

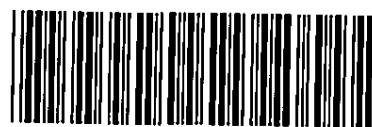
BUSPACE STUDIOS LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2007

TUESDAY



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Company No 1964367

BUSPACE STUDIOS LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2007

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BUSPACE STUDIOS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007

The Directors are pleased to present their annual report together with the audited financial statements 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)(a) of the Companies Act 1985

1 PRINCIPAL ACTIVITY

The principal activity of the Company is to invest in commercial property

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 any dividends for the year ended 31 December 2007 (2006 Nil)

4 DIRECTORS

The Directors of the company during the year were as follows

Mr D M Baverstam (resigned 23 November 2007)
Mr K Chapman (appointed 23 November 2007)
Mr P Sjöberg (resigned 2 May 2008)
Mr S F Board (resigned 8 May 2008)
Mr E H Klotz (appointed 2 May 2008)

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

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

BUSPACE STUDIOS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

5 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

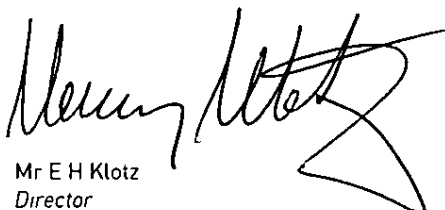
- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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.

6 AUDITORS

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

BY ORDER OF THE BOARD



Mr E H Klotz
Director

REGISTERED OFFICE:

86 Bondway
London SW8 1SF

7 July 2008

BUSPACE STUDIOS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUSPACE LIMITED

We have audited the financial statements of Buspace Studios Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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.

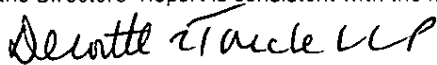
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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

10 July 2008

BUSPACE STUDIOS LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2007**

	NOTES	2007 £	2006 £
Turnover	(2)	164,352	164,352
Administrative expenses		(25,083)	(25,139)
Operating profit		139,269	139,213
Interest payable and similar charges	(3)	(246,039)	(200,320)
Loss on ordinary activities before taxation	(5)	(106,770)	(61,107)
Tax on loss on ordinary activities	(6)	(62,500)	(7,191)
Loss for the financial year	(13)	(169,270)	(68 298)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2007 £	2006 £
Loss for the financial year	(169,270)	(68,298)
Unrealised (deficit)/surplus on revaluation of property	(350,000)	200,000
Total recognised (losses)/gains for the year	(519,270)	131,702

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

BUSPACE STUDIOS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2007

	NOTES	2007 £	2006 £
FIXED ASSETS			
Tangible assets	(7)	3,500,000	3,850,000
CURRENT ASSETS			
Debtors	(8)	-	5,061
Cash at bank and in hand		424	285
		424	5,346
CREDITORS amounts falling due within one year	(9)	(1,614,761)	(1,442,343)
NET CURRENT LIABILITIES		(1,614,337)	(1,436,996)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,885,663	2,413,004
CREDITORS amounts falling due after more than one year	(10)	(2,153,030)	(2,153,010)
PROVISION FOR LIABILITIES	(11)	(96,970)	(105,060)
NET (LIABILITIES) / ASSETS		(364,337)	154,933
CAPITAL AND RESERVES			
Called up share capital	(12)	100	100
Revaluation reserves	(13)	262,483	612,483
Profit and loss account	(13)	(626,920)	(457,650)
SHAREHOLDERS' (DEFICIT) / FUNDS		(364,337)	154,933

The financial statements on pages 4 to 9 were approved by the Board of Directors on 7 July 2008 and signed on its behalf by



 Mr E H Klotz
 DIRECTOR

BUSPACE STUDIOS LIMITED

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 accounts 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 *Investment Properties*

Investment properties are 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.

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on completed freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation or amortisation is one of the many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

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 *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.

Provision is not made in respect of property revaluation gains and losses.

1.5 *Issue costs of loans*

Issue costs relating to new loans are capitalised and amortised to follow the profile of the loan principal. Unamortised amounts at the balance sheet date are deferred against the loan liability.

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

2	TURNOVER	2007	2006
		£	£

Rental income within the United Kingdom	164,352	164,352
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3	INTEREST PAYABLE AND SIMILAR CHARGES	2007	2006
		£	£

On bank loans and overdrafts	150,146	127,633
On loans from group undertakings	95,288	71,387
Amortisation of refinancing / arrangement fees	605	1,300
	<u>246,039</u>	<u>200,320</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 year (2006 none)

5	LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2007	2006
		£	£

This is stated after		
Auditors' remuneration - audit	1,000	1,000

6	TAX ON LOSS ON ORDINARY ACTIVITIES	2007	2006
		£	£

UK corporation tax at 30% (2006 - 30%)	-	-
Deferred tax (credit)/charge - origination and reversal of timing differences	(8,090)	4,657
Payment for losses surrendered under Group Relief arrangement	70,590	2,534
	<u>62,500</u>	<u>7,191</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
	£	£
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2006 30%)	(32,031)	(18,332)
<u>Effect of:</u>		
Losses surrendered to group/consortium relief and differences between capital allowances and depreciation	32,031	18,332
	<u>-</u>	<u>-</u>
Current tax charge in profit and loss account	-	-

BUSPACE STUDIOS LIMITED

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

7 TANGIBLE ASSETS

	Freehold Investment Property £
Valuation at 1st January 2007	3,850,000
Deficit on revaluation	(350,000)
Valuation at 31 December 2007	<u>3,500,000</u>

At 31 December the property was revalued to an estimate of its open market value taking into account its condition and tenancies existing at that date. The property valuation was carried out by external valuers Allsop & Co Chartered Surveyors. The historical cost of investment property included at valuation is £3,237,517 (2006: £3,237,517).

8 DEBTORS amounts falling due within one year

	2007 £	2006 £
Prepayments & accrued income	-	5,061

9 CREDITORS amounts falling due within one year

	2007 £	2006 £
Unamortised refinancing/arrangement fees	(1,058)	(643)
Amounts due to group undertakings	1,455,010	1,287,090
Other taxation and social security	92,290	92,396
Accruals & deferred income	68,519	63,499
	<u>1,614,761</u>	<u>1,442,343</u>

10 CREDITORS amounts falling due after more than one year

	2007 £	2006 £
Bank Loans	2,153,366	2,153,366
Unamortised refinancing/arrangement fees	(336)	(356)
	<u>2,153,030</u>	<u>2,153,010</u>

The loan is repayable as follows.

In one year or less, or on demand,	(336)	(643)
In more than one year but not more than two years,	2,153,366	2,153,010
In more than two years but not more than five years,	-	-
	<u>2,153,030</u>	<u>2,152,367</u>

Interest on the bank loan is charged at LIBOR plus a margin of 1.14% and is secured by a legal charge over the property Buspace Studios.

The capitalised arrangement fees for the year are £1,000 (2006: £1,591).

BUSPACE STUDIOS LIMITED

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

11 PROVISION FOR LIABILITIES

Deferred taxation is provided as follows

	2007 Provision £	Amount unprovided £	2006 Provision £	Amount unprovided £
Capital allowances in excess of depreciation	96,970	-	105,060	-
Future benefit of tax losses	-	(27,323)	-	(67,437)
	<u>96,970</u>	<u>(27,323)</u>	<u>105,060</u>	<u>(67,437)</u>
At 1 January	105,060		100,403	
Amount charged to profit and loss	(8,090)		4,657	
At 31 December	<u>96,970</u>		<u>105,060</u>	

No deferred tax liability is recognized on the revaluation gain due to the benefit of indexation

12 CALLED UP SHARE CAPITAL

	2007 £	2006 £
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	100	100

13 COMBINED STATEMENT OF RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserves £	Profit and Loss Account £	2007 Total £	2006 Total £
At 1 January	100	612,483	(457,650)	154,933	23,231
Loss for the financial year	-	-	(169,270)	(169,270)	(68,298)
Surplus on revaluation	-	(350,000)	-	(350,000)	200,000
Balance at 31 December	<u>100</u>	<u>262,483</u>	<u>(626,920)</u>	<u>(364,337)</u>	<u>154,933</u>

14 PARENT UNDERTAKING

The Directors consider that the immediate, ultimate parent undertaking and controlling party is CLS Holdings plc which is incorporated in Great Britain and registered 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.