

RAYMAN FINANCE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2001**

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



Company No. 2130919

RAYMAN FINANCE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2001

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RAYMAN FINANCE 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 during the year was stock, share, currency and interest rate 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 2001.
(2000: £Nil)

4 DIRECTORS

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

Mr B F Mörtstedt (resigned 5 October 2001)

Mr G V Hirsch (resigned 5 October 2001)

Mr T J Thomson (appointed 5 October 2001)

Mr D Baverstam (appointed 5 October 2001)

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.

RAYMAN FINANCE LIMITED

5 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 confirm that the financial statements comply with 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 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.

6 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

28 March 2002

REGISTERED OFFICE:

One Citadel Place
Tinworth St
London
SE11 5EF

RAYMAN FINANCE LIMITED

INDEPENDENT AUDITORS' REPORT

to the members of Rayman Finance 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 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.

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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

28 March 2002

RAYMAN FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2001

	NOTES	2001 £	2000 £
Turnover		1,063,453	5,658,530
Cost of sales		(1,259,431)	(5,199,506)
Gross (loss)/ profit		(195,978)	459,024
Administrative expenses		(12,888)	(8,923)
Operating (loss)/ profit		(208,866)	450,101
Dividends received		276	1,134
Interest payable and similar charges	(3)	-	(306,063)
(Loss)/profit on ordinary activities before taxation	(2)	(208,590)	145,172
Tax on (loss)/profit on ordinary activities	(5)	(14)	(139)
(Deficit)/retained profit for the year	(10)	(208,604)	145,033

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

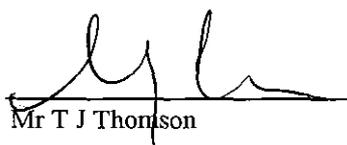
All items included in the above profit and loss account are part of continuing operations.

RAYMAN FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

	NOTES	2001 £	2000 £
CURRENT ASSETS			
Trading stock	(6)	29,965	1,638,024
Debtors	(7)	251,662	58,238
Cash at bank and in hand		469,161	2,019,685
		750,788	3,715,947
CREDITORS: amounts falling due within one year	(8)	(1,520,513)	(4,277,068)
NET CURRENT LIABILITIES AND TOTAL ASSETS LESS CURRENT LIABILITIES		(769,725)	(561,121)
CAPITAL AND RESERVES			
Called up share capital	(9)	2,000	2,000
Profit and loss account	(10)	(771,725)	(563,121)
EQUITY SHAREHOLDERS' FUNDS		(769,725)	(561,121)

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

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 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. This departure has no effect in the profit and loss account or balance sheet in the current year (2000: increase operating profit and trading stock by £ 300,260).

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 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 rate 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.

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

2 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£	£
This is stated after charging:		
Auditors' remuneration	8,812	7,500
	<u>8,812</u>	<u>7,500</u>

3 INTEREST PAYABLE AND RELATED CHARGES

	2001	2000
	£	£
On loans from group undertakings	-	306,063
	<u>-</u>	<u>306,063</u>

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 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£	£
UK corporation tax at 30% (2000 -30%).	-	-
Overseas taxation	14	139
	<u>14</u>	<u>139</u>
	<u>14</u>	<u>139</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.

RAYMAN FINANCE LIMITED

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

6	TRADING STOCK	2001 £	2000 £		
	Equities and other financial instruments	29,965	1,342,119		
	Interest rate caps	-	295,905		
		29,965	1,638,024		
		29,965	1,638,024		
7	DEBTORS	2001 £	2000 £		
	Deposit held at brokers	237,743	41,176		
	Prepayments and accrued income	-	17,062		
	Amounts due to group undertakings	13,919	-		
		251,662	58,238		
		251,662	58,238		
8	CREDITORS: amounts falling due within one year	2001 £	2000 £		
	Amount due to group undertakings	1,520,513	3,810,828		
	Accruals and deferred income	-	466,240		
		1,520,513	4,277,068		
		1,520,513	4,277,068		
9	CALLED UP SHARE CAPITAL	2001 £	2000 £		
	Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000	2,000		
		2,000	2,000		
10	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS				
		Share Capital	Profit and Loss Account	2001 Total	2000 Total
		£	£	£	£
	Balance at 1 January	2,000	(563,121)	(561,121)	(706,154)
	(Deficit)/Retained Profit for the year	-	(208,604)	(208,604)	145,033
		2,000	(771,725)	(769,725)	(561,121)
	Balance at 31 December	2,000	(771,725)	(769,725)	(561,121)

RAYMAN FINANCE LIMITED

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

11 CONTINGENT LIABILITIES

In the Directors' opinion, no contingent liabilities exist.

12 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.