical cost equivalent.

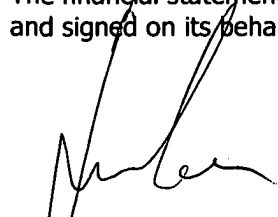
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Loss for the financial year	(1,369)	(970)
Actuarial gain recognised in the pension scheme	219	1,244
Movement on deferred tax relating to actuarial gain	(38)	(211)
Total comprehensive (expense)/income for the year	<u>(1,188)</u>	<u>63</u>

BALANCE SHEET
at 31 December 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Fixed assets					
Tangible assets	11		4,835		5,080
Current assets					
Inventories	12	2,794		2,231	
Debtors	13	7,146		5,007	
		9,940		7,238	
Creditors - amounts falling due within one year	14	(6,878)		(7,964)	
Net current assets/(liabilities)			3,062		(726)
Net assets excluding pension liability			7,897		4,354
Pension liability	18		(3,784)		(4,053)
NET ASSETS			4,113		301
Capital and reserves					
Called up share capital	16		14,000		9,000
Share premium account			5,675		5,675
Accumulated losses			(15,562)		(14,374)
TOTAL EQUITY			4,113		301

The financial statements on pages 10 to 25 were approved by the Board of Directors on 11 September 2019 and signed on its behalf by:



L Caserta
Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Accumulated losses £'000	Total £'000
At 1 January 2017	9,000	5,675	(14,437)	238
Loss for the financial year	-	-	(970)	(970)
Other comprehensive income for the year	-	-	1,033	1,033
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2017 and 1 January 2018	9,000	5,675	(14,374)	301
Loss for the financial year	-	-	(1,369)	(1,369)
Other comprehensive income for the year	-	-	181	181
Proceeds from shares issued	5,000	-	-	5,000
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2018	<u>14,000</u>	<u>5,675</u>	<u>(15,562)</u>	<u>4,113</u>

**Notes to the financial statements
for the year ended 31 December 2018****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" ("FRS102") 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.

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.

**Notes to the financial statements (continued)
for the year ended 31 December 2018****3. Summary of significant accounting policies (continued)****Foreign currency (continued)**

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.

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.

Notes to the financial statements (continued) for the year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Taxation including deferred tax (continued)

(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.

Tangible assets

Tangible assets 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 follow:

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.

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.

Notes to the financial statements (continued) for the year ended 31 December 2018

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 judgements in applying the entity's accounting policies

It is the view of the directors that no critical judgements in applying the entity's accounting policies have been made in these financial statements.

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.

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.

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

	2018 £'000	2017 £'000
Analysis of turnover by geography:		
United Kingdom	8,320	7,699
Rest of Europe	23,857	23,022
Rest of World	69	11
	<u>32,246</u>	<u>30,732</u>
	2018 £'000	2017 £'000
Analysis of turnover by category:		
Sale of goods	31,991	30,436
Services	255	296
	<u>32,246</u>	<u>30,732</u>

**Notes to the financial statements (continued)
for the year ended 31 December 2018**

6. Operating loss

Operating loss is stated after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	299	326
Operating lease charges	98	138
Audit fees payable to the company's auditor	12	16
Inventories recognised as expense	24,511	23,598
Change in inventory impairment provision	108	1
	<u>24,918</u>	<u>24,079</u>

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.

	2018 £'000	2017 £'000
Employee costs during the year amounted to:		
Wages and salaries	2,496	2,629
Social security costs	296	272
Other pension costs (note 18)	276	232
	<u>3,068</u>	<u>3,133</u>

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

	2018 Number	2017 Number
Production	69	71
Engineering support	5	4
Management and other	5	6
	<u>79</u>	<u>81</u>

Mr L Caserta, Mr M Del Brenna and Mr 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 2018

8. Other finance charges

	2018 £'000	2017 £'000
Expected return on pension scheme assets (note 18)	284	267
Interest on pension scheme liabilities (note 18)	(389)	(405)
	<u>(105)</u>	<u>(138)</u>

9. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest payable to group undertaking	76	56
Other interest payable and similar charges	34	63
	<u>110</u>	<u>119</u>

Changes in the fair value of derivatives are included in other interest payable and similar charges. A gain arising from derivatives of £1,000 (2017: loss £16,000) is reported in other interest payable and similar charges.

10. Income tax

The tax (credit)/charge comprises:

	2018 £'000	2017 £'000
Analysis of tax (credit) in the year		
Current Taxation		
Group relief	(85)	(207)
Adjustments in respect of prior years	9	-
	<u>(76)</u>	<u>(207)</u>
Total current tax credit	(76)	(207)
Deferred taxation		
Current year deferred tax charge	9	21
Adjustments in respect of prior years	(7)	18
	<u>2</u>	<u>39</u>
Total deferred tax charge	2	39
Total tax (credit) on loss on ordinary activities	<u>(74)</u>	<u>(168)</u>

The current tax (credit)/charge for the year is lower (2017: lower) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below.

**Notes to the financial statements (continued)
for the year ended 31 December 2018**

10. Income tax (continued)

	2018 £'000	2017 £'000
Loss on ordinary activities before taxation	(1,443)	(1,138)
Tax credit on loss on ordinary activities at standard UK Corporation tax rate of 19.00% (2017: 19.25%)	(274)	(219)
Effects of:		
Expenses not deductible for tax purposes	2	2
Other short term timing differences	(1)	(3)
Depreciation in excess of capital allowances for the year	26	34
Adjustments in respect of prior years	2	18
Losses not recognised in deferred tax	171	-
Current tax credit for financial year	(74)	(168)

The adjustments in respect of previous years relates to an underestimate (2017: underestimate) in prior years of tax liabilities.

11. Tangible assets

	Land & buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2018	5,023	12,709	468	-	18,200
Additions	-	48	-	6	54
At 31 December 2018	5,023	12,757	468	6	18,254
Accumulated depreciation					
At 1 January 2018	736	11,916	468	-	13,120
Charge for the year	145	154	-	-	299
At 31 December 2018	881	12,070	468	-	13,419
Net book value					
At 31 December 2018	4,142	687	-	6	4,835
At 31 December 2017	4,287	793	-	-	5,080

The net book value of freehold land, included in land and buildings above, is £240,000 at 31 December 2018 (2017: £240,000).

Notes to the financial statements (continued)
for the year ended 31 December 2018

12. Inventories	2018 £'000	2017 £'000
Raw materials and consumables	779	569
Work in progress	643	645
Finished goods and goods for resale	1,372	1,017
	<u>2,794</u>	<u>2,231</u>

Inventories are stated after provisions for impairment of £324,000 (2017: £216,000).

13. Debtors	2018 £'000	2017 £'000
<i>Amounts falling due within one year:</i>		
Trade debtors	1,463	1,424
Loans to group undertakings	1,938	-
Amounts owed by group undertakings	2,697	2,612
Deferred tax asset (note 15)	13	7
Prepayments and accrued income	391	274
	<u>6,502</u>	<u>4,317</u>
<i>Amounts falling due after more than one year:</i>		
Deferred tax asset (note 15)	644	690
	<u>7,146</u>	<u>5,007</u>

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand. Loans to group undertakings are repayable on demand and attracted an interest rate of 0.48% at 31 December 2018 (2017: 0.24%).

Financial assets arising from derivatives of £7,000 (2017: £8,000) are reported in amounts owed by group undertakings.

Debtors are stated after provisions for impairment of £1,000 (2017: £3,000).

14. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	4,793	4,035
Loans from group undertakings	-	2,088
Amounts owed to group undertakings	1,368	1,221
Other creditors including taxation and social security	148	262
Accruals and deferred income	569	358
	<u>6,878</u>	<u>7,964</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand. Loans from group undertakings are repayable on demand and attracted an interest rate of 2.23% at 31 December 2018 (2017: 1.99%). Financial liabilities arising from derivatives of £6,000 (2017: £7,000) are reported in amounts owed to group undertakings.

**Notes to the financial statements (continued)
for the year ended 31 December 2018**

15. Deferred tax

	2018 £'000	2017 £'000
Tax effect of timing differences because of:		
Tax losses	1,416	1,262
Depreciation in excess of capital allowances	(800)	(798)
Other short term timing differences	13	7
Non recognition of deferred tax asset	(616)	(464)
	<u>13</u>	<u>7</u>

Deferred tax asset relating to pension deficit:

	2018 £'000	2017 £'000
At 1 January	690	923
Movement in the profit and loss account during the year	(9)	(22)
Movement in the statement of comprehensive income in the year	(37)	(211)
	<u>644</u>	<u>690</u>
At 31 December		

The corporation tax rate will reduce to 17% from 1 April 2020. The company considers that the timing differences included in the deferred tax calculation will, for the most part, reverse after 1 April 2020 and therefore the deferred tax asset has been calculated using the 17% rate.

Due to uncertainties over its recoverability, no deferred tax asset relating to corporation tax losses has been recognised.

16. Called up share capital

	2018 £'000	2017 £'000
Allotted and fully paid		
14,000,002 ordinary shares of £1 each (2017: 9,000,002)	<u>14,000</u>	<u>9,000</u>

On 21 December 2018 5,000,000 ordinary shares were issued for £5,000,000.

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 2018

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 £24,583 per month to the U.K. Plan in respect of funding deficit contributions.

At 31 December 2018, the actuary has estimated that the market value of the assets of the scheme was £9,649,000 (2017: £10,462,000) and was equal to 71.8% (2017: 72.1%) of the present value of benefits accrued to members.

The pension cost for 2018 is nil (2017: nil) in total for the members of the defined benefit section of the scheme. The defined contribution cost for 2018 is £276,000 (2017: £272,000). Amounts outstanding in respect of Company contributions to the defined benefit scheme at 31 December 2018 were nil (2017: nil) and to the defined contribution scheme at 31 December 2018 were £24,000 (2017: £19,000).

Composition of the Defined Benefit Scheme

The defined benefit scheme has been valued at 31 December 2018 by a qualified independent actuary in accordance with the requirements of FRS 102. The principal assumptions used in this valuation were:

	2018	2017
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.5%	2.5%
Rate of increase in deferred pensions	3.4%	3.4%
Discount rate	3.0%	2.7%
Inflation	3.6%	3.4%

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:

	2018 Years	2017 Years
Longevity at age 45 for current pensioners	47.1	47.1
Longevity at age 65 for current pensioners	22.1	22.1

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 2018**

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:

	2018	2018	2017	2017
	£000	%	£000	%
Equities	1,655	17.2	1,796	17.2
Bonds	3,602	37.3	3,904	37.3
Cash	364	3.8	393	3.8
Property	296	3.1	321	3.1
Other Quoted Securities	3,732	38.6	4,048	38.7
Total market value of assets	9,649	100	10,462	100

Reconciliation of present value of scheme liabilities

	2018	2017
	£'000	£'000
At 1 January	14,515	15,638
Interest cost	389	405
Actuarial (gain)/loss	(799)	(993)
Past service cost	133	-
Administration costs and taxes	5	-
Benefits paid	(810)	(535)
At 31 December	13,433	14,515

Reconciliation of fair value of scheme assets

	2018	2017
	£'000	£'000
At 1 January	10,462	10,213
Expected return on scheme assets	284	267
Actuarial gain/(loss)	(580)	251
Contributions by employer	293	266
Benefits paid	(810)	(535)
At 31 December	9,649	10,462

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 2018

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 loss of £296,000 (2017: gain £518,000).

Analysis of the amount recognised in the profit and loss account

	2018 £'000	2017 £'000
Interest cost	389	405
Expected return on scheme assets	(284)	(267)
Pension administration cost	5	-
Plan loss on benefit charges for GMP equalisation	133	-
	<u>243</u>	<u>138</u>

Of the total above £105,000 (2017: £138,000) has been included in other finance costs, £138,000 (2017: 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 £3,884,000 (2017: net loss of £4,103,000).

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.