

**DAWEGROVE LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2007**

Company No 3930770

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**DAWEGROVE LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **DAWEGROVE 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 Company has performed in line with expectations and the Directors expect the principal activity of the Company to remain unchanged for the foreseeable future

#### **3 DIRECTORS**

The Directors of the Company during the year were as follows

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

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

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

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

**DAWEGROVE LIMITED**

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

**4 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

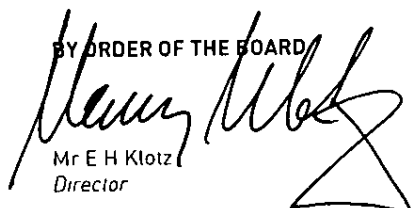
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records 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 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.

**5 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



Mr E H Klotz  
Director

30 October 2008

**REGISTERED OFFICE**

86 Bondway  
London  
SW8 1SF  
England

## **DAWEGROVE LIMITED**

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

We have audited the financial statements of Dawegrove Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 report to you whether, in our opinion, the information given in the Directors' Report is consistent with the financial statements. We also 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**

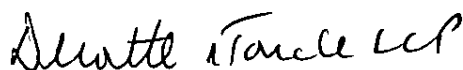
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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

**DAWEGROVE LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	<b>Notes</b>	<b>2007 £</b>	<b>2006 £</b>
Turnover	(1,2)	631	470 028
Administrative expenses		(1 423,950)	(74,706)
Loss on disposal of fixed asset investments	(7)	(1,542)	-
<b>Operating (loss)/ profit</b>		<u>(1,424,861)</u>	<u>395 322</u>
Interest payable and similar charges	(4)	(734,224)	(684,063)
<b>Loss on ordinary activities before taxation</b>	(3)	<u>(2 159 085)</u>	<u>(288 741)</u>
Tax charge on ordinary activities	(5)	(67,361)	(19 546)
<b>Loss for the financial year</b>	(11)	<u><u>(2,226 446)</u></u>	<u><u>(308 287)</u></u>

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

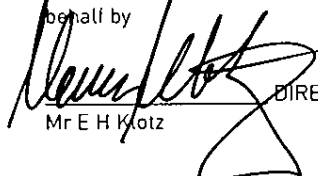
All items included in the above profit and loss account are part of continuing operations

**DAWEGROVE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	Notes	2007 €	2006 €
<b>FIXED ASSETS</b>			
Investments	(7)	265,636	270 636
<b>CURRENT ASSETS</b>			
Debtors amounts falling due after more than one year	(8)	681,868	11,716 725
Cash at bank and in hand		8,396	-
		690 264	11,716 725
<b>CREDITORS amounts falling due within one year</b>	(9)	(2,868,816)	(11,673,831)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		(2,178 552)	42 894
<b>NET (LIABILITIES) / ASSETS</b>		(1 912,916)	313,530
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(10)	300,000	300 000
Profit and loss account	(11)	(2,212,916)	13,530
<b>SHAREHOLDERS' (DEFICIT) / FUNDS</b>		(1 912,916)	313 530

The financial statements on pages 4 to 9 were approved by the Board of Directors on 30 October 2008 and signed on it behalf by

  
 Mr E H Klotz  
 DIRECTOR

## DAWEGROVE 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 UK 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.

##### 1.2 *Fixed Asset Investments*

Fixed asset investments are held at cost. A provision is made for any permanent diminution in value.

##### 1.3 *Turnover*

Turnover comprises income receivable from investments, excluding VAT.

##### 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.

#### 2 TURNOVER

	2007 £	2006 £
Interest receivable on investments	631	613
Interest receivable on loans	-	469,415
	<hr/>	<hr/>
	631	470,028
	<hr/>	<hr/>



# DAWEGROVE LIMITED

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

### 3 (LOSS)/ PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging

	2007 £	2006 £
Auditors' remuneration - fees for audit of the company's annual accounts	1 176	1 176

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
On loans from group undertakings	734 224	684,063
	<u>734,224</u>	<u>684 063</u>

The auditors' remuneration is borne by another group company

### 5 TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
UK corporation tax at 30%	-	-
Payment for losses surrendered under Group Relief arrangement	67,361	19 546
	<u>67,361</u>	<u>19 546</u>

The current tax charge for the period in 2007 and 2006 differs to the standard rate of UK corporation tax (30%) as explained below

	2007 £	2006 £
Loss on ordinary activities before taxation		
multiplied by the standard rate of UK corporation tax of 30%	(647 725)	(86 622)
Effect of		
Differences due to non-taxable items & permanent differences	270,000	(17,700)
Losses surrendered to group/consortium relief- current year	377 725	104,322
Current tax charge in profit and loss account	<u>-</u>	<u>-</u>

### 6 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 other employees during the year (2006: nil).

**DAWEGROVE LIMITED**

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

**7 FIXED ASSET INVESTMENTS**

	<b>Gilts</b>	<b>Investment in subsidiary</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 January	10,000	260,636	270,636
Disposal	(5,000)	-	(5,000)
As at 31 December	<u>5,000</u>	<u>260,636</u>	<u>265,636</u>

During the the year the gilts were sold at a loss of £1,542

The Investment in subsidiary is Tweedwind Three Ltd (formerly Wightcable North Ltd), incorporated in Scotland of which Dawegrove Limited owns 228 799 703 ordinary shares with a total nominal value of £2, representing 100% of the ordinary share capital

The company is exempt from preparing consolidated accounts, by virtue of S228 of The Companies Act 1985, as its results and the results of its subsidiary undertaking are included in the consolidated accounts of CLS Holdings plc, 86 Bondway, Vauxhall, London SW8 1SF

**8 DEBTORS Amounts due after more than one year**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Loans to group undertakings	296,868	8 936 792
Other loans	385 000	1,800 000
Accrued income	-	979,933
	<u>681,868</u>	<u>11 716 725</u>

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Amounts due to group undertakings	2,868,816	11 673,831
Accruals and deferred income	-	-
	<u>2 868,816</u>	<u>11,673 831</u>

Amounts due to group undertakings are unsecured and repayable on demand

**10 SHARE CAPITAL**

	<b>2007</b>	<b>2006</b>
Authorised share capital		
1 000,000 Ordinary shares of £1 each	<u>1 000,000</u>	<u>1,000,000</u>
Issued share capital		
Allotted called up and fully paid		
300 000 Ordinary shares of £1 each	<u>300 000</u>	<u>300 000</u>

**DAWEGROVE LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007****11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>Share Capital £</b>	<b>Profit &amp; Loss Account £</b>	<b>2007 Total £</b>	<b>2006 Total £</b>
Balance at 1 January	300 000	13 530	313,530	321,817
Loss for the financial year	-	(2 226 446)	(2 226 446)	(308,287)
Closing shareholders' funds	<u>300,000</u>	<u>(2,212,916)</u>	<u>(1 912 916)</u>	<u>13 530</u>

**12 PARENT UNDERTAKING**

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