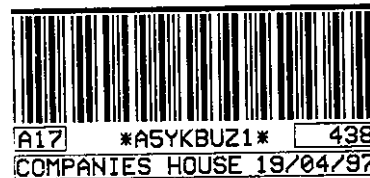


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RAYMAN FINANCE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1996**

COOPERS & LYBRAND
*Chartered Accountants and
Registered Auditors*
1 Embankment Place
London
WC2N 6NN



RAYMAN FINANCE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 1996

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RAYMAN FINANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1996

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 1996.

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 1996.
(1995: £Nil)

4 DIRECTORS

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

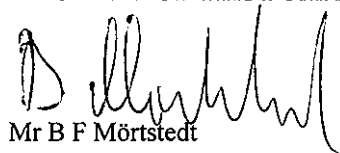
Mr B F Mörtstedt
Mr G V Hirsch

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 AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors to the company will be put to the members at the forthcoming annual general meeting.

BY ORDER OF THE BOARD


Mr B F Mörtstedt
Director

27 March 1997

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth St
London
SE11 5EH

RAYMAN FINANCE LIMITED

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.

RAYMAN FINANCE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF RAYMAN FINANCE LIMITED

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

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

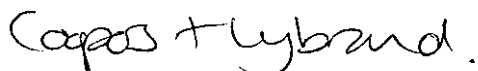
Basis of Opinion

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 as at the 31 December 1996 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

*Chartered Accountants and
Registered Auditors*
LONDON

27 March 1997

RAYMAN FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	NOTES	1996 £	1995 £
Turnover	(2)	687,510	1,189,629
Cost of sales:			
Opening stock		(604,501)	(770,258)
Purchases		(787,735)	(1,185,191)
Less closing stock		539,898	604,501
		(852,338)	(1,350,948)
Gross loss		(164,828)	(161,319)
Administrative expenses		2,283	(12,373)
Operating loss		(162,545)	(173,692)
Interest receivable and financial income		(1,203)	(16,714)
Loss on ordinary activities before taxation	(3)	(163,748)	(190,406)
Tax on loss on ordinary activities	(5)	-	(806,261)
Retained loss for the year	(9)	(163,748)	(996,667)

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

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

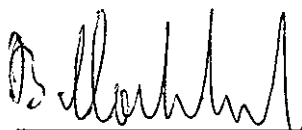
All items included in the above profit and loss account are part of continuing operations.

RAYMAN FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	NOTES	1996 £	1995 £
CURRENT ASSETS			
Trading stock	(6)	539,898	604,501
Cash at bank and in hand		-	10,650
		539,898	615,151
CREDITORS: amounts falling due within one year	(7)	(852,094)	(763,599)
NET CURRENT LIABILITIES AND TOTAL ASSETS LESS CURRENT LIABILITIES		(312,196)	(148,448)
CAPITAL AND RESERVES			
Called up share capital	(8)	2,000	2,000
Profit and loss account	(9)	(314,196)	(150,448)
EQUITY SHAREHOLDERS' FUNDS		(312,196)	(148,448)
		(312,196)	(148,448)

These financial statements were approved by the Board of Directors on 27 March 1997 and signed on its behalf by:



DIRECTOR

Mr B F Mörtstedt

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

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. 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 *Stocks*

Stock is stated at the lower of cost or net realisable value.

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.

1.4 *Turnover*

Turnover comprises income received from trading in stocks, shares and options and net profits and losses after deducting associated costs arising on trading in financial instruments. Stocks, shares, options and other financial instruments held at year end are included in trading stock.

2 TURNOVER

	1996 £	1995 £
Trading in financial instruments	687,510	1,189,629

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £	1995 £
This is stated after charging:		
Auditors' remuneration	806	864

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (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. The company had no employees during the year (1995:none).

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	1996 £	1995 £
Payment for group relief for prior years	-	806,261
	-	806,261
UK corporation tax at 33% (1995 - 33%).		

No provision for corporation tax has been made due to the loss arising in the year.

6 TRADING STOCK

	1996 £	1995 £
Financial instruments	539,898	604,501

7 CREDITORS: amounts falling due within one year

	1996 £	1995 £
Trade creditors	-	18
Amount due to group undertakings	851,288	761,717
Accruals and deferred income	806	1,864
	852,094	763,599

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

8	CALLED UP SHARE CAPITAL	1996 £	1995 £
	Authorised, allotted, called up and fully paid:		
	Ordinary shares of £1 each	2,000	2,000

9 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Profit and Loss Account £	1996 Total £	1995 Total £
Balance at 1 January	2,000	(150,448)	(148,448)	848,219
Loss for the year	-	(163,748)	(163,748)	(996,667)
Balance at 31 December	2,000	(314,196)	(312,196)	(148,448)

10 CONTINGENT LIABILITIES

1. The company has charged as security for all sums due to Bayerische Hypotheken und Wechsel Bank AG from New Malden House Limited under a credit facility of which the principal amount of £7.15m is now outstanding all its interest in the cap agreement dated 7 July 1994 made with Bayerische Hypotheken und Wechsel Bank AG.

2. The company has charged as security for all sums due to Societe Generale from Vauxhall Cross Limited under a credit facility whose principal amount of £7.25m is now outstanding all its interest in a cap agreement made with Societe Generale.

3. An interest rate cap agreement owned by the company and held by Chancel House Limited (a sister company) as nominee for the company has been charged as security for a borrowing facility of Chancel House Limited of £3,380,000 from Lloyds Bank plc, the principal amount of which now outstanding is £2,920,000.

11 PARENT UNDERTAKING

The Directors consider that the immediate and ultimate parent undertaking 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.