

Prysmian Cables & Systems Limited

Annual Report and Financial Statements
For the Year Ended 31 December 2021

Prysmian
Group

Linking
the Future

FRIDAY



AB6VFQIQ

A03

24/06/2022

#249

COMPANIES HOUSE

Prysmian Cables & Systems Limited

CONTENTS

	Page
Directors and Advisers	1
Strategic Report	2
Directors' Report.....	7
Independent Auditors' Report	17
Profit and Loss Account.....	21
Statement of Comprehensive Income.....	22
Balance Sheet.....	23
Statement of Changes in Equity	24
Notes to the Financial Statements	25-59

Prysmian Cables & Systems Limited

DIRECTORS AND ADVISERS

DIRECTORS

Mr M Del Brenna

Mr J Sessions (Appointed 17th March 2021)

Mr J Mogollon appointed as a director after the balance sheet date (Appointed 1st January 2022)

COMPANY SECRETARY

Mr C Briggs

INDEPENDENT AUDITORS

Belluzzo Audit Limited

38 Craven Street

London

WC2N 5NG

REGISTERED OFFICE

Chickenhall Lane

Eastleigh, Hampshire SO50 6YU

United Kingdom

Prysmian Cables & Systems Limited

STRATEGIC REPORT

For the year ended 31 December 2021

The directors present their Strategic Report of the Company for the year ended 31 December 2021.

Principal Activities

The Company's principal activity is the manufacture, sale and installation of cables and accessories, which also include project management activities. The Company operates in various key territories including Europe, Middle East and Asia. All operations are managed by the Company or through the Company's agency Draka U.K. Limited.

Particulars of the principal subsidiary companies are shown in note 15 to the financial statements.

A business review follows on pages 2 to 4.

Review of Business

The turnover and operating profit of the Company has significantly increased compared to prior year due to the recovery of the prior year Covid pandemic downturn and by price leadership in the market.

In 2021 the Trade and Installers business reported improved overall volumes, driven by the post-Covid recovery of the Hong Kong market. Price management remains a key focus in the domestic market, which has helped to secure a significant increase in profit versus 2020. The Trade & Installers business has maintained its market leading position by continuing to develop strong customer relationships with its platform of product diversity and application solution focus.

The Power Distribution business reported an improvement in volumes compared to 2020 with an improvement in profitability driven by the mix of sales.

The HV Systems business reported an improved profitability in 2021 compared to prior year. This is due to a change in the mix of major projects. There continues to be fewer opportunities in Extra High Voltage (EHV) projects, where the Company has technological leadership. HV Supply saw additional 132kV contracts in 2021, as expected, but lower volumes overall.

The HV Accessories channel reported strong sales in 2021 compared to 2020 mainly due to improvements in domestic sales of XLPE (Cross-linked Polyethylene) and sales of subsea accessories.

The Medium/Low voltage Components business reported an improvement in 2021 compared with 2020 in the domestic market due to the market conditions.

The Telecom sector saw volume growth in both the Optical Cables segment and the Connectivity business, driven by the continuing Fibre-To-The-Home rollout plans. The growth in Optical Cables was the result of partnerships with key domestic customers, although this was partially offset by a reduction in BT demand following a re-tendering exercise. Despite the growth in cable volumes, profitability has been eroded due to extreme price pressure in the market. The Connectivity business however has experienced a significant increase in sales, whilst maintaining healthy margins.

Prysmian Cables & Systems Limited

STRATEGIC REPORT (continued)

For the year ended 31 December 2021

Review of Business (continued)

In 2015 the UK operators National Grid and Scottish Power filed actions in the High Court in London against certain cable manufacturers, including Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014.

On 29 March 2019, Greater Gabbard Offshore Winds Limited and various Scottish and Southern Energy (SSE) Group companies filed actions against companies in the Prysmian Group. The actions are for compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its April 2014 decision.

Pursuant to a consent order dated 20 August 2021, Prysmian Group and SSE Group entered into a confidential Deed of Settlement. All further proceedings in this claim have been stayed except for the purposes of carrying the terms of settlement into effect. Under the terms set out in a confidential agreement between the parties, the settlement was within the amounts provided.

With reference to the settlements obtained, Prysmian Group resumed contribution proceedings against Goldman Sachs and other addressees of the EC decision previously stayed in order to obtain partial or full compensation for the settlement amounts paid. On 17 December 2021, Prysmian Group and Goldman Sachs reached an agreement by way of which they settled the above proceedings and other potential anti-trust claims.

In 2021 profit and loss, the Company has reported exceptional costs of £0.7m (2020 £8.5m), this includes a reduction in provision related to the anti-trust legal claim in the year of £(0.5)m (2020: £6.3m) included in the total exceptional costs.

Key Performance Indicators ("KPIs")

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.

	2021	2020
Turnover increase/(decrease) on previous year	21.2%	(14.1%)
Gross profit/Turnover percentage	14.5%	13%
Operating profit/Turnover percentage	5.6%	0.04%
Net Financial Position*	£201m	£202m

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

£203m) and Cash at bank and in hand of £1.83m (2020: £0.004m).

The key performance indicators above are reflective of the review of business described previously.

The Company looks to optimise its cash position through recurring operations and a constant commitment to optimise the level on inventory and decrease the Trade Receivables exposure.

Prysmian Cables & Systems Limited

STRATEGIC REPORT (continued)

For the year ended 31 December 2021

Strategy

In 2021 the Company continues to focus on improvement in return on capital employed and cashflow generation, through a selective strategy of volumes and investments. The Company is constantly reviewing the production processes and develop initiatives, specifically investments to increase capacity and enhance production capabilities, combined with a focus on high value added products, are expected to deliver positive impacts to profit margins. The increase in cash flow generation remains a key target for 2022.

Future Outlook

The business faced challenges in both domestic and international markets in 2021 as the economy largely returned to pre-pandemic levels. This upturn in activity was accompanied by substantial increases in energy and commodity prices along with further supply chain disruptions and this is expected to continue in 2022. During the year, the Company has been successful in implementing strategies to mitigate these factors as far as possible.

Business Environment

The Company continues to operate in a very competitive market. Competition in the areas of price, product quality and product development requires a constant focus on the market place to ensure continued success. The Company covers foreign exchange rate exposure through financial instruments to neutralise the currency risk, in what persists as a volatile environment. Nonetheless, the Company is well placed to react and compete in the current market which is expected to remain volatile in the short to medium term.

Principal Risks and Uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks as with any large undertaking in a competitive market.

Alongside the ongoing geopolitical issues in Ukraine, Brexit and the effects of the Covid pandemic are expected to continue to impact supply chain management. The Company recognises these risks and has invested in supply chain resilience in order to mitigate the risks to business continuity. Our supply chain continues to be highly responsive, and we can harness the strong differentiation of the markets and business sectors in which we operate.

Competition – the Company operates in a highly competitive market particularly around price and product quality. This results in downward pressures on the Company's margins and in the risk that customer expectations are not met. In order to mitigate this risk, the Company constantly works to decrease its cost structure and monitor market prices on an on-going basis and routine market research is undertaken to understand customer expectations and to measure whether they are being met.

Prysmian Cables & Systems Limited

STRATEGIC REPORT (continued)

For the year ended 31 December 2021

Principal Risks and Uncertainties (continued)

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.

Section 172 Statement

The Company is a wholly owned subsidiary of Prysmian U.K. Group Limited and is included in the consolidated financial statements of Prysmian SpA, forecasts and budgets are regularly communicated with group headquarters with performance determined using KPI's quoted on page 3.

Suppliers are engaged by local and Prysmian Group procurement departments, the Company partners with large volume raw material and local smaller specialist businesses, allowing the Company to provide a diverse product range. Regular supplier communication days are organised to ensure key information is distributed, and suppliers are routinely engaged to assist with product development. Ordering schedules are forecasted and provided to suppliers to aid liquidity and planning. Compliance checks are performed on all new vendors and sub-contractors are required to complete a pre-qualification questionnaire before being awarded any project contracts.

Established agreements are in place with the Company's diverse customer portfolio, the Company has a range of customer service and quality protocols to ensure customer needs are met. The Company regularly develops products to meet customer needs and has an open dialogue with its customers to understand the market and meet their demand.

The Company considers its workforce its highest priority, health and safety is considered in all operational decisions, and a safety programme is in place to engage with the workforce on such matters. Members of the workforce are regularly represented by workers unions, who are consulted on all company decisions affecting their members. Prysmian group conducts regular employee workplace surveys to provide feedback on each entity working environment, this is then used by the Company directors to implement improvements to the working environment.

A key indicator for the Company is the number of days lost as a result of accidents at work. A total of 695 days were lost in 2021 (2020: 623). The company wide behavioural safety programme is on-going and continues into 2022. Managers and supervisors will be attending Leadership in Health and Safety Training. A key focus is on engaging with all employees to improve the reporting of near misses, unsafe acts and unsafe conditions. These items are important priorities from the UK Health and Safety progression plan which continues to be deployed.

Further employment and corporate responsibility policies are described on page 10 as part of the Directors report.

The Company considers the impact of its operations on the community and the environment and this is explained more fully in the Streamlined Energy and Carbon report included as part of the Directors report on pages 11 to 15.

Prysmian Cables & Systems Limited

STRATEGIC REPORT (continued)

For the year ended 31 December 2021

The Strategic Report was approved by the Board of Directors on 6 June 2022 and signed on its behalf by:



M Del Brenia
Director
7 June 2022

Prysmian Cables & Systems Limited

DIRECTORS' REPORT

For the year ended 31 December 2021

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

The Company is a wholly-owned subsidiary of Prysmian U.K. Group Limited and is included in the consolidated financial statements of Prysmian SpA, which are publicly available on the Prysmian Group website (www.prysmiangroup.com).

Future Developments

In 2022, as indicated in the Strategic Report, the focus will continue to remain on delivering the best possible return on assets by selecting the most profitable business, whilst at the same time retaining volumes. The Company acknowledges the ongoing geopolitical issues in Ukraine and its effect on raw materials and supply chain management.

The increase in cash flow generation remains a key target for 2022.

Going Concern

The Company has performed a going concern assessment based on a rolling forecast, cashflow projections and sensitivity analysis for the next 12 months to 30 June 2023. The Company has assessed the effect that a 5% and 10% decrease in turnover would have on revenue, contribution margin and recurring EBITDA. Further to this, the Company has assessed the effect of key material shortages would have on the Company's production and the subsequent decrease in turnover, contribution margins and recurring EBITDA. The combination of the 10% decline and key material shortages scenarios have been considered as an extreme impact, resulting in a reduced EBITDA and subsequent negative cashflow implications. The Company's forecast and downside scenarios continue to indicate that the Company would have significant positive cash balances.

The Company's cash balances are held centrally with Prysmian Treasury Srl to maximise interest and cash movements. The Company is entitled to immediate access to these funds under a legally binding cash pooling agreement which the Company expects to continue until 30 June 2023 or at least 12 months from the signing of the financial statements.

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

Results and Dividends

Company turnover in 2021 of £543.2 million (2020: £427.9 million) produced an operating profit of £30.4 million (2020: £0.2 million).

After finance cost, interest and taxation, the Company made a profit for the year of £21.6 million (2020: £(2.1 million)).

The directors do not recommend the payment of a dividend (2020: £ Nil).

The UK operators National Grid and Scottish Power have filed actions in the High Court in London against certain cable manufacturers, including Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Results and Dividends (continued)

On 29 March 2019, Greater Gabbard Offshore Winds Limited and various Scottish and Southern Energy (SSE) Group companies filed actions against companies in the Prysmian Group. The actions are for compensation for damages purportedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in its April 2014 decision.

Pursuant to a consent order dated 20 August 2021, Prysmian Group and SSE Group entered into a confidential Deed of Settlement. All further proceedings in this claim have been stayed except for the purposes of carrying the terms of settlement into effect. Under the terms set out in a confidential agreement between the parties, the settlement was within the amounts provided.

With reference to the settlements obtained, Prysmian Group resumed contribution proceedings against Goldman Sachs and other addressees of the EC decision previously stayed in order to obtain partial or full compensation for the settlement amounts paid. On 17 December 2021, Prysmian Group and Goldman Sachs reached an agreement by way of which they settled the above proceedings and other potential anti-trust claims.

In light of all of the above, the Company has recognised a reduction in provision in 2021 of £(0.5)m (2020: £6.3m).

Financial Risk Management

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices (copper in particular), credit risk, liquidity risk, foreign exchange rate risk and interest rate risk. The Company has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Company by monitoring all risks and in particular the levels of debt finance and the related finance cost. The Company does not use derivative financial instruments to manage interest rate costs.

The Company uses derivative financial instruments such as forward currency contracts and options to hedge its risks associated with foreign currency fluctuations.

The Company uses derivative financial instruments such as forward currency contracts and options to hedge its risks associated with foreign currency fluctuations.

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 price risk, credit risk, liquidity risk, exchange rate risk and interest rate risk.

Commodity Price Risk

The Company is exposed to commodity price risk as a result of its operations. The Company enters into forward copper commitment contracts through the central Group treasury company Prysmian Treasury S.r.l, to manage the copper price risk.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Financial Risk Management (continued)

Credit Risk

The Company's policy is to credit insure customers and to ensure that appropriate cover is available on potential new customers before orders are accepted. Procedures are in place to ensure that specific requirements of the credit insurance policy are complied with so that, in the event of a customer default, the Company is able to successfully recover the insured percentage from the credit insurer. 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.

Foreign Exchange Rate Risk

The Company has significant exposures to foreign exchange rate risk both in terms of purchases and sales denominated in foreign currency. Forward exchange contracts are entered into through a central Group treasury company as seen necessary in order to manage this risk and fix the exchange rate relating to the exposure, as and when it arises.

Interest Rate Risk

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

Creditors Payment Policy

It is the Company's policy to agree appropriate terms and conditions with each of its suppliers and then to make payment in accordance with the agreed terms provided the supplier has met its obligations. At 31 December 2021 the Company had an amount of 72 days (2020: 86) days' purchases outstanding in trade creditors.

Directors

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

Mr M Del Brenna held office throughout the year.

Mr L Caserta resigned on 8 March 2021.

Mr J Sessions was appointed as a director on 17 March 2021.

Mr F Romeo resigned on 30 April 2021.

Mr F Fanciulli was appointed a director on 19 May 2021 and resigned on 31st December 2021.

Mr J Mogollon was appointed as a director on 1 January 2022.

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 in force at the date of signing the financial statements. The Prysmian Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of the Company and its directors.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Research and Development ("R&D")

2021 started with the R&D team mitigating the impact of Brexit on product certification by rapidly ensuring all relevant products were dual certified against the EU CE certification requirements as well as the UK new UK CA certification and so minimising any impact on our customers and business.

Research and Development ("R&D") (continued)

Supply chain disruptions as a consequence of Brexit required the quick assessment and approval of new suppliers of raw materials and ingredients for Prysmian products and compounds. A strong focus was maintained during the year to ensure security of supply through a programme of alternative material approvals.

The ongoing impact of the Covid pandemic on the R&D activities was minimal due to the safe working practices implemented within the Company and ongoing on-line collaboration tools.

The year on year product cost reduction programmes continued to deliver significant benefits to ensure that the competitive position of targeted products remained strong, particularly in the growing market of Telecom Connectivity where new customers increased as new players entered the field of installing fibre optic networks as part of the UK fibre to the home initiatives. Prysmian launched an innovative cable and accessory system for this market to support the final connections to consumer homes, anticipating further growth in 2022 and beyond. Increasingly compact optical cables were also launched to enable fibre densification of optical networks in the UK.

In the High Voltage Laboratory, further expansion of testing capacity was made with an additional test building added at the Bishopstoke site to support the multiple Prysmian Group submarine and high voltage contract tests and R&D development tests being undertaken – reinforcing its position as the largest HV Lab within Europe.

Employees

The Board acknowledges the contribution of all employees during 2021, which has been another challenging year due to the ongoing restrictions and impact of the Covid pandemic.

Employment Policies and Corporate Social Responsibility

The Covid Committee set up in March 2020 continued to meet daily in 2021 maintaining key focus to ensure the safety of our employees in our offices, factories and working sites across the UK following a common approach, exchanging best practices among sites and looking at continuously improving workplace health and safety.

We continued to follow central and local Government guidelines, supporting employees appropriately who were required to shield due to underlying health concerns or to isolate due to self or family Covid infection.

In 2021 we also maintained our remote working policy for those desk worker roles that could be performed efficiently remotely. We have limited travel based on business criticality.

A Flexible Working Policy covering remote working and flexibility in working hours has been agreed and will be rolled out as soon as possible to assist employees in making the transition back to the workplace and for work life balance.

Our factories operated fully in 2021 thanks to the continued support of the workforce and trade unions.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Employment Policies and Corporate Social Responsibility (continued)

Prysmian Group Human Resources Strategy continues to evolve to ensure alignment with the changing business requirements and continues to focus on People Development, Talent Management, and improved recruitment processes. Recruitment of Graduates, and individuals via targeted programmes for Operations, Commercial and Finance continued in 2021.

The Prysmian Group Graduate Scheme continued with the UK participating in 2021 with the 10th Wave of intake of Graduates via this programme. Graduates following their 3-year international assignment are now returning into UK roles predominately within Engineering strengthening our succession plan pipeline.

The Company continues to actively support Apprenticeships and welcome the introduction of the Apprenticeship Levy Scheme, supported by the increase in range of Apprenticeship development programmes available.

As for many employers 2021 has been a challenging year for retention and recruitment. We have seen an increased number of exits from the business as employees have made style choices due to their experiences of Covid, the UK job market is fast and competitive with less people available. Work to enhance the employer brand is ongoing.

The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability, or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

The Company has a policy of promoting employee engagement, loyalty, and business awareness in relation to the financial and economic factors that affect the performance of the Company through the YES employee share scheme (see note 11). The Share Incentive Plan first launched in 2013 in an important aspect of employee engagement.

The Company has a policy of consulting employees or their representatives on a regular basis so that the views of employees can be considered in making decisions that are likely to affect their interests. The UK Information and Consultation Forum is a key tool to inform and consult with employees at a UK level. This is to ensure that information and consultation takes place with the appropriate timing, method and content to enable reasoned opinions and responses to be formulated and exchanged between the Company and employee representatives. The UK Information and Consultation Forum is additional to existing local arrangements in place at each of the UK Sites.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Report (SECR)

UK energy use and associated greenhouse gas emissions

Current and historic UK based annual energy usage and associated annual greenhouse gas ("GHG") emissions are reported pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") that came into force 1 April 2019.

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated GHG emissions are for those within the UK only that come under the operational control boundary. Consequently, energy use and emissions are aligned with financial reporting for the Company.

Reporting period

The annual reporting period is 01 January to 31 December each year and the Company has taken the opportunity to voluntarily report on energy consumption and emissions back to 01 January 2019.

Quantification and reporting methodology

The 2019 UK Government Environmental Reporting Guidelines and the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) were followed. The UK Government GHG Conversion Factors for Company Reporting were used in emission calculations for each respective reporting year. This report has been reviewed independently by Briar (Briar Consulting Engineers Limited).

The energy data was collated using existing reporting mechanisms related to our Climate Change Agreements and ESOS reporting to provide figures back to January 2019. These methodologies provided a continuous record of natural gas and electricity used within our buildings, and transport data (consisting of commercial fleet, company cars, fork-lift trucks and employee-owned cars undertaking business travel).

The emissions are divided into mandatory and voluntary emissions according to the 2018 Regulations, then further divided into the direct combustion of fuels and the operation of facilities (scope 1), indirect emissions from purchased electricity (scope 2) and further indirect emissions that occur as a consequence of company activities (scope 3).

Estimations

The vast majority of our energy use is considered accurate due to data collection for our Climate Change Agreements and reporting schemes which have been put in place for ESOS. Benchmark data has been used in relation to less than 1% of our energy use due to the difficulty in collating energy for some of our area offices and depots, however this will not have a material impact on the reporting.

Base Year

The year 01 January 2019 to 31 December 2019 is chosen as the base year due to the completeness and accuracy of data. The base year will be retroactively recalculated in the event of significant changes to the Company, such as structural changes, changes in methodology or improvements in the accuracy of data. Our base year recalculation policy defines the significant threshold as 10% of base year emissions.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Report (continued)

Breakdown of energy consumption used to calculate emissions (kWh):

	2019 (Base Year)	2020	2021
Natural gas	30,183,667	30,705,225	28,274,461
Purchased grid electricity	52,930,763	49,827,084	49,401,758
Transport fuels	6,007,197	4,997,044	5,400,120
Total energy	89,121,627	85,529,353	83,076,339

Breakdown of emissions associated with the reported energy use (tCO₂e)

	2019 (Base Year)	2020	2021
Scope 1			
Natural gas	5,549.3	5,645.8	5,213.2
Transport – Company-owned vehicles	1,388.2	1,151.6	1,142.8
Scope 2			
Purchased grid electricity (location based)	13,529.1	11,616.7	10,489.5
Scope 3			
Transport – Employee-owned vehicles	33.9	5.6	121.5
Total gross emissions	20,500.5	18,472.0	16,967.0
Tonnes of CO ₂ e per thousand tonnes of energy cable manufactured	238.9	246.9	236.9
Tonnes of CO ₂ e per thousand kilometres of telecoms cable manufactured	58.8	48.4	45.5

Intensity Ratio

The intensity ratio are total gross emissions in metric tonnes CO₂e per total thousand tonnes of energy cable manufactured and metric tonnes CO₂e per total thousand kilometres of telecoms cable manufactured. Good practice has been followed and this metric is considered the most relevant to the Company's energy consuming activities and provides a good comparison of performance over time.

The production output relates to UK operations only to align with the energy and emission reporting boundary.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Report (continued)

Reduction targets

The management of resources and the need to embed sustainability is an important issue for the Company. Examples of our commitment to energy efficiency and reducing our carbon emissions is include:

- Our voluntary participant with the UK's Climate Change Agreements scheme. These agreements bind us to reduction targets of between 17% and 18% in relation to eligible manufacturing processes.
- Our participation with the Carbon Disclosure Project to measure the emissions arising from our global operation and supply chain
- The setting of a Group-wide emission reduction target of 3% by 2022 (compared to 2019) with respect to our global Scope 1 and Scope 2 GHG emissions

Energy efficiency prior to the current financial year

In the prior to the current reporting period the Company undertook the following actions to improve energy efficiency:

- Completed a lighting replacement projects across our UK manufacturing sites whereby older light fittings were replaced with high-efficiency LED units.
- Implemented new SOPs which improve working practices to reduce energy use on critical pieces of plant.
- Improved thermal insulation on heated tanks to reduce energy use.
- Continued our planned and preventative maintenance programme to ensure plants is operating efficiently.

Energy efficiency action during current financial year

In the period 01 January 2020 to 31 December 2021, the Company has undertaken the following actions to improve energy efficiency:

- Continued a programme to replace older fixed-speed air compressors with more efficient units variable speed units.
- Implemented a program focussing on air leaks detection and repair across all manufacturing sites to stabilise compressed air load (hence reducing the associated unnecessary energy consumption). This activity has involved implementing a routine inspection activity done by the maintenance team and the acquisition of air leak detection units. Once we have reduced our fixed compressed air load further benefits from variable speed compressors would be expected.
- Continued to replace old DC motors with a modern AC motor and drive systems. This project is expected to reduce the associated electricity consumption by an average of 15% as well as providing maintenance savings due to eliminating brush inspections and replacements and will continue into 2022.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

Streamlined Energy and Carbon Report (continued)

- Continued a programme of installation of smart metering systems to improve ability to monitor energy consumption on key manufacturing plant. The savings associated with this project have not been assessed to date.
- Progressed new opportunities which have been identified across all sites with the Group allocating additional £250k CAPEX in 2022 to support their implementation. Projects include heat recovery and the installation of solar PV arrays.

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 U.K. Accounting Standards comprising FRS102 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.

Disclosure of Information to Auditors

In the case of each of the persons who are directors at the time of signing these financial statements:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor are unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Following the resignation of Ernst & Young LLP on 13 October 2021 a resolution has been approved by the Board appointing Belluzzo Audit Limited as the new auditors of the Company.

Prysmian Cables & Systems Limited

DIRECTORS' REPORT (continued)

For the year ended 31 December 2021

On behalf of the Board



M Del Brenna

Director

7 June 2022

**Registered Office:
Chickenhall Lane, Eastleigh
Hampshire SO50 6YU
United Kingdom**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRYSMIAN CABLES & SYSTEMS LIMITED

Opinion

We have audited the financial statements of Prysmian Cables & Systems Limited for the year ended 31 December 2021 which comprise Profit and Loss Account, the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 27, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRYSMIAN CABLES & SYSTEMS LIMITED (Continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRYSMIAN CABLES & SYSTEMS LIMITED (Continued)

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

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

Our approach to identifying and assessing the risks of material misstatements in respect of irregularities, including fraud and non-compliance with laws was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those relating to the reporting framework (United Kingdom Generally Accepted Accounting Practice) and the relevant direct and indirect tax compliance regulations
- The engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- We identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the company's activity.
- We focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection.
- We understood how Prysmian Cables & Systems Limited is complying with those frameworks by making enquiries with management to understand how the group maintains and communicates its policies and procedures to ensure compliance. We corroborated this through our review of the group's board minutes. We also reviewed correspondence with the relevant tax authorities regarding tax compliance.
- Identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by:
 - making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud;
 - considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations; and
 - understanding the potential incentives and pressures for management to manipulate the financial statements and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures on this Company as a holding entity, we identified management override of controls as our fraud risk.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRYSMIAN CABLES & SYSTEMS LIMITED (Continued)

- To address our fraud risk of management override of controls, we performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining any accounting estimates were indicative of potential bias;
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation.
- reading the minutes of meetings of those charged with governance.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

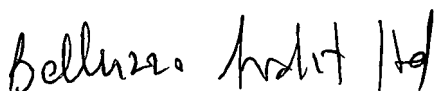
Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Description of the auditor's responsibilities for the audit of the 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.



Tony Castagnetti (Senior statutory auditor)
for and on behalf of Belluzzo Audit Limited,
Chartered Accountants and Statutory Auditor
38 Craven Street, London WC2N 5NG

14th June 2022

Prysmian Cables & Systems Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	5	543,270	427,934
Cost of sales		(464,520)	(370,877)
Gross profit		78,750	57,057
Net operating expenses	6	(47,625)	(48,362)
Exceptional costs	7	(688)	(8,540)
Operating profit	8	30,437	155
Interest receivable and similar income	9	1,415	1,486
Interest payable and similar charges	10	(1,613)	(1,472)
Other finance cost		(950)	(1,225)
Profit /(Loss) on ordinary activities before taxation		29,289	(1,056)
Tax (charge) on ordinary activities	12	(7,677)	(1,042)
Profit /(Loss) for the financial year	24	21,612	(2,098)

Prysmian Cables & Systems Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 £000	2020 £000
Profit / (Loss) for the financial year	21,612	(2,098)
Other Comprehensive Income / (Loss):		
Actuarial Gain/(Loss) recognised in the pension scheme (note 25)	19,197	(11,535)
Movement on deferred tax relating to actuarial Gain/(Loss) (note 21)	(474)	3,907
Deferred tax charge relating to land and other timing differences	(1,366)	(457)
Cash Flow Hedges	316	(335)
Total Comprehensive Income/(Loss) for the year	39,285	(10,518)

Prysmian Cables & Systems Limited

BALANCE SHEET

as at 31 December 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	13	705	3,406
Tangible assets	14	62,887	61,619
Investments	15	1,584	1,584
		65,176	66,609
Current assets			
Inventories	17	60,006	53,652
Debtors	18	265,404	265,337
Cash at bank and in hand		1,830	4
		327,240	318,992
Creditors: amounts falling due within one year:	19	(170,201)	(180,481)
Net current assets		157,039	138,511
Total assets less current liabilities		222,215	205,120
Creditors: amounts falling due after more than one year	19	(4,144)	(1,681)
Provisions for liabilities	20	(3,110)	(6,271)
Net assets excluding pension deficit		214,961	197,168
Pension deficit	25	(53,983)	(75,475)
Net assets including pension deficit		160,978	121,693
Capital and reserves			
Called up share capital	23	113,901	113,901
Revaluation reserve	24	24,252	24,252
Profit and loss account	24	22,578	(16,391)
Cash flow hedge reserve	24	247	(69)
Total shareholders' funds		160,978	121,693

The notes on pages 25 to 59 are an integral part of these financial statements.

The financial statements on pages 21 to 59 were approved by the Board of Directors and authorised for issue on 6 June 2022 and signed on its behalf by:


M Del Bregna
Director

Prysmian Cables & Systems Limited

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	<i>Note</i>	<i>Called Up Share Capital £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Cash Flow Hedge Reserve £000</i>	<i>Total £000</i>
At 1 January 2020		113,901	24,210	(6,166)	266	132,211
Loss for the financial year		-	-	(2,098)	-	(2,098)
Other comprehensive loss for the year		-	-	(8,085)	-	(8,085)
Transfer from revaluation reserve	24	-	42	(42)	-	-
Financial derivatives	24	-	-	-	(335)	(335)
Total comprehensive income/(loss) for the year		-	42	(10,225)	(335)	(10,518)
At 31 December 2020		113,901	24,252	(16,391)	(69)	121,693
At 1 January 2021		113,901	24,252	(16,391)	(69)	121,693
Profit for the financial year		-	-	21,612	-	21,612
Other comprehensive (loss) for the year		-	-	17,357	-	17,357
Financial derivatives		-	-	-	316	316
Total comprehensive income/(loss) for the year		-	-	38,969	316	39,285
At 31 December 2021		113,901	24,252	22,578	247	160,978

The revaluation reserve arose on the historic revaluation of certain fixed assets.

Profit and loss account represents accumulated comprehensive income for the year and prior periods plus share based payments, adjustments and related tax credits, transfers from the revaluation relating to depreciation realised on revaluations less dividends paid.

Prysmian Cables & Systems Limited

Notes to the Financial Statements

For the year ended 31 December 2021

1. General Information

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.

2. Statement of Compliance

The financial statements of Prysmian Cables & Systems 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 Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

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

Basis of Preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a high 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 is a wholly owned subsidiary company of a group headed by Prysmian SpA, and is included in the consolidated financial statements of that company, which are publicly available.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41 to 11.48(a);
- the requirement of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

See note 27 for details of the ultimate parent company and from where its consolidated financial statements may be obtained.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Consolidated Financial Statements

As the Company is a wholly-owned subsidiary of Prysmian UK Group Ltd. and is included in the consolidated financial statements of Prysmian SpA, which are publicly available, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Going Concern

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

The Company has performed a going concern assessment based on a rolling forecast, cashflow projections and sensitivity analysis for the next 12 months to 30 June 2023. The Company has assessed the effect that a 5% and 10% decrease in turnover would have on revenue, contribution margin and recurring EBITDA. Further to this, the Company has assessed the effect of key material shortages would have on the Company's production and the subsequent decrease in turnover, contribution margins and recurring EBITDA. The combination of the 10% decline and key material shortages scenarios have been considered as an extreme impact, resulting in a reduced EBITDA and subsequent negative cashflow implications. The Company's forecast and downside scenarios continue to indicate that the Company would have significant positive cash balances.

The Company's cash balances are held centrally with Prysmian Treasury Srl to maximise interest and cash movements. The Company is entitled to immediate access to these funds under a legally binding cash pooling agreement which the Company expects to continue until at least 12 months from the signing of the financial statements.

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

Foreign Currencies

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 except where deferred in other comprehensive income as qualifying cash flow hedges.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Financial Instruments

Derivatives, including forward foreign exchange contracts and commodity hedges for metals, are entered into through a fellow Group company, Prysmian Treasury S.r.l., to manage exchange risk and the copper price risk.

Derivatives that are not designated as effective hedging instruments 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.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. Effectiveness of the hedging instrument is then monitored through to maturity of the instrument.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income, while the ineffective portion is recognised in profit or loss.

Amounts taken to other comprehensive income are transferred to the profit and loss account when the hedged transaction, such as when a forecast sale or purchase, occurs.

Where the Company enters into debtor factoring arrangements, the asset is derecognised where substantially all the risks and rewards of the ownership of the asset are transferred to another party.

Revenue from sale of goods and services

Turnover is the amount derived from goods supplied and services provided. Turnover is reported net of Value Added Tax, rebates and trade discounts awarded to customers. For most sales, revenue is recognised on the date that the goods are dispatched, unless the sales contract states that title passes to the customer on a different date. Where sales are subject to bill and hold arrangements, title passes to the customer and the sales are recognised on the billing date. For sales of supertension cables and associated accessories, revenue is recognised once the customer has accepted the test results, the invoice has been raised, and the cable is ready to be installed. This is in accordance with standard cable industry practice.

Revenue from long term contracts

For contract work, turnover is the sales value of work done, calculated by reference to percentage of completion. This is calculated on cost incurred as a percentage of estimated cost at completion. In the case of both short-term and long-term contracts provision is made for any anticipated losses.

Exceptional Items

The Company classifies certain one off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Taxation including deferred tax

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

Current or deferred taxation assets and liabilities are not discounted.

(1) Current tax

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

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

(2) Deferred tax

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

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable 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.

Research and Development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred, except for expenditure on related fixed assets which is capitalised and written off in accordance with the Company's depreciation policy.

Dividends

Interim and final dividends are recognised when they are paid. Income from fixed asset investments is recognised as other income.

Intangible Fixed Assets

Goodwill is capitalised and amortised over its useful economic life. Negative goodwill represents the excess of the fair value of assets acquired in a business acquisition over the purchase consideration and is capitalised as a negative asset. It is subsequently released to the profit and loss account over the periods in which the non-monetary assets acquired are realised.

Purchased patent rights, patent licences and trademarks are amortised through the profit and loss account over estimates of their useful economic lives.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Tangible Fixed Assets

Freehold properties are stated at cost (or deemed cost held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses. The Company previously adopted a policy of revaluing freehold land and buildings and they were stated at their revalued amount less any subsequent depreciation and accumulated impairment losses.

The difference between depreciation based on the deemed cost charged in the profit and loss account and the assets original cost is transferred from the revaluation reserve to retained earnings. The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is provided on completed fixed assets on a straight line basis at such rates as will write off the cost or valuation of the various assets over the periods of their expected useful economic lives, and then held at their deemed residual value.

The principal annual rates of depreciation used are as follows:

Freehold land	Nil
Freehold buildings	3%
Plant, machinery and vehicles	7% - 33%
Fixtures, fittings and equipment	5% - 33%
Assets under construction	Nil

Assets under construction are not subject to depreciation until such time as the completed asset has been successfully commissioned.

Leased Plant and Equipment

All leases are operating leases and the lease payments are charged to the profit and loss account on a straight line basis over the lease term.

Government Grants

Government grants in respect of capital expenditure are accounted for under the accrual model and are included under creditors in the balance sheet and released to the profit and loss account over the expected useful lives of the assets to which they relate.

Fixed Asset Investments

Fixed asset investments are stated at cost but provision is made for any impairment in their value. Associated companies are trading companies, other than subsidiary companies, in which the Company holds a participating interest and over whose operating and financial policies it exercises significant influence.

The equity accounting method is used for the associate Rodco Ltd.

Impairment reviews are performed annually by management.

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

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Inventories and Long-term Contracts

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

Provision is made where appropriate for obsolete, slow moving and defective inventories. Inventories of copper, aluminium and lead are valued at the weighted three month average cost. The average purchase cost of inventory is considered appropriate for this inventory as it eliminates the differences in timing between the physical purchase of metal, the settlement of related derivatives and the transformation of product and sale.

Short-term contract work in progress is valued at direct cost plus a proportion of contract related overheads, except where the individual contract is material, when the contract is accounted for as a long-term contract.

Long-term contract work in progress is stated at total cost incurred net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account.

Profit is taken on long-term contracts, the outcome of which can reasonably be foreseen, in proportion to the stage of completion reached. This is calculated on cost incurred as a percentage of estimated cost at completion. In the case of both short-term and long-term contracts provision is made for any anticipated losses.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account. Where payments on account have been received in excess of turnover recognised then the excess is included in other creditors.

Provisions

Provisions are recognised for losses and liabilities whose existence is certain or probable but the timing or amount of the obligation is uncertain as of the balance sheet date. A provision is recognised only upon the existence of a present legal or constructive obligation as a result of past events that are expected to result in a future outflow of resources. The amount of provision accrued represents the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

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.

Up to 28 July 2005, the Company operated three pension schemes providing benefits of both the defined contribution and defined benefit types, the assets of which were held in a combined trustee administered fund. Employers' contributions in respect of the defined contribution section were charged to the profit and loss account in the periods in which they fell due. For the defined benefit sections of the schemes, the cost of providing benefits recognised in the income statement was determined using the projected unit method. Actuarial gains and losses are recognised in full in the statement of total recognised gains and losses.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Retirement benefits (continued)

Further to the sale by the Pirelli Group of its worldwide cable activities on 28 July 2005, the existing schemes were closed to new members and a new fund was set up by the Company providing mirror-image rights to existing employed members of the defined benefit and defined contribution schemes. Pirelli U.K. Limited assumed responsibility for funding the closed schemes and the Company is responsible for funding the new scheme.

From 29 July 2005 to 31 July 2008, the Prysmian scheme provided benefits of both the defined contribution and defined benefit types, the assets of which are held in a combined trustee administered fund. With effect from 31 July 2008, the Company closed the defined benefit section of the Prysmian Pension Scheme for future accrual. All benefits earned to that date are preserved and members were offered the opportunity to join the defined contribution section of the scheme, with effect from 1 August 2008.

On 4 April 2012, Prysmian acquired Draka U.K. Limited and consequently the Draka U.K. pension arrangements which provide benefits of both the defined contribution and defined benefit types. Employers' contributions in respect of the defined contribution sections are charged to the profit and loss account in the periods in which they fall due.

For the defined benefit section of both the Draka U.K. and Prysmian scheme, the cost of providing benefits recognised in the income statement, and the defined benefit obligation at the balance sheet date, have been determined using the projected unit method by independent actuaries. The liability or asset 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 recognised in full in the statement of total recognised gains and losses in the period in which they occur. With effect from 1 January 2014, the Company has closed the defined benefit section of the Draka Pension Scheme 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 Prysmian scheme, with effect from 1 January 2014.

Share Based Payments

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

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Share Based Payments (continued)

During 2013 the ultimate parent company, Prysmian SpA, launched the share ownership plan called YES - Your Employee Shares and this scheme was renewed in 2016 and 2019. It has been implemented in the UK through Prysmian UK Group Limited, the Company's immediate parent. Anyone who is an employee of a Prysmian UK Group company is eligible to join the Plan, subject to a six month qualifying period of service. A new plan is due to be launched in the UK in May 2022 and will run until April 2025. As at 31 December 2021, Prysmian Cables and Systems Limited had 229 (2020: 249) employees making regular contributions toward the purchase of shares in Prysmian SpA, during what is termed an accumulation period. The accumulation period is over a three year period. The employee contributions have been paid into a Trust set up for the purpose. The Company provides free matching shares according to the number of shares purchased by the employee. The aggregate amount of contributions made into this scheme is not material for the year to 31 December 2021.

4. Critical Accounting judgements and estimation uncertainty

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

Critical accounting estimates and assumptions

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

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 25.

Amortisation of tangible and Intangible assets

The depreciation and amortisation expense 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. Judgements are made on the estimated useful life of the assets, which are regularly reviewed to reflect the changing environment.

Provisions

The Company accounts for provisions in accordance with FRS 102. Provisions are evaluated using the latest available information and by their nature contain an estimate of future events. The Company provides for obsolete, slow moving and defective inventories (note 17), impairment of debtors (note 18), and further provides for warranty provisions, dilapidations, claims, restructuring and goods returns (note 20).

Installation projects

The Company uses an estimate of the cost to complete on major installation projects in order to calculate revenue under the stage of completion method.

Going concern analysis

A going concern analysis, performed by management, was based on forecasts and known future outcomes to establish potential business risks. The going concern assessment is considered to be a significant judgement.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

4. Critical Accounting judgements and estimation uncertainty (continued)

Impairment of debtors

The impairment of debtors provision is the recognition of the recoverable value of trade debtors based upon the ageing profile. Judgement is made on the estimated impairment required against the net carrying amount of trade debtors which is detailed in note 18.

Deferred tax

The recognition of deferred tax assets is considered a critical accounting estimate because the underlying assumptions can change from period to period. Further information on the company's deferred taxes is detailed in note 21.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

5. Turnover

	2021 £000	2020 £000
<i>Geographical market supplied:</i>		
United Kingdom	423,166	343,976
Europe	46,100	37,050
Middle East	13,947	13,926
Africa	2,709	1,704
Americas	1,092	835
Asia	56,256	30,443
	543,270	427,934
	2021 £000	2020 £000
<i>By category:</i>		
Sale of goods	483,792	385,369
Services	59,478	42,565
	543,270	427,934

All of the Company's turnover, results and net assets are attributable to the Company's cable manufacture & installation operations and project management activities, which are all based in the United Kingdom, and are considered to be one integral business.

6. Net Operating Expenses

	2021 £000	2020 £000
Distribution and selling costs	(21,493)	(17,318)
Administrative expenses	(26,318)	(32,537)
	(47,811)	(49,855)
Other operating income	186	1,493
	(47,625)	(48,362)
Operating exceptional costs (see note 7)	(688)	(8,540)

Funds received from the UK governments job retention scheme in 2021 are included in Other operating income of £166,883 (2020: £1,427,000)

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

7. Exceptional Items

	2021 £000	2020 £000
Operating exceptional costs:		
Reorganisation costs	(290)	(1,240)
Legal Claim provision	473	(6,293)
Legal costs incurred	(4)	(22)
Other non-recurring costs	(807)	(781)
GMP Equalisation costs	(60)	(204)
 Operating exceptional restructuring costs	 (688)	 (8,540)

The above legal claims have led to the recognition of provisions in 2014 to 2020 totaling £49.5m and a reduction in provision of £(0.5)m was recognized in 2021. The remainder of the operating exceptional costs relate to legal costs and costs associated with one off restructuring.

In 2019, Greater Gabbard Offshore Winds Limited and various SSE companies filed actions in the High Court in London against companies in the Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practises.

Pursuant to a consent order dated 20 August 2021, Prysmian Group and SSE Group entered into a confidential Deed of Settlement. All further proceedings in this claim have been stayed except for the purposes of carrying the terms of settlement into effect. Under the terms set out in a confidential agreement between the parties, the settlement was within the amounts provided.

With reference to the settlements obtained, Prysmian Group resumed contribution proceedings against Goldman Sachs and other addressees of the EC decision previously stayed in order to obtain partial or full compensation for the settlement amounts paid. On 17 December 2021, Prysmian Group and Goldman Sachs reached an agreement by way of which they settled the above proceedings and other potential anti-trust claims.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

8. Operating Profit

	2021	2020
	£000	£000
<i>Operating profit is stated after crediting:</i>		
Rent receivable	19	67
<i>and after charging:</i>		
Depreciation and amounts written off fixed assets:		
- tangible fixed assets - owned (note 14)	4,453	4,412
Amortisation of goodwill on acquisition (note 13)	2,701	2,701
Operating lease rentals:		
- land and buildings	286	189
- plant and machinery	172	152
- other	1,750	1,954
Research and development expenditure	2,780	2,515
Change in trade receivables impairment provision	93	183
Inventories recognised as expense	388,271	309,003
Change in inventory impairment provision (included in 'cost of sales')	(373)	1,637
Auditors' remuneration:		
- audit services	136	78

Refer to note 22, Commitments under Operating Leases.

9. Interest Receivable and Similar Income

	2021	2020
	£000	£000
Interest receivable from group undertakings	1,415	1,486
	1,415	1,486

10. Interest Payable and Similar Charges

	2021	2020
	£000	£000
Factoring charge	407	538
Other interest payable and similar charges	1,206	934
	1,613	1,472

Changes in the fair value of derivatives are included in other interest payable and similar charges.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. Directors and Employees

	2021	2020
	£000	£000
<i>Directors - inclusive of all key management personnel</i>		
<i>Emoluments:</i>		
Aggregate emoluments	1,080	993
	1,080	968

During the year, retirement benefits accrued to £Nil (2020: £Nil) for directors under a defined contribution or a defined benefit pension scheme.

	2021	2020
	£000	£000
<i>Highest paid director:</i>		
Aggregate emoluments	806	763

The highest paid director for both 2021 and 2020 is not a member of the pension scheme and has no entitlement to pension benefits in the future.

The highest paid director exercised share options amounting to £Nil during 2021 under the Prysmian SpA share based incentive plan described below in Share Based Payments (2020 £Nil).

	2021	2020
	£000	£000
<i>Employees</i>		
<i>Staff costs during the financial year:</i>		
Wages and salaries	38,972	36,835
Social security costs	4,298	3,632
Other pension costs (note 25)	183	167
Pension cost defined contribution	4,463	4,357
Share based payments	2,463	1,681
	50,379	46,672

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

11. Directors and Employees (continued)

<i>The average monthly number of persons (including executive directors) employed by the Company during the year by activity was:</i>	2021 Number	2020 Number
Administration and support	60	60
Commercial and logistics	210	186
Manufacturing and installation	765	782
	1,035	1,028

The Directors' Report contains further information regarding the employment policies of the Company.

Share Based Payments

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

This new plan is intended for the Group's key managers who, at the Company's discretion, have the managerial skills to affect Group growth. The Plan, which develops over a period of three years, envisages that upon achieving certain pre-set Performance Conditions, the Participants are assigned shares of the Company. Participation in the Plan is voluntary. The purchased shares will be subject to a retention period during which time they cannot be sold and/or transferred. The Plan envisages three purchasing cycles: in 2017, 2018 and 2019. Prysmian SpA recharge the relevant cost to the Company.

During 2013, Prysmian U.K. Group Limited implemented an employee share ownership plan which has been called YES scheme. Anyone who is an employee of a Prysmian U.K. Group company is eligible to join the Plan, subject to a pre-set qualifying period of service.

The plan involves the employee making regular contributions during what is termed an accumulation period. At the end of the accumulation period, those contributions are used to purchase shares in Prysmian S.p.A. There has been three accumulation periods over three year periods and a new scheme is due to start in 2022 with the same terms. The Company provides free matching shares according to the number of shares purchased by the employee.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

12. Tax on profit/(loss) on ordinary activities

	2021	2020
	£000	£000
Analysis of charge for the year		
Corporation tax:		
UK corporation tax on profit for the year	4,445	-
Adjustments in respect of previous years	(247)	(18)
Group relief	1,313	452
Total current tax charge	5,511	434
Deferred tax:		
Origination and reversal of timing differences	267	(41)
Adjustments in respect of previous periods	1,899	649
Total deferred tax	2,166	608
Tax on profit/(loss) on ordinary activities	7,677	1,042

The tax assessed for the financial year is lower (2019: higher) than the standard rate of Corporation tax in the U.K. for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below.

Reconciliation:

Profit/(Loss) on ordinary activities before taxation	29,289	(1,056)
Profit/(Loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019: 19%)	5,564	(202)
Effects of:		
Expenses not deductible for tax purposes	397	613
Adjustments in respect of previous years	1,652	631
Depreciation in excess of capital allowances	136	-
Other short term timing differences	(72)	-
Total tax charge for the year	7,677	1,042

The adjustments in respect of previous years relates to an overestimate (2020: overestimate) in prior years of tax liabilities.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

13. Intangible Assets

	<i>Patents £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 1 January and 31 December 2021	1,000	51,743	52,743
Accumulated amortisation:			
At 1 January 2021	1,000	48,337	49,337
Charge for the year	-	2,701	2,701
at 31 December 2021	1,000	51,038	52,038
Net book value:			
At 31 December 2021	-	705	705
At 31 December 2020	-	3,406	3,406

Goodwill is amortised on a straight line basis over the directors' estimate of its useful economic life of ten years.

The Company acquired the trade and all assets and liabilities of Draka U.K. Limited on 4 April 2012 and the acquisition method of accounting was adopted.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. Tangible Assets

	<i>Freehold land and buildings £000</i>	<i>Fixtures, fittings and equipment £000</i>	<i>Plant, machinery and vehicles £000</i>	<i>Assets under construction £000</i>	<i>Total £000</i>
<i>Cost or valuation:</i>					
At 1 January 2021	47,931	10,715	100,774	2,268	161,688
Additions/Reclassifications	-	125	2,768	3,016	5,909
Disposals	-	-	(596)	-	(596)
At 31 December 2021	47,931	10,840	102,946	5,284	167,001
<i>Accumulated depreciation:</i>					
At 1 January 2021	4,690	9,247	86,132	-	100,069
Depreciation and amounts written off	791	601	3,061	-	4,453
Revaluation	-	-	-	-	-
Eliminated in respect of disposals	-	-	(408)	-	(408)
At 31 December 2021	5,481	9,848	88,785	-	104,114
<i>Net book value:</i>					
At 31 December 2021	42,450	992	14,161	5,284	62,887
At 31 December 2020	43,241	1,468	14,642	2,268	61,619

The net book value of freehold land at 31 December 2021 is £24,110,000 (2020: £24,110,000).

On transition to FRS 102, the Company applied the transitional arrangements of Section 35 of FRS 102 and used a previous valuation as the deemed cost for freehold land and buildings. The properties are being depreciated from the valuation date. As the assets are depreciated or sold, an appropriate transfer is made from the revaluation reserve to retained earnings.

Analysis of the land and buildings valuation using the deemed cost exemption:

	2021 £000	2020 £000
Historical cost equivalent	18,198	18,989
Revaluation	24,252	24,252
Net book value	42,450	43,241

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

14. Tangible Assets (continued)

The last revaluation of the Company's freehold land and buildings was at 31 December 2011 and was performed by independent qualified valuers. The valuations were on the basis of existing use value or open market value as appropriate. In the view of the directors, there is no material difference between this value and the current value.

No provision has been made for any tax on capital gains that might arise on disposal of the Company's properties at their balance sheet amounts.

15. Investments

	<i>Subsidiary companies £000</i>	<i>Associated companies £000</i>	<i>Total £000</i>
Cost:			
At 1 January and 31 December 2021	22,994	2,004	24,998
Impairment:			
At 1 January and 31 December 2021	22,857	557	23,414
Net book value:			
At 31 December 2021	137	1,447	1,584
At 31 December 2020	137	1,447	1,584

The directors believe that the carrying value of the investments is supported by their underlying net assets.

There are no listed investments.

All holdings are directly owned.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

15. Investments (continued)

The companies in which Prysmian Cables & Systems Limited held any class of share capital during the year are set out below:

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Proportion held at 31 December 2021</i>
<i>Subsidiary companies:</i>			
Cable Makers Properties and Services Limited	England	Provision of services to the cable industry	63.8%
Prysmian Cables (2000) Limited	England	Dormant	100%
Prysmian Construction Company Limited	England	Dormant	100%
<i>Associated company:</i>			
Rodco Limited	England	Dormant	40%

The net asset value of Rodco Limited at 31 December 2021 is £5,000,000 (2020: £5,000,000) and its result for the current year is £ Nil (2020: £ Nil).

The capital of each of the subsidiary companies and of the associated company listed above comprises ordinary shares only.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

16. Commitments and Contingent Liabilities

	2021 £000	2020 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	3,238	4,293

Guarantees given in the normal course of business to third parties which had not expired by the year end amounted to £18,161,855 (2020: £16,528,000). No provision in respect of this amount is considered necessary.

17. Inventories

	2021 £000	2020 £000
<i>Inventories comprise:</i>		
Raw materials	22,032	18,238
Work in progress	11,671	11,705
Finished goods	26,303	23,709
	60,006	53,652

The Company has consignment inventory arrangements with certain of its raw material suppliers in the ordinary course of business. Title to such inventory only passes to the Company once it has been drawn down or, in certain instances, once an agreed period of time has lapsed following delivery to the Company. The value of such inventory, at cost, which has been excluded from the balance sheet at 31 December 2021, amounted to £178,000 (2020: £133,000).

The value of inventories is not materially different to the value under the replacement cost method.

Inventories are stated after provisions for impairment of £4,428,144 (2020: £4,796,000)

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

18. Debtors

	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
<i>Amounts falling due within one year:</i>		
Trade debtors	28,723	37,979
Trade debtors subject to financing agreement	54,905	66,024
Less financing charge	-	(121)
Less non returnable amounts received	(54,905)	(65,903)
Net trade debtors subject to financing agreement	-	-
Amounts owed by group undertakings	18,673	9,950
Other debtors	2,533	3,767
Deferred tax asset (note 21)	3,123	7,129
Loans to fellow group undertakings	206,611	203,622
Amounts recoverable on contracts	1,783	403
Prepayments and accrued income	1,575	1,159
	263,021	264,009
<i>Amounts falling due after more than one year:</i>		
Trade debtors	2,383	1,328
Amounts owed by group undertakings	-	-
	2,383	1,328
	265,404	265,337

The Company has factored £54.9m of debt to a third party as of 31 December 2021 (2020: £66m).

Trade debtors are stated after provisions for impairment of £372,859 (2020: £579,000)

Financial Assets arising from Derivatives of £2,435,000 (2020: £1,187,000) are reported in Amounts owed by group undertakings.

Loans to fellow group undertakings includes an intercompany treasury facility with Prysmian Treasury Srl of £121.6m (2020: £116.9m) repayable on demand and attracted an interest rate of 0.00% at 31 December 2021 (2020: 0.00%).

Loans to fellow group undertakings also includes loans to Prysmian Treasury Srl and Prysmian Powerlink Services Ltd of £85.0m (2020: £86.7m) repayable on demand and attracted an interest rate of 1.69% at 31 December 2021 (2020: LIBOR+0.25%).

At 31 December 2021, the Company had entered into forward contracts with a fellow group company relating to the sale and purchase of foreign currencies amounting to the pound sterling equivalent of £71,531,000 (2020: £99,322,000) and £59,335,000 (2020: £100,010,000) respectively. It has also entered into forward contracts with Prysmian Treasury S.r.l relating to the sale and purchase of metals with a net sale value of £66,000 (2020: -£379,000).

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

19. Creditors

	2021	2020
	£000	£000
<i>Amounts falling due within one year:</i>		
Payments received on account	12,828	13,356
Trade creditors	91,753	87,067
Amounts owed to group undertakings - unsecured	28,029	40,227
Other creditors	15,826	27,165
Taxation and social security	1,670	1,435
UK corporation tax and overseas tax	2,013	1,991
Amounts owed to associated companies - unsecured	4,807	4,006
Bank borrowings & overdrafts	7,331	2,270
Accruals and deferred income	5,944	2,964
	170,201	180,481
<i>Amounts falling due after more than one year:</i>		
Other creditors	4,144	1,681
	4,144	1,681

Group payables during the year attracted an interest rate of 0.72% at 31 December 2021 (2020: 0.63%). The amounts are repayable on demand and are unsecured.

Financial Liabilities arising from Derivatives of £2,489,000 (2020: £1,545,000) are reported in Amounts owed by group undertakings.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

20. Provisions for Liabilities

	<i>Maintenance and Contract Claims £000</i>	<i>Dilapidations £000</i>	<i>Claims Provision £000</i>	<i>Wrexham Fire £000</i>	<i>Restructuring £000</i>	<i>Goods returns £000</i>	<i>Contracts Costs Risks £000</i>	<i>Total £000</i>
At 1 January 2021	30	690	5,351	159	9	32	-	6,271
Utilised in the financial year	-	-	(3,064)	-	(230)	(32)	-	(3,326)
Released to profit and loss account	(30)	-	(2,693)	(159)	-	-	-	(2,882)
Charged to the profit and loss account	-	-	2,250	-	262	-	535	3,047
At 31 December 2021	-	690	1,844	-	41	-	535	3,110

The cable maintenance and contract claims provision is for maintenance and rectification costs. It is calculated on long term projects and is set aside to meet claims reasonably expected to materialise within 2 years. This provision has been fully utilised during 2021.

Dilapidations provisions relate to the potential costs required to restore leased depots to their original condition at the end of the lease term, which range from 1 to 5 years.

The claims provision is with regard to a number of UK energy operators having filed actions in the High Court in London against certain cable manufacturers, including Prysmian Group, to obtain compensation for damages allegedly suffered as a result of the alleged anti-competitive practices condemned by the European Commission in the decision adopted in April 2014.

The Company was notified of an initial court filing from National Grid and Scottish Power during the month of May 2015. In April 2019 the Company was notified of initial court filings from Greater Gabbard Offshore Winds Limited and various SSE companies.

On 22 March 2019, National Grid communicated that it had brought a new action in the High Court of London against certain Group companies in which it claims compensation for damages purportedly suffered through alleged anti-competitive practices employed over a period running from the 1970s until 1997. On 12 June 2019, a writ of summons was served in which National Grid further detailed its claim for damages, which it also quantified.

The above legal claims have led to the recognition of provisions in 2014 to 2020 totaling £49.5m and a reduction in provision of £(0.5)m recognized in 2021. The remainder of the operating exceptional costs relate to legal costs and costs associated with one off restructuring.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

20. Provisions for Liabilities (continued)

Pursuant to a consent order dated 30 July 2020, Prysmian Group and Scottish Power entered into a confidential Deed of Settlement. All further proceedings in this claim have been stayed except for the purposes of carrying the terms of settlement into effect. Under the terms set out in a confidential agreement between the parties, the settlement is within the amounts provided.

Pursuant to a consent order dated 10 November 2020, Prysmian Group and National Grid entered into a confidential Deed of Settlement. All further proceedings in respect of both National Grid claims have been stayed except for the purposes of carrying the terms of settlement into effect. Under the terms set out in a confidential agreement between the parties, the settlement is within the amounts provided.

As there are proceedings ongoing in relation to the same European Commission decision with other claimants, it would be prejudicial to the business and wider group to disclose the particulars of the settlement agreements referred to above.

The Wrexham fire provision represents a provision for the repair of part of the Wrexham factory that was damaged by a fire during 2019.

The restructuring provision represents employee termination costs which are committed to at the year end. The provision at 31 December 2021 is expected to be fully utilised during 2022.

The goods returns provision was created to enable the Company to meet its obligations with regard to consignment inventory held for a customer who under the terms of their contract make regular returns to inventory. The provision has been fully utilised during 2021.

The contracts costs risks provision is for onerous contracts where customer prices are agreed in accordance with terms and conditions of sale and post signature acceptance associated costs have subsequently increased.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

21. Deferred Tax

	2021 £000	2020 £000
Capital Gains	5,601	4,273
Capital allowances in advance of depreciation	5,804	3,821
Other, including short-term timing differences	(1,272)	(883)
Pensions	(13,256)	(14,340)
Total deferred tax (asset)	<u>(3,123)</u>	<u>(7,129)</u>
At 1 January	(7,129)	(4,271)
Deferred tax credit in profit and loss account (note 12)	2,166	608
Deferred tax before SOCI movements	(4,963)	(3,663)
Deferred tax (credit)/charge in the statement of comprehensive income (SOCI)	1,840	(3,466)
Total deferred tax (asset)	<u>(3,123)</u>	<u>(7,129)</u>

The corporation tax rate will increase to 25% from 1 April 23. Accordingly deferred tax on those timing differences which will reverse after 1 April 23 has been provided for at 25%. The rates used for the timing differences are as follows:

Fixed assets 25%
Pension timing differences reversing pre April 23 19%
Pension timing differences reversing post April 23 25%
Other timing differences reversing pre April 23 19%
Other timing differences reversing post April 23 25%

Deferred tax on pension

	2021 £000	2020 £000
At 1 January 2021	14,340	11,221
Deferred tax (credited)/charged in profit and loss account	(610)	(788)
Deferred tax (charged)/credited to the statement of comprehensive income		
- on actuarial (gain)/loss	(4,681)	2,192
- on pension movement in year	(526)	-
- change in tax rate	4,733	1,715
At 31 December 2021	<u>13,256</u>	<u>14,340</u>

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

22. Commitments under Operating Leases

At 31 December 2021, the Company has lease agreements in respect of properties, vehicles, plant and equipment, for which payments extend over a number of years.

	2021 £000	2020 £000
<i>At 31 December, the Company had payments under non-cancellable operating leases as follows:</i>		
<i>Land and buildings:</i>		
No later than one year	195	29
Later than 1 year and no later than five years	287	117
Later than five years	16	552
	498	698
<i>Other:</i>		
No later than one year	1,275	110
Later than 1 year and no later than five years	1,290	3,318
Later than five years	52	281
	2,617	3,710

23. Called up Share Capital

	2021 Number	2021 £000	2020 Number	2020 £000
<i>Allotted called up and fully paid:</i>				
Ordinary Shares of £1 each	113,901,120	113,901	113,901,120	113,901

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

24. Reserves

	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Cash Flow Hedge Reserve £000</i>	<i>Total £000</i>
At 1 January 2021	24,252	(16,391)	(69)	7,792
Profit for the financial year	-	21,612		21,612
Actuarial loss on pension schemes	-	19,197		19,197
Deferred tax in respect of actuarial gains and losses	-	(474)		(474)
Derivatives	-		316	316
Deferred tax charge relating to land & other timing differences	-	(1,366)		(1,366)
At 31 December 2021	24,252	22,578	247	47,077

The revaluation reserve arose on the historic revaluation of certain fixed assets.

Profit and loss account represents accumulated comprehensive income for the year and prior periods plus share based payments, adjustments and related tax credits, transfers from the revaluation relating to depreciation realised on revaluations less dividends paid.

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes

Prysmian U.K. Scheme

With the change in ownership of the Company on 28 July 2005, the Company set up a new Prysmian U.K. pension fund effective from 29 July 2005 providing mirror-image rights to existing employed members of the defined benefit and defined contribution schemes that were closed and the responsibility for the liabilities of which were transferred to Pirelli U.K. Limited. Both the employing Company and the members make contributions. The assets of the scheme are held separately from those of the Company in a combined trustee administered fund.

The defined benefit section of this new scheme was closed to new members from inception and closed for future accrual with effect from 31 July 2008. All benefits earned to that date are preserved and members were offered the opportunity to join the defined contribution section of the scheme, with effect from 1 August 2008. Following thorough consultation with the Trustee, the members and their representatives, the transition was effected smoothly with over 97% of the defined benefit members transferring to the defined contribution section.

The defined benefit section of the scheme provides benefits to existing members according to years of service and pensionable pay at the earlier of the date of retirement or at 31 July 2008. The pension cost of this section was assessed on the advice of an independent consulting actuary and the funding of the scheme will be based on triennial actuarial valuations, the first of which was performed at 31 March 2006.

At 31 December 2021, the actuary has estimated that the market value of the assets of the scheme was £26,061,000 (2020: £25,865,000) and was equal to 82.2% (2020: 72%) of the present value of benefits accrued to members.

The pension cost for 2021 is £4,463,000 (2020: £4,383,000) relating entirely to the defined contribution scheme. Amounts outstanding in respect of Company contributions to the defined contribution scheme at 31 December 2021 were £452,000 (2020: £444,000).

Composition of the Defined Benefit Scheme

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

	2021	2020
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	2.5%	N/A
Rate of increase in deferred pensions	N/A	N/A
Discount rate	1.85%	1.9%
Inflation	3.6%	3.2%

N/A - Not applicable – the scheme closed for future accrual on 31 July 2008

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

The mortality assumptions used in the Company actuarial valuations are based on S2PMA CMI_20 [1.00%] (2020: S2PMA CMI_19 [1%]). 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:

	2021	2020
	Years	Years
Longevity at age 40 for current pensioners	47.3	47.3
Longevity at age 65 for current pensioners	22.3	22.3

The assumptions used by the actuary are chosen, in accordance with the principles set out in FRS102, 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.

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:

	2021	2021	2020	2020
	£000	%	£000	%
Equities	2,326	8.9	-	-
Bonds	10,787	41.4	9,123	35.3
Other quoted securities	12,912	49.5	16,457	63.6
Cash	36	0.1	285	1.1
Total market value of assets	26,061	100	25,865	100

Reconciliation of present value of scheme liabilities

	2021	2020
	£000	£000
1 January	35,913	30,853
Interest cost	464	583
Actuarial (gain)/loss	(3,707)	5,204
Benefits paid	(986)	(727)
31 December	31,684	35,913

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

Reconciliation of fair value of scheme assets

	2021 £000	2020 £000
1 January	25,865	23,549
Expected return on scheme assets	333	443
Actuarial gain	649	2,400
Contributions paid by the Company	200	200
Benefits paid	(986)	(727)
31 December	26,061	25,865

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

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 £982,000 (2020: (£2,843,000)).

Analysis of the amount (charged)/credited to other finance cost:

	2021 £000	2020 £000
Expected return on pension scheme assets	333	443
Interest on pension scheme liabilities	(464)	(583)
Net return	(131)	(140)

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

History of experience gains and losses

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	(31,684)	(35,913)	(30,853)	(25,476)	(27,315)
Plan assets	26,061	25,865	23,549	20,905	22,149
(Deficit)	(5,623)	(10,048)	(7,304)	(4,571)	(5,166)
Deferred tax recognised	1,068	1,909	1,242	777	878
(Deficit) after deferred tax	(4,555)	(8,139)	(6,062)	(3,794)	(4,288)
Difference between expected and actual return on plan assets:	649	2,400	2,462	(1,336)	450
Experience gains and losses on scheme liabilities:	961	-	-	-	354
Changes in assumptions underlying the present value of the scheme liabilities	2,746	(5,204)	(5,257)	1,868	1,267
Total amount recognised in statement of comprehensive income:	4,356	(2,804)	(2,795)	532	2,071

The amount of actuarial gains recognised this year in the Statement of Comprehensive Income is £4,356,000 (2020: £2,804,000).

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is £9,075,000 (2020: £13,431,000).

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

Draka U.K. Scheme

On 4 April 2012 the Company purchased the trade and all assets and liabilities of Draka U.K. Limited. Included within these was a pension plan as noted below.

The Company is the principal employer of the Draka U.K. Section of the Draka U.K. Pension Plan (the "U.K. Plan"). The U.K. Plan is a defined benefit pension scheme operating in the U.K. 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 2015.

In 2013 the Company paid 14% of Pensionable Salaries for former ex DCC Plan members and 13% of Pensionable Salary for all other members. In addition the Company has paid £3,713,000 (2020: £3,463,000) in respect of deficit funding contributions.

At 31 December 2021, the actuary has estimated that the market value of the assets of the U.K. Plan was £88,587,000 (2020: £84,233,000) and was equal to 64.7% (2020: 56.3%) of the present value of benefits accrued to members.

The defined benefit pension cost for 2021 is £183,000 (2020: £167,000). Amounts outstanding in respect of Company contributions to the defined benefit scheme at 31 December 2021 were £nil (2020: £nil).

Composition of the Defined Benefit Scheme

The defined benefit scheme has been valued at 31 December 2021 by a qualified independent actuary in accordance with the requirements of FRS 102. The principal assumptions used in this valuation were:

	2021	2020
Rate of increase in salaries	N/A	N/A
Rate of increase in pensions in payment	3.8%	N/A
Rate of increase in deferred pensions	3.6%	N/A
Discount rate	1.85%	1.9%
Inflation	3.60%	3.2%

The mortality assumptions used in the Company actuarial valuations are based on 2018 Club Vita curves CMI_2020 [1.00%] (2020: S2PMA CMI_19 [1%]). 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:

	2021	2020
	Years	Years
Longevity at age 40 for current pensioners	47.3	47.3
Longevity at age 65 for current pensioners	22.3	22.3

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

The assumptions used by the actuary are chosen, in accordance with the principles set out in FRS102, 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.

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:

	2021 £000	2021 %	2020 £000	2020 %
Equities	6,859	7.8	14,386	17.1
Bonds	36,158	40.8	32,354	38.4
Cash	199	0.2	3,096	3.7
Property	-	-	2,569	3.0
Other quoted securities	45,371	51.2	31,828	37.8
Total market value of assets	88,587	100	84,233	100

Reconciliation of present value of scheme liabilities

	2021 £000	2020 £000
1 January	149,660	135,992
Current service cost	183	167
Past service cost	-	204
Interest cost	1,927	2,558
Actuarial (gain)/loss	(9,316)	14,839
Benefits paid	(5,507)	(4,100)
31 December	136,947	149,660

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

Reconciliation of fair value of scheme assets

	2021	2020
	£000	£000
Contributions paid by the Company	84,233	77,289
Expected return on scheme assets	1,098	1,473
Actuarial gain	5,050	6,108
Contributions paid by the Company	3,713	3,463
Benefits paid	(5,507)	(4,100)
31 December	88,587	84,233

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

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 £6,148,000 (2020: (£7,581,000)).

Analysis of the amount charged to operating profit:

	2021	2020
	£000	£000
Current service cost	183	167
Plan loss on benefit charges for GMP equalisation	-	204
Total operating charge	183	371

Of the total operating charge, £183,000 (2020: £167,000) is included within net operating expenses and £Nil (2020: £204,000) is included within exceptional items.

Analysis of the amount credited to other finance cost:

	2021	2020
	£000	£000
Expected return on pension scheme assets	1,098	1,473
Interest on pension scheme liabilities	(1,927)	(2,558)
Net return	(829)	(1,085)

Prysmian Cables & Systems Limited

Notes to the Financial Statements (continued)

For the year ended 31 December 2021

25. Pension Schemes (continued)

History of experience gains and losses

	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000
Defined benefit obligation	(136,947)	(149,660)	(135,992)	(121,414)	(129,103)
Plan assets	88,587	84,233	77,289	70,715	75,956
Deficit	(48,360)	(65,427)	(58,703)	(50,699)	(53,147)
Deferred tax recognised	9,188	12,431	9,980	8,619	9,566
Deficit after deferred tax	(39,172)	(52,996)	(48,723)	(42,080)	(43,581)
Difference between expected and actual return on plan assets:	5,050	6,108	6,207	(4,457)	1,855
Experience gains and losses on scheme liabilities:	(2,619)	-	-	-	1,300
Changes in assumptions underlying the present value of the scheme liabilities	11,935	(14,839)	(15,895)	6,663	6,904
Total amount recognised in statement of comprehensive income:	14,366	(8,731)	(9,688)	2,206	10,059

The amount of actuarial gain recognised this year in the Statement of Comprehensive Income is £14,366,000 (2020: £8,731,000).

The cumulative amount of actuarial losses recognised in the Statement of Comprehensive Income is £32,882,000 (2020: £47,248,000).

26. Related Parties

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 at www.prysmiangroup.com.

27. Ultimate Parent and Controlling Party

The Company's immediate parent Company is Prysmian U.K. Group Limited. The ultimate parent company and controlling party is Prysmian SpA, which heads the smallest and largest group for which consolidated financial statements are prepared.

Prysmian U.K. Group Limited is incorporated in England and Prysmian SpA is incorporated in Italy. Copies of the consolidated financial statements of Prysmian SpA can be obtained from The Company Secretary, Prysmian SpA, Via Chiese 6, 20126, Milan, Italy.