

INSTANT OFFICE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2001

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



Company No. 2122887

INSTANT OFFICE LIMITED
INDEX TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2001

Page No

| | |
|-------|-----------------------------------|
| 1 - 2 | Directors' report |
| 3 | Auditors' report to the Members |
| 4 | Profit and loss account |
| 5 | Balance sheet |
| 6 - 8 | Notes to the Financial Statements |

INSTANT OFFICE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2001

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 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 2001 (2000:Nil)

4 DIRECTORS

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

Mr B F Mörtstedt (*resigned 05/10/01*)

Mr G V Hirsch (*resigned 05/10/01*)

Mr D M Bäverstam (*appointed 05/10/01*)

Mr T J Thomson (*appointed 05/10/01*)

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 2001 (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 T J Thomson
Director

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

28 March 2002

INSTANT OFFICE LIMITED

INDEPENDENT AUDITORS' REPORT

to the members of Instant Office Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet, 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 and United Kingdom auditing standards issued by the Auditing Practices Board.

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.

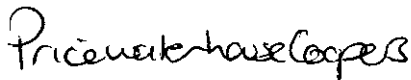
Basis of audit opinion

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 affairs of the Company at 31 December 2001 and of 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 2002

INSTANT OFFICE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

| | NOTES | 2001 £ | 2000 £ |
|--|-------|-----------------------|----------------------|
| Turnover | (2) | 1,969,856 | 1,643,899 |
| Administrative expenses | | (1,562,151) | (1,518,332) |
| Operating Profit | | <u>407,705</u> | <u>125,567</u> |
| Interest payable and related charges | (3) | (42,188) | (36,876) |
| Profit on ordinary activities before taxation | (5) | <u>365,517</u> | <u>88,691</u> |
| Tax on profit on ordinary activities | (6) | 7,155 | (7,155) |
| Retained Profit for the year | (12) | <u><u>372,672</u></u> | <u><u>81,536</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 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 2001

| | NOTES | 2001 £ | 2000 £ |
|---|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | (7) | 663,064 | 301,050 |
| CURRENT ASSETS | | | |
| Debtors amounts falling due within one year | (8) | 219,127 | 234,944 |
| Cash at bank and in hand | | 425,487 | 237,371 |
| | | 644,614 | 472,315 |
| CREDITORS: amounts falling due within one year | (9) | (1,369,289) | (1,200,493) |
| NET CURRENT LIABILITIES | | (724,675) | (728,178) |
| Provisions for Liabilities and Charges | (10) | - | (7,155) |
| NET LIABILITIES | | (61,611) | (434,283) |
| CAPITAL AND RESERVES | | | |
| Called up share capital | (11) | 2,000 | 2,000 |
| Profit and loss account | (12) | (63,611) | (436,283) |
| EQUITY SHAREHOLDERS' DEFICIT | | (61,611) | (434,283) |

These financial statements were approved by the Board of Directors on 28 March 2002 and signed on its behalf by:


DIRECTOR
 Mr T J Thomson

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 PRINCIPAL ACCOUNTING POLICIES

Financial Reporting Standard 18 - Accounting Policies, effective for accounting periods ending on or after 22 June 2001 has been adopted. The directors have reviewed the company's accounting policies and consider that the accounts are prepared in accordance with FRS 18.

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%
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

| | 2001 | 2000 |
|---|-----------|-----------|
| | £ | £ |
| Rental income within the United Kingdom | 1,607,882 | 1,405,098 |
| Other Income | 361,974 | 238,801 |
| | <hr/> | <hr/> |
| | 1,969,856 | 1,643,899 |
| | <hr/> | <hr/> |

3 INTEREST PAYABLE AND RELATED CHARGES

| | 2001 | 2000 |
|---------------------------------|--------|--------|
| | £ | £ |
| On loans from group undertaking | 42,188 | 36,876 |
| | <hr/> | <hr/> |
| | 42,188 | 36,876 |
| | <hr/> | <hr/> |

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

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. None of the other Directors received emoluments for their services during the year (2000:nil). The company had no employees during the year (2000:none).

| 5 | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2001 | 2000 |
|----------|--|----------------|--------------|
| | | £ | £ |
| | This is stated after charging: | | |
| | Auditors' remuneration | 1,500 | 1,500 |
| | Depreciation | 112,463 | - |
| | | <u>113,963</u> | <u>1,500</u> |

| 6 | TAX ON PROFIT ON ORDINARY ACTIVITIES | 2001 | 2000 |
|----------|---|--------------|--------------|
| | | £ | £ |
| | UK corporation tax at 30% (2000 - 30%) | - | - |
| | Deferred taxation (note 10) | 7,155 | 7,155 |
| | | <u>7,155</u> | <u>7,155</u> |

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 | Fixtures & | Total |
|----------|------------------------------------|------------------|-----------------------|----------------|
| | | Equipment | Fittings | |
| | | £ | £ | £ |
| | Cost | | | |
| | At 1st January 2001 | 197,453 | 171,684 | 369,137 |
| | Additions | 54,147 | 420,330 | 474,477 |
| | | <u>251,600</u> | <u>592,014</u> | <u>843,614</u> |
| | At 31 December 2001 | | | |
| | Depreciation : | | | |
| | At 1st January 2001 | 14,512 | 53,575 | 68,087 |
| | Charge for the period | 56,334 | 56,129 | 112,463 |
| | | <u>70,846</u> | <u>109,704</u> | <u>180,550</u> |
| | At 31 December 2001 | | | |
| | Net Book Value at 31 December 2001 | 180,754 | 482,310 | 663,064 |
| | | <u>182,941</u> | <u>118,109</u> | <u>301,050</u> |
| | Net Book Value at 31 December 2000 | | | |

| 8 | DEBTORS: amounts falling due within one year | 2001 | 2000 |
|----------|---|----------------|----------------|
| | | £ | £ |
| | Trade debtors | 35,431 | 78,644 |
| | Other taxation and social security | 27,431 | 16,052 |
| | Prepayments and accrued income | 156,265 | 140,248 |
| | | <u>219,127</u> | <u>234,944</u> |

INSTANT OFFICE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

| 9 | CREDITORS: amounts falling due within one year | 2001 £ | 2000 £ |
|----------|---|-------------------|-------------------|
| | Trade Creditors | 6,385 | 20,285 |
| | Amount due to group undertakings | 1,159,910 | 1,010,012 |
| | Other creditors | 126,847 | 110,111 |
| | Accruals and deferred income | 76,147 | 60,086 |
| | | <u>1,369,289</u> | <u>1,200,493</u> |

10 DEFERRED TAXATION

Deferred taxation is provided as follows:

| | 2001 Provision £ | Amount Unprovided £ | 2000 Provision £ | Amount Unprovided £ |
|--|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| Capital allowances in excess of depreciation | - | - | - | - |
| Other short term timing differences | - | - | 7,155 | - |
| Losses brought forward | - | - | - | - |
| Taxation on revaluation surplus | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>7,155</u> | <u>-</u> |

| 11 | CALLED UP SHARE CAPITAL | 2001 £ | 2000 £ |
|-----------|---|-------------------|-------------------|
| | Authorised, allotted, called up and fully paid: | | |
| | Ordinary shares of £1 each | 2,000 | 2,000 |

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | Share Capital £ | Profit and Loss account £ | 2001 Total £ | 2000 Total £ |
|------------------------|--------------------------------|--|-----------------------------|-----------------------------|
| Balance at 1 January | 2,000 | (436,283) | (434,283) | (515,819) |
| Profit for the year | - | 372,672 | 372,672 | 81,536 |
| Balance at 31 December | <u>2,000</u> | <u>(63,611)</u> | <u>(61,611)</u> | <u>(434,283)</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.