

INSTANT OFFICE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2000

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6NN



Company No. 2122887

INSTANT OFFICE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2000

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INSTANT OFFICE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2000

1 PRINCIPAL ACTIVITY

The principal activity of the company is property management.

2 REVIEW OF THE BUSINESS

The results of the year are shown on page 4 of the financial statements.

The Directors expect the principal activity of the company to remain unchanged for the foreseeable future.

3 DIVIDENDS

No dividend was proposed by the directors for the period ended 31 December 2000 (1999:Nil)

4 DIRECTORS

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

Mr B F Mörtstedt

Mr G V Hirsch

The Directors had no interests in the shares of the company at any time during the year. The interests of the Directors in CLS Holdings plc are disclosed in that company's financial statements.

INSTANT OFFICE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

6 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 year and of the profit or loss 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

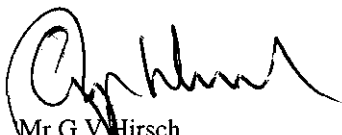
The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have general responsibility for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

7 AUDITORS

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

BY ORDER OF THE BOARD


Mr G V Hirsch
Director

28 March 2001

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

INSTANT OFFICE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF INSTANT OFFICE LIMITED

We have audited the financial statements on pages 4 to 8.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 2000 and its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

28 March 2001

INSTANT OFFICE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	NOTES	2000 £	1999 £
Turnover	(2)	1,643,899	367,063
Administrative expenses		(1,518,332)	(329,820)
Operating Profit		125,567	37,243
Interest payable and related charges	(3)	(36,876)	-
Profit on ordinary activities before taxation	(5)	88,691	37,243
Tax on loss on ordinary activities	(6)	(7,155)	-
Retained Profit for the year	(12)	81,536	37,243

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 profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

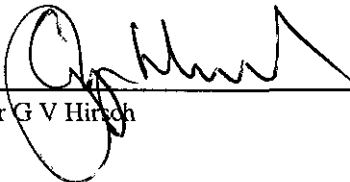
All items included in the above profit and loss account are part of continuing operations.

INSTANT OFFICE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

	NOTES	2000 £	1999 £
FIXED ASSETS			
Tangible assets	(7)	301,050	16,645
CURRENT ASSETS			
Debtors amounts falling due within one year	(8)	234,944	166,625
Cash at bank and in hand		237,371	67,087
		472,315	233,712
CREDITORS: amounts falling due within one year	(9)	(1,200,493)	(766,176)
NET CURRENT LIABILITIES		(728,178)	(532,464)
TOTAL ASSETS LESS CURRENT LIABILITIES		(427,128)	(515,819)
Provisions for Liabilities and Charges		7,155	
CAPITAL AND RESERVES			
Called up share capital	(11)	2,000	2,000
Profit and loss account	(12)	(436,283)	(517,819)
		(434,283)	(515,819)
EQUITY SHAREHOLDERS' FUNDS		(427,128)	(515,819)

These financial statements were approved by the Board of Directors on 28 March 2001 and signed on its behalf by:


DIRECTOR
 Mr G V Hirsch

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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. 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%

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 provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced. It is calculated at the rate at which it is estimated that tax will be payable.

2 TURNOVER

	2000	1999
	£	£
Rental income within the United Kingdom	1,405,098	339,980
Income other	238,801	27,083
	<hr/>	<hr/>
	1,643,899	367,063
	<hr/>	<hr/>

3 INTEREST PAYABLE AND RELATED CHARGES

	2000	1999
	£	£
On loans from group undertaking	36,876	-
	<hr/>	<hr/>
	36,876	0
	<hr/>	<hr/>

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the company are disclosed in the financial statements of CLS Holdings plc for their services to the group as a whole. The company had no employees during the year (1999:nil).

5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2000	1999
		£	£
	This is stated after charging:		
	Auditors' remuneration	1,500	1,545
		<hr/>	<hr/>

6	TAX ON PROFIT ON ORDINARY ACTIVITIES	2000	1999
		£	£
	UK corporation tax at 30% (1999 - 30.25%)	-	-
	Deferred taxation (note 12)	7,155	
		<hr/>	<hr/>

No provision for corporation tax has been made for the year due to the availability of losses. Losses are available from one or more of the following sources; losses arising in the year, losses brought forward and group relief surrendered free of charge.

7	TANGIBLE FIXED ASSETS	Office Equipment	Fixtures & Fittings	Total
		£	£	£
	Cost			
	At 1st January 2000	15,280	1,365	16,645
	Additions	182,173	170,319	352,492
		<hr/>	<hr/>	<hr/>
	At 31 December 2000	197,453	171,684	369,137
		<hr/>	<hr/>	<hr/>
	Depreciation :			
	At 1st January 2000	-	-	-
	Charge for the period	14,512	53,575	68,087
		<hr/>	<hr/>	<hr/>
	At 31 December 2000	14,512	53,575	68,087
		<hr/>	<hr/>	<hr/>
	Net Book Value at 31 December 2000	182,941	118,109	301,050
		<hr/>	<hr/>	<hr/>
	Net Book Value at 31 December 1999	15,280	1,365	16,645
		<hr/>	<hr/>	<hr/>

8	DEBTORS: amounts falling due within one year	2000	1999
		£	£
	Trade debtors	78,644	165,519
	Other taxation and social security	16,052	-
	Prepayments and accrued income	140,248	1,106
		<hr/>	<hr/>
		234,944	166,625
		<hr/>	<hr/>

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

9	CREDITORS: amounts falling due within one year	2000 £	1999 £
	Trade Creditors	20,285	-
	Amount due to group undertakings	1,010,012	563,272
	Other taxation and social security	-	30,078
	Other creditors	110,111	80,250
	Accruals and deferred income	60,086	92,576
		<u>1,200,493</u>	<u>766,176</u>

10 DEFERRED TAXATION

Deferred taxation is provided as follows:

	2000 Provision £	Amount Unprovided £	1999 Provision £	Amount Unprovided £
Capital allowances in excess of depreciation	-	-	-	-
Other short term timing differences	7,155	-	416	-
Losses brought forward	-	-	-	-
Taxation on revaluation surplus	-	-	-	-
	<u>7,155</u>	<u>-</u>	<u>416</u>	<u>-</u>

11 CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid:

	2000 £	1999 £
Ordinary shares of £1 each	2,000	2,000

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss account £	2000 Total £	1999 Total £
Balance at 1 January	2,000	(517,819)	(515,819)	(553,062)
Profit for the year	-	81,536	81,536	37,243
Balance at 31 December	<u>2,000</u>	<u>(436,283)</u>	<u>(434,283)</u>	<u>(515,819)</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, One Citadel Place, Tinworth St, London SE11 5EF.