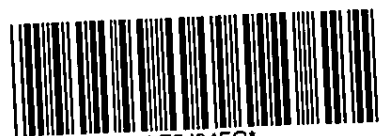


RAYMAN FINANCE LIMITED

ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2007

Company No 2130919

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**RAYMAN FINANCE LIMITED**  
**INDEX TO THE ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **RAYMAN FINANCE LIMITED**

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

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

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

#### **1 PRINCIPAL ACTIVITY**

The principal activity of the Company during the year was stock share currency and interest rate trading together with other related trading

#### **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 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 23rd 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)

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

## RAYMAN FINANCE LIMITED

### 4 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

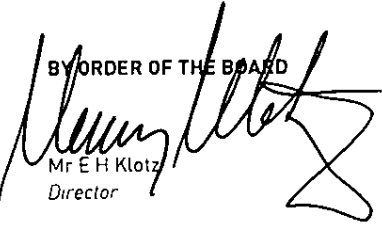
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements

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

## **RAYMAN FINANCE LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAYMAN FINANCE LIMITED**

We have audited the financial statements of Rayman Finance 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**

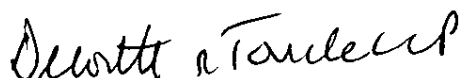
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

**RAYMAN FINANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	NOTES	2007 £	2006 £
Turnover	(1)	421 605	176 717
Cost of sales		(405 636)	(454 407)
<b>Gross profit</b>		<b>15 969</b>	<b>(277 690)</b>
Administrative expenses		(30 113)	(27 344)
<b>Operating loss</b>		<b>(14 144)</b>	<b>(305 034)</b>
Interest receivable		1 369	4 262
Interest payable and similar charges	(4)	(13 216)	(56 172)
<b>Loss on ordinary activities before taxation</b>	(3)	<b>(25 991)</b>	<b>(356 944)</b>
Tax on loss on ordinary activities	(6)	-	-
<b>Loss for the financial year</b>	(10)	<b>(25 991)</b>	<b>(356 944)</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

**RAYMAN FINANCE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	NOTES	2007 £	2006 £
<b>CURRENT ASSETS</b>			
Debtors	(7)	1 321	-
Cash at bank and in hand		52 646	46 834
		53 967	46 834
<b>CREDITORS amounts falling due within one year</b>	(8)	(233 934)	(320 810)
		(179,967)	(273 976)
<b>NET CURRENT LIABILITIES</b>		(179 967)	(273,976)
<b>NET LIABILITIES</b>		(179 967)	(273 976)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(9)	1 620 000	1 500 000
Profit and loss account	(10)	(1 799 967)	(1 773 976)
<b>SHAREHOLDERS' DEFICIT</b>		(179 967)	(273 976)

The financial statements on pages 4 to 8 were approved by the Board of Directors on 30 October 2008 and signed on its behalf by


  
 Mr E H Klotz
 DIRECTOR

## RAYMAN FINANCE LIMITED

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

consider that the accounts are prepared in accordance with FRS 18

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.

#### 1.2 Turnover

Turnover comprises income received from trading in stocks, shares and share options, and net profits and losses after deducting associated costs arising from trading in financial instruments including forward contracts, foreign exchange and interest rate swap arrangements. The cost of stocks, shares and options purchased is charged to cost of sales. Shares, options and interest rate caps held at the year end are included in stock. Revenue is recognised on completion of a trade, contract or arrangement as appropriate.

#### 1.3 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Current assets and all liabilities denominated in foreign currencies are translated at the rate ruling at the end of the financial year. All differences are dealt with through the profit and loss account.

#### 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 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 £
Turnover profit on foreign exchange trading	340,898	176,717
Sale of derivative financial instruments	80,707	-
	<u>421,605</u>	<u>176,717</u>



**RAYMAN FINANCE LIMITED**

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

**3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2007 £	2006 £
This is stated after charging		
Auditors' remuneration - fees for audit of the company's annual accounts	1 176	1 176

The audit fees were borne by a fellow subsidiary

**4 INTEREST PAYABLE AND SIMILAR CHARGES**

	2007 £	2006 £
On loans from group undertakings	9 504	56 172
Foreign exchange loss	3 712	-
	<u>13 216</u>	<u>56,172</u>

**5 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION**

None of the Directors received emoluments for their services during the year (2006: nil). 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).

**6 TAX ON LOSS ON ORDINARY ACTIVITIES**

	2007 £	2006 £
UK corporation tax at 30% (2006: 30%)	-	-
Foreign taxation	-	-
	<u>-</u>	<u>-</u>

No provision for corporation tax has been made in the year due to the availability of losses arising in the year. Losses are available from one or more of the following sources: losses arising in the year or losses brought forward. Losses arising in the period have been surrendered free of charge.

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% (2006: 30%)	(7 797)	(107 083)
Effect of:		
Losses carried forward or surrendered to group	7 797	107 083
	<u>-</u>	<u>-</u>
Current tax charge in profit and loss account	-	-

The company has unprovided tax assets in respect of losses of £99 531 (2006: £109 292).

**RAYMAN FINANCE LIMITED**

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

<b>7 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Amount due from group undertakings	1 321	-
	<hr/>	<hr/>
	1 321	-
	<hr/>	<hr/>
<b>8 CREDITORS amounts falling due within one year</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Amount due to group undertakings	233 934	320 810
	<hr/>	<hr/>
<b>9 CALLED UP SHARE CAPITAL</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Authorised share capital 10 000 000 (2006 1 500 000) Ordinary shares of £1 each	10 000 000	1 500 000
	<hr/>	<hr/>
Issued share capital Allotted called up and fully paid 1 620 000 (2006 1 500 000) Ordinary shares of £1 each	1 620 000	1,500,000
	<hr/>	<hr/>

On 17 December 2007 the authorised share capital was increased from 1,500 000 to 10 000 000 and 120 000 shares of £1 each were issued at nominal value. The consideration was satisfied by cash.

**10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT**

	<b>Share Capital</b>	<b>Profit and Loss Account</b>	<b>2007 Total</b>	<b>2006 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January	1 500 000	(1 773,976)	(273 976)	82 968
New issue of share capital	120 000	-	120 000	-
Retained loss for the financial year	-	(25 991)	(25 991)	(356 944)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	1 620 000	(1 799 967)	(179,967)	(273 976)
	<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 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.