

CLSH MANAGEMENT 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. 2879688

CLSH MANAGEMENT LIMITED
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FOR THE YEAR ENDED 31 DECEMBER 1995

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CLSH MANAGEMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1995

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

1 PRINCIPAL ACTIVITY

The principal activity of the company is property management.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page four 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 tangible fixed assets is given in note 9 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	(resigned 10 December 1995)
Mr A Young	(resigned 31 August 1995)
Mr H Lamplough	(resigned 5 April 1995)
Mr D M Baverstam	
Mr S A Mörtstedt	
Mr G Hirsch	(appointed 12 April 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 auditors to the company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD


T J THOMSON
Secretary

4 April 1996

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

CLSH MANAGEMENT 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.

CLSH MANAGEMENT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

We have audited the accounts on pages 4 to 10.

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 form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

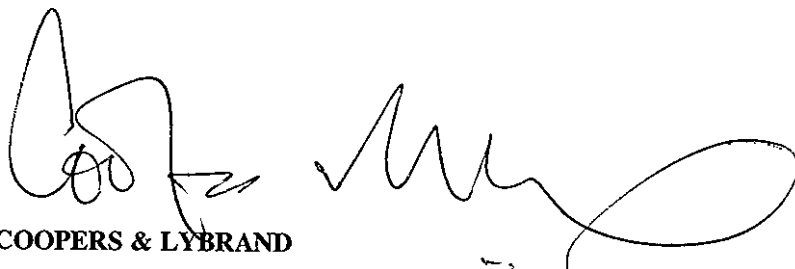
Basis of Opinion

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 31 December 1995 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

4 April 1996

CLSH MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	NOTES	1995 £	1994 £
Turnover	(2)	1,299,413	781,649
Administrative expenses		(1,146,552)	(1,522,846)
Exceptional administrative expenses	(8)	-	(155,520)
Operating profit/(loss)		152,861	(896,717)
Interest receivable and financial income		138,402	138,154
Interest payable and related charges	(4)	-	(1,966)
Profit/(loss) on ordinary activities before taxation	(3)	291,263	(760,529)
Tax on profit on ordinary activities	(7)	1,821,655	-
Retained profit/(loss) for the year	(15)	2,112,918	(760,529)

The company has no other recognised gains or losses other than those reported in the above profit and loss account.

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.

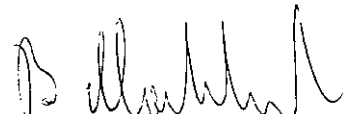
All items included in the above profit and loss account are part of continuing operations.

CLSH MANAGEMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1995

	NOTES	1995 £	1994 £
FIXED ASSETS			
Tangible assets	(9)	172,556	150,160
Investments	(10)	40,877	40,877
		<hr/>	<hr/>
		213,433	191,037
CURRENT ASSETS			
Debtors	(11)	40,300,210	26,790,727
Cash at bank and in hand		10,460,799	3,311,379
		<hr/>	<hr/>
		50,761,009	30,102,106
CREDITORS: amounts falling due within one year	(12)	(49,620,053)	(31,051,672)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,140,956	(949,566)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,354,389	(758,529)
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	(14)	2,000	2,000
Profit and loss account	(15)	1,352,389	(760,529)
		<hr/>	<hr/>
TOTAL SHAREHOLDERS' FUNDS		1,354,389	(758,529)
		<hr/>	<hr/>
		1,354,389	(758,529)
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These accounts were approved by the Board of Directors on 4 April 1996 and signed on its behalf by:


 _____ DIRECTOR
 Mr B F Mörtstedt

CLSH MANAGEMENT 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 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 *Turnover*

Turnover comprises the total value of property related services provided during the year and the total value of rents receivable during the year, excluding VAT. Rents received in advance are shown as deferred income in the balance sheet.

1.3 *Depreciation*

Depreciation is provided on fixed tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold premium	25%
Leasehold improvements	20%
Office equipment	20%
Motor vehicles	25%
Fixtures and fittings	20%

1.4 *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 £
Property related services	1,240,068	695,283
Rental income	-	39,341
Other income	59,345	47,025
	<hr/>	<hr/>
	1,299,413	781,649
	<hr/>	<hr/>

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1995 £	1994 £
This is stated after charging:		
Depreciation	81,388	118,405
Auditors' remuneration	9,527	15,000
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CLSH MANAGEMENT LIMITED

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

4 INTEREST PAYABLE AND RELATED CHARGES

1995	1994
£	£
-	1,966

Other interest

5 EMPLOYEE INFORMATION

5.1 The average number of employees during this period was as follows:

	1995	1994
Administration	15	19

5.2 Employment costs of all employees:

	1995	1994
	£	£
Wages and salaries	505,169	569,542
Social security costs	46,797	65,742
	551,966	635,284

6 DIRECTORS' REMUNERATION

Emoluments for management services

1995	1994
£	£
202,071	273,424
202,071	273,424

The emoluments (excluding pension contributions) of:

The Chairman

The highest paid Director

-	39,923
78,777	62,928

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

Nil - £5,000	-	4
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£55,001 - £60,000	1	1
£60,001 - £65,000	-	1
£75,001 - £80,000	1	-

The emoluments for the current year of the directors of CLSH Management Limited who are also board directors of CLS Holdings plc are disclosed in the financial statements of CLS Holdings plc for their services to the group as a whole. The emoluments of directors who resigned during the year are included above.

CLSH MANAGEMENT LIMITED

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

7 CORPORATION TAX

	1995 £	1994 £
Adjustment to agree group balances in connection with payment for group relief	1,821,655	-
UK corporation tax at 33 % (1994:33 %)		
No provision for Corporation Tax has been made for the year due to the availability of losses brought forward.		

8 EXCEPTIONAL ADMINISTRATIVE EXPENSES

	1995 £	1994 £
Exceptional bonus payments	-	155,520

9 TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Office Equipment £	Motor Vehicles £	Fixture & Fittings £	Total £
Cost					
At 1 January 1995	6,763	149,498	73,698	36,458	266,417
Additions	-	49,148	56,495	18,470	124,113
Disposals	-	(3,484)	(63,553)	-	(67,037)
At 31 December 1995	6,763	195,162	66,640	54,928	323,493
Depreciation					
At 1 January 1995	1,779	62,603	25,915	25,960	116,257
Charge for the period	2,224	44,949	22,647	11,568	81,388
Disposals	-	(2,810)	(43,898)	-	(46,708)
At 31 December 1995	4,003	104,742	4,664	37,528	150,937
Net book value at 31 December 1995	2,760	90,420	61,976	17,400	172,556
Net book value at 31 December 1994	4,984	86,895	47,783	10,498	150,160

10 INVESTMENTS

	1995 £	1994 £
Works of art	40,877	40,877

CLSH MANAGEMENT LIMITED

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

11 DEBTORS

	1995 £	1994 £
Amounts due from Group undertakings	40,188,096	26,707,478
Other debtors	51,376	34,352
Other taxation and social security	-	7,049
Prepayments and accrued income	60,738	41,848
	<hr/>	<hr/>
	40,300,210	26,790,727
	<hr/>	<hr/>

12 CREDITORS: amounts falling due within one year

	1995 £	1994 £
Bank loans and overdrafts	-	179,314
Trade creditors	36,258	50,816
Amounts due to Group undertakings	49,475,177	30,711,582
Other taxation and social security	49,717	-
Other creditors	-	29,049
Accruals and deferred income	58,901	80,911
	<hr/>	<hr/>
	49,620,053	31,051,672
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13 DEFERRED TAXATION

	1995		1994	
	Provision £	Amount Unprovided £	Provision £	Amount Unprovided £
Capital allowances in excess of depreciation	(1,915)	-	(548)	-
Other short term timing differences	1,915	-	548	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000	2,000
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CLSH MANAGEMENT LIMITED**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)****15 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	Share Capital £	Profit & Loss Account £	1995 Total £	1994 Total £
At 1 January	2,000	(760,529)	(758,529)	-
Profit for the year	-	2,112,918	2,112,918	(760,529)
Issued during the year	-	-	-	2,000
At 31 December	2,000	1,352,389	1,354,389	(758,529)

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.