

INSTANT OFFICE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2006

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COMPANIES HOUSE

PricewaterhouseCoopers LLP

Chartered Accountants and

Registered Auditors

1 Embankment Place

London

WC2N 6RH

Company No 2122887

INSTANT OFFICE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2006

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INSTANT OFFICE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2006

1 PRINCIPAL ACTIVITY

The principal activity of the Company is letting and property management

2 REVIEW OF THE BUSINESS

The results of 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 2006 (2005 Nil)

4 DIRECTORS

The Directors of the Company during the year were as follows

Mr P Sjöberg (appointed 1st January 2006)
Mr D M Baverstam
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

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

INSTANT OFFICE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

5 STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the profit or loss of the Company 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 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 confirm that they have complied with the above requirements in preparing the financial statements

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. 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

PricewaterhouseCoopers LLP will not seek reappointment as auditors of the Company and a resolution to appoint Deloitte & Touche LLP as auditors will be proposed at the annual general meeting

BY ORDER OF THE BOARD



Mr S Board
Director

18 May 2007

REGISTERED OFFICE

26th Floor Portland House
Bressenden Place
London
SW1E 5BG

INSTANT OFFICE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INSTANT OFFICE LIMITED

We have audited the financial statements of Ingrove Limited for the year ended 31 December 2006 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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also 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 2006 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.

The logo for PricewaterhouseCoopers LLP, featuring the company name in a stylized, cursive script font.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

18 May 2007

INSTANT OFFICE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	NOTES	2006 £	2005 £
Turnover	(2)	2 267 359	2,557,730
Administrative expenses		(2,323,893)	(2,897,439)
Operating Loss		<u>(56,534)</u>	<u>(339,709)</u>
Interest payable and similar charges	(3)	(30,972)	(55,001)
Loss on ordinary activities before taxation	(5)	<u>(87,506)</u>	<u>(394,710)</u>
Tax on loss on ordinary activities	(6)	(63,859)	27,451
Loss for the financial year	(12)	<u><u>(151,365)</u></u>	<u><u>(367,259)</u></u>

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

INSTANT OFFICE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2006

	NOTES	2006 £	2005 £
FIXED ASSETS			
Tangible assets	(7)	330,848	359,216
CURRENT ASSETS			
Debtors amounts falling due within one year	(8)	347,683	338,469
Cash at bank and in hand		211,031	402,751
CREDITORS amounts falling due within one year	(9)	558,712 (857,243)	741,220 (977,958)
NET CURRENT LIABILITIES		(298,531)	(236,738)
TOTAL ASSETS LESS CURRENT LIABILITIES		32,317	122,478
PROVISION FOR LIABILITIES AND CHARGES	(10)	-	61,204
NET ASSETS		32,317	183,682
CAPITAL AND RESERVES			
Called up share capital	(11)	400,000	400,000
Profit and loss account	(12)	(367,683)	(216,318)
EQUITY SHAREHOLDERS' FUNDS		32,317	183,682

The financial statements on pages 4 to 9 were approved by the Board of Directors on 18 May 2007 and signed on its behalf by



DIRECTOR

Mr S Board

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

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 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 made 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 *Depreciation of tangible fixed assets*

Depreciation is provided on all fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures & Fittings 25%
Office Equipment 25%

1.3 *Turnover*

Turnover comprises the total value of rents and other income from business centres, excluding VAT. 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 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

	2006 £	2005 £
Rental income	1,904,528	2,090,384
Other Income	362,831	467,346
	<hr/>	<hr/>
	2,267,359	2,557,730
	<hr/>	<hr/>

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)

3 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
On loans from group undertaking	30,972	55,001

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 1 employee during the year (2005 none)

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£	£
This is stated after charging		
Auditors' remuneration	1,500	1,500
Depreciation	181,401	279,243
	<u>182,901</u>	<u>280,743</u>

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2006	2005
	£	£
UK corporation tax at 30% (2005 - 30%)	-	-
Deferred tax charge / (credit) origination and reversal of timing differences	61,204	(27,451)
Payment for losses surrendered under Group Relief arrangement	2,655	-
	<u>63,859</u>	<u>-</u>

The current tax charge for the period is lower in 2006 and 2005 than the standard rate of UK corporation tax (30%) as explained below

	2006	2005
	£	£
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2005 30%)	(26,252)	(118,413)
Effect of:		
Differences due to expenses non-deductible and items not included in profit for tax purposes	-	83,774
Losses surrendered to group/consortium relief and differences between capital allowances and depreciation	26,252	34,639
	<u>-</u>	<u>-</u>
Current tax charge in profit and loss account	<u>-</u>	<u>-</u>

The company has unrecognised deferred tax assets of £41,105 (2005 £27,451)

INSTANT OFFICE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)
7 TANGIBLE FIXED ASSETS

	Office Equipment £	Fixtures & Fittings £	Total £
Cost			
At 1 January 2006	560,204	1,052,505	1,612,709
Additions	86,103	66,931	153,034
	<hr/>	<hr/>	<hr/>
At 31 December 2006	646,307	1,119,436	1,765,743
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2006	400,031	853,462	1,253,493
Charge for the period	82,034	99,368	181,402
	<hr/>	<hr/>	<hr/>
At 31 December 2006	482,065	952,830	1,434,895
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 2006	164,242	166,606	330,848
	<hr/>	<hr/>	<hr/>
Net Book Value at 31 December 2005	160,173	199,043	359,216
	<hr/>	<hr/>	<hr/>

8 DEBTORS: amounts falling due within one year

	2006 £	2005 £
Amount due to group undertakings	-	72,798
Trade debtors	21,235	100
Other debtors	6,978	-
Prepayments and accrued income	319,470	265,572
	<hr/>	<hr/>
	347,683	338,469
	<hr/>	<hr/>

9 CREDITORS: amounts falling due within one year

	2006 £	2005 £
Amount due to group undertakings	624,759	714,729
Other taxation and social security	7,573	6,658
Trade creditors	-	5,252
Other creditors	191,239	205,320
Accruals & deferred income	33,672	46,000
	<hr/>	<hr/>
	857,243	977,958
	<hr/>	<hr/>

INSTANT OFFICE LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006 (CONTINUED)****10 PROVISIONS FOR LIABILITIES AND CHARGES**

Deferred taxation is provided as follows

	2006 Asset £	Amount unprovided £	2005 Asset £	Amount unprovided £
Capital allowances in excess of depreciation	-	-	-	-
Other timing differences (deferred tax asset)	-	41,105	61,204	-
Unrelieved Losses	-	90,718	-	-
	<u>-</u>	<u>131,823</u>	<u>61,204</u>	<u>-</u>
At 1 January	61,204		33,753	
Amount (charged) / credited to profit and loss	(61,204)		27,451	
At 31 December	<u>-</u>		<u>61,204</u>	

11 CALLED UP SHARE CAPITAL

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

2006 £	2005 £
400,000	400,000

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss account £	2006 Total £	2005 Total £
Balance at 1 January	400,000	(216,318)	183,682	152,941
Issue of Shares	-	-	-	398,000
Retained Loss for the financial year		(151,365)	(151,365)	(367,259)
Balance at 31 December	<u>400,000</u>	<u>(367,683)</u>	<u>32,317</u>	<u>183,682</u>

13 CONTINGENT LIABILITIES

In the opinion of the Directors, 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, 26 Portland House, Bressenden Place, London SW1E 5BG.

15 POST BALANCE SHEET EVENTS

On 21 March 2007 the Chancellor proposed a reduction in the Corporation tax rate in the UK from 30 per cent effective from 1 April 2008. In accordance with UK GAAP provisions, the existing rate of 30 per cent is still used as a basis for the calculation of the deferred tax stated. An estimate of the financial effect of this change cannot be made due to the uncertain timing of the reversal or crystallisation of the deferred tax provisions.