

**DANEPLACE 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 4681685

**DANEPLACE LIMITED**  
**INDEX TO THE ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

**Page No**

1 - 2	Directors' report
3	<i>Independent Auditors' Report</i>
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 - 8	Notes to the Financial Statements

## DANEPLACE 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 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.

#### 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 F 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.

#### 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 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.

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.

**DANEPLACE LIMITED**

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

**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 2006

**REGISTERED OFFICE:**

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

## DANEPLACE LIMITED

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

We have audited the financial statements of Daneplace Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, 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

**DANEPLACE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

	NOTES	2005 £	2004 £
Rental income		-	200,731
Service charge expenditure recovered		-	10,857
Other income		657	-
<b>Turnover</b>	(1)	657	211,588
Service charge expenditure		-	(17,516)
		657	194,072
Administrative expenses		(2,616)	(63,854)
<b>Operating (loss)/profit</b>		(1,959)	130,218
Profit on sale of investment property	(2)	-	200,000
Interest receivable & similar income		17,032	-
Interest payable and similar charges	(3)	-	(120,803)
<b>Profit on ordinary activities before taxation</b>		15,073	209,415
Tax on profit on ordinary activities	(6)	-	-
<b>Retained profit for the financial year</b>	(12)	15,073	209,415

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2005 £	2004 £
Retained profit for the financial year	15,073	209,415
Unrealised surplus on revaluation of property	-	100,000
<b>Total gains recognised in the year</b>	15,073	309,415

**RECONCILIATION OF HISTORICAL COST PROFITS AND LOSSES**

	2005 £	2004 £
Reported profit on ordinary activities before taxation	15,073	209,415
Realisation of property revaluation gains of previous years	-	100,000
<b>Historical cost profit on ordinary activities before taxation</b>	15,073	309,415
<b>Historical cost profit for the year retained after taxation</b>	15,073	309,415

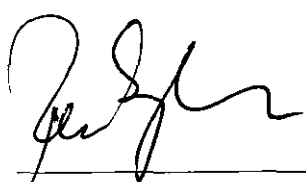
All items included in the above profit and loss account are part of continuing operations.

DANEPLACE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	NOTES	2005 £	2004 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	(7)	-	-
Fixed asset investments	(8)	10,000	-
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(9)	267,032	297,884
Cash at bank and in hand		907	250
		267,939	298,134
<b>CREDITORS: amounts falling due within one year</b>	(10)	(141,297)	(176,565)
<b>NET CURRENT ASSETS</b>		126,642	121,569
<b>NET ASSETS</b>		136,642	121,569
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(11)	1	1
Profit and loss account	(12)	136,641	121,568
<b>EQUITY SHAREHOLDERS' FUNDS</b>		136,642	121,569

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



Mr P Sjöberg DIRECTOR

# DANEPLACE 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, 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 income receivable from investments, excluding VAT. The prior year 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.

#### 1.3 Fixed Assets

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

The company sold its property in 2004, investment properties were revalued bi-annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses are charged to 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 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.

### 2 PROFIT ON SALE OF INVESTMENT PROPERTY

	2005 £	2004 £
Proceeds from sale of investment property	-	2,000,000
Value of investment property sold	-	(1,800,000)
	<hr/>	<hr/>
	-	200,000
	<hr/>	<hr/>



**DANEPLACE LIMITED**

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

**3 INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
On loans from group undertakings	-	120,803
	<hr/>	<hr/>
	-	120,803
	<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. The Company had no employees during the year (2004:none).

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

**6 TAX ON PROFIT ON ORDINARY ACTIVITIES**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
UK corporation tax at 30%	-	-
Deferred tax charge	-	-
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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:

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	4,522	62,825
<u>Effect of:</u>		
Differences due to expenses non-deductible and items not included in profit for tax purposes	-	(60,000)
Losses used or surrendered by group/consortium relief and differences between capital allowances and depreciation	(4,522)	(2,825)
	<hr/>	<hr/>
Current tax charge in profit and loss account	-	-
	<hr/>	<hr/>

**7 TANGIBLE FIXED ASSETS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Freehold investment property		
Valuation at 1 January	-	1,700,000
Surplus on revaluation	-	100,000
Disposal	-	(1,800,000)
	<hr/>	<hr/>
Valuation at 31 December	-	-
	<hr/>	<hr/>

**DANEPLACE LIMITED**

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

**8 FIXED ASSETS INVESTMENTS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
As at 1 January	-	-
Additions	10,000	-
As at 31 December	10,000	-

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

**9 DEBTORS**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Trade debtors	-	11,445
Amounts owed by group undertakings	267,032	281,063
Other debtors	-	3,123
Prepayments and accrued income	-	2,253
	267,032	297,884

**10 CREDITORS: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Amounts due to group undertakings	141,297	123,998
Accruals and deferred income	-	52,567
	141,297	176,565

**11 CALLED UP SHARE CAPITAL**

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

**12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	<b>Share Capital</b>	<b>Profit &amp; Loss Account</b>	<b>2005 Total</b>	<b>2004 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 January	1	121,568	121,569	(187,846)
Surplus on revaluation of properties	-	-	-	100,000
Retained profit for the period	-	15,073	15,073	209,415
Balance at 31 December	1	136,641	136,642	121,569

**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 Holding plc, 26th Floor Portland House, Bressenden Place, London, SW1E 5BG.