

**Tweedwind Limited**  
**Financial statements**  
**For the year ended 30 June 2004**



**Company No. 4380682**

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 30 June 2004.

### Principal activities and business review

The principal activity of the company during the year was that of a holding company. In connection with this activity the company holds certain licences and agreements for the benefit of its subsidiary undertaking and other telecommunications within the CLS group.

### Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### Directors

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

S F Board  
D J M Kerr

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

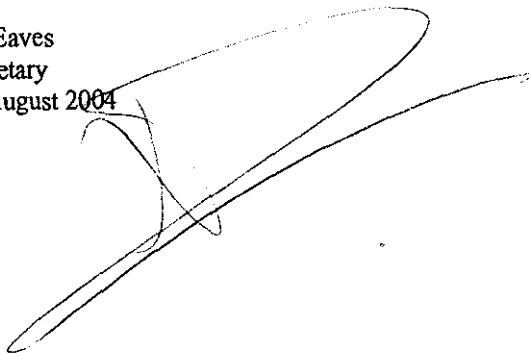
#### Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

T J Eaves  
Secretary  
16 August 2004

A large, stylized handwritten signature in black ink, likely belonging to T J Eaves, is written over the printed name and date.

## Report of the independent auditors to the members of Tweedwind Limited

We have audited the financial statements of Tweedwind Limited for the year ended 30 June 2004 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 16. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of opinion**

We conducted our audit in accordance with United Kingdom auditing standards 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2004 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
SOUTHAMPTON

*Grant Thornton UK LLP*

16 August 2004

## Principal accounting policies

### Basis of accounting

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

### Consolidation

The company was, at the end of the year, a subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts.

### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

### Amortisation

Amortisation 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:

Licences and agreements	- 25 years
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## Profit and loss account

	Note	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Turnover	1	1,079,534	311,944
Cost of sales		(1,079,534)	(311,944)
Gross profit		—	—
Other operating charges	2	(5,772)	(18,367)
Operating loss	3	(5,772)	(18,367)
Interest payable	5	(48,566)	—
<b>Loss on ordinary activities before taxation</b>		<b>(54,338)</b>	<b>(18,367)</b>
Tax on loss on ordinary activities	6	—	—
<b>Loss for the financial year</b>		<b>(54,338)</b>	<b>(18,367)</b>
Balance brought forward		(18,367)	—
Balance carried forward		<u>(72,705)</u>	<u>(18,367)</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.



## Balance sheet

	Note	2004 £	2003 £
<b>Fixed assets</b>			
Intangible assets	7	112,065	116,937
Investments	8	758,047	758,047
		<u>870,112</u>	<u>874,984</u>
<b>Current assets</b>			
Cash at bank		5,461	5,461
<b>Creditors: amounts falling due within one year</b>	9	25,180	24,280
<b>Net current liabilities</b>		<u>(19,719)</u>	<u>(18,819)</u>
<b>Total assets less current liabilities</b>		<u>850,393</u>	<u>856,165</u>
<b>Creditors: amounts falling due after more than one year</b>	10	723,098	674,532
		<u>127,295</u>	<u>181,633</u>
<b>Capital and reserves</b>			
Called-up equity share capital	11	200,000	200,000
Profit and loss account		<u>(72,705)</u>	<u>(18,367)</u>
<b>Shareholders' funds</b>	12	<u>127,295</u>	<u>181,633</u>

These financial statements were approved by the directors on 16 August 2004 and are signed on their behalf by:

S F Board



## Cash flow statement

		Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
	Note		
<b>Net cash inflow from operating activities</b>	13	–	10,785
<b>Capital expenditure</b>			
Payments to acquire intangible fixed assets		–	(121,809)
<b>Acquisitions and disposals</b>			
Acquisition of shares in group undertakings		–	(758,047)
<b>Financing</b>			
Issue of equity share capital		–	200,000
Receipt of debenture loans		–	674,532
<b>Net cash inflow from financing</b>		–	874,532
<b>Increase in cash</b>	14	–	5,461

## Notes to the financial statements

### 1 Turnover

The amount shown as turnover represents costs that are all directly recharged to other companies in the CLS Holdings plc group.

### 2 Other operating charges

	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Administrative expenses	<u>5,772</u>	<u>18,367</u>

### 3 Operating loss

Operating loss is stated after charging:

	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Amortisation	<u>4,872</u>	<u>4,872</u>

### 4 Directors and employees

No salaries or wages have been paid to employees, including the directors, during the year.

### 5 Interest payable and similar charges

	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Interest on debenture loans	<u>48,566</u>	<u>—</u>

6 Taxation on ordinary activities

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30%.

	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Loss on ordinary activities before taxation	(54,338)	(18,367)
Loss on ordinary activities by rate of tax	(16,301)	(5,510)
Unrelieved tax losses	16,301	5,510
Total current tax	—	—

7 Intangible fixed assets

Licences and agreements  
£

Cost	
At 1 July 2003 and 30 June 2004	121,809
Amortisation	
At 1 July 2003	4,872
Charge for the year	4,872
At 30 June 2004	9,744
Net book value	
At 30 June 2004	112,065
At 30 June 2003	116,937

8 Investments

£

Cost	
At 1 July 2003 and 30 June 2004	758,047

The company owns 100% of the issued share capital of the following company:

	Nature of business	Capital and reserves £	Loss for the financial year £
Wightcable Limited	Operation of a cable communications network	(1,626,356)	(989,443)

9 Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts owed to group undertakings	24,280	24,280
Accruals and deferred income	900	-
	<u>25,180</u>	<u>24,280</u>

10 Creditors: amounts falling due after more than one year

	2004 £	2003 £
Debenture loans	<u>723,098</u>	<u>674,532</u>

The debenture loans are repayable on 28 June 2007.

11 Share capital

Authorised share capital:

	2004 £	2003 £
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

Allotted, called up and fully paid:

	2004 No	£	2003 No	£
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

12 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Loss for the financial year	(54,338)	(18,367)
New equity share capital subscribed	-	200,000
Net (reduction)/addition to funds	<u>(54,338)</u>	<u>181,633</u>
Opening shareholders' equity funds	181,633	-
Closing shareholders' equity funds	<u>127,295</u>	<u>181,633</u>

13 Reconciliation of operating loss to net cash inflow from operating activities

	Year to 30 Jun 04 £	Period from 25 Feb 02 to 30 Jun 03 £
Operating loss	(5,772)	(18,367)
Amortisation	4,872	4,872
Increase in creditors	900	24,280
Net cash inflow from operating activities	<u>-</u>	<u>10,785</u>

14 Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Increase in cash in the period	-	5,461
Net cash (inflow) from debentures	-	(674,532)
Interest rolled up into debentures	(48,566)	-
Change in net debt	(48,566)	(669,071)
Net debt at 1 July 2003	(669,071)	-
Net debt at 30 June 2004	<u>(717,637)</u>	<u>(669,071)</u>

15 Analysis of changes in net debt

	At 1 Jul 2003 £	Cash flows £	Other changes £	At 30 Jun 2004 £
Net cash:				
Cash in hand and at bank	5,461	-	-	5,461
Debt:				
Debt due after 1 year	(674,532)	-	(48,566)	(723,098)
Net debt	<u>(669,071)</u>	<u>-</u>	<u>(48,566)</u>	<u>(717,637)</u>

16 Ultimate parent company

The directors consider that the ultimate parent undertaking and controlling party is CLS Holdings plc, which is registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, CLS Holdings plc, One Citadel Place, Tinworth Street, London, SE11 5EF.