

**LOCALRIGHT 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 2240596**

**LOCALRIGHT LIMITED**  
**INDEX TO THE ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

Page No

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

## **LOCALRIGHT 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 is the leasing of a Spectacolour sign.

#### **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**

No dividend was proposed by the directors for the year ended 31 December 2002 (2001:£Nil).

#### **4 FIXED ASSETS**

Information relating to the changes in tangible fixed assets is given in Note 6 to the financial statements.

#### **5 DIRECTORS**

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

Mr T J Thomson

Mr D Bäverstam

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, in CLS Holdings plc are disclosed in that company's financial statements.

## LOCALRIGHT LIMITED

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTINUED)

#### 7 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.

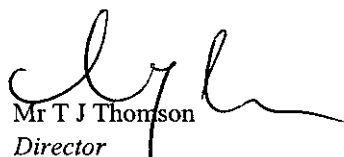
The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

#### 8 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

28 May 2003

#### REGISTERED OFFICE:

One Citadel Place  
Tinworth Street  
London  
SE11 5EF

## **LOCALRIGHT LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

to the members of Localright 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. 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 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.

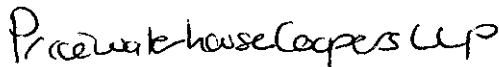
#### **Basis of audit opinion**

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



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London

28 May 2003

**LOCALRIGHT LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2002**

	NOTES	2002 £	2001 £
Turnover	(2)	598,370	442,365
Administrative expenses		(285,934)	(201,195)
<b>Operating profit</b>		<b>312,436</b>	<b>241,170</b>
Interest receivable and similar income		12,189	2,812
<b>Profit on ordinary activities before taxation</b>	(4)	<b>324,625</b>	<b>243,982</b>
Tax on profit on ordinary activities	(5)	-	-
<b>Profit on ordinary activities after taxation</b>		<b>324,625</b>	<b>243,982</b>
<b>Retained profit for the year</b>	(11)	<b>324,625</b>	<b>243,982</b>

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.

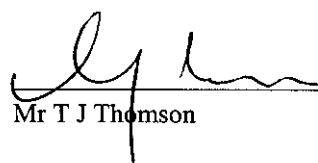
All items included in the above profit and loss account are part of continuing operations.

**LOCALRIGHT LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2002**

	NOTES	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	(6)	-	-
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	(7)	702,275	251,446
		702,275	251,446
<b>CREDITORS: amounts falling due within one year</b>	(8)	(130,987)	(4,783)
<b>NET CURRENT ASSETS</b>		571,288	246,663
<b>NET ASSETS</b>		571,288	246,663
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(10)	2	2
Profit and loss account	(11)	571,286	246,661
<b>EQUITY SHAREHOLDERS' FUNDS</b>		571,288	246,663
		571,288	246,663

These financial statements were approved by the Board of Directors on 28 May 2003 and signed on its behalf by:


 \_\_\_\_\_ DIRECTOR  
 Mr T J Thomson

## LOCALRIGHT LIMITED

### 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 adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. Details of the effect of adopting FRS 19 are given in note 9.

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. 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 *Turnover*

Turnover comprises the total value of rents receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, excluding VAT. Where there is a material rent free period and the amount is considered to be recoverable, the income is spread evenly over the period to the date of the first break. Rents received in advance are shown as deferred income in the balance sheet.

##### 1.3 *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.



**LOCALRIGHT LIMITED**

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

<b>2</b>	<b>TURNOVER</b>	<b>2002</b> £	<b>2001</b> £
	Rental income within the United Kingdom	598,370	442,365
<b>3</b>	<b>DIRECTORS' EMOLUMENTS &amp; EMPLOYEE INFORMATION</b>		
	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: nil).		
<b>4</b>	<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2002</b> £	<b>2001</b> £
	This is stated after charging:		
	Auditors' remuneration	1,000	1,000
<b>5</b>	<b>TAX ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>2002</b> £	<b>2001</b> £
	UK corporation tax at 30% (2000 - 30%)	-	-
		-	-
	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:		
		<b>2002</b> £	<b>2001</b> £
	Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2001: 30%)	97,388	73,195
	<u>Effect of:</u>		
	Differences due to expenses non-deductible and items not included in profit for tax purposes	-	-
	Amounts taxable as capital gains	-	-
	Losses used or surrendered by group/consortium relief and differences between capital allowances and depreciation	(97,388)	(73,195)
	Current tax charge in profit and loss account	-	-
<b>6</b>	<b>TANGIBLE ASSETS</b>	<b>2002</b> £	<b>2001</b> £
	Plant and machinery at cost		
	At 1 January	715,863	715,863
	At 31 December	715,863	715,863
	Accumulated depreciation		
	At 1 January	715,863	715,863
	At 31 December	715,863	715,863
	Net Book Value at 31 December	-	-

**LOCALRIGHT LIMITED**

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

<b>7</b>	<b>DEBTORS</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>
	<b>Amounts falling due within one year:</b>		
	Trade debtors	31,823	-
	Amounts due from group undertakings	430,852	126,870
	Other taxation and social security	-	2,422
	Prepayments and accrued income	239,600	122,154
		<hr/>	<hr/>
		702,275	251,446
		<hr/>	<hr/>
<b>8</b>	<b>CREDITORS: amounts falling due within one year</b>	<b>2002</b>	<b>2001</b>
		<b>£</b>	<b>£</b>
	Amounts due to group undertakings	1,000	1,000
	Other taxation and social security	201	-
	Other creditors	10,522	-
	Accruals and deferred income	119,264	3,783
		<hr/>	<hr/>
		130,987	4,783
		<hr/>	<hr/>

# **LOCALRIGHT LIMITED**

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

### **9 DEFERRED TAXATION**

The implementation of FRS 19 has had no effect on the results for the year (2001 : nil)

Deferred taxation is provided as follows:

	2002 Provision £	Amount unrecognised £	2001 Provision £	Amount unrecognised £
Capital allowances in excess of depreciation	-	(3,199)	-	(4,158)
	-	(3,199)	-	(4,158)

### **10 CALLED UP SHARE CAPITAL**

	2002 £	2001 £
Authorised Ordinary Shares of £1 each	1,000	1,000
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2	2

### **11 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

	Share Capital £	Profit & Loss Account £	2002 Total £	2001 Total £
Balance at 1 January	2	246,661	246,663	2,681
Profit for the year	-	324,625	324,625	243,982
Balance at 31 December	2	571,286	571,288	246,663

### **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 Holdings plc, Spring Gardens, One Citadel Place, Tinworth Street, London, SE11 5EF.