

VISTA CENTRE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2004



PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6RH

Company No. 2329963

VISTA CENTRE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2004

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VISTA CENTRE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2004.

1 PRINCIPAL ACTIVITY

The principal activity of the Company is to invest in commercial property.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the annual report. 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 2004 (2003: none).

4 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.

VISTA CENTRE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

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 the above standards.

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.

6 AUDITORS

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD


Mr T J Thomson
Director

31 March 2005

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

VISTA CENTRE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VISTA CENTRE 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 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 the Company's affairs at 31 December 2004 and of its profit 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

31 March 2005

VISTA CENTRE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2004

	NOTES	2004 £	2003 £
Rental income		1,058,084	1,063,863
Other income		26,000	280
Service charge expenditure recovered		419,414	338,493
		<hr/>	<hr/>
Turnover	(1)	1,503,498	1,402,636
Service charge expenditure		(632,607)	(600,316)
		<hr/>	<hr/>
Net rental income		870,891	802,320
Administrative expenses		(388,775)	(346,526)
		<hr/>	<hr/>
Operating profit		482,116	455,794
Interest receivable and similar income		410	14,748
Interest payable and similar charges	(2)	(649,250)	(535,416)
Exceptional charges - write back/(deficit) on revaluation		3,186,516	(2,508,085)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	(4)	3,019,792	(2,572,959)
Tax on (loss)/profit on ordinary activities - deferred	(5)	(170,820)	352,517
		<hr/>	<hr/>
Retained profit/(deficit) for the year	(12)	2,848,972	(2,220,442)
		<hr/> <hr/>	<hr/> <hr/>

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.

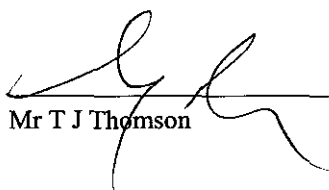
All items included in the above profit and loss account are part of continuing operations.

VISTA CENTRE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	NOTES	2004 £	2003 £
FIXED ASSETS			
Tangible assets	(6)	13,500,000	10,000,000
CURRENT ASSETS			
Debtors amounts falling due within one year	(7)	237,734	476,006
Cash at bank and in hand		45,602	43,510
		283,336	519,516
CREDITORS: amounts falling due within one year	(8)	(4,979,616)	(3,836,511)
NET CURRENT LIABILITIES		(4,696,280)	(3,316,995)
TOTAL ASSETS LESS CURRENT LIABILITIES		8,803,720	6,683,005
CREDITORS: amounts falling due after more than one year	(9)	(6,374,500)	(7,273,577)
PROVISIONS FOR LIABILITIES AND CHARGES	(10)	(1,189,411)	(1,018,591)
NET ASSETS / (LIABILITIES)		1,239,809	(1,609,163)
CAPITAL AND RESERVES			
Called up share capital	(11)	100	100
Profit and loss account	(12)	1,239,709	(1,609,263)
EQUITY SHAREHOLDERS' FUNDS / (DEFICIT)		1,239,809	(1,609,163)

These financial statements on pages 4 to 10 were approved by the Board of Directors on 31 March 2005 and signed on its behalf by:


 _____ DIRECTOR
 Mr T J Thomson

VISTA CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 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 *Tangible fixed assets*

Investment properties are revalued bi-annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses are charged to the profit and loss account.

1.3 *Depreciation*

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on completed freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation or amortisation is one of many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

1.4 *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.

During the year the presentation of service charge income has been changed to include it in turnover rather than being netted off the related expense. This has not affected the profit after taxation in either year and the comparatives have been adjusted accordingly.

VISTA CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

1.5 *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, and
- 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.

1.6 *Loan Costs*

Issue costs relating to new loans are capitalised and amortised to follow the profile of the loan principal. Unamortised amounts at the balance sheet date are deferred against the loan liability.

2	INTEREST PAYABLE AND SIMILAR CHARGES	2004	2003
		£	£
	On bank loan	451,331	503,595
	Amortisation of refinancing and arrangement fees	7,338	24,321
	On loans from group undertaking	190,581	7,500
		<u>649,250</u>	<u>535,416</u>

3 **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 (2003: none).

4 **PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2004	2003
	£	£
This is stated after charging:		
Auditors' remuneration	<u>1,000</u>	<u>1,125</u>

VISTA CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

5 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES	2004 £	2003 £
UK corporation tax at 30% (2003 - 30%)	-	-
Deferred tax charge/(credit): origination and reversal of timing differences	170,820	(352,517)
	<u>170,820</u>	<u>(352,517)</u>

The current tax charge for the period is lower in 2004 than the standard rate of UK corporation tax (30%) as explained below:

Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2003: 30%)	905,938	(771,888)
<u>Effect of:</u>		
Differences due to expenses non-deductible and items not included in profit for tax purposes	(955,955)	752,426
Amounts taxable as capital gains	-	-
Losses used or surrendered by group/consortium relief and differences between capital allowances and depreciation	50,017	19,462
	<u>-</u>	<u>-</u>
Adjusted tax charge in profit and loss account	-	-

6 TANGIBLE ASSETS	2004 £	2003 £
Freehold investment property		
At 1 January	10,000,000	12,500,000
Additions	313,484	8,085
Surplus/(deficit) on revaluation	3,186,516	(2,508,085)
	<u>13,500,000</u>	<u>10,000,000</u>
Valuation at 31 December	13,500,000	10,000,000

At 31 December properties were revalued to an estimate of their open market values taking into account their condition and tenancies existing at that date. Property valuations were carried out by independent valuers, Allsop & Co. Chartered Surveyors. The historical cost of investment properties included at valuation was £17,573,869.

7 DEBTORS	2004 £	2003 £
Amounts falling due within one year:		
Trade debtors	100,844	104,208
Amounts due from group undertakings	93,528	285,688
Other debtors	16,356	-
Prepayments and accrued income	27,006	86,110
	<u>237,734</u>	<u>476,006</u>

VISTA CENTRE LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

8 CREDITORS: amounts falling due within one year	2004 £	2003 £
Bank loans	900,000	900,000
Unamortised arrangement and finance fees	(5,504)	(11,919)
Trade creditors	-	3,142
Amounts due to group undertakings	3,556,857	2,531,263
Other taxation and social security	54,048	34,768
Other creditors	42,132	41,212
Accruals and deferred income	432,083	338,045
	<u>4,979,616</u>	<u>3,836,511</u>

9 CREDITORS: amounts falling due after more than one year	2004 £	2003 £
Bank loans	6,374,500	7,274,500
Unamortised arrangement and finance fees	-	(923)
	<u>6,374,500</u>	<u>7,273,577</u>

An analysis of the maturity of the bank loan is as follows:

	2004 £	2003 £
In one year or less, or on demand.	894,496	888,081
In more than one year but not more than two years.	6,374,500	7,273,577
	<u>7,268,996</u>	<u>8,161,658</u>

Interest is charged on the bank loan at the rate of LIBOR plus a margin of 1.25% and is secured by a legal charge over the property to which it relates.

10 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	2004 Provision £	Amount unprovided £	2003 Provision £	Amount unprovided £
Capital allowances in excess of depreciation	1,742,478	-	1,435,020	-
Future benefit of tax losses	(553,067)	-	(416,429)	-
	<u>1,189,411</u>	<u>-</u>	<u>1,018,591</u>	<u>-</u>
At 1 January	1,018,591		1,371,108	
Amount charged/(credited) to profit and loss	170,820		(352,517)	
At 31 December	<u>1,189,411</u>		<u>1,018,591</u>	

No provision has been made for deferred tax on gains recognised on revaluing property to its market value. Such tax would only become payable if the property were sold without it being possible to claim other loss reliefs.

VISTA CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

11 CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	<u>100</u>	<u>100</u>

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)

	Share Capital £	Profit & Loss Account £	2004 Total £	2003 Total £
Balance at 1 January	100	(1,609,263)	(1,609,163)	611,279
Retained profit/(deficit) for the year	-	2,848,972	2,848,972	(2,220,442)
	<u>100</u>	<u>1,239,709</u>	<u>1,239,809</u>	<u>(1,609,163)</u>

13 CONTINGENT LIABILITIES

In the Directors' opinion, no contingent liabilities exist.

14 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.