

BLACKBERRY LIMITED

**ANNUAL REPORT
FOR THE YEAR ENDED
30 SEPTEMBER 1997**

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

Company No. 2329963



BLACKBERRY LIMITED

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FOR THE YEAR ENDED 30 SEPTEMBER 1997

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BLACKBERRY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30 SEPTEMBER 1997

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 30 September 1997.

1 PRINCIPAL ACTIVITIES

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 financial statements.

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 30 September 1997 (1996: Nil).

4 FIXED ASSETS

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

5 DIRECTORS

The Directors of the company during the year were as follows:

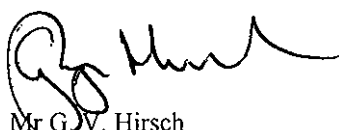
JE Bradley
Mr B F Mörtstedt
Mr G V Hirsch
Mr T J Thomson

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

BY ORDER OF THE BOARD


Mr G V. Hirsch
Director

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

27 March 1998

BLACKBERRY 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.

BLACKBERRY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BLACKBERRY 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 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.

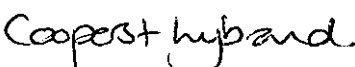
Basis of Opinion

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 affairs of the company at 30 September 1997 and of its profit and total recognised gains 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 1998

BLACKBERRY LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1997**

	NOTES	1997 £	1996 £
Turnover	(2)	1,459,000	1,459,000
Administrative expenses		(5,223)	(15,878)
Operating profit		1,453,777	1,443,122
Interest receivable and financial income		12,648	13,367
Interest payable and related charges	(4)	(565,477)	(666,168)
Profit on ordinary activities before taxation	(3)	900,948	790,321
Tax on profit on ordinary activities	(6)	-	-
Retained profit for the year	(12)	900,948	790,321

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £	1996 £
Profit for the year	900,948	790,321
Unrealised surplus on revaluation of property	1,000,000	-
Total gains and losses recognised since last annual report	1,900,948	790,321

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.

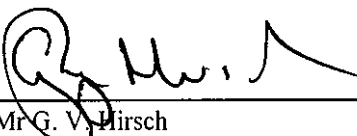
All items included in the above profit and loss account are part of continuing operations.

BLACKBERRY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1997

	NOTES	1997 £	1996 £
FIXED ASSETS			
Tangible assets	(7)	13,000,000	12,000,000
CURRENT ASSETS			
Debtors	(8)	420	490
Cash at bank and in hand		432	387
CREDITORS: amounts falling due within one year	(9)	852 (2,237,290)	877 (2,385,469)
NET CURRENT LIABILITIES		(2,236,438)	(2,384,592)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,763,562	9,615,408
CREDITORS: amounts falling due after more than one year	(10)	6,765,475	7,518,269
CAPITAL AND RESERVES			
Called up share capital	(11)	100	100
Profit and loss account	(12)	3,997,987	2,097,039
EQUITY SHAREHOLDERS' FUNDS		3,998,087	2,097,139
		10,763,562	9,615,408

These financial statements were approved by the Board of Directors on 27 March 1998 and signed on its behalf by:


DIRECTOR
 Mr G. V. Hirsch

BLACKBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997

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 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 and sums due from lease surrender and lease variation 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

	1997 £	1996 £
Rental income within the United Kingdom	1,459,000	1,459,000

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
This is stated after charging:		
Auditors' remuneration	806	604

BLACKBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997(CONTINUED)

4 INTEREST PAYABLE AND RELATED CHARGES	1997	1996
	£	£
On bank loans and overdrafts	565,477	666,168
	<u> </u>	<u> </u>

5 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. No emoluments were received by any other Director for their services to the company. The company had no employees during the year (1996: none).

6 TAX ON PROFIT ON ORDINARY ACTIVITIES	1997	1996
	£	£
UK corporation tax at 32% (1996-33%).	-	-
	<u> </u>	<u> </u>

No provision for Corporation Tax has been made for the year due to the availability of losses brought forward.

7 TANGIBLE FIXED ASSETS	1997	1996
	£	£
Freehold investment property		
Valuation at 1 October	12,000,000	12,000,000
Surplus on revaluation	1,000,000	-
	<u> </u>	<u> </u>
Valuation at 30 September	13,000,000	12,000,000
	<u> </u>	<u> </u>

As at 30 September the property was revalued at an estimate of its open market value taking into account the condition and tenancies existing at that date. Property valuations were carried out by Allsop & Co. Chartered Surveyors. The historical cost of the investment property included at valuation is £18,388,121.

BLACKBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997(CONTINUED)

8	DEBTORS	1997	1996
		£	£
	Prepayments and accrued income	420	490
		<u>420</u>	<u>490</u>
9	CREDITORS: amounts falling due within one year	1997	1996
		£	£
	Bank loans	752,794	683,661
	Amount owed to group undertaking	1,077,623	1,300,554
	Accruals and deferred income	406,873	401,254
		<u>2,237,290</u>	<u>2,385,469</u>
10	CREDITORS: amounts falling due after more than one year	1997	1996
		£	£
	Bank loan	6,765,475	7,518,269
		<u>6,765,475</u>	<u>7,518,269</u>
	Interest on the loan is charged at Libor rate plus 1.0% margin and is secured by a legal charge over the respective property to which it relates.		
	The loan is repayable as follows :	1997	1996
		£	£
	In one year or less	752,794	683,661
	Between one and two years	2,745,046	752,794
	Between two and five years	4,020,429	2,745,046
	In five years or more	-	4,020,429
		<u>7,518,269</u>	<u>8,201,930</u>
11	CALLED UP SHARE CAPITAL	1997	1996
		£	£
	Authorised		
	Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	Allotted, issued and fully paid		
	Ordinary shares of £1 each	<u>100</u>	<u>100</u>

BLACKBERRY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1997(CONTINUED)

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserve £	Profit & Loss Account £	1997 Total £	1996 Total £
Balance at 1 October	100	-	2,097,039	2,097,139	1,306,818
Profit for the year	-	-	900,948	900,948	790,321
Surplus on reval. of property	-	1,000,000	-	1,000,000	-
Transfer to profit and loss account		(1,000,000)	1,000,000	-	-
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Balance at 30 September	100	-	3,997,987	3,998,087	2,097,139
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13 DEFERRED TAXATION

Deferred taxation is provided as follows:

	1997		1996	
	Provision £	Amount Unprovided £	Provision £	Amount Unprovided £
Capital allowances in excess of depreciation	-	601,175	-	365,706
Other short term timing differences	-	-	-	-
Losses brought forward	-	(601,175)	-	(365,706)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

14 CONTINGENT LIABILITIES

In the directors' opinion, no contingent liabilities exist.

15 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.