

**CLSH MANAGEMENT LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2008**

Company No. 2879688



**CLSH MANAGEMENT LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2008**

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**CLSH MANAGEMENT LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008**

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2008.

**1 PRINCIPAL ACTIVITY**

The principal activity of the Company is property management.

**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. The accounts have been prepared on a going concern basis as described in note 1.2.

**3 KEY PERFORMANCE INDICATORS ("KPIs")**

The following are key performance indicators of the business

- Revenue for the year £4,657,213 (2007: £4,593,802)
- Profit before tax £53,851. (2007: Loss £1,294,097)
- Admin expenditure as % of revenue 93.5% (2007: 134.1%)

**4 DIRECTORS**

The Directors of the Company during the year were as follows:

Mr P H Sjöberg (resigned 2 May 2008)  
Mr S F Board (resigned 8 May 2008)  
Mr E H Klotz (appointed 2 May 2008)  
Mr A G P Millet  
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 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; and
- 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.

**CLSH MANAGEMENT LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2008 (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:

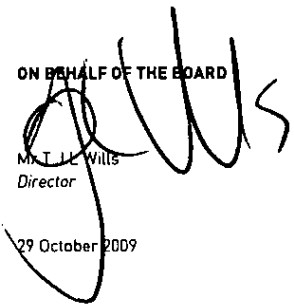
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 LLP are deemed to continue as auditors.

ON BEHALF OF THE BOARD

  
Mr T J L Wills  
Director

29 October 2009

**REGISTERED OFFICE:**

86 Bondway  
London  
SW8 1SF

**CLSH MANAGEMENT LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLSH MANAGEMENT LIMITED**

We have audited the financial statements of CLSH Management Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom auditing standards issued by the Auditing Practices Board.

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.

In addition 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 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 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 have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2008 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 LLP**  
Chartered Accountants and Registered Auditors  
London  
United Kingdom

29 October 2009

**CLSH MANAGEMENT LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	<b>NOTES</b>	<b>2008 €</b>	<b>2007 €</b>
<b>Turnover</b>	(2)	4,657,213	4,593,802
Administrative expenses		(4,353,504)	(6,161,926)
<b>Operating profit/(loss)</b>		<b>303,709</b>	<b>(1,568,124)</b>
Interest receivable and financial income	(4)	61,706	365,417
Interest payable	(5)	(35,627)	-
Provisions against investments	(10)	(39,927)	(91,390)
Loss on disposal of fixed assets	(9)	(236,010)	-
<b>Profit/(loss) on ordinary activities before taxation</b>	(3)	<b>53,851</b>	<b>(1,294,097)</b>
Tax charge on profit/(loss) on ordinary activities	(8)	(116,137)	(105,133)
<b>Loss for the financial year</b>	(15)	<b>(62,286)</b>	<b>(1,399,230)</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 profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

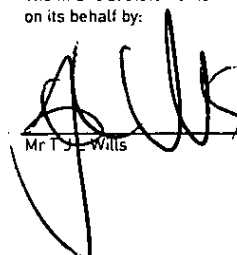
All items included in the above profit and loss account are part of continuing operations.

**CLSH MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	NOTES	2008 €	2007 €
<b>FIXED ASSETS</b>			
Tangible assets	(9)	114,261	605,040
Investments	(10)	950	40,877
		115,211	645,917
<b>CURRENT ASSETS</b>			
Debtors	(11)	19,484,891	20,493,640
Cash at bank and in hand		947,377	639,921
		20,432,268	21,133,561
<b>CREDITORS: amounts falling due within one year</b>	(12)	(18,712,100)	(19,932,603)
<b>NET CURRENT ASSETS</b>		1,720,168	1,200,958
<b>PROVISIONS FOR LIABILITIES</b>	(13)	(50,790)	-
		1,784,589	1,846,875
<b>NET ASSETS</b>			
		1,784,589	1,846,875
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(14)	2,000,000	2,000,000
Profit and loss account	(15)	(215,411)	(153,125)
		1,784,589	1,846,875
<b>SHAREHOLDERS' FUNDS</b>			
		1,784,589	1,846,875

The financial statements on pages 4 to 10 were approved by the Board of Directors on 29 October 2009 and signed on its behalf by:


 \_\_\_\_\_ DIRECTOR  
 Mr T J Wills

**CLSH MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008**

**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 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 which eliminate on consolidation.

**1.2 Going concern**

The Company's business activities and review of the business are set out in the directors' report. The directors have reviewed the current and projected financial position of the Company making reasonable assumptions about future income and cost base. The Company continues to provide services to fellow group undertakings and is an integral part of the "CLS Holdings Plc Group". Furthermore there is an expectation that the company will remain cash generative for the foreseeable future and will therefore be able to meet all of its obligations as they fall due. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the Going Concern basis in preparing the annual report and accounts.

**1.3 Turnover**

Turnover primarily comprises property related services supplied to group companies and other income primarily comprising of insurance commissions, excluding VAT. Revenue is recognised when the underlying service (or measurable part thereof) has been provided.

**1.4 Tangible fixed assets**

Depreciation is provided on fixed tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment	20%
Motor vehicles	25%
Fixtures and fittings	20%

**1.5 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 which 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.

Provision is not made in respect of property revaluation gains and losses.



**CLSH MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**1.6 Foreign currency**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the end of the financial year. All differences are dealt with through the profit and loss account.

**1.7 Fixed Asset Investments**

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

**1.8 Pension costs**

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable.

**2 TURNOVER**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Property related services and trading income	4,455,615	4,429,537
Other income	201,598	164,265
	<hr/>	<hr/>
Turnover arises wholly within the United Kingdom.	4,657,213	4,593,802
	<hr/>	<hr/>

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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation	163,900	327,269
Fees payable to the company's auditor for the audit of the company's annual accounts	21,240	12,500
	<hr/>	<hr/>

**4 INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Bank interest income	20,472	29,891
Intercompany interest income	40,671	95,245
Other interest income	563	22,016
Foreign exchange gains	-	218,265
	<hr/>	<hr/>
	61,706	365,417
	<hr/>	<hr/>

**5 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Other interest payable	4,631	-
Foreign exchange losses	30,996	-
	<hr/>	<hr/>
	35,627	-
	<hr/>	<hr/>

**CLSH MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**6 EMPLOYEE INFORMATION**

6.1 The average number of employees during the year was as follows:

	2008	2007
Administration	31	31

6.2 Employment costs of all employees:

	2008 £	2007 £
Wages and salaries	2,050,212	2,455,491
Social security costs	247,810	331,530
Pension costs	70,019	70,973
	<u>2,368,041</u>	<u>2,857,994</u>

**7 DIRECTORS' REMUNERATION**

None of the directors received any remuneration during the year in respect of services as directors to the company (2007: £nil).

**8 TAX CHARGE ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	2008 £	2007 £
Payments made for losses claimed as group relief	33,040	302,298
Total current tax charge	33,040	302,298
Deferred tax charge/(credit): origination and reversal of timing differences	83,097	(197,165)
Total tax charge on profit/(loss) on ordinary activities	<u>116,137</u>	<u>105,133</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2008 £	2007 £
Profit/(loss) on ordinary activities before tax	53,851	(1,294,097)
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 28.5% (2007: 30%)	15,348	(388,229)
<b>Effect of:</b>		
Differences due to expenses non-deductible and items not included in the profit/(loss) for tax purposes	71,058	92,119
Losses (claimed)/surrendered by group/consortium relief for nil payment and differences between capital allowances and depreciation	(86,406)	296,110
Payment for group relief claimed in respect of previous periods	33,040	302,298
Current tax charge in profit and loss account	<u>33,040</u>	<u>302,298</u>

**9 TANGIBLE FIXED ASSETS**

	Office Equipment £	Motor Vehicles £	Fixtures & Fittings £	Total £
<b>Cost</b>				
At 1 January 2008	1,079,637	51,573	1,144,027	2,275,237
Additions	52,622	-	-	52,622
Disposals	(731,991)	(38,084)	(1,054,108)	(1,824,183)
At 31 December 2008	<u>400,268</u>	<u>13,489</u>	<u>89,919</u>	<u>503,676</u>
<b>Depreciation</b>				
At 1 January 2008	917,863	27,518	724,816	1,670,197
Charge for the period	74,724	5,992	83,184	163,900
Disposals	(697,978)	(20,584)	(726,120)	(1,444,682)
At 31 December 2008	<u>294,609</u>	<u>12,926</u>	<u>81,880</u>	<u>389,415</u>
Net book value at 31 December 2008	<u>105,659</u>	<u>563</u>	<u>8,039</u>	<u>114,261</u>
Net book value at 31 December 2007	<u>161,774</u>	<u>24,055</u>	<u>419,211</u>	<u>605,040</u>

Following an office relocation assets with a book value of £379,540 were sold realising a loss of £236,010.

**CLSH MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**10 INVESTMENTS**

	Works of Art £
1 January 2008	40,877
Provision for impairment	<u>(39,927)</u>
31 December 2008	<u>950</u>

Following an independent valuation of the art work held a provision was made in respect of the carrying value.

**11 DEBTORS**

	2008 £	2007 £
Trade debtors	57,260	111,453
Amounts due from group undertakings	19,293,489	19,641,348
Deferred tax (note 13)	-	32,307
Other debtors	33,090	461,221
Prepayments and accrued income	101,052	247,311
	<u>19,484,891</u>	<u>20,493,640</u>

**12 CREDITORS: amounts falling due within one year**

	2008 £	2007 £
Amounts due to group undertakings	17,976,193	18,026,220
Other taxation and social security	170,442	607,823
Amounts due to participating interests	-	55,927
Accruals and deferred income	565,465	1,242,633
	<u>18,712,100</u>	<u>19,932,603</u>

**13 DEFERRED TAXATION**

Deferred taxation is provided as follows:

	2008 Provision £	Amount Unrecognised £	2007 Provision £	Amount Unrecognised £
Capital allowances in excess of depreciation	50,790	-	-	-
Other timing differences (deferred tax asset)	-	-	(32,307)	-
	<u>50,790</u>	<u>-</u>	<u>(32,307)</u>	<u>-</u>
At 1 January 2008	(32,307)		(229,472)	
Amount charged to profit and loss	<u>83,097</u>		<u>197,165</u>	
At 31 December	<u>50,790</u>		<u>(32,307)</u>	

**CLSH MANAGEMENT LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

<b>14 CALLED UP SHARE CAPITAL</b>	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000,000	2,000,000

**15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>Share Capital £</b>	<b>Profit &amp; Loss Account £</b>	<b>2008 Total £</b>	<b>2007 Total £</b>
At 1 January	2,000,000	(153,125)	1,846,875	3,246,105
Loss for the year	-	(62,286)	(62,286)	(1,399,230)
At 31 December	2,000,000	(215,411)	1,784,589	1,846,875

**16 OPERATING LEASE COMMITMENTS**

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Expiring in more than 5 years	166,500	-
	166,500	-

**17 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.