

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1999

Company No. 2240596



LOCALRIGHT LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1999

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LOCALRIGHT 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 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. CLS Holdings plc will continue to support this company until it has sufficient funds.

3 DIVIDENDS

The Directors have paid a dividend of £234,000 for the year ended 31 December 1999 (1998: Nil).

4 FIXED ASSETS

Information relating to the changes in tangible fixed assets is given in note 7 to the financial statements.

5 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.

6 YEAR 2000

During the year ended 31 December 1999 the company made considerable efforts to ensure that neither the systems operating within its properties nor its domestic computer systems would 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. will be met from existing capital and revenue budgets and is not expected to be significant.

LOCALRIGHT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1999

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:

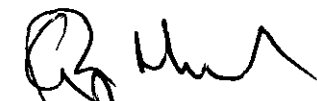
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare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

The Directors 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.

8 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

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

24 March 2000

LOCALRIGHT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF LOCALRIGHT 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 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

24 March 2000

LOCALRIGHT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1999

	NOTES	1999 £	1998 £
Turnover	(2)	71,214	-
Administrative expenses		(139,967)	(78,312)
Loss on ordinary activities before taxation	(3)	(68,753)	(78,312)
Tax on loss on ordinary activities	(5)	871	17,453
Loss on ordinary activities after taxation		(67,882)	(60,859)
Dividends	(6)	(234,000)	-
Retained loss for the year	(12)	(301,882)	(121,718)

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 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.

LOCALRIGHT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1999

	NOTES	1999 £	1998 £
FIXED ASSETS			
Tangible assets	(7)	-	35,759
CURRENT ASSETS			
Debtors	(8)	27,490	705,885
CREDITORS: amounts falling due within one year	(9)	(41,945)	(453,346)
NET CURRENT (LIABILITIES)/ASSETS		(14,455)	252,539
TOTAL ASSETS LESS CURRENT (LIABILITIES)/ASSETS		(14,455)	288,298
PROVISION FOR LIABILITIES AND CHARGES	(10)	-	871
CAPITAL AND RESERVES			
Called up share capital	(11)	2	2
Profit and loss account	(12)	(14,457)	287,425
EQUITY SHAREHOLDERS' FUNDS		(14,455)	287,427
		(14,455)	288,298

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



 _____ **DIRECTOR**

 Mr G. V. Hirsch

LOCALRIGHT 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 under the historical cost convention, modified to include the revaluation of land and buildings and 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.

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 *Depreciation*

Depreciation of the fixed assets is provided at a rate calculated to write off the cost over its estimated useful life of 10 years on a straight line basis.

1.3 *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.

1.4 *Deferred Taxation*

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced. It is calculated at the rate at which it is estimated that tax will be payable.

2 TURNOVER

	1999	1998
	£	£
Lease income within the United Kingdom	71,214	-

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999	1998
	£	£
This is stated after charging:		
Auditors' remuneration	1,315	686
Depreciation of tangible fixed assets	35,759	71,592

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 (1998:nil).

LOCALRIGHT LIMITED

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

5 TAX ON LOSS ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK corporation tax at 30.25% (1998-31%)	-	-
Deferred taxation (Note 9)	(871)	(18,827)
Adjustments in respect of prior year	-	1,374
	<u>(871)</u>	<u>(17,453)</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.

6 DIVIDENDS

	Pounds per share	1999 £000	Pounds per share	1998 £000
Dividends on Ordinary Shares:				
Interim paid	<u>117,000</u>	<u>234</u>	-	-

7 TANGIBLE FIXED ASSETS

	1999 £	1998 £
Plant and machinery at cost		
At 1 January	<u>715,863</u>	<u>715,863</u>
At 31 December	<u>715,863</u>	<u>715,863</u>
Accumulated depreciation		
At 1 January	<u>680,104</u>	<u>608,512</u>
Charge for the year	<u>35,759</u>	<u>71,592</u>
At 31 December	<u>715,863</u>	<u>680,104</u>
Net Book Value at 31 December	<u>-</u>	<u>35,759</u>

8 DEBTORS

	1999 £	1998 £
Amounts due from group undertakings	-	705,678
Other debtors	-	207
Other taxation and social security	3,364	-
Prepayments	24,126	-
	<u>27,490</u>	<u>705,885</u>

LOCALRIGHT LIMITED

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

9 CREDITORS: amounts falling due within one year

	1999 £	1998 £
Amount due to group undertaking	33,458	451,798
Accruals & deferred income	8,487	1,548
	<u>41,945</u>	<u>453,346</u>

10 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	1999 Provision £	Amount unprovided £	1998 Provision £	Amount unprovided £
Capital allowances in excess of depreciation	-	-	871	-
	<u>-</u>	<u>-</u>	<u>871</u>	<u>-</u>

DEFERRED TAXATION MOVEMENTS

	1999 £	1998 £
Balance at 1 January	871	19,698
Transfer to profit and loss account	(871)	(18,827)
	<u>-</u>	<u>871</u>

11 SHARE CAPITAL

	1999 £	1998 £
Authorised Ordinary Shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>2</u>	<u>2</u>

LOCALRIGHT LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999 (CONTINUED)****12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Share Capital £	Profit & Loss Account £	1999 Total £	1998 Total £
Balance as at 1 January	2	287,425	287,427	348,286
Loss for the year	-	(67,882)	(67,882)	(60,859)
Dividends Paid		(234,000)	(234,000)	-
Balance as at 31 December	2	(14,457)	(14,455)	287,427

13 CONTINGENT LIABILITIES

In the opinion of the Directors, no contingent liabilities exist.

14 PARENT UNDERTAKING

The Directors consider that the immediate parent undertaking is Coventry House Limited which is registered in England and Wales. The ultimate parent undertaking and controlling party is CLS Holdings plc which is also registered in England and Wales. Copies of the immediate parent's financial statements and the ultimate parent's consolidated financial statements may be obtained from the secretary, CLS Holdings plc, 6 Spring Gardens, Citadel Place, Tinworth St, London SE11 5EH.