

RAYMAN FINANCE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1999**

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

Company No. 2130919



RAYMAN FINANCE LIMITED

INDEX TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1999

Page No

1 - 2	Directors' report
3	Auditors' report to the Members
4	Profit and loss account
5	Balance sheet
6 - 9	Notes to the Financial Statements

RAYMAN FINANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1999

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 1999.

1 PRINCIPAL ACTIVITY

The principal activity of the company during the year was stock, share, currency and interest trading together with other related trading.

2 REVIEW OF THE BUSINESS

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

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31 December 1999.
(1998: £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.

5 YEAR 2000

During the year ended 31 December 1999 the company made considerable efforts to ensure that its domestic computer systems would not be adversely affected by the millennium date change. The cost of this work was not significant and was met from existing capital. No issues have been noted to date. We continue to monitor our significant customers, vendors and service providers and to date we have no information that indicates that significant vendors may be unable to sell to the entity, or significant customers may be unable to purchase from the company, or significant service providers may be unable to provide services to the company, as a result in each case of year 2000 problems, such that the potential financial effect of which would cause significant uncertainty about the company's going concern status.

RAYMAN FINANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1999 (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 and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

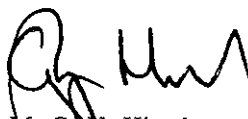
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors 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. 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.

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

24 March 2000

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth St
London
SE11 5EH

RAYMAN FINANCE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF RAYMAN FINANCE LIMITED

We have audited the financial statements on pages 4 to 9.

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

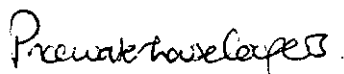
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 1999 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*

24 March 2000

RAYMAN FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTES	1999 £	1998 £
Gross profit/(loss)	(2)	746,221	(655,804)
Administrative expenses		(2,966)	(1,577)
Operating profit/(loss)		743,255	(657,381)
Interest receivable and financial income		-	-
Dividends received		13,698	4,233
Interest payable and similar charges	(4)	(209,266)	(118,000)
Profit/(loss) on ordinary activities before taxation	(3)	547,687	(771,148)
Tax on profit/(loss) on ordinary activities	(6)	(1,206)	(612)
Retained profit/(loss) for the year	(11)	546,481	(771,760)

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.

RAYMAN FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

	NOTES	1999 £	1998 £
CURRENT ASSETS			
Trading stock	(7)	1,386,131	460,220
Debtors	(8)	1,582,683	895,367
Cash at bank and in hand		2,026,285	-
		4,995,099	1,355,587
CREDITORS: amounts falling due within one year	(9)	(5,701,253)	(2,608,222)
NET CURRENT LIABILITIES AND TOTAL ASSETS LESS CURRENT LIABILITIES		(706,154)	(1,252,635)
CAPITAL AND RESERVES			
Called up share capital	(10)	2,000	2,000
Profit and loss account	(11)	(708,154)	(1,254,635)
EQUITY SHAREHOLDERS' FUNDS		(706,154)	(1,252,635)
		(706,154)	(1,252,635)

These financial statements were approved by the Board of Directors on 24 March 2000 and signed on its behalf by:


 _____ **DIRECTOR**
 Mr G. M. Hirsch

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

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 in accordance with applicable accounting standards, except that Marketable Securities held by the company as current trading securities are stated at market value, profits and losses arising from this valuation are taken to the profit and loss account. This is not in accordance with Schedule 4 to the Companies Act 1985, which requires that such assets be stated at the lower of cost and net realisable value, or if revalued, any revaluation difference be taken to the revaluation reserve. The Directors consider that these requirements would fail to give a true and fair view of the profit for the year, since the marketability of the securities enables decisions to be taken continually about whether to hold or sell them, and hence the economic measure of profit or loss in any period is properly made by reference to market values. The effects of this departure in the profit and loss account are to increase operating profit and profit on ordinary activities before taxation by £ 248,884 (1998: increase of £ 321,096). The effect in the balance sheet is to increase equity investments and other financial instruments by £ 248,884 (1998: increase of £ 321,096).

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 CLS Holdings plc 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 *Turnover*

Turnover comprises income received from trading in stocks, shares and share options, and net profits and losses after deducting associated costs arising on trading in financial instruments including forward contracts, foreign exchange and interest rates swap arrangements. The cost of stocks, shares and options purchased is charged to cost of sales. Shares, options and interest rate caps held at year end are included in stock.

1.3 *Foreign currency*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Tangible assets denominated in foreign currencies are shown at historical cost. Current assets and all liabilities denominated in foreign currencies are translated at the rate ruling at the end of the financial year. All differences are dealt with through the profit and loss account.

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

2	GROSS PROFIT/(LOSS)	1999 £	1998 £
	Turnover	17,318,231	7,060,616
	Cost of sales	(16,572,010)	(7,716,420)
		<hr/>	<hr/>
	Gross profit/(loss)	746,221	(655,804)
		<hr/>	<hr/>

3	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1999 £	1998 £
	This is stated after charging:		
	Auditors' remuneration	1,545	806
		<hr/>	<hr/>

4	INTEREST PAYABLE AND RELATED CHARGES	1999 £	1998 £
	On loans from group undertakings	209,266	118,000
		<hr/>	<hr/>

5 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 (1998:none).

6	TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	1999 £	1998 £
	UK corporation tax at 30.25% (1998 - 31%).	-	-
	Overseas taxation	1,206	612
		<hr/>	<hr/>
		1,206	612
		<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.

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

7 TRADING STOCK	1999	1998
	£	£
Equity investments and other financial instruments	774,475	352,913
Interest Rate Caps	611,656	107,307
	<u>1,386,131</u>	<u>460,220</u>

Equity investments and other financial instruments relate to investments listed on the London and Swedish Stock Exchanges.

8 DEBTORS	1999	1998
	£	£
Deposit held at brokers	1,582,683	611,149
Amounts due from group undertakings	-	284,218
	<u>1,582,683</u>	<u>895,367</u>

9 CREDITORS: amounts falling due within one year	1999	1998
	£	£
Amount due to group undertakings	4,897,465	2,488,610
Accruals and deferred income	803,788	119,612
	<u>5,701,253</u>	<u>2,608,222</u>

10 CALLED UP SHARE CAPITAL	1999	1998
	£	£
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000	2,000

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital	Profit and Loss Account	1999 Total	1998 Total
	£	£	£	£
Balance at 1 January	2,000	(1,254,635)	(1,252,635)	(480,875)
Profit/(loss) for the year	-	546,481	546,481	(771,760)
Balance at 31 December	<u>2,000</u>	<u>(708,154)</u>	<u>(706,154)</u>	<u>(1,252,635)</u>

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)

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 Holding plc, 6 Spring Gardens, Citadel Place, Tinworth St, London SE11 5EH.