

RAYMAN FINANCE LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2002

PricewaterhouseCoopers LLP
*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 2002

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RAYMAN FINANCE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2002.

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.

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

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31 December 2002.
(2001: £Nil)

4 DIRECTORS

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

Mr T J Thomson

Mr D Baverstam

The Directors had no interests in the shares of the company at any time during the year. The interests of the Directors, who are also directors of the parent company, 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.

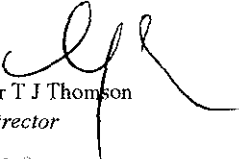
The directors confirm that the financial statements comply with above requirements.

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

Following the conversion of our auditors, PricewaterhouseCoopers, to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 27 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

BY ORDER OF THE BOARD


Mr T J Thomson
Director

30 September 2003

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, the 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. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

*Chartered Accountants and
Registered Auditors*
LONDON

30 September 2003

RAYMAN FINANCE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTES	2002 £	2001 £
Turnover	(1.2)	17,837	1,063,453
Cost of sales		(20,331)	(1,259,431)
Gross loss		(2,494)	(195,978)
Administrative expenses		(17,608)	(12,888)
Operating loss		(20,102)	(208,866)
Dividends received		-	276
Interest payable and similar charges	(3)	(41,250)	-
Loss on ordinary activities before taxation	(2)	(61,352)	(208,590)
Tax on loss on ordinary activities	(5)	-	(14)
Deficit for the year	(11)	(61,352)	(208,604)

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

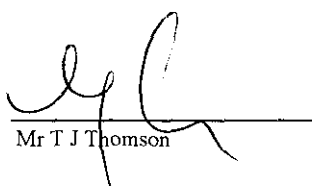
All items included in the above profit and loss account are part of continuing operations.

RAYMAN FINANCE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	NOTES	2002 £	2001 £
CURRENT ASSETS			
Trading stock	(6)	6,690	29,965
Debtors	(7)	238,419	251,662
Cash at bank and in hand		319,398	469,161
		564,507	750,788
CREDITORS: amounts falling due within one year	(8)	(1,395,584)	(1,520,513)
NET CURRENT LIABILITIES		(831,077)	(769,725)
NET LIABILITIES		(831,077)	(769,725)
CAPITAL AND RESERVES			
Called up share capital	(9)	2,000	2,000
Profit and loss account	(10)	(833,077)	(771,725)
EQUITY SHAREHOLDERS' DEFICIT		(831,077)	(769,725)

These financial statements were approved by the Board of Directors on 30 September 2003 and signed on its behalf by:


 _____ DIRECTOR
 Mr T J Thomson

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 PRINCIPAL ACCOUNTING POLICIES

The company has adopted Financial Reporting Standard 19 'Deferred Taxation' in these financial statements .

The following accounting policies have been applied consistently except as noted above 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 (2001: nil).

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.

1.4 *Deferred taxation*

Deferred taxation is recognised in respect of timing differences arising from differences in the treatment for accounts and tax purposes of transactions or events recognised in the financial statements except that:

- Provision is not made in respect of property revaluation gains and losses
- Deferred tax assets are recognised only to the extent that suitable taxable profits are considered sufficiently certain to arise which could be set against these assets when they reverse

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	£
This is stated after charging:		
Auditors' remuneration	4,406	8,812

3 INTEREST PAYABLE AND RELATED CHARGES

	2002	2001
	£	£
On loans from group undertakings	41,250	-

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

None of the Directors received emoluments for their services during the year (2001: nil). 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 (2001 : none).

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002	2001
	£	£
UK corporation tax at 30% (2001 -30%).	-	-
Foreign taxation	-	14
	-	14

The current tax charge for the period is lower in 2002 and 2001 than the standard rate of UK corporation tax (30%) as explained below:

	2002	2001
	£	£
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2001: 30%)	(18,406)	(62,577)
<u>Effect of:</u>		
Losses carried forward or surrendered to group	18,406	62,563
Overseas tax credit not used	-	14
	-	-
Current tax charge in profit and loss account	-	-

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

6	TRADING STOCK	2002 £	2001 £
	Equities and other financial instruments	6,690	29,965
		<u>6,690</u>	<u>29,965</u>

Equities and other financial instruments relate to securities listed on the London and Swedish Stock Exchanges. These listed investments cost £74,500 and the market value at 31 December 2002 was £6,690 (2001: £16,688).

7	DEBTORS	2002 £	2001 £
	Deposit held at brokers	9,932	237,743
	Amounts due from group undertakings	228,487	13,919
		<u>238,419</u>	<u>251,662</u>

8	CREDITORS: amounts falling due within one year	2002 £	2001 £
	Amount due to group undertakings	1,395,584	1,520,513
		<u>1,395,584</u>	<u>1,520,513</u>

9 DEFERRED TAXATION

The Implementation of FRS 19 has had no effect on the results for the year. (2001: Nil)

10	CALLED UP SHARE CAPITAL	2002 £	2001 £
	Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000	2,000
		<u>2,000</u>	<u>2,000</u>

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	Share Capital £	Profit and Loss Account £	2002 Total £	2001 Total £
Balance at 1 January	2,000	(771,725)	(769,725)	(561,121)
Deficit for the year	-	(61,352)	(61,352)	(208,604)
Balance at 31 December	<u>2,000</u>	<u>(833,077)</u>	<u>(831,077)</u>	<u>(769,725)</u>

RAYMAN FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (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, One Citadel Place, Tinworth St, London SE11 5EF.