

**CHARLWORTH LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2007**

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COMPANIES HOUSE

Company No 3000681

**CHARLWORTH LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **CHARLWORTH LIMITED**

### **REPORT OF THE DIRECTORS' FOR THE YEAR ENDED 31 DECEMBER 2007**

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2007

This Directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985

#### **1 PRINCIPAL ACTIVITY**

The principal activity of the Company is to carry on investment business and to earn income therefrom

#### **2 REVIEW OF THE BUSINESS**

The results for the year are shown on page 4 of the annual report. The Directors expect the principal activity of the Company to remain unchanged for the foreseeable future.

#### **3 DIVIDENDS**

The Directors do not propose a dividend for the year ended 31 December 2007 (2006: nil)

#### **4 DIRECTORS**

The Directors of the Company during the whole of the year were as follows -

Mr P H Sjöberg (resigned 2 May 2008)  
Mr S F Board (resigned 8 May 2008)  
Mr K E Chapman (appointed 23 November 2007 and resigned 1 February 2008)  
Mr D M Baverstam (resigned 23 November 2007)  
Mr E H Klotz (appointed 2 May 2008)  
Mr A G P Millet (appointed 1 February 2008)  
Mr T J L Wills (appointed 1 September 2008)

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors and former Directors who held office in 2007

Each Director has confirmed that

- So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware,
- He has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

**CHARLWORTH LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**5 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

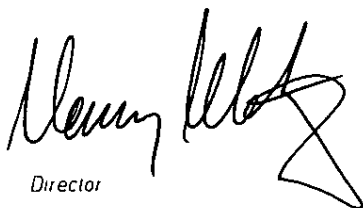
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**6 AUDITORS**

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 9th October 2002 dispensing with the requirement to appoint auditors annually. Therefore Deloitte & Touche LLP are deemed to continue as auditors.

**BY ORDER OF THE BOARD**

**REGISTERED OFFICE**



Director

30 October 2008

86 Bondway  
London  
SW8 1SF  
England

## **CHARLWORTH LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHARLWORTH LIMITED**

We have audited the financial statements of Charlworth Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 11. 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 financial statements in accordance with applicable law and United Kingdom 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 Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

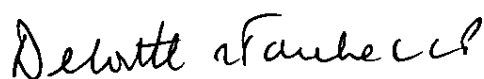
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 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 Directors' Report is consistent with the financial statements.



#### **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors  
London  
United Kingdom  
30 October 2008

**CHARLWORTH LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

|  | NOTES | 2007<br>£      | 2006<br>£      |
|--|-------|----------------|----------------|
| Turnover   | (1,2) | 432            | 165            |
| Administrative expenses                            |       | (3,484)        | (7,132)        |
| <b>Operating loss</b>                              |       | <b>(3,052)</b> | <b>(6,967)</b> |
| <b>Loss on ordinary activities before taxation</b> | (4)   | <b>(3,052)</b> | <b>(6,967)</b> |
| Tax on loss on ordinary activities                 | (5)   | (3 188)        | (275)          |
| <b>Loss for the financial year</b>                 | (10)  | <b>(6 240)</b> | <b>(7 242)</b> |

The Company has no other recognised gains or losses other than those reported in the above profit and loss account

There is no material difference between the loss on ordinary activities before taxation and the loss for the year stated above, and their historical cost equivalents

All items included in the above profit and loss account are part of continuing operations

CHARLWORTH LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

|  | NOTES | 2007<br>£ | 2006<br>£ |
|--|-------|-----------|-----------|
| <b>FIXED ASSETS</b>                                  |       |           |           |
| Fixed asset investments                              | (6)   | 10 000    | 5,000     |
| <b>CURRENT ASSETS</b>                                |       |           |           |
| Debtors amounts falling due within one year          | (7)   | 20 004    | 1         |
| Cash at bank and in hand                             |       | 519       | 1 400     |
|  |       | 20 523    | 1 401     |
| <b>CREDITORS amounts falling due within one year</b> | (8)   | (19 269)  | (8 907)   |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>              |       | 1 254     | (7,506)   |
| <b>NET ASSETS/(LIABILITIES)</b>                      |       | 11 254    | (2,506)   |
| <b>CAPITAL AND RESERVES</b>                          |       |           |           |
| Called up share capital                              | (9)   | 30 000    | 10 000    |
| Profit and loss account                              | (10)  | (18 746)  | (12 506)  |
| <b>SHAREHOLDERS' FUNDS/(DEFICITS)</b>                |       | 11,254    | (2 506)   |

The financial statements were approved by the Board of Directors on 30 October 2008 and signed on its behalf by

 DIRECTOR

**CHARLWORTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**

**1 PRINCIPAL ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

**1.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The Company has taken advantage of the exemption in Financial Reporting Standard No 1 as a cash flow statement has been prepared for the Group. The Company is a wholly owned subsidiary of CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No 8 not to detail transactions with fellow Group undertakings as the financial statements of CLS Holdings plc are publicly available. The Company has received assurances from fellow group Companies that sufficient funds will be made available to meet the Company's requirements for at least twelve months from the date of these accounts.

**1.2 Turnover**

Turnover comprises interest income receivable from investments and is recognised on an accruals basis in accordance with the underlying interest rate.

**1.3 Fixed Asset Investments**

Investments held as fixed assets are stated at cost. A provision is made for any permanent diminution in value.

**1.4 Taxation**

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from the reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.



**CHARLWORTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

| <b>2</b> | <b>TURNOVER</b>                  | <b>2007<br/>£</b> | <b>2006<br/>£</b> |
|----------|----------------------------------|-------------------|-------------------|
|          | Interest reivable on investments | 432               | 165               |

**3 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION**

The emoluments of the Directors of the Company who are Directors of CLS Holdings plc, are disclosed in that Company's financial statements in respect of their services to the group as a whole. The Company had no employees during the year (2006: none).

| <b>4</b> | <b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b> | <b>2007<br/>£</b> | <b>2006<br/>£</b> |
|----------|--|-------------------|-------------------|
|          | This is stated after charging                      |                   |                   |
|          | Auditors remuneration                              | 1,176             | 1,175             |

| <b>5</b> | <b>TAX ON LOSS ON ORDINARY ACTIVITIES</b>                     | <b>2007<br/>£</b> | <b>2006<br/>£</b> |
|----------|---|-------------------|-------------------|
|          | UK corporation tax at 30% (2006: 30%)                         | -                 | -                 |
|          | Payment for losses surrendered under Group Relief arrangement | 3,188             | 275               |
|          |   | 3,188             | 275               |

The current tax charge for the year is lower in 2007 and 2006 than the standard rate of UK corporation tax (30%) as explained below:

|  | <b>2007<br/>£</b> | <b>2006<br/>£</b> |
|--|-------------------|-------------------|
| Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006: 30%) | (916)             | (2,091)           |
| Effect of:<br>Losses surrendered by group/consortium relief  | 916               | 2,091             |
| Current tax charge in profit and loss account  | -                 | -                 |

**CHARLWORTH LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)**

**6 FIXED ASSET INVESTMENTS**

|                               | Shares in<br>Gilts |
|-------------------------------|--------------------|
|                               | £                  |
| Balance at 1st January 2007   | 5 000              |
| Additions                     | 5 000              |
|                               | <hr/>              |
| Balance at 31st December 2007 | <u>10 000</u>      |

The above Gilts were purchased at a cost of £10,000 (2006 £5,000) Market value at 31 December 2007 was £10,021 71 (2006 £4 844 36)

**7 DEBTORS - Amounts falling due within one year**

|                                     | 2007<br>£     | 2006<br>£ |
|-------------------------------------|---------------|-----------|
| Amounts due from group undertakings | 20 000        | -         |
| Accrued income                      | <u>4</u>      | <u>1</u>  |
|                                     | <u>20,004</u> | <u>1</u>  |

**8 CREDITORS amounts falling due within one year**

|                                   | 2007<br>£     | 2006<br>£    |
|-----------------------------------|---------------|--------------|
| Amounts due to group undertakings | 19,269        | 8,907        |
|                                   | <u>19 269</u> | <u>8 907</u> |

**9 CALLED UP SHARE CAPITAL**

|  | 2007<br>£ | 2006<br>£ |
|--|-----------|-----------|
| Authorised share capital<br>100 000 Ordinary shares of £1 each<br>(2006 10 000 ordinary shares of £1 each) | 100 000   | 10,000    |
|  | <hr/>     | <hr/>     |

On 17 December 2007 the authorised share capital was increased by 90,000 ordinary shares of £1 each to 100,000 ordinary shares of £1 each

Issued share capital

|  |        |        |
|--|--------|--------|
| Allotted called up and fully paid<br>30 000 Ordinary Shares of £1 each<br>(2006 10,000 ordinary shares of £1 each) | 30 000 | 10 000 |
|  | <hr/>  | <hr/>  |

On 17 December 2007 20 000 shares were issued at par

**CHARLWORTH LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)****10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS/(DEFICIT)**

|                             | Share<br>Capital<br>£ | Profit &<br>Loss Account<br>£ | 2007<br>Total<br>£ | 2006<br>Total<br>£ |
|-----------------------------|-----------------------|-------------------------------|--------------------|--------------------|
| Balance at 1 January        | 10,000                | (12,506)                      | (2,506)            | 4,736              |
| Issued share capital        | 20,000                | -                             | 20,000             | -                  |
| Loss for the financial year | -                     | (6,240)                       | (6,240)            | (7,242)            |
|                             | <hr/>                 | <hr/>                         | <hr/>              | <hr/>              |
| Balance at 31 December      | 30,000                | (18,746)                      | 11,254             | (2,506)            |
|                             | <hr/>                 | <hr/>                         | <hr/>              | <hr/>              |

**11 PARENT UNDERTAKING**

The Directors consider that the immediate, ultimate parent undertaking and controlling party is CLS Holdings plc which is incorporated 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.