

VISTA CENTRE 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. 2329963

VISTA CENTRE LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 2002

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VISTA CENTRE 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 to invest in commercial property.

2 REVIEW OF THE BUSINESS

The deficits 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: none).

4 FIXED ASSETS

Information relating to the changes in tangible assets is given in Note 7 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.

VISTA CENTRE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2002 (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 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.

7 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

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, balance sheet, the statement of total recognised gains and losses 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 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

28 May 2003

VISTA CENTRE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2002

	NOTES	2002 £	2001 £ Re-stated
Turnover	(2)	1,206,904	1,960,936
Administrative expenses		(696,904)	(290,040)
Operating profit		510,000	1,670,896
Interest receivable and similar income		33,904	39,702
Interest payable and related charges	(3)	(606,042)	(754,597)
Exceptional charges - deficit on revaluation		(1,680,192)	(2,825,956)
Loss on ordinary activities before taxation	(5)	(1,742,330)	(1,869,955)
Tax on loss on ordinary activities - deferred	(6)	(349,956)	(255,000)
Deficit for the year	(13)	(2,092,286)	(2,124,955)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		2002 £	2001 £ Re-stated
Loss for the financial year		(2,092,286)	(2,124,955)
Unrealised deficit on revaluation of property		-	(615,307)
Total recognised deficit for the year		(2,092,286)	(2,740,262)
Prior year adjustment	(13)	(1,021,152)	-
Total losses recognised since last annual report		(3,113,438)	(2,740,262)

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.

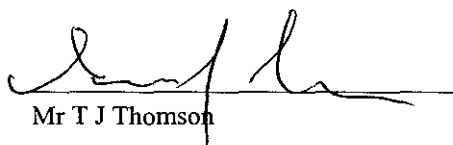
All items included in the above profit and loss account are part of continuing operations.

VISTA CENTRE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	NOTES	2002 £	2001 £ Re-stated
FIXED ASSETS			
Tangible assets	(7)	12,500,000	14,150,000
CURRENT ASSETS			
Debtors amounts falling due within one year	(8)	781,543	965,354
Cash at bank and in hand		63,422	3,667
		844,965	969,021
CREDITORS: amounts falling due within one year	(9)	(1,100,420)	(742,079)
NET CURRENT (LIABILITIES)/ ASSETS		(255,455)	226,942
TOTAL ASSETS LESS CURRENT LIABILITIES		12,244,545	14,376,942
CREDITORS: amounts falling due after more than one year	(10)	(10,262,158)	(10,652,224)
PROVISIONS FOR LIABILITIES AND CHARGES	(11)	(1,371,108)	(1,021,152)
NET ASSETS		611,279	2,703,566
CAPITAL AND RESERVES			
Called up share capital	(12)	100	100
Profit and loss account	(13)	611,179	2,703,466
EQUITY SHAREHOLDERS' FUNDS		611,279	2,703,566

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

VISTA CENTRE 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 11.

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*

Property

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.

VISTA CENTRE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (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
- 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 *Issue costs of loans*

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 **TURNOVER**

	2002	2001
	£	£
Rental income within the United Kingdom	1,206,904	1,421,638
Lease surrender income	-	490,050
Dilapidations	-	42,650
Other property related income	-	6,598
	<u>1,206,904</u>	<u>1,960,936</u>

3 **INTEREST PAYABLE AND SIMILAR CHARGES**

	2002	2001
	£	£
On bank loan	580,251	729,721
Other interest	825	-
Amortisation of refinancing and arrangement fees	24,966	24,876
	<u>606,042</u>	<u>754,597</u>

VISTA CENTRE LIMITED

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

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 (2001: none).

5 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002 £	2001 £
This is stated after charging:		
Auditors' remuneration	1,500	1,500

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £	2001 £ Re-stated
UK corporation tax at 30% (2001 - 30%)	-	-
Deferred tax charge		
Origination and reversal of timing differences	349,956	255,000
	<u>349,956</u>	<u>255,000</u>

No provisions 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 or losses brought forward. Losses arising in the period have been surrendered free of charge.

7 TANGIBLE ASSETS

	2002 £	2001 £
Freehold investment property		
At 1 January	14,150,000	16,500,000
Additions	30,192	1,091,263
Disposals	-	-
Deficit on revaluation	(1,680,192)	(3,441,263)
	<u>12,500,000</u>	<u>14,150,000</u>

At 31 December properties were revalued at 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 £20,886,320.

VISTA CENTRE LIMITED

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

8	DEBTORS	2002 £	2001 £
	Amounts falling due within one year:		
	Trade debtors	213,882	135,667
	Amounts due from group undertakings	557,697	820,144
	Prepayments and accrued income	9,964	9,543
		<u>781,543</u>	<u>965,354</u>
9	CREDITORS: amounts falling due within one year	2002 £	2001 £
	Bank loans	412,500	250,000
	Unamortised arrangement and finance fees	(24,321)	(24,272)
	Trade creditors	1,785	786
	Amounts due to group undertakings	48,487	3,928
	Other taxation and social security	71,735	47,139
	Other creditors	29,367	-
	Accruals and deferred income	560,867	464,498
		<u>1,100,420</u>	<u>742,079</u>
10	CREDITORS: amounts falling due after more than one year	2002 £	2001 £
	Bank loans	10,275,000	10,687,500
	Unamortised arrangement and finance fees	(12,842)	(35,276)
		<u>10,262,158</u>	<u>10,652,224</u>
	An analysis of the maturity of the bank loan is as follows:	2002 £	2001 £
	In one year or less, or on demand.	388,179	225,728
	In more than one year but not more than two years.	10,262,158	226,332
	In more than two years but not more than five years.	-	10,425,892
		<u>10,650,337</u>	<u>10,877,952</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.

VISTA CENTRE LIMITED

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

11 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	2002 Provision £	Amount unprovided £	2001 Provision £ Re-stated	Amount unprovided £ Re-stated
Capital allowances in excess of depreciation	1,414,560	-	1,021,152	-
Future benefit of tax losses	(43,452)	-	-	-
	<u>1,371,108</u>	<u>-</u>	<u>1,021,152</u>	<u>-</u>
At 1 January as previously reported	-		-	
Prior year adjustment FRS 19	1,021,152		766,152	
Amount charged to profit and loss	<u>349,956</u>		<u>255,000</u>	
	<u>1,371,108</u>		<u>1,021,152</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 rollover relief.

12 CALLED UP SHARE CAPITAL

	2002 £	2001 £
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>

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Profit & Loss Account £	2002 Total £	2001 Total £
Balance at 1 January as previously reported	100	3,724,617	3,724,717	6,209,980
Prior year adjustment	-	(1,021,152)	(1,021,152)	(766,152)
Balance at 1 January as restated	<u>100</u>	<u>2,703,465</u>	<u>2,703,565</u>	<u>5,443,828</u>
Loss for the year	-	(2,092,286)	(2,092,286)	(2,124,955)
Deficit on revaluation	-	-	-	(615,308)
Balance at 31 December	<u>100</u>	<u>611,179</u>	<u>611,279</u>	<u>2,703,565</u>

The prior year adjustment relates to the implementation of FRS 19. The adoption of FRS 19 has resulted in an increase of the tax charge by £349,956 (2001: £255,000) and an increase in loss of £349,956 (2001: £255,000). The adjustment to the opening reserves at 1 January 2001 was £766,152.

VISTA CENTRE LIMITED

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

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.