

SOUTHERN HOUSE LIMITED
(FORMERLY GRANGEWISE INVESTMENTS LIMITED)
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1994

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



Company No. 2689539

SOUTHERN HOUSE LIMITED

INDEX TO THE ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 1994

Page No.

1	Directors' Report
2	Statement of Directors' Responsibilities
3	Auditors' report to the Members
4	Profit and Loss Account
5	Balance Sheet
6 -	Notes to the Financial Statements

SOUTHERN HOUSE LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1994

The directors are pleased to present their annual report together with the audited accounts for the year ended 31 December 1994.

1 PRINCIPAL ACTIVITY

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

2 REVIEW OF THE BUSINESS

By special resolution passed on 21 November 1994 the company Grangewise Investments Limited changed its name to Southern House Limited. 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 1994 (1993: Nil).

4 FIXED ASSETS

Information relating to the changes in tangible fixed assets is given in note 7 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

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

6 AUDITORS

During the year Messrs MJS Associates and Messrs King, Cruse & Grove resigned as auditors to the company and the directors appointed Coopers & Lybrand in their place, a resolution will be proposed at the forthcoming annual general meeting to ratify and reappoint Coopers & Lybrand.

BY ORDER OF THE BOARD


T J THOMSON
Secretary

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth St
London
SE11 5EH

1 May 1995

SOUTHERN HOUSE LIMITED

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.

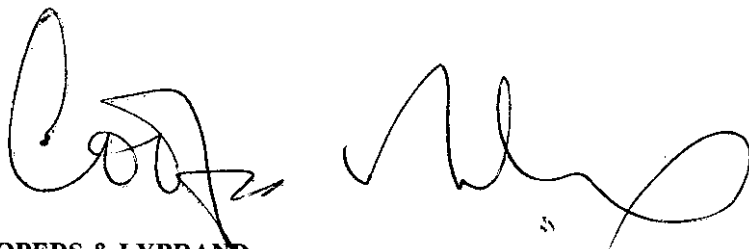
Basis of Opinion

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 1994 and of its profit 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

1 May 1995

SOUTHERN HOUSE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1994

	NOTES	1994 £	1993 £
Turnover	(2)	1,750,000	1,677,917
Administrative expenses		(118,522)	(142,859)
Operating profit		1,631,478	1,535,058
Interest receivable and financial income		4,061	867
Exceptional interest and financial income	(4)	136,775	-
Interest payable and related charges	(6)	(1,770,962)	(1,773,593)
Profit/(loss) on ordinary activities before taxation	(3)	1,352	(237,668)
Tax on profit on ordinary activities	(7)	5,745	(5,745)
Retained profit/(loss) for the year	(13)	7,097	(243,413)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1994 £	1993 £
Profit/(loss) for the financial year	7,097	(243,413)
Unrealised (deficit)/surplus on revaluation of property	(750,000)	3,500,000
Total gains/(losses) recognised since last annual report	(742,903)	3,256,587

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

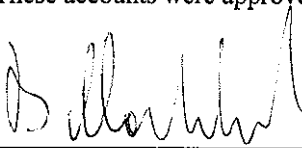
All items included in the above profit and loss account are part of continuing operations.

SOUTHERN HOUSE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1994

	NOTES	1994 £	1993 £
FIXED ASSETS			
Tangible assets	(8)	22,750,000	23,500,000
CURRENT ASSETS			
Debtors	(9)	20,297	29,257
Cash at bank and in hand		441,498	37,177
CREDITORS: amounts falling due within one year	(10)	461,795 (1,091,285)	66,434 (3,197,276)
NET CURRENT LIABILITIES		(629,490)	(3,130,842)
TOTAL ASSETS LESS CURRENT LIABILITIES		22,120,510	20,369,158
CREDITORS: amounts falling due after more than one year	(11)	19,824,732	17,324,732
PROVISION for liabilities and charges	(12)	-	5,745
CAPITAL AND RESERVES			
Called up share capital	(13)	100	100
Revaluation reserves	(14)	2,750,000	3,500,000
Profit and loss account	(14)	(454,322)	(461,419)
TOTAL SHAREHOLDERS' FUNDS		2,295,778	3,038,681
		22,120,510	20,369,158

These accounts were approved by the Board of Directors on 1 May 1995 and signed on its behalf by:


 _____ **DIRECTOR**
 Mr. B. F. Mörtstedt

SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994

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

	1994 £	1993 £
Rental income within the United Kingdom	1,750,000	1,677,917

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994 £	1993 £
This is stated after charging:		
Auditors' remuneration	1,175	1,058

4 EXCEPTIONAL INTEREST AND FINANCIAL INCOME

	1994 £	1993 £
Gain on loan forgiven	136,775	-

SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (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 (1993:none).

6 INTEREST PAYABLE AND RELATED CHARGES

	1994	1993
	£	£
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	1,647,331	1,773,593
On loans from parent undertaking repayable within 5 years	116,062	-
On loan stock from parent undertaking repayable after 5 years	7,569	-
	<u>1,770,962</u>	<u>1,773,593</u>

7 CORPORATION TAX

	1994	1993
	£	£
Deferred taxation (Note 11)	(5,745)	5,745
	<u></u>	<u></u>

UK corporation tax at 33% (1993 - 33%).

No provision for corporation tax has been made for the year as after adjustments to profit before tax, the company made a loss.

8 TANGIBLE FIXED ASSETS

	1994	1993
	£	£
Freehold investment property		
Valuation at 1 January	23,500,000	20,000,000
(Deficit)/surplus to revaluation reserves	(750,000)	3,500,000
	<u></u>	<u></u>
Valuation at 31 December	<u>22,750,000</u>	<u>23,500,000</u>

At 31 December 1994 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

	1994	1993
	£	£
Trade debtors	867	-
Prepayments and accrued income	19,430	18,304
Other debtors	-	10,953
	<u>20,297</u>	<u>29,257</u>

SOUTHERN HOUSE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)

10 CREDITORS: amounts falling due within one year	1994 £	1993 £
Bank loans and overdraft	-	2,500,000
Trade creditors	1,979	529
Amounts due to parent and fellow subsidiary undertakings	662,878	136,812
Other creditors	-	136,775
Accruals and deferred income	426,428	423,160
	<hr/>	<hr/>
	1,091,285	3,197,276
	<hr/>	<hr/>
11 CREDITORS: amounts falling due after more than one year	1994 £	1993 £
Bank loans repayable between 2-5 years	14,500,000	14,500,000
Loan from parent undertaking repayable between 1-2 years	2,824,732	2,824,732
Loan stock issued by parent undertaking repayable in 5 years or more	2,500,000	-
	<hr/>	<hr/>
	19,824,732	17,324,732
	<hr/>	<hr/>

Interest is charged on the bank loan at 10.73%, secured by way of a legal charge over the property. The loan from parent undertaking has no fixed repayment terms and is non interest bearing. Interest on the loan stock is charged at LIBOR plus a margin of 2.5% .

12 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	1994 Provision £	Amount unprovided £	1993 Provision £	Amount unprovided £
Capital allowances in excess on depreciation	-	482,400	-	319,800
Other short term timing differences	-	(40,799)	5,745	5,745
Losses available	-	(158,536)	-	-
Taxation on revaluation surplus	-	563,524	-	1,022,248
	<hr/>	<hr/>	<hr/>	<hr/>
	-	846,589	5,745	1,347,793
	<hr/>	<hr/>	<hr/>	<hr/>

13 CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	100	100
	<hr/>	<hr/>

SOUTHERN HOUSE LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994 (CONTINUED)****14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

	Share Capital £	Revaluation Reserve £	Profit and Loss Account £	1994 Total £	1993 Total £
Balance at 1 January	100	3,500,000	(461,419)	3,038,681	(217,906)
(Deficit)/surplus on valuation of properties	-	(750,000)	-	(750,000)	3,500,000
Profit/(loss) for the year	-	-	7,097	7,097	(243,413)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December	100	2,750,000	(454,322)	2,295,778	3,038,681
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 parent undertaking is Southern House KB which is registered in Sweden and the 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.