

**DANEPLACE LIMITED**

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2006**

**PricewaterhouseCoopers LLP**

*Chartered Accountants and  
Registered Auditors*  
1 Embankment Place  
London  
WC2N 6RH

Company No 4681685

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**DANEPLACE LIMITED**

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**FOR THE YEAR ENDED 31 DECEMBER 2006**

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## **DANEPLACE 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 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 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 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 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

## DANEPLACE 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

REGISTERED OFFICE:



Mr S Board  
Director

18 May 2007

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 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 profit 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.



**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

London

18 May 2007

**DANEPLACE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	NOTES	2006 £	2005 £
Turnover	(1)	657	657
<b>Turnover</b>		657	657
Administrative expenses		(2,379)	(2,616)
<b>Operating (loss)</b>		(1,722)	(1,959)
Interest receivable & similar income		16,598	17,032
<b>Profit on ordinary activities before taxation</b>		14,876	15,073
Tax on profit on ordinary activities	(4)	(1,855)	-
<b>Profit for the financial year</b>	(9)	13,021	15,073

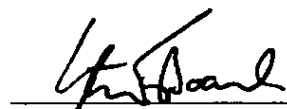
All items included in the above profit and loss account are part of continuing operations

**DANEPLACE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2006**

	NOTES	2006 £	2005 £
<b>FIXED ASSETS</b>			
Fixed asset investments	(5)	10,000	10,000
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(6)	266,598	267,032
Cash at bank and in hand		1,549	907
		268,147	267,939
<b>CREDITORS: amounts falling due within one year</b>	(7)	(128,484)	(141,297)
<b>NET CURRENT ASSETS</b>		139,663	126,642
<b>NET ASSETS</b>		149,663	136,642
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(8)	1	1
Profit and loss account	(9)	149,662	136,641
<b>EQUITY SHAREHOLDERS' FUNDS</b>		149,663	136,642

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



Mr S Board

DIRECTOR

## **DANEPLACE 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, 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 permanent diminution in value.

##### *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 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 (2005 none).

**DANEPLACE LIMITED**

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

<b>3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2006 £</b>	<b>2005 £</b>
This is stated after charging		
Auditors' remuneration	1,175	1,175
	<hr/>	<hr/>

<b>4 TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2006 £</b>	<b>2005 £</b>
UK corporation tax at 30% (2005 30%)		
Deferred tax charge		
Origination and reversal of timing differences	-	-
Payment for losses surrendered under Group Relief Arrangement	1,855	-
	<hr/>	<hr/>
	1,855	-
	<hr/>	<hr/>

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

	<b>2006 £</b>	<b>2005 £</b>
Profit on ordinary activities before taxation multiplied by		
the standard rate of UK corporation tax of 30% (2005 30%)	4,463	4,522
Effect of:		
Losses used by group/consortium relief	(4,463)	(4,522)
	<hr/>	<hr/>
Current tax charge in profit and loss account	-	-
	<hr/>	<hr/>

<b>5 FIXED ASSETS INVESTMENTS</b>	<b>2006 £</b>	<b>2005 £</b>
As at 1 January	10,000	-
Additions	-	10,000
	<hr/>	<hr/>
As at 31 December	10,000	10,000
	<hr/>	<hr/>

The Gilts were purchased at a cost of £10,000. Market value at 31 December 2006 was £9,219 (2005 £9,570). The directors do not consider this diminution to be permanent, therefore no provision has been made in the accounts.

**DANEPLACE LIMITED**

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

**6 DEBTORS**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	266,598	267,032
	266,598	267,032

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Amounts due to group undertakings	128,484	141,297
	128,484	141,297

**8 CALLED UP SHARE CAPITAL**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Authorised, allotted, called up and fully paid Ordinary shares of £1 each	1	1

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

	<b>Share Capital £</b>	<b>Profit &amp; Loss Account £</b>	<b>2006 Total £</b>	<b>2005 Total £</b>
At 1 January	1	136,641	136,642	121,569
Profit for the financial year	-	13,021	13,021	15,073
Balance at 31 December	1	149,662	149,663	136,642

**10 CONTINGENT LIABILITIES**

In the Directors opinion, no contingent liabilities exist

**11 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

**12 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