

MANCHESTER CABLES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 OCTOBER 2008



Company Registration Number 05668946

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

MANCHESTER CABLES LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

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MANCHESTER CABLES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 31 OCTOBER 2008

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

MANCHESTER CABLES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2008

The directors present their report and the financial statements of the company for the year ended 31 October 2008.

Principal activities and business review

The principal activity of the company during the year was the manufacture of copper cables.

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 2008 was £93,229,955, with a gross margin of 9.2%. Gross margin for the period to 31 October 2007 was 9.5% (based on a turnover of £117,155,891). Of the decrease in turnover of £23,925,936, £5,705,000 relates to the housewire sector which was discontinued in July 2007. £6,032,000 additional sales were generated in the year reflecting the full year impact of UK low voltage energy cable sales which were transferred from B3 Cable Solutions (Ireland) Ltd during the previous year. Telecommunications sales decreased by £26,113,000 due to a combination of the effect on new connections, both residential and commercial, of the economic recession and the expected slow down in British Telecommunications ('BT') Local Loop Unbundling programme.

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 £5,604,834. This amount included £604,834 relating to distributable profits. On 13 October 2008, the Company made a scrip issue of £4,990,000 and converted the 1p ordinary shares into £1 ordinary shares, in order to increase the Company's issued ordinary share capital to £5,000,000. This reflects the shareholders' continued commitment to their investment in the Company.

The company's principal measure of manufacturing efficiency is Operating Environment Effectiveness which averaged 68.1% during the year (2007: 69.4%). 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% (2007: 98.5%) and 99.3% (2007: 97.1%) respectively. Overall staff absenteeism during the year was 3.9% (2007: 4.0%). This undoubtedly reflects the loyalty and dedication of our employees. The company recorded no environmental incidents during the year, and there were only 6 lost time accidents during the year reflecting our commitment to our employees and the wider environment.

The company's principal customer continues to be BT. BT has confirmed its intention to either extend the existing supply contract for a further two years or issue a new three year contract to the company prior to the end of May 2009. 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 i.e. 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.

MANCHESTER CABLES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2008

Share capital

On the 13 October 2008 the authorised and issued share capital of the company was increased from £250,000, (comprising 435,000 ordinary A shares of 1p each, 565,000 ordinary B shares of 1p each and 240,000 preference shares of £1 each) to £5,240,000 by the creation 217,065,000 ordinary A shares of 1p each ranking pari passu in all respects with the existing ordinary A shares of 1p each and 281,935,000 ordinary B shares of 1p each ranking pari passu in all respects with the existing ordinary B shares of 1p each in the capital of the company.

By special resolution of the members on 13 October 2008, the total 500,000,000 ordinary 1p shares (217,500,000 ordinary A shares and 282,500,000 ordinary B shares) in the capital of the company was consolidated to become 5,000,000 ordinary shares of £1 each (2,175,000 ordinary A shares of £1 each and 2,825,000 ordinary B shares of £1 each).

Results and dividends

The profit for the year, after taxation, amounted to £710,133. 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.

Directors

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

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

D A Barrowman resigned as a director on 31 March 2008.

MANCHESTER CABLES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2008

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.

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:

	2008	2007
	£	£
Charitable	<u>3,790</u>	<u>4,690</u>

MANCHESTER CABLES LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 OCTOBER 2008

Auditor

Tenon Audit Limited are deemed to be re-appointed under Section 487(2) of the Companies Act 2006.

Registered office:
Blackfriars House
Parsonage
Manchester
M3 2JA

Signed by order of the directors



D J Powell
Company Secretary

Approved by the directors on 31 March 2009

MANCHESTER CABLES LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
MANCHESTER CABLES LIMITED
YEAR ENDED 31 OCTOBER 2008

We have audited the financial statements of Manchester Cables Limited on pages 8 to 23 for the year ended 31 October 2008. 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 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 2008

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 2008 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: *31.3.09*

MANCHESTER CABLES LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 OCTOBER 2008

	Note	2008 £	2007 £
Turnover	2	93,229,955	117,155,891
Cost of sales		(84,683,429)	(106,055,995)
		<hr/>	<hr/>
Gross profit		8,546,526	11,099,896
Distribution costs		(771,386)	(893,625)
Administrative expenses		(4,297,944)	(4,709,856)
		<hr/>	<hr/>
Operating profit	3	3,477,196	5,496,415
Attributable to:			
Operating profit before exceptional items		4,292,250	5,496,415
Exceptional items	3	(815,054)	—
		<hr/>	<hr/>
		3,477,196	5,496,415
Profit on disposal of fixed assets	6	—	153,955
Cost of restructuring the company	7	(509,483)	—
		<hr/>	<hr/>
		2,967,713	5,650,370
Interest receivable		11,359	25,325
Interest payable and similar charges	9	(1,769,088)	(1,831,463)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		1,209,984	3,844,232
Tax on profit on ordinary activities	10	(499,851)	(1,218,784)
		<hr/>	<hr/>
Profit for the financial year		710,133	2,625,448
		<hr/>	<hr/>

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 11 to 23 form part of these financial statements.

MANCHESTER CABLES LIMITED

BALANCE SHEET

31 OCTOBER 2008

	Note	2008 £	2007 £
Fixed assets			
Intangible assets	11	(2,026,923)	(2,876,923)
Tangible assets	12	2,071,870	2,430,088
		<u>44,947</u>	<u>(446,835)</u>
Current assets			
Stocks	13	13,606,756	13,482,440
Debtors	14	26,339,909	23,990,803
Cash at bank and in hand		735,946	65,955
		<u>40,682,611</u>	<u>37,539,198</u>
Creditors: Amounts falling due within one year	16	<u>(34,882,724)</u>	<u>(31,680,388)</u>
Net current assets		5,799,887	5,858,810
Total assets less current liabilities		<u>5,844,834</u>	<u>5,411,975</u>
Creditors: Amounts falling due after more than one year	17	<u>(240,000)</u>	<u>(517,274)</u>
		<u>5,604,834</u>	<u>4,894,701</u>
Capital and reserves			
Called-up share capital	23	5,000,000	10,000
Profit and loss account	24	604,834	4,884,701
Shareholders' funds	25	<u>5,604,834</u>	<u>4,894,701</u>

These financial statements were approved by the directors and authorised for issue on 31 March 2009, and are signed on their behalf by:



D J Powell
Director



T C Eve
Director

The notes on pages 11 to 23 form part of these financial statements.

MANCHESTER CABLES LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 OCTOBER 2008

	Note	2008 £	2007 £
Net cash inflow/(outflow) from operating activities	26	3,008,753	(2,981,071)
Returns on investments and Servicing of finance			
Interest received		11,359	25,325
Interest paid		(1,752,288)	(1,814,663)
Dividends on shares classed as financial liabilities		(16,800)	(16,800)
Net cash outflow from returns on investments and servicing of finance		(1,757,729)	(1,806,138)
Taxation		(623,125)	(2,254,781)
Capital expenditure			
Payments to acquire tangible fixed assets		(375,668)	(38,314)
Receipts from sale of fixed assets		1,655	5,843,421
Net cash (outflow)/inflow from capital expenditure		(374,013)	5,805,107
Cash inflow/(outflow) before financing		253,886	(1,236,883)
Financing			
Increase in bank loans		416,105	1,098,338
Net cash inflow from financing		416,105	1,098,338
Increase/(decrease) in cash	26	669,991	(138,545)

The notes on pages 11 to 23 form part of these financial statements.

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

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 in line with the provision of copper cable goods and services 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 be 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 calculated so as to write off 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:

Leasehold improvements	- over the term of the lease
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 2008

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 2008

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:

	2008 £	2007 £
United Kingdom	88,346,076	111,562,522
Europe	4,378,857	5,491,137
Rest of the world	505,022	102,232
	<u>93,229,955</u>	<u>117,155,891</u>

3. Operating profit

Operating profit is stated after charging/(crediting):

	2008 £	2007 £
Amortisation of intangible assets	(850,000)	(850,000)
Depreciation of owned fixed assets	732,231	695,098
Operating lease costs:		
-Other	877,642	179,191
Net loss on foreign currency translation	11,027	3,397
Exceptional costs	<u>815,054</u>	<u>-</u>

The exceptional items relate to specific projects of a non-recurring nature undertaken by the company during the year.

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

3. Operating profit (continued)

	2008 £	2007 £
Auditor's remuneration - audit of the financial statements	25,200	24,000
Auditor's remuneration - other fees:		
- Taxation services	6,300	-
- Other services	26,825	10,500
	<u>33,125</u>	<u>10,500</u>

4. Particulars of employees

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

	2008 No	2007 No
Number of production staff	157	172
Number of administrative staff	16	15
	<u>173</u>	<u>187</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	5,666,637	6,038,131
Social security costs	568,456	577,790
Other pension costs	261,875	267,267
	<u>6,496,968</u>	<u>6,883,188</u>

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2008 £	2007 £
Emoluments receivable	682,710	606,101
Value of company pension contributions to money purchase schemes	39,438	37,917
	<u>722,148</u>	<u>644,018</u>

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

5. Directors' emoluments (continued)

Emoluments of highest paid director:

	2008 £	2007 £
Total emoluments (excluding pension contributions)	184,000	175,000
Value of company pension contributions to money purchase schemes	12,880	12,250
	<u>196,880</u>	<u>187,250</u>

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

	2008 No	2007 No
Money purchase schemes	<u>4</u>	<u>5</u>

6. Profit on disposal of fixed assets

	2008 £	2007 £
Profit on disposal of fixed assets	<u>-</u>	<u>153,955</u>

7. Cost of reorganisation or restructuring

	2008 £	2007 £
Cost of restructuring company	<u>509,483</u>	<u>-</u>

The above represents redundancy costs incurred. These had the effect of reducing the tax charge by £142,655.

8. 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 £261,875 (2007: £267,267).

9. Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank borrowing	1,752,288	1,814,663
Finance charges on shares classed as financial liabilities	16,800	16,800
	<u>1,769,088</u>	<u>1,831,463</u>

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

10. Taxation on ordinary activities

(a) Analysis of charge in the year

	2008 £	2007 £
In respect of the year:		
UK Corporation tax	443,955	993,420
Under/(over) provision in prior year	14,705	(219)
	<u>458,660</u>	<u>993,201</u>
Deferred tax:		
Origination and reversal of timing differences	41,191	225,583
Tax on profit on ordinary activities	<u>499,851</u>	<u>1,218,784</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2007 - 30%).

	2008 £	2007 £
Profit on ordinary activities before taxation	<u>1,209,984</u>	<u>3,844,232</u>
Profit on ordinary activities by rate of tax	338,796	1,153,270
Effects of:		
Expenses not deductible for tax purposes	198,317	99,301
Depreciation for period in excess of capital allowances	189,227	196,474
Adjustments to tax charge in respect of previous periods	14,705	(219)
Other short term timing differences	(295,175)	(455,625)
Effects of change in tax rates	12,790	-
Total current tax (note 10(a))	<u>458,660</u>	<u>993,201</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 2008

11. Intangible fixed assets

	Negative goodwill £
Cost	
At 1 November 2007 and 31 October 2008	(4,250,000)
Amortisation	
At 1 November 2007	1,373,077
Charge for the year	850,000
At 31 October 2008	<u>2,223,077</u>
Net book value	
At 31 October 2008	(2,026,923)
At 31 October 2007	<u>(2,876,923)</u>

12. Tangible fixed assets

	Leasehold Improvements £	Plant & Machinery £	Equipment £	Total £
Cost				
At 1 November 2007	–	3,539,790	44,100	3,583,890
Additions	364,980	10,688	–	375,668
Disposals	–	(1,655)	–	(1,655)
At 31 October 2008	<u>364,980</u>	<u>3,548,823</u>	<u>44,100</u>	<u>3,957,903</u>
Depreciation				
At 1 November 2007	–	1,129,696	24,106	1,153,802
Charge for the year	5,500	712,031	14,700	732,231
At 31 October 2008	<u>5,500</u>	<u>1,841,727</u>	<u>38,806</u>	<u>1,886,033</u>
Net book value				
At 31 October 2008	<u>359,480</u>	<u>1,707,096</u>	<u>5,294</u>	<u>2,071,870</u>
At 31 October 2007	<u>–</u>	<u>2,410,094</u>	<u>19,994</u>	<u>2,430,088</u>

13. Stocks

	2008 £	2007 £
Raw materials	707,707	831,137
Work in progress	922,754	1,037,660
Finished goods	11,976,295	11,613,643
	<u>13,606,756</u>	<u>13,482,440</u>

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

14. Debtors

	2008 £	2007 £
Trade debtors	14,930,441	22,095,279
Amounts owed by related undertakings	10,593,702	1,157,313
Prepayments and accrued income	790,540	671,794
Deferred taxation (note 15)	25,226	66,417
	<u>26,339,909</u>	<u>23,990,803</u>

15. Deferred taxation

The deferred tax included in the Balance sheet is as follows:

	2008 £	2007 £
Included in debtors (note 14)	<u>25,226</u>	<u>66,417</u>

The movement in the deferred taxation account during the year was:

	2008 £	2007 £
At 1 November 2007	66,417	292,000
Profit and loss account movement arising during the year	(41,191)	(225,583)
At 31 October 2008	<u>25,226</u>	<u>66,417</u>

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

	2008 £	2007 £
Excess of depreciation over taxation allowances	9,740	18,566
Other timing differences	15,486	47,851
	<u>25,226</u>	<u>66,417</u>

16. Creditors: Amounts falling due within one year

	2008 £	2007 £
Bank loans	17,673,867	16,980,488
Trade creditors	11,830,074	9,782,142
Amounts owed to related undertakings	2,005,438	462,971
Corporation tax	145,955	310,420
Other taxation and social security	1,721,056	2,495,405
Other creditors	149,545	80,000
Accruals and deferred income	1,356,789	1,568,962
	<u>34,882,724</u>	<u>31,680,388</u>

Within bank loans are revolving credit facilities in relation to stock and debtors of £17,566,991 (2007: £17,290,929).

MANCHESTER CABLES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 OCTOBER 2008

16. Creditors: Amounts falling due within one year (continued)

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

	2008 £	2007 £
Bank loans	17,673,867	16,980,488

17. Creditors: Amounts falling due after more than one year

	2008 £	2007 £
Bank loans	-	277,274
Shares classed as financial liabilities	240,000	240,000
	<u>240,000</u>	<u>517,274</u>

The bank's revolving credit facilities and loans are secured by a first priority fixed and floating charge over all the undertaking and assets of the Company's holding company and/or subsidiaries supported by cross/downstream/upstream guarantees.

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

	2008 £	2007 £
Bank loans	-	277,274

18. Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	2008 £	2007 £
Amounts repayable:		
In one year or less or on demand	17,673,867	16,980,488
In more than one year but not more than two years	-	277,274
	<u>17,673,867</u>	<u>17,257,762</u>

19. Derivatives

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

20. Commitments under operating leases

At 31 October 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	21,004	-	1,789
Within 2 to 5 years	-	114,514	-	175,588
After more than 5 years	800,000	-	800,000	-
	<u>800,000</u>	<u>135,518</u>	<u>800,000</u>	<u>177,377</u>

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21. Contingencies

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

Tender bond of £200,000 in favour of Electricity Authority of Cyprus in respect of contracts undertaken by Manchester Cables Limited, due to expire on 01 October 2011.

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.

22. Related party transactions

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

The company paid management charges amounting to £3,333 (2007: £8,000) to Mr D A Barrowman, £9,333 (2007: £5,167) to Mr P G Ruocco, and £8,813 (2007: £18,000) to Mr T C Eve, who were directors and shareholders of the company.

Blackley Property Investments LLP is a partnership where Mr M D Walton, Mr M P Williams, Mr P G Ruocco, Mr D J Powell, Mr S J Ellis and Mr T C Eve were partners during the year. During 2008 the company rented the Delaunays Road site from Blackley Property Investments LLP for £800,000 (2007: £193,549).

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 £2,559,277 (2007: £805,000), and purchases of £13,068,525 (2007: £21,023,205) with these companies.

B3 Cable Solutions (Spain) is a company under the control of the same directors as Manchester Cables Limited. During the year, Manchester Cables Limited made purchases of £1,854,188 (2007: £nil) from this company.

Included within debtors is an amount of £9,003,605 (2007: £643,602) owed by B3 Cables Solutions (Ireland) Limited at 31 October 2008. Included within creditors due within one year is an amount of £Nil (2007: £462,971) owed to B3 Cable Solutions (Ireland) Limited.

Included within debtors is an amount of £513,711 (2007: £513,711) owed by Longford Cables Limited.

Included within debtors is an amount of £1,076,386 (2007: £nil) owed by B3 Cables Solutions (Spain) at 31 October 2008. Included within creditors due within one year is an amount of £2,005,438 (2007: £nil) owed to B3 Cable Solutions (Spain).

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23. Share capital

Authorised share capital:

	2008 £	2007 £
435,000 Ordinary 'A' shares of £0.01 each	-	4,350
565,000 Ordinary 'B' shares of £0.01 each	-	5,650
2,175,000 Ordinary 'A' shares of £1 each	2,175,000	-
2,825,000 Ordinary 'B' shares of £1 each	2,825,000	-
240,000 Preference shares of £1 each	240,000	240,000
	<u>5,240,000</u>	<u>250,000</u>

Allotted, called up and fully paid:

	2008 No	£	2007 No	£
Ordinary 'A' shares of £0.01 each	-	-	435,000	4,350
Ordinary 'B' shares of £0.01 each	-	-	565,000	5,650
Ordinary 'A' shares of £1 each	2,175,000	2,175,000	-	-
Ordinary 'B' shares of £1 each	2,825,000	2,825,000	-	-
Preference shares of £1 each	240,000	240,000	240,000	240,000
	<u>5,240,000</u>	<u>5,240,000</u>	<u>1,240,000</u>	<u>250,000</u>

Amounts presented in equity:

	2008 £	2007 £
Ordinary 'A' shares of £0.01 each	-	4,350
Ordinary 'B' shares of £0.01 each	-	5,650
Ordinary 'A' shares of £1 each	2,175,000	-
Ordinary 'B' shares of £1 each	2,825,000	-
	<u>5,000,000</u>	<u>10,000</u>

Amounts presented in liabilities:

	2008	2007
Preference shares of £1 each	<u>240,000</u>	<u>240,000</u>

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23. Share capital (continued)

On the 13 October 2008 the authorised and issued share capital of the company was increased from £250,000, (comprising of 435,000 ordinary A shares of 1p each, 565,000 ordinary B shares of 1p each and 240,000 preference shares of £1 each) to £5,240,000 by the creation 217,065,000 ordinary A shares of 1p each ranking pari passu in all respects with the existing ordinary A shares of 1p each and 281,935,000 ordinary B shares of 1p each ranking pari passu in all respects with the existing ordinary B shares of 1p each in the capital of the company.

By special resolution of the members on 13 October 2008, the total 500,000,000 ordinary 1p shares (217,500,000 ordinary A shares and 282,500,000 ordinary B shares) in the capital of the company was consolidated to become 5,000,000 ordinary shares of £1 each (2,175,000 ordinary A shares of £1 each and 2,825,000 ordinary B shares of £1 each).

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.

24. Profit and loss account

	2008 £	2007 £
Balance brought forward	4,884,701	2,259,253
Profit for the financial year	710,133	2,625,448
Capitalisation of reserves (equity)	(4,990,000)	—
Balance carried forward	<u>604,834</u>	<u>4,884,701</u>

25. Reconciliation of movements in shareholders' funds

	2008 £	2007 £
Profit for the financial year	710,133	2,625,448
Opening shareholders' funds	4,894,701	2,269,253
Closing shareholders' funds	<u>5,604,834</u>	<u>4,894,701</u>

MANCHESTER CABLES LIMITED
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26. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2008 £	2007 £
Operating profit	3,477,196	5,496,415
Amortisation	(850,000)	(850,000)
Depreciation	732,231	695,098
Increase in stocks	(124,316)	(1,506,533)
Increase in debtors	(2,390,297)	(4,828,389)
Increase/(decrease) in creditors	2,673,422	(1,987,662)
Re-organisation costs	(509,483)	-
Net cash inflow/(outflow) from operating activities	<u>3,008,753</u>	<u>(2,981,071)</u>

Reconciliation of net cash flow to movement in net debt

	2008 £	2007 £
Increase/(decrease) in cash in the period	669,991	(138,545)
Net cash (inflow) from bank loans	<u>(416,105)</u>	<u>(1,098,338)</u>
Change in net debt	253,886	(1,236,883)
Net debt at 1 November 2007	(17,431,807)	(16,194,924)
Net debt at 31 October 2008	<u>(17,177,921)</u>	<u>(17,431,807)</u>

Analysis of changes in net debt

	At 1 November 2007 £	Cash flows £	At 31 October 2008 £
Net cash:			
Cash in hand and at bank	65,955	669,991	735,946
Debt:			
Debt due within 1 year	(16,980,488)	(693,379)	(17,673,867)
Debt due after 1 year	(517,274)	277,274	(240,000)
	<u>(17,497,762)</u>	<u>(416,105)</u>	<u>(17,913,867)</u>
Net debt	<u>(17,431,807)</u>	<u>253,886</u>	<u>(17,177,921)</u>

27. Control

In the opinion of the directors there is no controlling party.