Energis Holdings Limited

Directors' report and financial statements

Registered number 3649524

31 March 2005

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2005.

Principal activities, review of business and future developments

The Company's principal activity is to act as an intermediate holding company within the Chelys group of companies. It has not traded during the year.

Results and dividends

The Company's retained profit for the year was £12.8 million (2004:loss £22.9 million). The directors recommend that no dividend be paid (2004: £nil).

Directors and directors' interests

The directors of the Company during the year ended 31 March 2005, all of whom were directors for the whole of the year unless otherwise stated, are listed below:

J Pluthero
A Norman
E O'Hare (resigned 1 December 2004)

None of the directors had any interest in the share capital of the Company. The interests of the directors in the share capital of Chelys Limited are disclosed in that company's financial statements.

Auditors

Pursuant to a Shareholders' resolution, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By Order of the Board

J Pluthero
Director

185 Park Street
London
SE1 9DY

26 May 2005

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

Independent auditors' report to the members of Energis Holdings Limited

We have audited the financial statements on pages 4 to 13.

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 auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with 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 the Company's affairs as at 31 March 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
EC4Y 8BB

26 May 2005

Profit and loss account

for the year ended 31 March 2005

	Note	**2005**	2004
		£000	£000
Operating result	*3*		
Amounts written off investments		**(3,629)**	-
Net interest receivable/(payable) and similar amounts	*4*	**16,420**	(22,871)
Profit/(loss) on ordinary activities before taxation		**12,791**	(22,871)
Taxation on profit/(loss) on ordinary activities	*5*	**-**	-
Retained profit/(loss) for the financial year	*12*	**12,791**	(22,871)

All the results are from continuing operations.

The Company had no recognised gains and losses other than those included in the profit for the year and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical equivalents.

Balance sheet

at 31 March 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	*6*	-	-
Current assets			
Debtors: due within one year		691	460
Debtors: due in more than one year		335,705	271,832
Debtors	*7*	336,396	272,292
Cash at bank and in hand		145,891	165,256
		482,287	437,548
Creditors: amounts falling due within one year	*8*	(80)	(174)
Net current assets		482,207	437,374
Total assets less current liabilities		482,207	437,374
Creditors: amounts falling due after more than one year	*9*	764,530	1,323,022
Capital and reserves			
Called up share capital	*11*	177,466	177,466
Share premium account	*12*	590,534	-
Profit and loss account	*12*	(1,050,323)	(1,063,114)
Equity shareholders' deficit		(282,323)	(885,648)
		482,207	437,374

These financial statements were approved by the board of directors on 26 May 2005, and were signed on its behalf by:

J Pluthero
Director

Reconciliation of movements in shareholders' deficit

for the year ended 31 March 2005

	2005 £000	2004 £000
Profit/(Loss) for the financial year	**12,791**	(22,871)
Share issue	**590,534**	-
Net decrease/(increase) in shareholders' deficit	**603,325**	(22,871)
Opening shareholders' deficit	**(885,648)**	(862,777)
Closing shareholders' deficit	**(282,323)**	(885,648)

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

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

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

Cash flow statement

The Company is a wholly owned subsidiary of Chelys Limited, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996).

Currency translation

Transactions denominated in foreign currencies are translated at the rate prevailing at the time of the transaction. Monetary assets or liabilities denominated in foreign currencies which are held at year end are translated at year-end rates of exchange. Exchange differences on monetary items are taken to the profit and loss account.

Fixed asset investments

Investments including investments in subsidiary undertakings, are carried at cost less provision for impairment.

Issue costs of borrowings

The costs of raising finance such as bank loans are capitalised against the carrying value of the debt. The costs are charged to the profit and loss account on an annual basis over the life of the debt.

Derivatives

Interest rate swaps are not recognised on-balance sheet where used as a hedging instrument. The net interest paid or received under the swaps is recorded on an accruals basis and included within net interest in the profit and loss account.

When a derivative instrument ceases to be a hedge, either as a result of the underlying asset or liability being extinguished or because a future event is no longer likely to occur, the swap will thereafter to marked to its fair value in the financial statements and any resulting gains and losses are recognised in the profit and loss account.

Taxation

The charge for tax is based on the result for the year. Deferred taxation is provided using a full provision method on certain timing differences between the recognition of gains and losses on an accounting basis and the recognition of those gains and losses on a tax basis. Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they are to be recovered. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date.

Notes *(continued)*

2 Operating result

Auditors remuneration has been borne by other group companies.

3 Employee information and directors emoluments

The Company did not employ any staff during the period. Directors' emoluments have been borne by other group companies.

4 Net interest receivable/(payable) and similar amounts

	2005	2004
	£000	£000
Bank loans and overdrafts	**(45,048)**	(41,847)
Interest payable to other Group undertakings	**(11,220)**	(50,240)
Other finance costs	**(80)**	(80)
	(56,348)	(92,167)
Bank interest receivable	**6,829**	6,249
Interest receivable from other Group undertakings	**65,939**	63,047
Net interest receivable/(payable) and similar amounts	**16,420**	(22,871)

Notes *(continued)*

5 Taxation on profit on ordinary activities

A reconciliation between the UK tax credit at the statutory rate of 30% *(2004:30%)* and the actual tax credit is as follows:

	2005	2004
	£000	£000
UK corporation tax credit at 30% *(2004:30%)* of profit/(loss) on ordinary activities before taxation	**3,837**	(6,861)
Permanent differences:		
Amounts written off investments	-	-
Utilisation of losses	**(3,837)**	-
Appropriation of tax losses to/from group companies for nil consideration	-	6,861
	-	-

Deferred tax

No amounts have been recognised in respect of deferred tax assets due to the uncertainty regarding their future use. The amount of unprovided deferred tax assets at the year end is £13 million (2004: £17 million). These assets can be carried forward and used to offset future tax charges.

6 Investments

	Investments in subsidiaries £000
Cost	
At 1 April 2004	356,027
Investment	3,629
At 31 March 2005	**359,656**
Provision for impairment	
At 1 April 2004	(356,027)
Additional provision	(3,629)
At 31 March 2005	**(359,656)**
Net book value	
At 31 March 2005	-
At 1 April 2004	-

During the year, the Company purchased 1 ordinary share in Energis Management Limited in settlement of an intercompany loan. The nominal value of the share was £1 and the value of the loan cancelled was £3,629,457. This investment was subsequently written down to its estimated recoverable amount.

Notes (continued)

6 Investments (continued)

The subsidiary undertakings directly held by the Company are listed below:

	Country of incorporation	Principal activity	% ordinary shares
Energis Communications Limited	England & Wales	Provision of telecommunications services	100%
Energis Ireland Limited	Northern Ireland	Not trading	100%
MetroHoldings Limited	England & Wales	Dormant	100%
T3 telecommunications Limited	England & Wales	Not trading	100%
Energis Integration Services Limited	England & Wales	Dormant	100%
Energis Squared Limited	England & Wales	Dormant	100%
Energis Mobile Limited	England & Wales	Dormant	100%
Energis Management Limited	England & Wales	Not trading	100%

7 Debtors

	2005 £000	2004 £000
Amounts due within one year:		
Prepayments and accrued income	**691**	460
	691	460
Amounts due in more than one year:		
Amounts owed by subsidiary undertakings	**335,705**	271,832
	336,396	272,292

8 Creditors: amounts falling due within one year

	2005 £000	2004 £000
Other creditors	**(30)**	(124)
Accruals	**(50)**	(50)
	(80)	(174)

Notes *(continued)*

9 Creditors: amounts falling due after more than one year

	2005 **£000**	*2004* £000
Loans (see note 10)	**(5,448)**	(6,629)
Bank loans (see note 10)	**(589,034)**	(564,121)
Amounts owed to parent company	**(170,048)**	(752,272)
	(764,530)	(1,323,022)

Amounts owed to parent company have been classified as falling due in more than one year as the directors of Chelys Limited have notified the Company that repayment of the balance will not become payable prior to one year from the date of signing of the accounts.

10 Bank and other borrowings

As at 31 March 2005, loans and bank loans include the following amounts due in more than five years:

	£ million	**Rate**	**Maturing**
Bank loans	432.4	Libor + 225bp to 325bp	2010

Security for these loans is provided by fixed and floating charges over the assets of the Chelys Group.

Maturity profile of debt

The maturity of bank and other borrowings are as follows:

	2005 **£000**	2004 £000
Within one year	**(650)**	(975)
Between one and two years	**(650)**	(650)
Between two and three years	**(650)**	(650)
Between three and four years	**(650)**	(650)
Between four and five years	**(147,875)**	(650)
More than five years	**(432,363)**	(560,647)
	(582,838)	(564,222)
Accrued finance costs	**(11,644)**	(6,528)
	(594,482)	(570,750)

Notes *(continued)*

11 Called up share capital

	2005	*2004*
	£000	£000
Authorised		
180,000,000 Ordinary shares of £1 each (2004: 180,000,000)	**180,000**	180,000
Allotted, called up and fully paid		
177,466,267 Ordinary shares of £1 each (2004: 177,466,266)	**177,466**	177,466

During the year, 1 ordinary share was issued to the Company's parent company in exchange for the cancellation of an inter-company loan. The nominal value of this share was £1 and the loan exchanged was £590,534,279.

12 Share Premium and Reserves

	Share Premium Account	**Profit and loss Account**	**Total**
	£000	**£000**	**£000**
At 1 April 2004	-	(1,063,114)	(1,063,114)
Share issue	590,534	-	590,534
Profit for the financial year	-	12,791	12,791
At 31 March 2005	590,534	(1,050,323)	(459,789)

13 Commitments and contingent liabilities

The Company had no capital commitments or commitments under operating leases at 31 March 2005.

The Company is party to cross guarantees between the Company, the Company's parent and fellow subsidiaries for the bank loans of the Chelys group. At 31 March 2005, £149.8 million *(2004: £150.4 million)* of the bank loans were held by other group companies.

14 Related party transactions

The Company is a wholly owned subsidiary of Chelys Limited, the accounts of which are publicly available, and as such is not required to disclose details of transactions and balances with other 90 percent owned subsidiaries of Chelys Limited. There were no other related party transactions during the year.

Notes *(continued)*

15 Ultimate parent company

The parent company and ultimate holding company is Chelys Limited whose Company Secretary can be contacted at:

Chelys Limited
185 Park Street
London
SE1 9DY

The largest and smallest group in which the results of the Company are consolidated is headed by Chelys Limited.