

NEW MALDEN HOUSE LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1996**

COOPERS & LYBRAND
*Chartered Accountants and
Registered Auditors*
1 Embankment Place
London
WC2N 6NN



NEW MALDEN HOUSE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1996

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NEW MALDEN HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1996

The Directors are pleased to present their annual report together with the financial statements for the year ended 31 December 1996.

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 accounts.

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31 December 1996 (1995 : Nil).

4 FIXED ASSETS

Information relating to the changes in tangible fixed assets is given in note 8 to the accounts.

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 AUDITORS

A resolution to re-appoint Coopers & Lybrand as auditors will be put to the members at the next annual general meeting.

BY ORDER OF THE BOARD


Mr B F Mörtstedt
Director

27 March 1996

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

NEW MALDEN HOUSE LIMITED

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.

NEW MALDEN HOUSE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF NEW MALDEN HOUSE LIMITED

We have audited the financial statements on pages 4 to 9.

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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 as at the 31 December 1996 and of its profit and total recognised losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND

*Chartered Accountants and
Registered Auditors*
LONDON

27 March 1997

NEW MALDEN HOUSE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1996

	NOTES	1996 £	1995 £
Turnover	(2)	1,014,261	1,013,533
Administrative expenses		(42,988)	(199,936)
Operating Profit		971,273	813,597
Exceptional item	(3)	(151,235)	-
Interest receivable and financial income		24,349	29,294
Interest payable and related charges	(5)	(550,038)	(614,444)
Profit on ordinary activities before taxation	(4)	294,349	228,447
Tax on profit on ordinary activities	(7)	-	(42,747)
Retained profit for the year	(14)	294,349	185,700

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £	1995 £
Profit for the financial year	294,349	185,700
Unrealised deficit on revaluation of property	(1,350,000)	(900,000)
Total losses recognised since last annual report	(1,055,651)	(714,300)

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

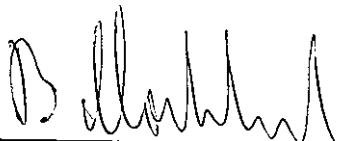
All items included in the above profit and loss account are part of continuing operations.

NEW MALDEN HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1996

	NOTES	1996 £	1995 £
FIXED ASSETS			
Tangible assets	(8)	10,250,000	11,600,000
CURRENT ASSETS			
Debtors	(9)	217,029	295,701
Cash at bank and in hand		457,000	479,826
CREDITORS: amounts falling due within one year	(10)	674,029 (3,136,513)	775,527 (3,533,594)
NET CURRENT LIABILITIES		(2,462,484)	(2,758,067)
TOTAL ASSETS LESS CURRENT LIABILITIES		7,787,516	8,841,933
CREDITORS: amounts falling due after more than one year	(11)	7,000,000	7,150,000
CAPITAL AND RESERVES			
Called up share capital	(13)	2	2
Revaluation reserves	(14)	-	1,198,765
Profit and loss account	(14)	787,514	493,166
EQUITY SHAREHOLDERS' FUNDS		787,516	1,691,933
		7,787,516	8,841,933

These financial statements were approved by the Board of Directors on 27 March 1997 and signed on its behalf by:


 _____ DIRECTOR
 Mr B F Mörtstedt

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996

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.

1.2 *Tangible fixed assets*

Investment properties are revalued 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 No. 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 during the year, excluding VAT. Rents received in advance are shown as deferred income in the balance sheet.

1.5 *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

	1996 £	1995 £
Rental income within the United Kingdom	1,013,967	1,013,533
Fees from property related services	294	
	<hr/>	<hr/>
	1,014,261	1,013,533
	<hr/>	<hr/>

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

3	EXCEPTIONAL ITEM	1996	1995
		£	£
	Deficit on revaluation	151,235	-
		<hr/>	<hr/>
4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1996	1995
		£	£
	This is stated after charging:		
	Auditors' remuneration	806	864
		<hr/>	<hr/>
5	INTEREST PAYABLE AND RELATED CHARGES	1996	1995
		£	£
	On bank loans and overdrafts	550,038	614,444
		<hr/>	<hr/>
6	DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION		
	The emoluments of the Directors of the company who are Directors of CLS Holdings plc are disclosed in the financial statements of that company in respect of their services to the group as a whole. The company had no employees during the year (1995: none).		
7	TAX ON PROFIT ON ORDINARY ACTIVITIES	1996	1995
		£	£
	Payment for group relief for prior years	-	42,747
		<hr/>	<hr/>

UK corporation tax at 33% (1995 - 33%)

No provision for Corporation Tax has been made for the year due to group relief surrendered free of charge.

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

8 TANGIBLE FIXED ASSETS

	1996 £	1995 £
Freehold Investment property :		
Balance at 1 January	11,600,000	12,500,000
Deficit on revaluation	(1,350,000)	(900,000)
	<hr/>	<hr/>
Valuation at 31 December	10,250,000	11,600,000
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At 31st December properties were valued 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 professional valuers, Allsop & Co. Chartered Surveyors.

The historical cost of investment included at valuation is £10,401,235.

9 DEBTORS

	1996 £	1995 £
Trade debtors	204,857	238,750
Prepayments and accrued income	12,172	56,951
	<hr/>	<hr/>
	217,029	295,701
	<hr/>	<hr/>

10 CREDITORS: amounts falling due within one year

	1996 £	1995 £
Bank loans	150,000	150,000
Trade creditors	-	339
Amounts due to group undertakings	2,450,082	2,938,485
Accruals and deferred income	536,431	444,770
	<hr/>	<hr/>
	3,136,513	3,533,594
	<hr/>	<hr/>

11 CREDITORS: amounts falling due after more than one year

	1996 £	1995 £
Bank loans	7,000,000	7,150,000
Bank loans are repayable as follows :		
In one year or less	150,000	150,000
Between one year and two years	150,000	150,000
Between two and five years	6,850,000	450,000
In five years or more	-	6,550,000
	<hr/>	<hr/>
	7,150,000	7,300,000
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The bank loan is charged interest at Libor plus a margin of 1.5% and is secured by a legal charge over the respective property to which it relates, and a £400,000 deposit placed with the lender.

NEW MALDEN HOUSE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1996 (CONTINUED)

12 DEFERRED TAXATION

Deferred taxation is provided as follows:

	1996		1995	
	Provision	Potential Liability	Provision	Potential Liability
	£	£	£	£
Capital allowances in excess of depreciation	-	784,332	-	748,573
Other short term timing differences	-	(66,000)	-	(49,936)
Losses brought forward	-	-	-	-
	<u>-</u>	<u>718,332</u>	<u>-</u>	<u>698,637</u>

No provision has been included in the accounts for deferred taxation on revaluation surplus. There are no plans to sell the investment property and therefore no liability is anticipated in the foreseeable future.

13 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised ordinary shares of £1 each	100	100
Allotted, called up and fully paid: Ordinary shares of £1 each	2	2

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserve £	Profit & Loss Account £	1996 Total £	1995 Total £
Balance at 1st January	2	1,198,765	493,165	1,691,932	2,406,233
Deficit on revaluation of property	-	(1,198,765)	-	(1,198,765)	(900,000)
Profit for the year	-	-	294,349	294,349	185,700
Balance at 31 December	<u>2</u>	<u>-</u>	<u>787,514</u>	<u>787,516</u>	<u>1,691,933</u>

15 CONTINGENT LIABILITY

In the Directors opinion, no contingent liabilities exist.

16 PARENT UNDERTAKING

The Directors consider that the immediate and ultimate parent undertaking 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, 6 Spring Gardens, Citadel Place, Tinworth Street, London, SE11 5EH.