

**Registered in England  
No. 05040573**

# **DRAKA COMTEQ UK LIMITED**

**Annual Report and Financial Statements**

**For the year ended 31 December 2019**

**Prysmian  
Group**

 **PRYSMIAN**

 **Draka**

 **General Cable**

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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  
Grosvenor House, Grosvenor Square,  
Southampton SO15 2BE  
United Kingdom

**STRATEGIC REPORT**

The directors present their strategic report on the affairs of the company for the year ended 31 December 2019.

**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 2019.

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 £190,000 (2018: loss of £1,369,000). The directors continue to review costs in order to alleviate losses going forward.

In order to strengthen the capital structure of the company the immediate parent company, Prysmian UK Group Limited, provided a capital contribution of £5,000,000 in 2018 and has confirmed in writing its continued support of the Company.

The capital contribution received has been used to improve the financial position of the company and implement a number of schemes to increase its labour and material usage efficiencies, these improvements are key to the company returning to a profit.

**PRINCIPAL RISKS AND UNCERTAINTIES**

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

Depending on the finalisation of the Brexit process expected by the end of 2020, the overall economy in the UK and Europe 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 in the short and medium term.

The extraordinary events of the Covid-19 pandemic has already impacted the results of the company in 2020 and is expected to continue for the remainder of the year, although we are confident in the resilience of our organisation and our business. Our supply chain is proving 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 (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.

	2019	2018
Turnover (decrease)/Increase on previous year	(0.1%)	4.9%
Gross profit/Turnover percentage	12.3%	9.9%
Recurring EBITDA/Turnover percentage*	3.0%	0.4%
Operating (loss)/profit/Turnover percentage	(0.7%)	(3.8%)
Net Financial Position**	£2.124m	£1.939m

\* 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 of £2.120m.

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



M Del Brenna

Director

23 December 2020

Digitally signed by M Del Brenna  
(mailto:mdelbrenna@drakacomteq.com)  
DN: cn=M Del Brenna, o=DRAKA COMTEQ UK LIMITED,  
ou=DRUK, email=mdelbrenna@drakacomteq.com,  
c=GB  
Date: 2020.12.23 10:22:43 +0100

**DIRECTORS' REPORT**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

**FUTURE DEVELOPMENTS**

In 2020, as indicated in the strategic report, the company is expecting a reduction in sales and profitability compared to prior year due to the uncertainty generated by the Brexit process in addition to the extraordinary impact of the Covid-19 pandemic. The company is putting in place all proper actions 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 – effects of Covid-19**

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. 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.

The Company has performed a going concern assessment based on a rolling forecast, cashflow projections and sensitivity analysis for the next 12 months to December 2021. The forecasts have been adjusted for the impact on revenue of government restrictions. A number of downside scenarios have been undertaken to ascertain the critical revenue, contribution margin and sales channel variations at which a positive recurring EBITDA would not be achieved. Combinations of these scenarios have then been considered as an extreme impact, resulting in a negative EBITDA, along with the subsequent negative cashflow implications such scenarios would have. 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.

After a positive Q1, the company experienced a slow decrease in sales volume in Q2 and a gradual recovery in the second half of 2020 against budgeted figures. The 2020 monthly actuals have shown a steady improvement in recurring EBITDA starting from Q3 of 2020 with a positive EBITDA achieved at the close of Q3, supported by a gradual recovery of the order intake, which is forecasted to continue to the end of the year.

**Post Balance Sheet Event**

On 30 January 2020, the spread of the novel Coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation. On 11 March 2020, the UK government announced social distancing measures and working restrictions in reaction to the spread of the virus.

As a result of this, the business has experienced lower sales in the first half of 2020 compared with the first half of 2019. However, sales in Q3 of 2020 have shown a recovery which the business expects to continue to the end of the year.

The Company has utilised elements of the UK government incentives offered, namely the furlough scheme to mitigate labour cost and deferring VAT, PAYE and Corporation tax payments temporarily.

The company has performed a going concern assessment based on a rolling forecast, cashflow projection and sensitivity analysis for the next 12 months to December 2021. The forecasts have been adjusted for the impact on revenue of government restrictions. A number of downside scenarios have been undertaken to ascertain the critical revenue, contribution margin and sales channel variations at which a positive recurring EBITDA would not be achieved, combinations of these scenarios have then been considered, resulting in a negative EBITDA, the subsequent cashflow implications such scenarios would have.

**DIRECTORS' REPORT****Post Balance Sheet Event (continued)**

After a positive Q1, the company experienced a slow decrease in sales volume in Q2 and a gradual recovery in the second half of 2020 against budgeted figures. The 2020 monthly actuals have shown a steady improvement in recurring EBITDA starting from Q3 of 2020 with a positive EBITDA achieved at the close of Q3, supported by a gradual recovery of the order intake, which is forecasted to continue to the end of the year.

The Company and the wider Prysmian Group continue to be in a strong position as the largest manufacturer in the cable industry and as a world leader. With our diversified business products and geographical presence, risk is spread. It is managements' view that the Company is flexible enough to react to significant changes in demand and put in place the right measures to mitigate the negative effect of a prolonged weak market.

The Company's defined benefit pension scheme is also exposed to the impact of this pandemic through fluctuations in the pension scheme asset values and also changes in financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation, it is not practicable as the date of approval of these financial statements to reliably make a quantified estimate of the potential impact on the Company related to the accounting surplus/(deficit) of the Company's defined benefit pension scheme due to the impact of COVID-19.

The Directors are aware of the High Court ruling regarding GMP Equalisation made in November 2020 and are working with the Schemes Trustees and Advisors to calculate the impact of this on the company.

**DIVIDENDS**

The directors do not recommend the payment of a dividend (2018: 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, Mr M Del Brenna and Mr J L L Roberts held office throughout the years under review.

**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.



Digitally signed by M Del Brenna  
DN: cn=M Del Brenna, o=DraCom Ltd, ou=Administration, email=M.DelBrenna@dracom.co.uk, c=GB  
Date: 2020.12.23 10:30:56 +01'00'

**M Del Brenna**

**Director**

**23 December 2020**

# ***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 2019 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 21, 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 2019 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.

## **Emphasis of matter – Effects of Covid 19**

We draw attention to the note 3 and note 21 to the financial statements which describe the economic and social consequences the company is facing as a result of the Covid 19 matter which is impacting the supply chains, customers and financial markets. Our opinion is not modified in respect of this matter.

## **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 - 28, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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.

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 4, 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.

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

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 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.

*Ernst & Young LLP*

David Hales  
for and on behalf of Ernst & Young LLP, Senior Statutory Auditor  
Southampton  
23 December 2020

**PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Turnover</b>	5	32,104	32,246
Cost of sales		(28,141)	(29,049)
<b>Gross profit</b>		3,963	3,197
Distribution costs		(1,042)	(1,138)
Administrative expenses		(3,143)	(3,287)
<b>Operating loss</b>	6	(222)	(1,228)
Other finance charges	8	(109)	(105)
Interest payable and similar charges	9	(70)	(110)
<b>Loss on ordinary activities before taxation</b>		(401)	(1,443)
Tax on loss on ordinary activities	10	211	74
<b>Loss for the financial year</b>		(190)	(1,369)

All results are derived from continuing operations.

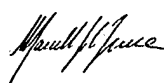
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2019**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the financial year</b>	(190)	(1,369)
Actuarial (loss)/gain recognised in the pension scheme	(1,061)	218
Movement on deferred tax relating to actuarial (loss)/gain	180	(37)
<b>Total comprehensive (expense)/income for the year</b>	<u>(1,071)</u>	<u>(1,188)</u>

**BALANCE SHEET  
at 31 December 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2018 £'000</b>
<b>Fixed assets</b>					
Tangible assets	11		4,646		4,835
<b>Current assets</b>					
Inventories	12	2,104		2,794	
Debtors	13	7,649		7,146	
		9,753		9,940	
<b>Creditors - amounts falling due within one year</b>	14	(6,723)		(6,878)	
<b>Net current assets/(liabilities)</b>			3,030		3,062
<b>Net assets excluding pension liability</b>			7,676		7,897
Pension liability	18		(4,634)		(3,784)
<b>NET ASSETS</b>			3,042		4,113
<b>Capital and reserves</b>					
Called up share capital	16		14,000		14,000
Share premium account			5,675		5,675
Accumulated losses			(16,633)		(15,562)
<b>TOTAL EQUITY</b>			3,042		4,113

The financial statements on pages 10 to 28 were approved by the Board of Directors on 21 December 2020 and signed on its behalf by:



Digitally signed by Del Brenna Marcello  
(delbrenma001)  
DN: cn=Del Brenna Marcello (delbrenma001),  
ou=Administrative GUI Users,  
email=delbrenma001@drakacomteq.com  
Reason: I attest to the accuracy and integrity of this  
document.  
Location: Winchester  
Date: 2020.12.23 10:58:10 +01'00'

**M Del Brenna  
Director**

**STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 December 2019**

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Accumulated losses £'000</b>	<b>Total £'000</b>
At 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 and 1 January 2019	14,000	5,675	(15,562)	4,113
Loss for the financial year	-	-	(190)	(190)
Other comprehensive expense for the year	-	-	(881)	(881)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2019	<u>14,000</u>	<u>5,675</u>	<u>(16,633)</u>	<u>3,042</u>



**Notes to the financial statements  
for the year ended 31 December 2019****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.

**Going Concern – effects of Covid-19**

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 projection and sensitivity analysis for the next 12 months to December 2021. The forecasts have been adjusted for the impact on revenue of government restrictions. A number of downside scenarios have been undertaken to ascertain the critical revenue, contribution margin and sales channel variations at which a positive recurring EBITDA would not be achieved, combinations of these scenarios have then been considered, resulting in a negative EBITDA, the subsequent cashflow implications such scenarios would have.

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.

**Notes to the financial statements (continued)  
for the year ended 31 December 2019****3. Summary of significant accounting policies (continued)****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.

**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.

## Notes to the financial statements (continued) for the year ended 31 December 2019

### 3. Summary of significant accounting policies (continued)

#### Post-retirement benefits (continued)

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.

#### Taxation including deferred tax

##### (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 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%

## Notes to the financial statements (continued) for the year ended 31 December 2019

### 3. Summary of significant accounting policies (continued)

#### **Tangible assets (continued)**

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.

### 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.

#### ***Going Concern – effects of Covid-19***

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.

#### ***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.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2019**

**5. Turnover**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of turnover by geography:		
United Kingdom	8,806	8,320
Rest of Europe	23,271	23,857
Rest of World	27	69
	<u>32,104</u>	<u>32,246</u>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Analysis of turnover by category:		
Sale of goods	31,844	31,991
Services	260	255
	<u>32,104</u>	<u>32,246</u>

**6. Operating loss**

Operating loss is stated after charging/(crediting):

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation of tangible fixed assets	277	299
Operating lease charges	127	98
Audit fees payable to the company's auditor	12	12
Inventories recognised as expense	23,728	24,511
Change in inventory impairment provision	97	108
	<u></u>	<u></u>

**Notes to the financial statements (continued)  
for the year ended 31 December 2019**

**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.

	<b>2019 £'000</b>	<b>2018 £'000</b>
Employee costs during the year amounted to:		
Wages and salaries	2,540	2,496
Social security costs	295	296
Other pension costs (note 18)	273	276
	<u>3,108</u>	<u>3,068</u>

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

	<b>2019 Number</b>	<b>2018 Number</b>
Production	70	69
Engineering support	4	5
Management and other	3	5
	<u>77</u>	<u>79</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.

**8. Other finance charges**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Expected return on pension scheme assets (note 18)	291	284
Interest on pension scheme liabilities (note 18)	(400)	(389)
	<u>(109)</u>	<u>(105)</u>

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2019**

**9. Interest payable and similar charges**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Interest payable to group undertaking	1	76
Other interest payable and similar charges	69	34
	<u>70</u>	<u>110</u>

Changes in the fair value of derivatives are included in other interest payable and similar charges. A loss arising from derivatives of £23,000 (2018: gain £1,000) is reported in other interest payable and similar charges.

**10. Income tax**

The tax (credit)/charge comprises:

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Analysis of tax (credit) in the year</b>		
<b>Current Taxation</b>		
Group relief	(87)	(85)
Adjustments in respect of prior years	(159)	9
	<u>(246)</u>	<u>(76)</u>
<b>Total current tax credit</b>	(246)	(76)
<b>Deferred taxation</b>		
Current year deferred tax charge	37	9
Adjustments in respect of prior years	(2)	(7)
	<u>35</u>	<u>2</u>
<b>Total deferred tax charge</b>	35	2
<b>Total tax (credit) on loss on ordinary activities</b>	<u>(211)</u>	<u>(74)</u>

The current tax (credit)/charge for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2019**

**10. Income tax (continued)**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Loss on ordinary activities before taxation</b>	<u>(401)</u>	<u>(1,443)</u>
Tax credit on loss on ordinary activities at standard UK Corporation tax rate of 19.00% (2018: 19.00%)	(76)	(274)
Effects of:		
Expenses not deductible for tax purposes	1	2
Other short term timing differences	(4)	(1)
Depreciation in excess of capital allowances for the year	28	26
Adjustments in respect of prior years	(160)	2
Losses not recognised in deferred tax	-	171
	<u>          </u>	<u>          </u>
<b>Current tax credit for financial year</b>	<u>(211)</u>	<u>(74)</u>

The adjustments in respect of previous years relates to an overestimate (2018: underestimate) in prior years of tax liabilities.

**11. Tangible assets**

	<b>Land &amp; buildings</b> <b>£'000</b>	<b>Plant and machinery</b> <b>£'000</b>	<b>Fixtures and fittings</b> <b>£'000</b>	<b>Assets under construction</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Cost</b>					
At 1 January 2019	5,023	12,757	468	6	18,254
Transfers	-	6	-	(6)	-
Additions	-	88	-	-	88
Disposals	-	(133)	-	-	(133)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2019	5,023	12,718	468	-	18,209
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Accumulated depreciation</b>					
At 1 January 2019	881	12,070	468	-	13,419
Charge for the year	145	132	-	-	277
Disposals	-	(133)	-	-	(133)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2019	1,026	12,069	468	-	13,563
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net book value</b>					
At 31 December 2019	3,997	649	-	-	4,646
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2018	4,142	687	-	6	4,835
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The net book value of freehold land, included in land and buildings above, is £240,000 at 31 December 2019 (2018: £240,000).



**Notes to the financial statements (continued)**  
**for the year ended 31 December 2019**

<b>12. Inventories</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Raw materials and consumables	603	779
Work in progress	573	643
Finished goods and goods for resale	928	1,372
	<u>2,104</u>	<u>2,794</u>

Inventories are stated after provisions for impairment of £421,000 (2018: £324,000).

<b>13. Debtors</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<i><b>Amounts falling due within one year:</b></i>		
Trade debtors	1,659	1,463
Loans to group undertakings	2,120	1,938
Amounts owed by group undertakings	2,470	2,697
Deferred tax asset (note 15)	14	13
Prepayments and accrued income	597	391
	<u>6,860</u>	<u>6,502</u>
<i><b>Amounts falling due after more than one year:</b></i>		
Deferred tax asset (note 15)	789	644
	<u>7,649</u>	<u>7,146</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 0.46% at 31 December 2019 (2018: 0.48%).

Financial assets arising from derivatives of £12,000 (2018: £7,000) are reported in amounts owed by group undertakings.

Debtors are stated after provisions for impairment of £6,000 (2018: £1,000).

**14. Creditors: amounts falling due within one year**

	<b>2019 £'000</b>	<b>2018 £'000</b>
Trade creditors	4,510	4,793
Amounts owed to group undertakings	1,748	1,368
Other creditors including taxation and social security	217	148
Accruals and deferred income	248	569
	<u>6,723</u>	<u>6,878</u>

Amounts owed to group undertakings are unsecured, interest free, and repayable on demand. Financial liabilities arising from derivatives of £33,000 (2018: £6,000) are reported in amounts owed to group undertakings.

**Notes to the financial statements (continued)**  
**for the year ended 31 December 2019**

**15. Deferred tax**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Tax effect of timing differences because of:		
Tax losses	1,262	1,416
Depreciation in excess of capital allowances	(690)	(800)
Other short term timing differences	14	13
Non recognition of deferred tax asset	(572)	(616)
	<u>14</u>	<u>13</u>
Deferred tax asset relating to pension deficit:		
	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
At 1 January	644	690
Movement in the profit and loss account during the year	(35)	(9)
Movement in the statement of comprehensive income in the year	180	(37)
At 31 December	<u>789</u>	<u>644</u>

According to legislation enacted at 31 December 19 the corporation tax rate would have reduced 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.

The UK Government has subsequently enacted legislation cancelling the planned reduction in the corporation tax rate to 17% from 1 April 2020. The corporation tax rate will therefore remain at 19% from 1 April 2020. If the legislation keeping the corporation tax rate at 19% had been enacted as at 31 December 2019 this would have decreased the deferred tax charge to the Profit and Loss account by £2,000 and increased the deferred tax credit posted to Other Comprehensive Income by £99,000.

Due to uncertainties over its recoverability, only part of the deferred tax asset on tax losses has been recognised.

**16. Called up share capital**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
<b>Allotted and fully paid</b>		
14,000,002 ordinary shares of £1 each (2018: 14,000,002)	<u>14,000</u>	<u>14,000</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 2019**

**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 £26,667 per month to the U.K. Plan in respect of funding deficit contributions.

At 31 December 2019, the actuary has estimated that the market value of the assets of the scheme was £10,560,000 (2018: £9,649,000) and was equal to 69.5% (2018: 71.8%) of the present value of benefits accrued to members.

The pension cost for 2019 is nil (2018: nil) in total for the members of the defined benefit section of the scheme. The defined contribution cost for 2019 is £273,000 (2018: £276,000). Amounts outstanding in respect of Company contributions to the defined benefit scheme at 31 December 2019 were nil (2018: nil) and to the defined contribution scheme at 31 December 2019 were £25,000 (2018: £24,000).

**Composition of the Defined Benefit Scheme**

The defined benefit scheme has been valued at 31 December 2019 by a qualified independent actuary in accordance with the requirements of FRS 102. The principal assumptions used in this valuation were:

	<b>2019</b>	<b>2018</b>
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%	3.0%
Inflation	3.6%	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:

	<b>2019 Years</b>	<b>2018 Years</b>
Longevity at age 45 for current pensioners	47.3	47.1
Longevity at age 65 for current pensioners	22.3	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 2019**

**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:

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	<b>1,812</b>	<b>17.2</b>	1,655	17.2
Bonds	<b>3,940</b>	<b>37.3</b>	3,602	37.3
Cash	<b>400</b>	<b>3.8</b>	364	3.8
Property	<b>324</b>	<b>3.1</b>	296	3.1
Other Quoted Securities	<b>4,084</b>	<b>38.6</b>	3,732	38.6
Total market value of assets	<b>10,560</b>	<b>100</b>	9,649	100

**Reconciliation of present value of scheme liabilities**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	13,433	14,515
Interest cost	400	389
Actuarial (gain)/loss	1,975	(799)
Past service cost	-	133
Administration costs and taxes	-	5
Benefits paid	(614)	(810)
At 31 December	<u>15,194</u>	<u>13,433</u>

**Reconciliation of fair value of scheme assets**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	9,649	10,462
Expected return on scheme assets	291	284
Actuarial gain/(loss)	914	(580)
Contributions by employer	320	293
Benefits paid	(614)	(810)
At 31 December	<u>10,560</u>	<u>9,649</u>

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 2019**

**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 £1,205,000 (2018: loss £296,000).

**Analysis of the amount recognised in the profit and loss account**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Interest cost	400	389
Expected return on scheme assets	(291)	(284)
Pension administration cost	-	5
Plan loss on benefit charges for GMP equalisation	-	133
	<u>109</u>	<u>243</u>

Of the total above £109,000 (2018: £105,000) has been included in other finance costs, £nil (2018: £138,000) 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 £4,945,000 (2018: net loss of £3,884,000).

**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](http://www.prysmiangroup.com).

**Notes to the financial statements (continued)  
for the year ended 31 December 2019****21. Post balance sheet event**

On 30 January 2020, the spread of the novel Coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation. On 11 March 2020, the UK government announced social distancing measures and working restrictions in reaction to the spread of the virus.

As a result of this, the business has experienced lower sales in the first half of 2020 compared with the first half of 2019. However, sales in Q3 of 2020 have shown a recovery which the business expects to continue to the end of the year.

The immediate impact of Covid-19 was mitigated by reducing the workforce and utilising the furlough scheme in Q2 but has since returned to full capacity. The company is working to further reduce its cost structure and mitigate the impact of Covid-19 volume reduction and has utilised elements of the UK government deferrals of VAT, PAYE and Corporation tax payments temporarily to manage cash position.

On 5 November 2020, the UK government introduced further measures restricting population movement due to a second wave of the spread of Covid-19, similar restrictions were also introduced in Wales and Scotland.

The company has not experienced any significant effects due to these restrictions on production or sales. All key customers and industries were permitted to continue operating allowing sales to remain in line with forecast. Production experiences some disruption through absence due to the virus, however this was covered through overtime and minimised by an effective company health & safety procedure.

The company has performed a going concern assessment based on a rolling forecast, cashflow projection and sensitivity analysis for the next 12 months to December 2021. The forecasts have been adjusted for the impact on revenue of government restrictions. A number of downside scenarios have been undertaken to ascertain the critical revenue, contribution margin and sales channel variations at which a positive recurring EBITDA would not be achieved, combinations of these scenarios have then been considered, resulting in a negative EBITDA, the subsequent cashflow implications such scenarios would have.

After a positive Q1, the company experienced a slow decrease in sales volume in Q2 and a gradual recovery in the second half of 2020 against budgeted figures. The 2020 monthly actuals have shown a steady improvement in recurring EBITDA starting from Q3 of 2020 with a positive EBITDA achieved at the close of Q3, supported by a gradual recovery of the order intake, which is forecasted to continue to the end of the year.

The Company and the wider Prysmian Group continue to be in a strong position as the largest manufacturer in the cable industry and as a world leader. With our diversified business products and geographical presence, risk is spread. It is managements' view that the Company is flexible enough to react to significant changes in demand and put in place the right measures to mitigate the negative effect of a prolonged weak market.

The Company's defined benefit pension scheme is also exposed to the impact of this pandemic through fluctuations in the pension scheme asset values and also changes in financial assumptions used to determine the pension scheme obligations. Given the complexity of the situation, it is not practicable as the date of approval of these financial statements to reliably make a quantified estimate of the potential impact on the Company related to the accounting surplus/(deficit) of the Company's defined benefit pension scheme due to the impact of COVID-19.

The Directors are aware of the High Court ruling regarding GMP Equalisation made in November 2020 and are working with the Schemes Trustees and Advisors to calculate the impact of this on the company.