

INSTANT OFFICE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2007



Company No 2122887

INSTANT OFFICE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2007

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INSTANT OFFICE 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 letting and property management

2 REVIEW OF THE BUSINESS

The results of 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 DIRECTORS

The Directors of the Company during the year were as follows

Mr D M Baverstam (resigned 23 November 2007)
Mr K E Chapman (appointed 23 November 2007 and resigned 6 August 2008)
Mr P H Sjoborg (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 (appointed 1 September 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

INSTANT OFFICE 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

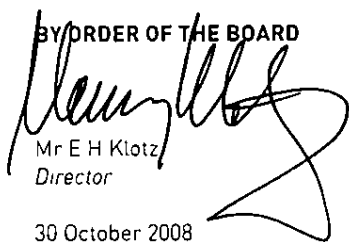
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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.

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

INSTANT OFFICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSTANT OFFICE LIMITED

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

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

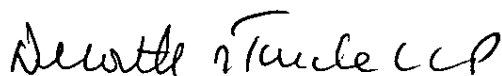
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

30 October 2008

INSTANT OFFICE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	2007 £	2006 £
Turnover	(2)	2,405,799	2,267,359
Administrative expenses		(2,718,127)	(2,323,893)
Operating Loss		<u>(312,328)</u>	<u>(56,534)</u>
Interest receivable and similar income		2,162	-
Interest payable and similar charges	(3)	(80,486)	(30,972)
Loss on ordinary activities before taxation	(5)	<u>(390,652)</u>	<u>(87,506)</u>
Tax on loss on ordinary activities	(6)	89,473	(63,859)
Loss for the financial year	(11)	<u><u>(301,179)</u></u>	<u><u>(151,365)</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

INSTANT OFFICE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	NOTES	2007 £	2006 £
FIXED ASSETS			
Tangible assets	(7)	321 600	330,848
CURRENT ASSETS			
Debtors amounts falling due within one year	(8)	499 406	333 132
Cash at bank and in hand		712,445	211,031
CREDITORS amounts falling due within one year	(9)	1,211,851 (1,702,313)	544,161 (842,692)
NET CURRENT LIABILITIES		(490,462)	(298,531)
TOTAL ASSETS LESS CURRENT (LIABILITIES) / ASSETS		(168,862)	32,317
NET (LIABILITIES) / ASSETS		(168,862)	32 317
CAPITAL AND RESERVES			
Called up share capital	(10)	500,000	400 000
Profit and loss account	(11)	(668,862)	(367 683)
SHAREHOLDERS' (DEFICIT) / FUNDS		(168 862)	32,317

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


DIRECTOR
 Mr E H Klotz

INSTANT OFFICE 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 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 Tangible fixed assets

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

Fixtures & Fittings 25%
Office Equipment 25%

1.3 Turnover

Turnover comprises the total value of rents and other income from business centres excluding VAT. Rents received in advance are shown as deferred income in the balance sheet.

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

Rental income
Other income

2007	2006
£	£
2,074,259	1,904,528
331,540	362,831
<u>2,405,799</u>	<u>2,267,359</u>

INSTANT OFFICE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3	INTEREST PAYABLE AND SIMILAR CHARGES	2007	2006
		£	£
	On loans from group undertaking	80,486	30,972
4	DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION		
4.1	The average number of employees during the year was as follows	2007	2006
	Administration	3	3
4.2	Employment costs of all employees	2007	2006
		£	£
	Wages and salaries	166,944	169,828
	Social security costs	23,197	23,158
		190,141	192,986

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 3 employees during the year (2006: 3).

5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2007	2006
		£	£
	This is stated after charging:		
	Auditors' remuneration - fees for audit of the company's annual accounts	1,500	1,500
	Depreciation	154,262	181,401
		155,762	182,901
6	TAX ON LOSS ON ORDINARY ACTIVITIES	2007	2006
		£	£
	UK corporation tax at 30% (2006 - 30%)	-	-
	Deferred tax (credit) / charge - origination and reversal of timing differences	(117,239)	61,204
	Payment for losses surrendered under Group Relief arrangement	27,766	2,655
		(89,473)	63,859

The current tax charge for the period is lower in 2007 and 2006 than 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% (2006: 30%)	(117,196)	(26,252)
Effect of:		
Differences due to expenses non-deductible and items not included in profit for tax purposes	-	-
Losses surrendered to group/consortium relief and differences between capital allowances and depreciation	117,196	26,252
Current tax charge in profit and loss account	-	-

INSTANT OFFICE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)
7 TANGIBLE ASSETS

	Office Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2007	646,307	1,119,436	1,765,743
Additions	30,359	114,655	145,014
	<hr/>	<hr/>	<hr/>
At 31 December 2007	676,666	1,234,091	1,910,757
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2007	482,065	952,830	1,434,895
Charge for the period	73,415	80,847	154,262
	<hr/>	<hr/>	<hr/>
At 31 December 2007	555,480	1,033,677	1,589,157
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 2007	121,186	200,414	321,600
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 2006	164,242	166,606	330,848
	<hr/>	<hr/>	<hr/>

8 DEBTORS amounts falling due within one year

	2007 £	2006 £
Amount due to group undertakings		-
Trade debtors	27,687	21,235
Prepayments and accrued income	338,303	319,470
Other taxation and social security	16,177	(7,573)
Deferred taxation	117,239	-
	<hr/>	<hr/>
	499,406	333,132
	<hr/>	<hr/>

Deferred taxation is provided as follows

	2007 Asset £	Amount unprovided £	2006 Asset £	Amount unprovided £
Capital allowances in excess of depreciation	37,990	-	-	-
Other timing differences (deferred tax asset)	-	-	-	41,105
Unrelieved Losses	79,249	-	-	90,718
	<hr/>	<hr/>	<hr/>	<hr/>
	117,239	-	-	131,823
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January	-		61,204	
Amount credited / (charged) to profit and loss	117,239		(61,204)	
	<hr/>		<hr/>	
At 31 December	117,239		-	
	<hr/>		<hr/>	

The deferred tax balance disclosed above has been recognised on the grounds that suitable future taxable profits are anticipated from which the reversal of the underlying timing differences can be deducted

INSTANT OFFICE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

9	CREDITORS amounts falling due within one year	2007 £	2006 £
	Amount due to group undertakings	1,323,150	624,759
	Trade creditors	20,670	(6,978)
	Other creditors	232,428	191,239
	Accruals & deferred income	126,065	33,672
		<u>1,702,313</u>	<u>842,692</u>

10	CALLED UP SHARE CAPITAL	2007 £	2006 £
	Authorised share capital		
	Ordinary shares of £1 each	1,000,000	400,000
		<u>1,000,000</u>	<u>400,000</u>
	On 17 December 2007 the authorised share capital was increased by 600,000 ordinary shares of £1 each		
	Issued share capital		
	Allotted, called up and fully paid		
	Ordinary shares of £1 each	500,000	400,000
		<u>500,000</u>	<u>400,000</u>

On 17 December 2007, 100,000 shares were issued at par

11	COMBINED STATEMENT OF RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	Share Capital £	Profit and Loss account £	2007 Total £	2006 Total £
	Balance at 1 January	400,000	(367,683)	32,317	183,682
	Issue of Shares	100,000	-	100,000	-
	Retained Loss for the financial year		(301,179)	(301,179)	(151,365)
		<u>500,000</u>	<u>(668,862)</u>	<u>(168,862)</u>	<u>32,317</u>
	Balance at 31 December	500,000	(668,862)	(168,862)	32,317

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.