

Financial statements Tweedwind (Two) Limited

For the Period from 1 July 2007 to 31 December 2008

SATURDAY



ASQKFDSW

A05

03/10/2009

63

COMPANIES HOUSE

Tweedwind (Two) Limited

Financial statements for the period from 1 July 2007 to 31 December 2008

Contents

Report of the directors	1 - 2
Report of the independent auditor	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8 - 12

Report of the directors

The directors present their report and the financial statements of the company for the period from 1 July 2007 to 31 December 2008.

Principal activities and business review

The company has operated as an investment company since it sold its cable communication network trade and assets in December 2005.

Results and dividends

The loss for the period amounted to £579,730. The directors have 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.

Directors

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

Mr E H Klotz	(Appointed 2 May 2008)
Mr P S Peat	(Appointed 18 January 2008)
Mr S F Board	(Resigned 8 May 2008)
Mr O P Hopkes	(Resigned 10 August 2007)
Mr T J L Wills	(Appointed 1 September 2008, Resigned 7 September 2007)
Mr M R Goodliffe	(Appointed 3 December 2007, Resigned 18 January 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 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 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;
- 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 that 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 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.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'D F Fuller', written over a horizontal line.

D F Fuller
Secretary
22 September 2009



Report of the independent auditor to the members of Tweedwind (Two) Limited

We have audited the financial statements of Tweedwind (Two) Limited for the period from 1 July 2007 to 31 December 2008 which comprise the profit and loss account, balance sheet, cash flow statement and notes 1 to 20. 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

The directors' responsibilities for preparing the Report of the Directors 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 directors' 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 Directors 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 Report of the Directors 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 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.

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

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the period 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 Directors is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

Southampton
2 October 2009

Profit and loss account

	Note	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Turnover	2	234	501
Cost of sales		—	2,212
Gross profit		234	2,713
Other operating charges	3	(9,441)	28,038
Operating (loss)/profit	4	(9,207)	30,751
Income from fixed asset investments		914	1,159
Interest receivable		54,567	62,195
Loss on held-to-maturity investments		(1,025)	—
Interest payable and similar charges	6	(624,979)	(359,651)
Loss on ordinary activities before taxation		(579,730)	(265,546)
Tax on loss on ordinary activities	7	—	—
Loss for the financial period	15	(579,730)	(265,546)

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 period as set out above.

Balance sheet

	Note	31 Dec 08 £	30 Jun 07 £
Fixed assets			
Investments	8	<u>2,000</u>	<u>20,000</u>
Current assets			
Debtors	9	164,559	933,901
Cash at bank		<u>510,138</u>	<u>474,550</u>
		674,697	1,408,451
Creditors: amounts falling due within one year	10	<u>4,701,839</u>	<u>397,851</u>
Net current (liabilities)/assets		<u>(4,027,142)</u>	<u>1,010,600</u>
Total assets less current liabilities		<u>(4,025,142)</u>	<u>1,030,600</u>
Creditors: amounts falling due after more than one year	11	–	4,476,012
		<u>(4,025,142)</u>	<u>(3,445,412)</u>
Capital and reserves			
Called-up equity share capital	13	3	3
Share premium account	14	1,130,788	1,130,788
Profit and loss account	15	<u>(5,155,933)</u>	<u>(4,576,203)</u>
Deficit	16	<u>(4,025,142)</u>	<u>(3,445,412)</u>

These financial statements were approved by the directors and authorised for issue on 22 September 2009, and are signed on their behalf by:



P S Peat
Director

Cash flow statement

	Note	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Net cash inflow/(outflow) from operating activities	17	703,270	(482,614)
Returns on investments and servicing of finance			
Income from other fixed asset investments		914	1,159
Interest received		90,733	47,195
Interest paid		(776,304)	(335,037)
Net cash outflow from returns on investments and servicing of finance		<u>(684,657)</u>	<u>(286,683)</u>
Capital expenditure and financial investment			
Acquisition of investments		(2,000)	—
Disposal of investments		18,975	—
Net cash inflow for capital expenditure and financial investment		<u>16,975</u>	<u>—</u>
Acquisitions and disposals			
Cash received on disposal of trade		—	500,000
Management of liquid resources			
Cash placed in short term deposits		(389,300)	(100,000)
Decrease in cash	18	<u>(353,712)</u>	<u>(369,297)</u>

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 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 10 to the financial statements, the company was due to repay debenture loans of £4,476,012 on 30 November 2008. This debt is considerably in excess of the company's other net assets. However, the company can require the lenders, under the loan facilities dated 28 June 2002, 11 April 2003 and 18 November 2003, to accept an issue of deferred shares in satisfaction of outstanding debt under those loan facilities. It is the current intention of the directors to pursue this as it will increase the equity of the company and return the balance sheet to a solvent position. It is anticipated that all other available funds will be distributed to the debenture holders immediately prior to the equity issue. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis.

Turnover

Turnover is the total amount receivable by the company for services provided, excluding VAT and trade discounts.

2 Turnover

The turnover arises wholly in the United Kingdom from the company's former activity as a cable communication network provider.

3 Other operating charges

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Administrative expenses	<u>9,441</u>	<u>(28,038)</u>

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Auditor's remuneration:		
Audit fees	<u>3,000</u>	<u>8,000</u>

5 Particulars of employees

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

6 Interest payable and similar charges

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Interest on debenture loans	<u>624,979</u>	<u>359,651</u>

7 Taxation on ordinary activities

Factors affecting current tax charge

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Loss on ordinary activities before taxation	<u>(579,730)</u>	<u>(265,546)</u>
Loss on ordinary activities by rate of tax	<u>(168,122)</u>	<u>(79,664)</u>
Unrelieved tax losses	<u>168,122</u>	<u>79,664</u>
Total current tax	<u>-</u>	<u>-</u>

8 Investments
Government stocks

	£
Cost	
At 1 July 2007	20,000
Additions	2,000
Disposals	<u>(20,000)</u>
At 31 December 2008	<u>2,000</u>
Net book value	
At 31 December 2008	<u>2,000</u>
At 30 June 2007	<u>20,000</u>

Listed investments having a net book value of £2,000 (2007 - £20,000) are held by the company and had a market value of £2,081 at the end of the period (2007 - £18,987).

9 Debtors

	31 Dec 08 £	30 Jun 07 £
Amounts owed by group undertakings	163,509	396,056
VAT recoverable	1,050	1,679
Other debtors	-	500,000
Prepayments and accrued income	-	36,166
	<u>164,559</u>	<u>933,901</u>

10 Creditors: amounts falling due within one year

	31 Dec 08	30 Jun 07
	£	£
Debenture loans	4,476,012	—
Other creditors	—	359,651
Accruals and deferred income	225,827	38,200
	<u>4,701,839</u>	<u>397,851</u>

The debenture loans bear interest at 2% over LIBOR and are secured by a fixed and floating charge over all of the assets of the company. They were due for repayment on 30 November 2008 but are considerably in excess of the company's other net assets. However, the company can require the lenders, under the loan facilities dated 28 June 2002, 11 April 2003 and 18 November 2003, to accept an issue of deferred shares in satisfaction of outstanding debt under those loan facilities. It is the current intention of the directors to pursue this as it will increase the equity of the company and return the balance sheet to a solvent position.

Included in debenture loans is £2,686,305 owed to other group undertakings and £611,012 of interest rolled up in a prior year.

Other creditors at 30 June 2007 comprise interest on the loans paid after the year end.

11 Creditors: amounts falling due after more than one year

	31 Dec 08	30 Jun 07
	£	£
Debenture loans	<u>—</u>	<u>4,476,012</u>

12 Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

13 Share capital

Authorised share capital:

	31 Dec 08	30 Jun 07
	£	£
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Allotted, called up and fully paid:

	31 Dec 08		30 Jun 07	
	No	£	No	£
Ordinary shares of £1 each	3	3	3	3

14 Share premium account

There was no movement on the share premium account during the financial period.

15 Profit and loss account

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Balance brought forward	(4,576,203)	(4,310,657)
Loss for the financial period	(579,730)	(265,546)
Balance carried forward	<u>(5,155,933)</u>	<u>(4,576,203)</u>

16 Reconciliation of movements in shareholders' funds

	31 Dec 08 £	30 Jun 07 £
Loss for the financial period	(579,730)	(265,546)
Opening shareholders' deficit	<u>(3,445,412)</u>	<u>(3,179,866)</u>
Closing shareholders' deficit	<u>(4,025,142)</u>	<u>(3,445,412)</u>

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

	Period from 1 Jul 07 to 31 Dec 08 £	Year to 30 Jun 07 £
Operating (loss)/profit	(9,207)	30,751
Decrease/(increase) in debtors	733,176	(353,445)
Decrease in creditors	<u>(20,699)</u>	<u>(159,920)</u>
Net cash inflow/(outflow) from operating activities	<u>703,270</u>	<u>(482,614)</u>

18 Reconciliation of net cash flow to movement in net debt

	31 Dec 08 £	30 Jun 07 £
Decrease in cash in the period	(353,712)	(369,297)
Cash used to increase liquid resources	<u>389,300</u>	<u>100,000</u>
Change in net debt	35,588	(269,297)
Net debt at 1 July 2007	<u>(4,001,462)</u>	<u>(3,732,165)</u>
Net debt at 31 December 2008	<u>(3,965,874)</u>	<u>(4,001,462)</u>

19 Analysis of changes in net debt

	At 1 Jul 2007 £	Cash flows £	Other changes £	At 31 Dec 2008 £
Net cash:				
Cash in hand and at bank	474,550	35,588	–	510,138
Less: deposits treated as liquid resources	(100,000)	(389,300)	–	(489,300)
	<u>374,550</u>	<u>(353,712)</u>	<u>–</u>	<u>20,838</u>
Liquid resources:				
Deposits included in cash	<u>100,000</u>	<u>389,300</u>	<u>–</u>	<u>489,300</u>
Debt:				
Debt due within 1 year	–	–	(4,476,012)	(4,476,012)
Debt due after 1 year	(4,476,012)	–	4,476,012	–
	<u>(4,476,012)</u>	<u>–</u>	<u>–</u>	<u>(4,476,012)</u>
Net debt	<u>(4,001,462)</u>	<u>35,588</u>	<u>–</u>	<u>(3,965,874)</u>

20 Ultimate parent company

The Directors consider that the immediate parent undertaking is Tweedwind Limited, which is registered in England and Wales.

The ultimate parent undertaking and controlling party is CLS Holdings plc, which is registered in England and Wales.

The largest and smallest group of undertakings for which group accounts are drawn up are those headed by CLS Holdings plc, copies of which may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London, SW8 1SF.