

**NEW MALDEN HOUSE LIMITED**

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

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



Company No. 2505599

**NEW MALDEN HOUSE LIMITED**  
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**FOR THE YEAR ENDED 31 DECEMBER 2005**

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## **NEW MALDEN HOUSE LIMITED**

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

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

#### **1 PRINCIPAL ACTIVITY**

The principal activity of the Company is to hold investments 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 Company has performed in line with expectations. The Directors expect the principal activity of the Company to remain unchanged for the foreseeable future.

#### **3 DIVIDENDS**

The Directors do not propose a dividend 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 1st January 2006)  
Mr D M Bäverstam  
Mr S Board (appointed 1st January 2006)  
Mr T J Thomson (resigned 1st 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.

**NEW MALDEN HOUSE LIMITED**

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

**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 at the end of the year and of the profit or loss for the year. In preparing those 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.

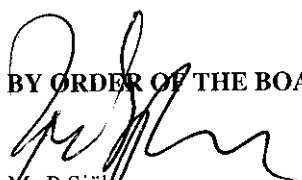
The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which 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. The Directors also have general responsibility for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

**6 AUDITORS**

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

**BY ORDER OF THE BOARD**

  
Mr P Sjöberg  
Director

**REGISTERED OFFICE:**

26th Floor Portland House  
Bressenden Place  
London  
SW1E 5BG

31 May 2006

## **NEW MALDEN HOUSE LIMITED**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BINGRAM LIMITED**

We have audited the financial statements of New Malden House 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**

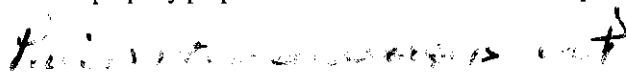
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

**NEW MALDEN HOUSE LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2005**

	NOTES	2005 £	2004 £
Turnover	(2)	641	641
Administrative expenses		(3,701,151)	(157,942)
<b>Operating Loss</b>		<b>(3,700,510)</b>	<b>(157,301)</b>
Loss on investment		-	-
Interest payable and similar charges	(3)	(296,719)	(161,396)
<b>Loss on ordinary activities before taxation</b>	(5)	<b>(3,997,229)</b>	<b>(318,697)</b>
Tax on loss on ordinary activities	(6)	-	-
<b>Loss for the year</b>	(11)	<b>(3,997,229)</b>	<b>(318,697)</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.

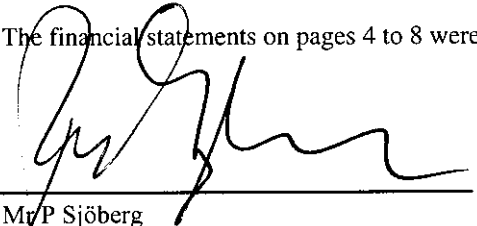
All items included in the above profit and loss account are part of continuing operations.

**NEW MALDEN HOUSE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2005**

	NOTES	2005 £	2004 £
<b>FIXED ASSETS</b>			
Investments	(7)	5,597,752	3,941,224
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(8)	241,722	-
Cash at bank		383	491
		242,105	491
<b>CREDITORS: amounts falling due within one year</b>	(9)	(4,973,749)	(3,079,375)
<b>NET CURRENT LIABILITIES</b>		(4,731,644)	(3,078,884)
<b>NET ASSETS</b>		866,108	862,340
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(10)	4,500,000	499,002
Profit and loss account	(11)	(3,633,892)	363,337
<b>EQUITY SHAREHOLDERS' FUNDS</b>		866,108	862,339

The financial statements on pages 4 to 8 were approved by the Board of Directors on 31 May 2006 and signed on its behalf by:


 \_\_\_\_\_ DIRECTOR  
 Mr P Sjöberg

## NEW MALDEN HOUSE 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 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. The Company has received assurances from fellow group companies that sufficient funds will be 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.

##### 1.2 *Investments*

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

##### 1.3 *Turnover*

Turnover comprises income receivable from investments excluding VAT.

##### 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.

2	TURNOVER	2005	2004
		£	£
	Interest receivable	641	641
		<hr/>	<hr/>
3	INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004
		£	£
	On loans from group undertaking	296,719	161,396
		<hr/>	<hr/>

#### 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. None of the other directors received emoluments for their services during the year (2004:nil). The Company had no employees during the year (2004: none).

# NEW MALDEN HOUSE LIMITED

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

### 5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005 £	2004 £
This is stated after charging:		
Auditors' remuneration	1,173	1,176

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

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

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%)	(1,199,169)	(95,609)
<u>Effect of:</u>		
Differences due to expenses non-deductible and items not included in profit for tax purposes	1,144,725	-
Losses used or surrendered by group/consortium relief and differences between capital allowances and depreciation	54,444	95,609
Current tax charge in profit and loss account	-	-

No provision for Corporation Tax has been made for the year due to the availability of losses. 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 Company expects to be able to shelter any future taxable profits in a similar manner. The company has unrecognised deferred tax assets of £20,465 (2004: £Nil).

### 7 INVESTMENTS

	Gilts £	Joint Venture £	Total £
Balance at 1 January 2005	10,000	3,931,224	3,941,224
Additions	-	1,656,528	1,656,528
Balance at 31 December 2005	10,000	5,587,752	5,597,752

The company owns a joint venture investment which represents a 33.33% interest in the ordinary share capital of Teighmore Limited a property investment company incorporated in Jersey. This investment has not been accounted for as a joint venture in the Company's financial statements as it has been accounted for under the proportional consolidation method of accounting in the consolidated financial statements of the Company's ultimate parent undertaking. The Company took up the opportunity to subscribe for new ordinary shares in Teighmore Limited at £1.00 each by way of a rights issue in March 2005, June 2005 and September 2005. Consequently, this investment now consists of 3,518,334 Ordinary shares of £1 each, a long term shareholder's loan of £1,390,489 and other costs of £678,928. The Company's share of net assets in Teighmore Limited is £10,229,646.

# NEW MALDEN HOUSE LIMITED

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

8 DEBTORS: amounts falling due within one year	2005	2004
	£	£
Amounts owed by group undertakings	241,722	-
	<u>241,722</u>	<u>-</u>
9 CREDITORS: amounts falling due within one year	2005	2004
	£	£
Amounts due to group undertakings	4,973,749	3,074,581
Accruals & deferred income	-	4,794
	<u>4,973,749</u>	<u>3,079,375</u>
10 CALLED UP SHARE CAPITAL	2005	2004
	£	£
Authorised ordinary shares of £1 each	4,500,000	499,100
	<u>4,500,000</u>	<u>499,002</u>

The authorised share capital was increased during the year by the issue of 4,000,900 ordinary shares of £1 each. The company issued 4,000,998 shares of £1 each for cash. The nominal value of these shares was £4,000,998 and the consideration received was £4,000,998.

## 11 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Profit & Loss Account £	2005 Total £	2004 Total £
Balance at 1st January	499,002	363,337	862,339	682,037
Shares issued in year	4,000,998	-	4,000,998	499,000
Loss for the year	-	(3,997,229)	(3,997,229)	(318,697)
	<u>4,500,000</u>	<u>(3,633,892)</u>	<u>866,108</u>	<u>862,340</u>

## 12 CONTINGENT LIABILITY

In the Directors opinion, no contingent liabilities exist.

## 13 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.