

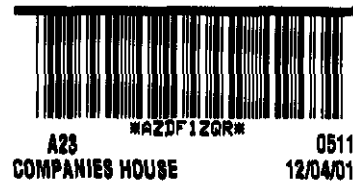
THREE ALBERT EMBANKMENT LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2000

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6NN



Company No 2114695

THREE ALBERT EMBANKMENT LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2000

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THREE ALBERT EMBANKMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2000.

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 financial statements. The Directors expect the principal activity of the company to remain unchanged for the foreseeable future.

3 DIVIDENDS

A dividend of £2,500 per share was paid for the year ended 31 December 2000 (1999: 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:

Mr B F Mörtstedt

Mr G 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.

THREE ALBERT EMBANKMENT LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

7 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.

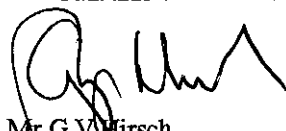
The directors confirm that the financial statements comply with the above requirements.

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 1985. 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.

8 AUDITORS

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

BY ORDER OF THE BOARD


Mr G V Wirsch
Director

28 March 2001

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

THREE ALBERT EMBANKMENT LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF THREE ALBERT EMBANKMENT LIMITED

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

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 at 31 December 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

28 March 2001

THREE ALBERT EMBANKMENT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2000

	NOTES	2000 £	1999 £
Turnover	(2)	1,030,642	1,046,330
Administrative expenses		58,833	(84,883)
Operating profit		1,089,475	961,447
Interest receivable and financial income		534,070	417,500
Interest payable and related charges	(3)	(621,932)	(591,368)
Profit on ordinary activities before taxation	(5)	1,001,614	787,579
Tax on profit on ordinary activities	(6)	21	(83,428)
Profit on ordinary activities after taxation		1,001,635	704,151
Dividends		(5,000,000)	-
Retained (loss)/profit for the year	(14)	(3,998,365)	704,151

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2000 £	1999 £
(Loss)/profit for the financial year	1,001,635	704,151
Unrealised surplus/(deficit) on revaluation of property	2,882,431	(7,198)
Total recognised (losses)/gains for the year	3,884,066	696,953

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

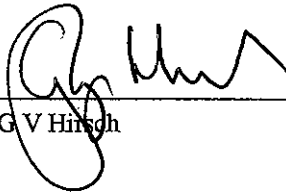
All items included in the above profit and loss account are part of continuing operations.

THREE ALBERT EMBANKMENT LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

	NOTES	2000 £	1999 £
FIXED ASSETS			
Tangible assets	(7)	16,650,000	13,750,000
CURRENT ASSETS			
Debtors amounts falling due after more than one year	(9)	-	1,168
Debtors amounts falling due within one year	(8)	2,798,629	7,399,987
Cash at bank and in hand		363,614	1,143
		3,162,243	7,402,298
CREDITORS: amounts falling due within one year	(10)	(730,382)	(714,503)
NET CURRENT ASSETS		2,431,861	6,687,795
TOTAL ASSETS LESS CURRENT LIABILITIES		19,081,861	20,437,795
CREDITORS: amounts falling due after more than one year	(11)	7,890,000	8,130,000
CAPITAL AND RESERVES			
Called up share capital	(13)	2,000	2,000
Revaluation reserve	(14)	4,366,096	1,483,665
Profit and loss account	(14)	6,823,765	10,822,130
EQUITY SHAREHOLDERS' FUNDS		11,191,861	12,307,795
		19,081,861	20,437,795

These financial statements were approved by the Board of Directors on 28 March 2001 and signed on its behalf by:


 _____ DIRECTOR
 Mr G V Hirsch

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

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*

Property

Investment properties are revalued bi-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 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, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, excluding VAT. Where there is a material rent free period and the amount is considered to be recoverable, the income is spread evenly over the period to the date of the first break. 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.

1.6 *Issue costs of loans*

Issue costs relating to new loans are capitalised and amortised to follow the profile of the loan principal. Unamortised amounts at the balance sheet date are deferred against the loan liability.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

1.7 *Interest Rate Caps*

The premium paid for interest rate caps used to hedge borrowings is held within debtors on the balance sheet and amortised over the period of the cap.

2 TURNOVER

	2000 £	1999 £
Rental income within the United Kingdom	1,029,467	1,020,918
Other income	1,175	25,412
	<u>1,030,642</u>	<u>1,046,330</u>

3 INTEREST PAYABLE AND RELATED CHARGES

	2000 £	1999 £
On bank loan	593,009	562,950
Other interest	430	-
Amortisation of interest rate caps	28,493	28,418
	<u>621,932</u>	<u>591,368</u>

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the company are disclosed in the financial statements of CLS Holdings plc for their services to the group as a whole. The company had no employees during the year (1999: none).

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
This is stated after charging:		
Auditors' remuneration	1,763	1,545
	<u>1,763</u>	<u>1,545</u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000 £	1999 £
UK corporation tax at 30% (1999 - 30.25%)	-	-
Adjustment in respect of prior year	21	83,428
	<u>21</u>	<u>83,428</u>

No provision for Corporation Tax has been made for the year due to the availability of losses. Losses are available from one or more of the following sources; losses arising in the year, losses brought forward and group relief surrendered free of charge.

7 TANGIBLE FIXED ASSETS

	2000 £	1999 £
Freehold investment property	13,750,000	13,750,000
Additions	17,569	7,198
Surplus (Deficit) on revaluation	2,882,431	(7,198)
	<u>16,650,000</u>	<u>13,750,000</u>

Valuation at 31 December

At 31 December properties were revalued 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 properties included at valuation was £12,283,924.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

8	DEBTORS	2000	1999
	Amounts falling due within one year:		
	Trade debtors	140,596	189,515
	Amounts due from group undertakings	2,654,905	7,181,372
	Other Debtors	1,168	28,493
	Prepayments and accrued income	1,960	607
		<u>2,798,629</u>	<u>7,399,987</u>
9	Amounts falling due after more than one year:		
	Other Debtors	-	1,168
10	CREDITORS: amounts falling due within one year	2000 £	1999 £
	Bank loans	240,000	240,000
	Trade creditors	11,251	-
	Amounts due to group undertakings	2,771	4,317
	Other creditors	35,000	35,000
	Accruals and deferred income	441,360	435,185
		<u>730,382</u>	<u>714,503</u>
11	CREDITORS: amounts falling due after more than one year	2000 £	1999 £
	Bank loans	7,890,000	8,130,000
		<u>7,890,000</u>	<u>8,130,000</u>
	An analysis of the maturity of the bank loan is as follows:	2000 £	1999 £
	In one year or less, or on demand.	240,000	240,000
	In more than one year but not more than two years.	240,000	240,000
	In more than two years but not more than five years.	7,650,000	7,890,000
		<u>8,130,000</u>	<u>8,370,000</u>

Interest is charged on the bank loan at the rate of Libor plus a margin of 1% and is secured by a legal charge over the property to which it relates.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)

12 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation is provided as follows:

	2000 Provision £	Amount unprovided £	1999 Provision £	Amount unprovided £
Capital allowances in excess of depreciation	-	740,956	-	732,621
Taxation on revaluation surplus	-	1,452,308	-	695,327
	-	2,193,264	-	1,427,948

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

13 CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	2,000	2,000

14 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital £	Revaluation Reserve £	Profit & Loss Account £	2000 Total £	1999 Total £
Balance at 1 January	2,000	1,483,665	10,822,130	12,307,795	11,610,842
Profit for the year			1,001,635	1,001,635	704,151
Revaluation reserve		2,882,431		2,882,431	(7,198)
Dividends paid			(5,000,000)	(5,000,000)	-
Balance at 31 December	2,000	4,366,096	6,823,765	11,191,861	12,307,795

15 CONTINGENT LIABILITIES

In the Directors opinion, no contingent liabilities exist.

16 PARENT UNDERTAKING

The Directors consider that the immediate, ultimate parent undertaking and controlling party 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, One Citadel Place, Tinworth Street, London, SE11 5EF.