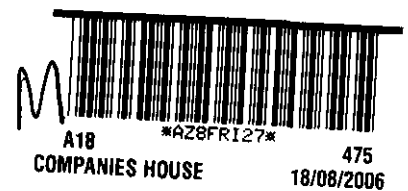


**RAYMAN FINANCE LIMITED**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2005**

**PricewaterhouseCoopers LLP**  
*Chartered Accountants and  
Registered Auditors*  
1 Embankment Place  
London  
WC2N 6RH

Company No. 2130919



**RAYMAN FINANCE LIMITED**

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**FOR THE YEAR ENDED 31 DECEMBER 2005**

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## **RAYMAN FINANCE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2005**

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2005.

#### **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 DIVIDENDS**

The Directors do not recommend payment of any dividends for the year ended 31 December 2005.  
(2004: £Nil)

#### **4 DIRECTORS**

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

Mr P Sjöberg (appointed 1 January 2006)  
Mr S F Board (appointed 1 January 2006)  
Mr D Baverstam  
Mr T J Thomson (resigned 1 January 2006)

The Directors had no interests in the shares of the Company at any time during the year. The interests of the Directors, who are also directors of the parent company, CLS Holdings plc, are disclosed in that Company's financial statements.

## RAYMAN FINANCE LIMITED

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

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing the 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

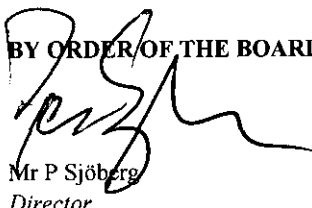
The Directors confirm that the financial statements comply with above requirements.

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. 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

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Mr P Sjöberg  
Director

31 May 2005

REGISTERED OFFICE:

26th Floor, Portland House  
Bressenden Place  
London  
SW1E 5BG

## **RAYMAN FINANCE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMEBERS OF RAYMAN FINANCE LIMITED**

We have audited the financial statements of Rayman Finance Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

**PricewaterhouseCoopers LLP**

*Chartered Accountants and  
Registered Auditors  
London*

31 May 2005

**RAYMAN FINANCE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

	NOTES	2005 £	2004 £
Turnover	(1.2)	11,051	9,261
Cost of sales		(19,294)	17,497
<b>Gross (loss)/profit</b>		<b>(8,243)</b>	<b>26,758</b>
Administrative expenses		(34,997)	(20,212)
<b>Operating (loss)/profit</b>		<b>(43,240)</b>	<b>6,546</b>
Interest receivable		16,517	-
Interest payable and similar charges	(3)	(337,585)	(144,397)
<b>Loss on ordinary activities before taxation</b>	(2)	<b>(364,308)</b>	<b>(137,851)</b>
Tax on loss on ordinary activities	(5)	-	-
<b>Deficit for the financial year</b>	(10)	<b>(364,308)</b>	<b>(137,851)</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 deficit for the year stated above, and their historical cost equivalents.

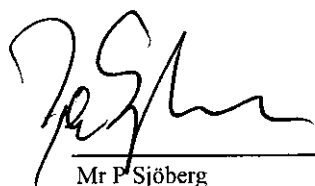
All items included in the above profit and loss account are part of continuing operations.

**RAYMAN FINANCE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2005**

	NOTES	2005 £	2004 £
<b>CURRENT ASSETS</b>			
Trading stock	(6)	-	24,795
Debtors	(7)	4,640,609	13,845
Cash at bank and in hand		188,457	865,476
		4,829,066	904,116
<b>CREDITORS: amounts falling due within one year</b>	(8)	(4,746,098)	(1,954,840)
<b>NET CURRENT ASSETS/(LIABILITIES) AND NET ASSETS/(LIABILITIES)</b>		82,968	(1,050,724)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(9)	1,500,000	2,000
Profit and loss account	(10)	(1,417,032)	(1,052,724)
<b>EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)</b>		82,968	(1,050,724)

The financial statements on pages 4 to 9 were approved by the Board of Directors on 31 May 2006 and signed on its behalf by:



**DIRECTOR**

Mr P Sjöberg

## RAYMAN FINANCE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

#### 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 in accordance with applicable UK accounting standards, except that Marketable Securities held by the Company as current trading securities are stated at market value, profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or if revalued, any revaluation difference be taken to the revaluation reserve. The Directors consider that these requirements would fail to give a true and fair view of the profit for the year, since the marketability of the securities enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit or loss in any period is properly made by reference to market values. This departure has no effect in the profit and loss account or balance sheet in the current year (2004: nil).

The Company has received assurances from fellow group companies that sufficient funds will be made available to meet the company's requirements for at least twelve months from the date of these accounts. Accordingly, these financial statements have been prepared on a going concern basis.

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.

##### 1.3 *Foreign currency*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Tangible assets denominated in foreign currencies are shown at historical cost. 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 *Deferred taxation*

Deferred taxation is recognised in respect of timing differences arising from differences in the treatment for accounts and tax purposes of transactions or events recognised in the financial statements except that:

- Provision is not made in respect of property revaluation gains and losses, and
- Deferred tax assets are recognised only to the extent that suitable taxable profits are considered sufficiently certain to arise which could be set against these assets when they reverse.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.



# **RAYMAN FINANCE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)**

### **2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2005 £	2004 £
This is stated after charging:		
Auditors' remuneration	-	-

The audit fees were borne by a fellow subsidiary.

### **3 INTEREST PAYABLE AND SIMILAR CHARGES**

	2005 £	2004 £
On loans from group undertakings	337,585	144,397

### **4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION**

None of the Directors received emoluments for their services during the year (2004: 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 (2004 : none).

### **5 TAX ON LOSS ON ORDINARY ACTIVITIES**

	2005 £	2004 £
UK corporation tax at 30% ( 2004 -30%).	-	-
Foreign taxation	-	-

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 2005 and 2004 differs to the standard rate of UK corporation tax (30%) as explained below:

	2005 £	2004 £
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2004: 30%)	(109,292)	(41,355)
<u>Effect of:</u>		
Losses carried forward or surrendered to group	109,292	41,355
Overseas tax credit not used	-	-
Current tax charge in profit and loss account	-	-

The Company expects to shelter any future taxable profits by the utilisation of losses.

**RAYMAN FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)**

<b>6</b>	<b>TRADING STOCK</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Equities and other financial instruments	-	24,795

Equities and other financial instruments relate to securities listed on the London and Swedish Stock Exchanges. These listed investments cost £nil (2004: £64,028) and the market value at 31 December 2005 was £nil (2004: £24,795).

<b>7</b>	<b>DEBTORS</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Amount due from group undertakings	4,640,609	-
	Deposit held at brokers	-	13,845
		4,640,609	13,845

<b>8</b>	<b>CREDITORS: amounts falling due within one year</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Amount due to group undertakings	4,746,098	1,954,840

<b>9</b>	<b>CALLED UP SHARE CAPITAL</b>	<b>2005</b>	<b>2004</b>
		<b>£</b>	<b>£</b>
	Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	1,500,000	2,000

During the year the authorised share capital was increased from 2,000 to 1,500,00 and 1,498,000 shares of £1 each were issued at nominal value. Consideration was satisfied by cash.

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

	<b>Share Capital</b>	<b>Profit and Loss Account</b>	<b>2005 Total</b>	<b>2004 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Balance at 1 January	2,000	(1,052,724)	(1,050,724)	(912,873)
New issue of share capital	1,498,000	-	1,498,000	-
Deficit for the financial year	-	(364,308)	(364,308)	(137,851)
Balance at 31 December	1,500,000	(1,417,032)	82,968	(1,050,724)

**RAYMAN FINANCE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)**

**11 CONTINGENT LIABILITIES**

*In the Directors' opinion, no contingent liabilities exist.*

**12 PARENT UNDERTAKING**

The Directors consider that the immediate, ultimate parent undertaking and controlling party is CLS Holdings plc which is registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, CLS Holdings plc, 26th Floor, Portland House, Bressenden Place, London SW1E 5BG.