

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

**Company No 2240596**

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**LOCALRIGHT LIMITED**  
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**FOR THE YEAR ENDED 31 DECEMBER 2007**

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## **LOCALRIGHT 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 during the year was the leasing of an electronic sign. The company ceased trading in 2008. As a result the accounts have been on the basis that the company is no longer a going concern.

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

The results for the year are shown on page 4 of the annual report. The company ceased trading in 2008.

#### **3 DIVIDENDS**

The Directors paid an interim dividend of £1,000,000 (2006: £nil). No final dividend is proposed (2006: £nil).

#### **4 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 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 (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.

**LOCALRIGHT 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

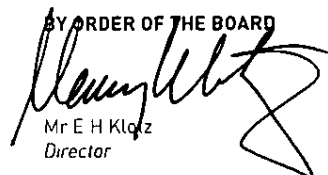
- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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



Mr E H Kloz  
Director

30 October 2008

**REGISTERED OFFICE**

86 Bondway  
London  
SW8 1SF  
England

## LOCALRIGHT LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOCALRIGHT LIMITED

We have audited the financial statements of Localright Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account the Balance Sheet and the related notes 1 to 13. 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.

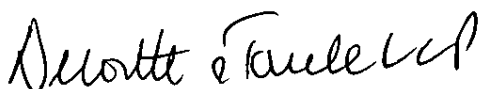
#### Opinion

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 profit 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.

#### Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we considered the adequacy of the disclosure made in note 1 of the financial statements, which explains that the financial statements have been prepared on a basis other than that of a Going Concern.



#### Deloitte & Touche LLP

Chartered Accountants and Registered Auditors  
London  
30 October 2008

**LOCALRIGHT LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

	NOTES	2007 £	2006 £
Turnover	(1)	570 475	356 562
Administrative expenses		(293 127)	(268 875)
<b>Operating profit</b>		<b>277 348</b>	<b>87 687</b>
Interest receivable and similar income		18 055	51 770
<b>Profit on ordinary activities before taxation</b>	(3)	<b>295 403</b>	<b>139 457</b>
Tax charge on profit on ordinary activities	(4)	(106 304)	(63 453)
<b>Profit for the financial year</b>	(11)	<b>189 099</b>	<b>76 004</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

**LOCALRIGHT LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2007**

	NOTES	2007 €	2006 €
<b>FIXED ASSETS</b>			
Tangible assets	(6)	-	-
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(7)	333 451	1 143 634
<b>CREDITORS amounts falling due within one year</b>	(8)	(219 043)	(218 325)
<b>NET CURRENT ASSETS</b>		114 408	925 309
<b>NET ASSETS</b>		114 408	925 309
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(10)	2	2
Profit and loss account	(11)	114 406	925 307
<b>SHAREHOLDERS' FUNDS</b>		114 408	925 309

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

# LOCALRIGHT LIMITED

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

### 1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

#### 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.

As explained in note 2 of the directors' report the company ceased trading during 2008. As required by Financial Reporting Standard No. 18 the directors have prepared the financial statements on the basis that the company is no longer a going concern. No adjustments arose as a result of this change in basis of preparation.

#### 1.2 Tangible fixed assets

Fixtures and fittings consist of an advertising sign acquired during 1989. This was depreciated over 10 years on a straight line basis.

#### 1.3 Turnover

Turnover comprises the total value of rents receivable under an operating lease, 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 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).

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2007 £	2006 £
This is stated after charging		
Auditors' remuneration - fees for audit of the company's annual accounts	1,000	1,000



**LOCALRIGHT LIMITED**

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

**4 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2007 £	2006 £
UK corporation tax at 30% (2006 - 30%)	-	-
Deferred tax charge origination and reversal of timing differences	-	1 316
Payment for losses surrendered under Group Relief arrangement	106 304	62 137
	<u>106 304</u>	<u>63 453</u>

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 £
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006 30%)	88 621	41 837
Effect of: Losses used from group/consortium relief and differences between capital allowances and depreciation	(88 621)	(41 837)
Current tax charge in profit and loss account	<u>-</u>	<u>-</u>

The Company has unprovided deferred tax assets of £691 (2006 £987)

**5 DIVIDENDS**

	2007 £	2006 £
Interim paid £1 000 000 (2006 £nil) per £1 share	1 000 000	-

**6 TANGIBLE ASSETS**

	2007 £	2006 £
Plant and machinery at cost		
At 1 January	715 863	715 863
At 31 December	<u>715 863</u>	<u>715 863</u>
Accumulated depreciation		
At 1 January	715 863	715 863
At 31 December	<u>715 863</u>	<u>715 863</u>
Net Book Value at 31 December	<u>-</u>	<u>-</u>

**7 DEBTORS**

	2007 £	2006 £
<b>Amounts falling due within one year</b>		
Amounts due from group undertakings	126 888	1 053 991
Prepayments and accrued income	206 563	89 643
	<u>333 451</u>	<u>1 143 634</u>

**LOCALRIGHT LIMITED**

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

<b>8 CREDITORS amounts falling due within one year</b>	<b>2007 £</b>	<b>2006 £</b>
Other taxation and social security	14 029	14 186
Other creditors	1 880	-
Accruals and deferred income	203 135	204 139
	<u>219 043</u>	<u>218 325</u>

**9 PROVISIONS FOR LIABILITIES**

Deferred taxation is provided as follows

	<b>2007 Asset £</b>	<b>Amount unprovided £</b>	<b>2006 Asset £</b>	<b>Amount unprovided £</b>
Capital allowances in excess of depreciation	-	-	-	-
Other timing differences (deferred tax asset)	-	691	-	987
	<u>-</u>	<u>691</u>	<u>-</u>	<u>987</u>
At 1 January	-		1 316	
Amount charged to profit and loss	-		(1 316)	
At 31 December	<u>-</u>		<u>-</u>	

<b>10 CALLED UP SHARE CAPITAL</b>	<b>2007 £</b>	<b>2006 £</b>
Authorised Ordinary Shares of £1 each	1 000	1 000
Authorised allotted called up and fully paid Ordinary shares of £1 each	<u>2</u>	<u>2</u>

**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	2	925 307	925 309	849 305
Profit for the financial year	-	189 099	189 099	76 004
Dividends		(1 000 000)	(1 000 000)	-
Balance at 31 December	<u>2</u>	<u>114 406</u>	<u>114 408</u>	<u>925 309</u>

**LOCALRIGHT LIMITED**

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

**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.

**13 POST BALANCE SHEET EVENTS**

On 11th June 2008 the company sold its business to a fellow subsidiary undertaking of the CLS Holdings Plc Group for consideration of £1,200,000.