

CLS GERMANY LIMITED
(formerly FLEETBURY LIMITED)

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2005

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

SATURDAY



A37 *AH9P0LZ9* 314
06/01/2007
COMPANIES HOUSE

Company No 4729592

CLS GERMANY LIMITED
(formerly FLEETBURY LIMITED)
INDEX TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005

Page No

1 - 2	Directors' report
3	Independent auditors' report
4	Profit and loss account
4	Statement of total recognised gains and losses
4	Reconciliation of historical cost profits and losses
5	Balance sheet
6 - 10	Notes to the Financial Statements

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

REPORT OF THE DIRECTORS FOR THE PERIOD 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 is to carry on investment business and to earn income therefrom.
In 2004 the company invested in commercial property.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the annual report.
In the previous year the Company disposed of its investment property for proceeds less fees paid of £3,190,000 realising a profit of £nil. During the year the Directors took advantage of new investment opportunities.

3 DIVIDENDS

The Directors do not propose a dividend for the year ended 31 December 2005 (2004:nil).

4 CHANGE OF COMPANY NAME

On 15 September 2005 the company changed its name from Fleetbury Limited to CLS Germany Limited.

5 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, in CLS Holdings plc are disclosed in that company's financial statements.

6 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 at the end of the year and of the profit or loss for the year. 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 the above requirements.

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

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. The Directors also have general responsibility for taking steps to safeguard assets of the Company and to prevent and detect fraud and other irregularities.

7 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 2006

REGISTERED OFFICE:

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

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLS GERMANY LIMITED

We have audited the financial statements of CLS Germany Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the Statement of Total Recognised Gains and Losses, the Reconciliation of Historical Cost Profits & Losses 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

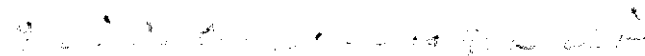
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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 profit 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 2006

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTES	2005	2004 £
Rental income		-	232,466
Service charge expenditure recovered		-	70,752
Turnover	(1)	-	303,218
Service charge expenditure		-	(77,760)
		-	225,458
Administrative expenses		(46,807)	(32,638)
Operating (loss)/profit		(46,807)	192,820
Interest receivable and similar income	(2)	85,814	175
Interest payable and similar charges	(3)	-	(155,319)
Profit on ordinary activities before taxation		39,007	37,676
Tax on profit on ordinary activities	(6)	-	-
Retained profit for the financial year	(12)	39,007	37,676

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2005 £	2004 £
Profit for the financial year	39,007	37,676
Unrealised surplus on revaluation of property	-	265,000
Total gains recognised in the year	39,007	302,676

RECONCILIATION OF HISTORICAL COST PROFITS AND LOSSES

	2005 £	2004 £
Reported profit on ordinary activities before taxation	39,007	37,676
Realisation of property revaluation gains of previous years	-	815,004
Historical cost profit on ordinary activities before taxation	39,007	852,680
Historical cost profit for the year retained after taxation	39,007	852,680

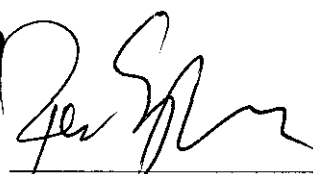
All items included in the above profit and loss account are part of continuing operations.

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

BALANCE SHEET AS AT 31 DECEMBER 2005

	NOTES	2005 £	2004 £
FIXED ASSETS			
Investments	(7)	21,161	-
CURRENT ASSETS			
Debtors amounts falling due within one year	(8)	1,085,957	1,256,384
Cash at bank and in hand		1,657	10,307
CREDITORS: amounts falling due within one year	(9)	1,087,614 (156,923)	1,266,691 (353,846)
NET CURRENT ASSETS		930,691	912,845
TOTAL ASSETS LESS CURRENT LIABILITIES		951,852	912,845
PROVISIONS FOR LIABILITIES AND CHARGES	(10)	-	-
NET ASSETS		951,852	912,845
CAPITAL AND RESERVES			
Called up share capital	(11)	1	1
Profit and loss account	(12)	951,851	912,844
EQUITY SHAREHOLDERS' FUNDS		951,852	912,845

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


 _____ DIRECTOR
 Mr P Sjöberg

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, modified to include the revaluation of land and buildings 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 Fixed Asset Investments

Fixed asset investments are held at cost. A provision is made for any permanent diminution in value.

1.3 Turnover

Turnover comprises the total value of rents receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, excluding VAT. Where there is a material rent free period and the amount is considered to be recoverable, the income is spread evenly over the period to the date of the first break. Rents received in advance are shown as deferred income in the balance sheet.

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 or losses
- 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.

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)****2 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2005	2004
	£	£
On loans from group undertakings	85,157	-
Other interest income	657	175
	<u>85,814</u>	<u>175</u>

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2005	2004
	£	£
On loans from group undertakings	-	155,319
	<u>-</u>	<u>155,319</u>

4 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 period (2004:none).

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
This is stated after charging:		
Auditors' remuneration	1,175	1,176
	<u>1,175</u>	<u>1,176</u>

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

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

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
UK corporation tax at 30%	-	-
	-	-

The current tax charge for the period is lower in 2005 and 2004 than the standard rate of UK corporation tax (30%) as explained below:

	2005 £	2004 £
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	11,702	18,049
<u>Effect of:</u>		
Losses used or surrendered by group/consortium relief and differences between capital allowances and depreciation	(11,702)	(18,049)
Current tax charge in profit and loss account	-	-

The company expects to be able to shelter any future taxable profits in a similar manner.

7 TANGIBLE FIXED ASSETS

	2005 £	2004 £
<u>Freehold investment property</u>		
Valuation at 1 January	-	2,925,000
Additions	-	-
Surplus on revaluation	-	265,000
Disposal	-	(3,190,000)
Valuation at 31 December	-	-

Investments

Balance at 1 January 2005	-
Additions	21,161
Balance at 31 December 2005	21,161

The investments include gilts which were purchased at a cost of £10,000. Market value at 31 December 2005 was £9,570. The Directors do not consider this impairment to be material, therefore no provision has been made in the accounts.

In 2005 the company bought 100% of the shares in CLS Luxembourg S.à r.l. at a cost of £11,161 (€ 16,000).

See not 15 for further details

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)

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

8	DEBTORS	2005 £	2004 £
	Amounts falling due within one year:		
	Trade debtors	-	2,963
	Amounts due from group undertakings	1,085,157	1,250,000
	Prepayments and accrued income	800	3,421
		<u>1,085,957</u>	<u>1,256,384</u>

9	CREDITORS: amounts falling due within one year	2005 £	2004 £
	Trade creditors	-	606
	Amounts due to group undertakings	156,923	264,313
	Other creditors	-	18,266
	Accruals and deferred income	-	70,661
		<u>156,923</u>	<u>353,846</u>

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	2005 Provision £	Amount unprovided £	2004 Provision £	Amount unprovided £
Taxation on revaluation surplus	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January	-	-	-	-
Amount charged to profit and loss	-	-	-	-
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11 CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	<u>1</u>	<u>1</u>

CLS GERMANY LIMITED (formerly FLEETBURY LIMITED)**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)****12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	Share Capital £	Profit & Loss Account £	2005 Total £	2004 Total £
At 1 January	1	912,844	912,845	610,169
Profit for the year	-	39,007	39,007	37,676
Surplus on revaluation	-	-	-	265,000
Balance at 31 December	1	951,851	951,852	912,845

13 CONTINGENT LIABILITIES

In the Directors opinion, no contingent liabilities exist.

14 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.

15 INVESTMENT IN GROUP UNDERTAKINGS

The principal activity of the subsidiary is to act as holding company.

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares
CLS Luxembourg S.à r.l.	Luxembourg	Ordinary shares of € 125	100%