

**MANX CABLE COMPANY LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2020**

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## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 2020.

### PRINCIPAL ACTIVITY

The principal activity of Manx Cable Company Limited ("the Company") is that of the leasing of a sub-sea electricity and fibre optic interconnector cable link between the United Kingdom and the Isle of Man.

### RESULTS AND TRANSFERS TO RESERVES

The results and transfers to reserves for the year are set out on page 8.

### DIVIDEND

An interim dividend of £8.0 million was declared to the controlling party, Manx Utilities Authority, during the year (2018-19: £7.0 million). No final dividend is proposed (2018-19: £nil).

### DIRECTORS

The Directors who served during the year and up to the date of this report were:

- W D Mummery (appointed 14 August 2020)
- A J Allinson (resigned 19 May 2020)
- T M Crookall (resigned 19 May 2020)
- C J L Spencer
- P E King
- A W Dobbins

Ms K J Westcott has served as Company Secretary during the year and up to the date of this report.

### AUDITOR

During the year, Grant Thornton Limited was appointed as auditor by Isle of Man Government's Treasury Department. Grant Thornton Limited, being eligible, has expressed their willingness to continue in office in accordance with Section 12 (2) of the Isle of Man Companies Act 1982.

By order of the Board

K J Westcott  
Secretary



Date: 22 December 2020

Registered Office:

- Manx Utilities Authority Headquarters, Isle of Man Business Park, Ballacottier, Cooil Road, Braddan, Isle of Man.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of the Isle of Man Company law and the Accounts and Audit Regulations 2018 made under the Audit Act 2006. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland, as applicable to an Isle of Man company.

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 Acts 1931 to 2004 and the Accounts and Audit Regulations 2018 made under the Audit Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANX CABLE COMPANY LIMITED

We have audited the financial statements of Manx Cable Company Limited (the 'Company') for the year ended 31 March 2020 which comprise the Statement of Income, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

## OPINION

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 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 Isle of Man Companies Acts 1931 to 2004.

## 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, including the Financial Reporting Council'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.

## WHO WE ARE REPORTING TO

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANX CABLE COMPANY LIMITED (CONTINUED)

## CONCLUSIONS RELATING TO GOING CONCERN

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

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

However, as we cannot predict with certainty all future events or conditions and as any subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report cannot be viewed as a guarantee as to the Company's ability to continue as a going concern.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report set out on page 3, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MANX CABLE COMPANY LIMITED (CONTINUED)

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- the Company has not kept proper books of account, or if proper 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 books of account and returns; or
- the financial statements do not contain particulars as to loans to, and remuneration of directors; or
- we have not received all the information and explanations which are necessary for the purposes of our audit.

## RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Grant Thornton Limited*

Grant Thornton Limited  
Douglas  
Isle of Man

23<sup>rd</sup> December 2020

## STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 MARCH 2020

Note	2019-20 £	2018-19 £
Turnover	9,525,231	9,506,219
Operating Expenses	(1,913,768)	(1,618,645)
<b>5 Gross Profit</b>	<b>7,611,463</b>	<b>7,887,574</b>
Interest payable	(73,314)	(559)
<b>Profit Before Tax</b>	<b>7,538,149</b>	<b>7,887,015</b>
<b>6 Taxation</b>	<b>-</b>	<b>-</b>
<b>Profit After Tax</b>	<b>7,538,149</b>	<b>7,887,015</b>
<b>Reserves at the beginning of the year</b>	<b>2,735,284</b>	1,848,269
Profit for the year	7,538,149	7,887,015
Dividends paid and proposed	(8,000,000)	(7,000,000)
<b>Reserves at the end of the year</b>	<b>2,273,433</b>	<b>2,735,284</b>

The notes on pages 8 to 16 form an integral part of these financial statements.

The Directors consider that all results derive from continuing activities.



## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

Note		2020 £	2019 £
8	<b>Tangible fixed assets</b>	<b>27,177,091</b>	<b>27,780,494</b>
	<b>Current assets</b>		
	Debtors and Prepayments	128,464	131,595
	Cash and cash equivalents	442,608	326,433
		<b>571,072</b>	<b>458,029</b>
	<b>Creditors: amounts falling due within one year</b>		
	Creditors and accruals	(225,617)	(295,548)
13	Due to controlling party	(16,249,112)	(16,207,691)
		<b>(16,474,730)</b>	<b>(16,503,239)</b>
	<b>Net current liabilities</b>	<b>(15,903,658)</b>	<b>(16,045,210)</b>
	<b>Total assets less current liabilities</b>	<b>11,273,433</b>	<b>11,735,284</b>
	<b>Net assets</b>	<b>11,273,433</b>	<b>11,735,284</b>
	<b>Capital and reserves</b>		
9	Share capital	9,000,000	9,000,000
	Retained reserves	2,273,433	2,735,284
	<b>Equity shareholder's funds</b>	<b>11,273,433</b>	<b>11,735,284</b>

The notes on pages 10 to 16 form an integral part of these financial statements.

The financial statements on pages 8 to 16 were authorised for issue by the Board of Directors on 22 December 2020.

  
**W D Mummy**  
Director

  
**P E King**  
Director

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

## 1. GENERAL INFORMATION

Manx Cable Company Limited is a private company limited by shares incorporated under the Isle of Man Companies Acts 1931 to 2004.

- Company registration number: 091223C
- Registered Office address: Manx Utilities Authority HQ, Isle of Man Business Park, Ballacottier, Cooil Road, Braddan, Isle of Man, IM2 2QZ.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 ("FRS 102") as applicable to an Isle of Man company. They have also been prepared in accordance with the Accounts and Audit Regulations 2018 made under the Audit Act 2006 and any other applicable statutory provisions, to the extent applicable to the Company.

These financial statements are presented in Pound Sterling (£) which is considered the functional and presentational currency of the Company.

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

Whilst the entity is in a net current liability position, the parent entity, Manx Utilities Authority ("Manx Utilities"), has confirmed it will provide financial support as required for a period of at least twelve months from the date of signing these financial statements. Accordingly these financial statements have been prepared on a going concern basis.

## 3. 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.

### Revenue Recognition

#### *(i) Turnover*

- Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes and duties.
- Income, which relates to operating lease charges for the use of the Company's interconnector cable between the Isle of Man and the United Kingdom, is accounted for on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### *(ii) Operating leased assets*

- Leases that do not transfer all the risks and rewards of ownership are classified as operating leases.

### *(ii) Interest income*

- Interest income is recognised using the effective interest rate method.

## Operational Expenditure

### *(i) Operating expenses*

All expenses are recognised on an accruals basis.

## Tangible Assets

### *(i) Recognition*

Fixed assets represent the cost of the interconnector and related professional and finance expenses, which have been capitalised up to the date that the taking over certificate was issued.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs. Where such expenditure is less than a specified de-minimis level it is not capitalised but is charged to the statement of income and retained earnings in the year in which it is incurred. Capital expenditure incurred on tangible assets that does not materially add to the value of those assets is written off to the Statement of Income and Retained Earnings.

Finance costs that are directly attributable to the construction of tangible fixed assets are capitalised as part of these assets.

### *(ii) Depreciation*

Depreciation is applied using a straight-line method over the estimated operating lives of the assets. The assets are depreciated over their useful economic lives from the date the project taking over certificate was issued.

The estimated useful economic lives, residual values, and depreciation method are reviewed at each period end with the effect that any changes in estimates are accounted for on a prospective basis. Depreciation is first charged in the year following that in which the expenditure was incurred or, in respect of generation and processing plant, the year of commissioning.

During 2019-20 the remaining useful economic life of the interconnector was increased by 20 years (from an initial life of 40 years to 60 years). The impact of this change is a prospective reduction in current and future depreciation charges of £527,374 per year.

### *(iii) Subsequent measurement and additions*

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Group and the cost can be measured reliably. The carrying amount of any replaced asset is derecognised. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within financial liabilities in current liabilities.

### Loans Due to Controlling Party

Loans from fellow group entities are initially recognised at transaction price.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Taxation

Taxation is provided for all periods for which these financial statements form the basis of assessment.

### Dividends

Dividends to the company's shareholder are recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholder. These amounts are recognised in the Statement of Income.

### Cash flow Statement

No cash flow statement has been prepared as the Company has satisfied the exemption criteria under Financial Reporting Standard 102 (Section 1.12) as a wholly owned subsidiary of Manx Utilities, whose consolidated financial statements are publically available.

### Arithmetic Rounding

These financial statements are prepared using figures extracted from Manx Utilities' financial systems which are rounded to the nearest penny, but presented here rounded to the nearest pound. This may cause some small differences between total amounts shown and the sum of the amounts (as presented) relating to the total amount.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are set out below:

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### *(i) Covid-19 pandemic*

On the 11 March 2020 the World Health Organisation declared a pandemic in respect of the Covid-19 virus. On the 16 March 2020 the Isle of Man Government invoked powers under the Emergency Powers Act 1936 and introduced numerous regulations and restrictions to the Isle of Man. These powers remained in place until 18 June 2020. The introduction of restrictions to normal activities has had a significant adverse impact on economic activity on the Isle of Man, as have restrictions introduced around the world.

The impact of Covid-19 on economic activity could impact on various aspects of an entity's financial statements. Examples of such impacts include the use of the going concern basis of preparation of the financial statements, the impairment of the net book values of fixed assets and the recoverability of debts. The Directors consider that no aspects of these financial statements need to be adjusted for the impact of Covid-19.

### *(ii) Determination of the useful lives of tangible assets*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 8 for the carrying amount of the tangible assets and Note 3 for the useful economic lives of the asset.

### *(iii) Contingent Liabilities (Note 11)*

The company has both statutory and commercial obligations arising from its operating activities. These obligations may give rise to financial liabilities or costs in future years that arise from actions taken previously. Examples include the cost of decommissioning sites at the end of their operating lives, if the cost of decommissioning a site exceeds the residual site value, potential uninsured losses arising from legal claims, or future costs arising from long-term agreements (such as wayleave agreements). Whether such liabilities may arise is highly uncertain and the financial value of such liabilities cannot be reliably predicted. Where circumstances mean a liability is considered likely to occur and its value can be reliably estimated then a provision is made within the financial statements along with consideration of whether there is the possibility for any reimbursement; where no such circumstances have been identified then no provision is made.

## 5. GROSS PROFIT

Gross profit is stated after charging:

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
Auditor's remuneration	<b>1,000</b>	1,000
Insurance costs	<b>674,109</b>	487,156
Depreciation	<b>672,114</b>	1,195,018
Operating lease payments	<b>58,332</b>	58,332

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 6. TAXATION

The Company is subject to taxation at 0% (2018-19: 0%) and the charge for the year was £nil (2018-19: £nil).

### 7. FEES AND REMUNERATION

#### DIRECTORS' FEES

Board Members of Manx Utilities who are also Directors of the Company do not receive Directors' Fees in addition to their Board Members' fees, which are disclosed in Manx Utilities' own financial statements. Employees of Manx Utilities who are also a Director of the Company do not receive Directors' Fees in addition to their employment remuneration. The following Director is neither a Board Member nor employee of Manx Utilities but was a Director throughout the year and received fees as set out below:

	<b>2019-20</b>	<b>2018-19</b>
	<b>£</b>	<b>£</b>
C J L Spencer	<b>7,558</b>	7,224
	<b>7,558</b>	<b>7,224</b>

The following Directors of the Company were also Board Members or employees of Manx Utilities during the year:

- W D Mummery (appointed 14 August 2020)
- A J Allinson (resigned 19 May 2020)
- T M Crookall (resigned 19 May 2020)
- P E King
- A W Dobbins

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 8. TANGIBLE ASSETS

Electricity Interconnector	2020 £	2019 £
<b>At 31 March 2019</b>		
Cost	47,632,916	47,454,125
Accumulated depreciation	(19,852,422)	(18,657,404)
<b>Net book amount</b>	<b>27,780,494</b>	<b>28,796,721</b>
<b>Year Ended 31 March 2020</b>		
Opening net book amount	27,780,494	28,796,721
Additions	68,710	178,791
Depreciation	(672,114)	(1,195,018)
<b>Closing net book amount</b>	<b>27,177,091</b>	<b>27,780,494</b>
<b>At 31 March 2020</b>		
Cost	47,701,626	47,632,916
Accumulated depreciation	(20,524,536)	(19,852,422)
<b>Net book amount</b>	<b>27,177,091</b>	<b>27,780,494</b>

### 9. SHARE CAPITAL

	2020 £	2019 £
<b>Authorised</b>		
4,500,000 "A" ordinary shares of £1 each	4,500,000	4,500,000
4,500,000 "B" ordinary shares of £1 each	4,500,000	4,500,000
<b>Total</b>	<b>9,000,000</b>	<b>9,000,000</b>
<b>Issued</b>		
4,500,000 "A" ordinary shares of £1 each	4,500,000	4,500,000
4,500,000 "B" ordinary shares of £1 each	4,500,000	4,500,000
<b>Ordinary shares of £1 each</b>	<b>9,000,000</b>	<b>9,000,000</b>

All shares carry the right to one vote, dividends as proposed by the Directors and an equal share of the assets on a winding up.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020 (CONTINUED)

### 10. OPERATING LEASES PAYMENTS PAYABLE TO THE COMPANY

In 1999, the Company entered into contractual arrangements with the Manx Electricity Authority (now the Manx Utilities Authority) to obtain capacity on an electricity inter-connector between the United Kingdom and the Isle of Man. These contractual arrangements were entered into by Manx Utilities in order to supply electricity to the Isle of Man from the United Kingdom and to sell electricity generated in the Isle of Man to the United Kingdom.

For 2020-21, the annual payments due from the Manx Utilities Authority were reduced from £9.5 million to £3.1 million to better reflect the level of cost being incurred by the Company from the operation of the interconnector cable.

The Company had the following future minimum lease payments due to it under non-cancellable operating leases as at end of the following periods:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Payments due:		
Not later than one year	<b>3,087,972</b>	9,506,000
Later than one year and not later than five years	<b>12,351,888</b>	38,024,000
Later than five years	<b>46,319,580</b>	152,096,000

### 11. CONTINGENT LIABILITIES

The company has entered into wayleave agreements in respect of the interconnector cable which include a "lift and shift" clause. The company is aware of construction work in the UK close to the interconnector cable which may require the cable to be moved. It is uncertain whether this will be required, and as such it is not possible to estimate or disclose the financial impact of this contingent liability.

### 12. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any material events since 31 March 2020.

### 13. RELATED PARTY TRANSACTIONS

The Company's only related party transactions are with its parent entity, Manx Utilities Authority, and fellow wholly owned subsidiaries and so have not been disclosed as exemption criteria in FRS 102 Section 1.12 have been met.

Balances due to and from the controlling party are the subject of a loan facility in the amount of £20.0 million (2019: £nil). The amounts are unsecured and require 12 months' notice for repayment. Interest is charged monthly at the interest rate set by the Treasury of the Isle of Man Government for borrowings under the Consolidated Loans Fund plus 0.50%.

Balances due to the controlling party in the previous year were unsecured, interest free and repayable on demand.



**Manx Cable Company Limited**

PO Box 177

Douglas

Isle of Man IM99 1PS