

**Company Registration No. 1964367**

**Buspace Studios Limited**

**Report and Financial Statements**

**31 December 2009**



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# **Buspace Studios Limited**

## **Report and Financial Statements 2009**

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# Buspace Studios Limited

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2009

This Directors Report has been prepared in accordance with the special provisions relating to small companies under section 415a of the Companies Act 2006

### Principal activities

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

### Review of the business

The results for the year are shown on page 6 The Directors expect the principal activity of the Company to remain unchanged for the foreseeable future

The financial statements have been prepared on a going concern basis as described in note 1 2

### Dividends

The Directors do not propose any dividends for the year ended 31 December 2009 (2008: Nil)

### Principal risks and uncertainties

The Company considers there are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause the actual results to differ materially from expected and historical results. Management and mitigation of these risks is the responsibility of the Directors of the Company

Risk	Mitigation
Cyclical downturn in property market	Long-term investment strategy to mitigate short-term unrealised losses
Covenant breaches in downturn	Ability to re-negotiate with lender
Changes in tenant demand	Strategy of securing long-leased tenants with strong covenants
Ability to access finance	Parent debt service cover guarantees given to secure funding
Credit risk – tenants	All potential tenants assessed for credit worthiness. Rent required
Credit risk – lenders	Large institution used with good credit rating

### Directors

The Directors, who served throughout the year except as noted, were as follows

Mr E H Klotz (resigned 12 June 2009, re-appointed 18 September 2009)

Mr T J L Wills (resigned 12 June 2009, re-appointed 22 January 2010)

Mr A G P Millet (resigned 12 June 2009, re-appointed 18 September 2009)

Mr C Sandberg (appointed 12 June 2009, resigned 2 February 2010)

Mr J H Whiteley (appointed 22 January 2010)

# Buspace Studios Limited

## Directors' Report

### Directors (continued)

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 2009

### Auditors

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 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 section 418 of the Companies Act 2006

Pursuant to s386 Companies Act 1985, an Elective Resolution was passed on 9 October 2002 dispensing with the requirement to appoint auditors annually. In accordance with that Elective Resolution and paragraph 45(2), Schedule 3 of the Companies Act 2006 (Commencement No 3 Consequential Amendments, Transitional Provisions and Savings) Order 2007, Deloitte LLP is deemed to continue as auditor of the Company

Approved by the Board of Directors  
and signed by order of the Board



Mr D F Fuller  
Company Secretary

6 May 2010

### Registered office:

86 Bondway  
London  
SW8 1SF

## **Buspace Studios Limited**

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the annual report and the financial statements in accordance with 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 judgements and estimates that are reasonable and prudent, and
- 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 adequate accounting records that are sufficient to show and explain the Company's transactions 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 2006. 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.

## **Independent Auditors' Report to the Members of Buspace Studios Limited**

We have audited the financial statements of Buspace Studios Limited for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Gains and Losses, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 13 of Part 16 of the Companies Act 2006. 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**

As more fully explained in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

### **Opinion**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on matters prescribed in the Companies Act 2006**

- In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent Auditors' Report to the Members of Buspace Studios Limited (continued)**

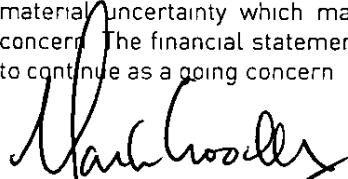
### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the Directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report

### **Emphasis of matter**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements which explains that the financial statements have been prepared on a going concern basis. At the Balance Sheet date the Company's current liabilities exceeded its current assets by £1,830,814. Given this position there is uncertainty over the ability of the Company to discharge its liabilities as they fall due if support from the ultimate parent company is not forthcoming. These conditions, along with other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.



Mark Goodey (Senior Statutory Auditor)

**for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditors

London, United Kingdom

6 May 2010

## Buspace Studios Limited

### Profit and Loss Account Year ended 31 December 2009

	Notes	2009 £	2008 £
<b>Turnover</b>	2	164,352	164,352
Administrative expenses		(38,559)	(20,194)
<b>Operating profit</b>		125,793	144,158
Interest payable and similar charges	3	(107,313)	(241,585)
<b>Profit/(loss) on ordinary activities before taxation</b>	5	18,480	(97,427)
Tax charge on profit/(loss) on ordinary activities	6	(2,225)	(3,002)
<b>Profit/(loss) for the financial year</b>	12	16,255	(100,429)

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the year stated above, and their historical cost equivalents

All items included in the Profit and Loss Account are part of continuing operations



## Buspace Studios Limited

### Statement of Total Recognised Gains and Losses Year ended 31 December 2009

	Notes	2009 £	2008 £
Profit/(loss) for the financial period		37,291	(100,429)
Unrealised deficit on revaluation of property	7	<u>(300,000)</u>	<u>(400,000)</u>
<b>Total gains and losses recognised</b>		<u><u>(262,709)</u></u>	<u><u>(500,429)</u></u>

# Buspace Studios Limited

## Balance Sheet 31 December 2009

	Notes	2009 £	2008 £
<b>Fixed assets</b>			
Tangible assets	7	<u>2,800,000</u>	<u>3,100,000</u>
<b>Current assets</b>			
Cash at bank and in hand		3	424
<b>Creditors: amounts falling due within one year</b>	8	<u>(1,830,817)</u>	<u>(3,865,218)</u>
<b>Net current liabilities</b>		<u>(1,830,814)</u>	<u>(3,864,794)</u>
<b>Total assets less current liabilities</b>		969,186	(764,794)
<b>Creditors: amounts falling due after more than one year</b>	9	(2,015,500)	-
<b>Provisions for liabilities</b>	10	<u>(102,197)</u>	<u>(99,972)</u>
<b>Net liabilities</b>		<u>(1,148,511)</u>	<u>(864,766)</u>
<b>Capital and reserves</b>			
Called up share capital	11	100	100
Revaluation reserves	12	(437,517)	(137,517)
Profit and Loss Account	12	<u>(711,094)</u>	<u>(727,349)</u>
<b>Shareholder deficit</b>		<u>(1,148,511)</u>	<u>(864,766)</u>

The financial statements of Buspace Studios Limited (registered number 1964367) were approved by the Board of Directors on 6 May 2010

Signed on behalf of the Board of Directors



Mr J H Whiteley  
Director

# **Buspace Studios Limited**

## **Notes to the Financial Statements**

**31 December 2009**

### **1 Accounting policies**

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

#### **1.1 Basis of preparation**

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings and in accordance with applicable United Kingdom accounting standards and on the going concern basis. The Directors consider that the Company is a going concern. The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 not to prepare a cash flow statement 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. The Company has taken advantage of the exemption in Financial Reporting Standard No. 29 as equivalent disclosure is made in the Group accounts of CLS Holdings plc which are publicly available.

#### **1.2 Going concern**

The Company's business activities and review of the business are set out in the Directors' Report.

The Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about future rental income and property values. The Company is subject to the current economic uncertainties and if property values were to deteriorate significantly further over the foreseeable future then there are scenarios in which the financial covenants within its external facilities could fail to be met. The Company is funded by a combination of external and internal interest-bearing debt. The external debt was due for repayment on 21 July 2009. In September 2009 the Company re-negotiated its external debt. As part of this arrangement £100,366 was repaid (financed by a short-term intercompany loan) to the external loan provider in October 2009. In response to this, the loan provider extended the loan for a period of 2 years until August 2011 and waived the loan to value covenant requirement for a period of one year. In the current market there is some uncertainty as to whether the loan to value covenant will be complied with at the end of the one year waiver period. The Company also has significant net current liabilities. These factors represent a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Company has historically received support from its ultimate parent company and there is a reasonable expectation that this will continue going forward. In addition to this a guarantee which covers all interest and amortisation under the facility remains in place from the ultimate parent company. Accordingly, the Directors have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future, and they continue to adopt the going concern basis in preparing the annual report and financial statements.

# **Buspace Studios Limited**

## **Notes to the Financial Statements**

**31 December 2009**

### **1 Accounting policies (continued)**

#### **1.3 Investment properties**

Investment properties are revalued 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, unless considered temporary.

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.

#### **1.4 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.

#### **1.5 Taxation**

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date where transactions or events which 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 which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured, on an undiscounted basis, at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

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

## Buspace Studios Limited

### Notes to the Financial Statements 31 December 2009

#### 2. Turnover

	2009 £	2008 £
Rental income arising within the United Kingdom	<u>164,352</u>	<u>164,352</u>

#### 3. Interest payable and similar charges

	2009 £	2008 £
Bank loans and overdrafts	64,240	150,445
Due to group undertakings	43,073	89,747
Amortisation of arrangements fees	-	1,393
	<u>107,313</u>	<u>241,585</u>

#### 4 Directors' emoluments and employee information

None of the Directors received any remuneration during the year in respect of services as Directors to the Company (2008: £nil). The emoluments of the Directors of the Company, who are also 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 (2008: none).

#### 5. Profit/(loss) on ordinary activities before taxation

	2009 £	2008 £
This is stated after		
Fees payable to the Company's auditors for the audit of the Company's financial statements	<u>2,000</u>	<u>2,667</u>

## Buspace Studios Limited

### Notes to the Financial Statements

31 December 2009

#### 6. Tax (credit)/charge on profit/(loss) on ordinary activities

	2009 £	2008 £
Deferred tax charge origination and reversal of timing differences	2,225	3,002
Total tax charge on profit/(loss) on ordinary activities	<u>2,225</u>	<u>3,002</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) on ordinary activities before tax is as follows

	2009 £	2008 £
Profit/(loss) on ordinary activities before tax	<u>18,480</u>	<u>(97,427)</u>
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation of 28.0% (2008: 28.5%)	5,174	(27,767)
Effect of Losses (claimed)/surrendered by group/consortium relief for nil payment and differences between capital allowances and depreciation	<u>(5,174)</u>	<u>27,767</u>
Current tax (credit)/charge	<u>-</u>	<u>-</u>

# **Buspace Studios Limited**

## **Notes to the Financial Statements** **31 December 2009**

### **7. Tangible assets**

	<b>Freehold investment property £</b>
Valuation at 1 January 2009	3,100,000
Deficit on revaluation	(300,000)
	<hr/>
Valuation at 31 December 2009	2,800,000
	<hr/>

The investment property was revalued at 31 December 2009 to its fair value. The valuation was based on current prices in an active market. The property valuation was carried out by Lambert Smith Hampton (2008: Allsop & Co) who are external, professionally qualified valuers.

In the latter half of 2008 the economic climate and lower transactional volumes in real estate markets meant that the valuers had to refer to greater use of professional judgement in arriving at the year end valuation(s) at 31 December 2008. The Directors are satisfied that market conditions, whilst still remaining challenging, had returned to a more normal level of transactional activity by 31 December 2009.

The Directors are satisfied that the external valuations supplied are appropriate to adopt for these financial statements without adjustment.

The historical cost of investment properties included at valuation was £3,237,517 (2008: £3,237,517).

### **8 Creditors: amounts falling due within one year**

	<b>2009 £</b>	<b>2008 £</b>
Bank loans and overdrafts	30,000	2,153,366
Due to group undertakings	1,661,350	1,552,914
Other taxation and social security	9,739	91,398
Accruals and deferred income	50,055	67,540
Other creditors	79,673	-
	<hr/>	<hr/>
	1,830,817	3,865,218
	<hr/>	<hr/>

## Buspace Studios Limited

### Notes to the Financial Statements 31 December 2009

#### 9. Creditors: amounts falling due after more than one year

	2009 £	2008 £
Bank loans and overdrafts	2,015,500	-
The loan is repayable as follows		
Less than one year	30,000	-
In more than one year but not more than two years	2,015,500	-
	2,045,500	-

Interest on the bank loan is charged at LIBOR plus a margin of 1.4% and is secured by a legal charge over the property Buspace Studios

The capitalised arrangements fees for the year are £nil (2008: £nil)

The external debt was due for repayment on 21 July 2009. In September 2009 the Company re-negotiated its external debt. As part of this arrangement £100,366 was repaid (financed by a short-term intercompany loan) to the external loan provider in October 2009.

#### 10. Provisions for liabilities

Deferred taxation is provided as follows

	Provision 2009 £	Amount unprovided 2009 £	Provision 2008 £	Amount unprovided 2008 £
Capital allowances in excess of depreciation	102,197	-	99,972	-
Future benefit of tax losses	-	-	-	-
Deferred tax asset on revaluation	-	(123,233)	-	-
	102,197	(123,233)	99,972	-
At 1 January	99,972		96,970	
Amount charged to profit and loss	2,225		3,002	
At 31 December	102,197		99,972	

No tax would arise on the disposal of the property as the current market value is below historic cost



## Buspace Studios Limited

### Notes to the Financial Statements 31 December 2009

#### 11. Called up share capital

	2009 £	2008 £
<b>Allotted, called up and fully paid</b>		
Ordinary shares of £1 each	100	100

#### 12. Combined statement of reserves and reconciliation of movement in shareholders' deficit

	Share capital £	Revaluation reserves £	Profit and Loss Account £	2009 Total £	2008 Total £
At 1 January	100	(137,517)	(727,349)	(864,766)	(364,337)
Profit/(loss) for the financial year	-	-	16,255	37,291	(100,429)
Deficit on revaluation	-	(300,000)	-	(300,000)	(400,000)
Balance at 31 December	100	(437,517)	(711,094)	(1,127,475)	(864,766)

#### 13. Parent undertaking

The Directors consider that at the balance sheet date the ultimate parent undertaking and controlling party was CLS Holdings plc which is incorporated in Great Britain. Copies of the parent's group financial statements may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London SW8 1SF.

On 11 June 2009 the immediate parent undertaking became Pantheon Securities Limited (a company registered in the British Virgin Islands). The ultimate parent undertaking was unchanged.