

SOUTHERN HOUSE LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 1995

COOPERS & LYBRAND

*Chartered Accountants and
Registered Auditors*

1 Embankment Place
London
WC2N 6NN



Company No. 2689539

SOUTHERN HOUSE LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1995

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SOUTHERN HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1995

The directors are pleased to present their annual report together with the audited accounts for the year ended 31 December 1995.

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 1995 (1994: 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 H O T Lundqvist

Mr G Hirsch

(resigned 30 September 1995)

(appointed 28 June 1995)

The directors had no interests in the shares of the company at any time during the year.

6 AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors to the company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD


T J THOMSON
Secretary

REGISTERED OFFICE:

6 Spring Gardens
Tinworth St
London
SE11 5EH

4 April 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the Directors to prepare accounts 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 those accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

SOUTHERN HOUSE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF SOUTHERN HOUSE LIMITED

We have audited the accounts 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 accounts. It is our responsibility to inform an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 preparation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at the 31 December 1995 and of its loss 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

4 April 1996

SOUTHERN HOUSE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	NOTES	1995 £	1994 £
Turnover	(2)	1,749,626	1,750,000
Administrative expenses		(100,163)	(118,522)
Operating profit		1,649,463	1,631,478
Interest receivable and financial income		17,126	4,061
Exceptional interest and financial income	(4)	-	136,775
Interest payable and related charges	(6)	(1,821,935)	(1,770,962)
(Loss)/Profit on ordinary activities before taxation	(3)	(155,346)	1,352
Tax on profit on ordinary activities	(7)	-	5,745
Retained (loss)/profit for the year	(13)	(155,346)	7,097

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1995 £	1994 £
(Loss)/profit for the financial year	(155,346)	7,097
Unrealised surplus/(deficit) on revaluation of property	600,000	(750,000)
Total gains/(losses) recognised since last annual report	444,654	(742,903)

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.

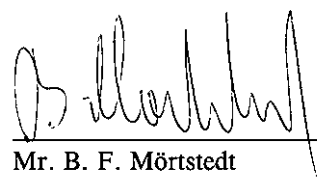
All items included in the above profit and loss account are part of continuing operations.

SOUTHERN HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	NOTES	1995 £	1994 £
FIXED ASSETS			
Tangible assets	(8)	23,350,000	22,750,000
CURRENT ASSETS			
Debtors - amounts falling due after more than one year		540,000	-
Debtors - amounts falling due within one year	(9)	1,280,363	20,297
Cash at bank and in hand		95,166	441,498
CREDITORS: amounts falling due within one year	(10)	1,915,529 (6,275,097)	461,795 (1,091,285)
NET CURRENT LIABILITIES		(4,359,569)	(629,490)
TOTAL ASSETS LESS CURRENT LIABILITIES		18,990,431	22,120,510
CREDITORS: amounts falling due after more than one year	(11)	16,250,000	19,824,732
CAPITAL AND RESERVES			
Called up share capital	(13)	100	100
Revaluation reserve	(14)	3,350,000	2,750,000
Profit and loss account	(14)	(609,669)	(454,323)
TOTAL SHAREHOLDERS' FUNDS		2,740,431	2,295,777
		18,990,431	22,120,509

These accounts were approved by the Board of Directors on 4 April 1996 and signed on its behalf by:



DIRECTOR

Mr. B. F. Mörtstedt

SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

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 accounts.

1.1 *Basis of preparation*

The accounts 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.

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 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. Depreciation or amortisation is one of the 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 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

	1995 £	1994 £
Rental income within the United Kingdom	1,749,626	1,750,000
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3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1995 £	1994 £
This is stated after charging:		
Auditors' remuneration	2,041	1,175
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4 EXCEPTIONAL INTEREST AND FINANCIAL INCOME

	1995 £	1994 £
Gain on loan forgiven	-	136,775
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SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

5 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the directors of the company are disclosed in the financial statements of CLS Holding plc, for their services to the group as a whole. The company had no employees during the year (1994:none).

6 INTEREST PAYABLE AND RELATED CHARGES

	1995	1994
	£	£
On bank loans, overdrafts and other loans:		
Repayable wholly or partly in more than 5 years	1,559,435	1,647,331
On loans from group undertaking repayable within 5 years	-	116,062
On loan stock from group undertaking repayable after 5 years	262,500	7,569
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	1,821,935	1,770,962
	<hr/>	<hr/>

7 CORPORATION TAX

	1995	1994
	£	£
Deferred taxation (Note 12)	-	(5,745)
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UK corporation tax at 33 % (1994 - 33 %).

There is no charge for corporation tax in the year due to the loss arising.

8 TANGIBLE FIXED ASSETS

	1995	1994
	£	£
Freehold investment property		
Valuation at 1 January	22,750,000	23,500,000
Surplus/(deficit) on revaluation	600,000	(750,000)
	<hr/>	<hr/>
Valuation at 31 December	23,350,000	22,750,000
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At 31 December 1995 the property was revalued at an estimate of its open market value taking into account the condition and tenancies existing at that date. Property valuation was carried out by Allsops & Co. Chartered Surveyors. The historical cost of the investment property included at valuation is £20,000,000.

9 DEBTORS: Amounts falling due within one year

	1995	1994
	£	£
Trade debtors	-	867
Prepayments and accrued income	14,758	19,430
Amounts due from group undertakings	1,265,605	-
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	1,280,363	20,297
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SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

10 CREDITORS: amounts falling due within one year	1995 £	1994 £
Trade creditors	339	1,979
Amounts due to group undertakings	5,847,676	662,878
Accruals and deferred income	427,082	426,428
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	6,275,097	1,091,285
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11 CREDITORS: amounts falling due after more than one year	1995 £	1994 £
Bank loans are repayable as follows:		
Between two and five years	675,000	14,500,000
In five years or more	15,575,000	-
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	16,250,000	14,500,000
Loan from group undertaking repayable between 1-2 years	-	2,824,732
Loan stock issued by group undertaking repayable in 5 years or more	-	2,500,000
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	16,250,000	19,824,732
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Interest is charged on £14.5m of the bank loan at 10.73%, and on £1.75m of the loan at 7.4%, secured by way of a legal charge over the property. Interest on the loan stock is charged at LIBOR plus a margin of 2.5%. Loan arrangements between group undertakings changed on 22 December 1995, these amounts are now non interest bearing and included in amounts due within one year.

12 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	1995 Provision £	Amount unprovided £	1994 Provision £	Amount unprovided £
Capital allowances in excess on depreciation	-	604,350	-	482,400
Other short term timing differences	-	(128,595)	-	(40,799)
Losses available	-	(715,832)	-	(158,536)
Taxation on revaluation surplus	-	563,502	-	563,524
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	-	323,425	-	846,589
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No provision has been included in the accounts for deferred taxation as there are no plans to sell the investment properties and therefore no liability is anticipated in the foreseeable future.

SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

13 CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	100	100

14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserve £	Profit and Loss Account £	1995 Total £	1994 Total £
Balance at 1 January	100	2,750,000	(454,323)	2,295,777	3,038,681
Surplus/(deficit) on valuation of properties	-	600,000	-	600,000	(750,000)
(Loss)/profit for the year	-	-	(155,346)	(155,346)	7,097
Balance at 31 December	100	3,350,000	(609,669)	2,740,431	2,295,778

15 CAPITAL AND OTHER FINANCIAL COMMITMENTS

The company has no capital commitments or future financial commitments that have not been included in these accounts.

16 CONTINGENT LIABILITIES

In the opinion of the Directors no contingent liabilities exist.

17 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 Holding plc, 6 Spring Gardens, Citadel Place, Tinworth St, London SE11 5EH.