

**DANEPLACE LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2004**



**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 2004**

**Page No**

1 - 2	Directors' report
3	Independent Auditors' Report
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 - 9	Notes to the Financial Statements

## **DANEPLACE LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004**

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2004.

#### **1 PRINCIPAL ACTIVITY**

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

During the year the Company disposed of its investment property for proceeds less fees paid of £2,000,000 realising a profit in book value of £200,000. The Directors expect to investigate further investment opportunities in the forthcoming year.

#### **3 DIVIDENDS**

The Directors do not propose a dividend for the year ended 31 December 2004 (2003:£nil).

#### **4 DIRECTORS**

The Directors of the Company during the year were as follows:

Mr T J Thomson  
Mr D M Bäverstam

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**

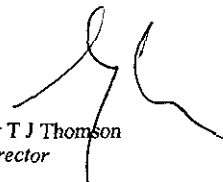
**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)**

**6 AUDITORS**

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will proposed at the forthcoming annual general meeting.

**BY ORDER OF THE BOARD**

**REGISTERED OFFICE:**



Mr T J Thomson  
*Director*

31 March 2005

One Citadel Place  
Tinworth Street  
London  
SE11 5EF

## DANEPLACE LIMITED

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

We have audited the financial statements which comprise the profit and loss account, balance sheet, the statement of total recognised gains and losses, the reconciliation of historical cost profits and losses and the related notes.

#### Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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, United Kingdom auditing standards issued by the Auditing Practices Board. 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 transactions is not disclosed.

#### Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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 of the state of the Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

31 March 2005

**DANEPLACE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	NOTES	2004 £	2003 £
Rental income		200,731	13,260
Service charge expenditure recovered		10,857	-
Other income		-	1,763
<b>Turnover</b>	(1)	211,588	15,023
Service charge expenditure		(17,516)	-
		194,072	15,023
Administrative expenses		(63,854)	(35,899)
<b>Operating profit/(loss)</b>		130,218	(20,876)
Profit on sale of investment property	(2)	200,000	-
Interest payable and similar charges	(3)	(120,803)	(78,750)
Exceptional charges - deficit on revaluation		-	(88,221)
<b>Profit/(Loss) on ordinary activities before taxation</b>		209,415	(187,847)
Tax on loss on ordinary activities	(6)	-	-
<b>Retained profit/(Deficit) for the financial year</b>	(11)	209,415	(187,847)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2004 £	2003 £
Retained profit/deficit for the financial year	209,415	(187,847)
Unrealised surplus on revaluation of property	100,000	-
<b>Total gains/(deficits) recognised in the year</b>	309,415	(187,847)

**RECONCILIATION OF HISTORICAL COST PROFITS AND LOSSES**

	2004 £	2003 £
Reported profit/(loss) on ordinary activities before taxation	209,415	(187,847)
Realisation of property revaluation gains of previous years	100,000	-
<b>Historical cost profit/(deficit) on ordinary activities before taxation</b>	309,415	(187,847)
<b>Historical cost profit/(deficit) for the year retained after taxation</b>	309,415	(187,847)

The Company has no other recognised gains or losses other than those reported in the above profit and loss account.

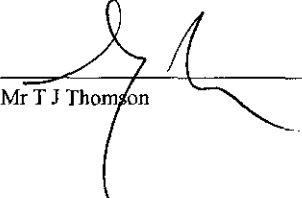
All items included in the above profit and loss account are part of continuing operations.

**DANEPLACE LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2004**

	NOTES	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible fixed assets	(7)	-	1,700,000
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(8)	297,884	1,632
Cash at bank and in hand		250	-
<b>CREDITORS: amounts falling due within one year</b>	(9)	298,134 (176,565)	1,632 (1,889,478)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		121,569	(1,887,846)
<b>NET ASSETS/(LIABILITIES)</b>		121,569	(187,846)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(10)	1	1
Profit and loss account	(11)	121,568	(187,847)
<b>EQUITY SHAREHOLDERS' FUNDS/(DEFICITS)</b>		121,569	(187,846)

The financial statements were approved by the Board of Directors on 31 March 2005 and signed on its behalf by:


 \_\_\_\_\_ DIRECTOR  
 Mr T J Thomson

## DANEPLACE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

#### 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 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 *Tangible fixed assets*

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.

##### 1.3 *Depreciation*

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 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.

During the year the presentation of service charge income has been changed to include it in turnover rather than being netted off the related expense. This has not affected the profit after taxation in either year and the comparatives have been adjusted accordingly.



**DANEPLACE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)**

**1.5 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**

	2004 £	2003 £
Proceeds from sale of investment property	2,000,000	-
Value of investment property sold	(1,800,000)	-
	<u>200,000</u>	<u>-</u>

**3 INTEREST PAYABLE AND SIMILAR CHARGES**

	2004 £	2003 £
On loans from group undertakings	120,803	78,750
	<u>120,803</u>	<u>78,750</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 (2003: none).

**5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2004 £	2003 £
This is stated after charging:		
Auditors' remuneration	<u>1,176</u>	<u>-</u>

**DANEPLACE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)**

**6 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES**

	<b>2004</b> £	<b>2003</b> £
UK corporation tax at 30%	-	-
	-	-
	-	-

The current tax charge for the period is lower in 2004 and 2003 than the standard rate of UK corporation tax (30%) as explained below:

	<b>2004</b> £	<b>2003</b> £
Profit/(loss) on ordinary activities before taxation (excluding deficit revaluation) multiplied by the standard rate of UK corporation tax of 30%	62,825	(29,888)
<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	(2,825)	29,888
	-	-
Current tax charge in profit and loss account	-	-

**7 TANGIBLE FIXED ASSETS**

	<b>2004</b> £	<b>2003</b> £
Freehold investment property		
Valuation at 1 January	1,700,000	1,788,221
Surplus/(Deficit) on revaluation	100,000	(88,221)
Disposal	(1,800,000)	-
	-	1,700,000

In 2004 the Company disposed of the freehold investment property. The proceeds on sale amounted to £2,000,000.

**8 DEBTORS**

	<b>2004</b> £	<b>2003</b> £
<b>Amounts falling due within one year:</b>		
Trade debtors	11,445	-
Amounts owed by group undertakings	281,063	-
Other debtors	3,123	1,632
Prepayments and accrued income	2,253	-
	297,884	1,632

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

	<b>2004</b> £	<b>2003</b> £
Amounts due to group undertakings	123,998	1,889,478
Accruals and deferred income	52,567	-
	176,565	1,889,478

**DANEPLACE LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)**

**10 CALLED UP SHARE CAPITAL**

	2004 £	2003 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	1	1

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

	Share Capital £	Revaluation Reserve £	Profit & Loss Account £	2004 Total £	2003 Total £
At 1 January	1	-	(187,847)	(187,846)	-
Share issued	-	-	-	-	1
Surplus on revaluation of properties	-	100,000	-	100,000	-
Realised on sale of property	-	(100,000)	100,000	-	-
Retained profit/(Deficit) for the period	-	-	209,415	209,415	(187,847)
Balance at 31 December	1	-	121,568	121,569	(187,846)

**12 CONTINGENT LIABILITIES**

In the Directors opinion, no contingent liabilities exist.

**13 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 Holdings plc, One Citadel Place, Tinworth Street, London, SE11 5EF.