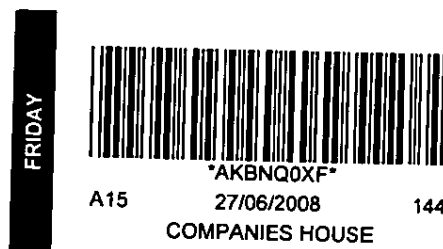




# Financial Statements Tweedwind Limited

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**For the Year Ended 30 June 2007**



**Company No. 4380682**

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## Report of the director

The director presents his report and the financial statements of the company for the year ended 30 June 2007.

### **Principal activities and business review**

The principal activity of the company during the year was that of a holding company.

### **Results and dividends**

The loss for the year amounted to £59,310. The director has not recommended a dividend.

### **Financial risk management objectives and policies**

Information on financial risk management objectives and policies is not presented as it is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company

### **Director**

The director who served the company during the year was as follows:

S F Board (resigned 8 May 2008)

Mr P S Peat was appointed as a director on 18 January 2008

Mr E H Klotz was appointed as a director on 2 May 2008

Mr M R Goodliffe was appointed as a director on 3 December 2007 and resigned on 18 January 2008.

### **Director's responsibilities**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 director is 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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 director is aware

- there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

**Auditor**

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

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD



S Ghinn  
Secretary  
4 June 2008



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

We have audited the financial statements of Tweedwind Limited for the year ended 30 June 2007 which comprise the profit and loss account, balance sheet, cash flow statement and notes 1 to 18. 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 director and auditor**

The director's responsibilities for preparing the Report of the Director and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of director's responsibilities.

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 Report of the Director 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 director's remuneration and other transactions is not disclosed.

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

### **Basis of 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 director 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.

# Report of the independent auditor to the members of Tweedwind Limited (continued)

## 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 30 June 2007 and of its loss 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 Report of the Director is consistent with the financial statements.

## Emphasis of matter - going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company's ability to continue as a going concern is dependent on lenders reaching agreement as to how the shortfall in available assets is to be borne. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.



GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

London  
24 June 2008

## Profit and loss account

	Note	2007 £	2006 £
Turnover	2	-	48,204
Cost of sales		-	(43,856)
Gross profit		-	4,348
Other operating charges	3	(4,965)	(40,200)
<b>Operating loss</b>	4	<b>(4,965)</b>	<b>(35,852)</b>
Income from fixed asset investments		277	-
Amounts written off investments		-	(758,047)
Interest payable and similar charges	6	(54,622)	(50,084)
<b>Loss on ordinary activities before taxation</b>		<b>(59,310)</b>	<b>(843,983)</b>
Tax on loss on ordinary activities	7	-	-
<b>Loss for the financial year</b>	13	<b>(59,310)</b>	<b>(843,983)</b>

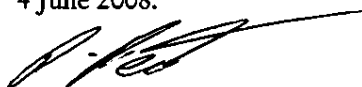
The company has no recognised gains or losses other than the results for the year as set out above.

**The accompanying notes form part of these financial statements.**

## Balance sheet

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	8	-	-
Investments	9	5,000	5,000
		<u>5,000</u>	<u>5,000</u>
<b>Current assets</b>			
Cash at bank		14,738	76,193
<b>Creditors: amounts falling due within one year</b>	10	56,639	58,784
<b>Net current (liabilities)/assets</b>		<u>(41,901)</u>	<u>17,409</u>
<b>Total assets less current liabilities</b>		<u>(36,901)</u>	<u>22,409</u>
<b>Creditors: amounts falling due after more than one year</b>	11	775,886	775,886
		<u>(812,787)</u>	<u>(753,477)</u>
<b>Capital and reserves</b>			
Called-up equity share capital	12	200,000	200,000
Profit and loss account	13	(1,012,787)	(953,477)
<b>Deficit</b>	14	<u>(812,787)</u>	<u>(753,477)</u>

These financial statements were approved and signed by the director and authorised for issue on 4 June 2008.



P S Peat  
 Director

**The accompanying notes form part of these financial statements.**



## Cash flow statement

	Note	2007 £	2006 £
Net cash (outflow)/inflow from operating activities	15	(11,648)	75,757
<b>Returns on investments and servicing of finance</b>			
Income from other fixed asset investments		277	—
Interest paid		(50,084)	—
Net cash outflow from returns on investments and servicing of finance		(49,807)	—
<b>Capital expenditure and financial investment</b>			
Purchase of investments		—	(5,000)
(Decrease)/increase in cash	16	<u>(61,455)</u>	<u>70,757</u>

**The accompanying notes form part of these financial statements.**

# Notes to the financial statements

## **1 Principal accounting policies**

### **Basis of accounting**

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

As shown in Note 11 to the financial statements, the company is due to repay debenture loans of £775,886 on 30 November 2008. However, this debt is considerably in excess of the company's other net assets. The company is in ongoing discussion with the loan providers as to how the shortfall will be borne, and the directors are confident of a satisfactory outcome. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result if these discussions are not concluded successfully.

### **Consolidation**

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

### **Turnover**

Turnover is the revenue arising from the sales of goods and services. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

## **2 Turnover**

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

## **3 Other operating charges**

	2007 £	2006 £
Administrative expenses	<u>4,965</u>	<u>40,200</u>

## **4 Operating loss**

Operating loss is stated after charging:

	2007 £	2006 £
Amortisation	-	39,150
Auditor's remuneration:		
Audit fees	<u>-</u>	<u>1,025</u>

**5 Directors and employees**

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

**6 Interest payable and similar charges**

	2007 £	2006 £
Interest on debenture loans	<u>54,622</u>	<u>50,084</u>

**7 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% (2006 - 30%).

	2007 £	2006 £
Loss on ordinary activities before taxation	<u>(59,310)</u>	<u>(843,983)</u>
Loss on ordinary activities by rate of tax	(17,793)	(253,195)
Expenses not deductible for tax purposes	-	227,414
Unrelieved tax losses	<u>17,793</u>	<u>25,781</u>
Total current tax	<u>-</u>	<u>-</u>

**8 Intangible fixed assets**

Licences and agreements

	£
Cost	
At 1 July 2006 and 30 June 2007	<u>45,000</u>
Amortisation	
At 1 July 2006 and 30 June 2007	<u>(45,000)</u>
Net book value	
At 30 June 2007	<u>-</u>
At 30 June 2006	<u>-</u>

**9 Investments**

	Shares in subsidiary £	Other investments £	Total £
Cost			
At 1 July 2006 and 30 June 2007	<u>758,047</u>	<u>5,000</u>	<u>763,047</u>
Amounts written off			
At 1 July 2006 and 30 June 2007	<u>758,047</u>	<u>-</u>	<u>758,047</u>
Net book value			
At 30 June 2007	<u>-</u>	<u>5,000</u>	<u>5,000</u>
At 30 June 2006	<u>-</u>	<u>5,000</u>	<u>5,000</u>

Listed investments having a net book value of £5,000 (2006 - £5,000) are held by the company and had a market value of £4,811 at the end of the year (2006 - £4,957).

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

	Nature of business	Capital and reserves £	Loss for the financial year £
Tweedwind (Two) Limited	Non-trading	(3,445,412)	(265,546)

**10 Creditors: amounts falling due within one year**

	2007 £	2006 £
Amounts owed to group undertakings	1,017	-
Other taxation	-	7,675
Other creditors	54,622	50,084
Accruals and deferred income	1,000	1,025
	<u>56,639</u>	<u>58,784</u>

Other creditors comprise unpaid interest on debenture loans.

**11 Creditors: amounts falling due after more than one year**

	2007 £	2006 £
Debenture loans	<u>775,886</u>	<u>775,886</u>

Included in the total above is £308,227 owed to other group undertakings and £101,354 of interest rolled up in a prior year.

The loans bear interest at 2% over LIBOR and are secured by a fixed and floating charge over all of the assets of the company.

The loan providers have agreed to postpone repayment of the principal amounts under any of the loan facilities until after 30 November 2008.

**12 Share capital**

Authorised share capital:

	2007 £	2006 £
200,000 Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>

Allotted, called up and fully paid:

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>

**13 Profit and loss account**

	2007 £	2006 £
Balance brought forward	(953,477)	(109,494)
Loss for the financial year	(59,310)	(843,983)
Balance carried forward	<u>(1,012,787)</u>	<u>(953,477)</u>

**14 Reconciliation of movements in shareholders' funds**

	2007 £	2006 £
Loss for the financial year	(59,310)	(843,983)
Opening shareholders' (deficit)/funds	(753,477)	90,506
Closing shareholders' deficit	<u>(812,787)</u>	<u>(753,477)</u>

**15 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities**

	2007 £	2006 £
Operating loss	(4,965)	(35,852)
Amortisation	-	39,150
Decrease in debtors	-	64,759
(Decrease)/increase in creditors	(6,683)	7,700
Net cash (outflow)/inflow from operating activities	<u>(11,648)</u>	<u>75,757</u>

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

	2007 £	2006 £
(Decrease)/increase in cash in the period	(61,455)	70,757
Net debt at 1 July 2006	(699,693)	(770,450)
Net debt at 30 June 2007	<u>(761,148)</u>	<u>(699,693)</u>

**17 Analysis of changes in net debt**

	At 1 Jul 2006 £	Cash flows £	At 30 Jun 2007 £
Cash in hand and at bank	76,193	(61,455)	14,738
Debenture loans	(775,886)	-	(775,886)
Net debt	<u>(699,693)</u>	<u>(61,455)</u>	<u>(761,148)</u>

**18 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, 86 Bondway, London, SW8 1SF.