

**MANCHESTER CABLES LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2007**

**Company Registration Number 05668946**

**Tenon Limited**  
Sumner House  
St Thomas's Road  
Chorley  
Lancashire  
PR7 1HP

FRIDAY



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**MANCHESTER CABLES LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

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**MANCHESTER CABLES LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**  
**YEAR ENDED 31 OCTOBER 2007**

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<b>The board of directors</b>	D A Barrowman T C Eve D J Powell P J Ruocco M D Walton M P Williams S J Ellis
<b>Company secretary</b>	D J Powell
<b>Business address</b>	Delaunays Road Blackley Manchester M9 8FP
<b>Registered office</b>	Blackfriars House Parsonage Manchester M3 2JA
<b>Auditor</b>	Tenon Audit Limited Registered Auditor Sumner House St Thomas's Road Chorley Lancashire PR7 1HP
<b>Accountants</b>	Tenon Limited Sumner House St Thomas's Road Chorley Lancashire PR7 1HP
<b>Bankers</b>	Landsbank Commercial Finance Beaufort House 15 St Botolph Street London EC3A 7QR  Royal Bank of Scotland PLC 15 Spinningfields Square Manchester M3 3AP
<b>Solicitors</b>	The Hardman Partnership Blackfriars House Parsonage Manchester M3 2JA

**MANCHESTER CABLES LIMITED**  
**THE DIRECTORS' REPORT**  
**YEAR ENDED 31 OCTOBER 2007**

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The directors present their report and the financial statements of the company for the year ended 31 October 2007

**Principal activities and business review**

The principal activity of the company during the period was the manufacture of copper cables

**Business review**

Since Manchester Cables Limited acquired the trade and certain assets of Belden UK Limited on 20 March 2006, the overall business performance of the company has been excellent, and has continued to exceed management expectations

The turnover for the year to 31 October 2007 was £117,155,891, with a gross margin of 9.5%. Gross margin for the period to 31 October 2006 was 11.8% (based on a turnover of £56,429,511). However, the accounts to 31 October 2006 incorporated only 7 months of comparative trading. The decreased margin reflects the higher cost of raw materials, principally copper, which is passed on to customers without incremental margin.

The directors are resolute in their beliefs that operations within the wider copper cables industry will remain profitable, and that the company's trading will continue to make a significant contribution to future results.

At the year end the company had shareholders' funds retained of £4,740,741. This amount included £4,730,741 relating to distributable profits.

The company's principal measure of manufacturing efficiency is Operating Environment Effectiveness which averaged 69.4% during the year. This percentage is in line with targeted expectations. The quality of deliveries is based upon the basis of "right first time" and "on time" deliveries which averaged 98.5% (2006 98.3%) and 97.1% (2006 97.6%) respectively. Overall staff absenteeism during the year was 4% (2006 3.4%). This undoubtedly reflects the loyalty and dedication of our employees. The company recorded no environmental incidents during the year, and there were only 9 lost time accidents during the year reflecting our commitment to our employees and the wider environment.

The company's principal customer continues to be British Telecommunications plc. Management feel that the presence of a sole supply contract with this customer is a great trading strength. The quality of the company's products and the continual investment in new product development and technology will ensure that the business is well placed to capitalise upon the increasing customer demand for broadband-led products and other growing innovations ie video on demand.

The directors feel that the main business risk facing the business continues to be the market price changes affecting the supply of its major raw material - copper. The directors feel that the company has adequate controls established to ensure that prices charged to customers reflect the cost of copper for each order received. The company's financing facilities are also geared to accommodate fluctuations in the industry raw materials price.

**Results and dividends**

The profit for the year, after taxation, amounted to £2,471,488. The directors have not recommended a dividend.

**Financial risk management objectives and policies**

The company makes little use of financial instruments other than an operational bank account, term loans and revolving credit facilities so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit and loss of the company.

**MANCHESTER CABLES LIMITED**  
**THE DIRECTORS' REPORT** *(continued)*  
**YEAR ENDED 31 OCTOBER 2007**

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**Directors**

The directors who served the company during the year were as follows

D A Barrowman  
S J Ellis  
T C Eve  
D J Powell  
P J Ruocco  
M D Walton  
M P Williams  
D J Burns

S J Ellis was appointed as a director on 12 January 2007

D J Burns resigned as a director on 12 January 2007

**Directors' responsibilities**

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

# MANCHESTER CABLES LIMITED

## THE DIRECTORS' REPORT *(continued)*

### YEAR ENDED 31 OCTOBER 2007

The directors are responsible for keeping proper accounting records which 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 1985. 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.

In so far as the directors are, individually, aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

#### Donations

During the year the company made the following contributions

	Year to 31 October 2007	Period from 9 January 2006 to 31 October 2006
	£	£
Charitable	<u>4,690</u>	<u>1,859</u>

#### Post balance sheet events

On 28 March 2008, B3 Cable Solutions Spain S L, a company under common ownership, entered into an agreement to purchase the trade and assets of the telecommunications plant of Nexans Iberia S L. Subsequently, on 7 April 2008 the Company entered into a Credit Facilities Agreement with Landsbanki Commercial Finance to extend its existing agreement and to provide the purchase consideration of the Nexans business based in Santander. Within this agreement the Company has provided guarantees to Landsbanki for the facilities provided to both B3 Cable Solutions Spain S L and Longford Cables Ltd, another company under common ownership. The directors believe that the acquisition of this business will provide significant benefits to all the companies under common ownership including management synergies, purchasing power and cross selling opportunities. Additionally, the Nexans' business incorporates a successful rail cable sector and an industry leading research and development centre.

#### Auditor

A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office  
Blackfriars House  
Parsonage  
Manchester  
M3 2JA

Signed by order of the directors



D J Powell  
Company Secretary

Approved by the directors on

9<sup>th</sup> June 2008

**MANCHESTER CABLES LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**MANCHESTER CABLES LIMITED**  
**YEAR ENDED 31 OCTOBER 2007**

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We have audited the financial statements of Manchester Cables Limited on pages 7 to 22 for the year ended 31 October 2007. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.

**Respective responsibilities of directors and auditor**

As described in the statement of directors' responsibilities on pages 3 to 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**MANCHESTER CABLES LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**MANCHESTER CABLES LIMITED** *(continued)*  
**YEAR ENDED 31 OCTOBER 2007**

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**Opinion**

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 October 2007 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements

*Tenon Audit Limited*

Tenon Audit Limited  
Registered Auditor  
Sumner House  
St Thomas's Road  
Chorley  
Lancashire  
PR7 1HP

Date - *12 June 2008*



**MANCHESTER CABLES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 OCTOBER 2007**

	Note	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
<b>Turnover</b>	2	117,155,891	56,429,511
Cost of sales		(106,055,995)	(49,793,173)
<b>Gross profit</b>		<u>11,099,896</u>	<u>6,636,338</u>
Distribution costs		(893,625)	(355,963)
Administrative expenses		(4,709,856)	(2,053,572)
Other operating income		—	86,000
<b>Operating profit</b>	3	<u>5,496,415</u>	<u>4,312,803</u>
Profit on disposal of fixed assets	6	153,955	—
		<u>5,650,370</u>	<u>4,312,803</u>
Interest receivable		25,325	12,758
Interest payable and similar charges	8	(1,831,463)	(786,308)
<b>Profit on ordinary activities before taxation</b>		<u>3,844,232</u>	<u>3,539,253</u>
Tax on profit on ordinary activities	9	(1,218,784)	(1,280,000)
<b>Profit for the financial year/period</b>		<u><u>2,625,448</u></u>	<u><u>2,259,253</u></u>

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 10 to 22 form part of these financial statements

# MANCHESTER CABLES LIMITED

## BALANCE SHEET

31 OCTOBER 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	10	(2,876,923)	(3,726,923)
Tangible assets	11	2,430,088	8,776,338
		<u>(446,835)</u>	<u>5,049,415</u>
<b>Current assets</b>			
Stocks	12	13,482,440	11,975,907
Debtors	13	23,990,803	19,387,997
Cash at bank and in hand		65,955	204,500
		<u>37,539,198</u>	<u>31,568,404</u>
<b>Creditors Amounts falling due within one year</b>	15	<u>(31,680,388)</u>	<u>(29,605,566)</u>
<b>Net current assets</b>		5,858,810	1,962,838
<b>Total assets less current liabilities</b>		<u>5,411,975</u>	<u>7,012,253</u>
<b>Creditors Amounts falling due after more than one year</b>	16	<u>(517,274)</u>	<u>(4,743,000)</u>
		<u>4,894,701</u>	<u>2,269,253</u>
<b>Capital and reserves</b>			
Called-up share capital	22	10,000	10,000
Profit and loss account	23	4,884,701	2,259,253
<b>Shareholders' funds</b>	24	<u>4,894,701</u>	<u>2,269,253</u>

9<sup>th</sup> June 2008 These financial statements were approved by the directors and authorised for issue on , and are signed on their behalf by



D J Powell  
Director



T C Eve  
Director

The notes on pages 10 to 22 form part of these financial statements

**MANCHESTER CABLES LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 OCTOBER 2007**

		<b>Year to</b>		<i>Period from</i>	
		<b>31 Oct 07</b>		<b>9 Jan 06 to</b>	
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>25</b>		<b>(2,981,071)</b>		<b>660,340</b>
<b>Returns on investments and Servicing of finance</b>					
Interest received		25,325		12,758	
Interest paid		(1,814,663)		(776,044)	
Dividends on shares classed as financial liabilities		(16,800)		(10,264)	
<b>Net cash outflow from returns on investments and servicing of finance</b>			<b>(1,806,138)</b>		<b>(773,550)</b>
<b>Taxation</b>			<b>(2,254,781)</b>		<b>-</b>
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets		(38,314)		(66,154)	
Receipts from sale of fixed assets		5,843,421		-	
<b>Net cash inflow/(outflow) from capital expenditure</b>			<b>5,805,107</b>		<b>(66,154)</b>
<b>Capital expenditure</b>					
Payments to acquire tangible fixed assets			-	(16,025,560)	
<b>Cash outflow before financing</b>			<b>(1,236,883)</b>		<b>(16,204,924)</b>
<b>Financing</b>					
Issue of equity share capital		-		10,000	
Issue of shares classed as financial liabilities		-		240,000	
Increase in bank loans		1,098,338		16,159,424	
<b>Net cash inflow from financing</b>			<b>1,098,338</b>		<b>16,409,424</b>
<b>(Decrease)/increase in cash</b>	<b>25</b>		<b>(138,545)</b>		<b>204,500</b>

The notes on pages 10 to 22 form part of these financial statements

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

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**1 Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

**Turnover**

The turnover shown in the profit and loss account represents amounts receivable during the year, exclusive of Value Added Tax

**Negative goodwill**

Negative goodwill arising on consolidation in respect of acquisitions is included within fixed assets and is released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisitions are recovered, whether through depreciation or sale

**Amortisation**

Amortisation is credited to reflect the cost of an asset, less its estimated residual value, over the estimated useful economic life of that asset as follows

Negative goodwill	- 20%
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**Fixed assets**

All fixed assets are initially recorded at invoice cost or valuation. Cost represents the invoice price of assets purchased

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold Property	- 5%
Plant & Machinery	- 20%
Equipment	- 33%

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes all direct expenditure and an appropriate proportion of production overheads, where appropriate

**Work in progress**

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

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**1 Accounting policies** *(continued)*

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

**Pension costs**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund

**Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

**Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

**1 Accounting policies (continued)**

**Employee benefit trusts**

The company has established trusts for the benefit of employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

**2 Turnover**

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
United Kingdom	111,562,522	53,980,511
Europe	5,491,137	2,388,000
Rest of the world	102,232	61,000
	<u>117,155,891</u>	<u>56,429,511</u>

**3 Operating profit**

Operating profit is stated after charging/(crediting)

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
Amortisation	(850,000)	(523,077)
Depreciation of owned fixed assets	695,098	539,816
Operating lease costs		
-Rent	179,191	-
-Other	-	39,040
Net loss on foreign currency translation	3,397	46,937
Management charges payable	-	85,692
Auditor's remuneration - audit of the financial statements	24,000	22,000
Auditor's remuneration - other fees	10,500	-
	<u>          </u>	<u>          </u>

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

	2007 £	2006 £
Auditor's remuneration - audit of the financial statements	<u>24,000</u>	<u>22,000</u>
Auditor's remuneration - other fees		
- Other services	<u>10,500</u>	<u>-</u>

**4 Particulars of employees**

The average number of staff employed by the company during the financial year amounted to

	Year to 31 Oct 07 No	Period from 9 Jan 06 to 31 Oct 06 No
Number of production staff	172	177
Number of administrative staff	15	15
	<u>187</u>	<u>192</u>

The aggregate payroll costs of the above were

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Wages and salaries	6,038,131	4,023,532
Social security costs	577,790	330,215
Other pension costs	267,267	153,837
	<u>6,883,188</u>	<u>4,507,584</u>

**5. Directors' emoluments**

The directors' aggregate emoluments in respect of qualifying services were

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Emoluments receivable	606,101	768,762
Value of company pension contributions to money purchase schemes	37,917	17,810
	<u>644,018</u>	<u>786,572</u>

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

**5 Directors' emoluments (continued)**

**Emoluments of highest paid director**

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Total emoluments (excluding pension contributions)	175,000	252,830
Value of company pension contributions to money purchase schemes	12,250	5,854
	<u>187,250</u>	<u>258,684</u>

The number of directors on whose behalf the company made pension contributions was as follows

	Year to 31 Oct 07 No	Period from 9 Jan 06 to 31 Oct 06 No
Money purchase schemes	<u>5</u>	<u>4</u>

**6. Profit on disposal of fixed assets**

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Profit on disposal of fixed assets	<u>153,955</u>	<u>-</u>

**7 Pensions**

The company operates a defined contribution scheme for employees. The assets of the scheme are held separately from those of the company.

The total contributions paid during the year amounted to £267,267 (2006: £153,837).

**8 Interest payable and similar charges**

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Interest payable on bank borrowing	1,814,663	776,044
Finance charges on shares classed as financial liabilities	16,800	10,264
	<u>1,831,463</u>	<u>786,308</u>



**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

**9. Taxation on ordinary activities**

**(a) Analysis of charge in the year**

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
In respect of the year		
UK Corporation tax	993,420	1,572,000
Over provision in prior year	(219)	-
	<u>993,201</u>	<u>1,572,000</u>
Deferred tax		
Origination and reversal of timing differences	225,583	(292,000)
Tax on profit on ordinary activities	<u>1,218,784</u>	<u>1,280,000</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year/period is lower/higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
Profit on ordinary activities before taxation	<u>3,844,232</u>	<u>3,539,253</u>
Profit on ordinary activities by rate of tax	1,153,270	1,061,776
Effects of		
Expenses not deductible for tax purposes	99,301	218,120
Depreciation for period in excess of capital allowances	196,474	18,105
Adjustments to tax charge in respect of previous periods	(219)	-
Other short term timing differences	(455,625)	273,999
Total current tax (note 9(a))	<u>993,201</u>	<u>1,572,000</u>

**(c) Factors that may affect future tax charges**

There are no factors that affect the future tax charge

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

**10 Intangible fixed assets**

	Negative goodwill £
<b>Cost</b>	
At 1 November 2006 and 31 October 2007	(4,250,000)
<b>Amortisation</b>	
At 1 November 2006	(523,077)
Charge for the year	(850,000)
At 31 October 2007	(1,373,077)
<b>Net book value</b>	
At 31 October 2007	(2,876,923)
At 31 October 2006	(3,726,923)

**11 Tangible fixed assets**

	Freehold Property £	Plant & Machinery £	Equipment £	Total £
<b>Cost</b>				
At 1 November 2006	5,250,000	4,000,000	66,154	9,316,154
Additions	–	38,314	–	38,314
Disposals	(5,250,000)	(520,578)	–	(5,770,578)
Transfers	–	22,054	(22,054)	–
At 31 October 2007	–	3,539,790	44,100	3,583,890
<b>Depreciation</b>				
At 1 November 2006	38,462	491,948	9,406	539,816
Charge for the year	–	680,398	14,700	695,098
On disposals	(38,462)	(42,650)	–	(81,112)
At 31 October 2007	–	1,129,696	24,106	1,153,802
<b>Net book value</b>				
At 31 October 2007	–	2,410,094	19,994	2,430,088
At 31 October 2006	5,211,538	3,508,052	56,748	8,776,338

The property was disposed during the year at the valuation determined by an independent chartered surveyor

**12. Stocks**

	2007 £	2006 £
Raw materials	831,137	496,127
Work in progress	1,037,660	1,374,102
Finished goods	11,613,643	10,105,678
	<u>13,482,440</u>	<u>11,975,907</u>

**MANCHESTER CABLES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 OCTOBER 2007**

**13 Debtors**

	2007 £	2006 £
Trade debtors	22,095,279	18,705,039
Amounts owed by related undertakings	1,157,313	—
Other debtors	—	4,923
Prepayments and accrued income	671,794	386,035
Deferred taxation (note 14)	66,417	292,000
	<u>23,990,803</u>	<u>19,387,997</u>

**14 Deferred taxation**

The deferred tax included in the Balance sheet is as follows

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
Included in debtors (note 13)	66,417	292,000

The movement in the deferred taxation account during the year was

	Year to 31 Oct 07 £	Period from 9 Jan 06 to 31 Oct 06 £
At 1 November 2006	292,000	—
Profit and loss account movement arising during the year	(225,583)	292,000
At 31 October 2007	<u>66,417</u>	<u>292,000</u>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007 £	2006 £
Excess of depreciation over taxation allowances	18,566	18,000
Other timing differences	47,851	274,000
	<u>66,417</u>	<u>292,000</u>

**15. Creditors: Amounts falling due within one year**

	2007 £	2006 £
Bank loans	16,980,488	11,656,424
Trade creditors	9,782,142	11,665,720
Amounts owed to related undertakings	462,971	—
Corporation tax	310,420	1,572,000
Other taxation and social security	2,495,405	2,315,024
Other creditors	80,000	80,000
Accruals and deferred income	1,568,962	2,316,398
	<u>31,680,388</u>	<u>29,605,566</u>

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**15. Creditors Amounts falling due within one year (continued)**

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2007 £	2006 £
Bank loans	16,980,488	11,656,424

**16. Creditors Amounts falling due after more than one year**

	2007 £	2006 £
Bank loans and overdrafts	277,274	4,503,000
Shares classed as financial liabilities	240,000	240,000
	<u>517,274</u>	<u>4,743,000</u>

The bank's revolving credit facilities and loans are secured by a fixed charge over plant and machinery

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2007 £	2006 £
Bank loans and overdrafts	277,274	4,503,000

**17 Creditors - capital instruments**

Creditors include finance capital which is due for repayment as follows

	2007 £	2006 £
Amounts repayable		
In one year or less or on demand	16,980,488	11,656,424
In more than one year but not more than two years	277,274	708,000
In more than two years but not more than five years	—	1,972,500
In more than five years	—	1,822,500
	<u>17,257,762</u>	<u>16,159,424</u>

**18. Derivatives**

The company has no financial instruments that fall to be classed as derivatives

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**19 Commitments under operating leases**

At 31 October 2007 the company had annual commitments under non-cancellable operating leases as set out below

	<b>2007</b>		<b>2006</b>	
	<b>Land &amp; buildings</b>	<b>Other Items</b>	<b>Land &amp; buildings</b>	<b>Other Items</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire				
Within 1 year	-	1,789	-	1,129
Within 2 to 5 years	-	175,588	-	156,951
After more than 5 years	800,000	-	-	24,571
	<u>800,000</u>	<u>177,377</u>	<u>-</u>	<u>182,651</u>

**20. Contingencies**

The company has issued the following bonds and guarantees during the year

Tender bonds of £210,000 and £100,000 in favour of Electricity Authority of Cyprus in respect of contracts undertaken by Manchester Cables Limited, due to expire on 30 April 2008

A tender bond of £60,000 in favour of Electricity Authority of ATHK Cyprus Telecommunications Authority in respect of contracts undertaken by Manchester Cables Limited, due to expire on 31 March 2008

Landsbanki Commercial Finance have also given a £500,000 guarantee to Royal Bank of Scotland on behalf of the company to cover various banking facilities

Guarantee for €3,000,000 and €2,000,000 in favour of Landsbanki Commercial Finance relating to liabilities of B3 Cable Solutions (Ireland) Limited

**21 Related party transactions**

During the year the company had the following transactions with related parties -

The company paid non-executive directors' fees amounting to £8,000 (2006 £4,923) to Mr D A Barrowman, £5,167 (2006 £4,923) to Mr P J Ruocco, and £18,000 (2006 £11,077) to Mr T C Eve, who are directors and shareholders of the company

During the year, the company sold property to Blackley Property Investments LLP, an entity under the control of the directors of Manchester Cables Limited. Proceeds were £5,250,000, with no material profit or loss arising thereon. This valuation was determined by an independent chartered surveyor.

During 2007 the company rented the Delaunays Road site from Blackley Property Investments LLP for £193,549 (2006 £Nil)

Longford Cables Limited and B3 Cable Solutions (Ireland) Limited are companies under the control of the same directors as Manchester Cables Limited. During the year, Manchester Cables Limited made sales of £805,000 (2006 £Nil), and purchases of £21,023,205 (2006 £Nil)

Included within debtors is an amount of £643,602 (2006 £Nil) owed by B3 Cables Solutions (Ireland) Limited at 31 October 2007. Included within creditors due within one year is an amount of £462,971 (2006 £Nil) owed to B3 Cable Solutions (Ireland) Limited

Included within debtors is an amount of £513,711 (2006 £Nil) owed by Longford Cables Limited



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**22. Share capital**

**Authorised share capital.**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
510,000 Ordinary 'A' shares of £0 01 each	5,100	5,100
490,000 Ordinary 'B' shares of £0 01 each	4,900	4,900
240,000 Preference shares of £1 each	240,000	240,000
	<u>250,000</u>	<u>250,000</u>

**Allotted, called up and fully paid.**

	<b>2007</b>		<b>2006</b>
	<b>No</b>	<b>£</b>	<b>No</b>
Ordinary 'A' shares of £0 01 each	510,000	5,100	510,000
Ordinary 'B' shares of £0 01 each	490,000	4,900	490,000
Preference shares of £1 each	240,000	240,000	240,000
	<u>1,240,000</u>	<u>250,000</u>	<u>1,240,000</u>

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Amounts presented in equity.</b>		
Ordinary 'A' shares of £0 01 each	5,100	5,100
Ordinary 'B' shares of £0 01 each	4,900	4,900
	<u>10,000</u>	<u>10,000</u>

**Amounts presented in liabilities**

Preference shares of £1 each	240,000	240,000
	<u>240,000</u>	<u>240,000</u>

The A and B ordinary shares are each separate classes of shares and carry the respective voting rights and rights to appoint and remove directors. These shares are subject to the restrictions on transfer, but in all other respects shall rank pari passu.

The preference shares are entitled to a fixed cumulative preferential dividend at the rate of 7% a year accruing on the capital paid up on the preference shares. The preference share dividend is payable annually in arrears on 30 September each year.

If the company fails to pay the preference dividend due to any holder of the preference shares on its due date then the company shall pay interest on such arrears at the rate of 7% per annum accruing on a daily basis from the due date for payment until the date on which it is actually paid.

The holders of the preference shares shall be entitled to receive notice of and to attend at general meetings of the company but shall not be entitled to vote upon any resolution.

The preference shares shall be redeemed on or before 21 March 2016.

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**23. Profit and loss account**

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
Balance brought forward	2,259,253	–
Profit for the financial year/period	2,625,448	2,259,253
Balance carried forward	<u>4,884,701</u>	<u>2,259,253</u>

**24. Reconciliation of movements in shareholders' funds**

	<b>2007 £</b>	<b>2006 £</b>
Profit for the financial year/period	2,625,448	2,259,253
New ordinary share capital subscribed	–	10,000
Net addition to shareholders' funds	2,625,448	2,269,253
Opening shareholders' funds	2,269,253	–
Closing shareholders' funds	<u>4,894,701</u>	<u>2,269,253</u>

**25 Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash outflow from operating activities**

	<b>Year to 31 Oct 07 £</b>	<i>Period from 9 Jan 06 to 31 Oct 06 £</i>
Operating profit	5,496,415	4,312,803
Amortisation	(850,000)	(523,077)
Depreciation	695,098	539,816
Increase in stocks	(1,506,533)	(1,596,725)
Increase in debtors	(4,828,389)	(6,288,638)
(Decrease)/increase in creditors	(1,987,662)	4,216,161
Net cash outflow from operating activities	<u>(2,981,071)</u>	<u>660,340</u>

**Reconciliation of net cash flow to movement in net debt**

	<b>2007</b>	<b>2006</b>
	£	£
(Decrease)/increase in cash in the period	(138,545)	204,500
Net cash (inflow) from bank loans	(1,098,338)	(16,159,424)
Net cash (inflow) from shares classed as financial liabilities	–	(240,000)
Change in net debt	<u>(1,236,883)</u>	<u>(16,194,924)</u>
Net debt at 1 November 2006	(16,194,924)	–
Net debt at 31 October 2007	<u>(17,431,807)</u>	<u>(16,194,924)</u>



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**25. Notes to the statement of cash flows (continued)**

**Analysis of changes in net debt**

	At 1 November 2006 £	Cash flows £	At 31 October 2007 £
Net cash			
Cash in hand and at bank	204,500	(138,545)	65,955
Debt			
Debt due within 1 year	(11,656,424)	(5,324,064)	(16,980,488)
Debt due after 1 year	(4,743,000)	4,225,726	(517,274)
	(16,399,424)	(1,098,338)	(17,497,762)
Net debt	(16,194,924)	(1,236,883)	(17,431,807)

**26 Post balance sheet events**

On 28 March 2008, B3 Cable Solutions Spain S L , a company under common ownership, entered into an agreement to purchase the trade and assets of the telecommunications plant of Nexans Iberia S L . Subsequently, on 7 April 2008 the Company entered into a Credit Facilities Agreement with Landsbanki Commercial Finance to extend its existing agreement and to provide the purchase consideration of the Nexans business based in Santander . Within this agreement the Company has provided guarantees to Landsbanki for the facilities provided to both B3 Cable Solutions Spain S L and Longford Cables Ltd, another company under common ownership . The directors believe that the acquisition of this business will provide significant benefits to all the companies under common ownership including management synergies, purchasing power and cross selling opportunities . Additionally, the Nexans' business incorporates a successful rail cable sector and an industry leading research and development centre

**27. Control**

In the opinion of the directors there is no controlling party