

**CLSH MANAGEMENT LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED**

**31 DECEMBER 2001**

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



**CLSH MANAGEMENT LIMITED**  
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**FOR THE YEAR ENDED 31 DECEMBER 2001**

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## **CLSH MANAGEMENT LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001**

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2001.

#### **1 PRINCIPAL ACTIVITY**

The principal activity of the company is property management.

#### **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 2001 (2000:£Nil).

#### **4 FIXED ASSETS**

Information relating to tangible fixed assets is given in note 8 to the financial statements.

#### **5 DIRECTORS**

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

Mr B F Mörtstedt (*resigned 05/10/01*)  
Mr G V Hirsch (*resigned 05/10/01*)  
Mr T J Thomson (*appointed 05/10/01*)  
Mr DM Bäverstam

The Directors had no interests in the shares of the company at any time during the period. The interests of the Directors in CLS Holdings plc are disclosed in that company's financial statements.

**CLSH MANAGEMENT LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)**

**6 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 at the end of the year and of the profit or loss for the year. In preparing those 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.

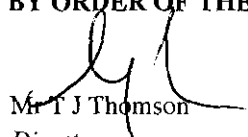
The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have general responsibility for taking steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

**7 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 Street  
London  
SE11 5EF

## **CLSH MANAGEMENT LIMITED**

### **REPORT OF THE AUDITORS TO THE MEMBERS OF CLSH MANAGEMENT LIMITED**

#### **INDEPENDENT AUDITORS' REPORT**

to the members of CLSH Management 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 and the Listing Rules of the Financial Services Authority.

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 or the Listing Rules 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

Chartered Accountants and Registered Auditors

London

28 March 2002

**CLSH MANAGEMENT LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2001**

	NOTES	2001 £	2000 £
Turnover	(2)	2,718,656	2,582,102
Administrative expenses		(3,787,693)	(3,328,680)
Operating loss		(1,069,037)	(746,578)
Interest receivable and financial income		112,582	177,970
Loss on ordinary activities before taxation	(3)	(956,455)	(568,608)
Tax on loss on ordinary activities	(6)	-	-
Deficit for the year	(13)	(956,455)	(568,608)

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.

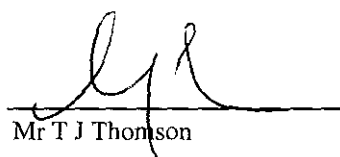
All items included in the above profit and loss account are part of continuing operations.

**CLSH MANAGEMENT LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2001**

	NOTES	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible assets	(7)	339,200	318,063
Investments	(8)	40,877	40,877
		<hr/>	<hr/>
		380,077	358,940
<b>CURRENT ASSETS</b>			
Debtors	(9)	25,672,077	20,366,601
Cash at bank and in hand		1,234,192	8,736,236
		<hr/>	<hr/>
		26,906,269	29,102,837
<b>CREDITORS: amounts falling due within one year</b>	(10)	(28,481,483)	(29,700,459)
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		(1,575,214)	(597,622)
		<hr/>	<hr/>
<b>NET ASSETS</b>		(1,195,137)	(238,682)
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(11)	2,000	2,000
Profit and loss account	(13)	(1,197,137)	(240,682)
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		(1,195,137)	(238,682)
		<hr/> <hr/>	<hr/> <hr/>

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

## CLSH MANAGEMENT LIMITED

### 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 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 which eliminate on consolidation.

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 the total value of property related services and trading income provided during the year and other income, excluding VAT.

##### 1.3 *Depreciation*

Depreciation is provided on fixed tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment	20%
Motor vehicles	25%
Fixtures and fittings	20%

##### 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.

##### 1.5 *Foreign currency*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the end of the financial year. All differences are dealt with through the profit and loss account.

##### 1.6 *Fixed Asset Investments*

Fixed asset investments are held at the lower of cost and net realisable value.

##### 1.7 *Pension costs*

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable.

#### 2 TURNOVER

	2001 £	2000 £
Property related services and trading income	2,633,148	2,485,886
Other income	85,508	96,216
	<hr/>	<hr/>
	2,718,656	2,582,102
	<hr/>	<hr/>



# CLSH MANAGEMENT LIMITED

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

### 3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £	2000 £
This is stated after charging:		
Depreciation	151,988	118,566
Auditors' remuneration	15,000	15,000
(Profit) on disposal of fixed assets	(1,000)	-

### 4 EMPLOYEE INFORMATION

5.1 The average number of employees during this period was as follows:

	2001	2000
Administration	34	29

5.2 Employment costs of all employees:

	2001 £	2000 £
Wages and salaries	1,864,715	1,236,121
Social security costs	134,829	80,746
	1,999,544	1,316,867

### 5 DIRECTORS' REMUNERATION

	2001 £	2000 £
Emoluments for management services	82,160	82,160

The emoluments for the current year of the Directors of CLSH Management Limited who are also board Directors of CLS Holdings plc are disclosed in the financial statements of CLS Holdings plc for their services to the group as a whole.

### 6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2001 £	2000 £
UK corporation tax at 30% (2000: 30%)	-	-

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.

**CLSH MANAGEMENT LIMITED**

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

**7 TANGIBLE FIXED ASSETS**

	Office Equipment £	Motor Vehicles £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2001	599,850	28,986	161,400	790,236
Additions	58,794	7,273	107,058	173,125
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	658,644	36,259	268,458	963,361
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2001	372,822	2,028	97,323	472,173
Charge for the period	100,421	7,012	44,555	151,988
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2001	473,243	9,040	141,878	624,161
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2001	185,401	27,219	126,580	339,200
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2000	227,028	26,958	64,077	318,063
	<hr/>	<hr/>	<hr/>	<hr/>

**8 INVESTMENTS**

	2001 £	2000 £
Works of art	40,877	40,877
	<hr/>	<hr/>

**9 DEBTORS**

	2001 £	2000 £
Trade debtors	2,500	16,600
Amounts due from group undertakings	25,090,878	19,665,729
Other taxation and social security	-	61,935
Other debtors	78,847	96,490
Prepayments and accrued income	499,852	525,847
	<hr/>	<hr/>
	25,672,077	20,366,601
	<hr/>	<hr/>

**CLSH MANAGEMENT LIMITED**

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

<b>10 CREDITORS: amounts falling due within one year</b>	<b>2001 £</b>	<b>2000 £</b>
Trade creditors	218	55,390
Amounts due to group undertakings	27,456,073	28,560,216
Other taxation and social security	4,791	-
Other creditors	721,908	708,707
Accruals and deferred income	298,493	376,146
	<u>28,481,483</u>	<u>29,700,459</u>

<b>11 CALLED UP SHARE CAPITAL</b>	<b>2001 £</b>	<b>2000 £</b>
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

**12 DEFERRED TAXATION**

No provision has been included in the financial statements for deferred taxation as there are no plans to sell the assets and therefore no liability is anticipated in the foreseeable future.

**13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>Share Capital £</b>	<b>Profit &amp; Loss Account £</b>	<b>2001 Total £</b>	<b>2000 Total £</b>
At 1 January	2,000	(240,682)	(238,682)	329,926
Loss for the year	-	(956,455)	(956,455)	(568,608)
	<u>2,000</u>	<u>(1,197,137)</u>	<u>(1,195,137)</u>	<u>(238,682)</u>
At 31 December	2,000	(1,197,137)	(1,195,137)	(238,682)

**14 CONTINGENT LIABILITIES**

In the Directors' opinion, no contingent liabilities exist.

**15 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, One Citadel Place, Tinworth Street, London, SE11 5EF.