

CLS HOLDINGS UK LIMITED
(Formerley Daneplace Limited)

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2007



Company No 4681685

CLS HOLDINGS UK LIMITED
(Formerly Daneplace Limited)

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FOR THE YEAR ENDED 31 DECEMBER 2007

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CLS HOLDINGS UK LIMITED
(Formerley Daneplace Limited)

REPORT OF THE DIRECTORS 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 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 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 Directors expect the principal activity of the Company to remain unchanged for the foreseeable future

On 9th June 2008 the company changed its name from Daneplace to CLS Holdings UK Limited

3 DIVIDENDS

The directors paid an interim dividend of £120,000 for the year ended 31 December 2007 (2006 £Nil)

No final dividend is proposed (2006 £Nil)

3 DIRECTORS

The Directors of the Company during the year were as follows

Mr P H Sjoberg (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 23rd January 2007 and resigned 1st February 2008)
Mr E H Klotz (appointed 2nd May 2008)
Mr T J L Wills (appointed 1st September 2008)
Mr A G P Millet (appointed 1st February 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 information

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

CLS HOLDINGS UK LIMITED
(Formerly Daneplace 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

By written resolution of the shareholders Deloitte & Touche LLP have been appointed as auditors of the Company until such time as notice is given by either party.

BY ORDER OF THE BOARD



Mr E H Klotz
Director

30 October 2008

REGISTERED OFFICE

86 Bondway
London
SW8 1SF
England

CLS HOLDINGS UK LIMITED
(Formerley Daneplace Limited)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLS HOLDINGS UK LIMITED

We have audited the financial statements of CLS Holdings UK 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

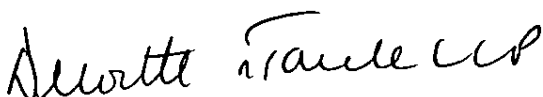
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

CLS HOLDINGS UK LIMITED
(Formerly Daneplace Limited)

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTES	2007 £	2006 £
Investment income	(1)	798	657
Turnover		798	657
Administrative expenses		(2,061)	(2 379)
Operating loss		(1,263)	(1 722)
Loss on disposal of gilts		(940)	
Interest receivable & similar income		16,468	16 598
Profit on ordinary activities before taxation	(3)	14,265	14,876
Tax charge on profit on ordinary activities	(4)	(26,017)	(1 855)
Loss for the financial year	(10)	(11,752)	13,021

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 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

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BALANCE SHEET AS AT 31 DECEMBER 2007

	NOTES	2007 £	2006 £
FIXED ASSETS			
Fixed asset investments	(5)	10,000	10,000
CURRENT ASSETS			
Debtors amounts falling due within one year	(7)	146,517	266,598
Cash at bank and in hand		11,366	1,549
		157,883	268,147
CREDITORS amounts falling due within one year	(8)	(149,972)	(128,484)
NET CURRENT ASSETS		7,911	139,663
NET ASSETS		17,911	149,663
CAPITAL AND RESERVES			
Called up share capital	(9)	1	1
Profit and loss account	(10)	17,910	149,662
SHAREHOLDERS' FUNDS		17,911	149,663

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

 DIRECTOR
 Mr E H Klotz

CLS HOLDINGS UK LIMITED
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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, modified to include the revaluation of land and buildings 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 interest income receivable from investments and is recognised on an accruals basis in accordance with the underlying interest rate.

1.3 Investments

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

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.

CLS HOLDINGS UK LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

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	1,176	1,175

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	-	-
Payment for losses surrendered under Group Relief Arrangement	26,017	1,855
	<u>26,017</u>	<u>1,855</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%)	4,280	4,463
Effect of		
Losses used from group/consortium relief and differences	(4,280)	(4,463)
between capital allowances and depreciation		
	<u>-</u>	<u>-</u>

5 FIXED ASSETS INVESTMENTS

	2007
	£
As at 1 January 2007	10,000
As at 31 December 2007	<u>10,000</u>

The Gilts were purchased at a cost of £10,000. Market value at 31 December 2007 was £10,081 (2006 £9,219)

6 DIVIDENDS

	2007	2006
	£	£
Interim paid £120,000 (2006 £nil) per £1 share	120,000	-

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

7 DEBTORS		2007	2006	
		£	£	
Amounts falling due within one year				
Amounts owed by group undertakings		146,517	266 598	
		<u>146,517</u>	<u>266,598</u>	
8 CREDITORS amounts falling due within one year		2007	2006	
		£	£	
Amounts due to group undertakings		149 972	128 484	
		<u>149,972</u>	<u>128,484</u>	
9 CALLED UP SHARE CAPITAL		2007	2006	
		£	£	
Authorised allotted called up and fully paid		1	1	
Ordinary shares of £1 each		<u>1</u>	<u>1</u>	
10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS				
	Share Capital	Profit & Loss Account	2007	2006
	£	£	Total	Total
			£	£
At 1 January	1	149 663	149 664	136 642
Dividends	-	(120,000)	(120 000)	-
Loss for the financial year	-	(11,752)	(11,752)	13,021
	<u>1</u>	<u>17,911</u>	<u>17,911</u>	<u>149 663</u>
Balance at 31 December	1	17,911	17,911	149 663

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 Holding plc, 86 Bondway, London SW8 1SF.