

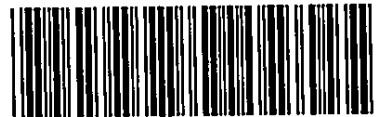
Company Registration No. 1964367

Buspace Studios Limited

Report and Financial Statements

31 December 2011

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Buspace Studios Limited

Report and Financial Statements 2011

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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 2011

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

No dividends were paid for the year ended 31 December 2011 (2010 £nil)

Financial risk management

The Company's operations expose it to the risk of interest rate fluctuations The Company addresses such risks by purchasing interest rate hedging instruments

Such instruments have a year end book value of £9,292 (2010 £nil) and a year end market value of £7,507 (2010 £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 Rental deposits taken as required |
| • Credit risk – lenders | Large institutions used with good credit rating |

Buspace Studios Limited

Directors' Report (continued)

Directors

The Directors of the Company during the year were as follows

Mr E H Klotz
Mr R J S Tice
Mr A G P Millet
Mr J H Whiteley

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 2011

Auditor

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 auditor is 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 auditor is 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 section 386 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

9 May 2012

Registered office:

86 Bondway
London
SW8 1SF

Buspace Studios Limited

Directors' Responsibilities Statement

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,
- state whether applicable UK 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 are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 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 Auditor's Report to the Members of Buspace Studios Limited

We have audited the financial statements of Buspace Studios Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Gains and Losses, the Balance Sheet and the related notes 1 to 14. 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 auditor's 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 auditor

As more fully explained in the Directors' Responsibilities Statement, 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 and express an opinion on 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 Practices Board'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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

Independent Auditor's Report to the Members of Buspace Studios Limited (continued)

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 12 to the financial statements concerning the Company's ability to continue as a going concern. At 31 December 2011 the Company had net liabilities of £626,312.
- This condition indicates the existence of a material uncertainty which may cast significant doubt over 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.


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.

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.



Mark Goodey FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
9 May 2012

Buspace Studios Limited

Profit and Loss Account Year ended 31 December 2011

| | Notes | 2011 £ | 2010 £ |
|--|-------|-----------------------|----------------------|
| Turnover | 2 | 463,003 | 164,352 |
| Administrative expenses | | (33,838) | (21,359) |
| Operating profit | | <u>429,165</u> | <u>142,993</u> |
| Interest payable and similar charges | 3 | (117,103) | (105,026) |
| Profit on ordinary activities before taxation | 5 | <u>312,062</u> | <u>37,967</u> |
| Tax credit on profit on ordinary activities | 6 | 6,155 | 1,933 |
| Profit for the financial year | 13 | <u><u>318,217</u></u> | <u><u>39,900</u></u> |

There is no material difference between the profit on ordinary activities before taxation and the profit 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 2011

| | Notes | 2011 £ | 2010 £ |
|---|-------|----------------|---------------|
| Profit for the financial year | | 318,217 | 39,900 |
| Unrealised surplus on revaluation of property | 7 | 114,082 | 50,000 |
| Total recognised gains for the year | | <u>432,299</u> | <u>89,900</u> |

Buspace Studios Limited

Balance Sheet 31 December 2011

| | Notes | 2011 £ | 2010 £ |
|--|-------|------------------|--------------------|
| Fixed assets | | | |
| Investment property | 7 | <u>2,965,000</u> | <u>2,850,000</u> |
| Current assets | | | |
| Debtors due within one year | 8 | 24,316 | 48,278 |
| Debtors due after one year | 8 | 7,350 | - |
| | | <u>31,666</u> | <u>48,278</u> |
| Creditors: amounts falling due within one year | 9 | <u>(334,452)</u> | <u>(3,856,625)</u> |
| Net current liabilities | | <u>(302,786)</u> | <u>(3,808,347)</u> |
| Total assets less current liabilities | | 2,662,214 | (958,347) |
| Creditors: amounts falling due after more than one year | 10 | (3,194,417) | - |
| Provisions for liabilities | 11 | <u>(94,109)</u> | <u>(100,264)</u> |
| Net liabilities | | <u>(626,312)</u> | <u>(1,058,611)</u> |
| Capital and reserves | | | |
| Called up share capital | 12 | 100 | 100 |
| Revaluation reserve | 13 | (273,435) | (387,517) |
| Profit and Loss Account | 13 | <u>(352,977)</u> | <u>(671,194)</u> |
| Shareholders' deficit | | <u>(626,312)</u> | <u>(1,058,611)</u> |

The financial statements of Buspace Studios Limited (registered number 1964367) were approved by the Board of Directors on 9 May 2012

Signed on behalf of the Board of Directors



Mr J H Whiteley
Director

Buspace Studios Limited

Notes to the Financial Statements

31 December 2011

1. Significant accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The principal 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 one 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 not to provide disclosures to enable users of the financial statements to evaluate the significance of the Company's financial instruments to financial position and performance of the Company, and the nature and extent of risks arising from the Company's financial instruments, 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.

At the balance sheet date the Company had net liabilities of £626,312. The Company is subject to economic uncertainties and should tenant demand decline the Company may be unable to meet its financial obligations as they fall due.

The above circumstance gives rise to an uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business.

The Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about rental income, finance costs and overhead costs. In doing so, the Directors have satisfied themselves that the Company will continue to generate positive cash flows. Furthermore, historically the Company has received support from its ultimate parent company and the Directors have a reasonable expectation that this will continue going forward.

For these reasons, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, the Company continues to adopt the going concern basis in preparing the annual report and financial statements.

Buspace Studios Limited

Notes to the Financial Statements

31 December 2011

1. Significant 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 2006 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 lease term. 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.

1.6 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 31 December 2011

1. Significant accounting policies (continued)

1.7 Interest rate caps

The premium paid for interest rate caps used to hedge borrowings is held within debtors on the balance sheet and amortised over the period of the cap

2. Turnover

| | 2011 £ | 2010 £ |
|---------------|-----------|-----------|
| Rental income | 463,003 | 164,352 |

Turnover arose wholly within the United Kingdom

3. Interest payable and similar charges

| | 2011 £ | 2010 £ |
|------------------------------------|----------------|----------------|
| Bank loans | 59,537 | 59,432 |
| On loans from group undertakings | 47,888 | 45,000 |
| Amortisation of arrangement fees | 874 | - |
| Amortisation of interest rate caps | 58 | - |
| Other finance costs | 8,746 | 594 |
| | <u>117,103</u> | <u>105,026</u> |

Included in other finance costs are £496 (2010 £594) of guarantee fees payable to the ultimate parent company CLS Holdings plc. The fees are in respect of a guarantee issued to the loan provider covering the interest and expenses due under the loan facility

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 (2010 £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 (2010 none)

5. Profit on ordinary activities before taxation

| | 2011 £ | 2010 £ |
|---|-----------|-----------|
| This is stated after | | |
| Fees payable to the Company's auditor for the audit of the Company's financial statements | 2,000 | 2,000 |

Buspace Studios Limited

Notes to the Financial Statements 31 December 2011

6. Tax credit on profit on ordinary activities

| | 2011 £ | 2010 £ |
|---|----------------|----------------|
| Current tax | - | - |
| Deferred tax credit origination and reversal of timing differences and effect of change in tax rate | (6,155) | (1,933) |
| Total tax credit on profit on ordinary activities | <u>(6,155)</u> | <u>(1,933)</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 on ordinary activities before tax is as follows

| | 2011 £ | 2010 £ |
|--|-----------------|-----------------|
| Profit on ordinary activities before tax | <u>312,062</u> | <u>37,967</u> |
| Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation of 26.5% (2010 28%) | 82,696 | 10,631 |
| Effect of Losses claimed by group/consortium relief for nil payment and differences between capital allowances and depreciation | <u>(82,696)</u> | <u>(10,631)</u> |
| Current tax charge in profit and loss account | <u>-</u> | <u>-</u> |

The rate of corporation tax for the financial year 2010 was 28%. This fell to 26% on 1 April 2011 and the weighted corporation tax rate for the year ended 31 December 2011 was therefore 26.5%. Deferred tax has been calculated at a rate of 25%, being the rate applicable from 1 April 2012 under legislation substantially enacted at the balance sheet date.

Buspace Studios Limited

Notes to the Financial Statements 31 December 2011

7 Investment property

| | Freehold £ |
|------------------------|-----------------------|
| At 1 January 2011 | 2,850,000 |
| Additions | 918 |
| Surplus on revaluation | 114,082 |
| | <hr/> |
| At 31 December 2011 | <u>2,965,000</u> |

The investment property was revalued at 31 December 2011 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 who are external, professionally qualified valuers.

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 £3,238,435 (2010: £3,237,517).

8. Debtors: due within one year

| | 2011 £ | 2010 £ |
|-----------------------------|-------------------|-------------------|
| Trade debtors | - | 48,278 |
| Due from group undertakings | 22,374 | - |
| Other debtors | 1,942 | - |
| | <hr/> | <hr/> |
| | <u>24,316</u> | <u>48,278</u> |

Debtors: due after one year

| | 2011 £ | 2010 £ |
|---------------|-------------------|-------------------|
| Other debtors | 7,350 | - |
| | <hr/> | <hr/> |

Debtors due after one year comprise premiums paid for interest rate caps, carried at cost less accumulated amortisation.

Buspace Studios Limited

Notes to the Financial Statements 31 December 2011

9. Creditors: amounts falling due within one year

| | 2011 | 2010 |
|------------------------------------|----------------|------------------|
| | £ | £ |
| Bank loan | 63,800 | 2,015,500 |
| Unamortised arrangement fees | (4,634) | - |
| Amounts due to group undertakings | 48,384 | 1,699,854 |
| Other taxation and social security | 71,030 | 12,158 |
| Accruals and deferred income | 76,200 | 49,440 |
| Other creditors | 79,672 | 79,673 |
| | <u>334,452</u> | <u>3,856,625</u> |

10. Creditors: amounts falling due after more than one year

| | 2011 | 2010 |
|---|------------------|------------------|
| | £ | £ |
| Bank loan | 1,586,200 | - |
| Unamortised arrangement fees | (17,626) | - |
| Amounts due to group undertakings | 1,625,843 | - |
| | <u>3,194,417</u> | <u>-</u> |
| The bank loan is repayable as follows | | |
| Less than one year | 63,800 | 2,015,500 |
| In more than one year but not more than two years | 63,800 | - |
| In more than two years but not more than five years | 1,522,400 | - |
| | <u>1,650,000</u> | <u>2,015,500</u> |

Interest on the bank loan is charged at LIBOR plus a margin of 2.25% (2010: 2.25%) and is secured by a legal charge over the shares of the Company.

Additional security for the loan has been given by a fellow group undertaking, Instant Office Limited. Under the terms of the agreement, in the event of default the income of Instant Office Limited will be paid directly to the loan provider.

The loan is the Company's share of a joint facility with a fellow subsidiary undertaking of the parent company. Both participants in the facility are jointly and severally liable. The balance outstanding on the total facility at 31 December 2011 was £6,000,000.

Buspace Studios Limited

Notes to the Financial Statements 31 December 2011

11. Provisions for liabilities

Deferred taxation is provided as follows

| | Provision 2011 € | Amount unprovided 2011 € | Provision 2010 € | Amount unprovided 2010 € |
|---|------------------------|-----------------------------------|------------------------|-----------------------------------|
| Capital allowances in excess of depreciation | 94,109 | - | 100,264 | - |
| Deferred tax asset on revaluation | - | - | - | (105,332) |
| | <u>94,109</u> | <u>-</u> | <u>100,264</u> | <u>(105,332)</u> |
| At 1 January | 100,264 | | 102,197 | |
| Amount charged to profit and loss | 1,272 | | 1,717 | |
| Effect of decreased tax rate on opening deferred tax liability | (7,427) | | (3,650) | |
| At 31 December | <u>94,109</u> | | <u>100,264</u> | |

No tax would have arisen on the disposal of the property at the balance sheet date as the market value was below historical cost

12. Called up share capital

| | 2011 € | 2010 € |
|---|------------|------------|
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | <u>100</u> | <u>100</u> |

Buspace Studios Limited

Notes to the Financial Statements 31 December 2011

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

| | Share capital £ | Revaluation reserve £ | Profit and Loss Account £ | 2011 Total £ | 2010 Total £ |
|-------------------------------|-----------------------|-----------------------------|------------------------------------|--------------------|--------------------|
| At 1 January | 100 | (387,517) | (671,194) | (1,058,611) | (1,148,511) |
| Profit for the financial year | - | - | 318,217 | 318,217 | 39,900 |
| Surplus on revaluation | - | 114,082 | - | 114,082 | 50,000 |
| Balance at 31 December | <u>100</u> | <u>(273,435)</u> | <u>(352,977)</u> | <u>(626,312)</u> | <u>(1,058,611)</u> |

14. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and controlling party is 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