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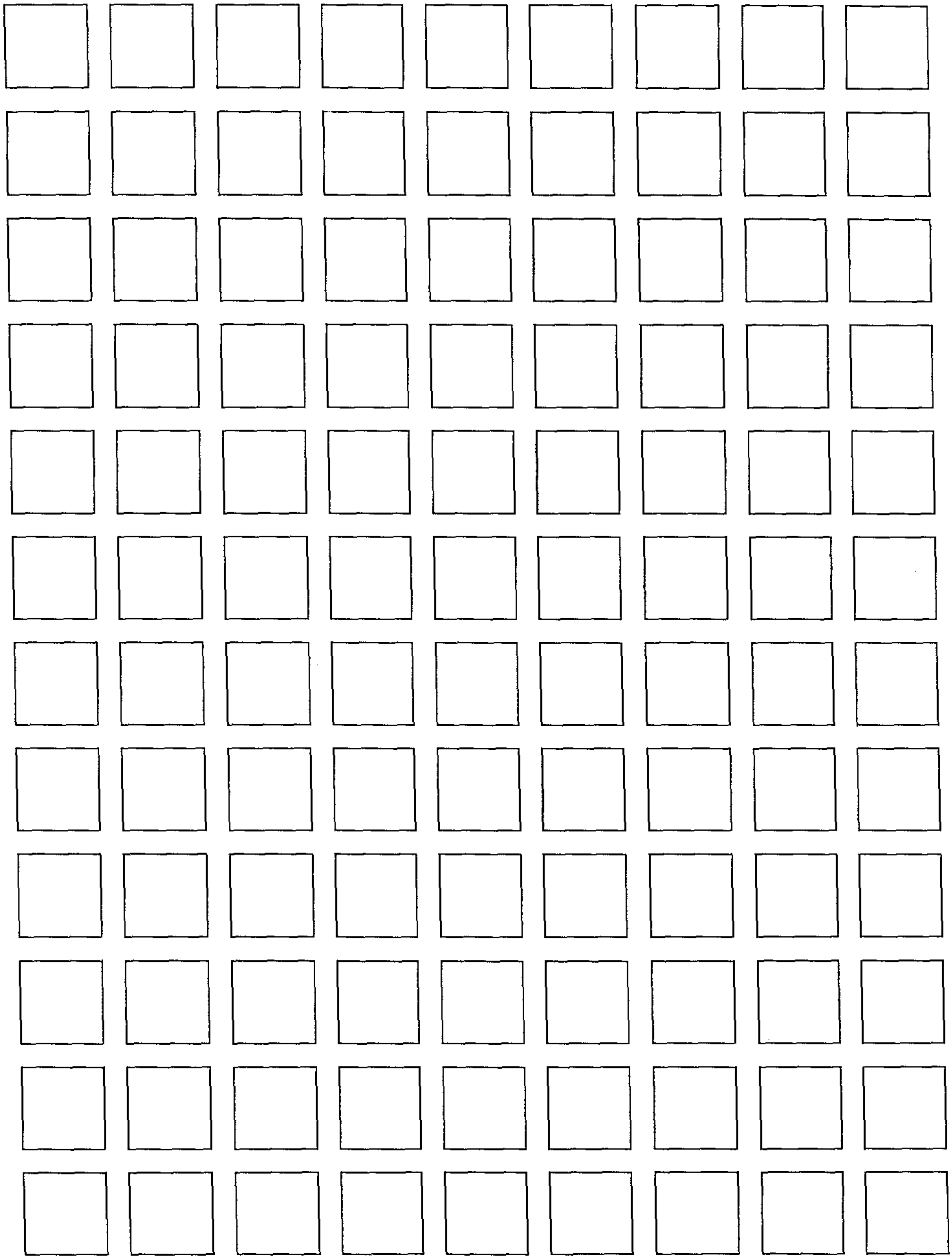
CLS Holdings PLC

2000 Annual Report & Accounts



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CLS HOLDINGS PLC
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"CLS IS ONE OF THE FEW QUOTED PROPERTY COMPANIES TO SUCCESSFULLY DEVELOP ITS BUSINESS IN MAINLAND EUROPE AND WE ARE CONFIDENT THAT THE GROUP'S TRACK RECORD OF ORGANIC GROWTH IS SET TO CONTINUE WHILST REMAINING FIRMLY COMMITTED TO ACHIEVING A HIGH LEVEL OF RETURNS FOR OUR SHAREHOLDERS."

Financial Highlights

NAV PER SHARE UP **33.5 PER CENT** TO **325.5 PENCE**

TOTAL SHAREHOLDERS' RETURN **45.1 PER CENT**

PROPOSED DISTRIBUTION OF **5.7 PENCE** MAKING A TOTAL DISTRIBUTION TO SHAREHOLDERS **9.6 PENCE** PER SHARE

PORTFOLIO VALUED AT **£671.4 MILLION** UP **34.5 PER CENT**

NET RENTAL INCOME (INCLUDING ASSOCIATE AND JV) UP **24.8 PER CENT** TO **£42.1 MILLION**

YEAR END AVAILABLE CASH UP **8.3 PER CENT** TO **£39.1 MILLION**

POTENTIAL GROSS ANNUAL RENT ROLL OF **£74.1 MILLION**

Key statistics	31 Dec 2000	31 Dec 1999	
NAV per share	**325.5p**	243.9p	Up 33.5%
FRS13 fair value adjustment (after tax)	**17.1p**	10.2p	Up 67.6%
Earnings per share	**14.6p**	14.0p	Up 4.3%
Shares in issue (000's)	**108,129**	101,962	Up 6.0%
Distribution per share from tender offer buy-backs	**9.6p**	7.5p	Up 28.0%

The Group's financial performance continues to deliver strong growth.

Other financial information	31 Dec 2000	31 Dec 1999	
Property portfolio	**£671.4m**	£499.2m	Up 34.5%
Net asset value	**£351.9m**	£248.7m	Up 41.5%
Cash	**£39.1m**	£36.1m	Up 8.3%
Gearing	**90.6%**	100.7%	Down 10.0%
Net rental income (including associate and JV)	**£42.1m**	£33.7m	Up 24.8%
Operating profit (including associate and JV)	**£36.3m**	£36.8m	Down 1.3%
Financial income	**£1.4m**	£1.1m	Up 28.6%
Profit before taxation	**£14.8m**	£16.9m	Down 12.3%
Profit after taxation	**£14.8m**	£14.8m	Up 0.2%
Interest cover	**1.61 times**	1.83 times	Down 12.0%

Business Highlights

- → *ACQUISITION OF CITADEL HOLDINGS PORTFOLIO*
- → *SALE OF ELAN HOUSE*
- → *SALE OF 230 BLACKFRIARS ROAD*
- → *PLANNING CONSENTS AT SOLNA BUSINESS PARK*
- → *PROGRESS AT SOUTHWARK TOWERS*

Chairman's State

THE YEAR 2000 WAS YET ANOTHER SUCCESSFUL YEAR WITH RECORD NET ASSET VALUE PER SHARE FOR THE SIXTH YEAR IN SUCCESSION. The return to shareholders in the year was 45.1 per cent, which compared to 23.6 per cent returned in 1999. The return, which is based on movement in shareholders funds and share buy-backs implemented during the year amounted to £112.2 million.

The net assets of the Group increased from £248.7 million to £351.9 million, giving a 33.5 per cent increase in net assets per share to 325.5 pence (1999: 243.9 pence). At the year end the post-tax FRS13 fair value adjustment amounted to 17.1 pence per share. Net rental income, represented by rents and net service charge, increased by 24.8 per cent to £42.1 million.

The current aggregate annual gross rental income derived from the Group's portfolio is £52.6 million. The small amount of vacant space in the portfolio, together with prospects of letting refurbished space in Stockholm means that an increase in this figure to £64.6 million is achievable over the next two and a half years, after investment of approximately £70 million. This should increase the portfolio's value substantially. In addition there is a reversionary potential for a further uplift in rental income of £9.5 million which is achievable through negotiation of rent reviews and management of the portfolio, of which £1.9 million is achievable imminently. This gives the Group a potential gross annual rent role of £74.1 million.

Gearing at the year end was 90.6 per cent, down from 100.7 per cent at 31 December 1999.

Although profit before tax was down slightly at £14.8 million compared to £16.9 million in 1999, profit after tax was maintained at £14.8 million, the same level as the previous year.

The company's share price has improved by 48.0 per cent during 2000 and a further 16.0 per cent since the year-end. However, the stock market value still remains at a discount to net asset value of 28.6 per cent (31 December 1999: 44.4 per cent). In these circumstances the Board continues to believe in the benefits of distributing cash as capital dividends by way of a tender offer buy-back. The Board has therefore decided to recommend a tender offer buy-back of 1 in 55 shares at a price of 315 pence per share.

During 2000, in addition to the 4.0 million shares purchased for cancellation by way of tender offer buy-back, the company purchased for cancellation 6.6 million shares, 6.4 per cent of shares in issue at 1 January 2000, in the open market at a cost of £10.7 million representing an average cost per share of 163 pence.

The most significant event for the Group during 2000 was the acquisition of the Citadel Holdings plc portfolio. In the six months since September the shareholders of Citadel have benefited from a growth of 25.7 per cent in the value of their shares in CLS. This Company had previously held a 17.4 per cent equity stake in Citadel and all but 0.2 per cent of its share capital was acquired during the latter half of the year in consideration for the issue of 16.6 million shares in CLS.

Citadel has brought to the Group an attractive portfolio of offices in Paris and Lyon with a value of £138.5 million at the year end and a rent role of £10.8 million.

The effect of this is to position the Group's property portfolio in three principal countries; UK, Sweden and France. We now have substantial holdings in London, Stockholm and Paris and in each of these cities we have benefited from a buoyant market in offices.

During 2000 we sold two London properties; Elan House, 5-11 Fetter Lane, EC4 and 230 Blackfriars Road, SE1, both at prices in excess of our book value.

ment

Our project at Solna Business Park is progressing according to plan. One of the four buildings has been refurbished, and work has now commenced on the second phase of the project.

The Group's investment division had a disappointing 2000, although prospects remain excellent. Volatile markets in the third quarter and the declining values of internet and technology companies has led your Board to make provisions against a number of investments. In the context of the Group as a whole, exposure to this activity is very low.

We have accepted the resignation from the Board of Patrik Gransäter who joined last year to help in the development of our investment business.

CLS is one of the few quoted property companies to successfully develop its business in mainland Europe and we are confident that the Group's track record of growth is set to continue whilst remaining firmly committed to achieving a high level of returns for our shareholders.

We are pleased to announce the appointment of Teather & Greenwood as our joint stockbrokers, alongside HSBC and ING Barings.

I take this opportunity to thank my fellow directors, our staff, external advisers, bankers and shareholders for their support during the year.

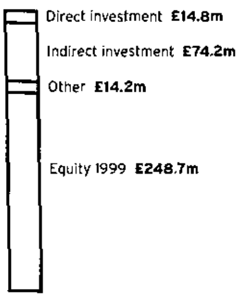
Sten Mörtstedt
Executive Chairman

Financial Review

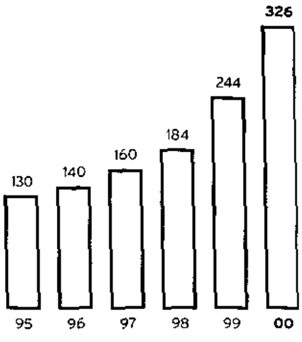
SHAREHOLDERS' EQUITY HAS INCREASED BY 41.5 PER CENT DURING THE YEAR AND AT 31 DECEMBER 2000 AMOUNTED TO £351.9 MILLION (DECEMBER 1999: £248.7 MILLION). Core profit from property (i.e. profit exclusive of investment division profit, property sales and lease surrender income) has increased by 22.1 per cent to £10.7 million and includes a four month full contribution from Citadel of £1.5 million. However overall profit before tax of £14.8 million (1999: £16.9 million) represents a decrease of 12.3 per cent which is mainly due to a reduction in other property related income of £3.6 million (income from lease surrenders and the like) and provisions and write downs made against the Group's holdings of listed and unlisted investments.

During the second half of the year, the Group acquired the Citadel portfolio through a share for share exchange. The Group now owns 99.8 per cent of the issued share capital in Citadel and the results of the Citadel portfolio have been fully included with effect from 1 September 2000.

Net Asset Value per share at 325.5 pence increased by 33.5 per cent and the underlying elements of this growth in equity shareholders' funds are set out below:



Growth in equity shareholders' funds during 2000



Growth in NAV per share £ million

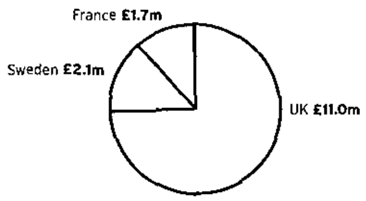
	£m
Equity shareholders' funds at 31 December 1999	248.7
Direct investment	
Income from investments in property	45.2
Income from investment division	5.0
Provisions and write-downs of investments	(4.4)
Administrative expenses	(6.4)
Interest	(24.6)
Profit before taxation	14.8
Taxation	-
Retained profit	14.8
Indirect investment	
Revaluations	73.6
Exchange and other movements	0.6
	74.2
Increase in equity due to direct and indirect investment	89.0
Other share movements	
Capital distributions by tender offer buy-backs	(8.9)
Other share buy backs	(10.7)
Share Issues	33.8
Equity shareholders' funds at 31 December 2000	**351.9**

REVIEW OF THE PROFIT AND LOSS ACCOUNT

FINANCIAL RESULTS BY LOCATION The results of the Group have been analysed by location and main business activity as set out below:

	2000 Total £m	UK* £m	Sweden £m	France† £m	1999 £m
Net rental and property related income (excluding associate/JV)	**41.5**	31.4	6.7	3.4	37.4
Operating expenses	**(7.4)**	(5.4)	(1.3)	(0.7)	(6.2)
Other operating income-investment division	**0.6**	0.6	-	-	4.6
Associate/JV operating profit	**1.6**	0.7	-	0.9	1.0
Operating profit	**36.3**	27.3	5.4	3.6	36.8
Gains from sale of investment properties	**3.0**	2.7	0.3	-	-
Net interest payable and related charges	**(24.5)**	(19.0)	(3.6)	(1.9)	(19.9)
Profit on ordinary activities before tax	**14.8**	**11.0**	**2.1**	**1.7**	**16.9**
Profit on ordinary activities before tax for the year ended 31 December 1999	16.9	14.6	1.9	0.4	16.9

* Results relating to Germany were immaterial in the context of the overall results of the Group and have therefore been included within the UK
† Since 1 September 2000



Profit on ordinary activities before tax

NET RENTAL INCOME Net rental income has increased by 25 per cent to £42.1 million and reflects the inclusion of Citadel rents of £3.4 million for the four months to 31 December 2000 and a full year contribution of income from Solna of £3.4 million (1999: £1.3 million) which was acquired at the end of June 1999. In addition, a full year rental of £2.2 million has been received in respect of One Leicester Square which completed its refurbishment last year (1999: £0.4 million).

OTHER PROPERTY RELATED INCOME Other property related income of £1.3 million (1999: £4.9 million) comprised two main elements; a lease surrender of £0.3 million at Great West and a management fee of £0.5 million invoiced to Citadel Holdings plc relating to the period prior to the merger.

ADMINISTRATIVE EXPENDITURE Administrative expenditure increased by £1.6 million to £6.4 million. The principal reasons for this were:

- → The inclusion of Solna Business Centre for the full year resulted in an increase in administrative expenditure of £0.3 million over the previous year.
- → The inclusion of Citadel Holdings Plc expenditure for the four month period amounted to £0.7 million.
- → An increase in personnel costs of £0.7 million, reflected the recruitment of additional personnel within the property, finance and investment divisions and increased performance related incentives.

NON RECOVERABLE PROPERTY EXPENSES Non recoverable property expenses amounted to £1.0 million (1999: £1.4 million), and benefited from the recovery of £0.2 million of amounts that had previously been provided against.

Financial Review (continued)

OTHER OPERATING INCOME Other operating income represents profit resulting from trading by the investment division. This has been shown as other operating income to improve clarity and presentation of the results.

	2000 £m	1999 £m	Difference £m
Investment Division profit	**5.0**	6.4	(1.4)
Write-downs and provisions	**(4.4)**	(1.8)	(2.6)
	0.6	4.6	(4.0)

During the second half of the year there was considerable downward pressure on the market in telecom and new technology stocks. This had the impact of reducing trading returns and adversely affected the value of the Group's holdings of listed investments at the year end which are held at the lower of cost and net realisable value. In addition, the Board has taken a cautious approach in assessing the value of its portfolio of investments and in total has provided £4.4 million this year against cost of £15.4 million.

As investments are held in the Balance Sheet at the lower of cost and net realisable value the results do not reflect any potential upside in our holdings. It is however, the opinion of the directors that there is a significant potential uplift in the value of some of our unlisted investments. During the year a disposal of shares in Microcosm Communications Ltd yielded a realised profit to the Group of £1.5 million in excess of book value of £0.1 million.

NET INTEREST AND FINANCIAL CHARGES Net interest and financial charges at £24.5 million showed an increase of £4.6 million over net expenditure in 1999. A breakdown of the net charge is set out below:

	2000 £m	1999 £m	Difference £m
Interest receivable	**1.8**	1.6	0.2
Foreign exchange	**(0.4)**	(0.5)	0.1
Interest receivable and financial income	**1.4**	1.1	0.3
Interest payable and related charges	**(25.9)**	(21.0)	(4.9)
Net interest and financial charges	**(24.5)**	(19.9)	(4.6)

Net interest payable and related charges of £24.5 million (1999: £19.9 million) included Citadel loan interest of £1.9 million (1999: £0.4 million) and joint venture interest of £0.6 million (1999: £0.2 million) relating to the Group's interest in Teighmore Limited, owner of Southwark Towers. Interest costs in respect of Solna Business Centre of £1.9 million (1999: £0.9 million) were incurred for a full year.

The average cost of borrowing for the Group at December 2000 is set out below:

December 2000	UK	Sweden	France	Total
Average interest rate on fixed rate debt	**10.2%**	**6.2%**	**4.9%**	**7.7%**
Average interest rate on variable rate debt	**7.8%**	**5.0%**	**5.8%**	**7.1%**
Overall average interest	**8.6%**	**5.9%**	**5.4%**	**7.4%**
December 1999				
Average interest rate on fixed rate debt	10.9%	6.1%	-	8.7%
Average interest rate on variable rate debt	7.5%	4.8%	-	7.2%
Overall average interest	8.3%	5.8%	-	7.8%

Financial costs also include the depreciation of interest rate caps amounting to £0.9 million (1999: £0.8 million) and amortisation of issue costs of loans of £0.5 million (1999: £0.5 million).

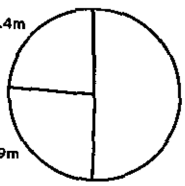
TAXATION The Group's taxation charge has been minimal as a result of substantial corporation tax losses brought forward in some subsidiaries and significant capital allowances on many of the Group's UK properties and depreciation deductions in Sweden and France. These factors should continue to benefit the Group in the immediate future. However the impact of brought forward corporation tax losses will reduce in future periods.

During the year a repayment of Advance Corporation Tax was received amounting to £0.4 million.

REVIEW OF THE BALANCE SHEET

INVESTMENT PROPERTIES The property assets of the group (including plant and machinery) have increased by 34.5 per cent to £672.2 million (1999: £499.8 million). The net increase of £172.3 million included Citadel assets of £126.6 million, offset by the sale of 230 Blackfriars Road (book value £18.5 million) and Elan House (book value £16.1 million).

The revaluation of the Group's investment properties were as follows:



Revaluation of property in 2000

Revaluation of property in 2000	£m
UK	37.3
Sweden	18.9
France	17.4
Total Revaluation	**73.6**

During the year the refurbishment of the first phase of Solna was completed at a cost of £6.4 million (SEK 89.3 million) and let to the Swedish Post Office.

Annualised rent at 31 December 2000 was £52.3 million (1999: £40.5 million) equating to a yield of 7.8 per cent (1999: 8.1 per cent).

An analysis of the location of investment property assets and related loans is set out below:

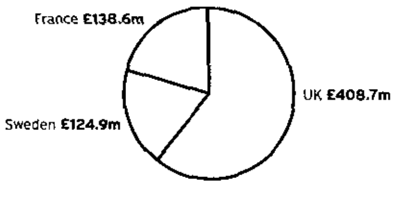
December 2000	Total Balance Sheet £m	%	UK* £m	%	Sweden £m	%	France £m	%
Investment Properties	672.2	100	408.7	60.8	124.9	18.6	138.6	20.6
Loan	(355.5)	100	(208.4)	58.6	(57.0)	16.0	(90.1)	25.4
Equity in Property Assets	**316.7**	**100**	**200.3**	**63.3**	**67.9**	**21.4**	**48.5**	**15.3**
Other	35.2	100	27.6	78.4	3.5	9.9	4.1	11.7
Net Equity	351.9	100	227.9	64.8	71.4	20.3	52.6	14.9
Equity in Property as a Percentage of Investment	**47.1%**		**49.0%**		**54.4%**		**35.0%**	

	£m	£m	£m	£m
Opening Equity	248.7	202.3	39.8	6.6
Increase during 2000	**103.2**	**25.6**	**31.6**	**46.0**
Closing Equity 2000	351.9	227.9	71.4	52.6

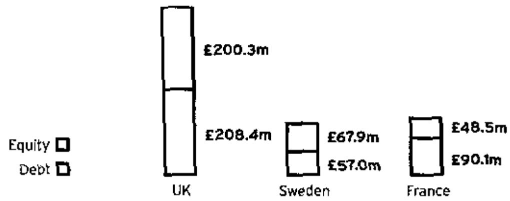
*Results relating to Germany were immaterial in the context of the overall results of the Group and have therefore been included within the UK. The following exchange rates were used to translate assets and liabilities at the year end: GBP/SEK 14.0948: GBP/FrF 10.4369: GBP/DM 3.102.

Financial Review (continued)

INVESTMENT PROPERTIES (CONTINUED)



Gross assets by location



Equity in Property Assets

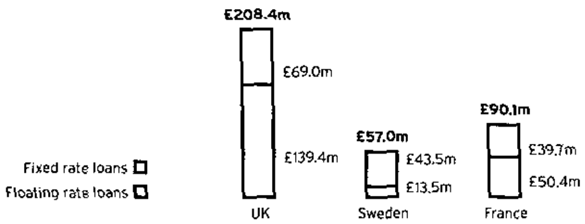
DEBT STRUCTURE Financial instruments are held by the Group principally to finance holdings of investment properties and to manage interest and exchange rate risk. This has been accomplished by borrowing in the respective local currencies from specialist property lending institutions, the purchase of interest rate hedging instruments and securing fixed rate borrowing arrangements. The Group has thereby hedged all of its interest rate exposure and a significant proportion of its exchange rate exposure.

In addition, various other financial instruments are traded in the normal course of business and the active management of the Group's treasury activities.

The activities of the Group are mainly financed through share capital and reserves and long term loans, which are secured against the properties to which they relate.

Net Debt	Total £m	%	UK £m	%	Sweden £m	%	France £m	%
Fixed Rate Loans	(152.2)	100.0	(69.0)	45.3	(43.5)	28.6	(39.7)	26.1
Floating Rate Loans	(203.3)	100.0	(139.4)	68.6	(13.5)	6.6	(50.4)	24.8
	(355.5)	100.0	(208.4)	58.7	(57.0)	16.0	(90.1)	25.3
Bank and investments	49.8	100	38.2	76.7	4.3	8.6	7.3	14.7
Net Debt	(305.7)	100.0	(170.2)	55.7	(52.7)	17.2	(82.8)	27.1

Floating rate loan caps	Total %	UK %	Sweden %	France %
Percentage of net floating rate loans capped	100	100	100	100
Average interest rate at which loans are capped	7.6	8.0	6.7	6.9



Gross debt by location

The Group has continued to pursue a financial strategy in relation to its UK, London based portfolio to raise floating rate long term loans hedged against adverse interest rate movements by the acquisition of interest rate caps. Caps are normally purchased on a five year basis. New Printing House Square was financed in 1992 through a securitisation of its rental income by way of a fully amortising bond, which has a current outstanding balance of £40.4 million at an interest rate of 10.76 per cent and a maturity date of 2025 and a zero coupon bond, with a current outstanding balance of £3.3 million, with matching interest rate and maturity date.

Swedish property acquisitions have been financed through a combination of long term fixed rate loans at an average interest rate of 6.2 per cent and floating rate loans for which the average interest rate in 2000 was 5.0 per cent. In addition, the Group entered into forward foreign exchange contracts in order to hedge its foreign currency translation exposure.

French property acquisitions have been funded by a mixture of equity and external bank finance. The bank funding has mainly been raised on a fifteen year floating rate basis hedged for the first five years against adverse interest rate movements by the acquisition of interest caps. In May and June 1999 45 per cent of the loan book was fixed for five years at an average interest rate of 4.9 per cent.

The Group continues to refinance its property portfolio in order to provide greater cash resources for future growth.

The net borrowings of the Group at 31 December 2000 at £305.7 million showed an increase of £60.4 million over the previous year, reflecting the incorporation of borrowings made by Citadel and the Group's active refinancing and refurbishment programme.

The Group has adopted the requirements of FRS13, which addresses among other things, disclosure in relation to derivatives and other financial instruments. If our loans were held at fair value then the Group's fixed rate debt at the year end would be in excess of book value by an amount of £26.3 million (1999: £14.9 million) which net of tax at 30 per cent equates to £18.4 million (1999: £10.4 million). A substantial amount of this is attributable to the long-term funding of New Printing House Square.

The contracted future cash flows from the properties securing the loans are sufficient to meet all interest and ongoing loan repayment obligations. Only £13.9 million (4.0 per cent) of the Group's total debt of £355.5 million is repayable within the next 12 months with £159.8 million (45 per cent) maturing after five years.

In order to protect the Group from movements in foreign currency, international property investments are matched with borrowings in the local currency.

SHARE CAPITAL The share capital of the Company totalled £27.0 million at 31 December 2000, represented by 108,128,651 ordinary shares of 25 pence each which are quoted on the London Stock Exchange.

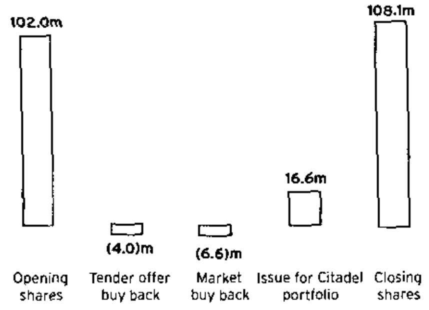
With the opening share price at the date of this report showing a discount to NAV of 28.6 per cent (1999: 44.4 per cent), the Group has continued its strategy of buying back its own shares in the market for cancellation. During the year a total of 6.6 million shares, 6.5 per cent of opening shares, were repurchased and cancelled, at an average cost per share of 162.5 pence. This has involved a total cash expenditure of £10.7 million. A capital distribution payment by way of tender offer buy-back was made both in April and December of 2000 amounting to the purchase of 4.0 million shares which distributed £8.9 million to shareholders.

A total of 24.9 million shares have been purchased at a total cost of £38.7 million since the programme of buy backs started in 1998. The average cost of shares purchased for cancellation over this period was 155 pence per share.

The average price of the shares traded in the market during the year ended 31 December 2000 was 181.3 pence with a high of 215.0 pence in August 2000 and a low of 132.5 pence in January 2000.

The current number of shares in issue at today's date is 107,694,753 and should the current tender offer buy back be fully taken up, the number of shares in issue would be further reduced by 1,958,086 to 105,736,667.

An analysis of share movements during the year is set out below:



No. of shares

	No of shares Million 2000	No of shares Million 1999
Opening shares	**102.0**	112.7
Tender offer buy back	**(4.0)**	(5.2)
Buy backs in the market for cancellation	**(6.6)**	(5.8)
Issue for Citadel portfolio	**16.6**	-
Share options exercised	**0.1**	0.3
Closing shares	**108.1**	102.0

Financial Review (continued)

In total 36.6 million shares were traded in the market during 2000. The opening share price at the date of this report is 232.5 pence, an increase of 71.6 per cent on the share price at 1 January 2000.

The share price of CLS increased by 48 per cent in the year to 31 December 2000 compared to an increase of 17 per cent in the index of quoted property companies.

At 31 December 1999 there were 264 shareholders on the Company's register and at 31 December 2000 their number had increased to 1,209. An analysis of the ownership structure is set out below:

	Number of shares	Percentage of shares
Institutions	55,330,537	51.2
Private investors	858,517	0.8
Sten and Bengt Mörtstedt	51,593,256	47.7
Other	346,341	0.3
Total	**108,128,651**	**100.0**

The Company operates share option schemes to enable its staff to participate in the prosperity of the Group. At 31 December 2000 there were 2.1 million options in existence with an average exercise price of 118 pence.

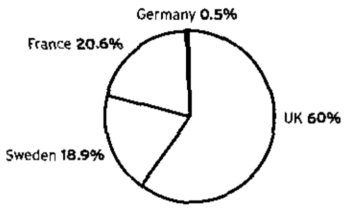
DISTRIBUTION As the current share price remains at a considerable discount to net asset value, your Board is proposing a further tender offer buy-back of shares in lieu of paying a cash dividend, on the basis of 1 in 55 shares at a price of 315 pence per share. This will enhance net asset value per share and is equivalent in cash terms to a final dividend per share of 5.7 pence, yielding a total distribution in cash terms of 9.6 pence per share for the year (1999: 7.5 pence).

CORPORATE STRUCTURE The strategy has been to continue for the most part, to hold individual properties within separate subsidiary companies, each with one loan on a non-recourse basis.

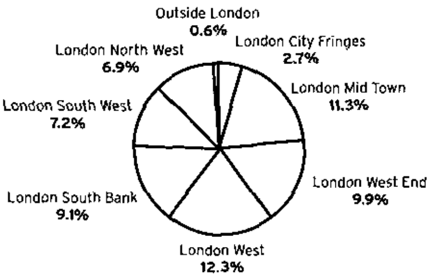
Property Review

THIS HAS BEEN ANOTHER ACTIVE YEAR BOTH IN THE UK AND INTERNATIONALLY. WE CONTINUE TO MANAGE THE PORTFOLIO TO MAXIMISE RETURNS AND TO CARRY OUT HIGH QUALITY REFURBISHMENTS AND ACQUISITIONS. The acquisition of the Citadel properties in September changed the shape of the portfolio significantly, which now comprises 63 buildings which are predominantly offices.

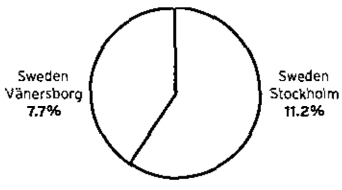
CLS PORTFOLIO - RENTAL INCOME BY REGION



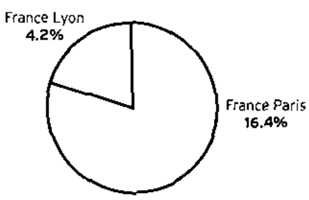
Rental income by region



Rental income - UK



Rental income - Sweden



Rental income - France

Region	Total Rent £	%
London City Fringes	1,414,122	2.7
London Mid Town	5,974,625	11.3
London West End	5,215,173	9.9
London West	6,492,838	12.3
London South Bank	4,788,389	9.1
London South West	3,702,957	7.2
London North West	3,631,360	6.9
Outside London	339,472	0.6
Total UK	**31,559,936**	**60.0**
Germany	248,824	0.5
Total Germany	**248,824**	**0.5**
Sweden Stockholm	5,870,943	11.2
Sweden Vänersborg	4,046,732	7.7
Total Sweden	**9,917,675**	**18.9**
France Paris	8,641,322	16.4
France Lyon	2,189,733	4.2
Total France	**10,831,055**	**20.6**
General Total	52,557,490	100.0%

Conversion Rates: GBP/DM: 3.102
GBP/FrF: 10.4369
GBP/SEK: 14.0948

The portfolio totals 411,425 sq.m. (4,428,652 sq.ft.) of which 91.6 per cent totalling 376,865 sq.m. (4,056,540 sq.ft.) is let or pre-let. Our annualised net rental income currently totals £52.6 million per annum and this produces a 7.8 per cent yield on the portfolio of £671.4 million. Approximately £408.0 million (60.8 per cent) is located in the UK and Germany, £138.5 million (20.6 per cent) in France and £124.9 million (18.6 per cent) in Sweden.

Property Review (continued)

Set out below is an analysis of the portfolio:

Description	Sq.m.	Sq.ft.	Book value £	Yield %	Contracted Aggregate Rent £	Contracted but not income producing £	Unlet space at ERV £	Space under refurb. or with plan. consent at ERV £	Yield when fully let %
UK > 10 y	46,731	503,021	152,707,000	7.1	10,711,114	-	-	-	7.0
UK 5 - 10 y	40,491	435,861	117,030,000	7.3	8,570,614	-	21,000	-	7.3
UK < 5 y	50,114	539,439	93,375,000	9.6	8,970,903	-	135,834	-	9.8
UK refurb. & development	19,338	208,159	41,650,000	7.9	3,025,060	282,245	1,071,738*	-	9.4*
Total UK	**156,674**	**1,686,480**	**404,762,000**	**7.8**	**31,277,691**	**282,245**	**1,228,572**	**-**	**8.3**
Germany	5,409	58,220	3,280,141	7.6	248,824	-	-	-	7.6
Total Germany	**5,409**	**58,220**	**3,280,141**	**7.6**	**248,824**	**-**	**-**	**-**	**7.6**
France	90,814	977,513	138,526,064	7.8	10,831,054	-	24,413	-	7.8
Total France	**90,814**	**977,513**	**138,526,064**	**7.8**	**10,831,054**	**-**	**24,413**	**-**	**7.8**
Sweden 0 - 5 y	113,288	1,219,464	81,945,115	7.2	5,870,943	-		(2,024,326)‡	
(Light refurb)							1,481,911		
(Heavy refurb)							-	11,318,628	
Sweden 10 y +	45,240	486,975	42,923,631	9.4	4,046,732	-	-		
Total Sweden	**158,528**	**1,706,439**	**124,868,746**	**7.9**	**9,917,675**	**-**	**1,481,911**	**9,294,302**	**10.6†**
GENERAL TOTALS	**411,425**	**4,428,652**	**671,436,951**	**7.8**	**52,275,244**	**282,245**	**2,734,896**	**9,294,302**	**8.6**

The above table shows the categories of assets we own and the future potential income available from new lettings and refurbishments.

* Yields based on receivable rent and potential rents have been calculated on the assumption that year end book values will increase by anticipated refurbishment expenditure of £6.4 million in respect of refurbishment projects in the UK.

† Yields based on receivable rent and potential rents have been calculated on the assumption that year-end book values will increase by anticipated refurbishment expenditure of approximately £70 million in respect of refurbishment projects in Solna, Stockholm, Sweden.

‡ This represents existing rents lost on space to be refurbished.

We estimate that open market rents are approximately 18.2 per cent higher than rents receivable, which represents a potential increase of £9.5 million per annum of which £1.9 million is imminent (excluding the additional rents we will receive as a result of our refurbishment programme). These increases are divided amongst the portfolio as follows:

Country	Passing Rent £ Million	Estimated Rental Value £ Million	Reversionary Element %
UK & Germany	31.6	35.9	13.6
France	10.8	14.2	31.0
Sweden	9.9	11.7	18.0
Total	**52.3**	**61.8**	**18.2**

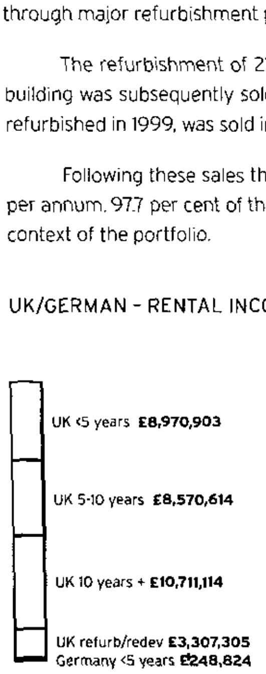
STRATEGY We continue to target above average returns on equity whilst exposing our shareholders to lower than average risk.

UK PORTFOLIO The London office market has further strengthened this year with competitive demand significantly increasing rental levels and subsequently capital values. The policy of proactive management for the portfolio has allowed us to capitalise upon this growth in particular through major refurbishment projects and re-letting of vacant space together with rent review and lease negotiations.

The refurbishment of 230 Blackfriars Road, SE1, was completed in January with pre-let rents setting new rental records for the area. The building was subsequently sold in March for £20.7 million, giving an initial yield of 6.9 per cent. Elan House, Fetter Lane, which was successfully refurbished in 1999, was sold in December for £17.5 million reflecting an initial yield of 6.8 per cent.

Following these sales the UK and German portfolio now totals 162,083 sq.m. (1,744,645 sq.ft.) producing an annualised rent of £31.8 million per annum. 97.7 per cent of the space is now fully let. These figures include the 2 small German properties and these are not material in the overall context of the portfolio.

UK/GERMAN - RENTAL INCOME BY LENGTH OF LEASE



UK/German - Rental income by length of lease

Length of Lease	Rent per Annum £	Rent Contracted but not income producing £	Total £	%
UK< 5 yrs	£8,970,903	-	£8,970,903	28.2
UK 5 - 10 Years	£8,570,614	-	£8,570,614	26.9
UK 10 yrs +	£10,711,114	-	£10,711,114	33.7
UK Refurb/Redev	£3,025,060	£282,245	£3,307,305	10.4
Germany <5 yrs (GBP/DM 3.102)	£248,824	-	£248,824	0.8
	£31,526,515	£282,245	£31,808,760	100.0

The policy of refurbishing the portfolio and re-letting has had a significant effect both on the amount of vacant space let within the year and the rent level achieved. In the Vista Office Centre at Heathrow 8,673 sq.m. (93,363 sq.ft.) has been completed with a further 715 sq.m. (7,700 sq.ft.) under construction. Of this space, 8,273 sq.m. (89,049 sq.ft.) has been let. The current rent receivable is £1.7 million per annum; an increase of £1.0 million per annum on the previous year.

The experience gained in the short term letting market through running our Business Centres has been transferred to 172 Drury Lane. Short-term 3 year lettings have been achieved at rental levels 40 per cent greater than leases on conventional terms.

Other lettings during the year have included space at Cambridge House, Hammersmith and the advertising sign at Coventry House, Haymarket which has been let on a base rent of £0.25 million per annum.

In addition to the new lettings which have taken place within the portfolio we have also achieved rental uplifts at both rent review and lease renewal, and we have currently achieved an increase during the year of £0.4 million per annum. We expect a significant further uplift on completion of the existing outstanding rent reviews.

The redevelopment scheme for Southwark Towers, in which we own a part share, is progressing satisfactorily. The Renzo Piano designs were announced over 3 days in early November and were well received by the Press, the Local Authority and The Mayor. A detailed planning application was submitted during March for a tower which will comprise mainly offices with restaurants, hotel, gymnasium and retail use within an integrated scheme. The scheme will sit alongside Railtrack's consented scheme for the redevelopment of London Bridge Station.

Further progress has been made with Lambeth Borough Council on the conditional development agreement for the development at Spring Gardens and we are hopeful that this will be concluded during the next financial period.

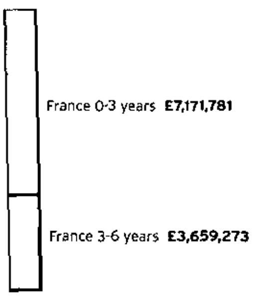
The outlook for the coming year is one of further active management of the existing portfolio. Growth will be achieved through the re-letting of the vacant space and forthcoming rent reviews. In addition the policy of continuous dialogue with our tenants should enable us to capitalise further on opportunities within the portfolio.

Property Review (continued)

FRENCH PORTFOLIO The French portfolio was incorporated within the CLS Group with effect from 1st September.

The portfolio is comprised of well-let modern office buildings in Paris and Lyon and is let to 152 tenants on 223 leases and now produces a gross income of £10.8 million (Frf 113.0 million) per annum. The portfolio is 99.9 per cent let and there is 114 sq.m. (1,227 sq.ft.) vacant in Lyon and 108 sq.m. (1,163 sq.ft.) vacant in Paris.

FRANCE - RENTAL INCOME BY LENGTH OF LEASE



France - Rental Income by length of lease

Length of Lease	Rent per Annum £	%
France 0-3 years	7,171,781	66.2
France 3-6 years	3,659,273	33.8
Total	10,831,054	100.0

Since the acquisition of Citadel the day to day management has not changed significantly and the reporting structure has been integrated with the rest of the portfolio.

The portfolio is reversionary and therefore a significant part of the local management's time is spent moving tenants within the portfolio. During 2000, 10,300 sq.m. (110,872 sq.ft.) representing 11.3 per cent of the portfolio was renegotiated, leading to a rental increase of 24.5 per cent on the accommodation involved.

We continue to search for suitable new investment opportunities to add to existing holdings and to buy new properties.

One new building in Rueil Malmaison was bought during December. It is a freehold property at 5 Boulevard Marcel Pourtout, Rueil Malmaison, Boulogne, which is the HQ of Grundig in France. It is located in a mixed residential and office area. It is a 10-year old building of 2,570 sq.m. (27,663 sq.ft.) of offices with 53 car spaces, and is let on a 9 year lease from 11 December 1995 at a low passing rent of £0.16 million (Frf 1.7 million) per annum (Frf 589/m^2). At the purchase price of £1.8 million (Frf 18.5 million) inclusive of all costs, the acquisition shows a net initial yield of 9.0 per cent.

Since the year end we have bought a further building; a freehold multi-let property located in Nova Antipolis, in between Antibes and Sophia Antipolis. It is a 9-year-old building totalling 4,333 sq.m. (46,640 sq.ft.) of offices with 145 car spaces. It is let on various leases expiring in the next 6 years with 3 major tenants including the Local Authority and 15 smaller tenants. The current rent is £0.3 million (Frf 3.6 million) (Frf 820/m^2) and the purchase at £3.6 million (Frf 37.0 million) inclusive of all acquisition costs shows a net initial yield of 9.7 per cent.

The prospects for the French property market are good for 2001 and we intend to actively manage the portfolio and buy new properties if they fit our criteria. Office supply is low in Lyon and Paris and we expect to continue to work with our occupiers moving them within the portfolio as appropriate.

The refurbishment of common parts in several buildings will also be carried out.

SWEDISH PORTFOLIO The acquisition of Solna Business Park during the summer of 1999 was well timed. The Stockholm property market continued to strengthen during 2000 with prime rents reaching new peaks and vacancy rates falling to approximately 2.5 per cent.

Solna is just outside the Central Business District on the way to the airport and adjacent to Kista Science Park.

Solna Business Park is being designed to offer top quality accommodation at a significant discount to City centre rents and is able to offer incoming tenants flexibility and floor areas from 200 sq.m. (2,153 sq.ft.) to 50,000 sq.m. (538,213 sq.ft.).

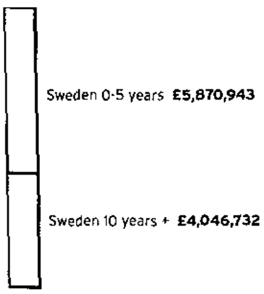
Phase 1 of our refurbishment works were completed on schedule and on budget in October 2000 and the accommodation was handed over to the Posten Sverige AB (the computer department of the Swedish Post Office). This refurbishment cost £6.3 million (SEK 89.3 million) and increased rents received by £1.4 million (SEK 20.4 million) per annum.

The Local Authority has updated its Town Plan and the building density on the Park has been increased to enable an additional floor on each building totalling approximately 23,480 sq.m. (252,726 sq.ft.). This Town Plan was ratified on January 13th 2001. Consequently we have committed with the Municipality to contribute to road improvements around our property for a total cost of SEK 6.8 million.

Plans for Phase 2, Fräsaren 11, are now well advanced. Vacant possession has been obtained where necessary and we are discussing possible pre-lets with a number of tenants. Planning consent has been granted for an additional 8,609 sq.m. (92,666 sq.ft.) and the building will now total 36,181 sq.m. (389,449 sq. ft.) Completion of the first pre-letting of the proposed refurbishment project known as Fräsaren 11 took place in February 2001. A total of 2,850 sq.m. (30,677 sq.ft.) of office space has been let to an administrative department of the Swedish Government at an aggregate annual rent of SEK 6,575,750 (£462,368). The rent for the offices of SEK 2,300 per sq.m. (£15 per sq.ft.) sets a record high for rents at Solna Business Park. The lease is for a fixed period of 5 years from 1 January 2002 (when the refurbishment will be completed).

We continue to carry out light refurbishments in Phase 4 where we have invested £1.5 million (SEK 21.9 million) this year and increased income by £0.4 million (SEK 6.7 million).

SWEDEN - RENTAL INCOME BY LENGTH OF LEASE



Sweden - Rental Income by length of lease

Length of Lease	Rent per Annum £	%
Sweden 0 - 5 years	£5,870,943	59.2%
Sweden 10 Years +	£4,046,732	40.8%
Total	£9,917,675	100.0%

At Vänerparken we have agreed with one of the major tenants to carry out a refurbishment for approximately £1.6 million (SEK 23 million) to enable them to occupy an additional 2,250 sq.m. (24,220 sq.ft.) on a lease expiring in 2006 at a rent of £0.16 million (SEK 2.2 million) per annum. In addition two existing leases where they pay £0.3 million have been extended from June 2003 to June 2006. The new lettings including the additional contracted rental income from the prolonged leases will cover in full the cost of this refurbishment.

We have also sold 0.5471 hectares to NCC for £0.4 million (SEK 5 million). NCC will carry out a residential development of 60 apartments and we have a profit share agreement which could contribute to earnings in the 2002/3 financial year.

In summary, we have had a successful year in the markets within which we operate. Tenant demand is strong, our properties are well located and we look forward to the coming year with confidence.

Property Review

UNITED KIN

optimal *USE OF ASSETS*

OUR BUSINESS PHILOSOPHY IS TO OPTIMISE INCOME AND CAPITAL GROWTH. REFURBISHMENT CRITERIA IS SPECIFIC TO EACH PROPERTY AND THE TYPE OF WORK CARRIED OUT REFLECTS THE NEEDS OF OUR TENANTS AND THE LONG TERM PLANS FOR EACH PROPERTY.

VISTA OFFICE CENTRE *(formerly Hoechst House) Salisbury Road, Hounslow*

GDOM

At Vista Office Centre, near Heathrow, we made the decision to utilise the large site area to provide leisure facilities for our tenants. This is a long term strategy as we believe that the addition of these **top quality facilities** will help to secure a higher and longer term income stream.

The gym is staffed by qualified trainers, and tenants can either join regular classes or follow a tailor made fitness programme. The **twenty metre pool** attracts dedicated swimmers in addition to regular aquarobic classes.

The restaurant offers a selection of menus and tenants can eat inside or on the teak veranda, overlooking the **tennis court.**

This investment in non-core services repositioned the building in the marketplace, increased its attractiveness and **secured its future for the long term.**

Property Review

optimal *USE OF ASSETS*

OUR SWEDISH PORTFOLIO COMPRISES A WELL ESTABLISHED CAMPUS OF 45,240 SQ.M. OF OFFICES, EDUCATION AND LEISURE FACILITIES, AND A HOSPITAL AT VÄNERPARKEN, VÄNERSBORG AND IN SOLNA, A SUBURB OF STOCKHOLM, 113,288 SQ.M. OF OFFICES, RESIDENTIAL AND RETAIL ACCOMMODATION.

SWEDEN

On completion of the refurbishment at Solna Business Park, the accommodation will total **140,000 sq.m.** including several restaurants a coffee bar and delicatessen. Extensive leisure facilities will include a fully staffed **2,000 sq.m. gym, swimming pool, jacuzzi, solarium and golf nets.**

We have established an excellent working relationship with the Local Authority which shares our commitment to regenerate this area. Planning consent to extend the buildings and to reconfigure the street has been granted. Construction has commenced on the refurbishment and extension of **36,181 sq.m.** of offices which will be available to let in early 2002. Vacant possession of phase II has been completed and **we have agreed our first pre-letting.**

Property Review

optimal ***USE OF ASSETS***

THE ACQUISITION OF THE CITADEL PORTFOLIO IN SEPTEMBER 2000 BROUGHT AN ADDITIONAL TWENTY TWO PROPERTIES INTO THE GROUP, WITH ANOTHER PROPERTY ADDED IN DECEMBER 2000, BRINGING THE TOTAL OFFICE ACCOMMODATION TO 90,814 SQ.M. OF WHICH 99.9 PER CENT IS LET.

OUR FOCUS OF ATTENTION IS TO ACTIVELY MANAGE THE PORTFOLIO BY DEVELOPING CLOSER RELATIONSHIPS WITH OUR TENANTS IN ORDER TO PROVIDE FOR THEIR REQUIREMENTS AND TO OPTIMISE THE VALUE OF THE PORTFOLIO.

FRANCE

The Paris portfolio of **eighteen properties** is predominantly situated in the affluent West and South West areas of the city which has experienced strong rental growth over the last two years. The Lyon properties are centrally located.

Since the year end a further property has been acquired in Nova Antipolis, the silicon valley of France. **This region has experienced above average growth in recent years and we believe this is set to continue.**

Directors, Officers and Advisers

DIRECTORS
Sten Mörtstedt (Executive Chairman)
Glyn Hirsch LLB ACA (Chief Executive)
Bengt Mörtstedt Juris Cand (Non-Executive Director)
Keith Harris PhD *†‹ (Non-executive Director)
Thomas Lundqvist † (Non-executive Director)
James Dean FRICS † *(Non-Executive Director)
Patrik Gransäter (Non-Executive Director, resigned 28 February 2001)

* = member of Remuneration Committee
† = member of Audit Committee
‹ = senior independent director

COMPANY SECRETARY
Thomas J Thomson BA (Solicitor)

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ING Barings Limited
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Directors' Report

for the year ended 31 December 2000

The Directors present their report and the audited financial statements for the year ended 31 December 2000. The Chairman's statement should be read in conjunction with this report.

1 PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the investment in, development and management of commercial properties.

2 REVIEW OF BUSINESS

The consolidated profit and loss account for the year is set out on page 32.

A review of activities, results for the year and prospects for the future are included within the Chairman's Statement, Property Review and Financial Review.

3 DIVIDENDS

In lieu of paying an interim cash dividend in 2000 the Company distributed £4,348,409 to shareholders (equivalent to 3.9p per share) by way of tender offer buy-back completed in December.

Accordingly your Directors have again decided to recommend a further tender offer instead of paying a final cash dividend for 2000. It is proposed that the Company offers to buy 1 in 55 of the shares registered in each shareholder's name at a price of 315 pence per share. This compares with a mid-market price of 232.5 pence per share on 27 March 2001.

This will result in a distribution to shareholders of £6,167,971 or 5.7 pence per share, which will be made in May 2001. When added to the distribution made under the December tender offer, shareholders who have held shares since 1 January 2000 and who took advantage of both tender offers will have received a total return of 9.6 pence per share.

4 PURCHASES OF THE COMPANY'S SHARES

During the year the Company has made market purchases totalling 6,570,047 of its own shares at a cost of £10,678,775, a weighted average price of 163 pence per share. This represents £1,642,512 in nominal value, or 6.4 per cent of the brought forward called up share capital.

The Directors considered that the purchases were in the best interests of the shareholders given the cash resources of the Company and the significant discount in the market price of the Company's shares to their net asset value.

At last year's Annual General Meeting the Company was authorised to make market purchases of up to 9,616,952 ordinary shares and at an Extraordinary General Meeting held on 4 December 2000 the Company was authorised to make further purchases of up to 1,850,387 shares. Since last year's Annual General Meeting the Company has made market purchases of 1,738,000 shares and therefore still has authority to purchase 9,729,339 shares. A resolution will be proposed at this Annual General Meeting to give the Company authority to make market purchases of up to 10,573,666 shares.

5 PROPERTY PORTFOLIO

A valuation of all the properties in the Group as at 31 December 2000 was carried out by Allsop & Co which produced an open market value of £671.4 million. On the basis of these valuations net assets per share amounts to 325.5 pence. In view of the policy of revaluing properties bi-annually, in the opinion of the Directors there was no significant permanent difference between market and book values of the properties at 31 December 2000.

Directors' Report

for the year ended 31 December 2000

6 DIRECTORS

The current Directors of the Company are shown on page 24.

Patrik Gransäter retired from his directorship on 28 February 2001.

Biographical details of the non-executive Directors are as follows:

Keith Harris (aged 47) has worked in investment banking for over 20 years. He is Group Executive Chairman of Seymour Pierce Group plc and was until recently Chief Executive of HSBC Group's Investment Banking Division and a Director of HSBC Investment Bank Holdings plc.

Keith Harris has broad experience of all aspects of international mergers and acquisitions, fund raisings and securities. He previously worked for Morgan Grenfell in London, where he was Managing Director and in New York, where he was President. He was Managing Director of Drexel Burnham Lambert and Apax Partners & Co. In the past twelve months Keith Harris has become Chairman and non-executive Director of a number of private and public companies. Keith Harris has particular expertise in the sports and media sectors and has advised a number of Premier League football clubs, including Manchester United plc and Celtic plc. He was appointed Chairman of the Football League in July 2000 and joined the Board of Wembley National Stadium Limited in January 2001.

Bengt Mörtstedt (aged 52) holds a law degree from Stockholm University. He began his career as a junior judge of the Vaxjo district court and in 1974 he joined Citadellet AB, the Mörtstedt family property company in Sweden. In 1984 he moved to the UK in order to evaluate the London property market before joining the Group in October 1987. He was appointed an Executive Director of the Company in July 1992, becoming a non-executive Director in September 1998.

Thomas Lundqvist (aged 56) joined the Board in November 1990 and had been Finance Director for the Group until stepping down from the position and becoming a non-executive Director on 1 October 1995. Prior to joining the Group, Mr Lundqvist worked for the Brown Boveri Group and from 1983 for the Svenska Finans International Group where he was a board member until moving to CLS in 1990.

James Dean (aged 46) was appointed a non-executive Director on 9 April 1999. He was a director of Savills Plc between 1988 and April 1999 (and prior to that a partner in the firm of Savills) and remains a director of Savills Financial Services Limited and Savills Finance Holdings plc. He is also a Director of Daniel Thwaites plc. He is Chairman of the Remuneration Committee.

The Board considers that apart from Bengt Mörtstedt the non-executive Directors are independent of management and free from any business or other relationship with the Company which could materially interfere with the exercise of their independent judgement.

7 REMUNERATION POLICY

The Board's policy is to ensure that the remuneration packages offered are competitive and designed to attract, retain and motivate executive Directors. The Remuneration Committee which comprises James Dean and Keith Harris consults the executive Directors on its proposals relating to remuneration, and has access to professional advice inside and outside the Company. The Board determines the remuneration of all non-executive Directors although none of the non-executive Directors participates in discussions concerning his own remuneration.

8 **DIRECTOR'S EMOLUMENTS**

Salaries and bonuses for executive Directors are reviewed annually, taking into account the performance of the individual and competitive market practice. The only benefits provided to any executive Director are permanent health and medical insurance and pension contributions under the Company's Group Retirement Benefit Scheme introduced in the later part of 2000. No car is provided for any executive Director.

The emoluments of the Directors of the Company for the year ending 31 December 2000 were as follows:

	2000 Fee as a Director £000	2000 Salary £000	2000 Bonus £000	2000 Benefits in kind £000	2000 Total £000	1999 Total £000
Sten Mörtstedt (Executive Chairman)	-	130	720	1	851	453
Glyn Hirsch (Chief Executive)	-	210	500	2	712	404
Bengt Mörtstedt (Non-Executive Director)	15	-	-	-	15	10
Keith Harris (Non-Executive Director)	20	-	-	-	20	20
Thomas Lundqvist (Non-Executive Director)	15	-	-	-	15	15
James Dean (Non-Executive Director)	20	-	-	-	20	15
Patrik Gransater (Non-Executive Director)	13	-	-	-	13	
Sir David Rowe-Ham (Non-Executive Director	-	-	-	-	-	7
2000	**83**	**340**	**1,220**	**3**	**1,646**	924
1999	67	327	525	5	924	

Of the executive Directors remuneration, a total of £115,000 was recharged to Citadel Holdings plc under the management agreement. No Director waived emoluments in respect of the year ended 31 December 2000. (1999: nil).

9 **SHARE OPTIONS**

The Board has delegated to the Remuneration Committee the grant of options under the Company's 1994 Executive Share Option Scheme, an Inland Revenue Approved Scheme. The basis of the granting of these share options is similar to salary reviews. The exercise of share options granted under the Scheme is conditional upon the satisfaction of performance criteria based on the growth in the net assets of the Company.

Following the acquisition of Citadel Holdings plc the options granted under that Company's Executive Share Option Scheme were replaced by non-approved options (without performance conditions) in respect of shares in the Company in the ratio of three new option shares in the Company for every five option shares previously held in Citadel Holdings plc (the identical ratio offered to shareholders in Citadel Holdings plc who accepted the share for share offer by the Company).

i) Particulars of the holdings of the Directors holding options over ordinary shares are as follows:

	No of options at 1 January	Lapsed during year 2000	Issued during year 2000	No of options at 31 December	Exercise price per share	Exercisable date of options
Glyn Hirsch						
Inland revenue						
Approved Scheme	600,000	-		600,000	97p	13.06.98 - 13.06.2005
Non approved Scheme	400,000	-		400,000	97p	12.04.95 - 11.04.2002
Non approved Scheme	-	-	69,000	69,000	166.66p	23.07.00 - 22.07.04
Sten Mörtstedt						
Non approved Scheme	-	-	69,000	69,000	166.66p	23.07.00 - 22.07.04
Bengt Mörtstedt						
Non approved Scheme	-	-	36,000	36,000	166.66p	23.07.00 - 22.07.04

As part of his remuneration for the year ended 31 December 2000 the Company has agreed to put in place an incentive scheme whereby Mr Hirsch will have the benefit of the increase in value of 400,000 shares from a base price of 200p per share. The benefit of this scheme is not payable until 1 January 2004.

9 SHARE OPTIONS (continued)

ii) Total other options exercised, granted, and lapsed during the year were:

	Management exercised	Exercise price per share	Management lapsed	Management issued	Exercise price per share	Exercisable period of option
Inland Revenue approved Scheme	45,000	97p -108p	60,000	30,000	110p-188p	29.01.2002-30.11.2010
Non-approved Scheme	151,200	108p-166.66p	26,000	486,200	102.5p-188p	29.01.2000-30.11.2007

At the year end a total of 2,135,000 options remained outstanding. No consideration has been paid for any of the options granted. The middle market price of the Company's shares at the end of the financial year was 200.5 pence, and the range of market prices during the year was between 132.5 pence and 215 pence.

10 SERVICE AGREEMENTS

The notice period applicable for termination of the executive Directors' contracts is twelve months. Non-executive Directors have letters of appointment which are renewed every six months. There is no provision in any service contract for compensation on termination exceeding one year's salary.

11 DIRECTORS' INTERESTS

The Company's register of Directors interests, which is open for inspection at the registered office, contains full details of the Directors' shareholdings and share options.

The interests of the Directors and their families in the shares of the Company (including shares held by family trusts) as at 1 January 2000 and 31 December 2000 were as follows:

	31 December 2000 ordinary shares of 25p	31 December 1999 ordinary shares of 25p
Sten Mörtstedt	**44,562,726**	41,960,561
Glyn Hirsch	**23,223**	10,870
Bengt Mörtstedt	**7,030,530**	7,312,181
Keith Harris	**8,923**	9,280
Thomas Lundqvist	**115,868**	102,642
James Dean	**19,231**	-

There have been no changes in the interests of the Directors or their families as set out above between 31 December 2000 and the date of this report.

12 SUBSTANTIAL SHAREHOLDINGS

In addition to interests of the Mörtstedt family referred to a paragraph 11 of this report, the Company has been notified of or is aware of the following interests which at 12 March 2001 represented 3 per cent or more of the Company's issued share capital.

	12 March 2001	**% of ISC**
Fidelity Investment Services	**8,091,439**	**7.48**
Hermes Pension Services	**5,229,081**	**4.83**
AIB Govett Asset Management Ltd	**5,133,000**	**4.75**
UBS Asset Management	**4,919,447**	**4.55**
Jupiter Asset Management Ltd	**3,278,866**	**3.03**

13 **CORPORATE GOVERNANCE**

Combined Code

In June 1998 the Combined Code ("the Code") was published by The London Stock Exchange. The Code is a combination of the recommendations of the three committees which have been established in recent years to report on corporate governance in the UK - the Cadbury, Greenbury and Hampel Committees. Under the Listing Rules of the Financial Services Authority, companies are now required to include in their Annual Report statements as to the application of the Code.

In addition the Turnbull Committee issued a guidance ("the Guidance") in September 1999 as to how companies should implement the system of internal controls laid down by the Code. The transitional arrangements required that for the first accounting period ending on or after 23 December 1999 companies should, as a minimum, have established procedures to implement the recommendations contained in the Guidance so that those companies can fully comply with the Guidance for accounting periods ending on or after 23 December 2000.

The Board agrees with the Hampel Committee's statement that its overriding objective should be the preservation and the greatest practical enhancement of the shareholders' investment, and fully endorses the principles of the Code to the extent that they are not inconsistent with the achievement of this objective.

The Board considers that the company has complied with the provisions of the code during the year, save that the Board has not fully implemented the recommendations contained in the Guidance concerning internal control.

The Board commissioned a report from PricewaterhouseCoopers in 2000 which summarised the group's current procedures and highlighted areas where additional action may be required in order to fulfil the recommendations of the Guidance. The Board has appointed a committee to review the report and to consider internal controls generally; and pending the committee's recommendations, no formal review of the effectiveness of internal control was made by the Board during the year.

Internal Financial Control

The Board acknowledges that the Directors are responsible for the Group's system of internal financial control and have established procedures which are designed to provide reasonable assurance against material misstatement or loss. The Directors have reviewed the effectiveness of the system of internal financial control for the period. The Directors have recognised that such a system can only provide a reasonable and not absolute assurance against material misstatement or loss.

Set out on pages 10 and 15 to 17 is the description of the Group's operations and the strategy which it employs to maximise returns and minimise risks. Quarterly and annual budgets are prepared for each area and monitored at executive meetings. Parameters have been established for investment decisions to be referred to the Board for approval. Three-yearly cash flows are updated and distributed weekly and appropriate expenditure authorisation procedures have been adopted.

The Board

The Board currently comprises two executive and four non-executive directors. It meets five times during the year and is responsible to the shareholders of the Company for the strategy and future development of the Group and the management of its' resources. There is a division of responsibilities between the Executive Chairman, who is responsible for the overall strategy of the Group and the Chief Executive, who has responsibility for the strategy and day to day running of the Group.

Additionally, an executive committee comprising senior management meets weekly to discuss management issues relating to the Group.

The Board is assisted by the following committees:

The Audit Committee, which comprises three non-executive Directors. The principal duties of the committee are to review the half-yearly and annual financial statements before their submission to the Board and to consider any matters raised by the Auditors. The Board has decided not to establish a separate internal audit department.

The Remuneration Committee which comprises two non-executive Directors. The committee is responsible for determining the terms of service and remuneration of the executive Directors and the granting of options under the Company's Executive Share Option Scheme.

The members of the Audit Committee and Remuneration Committee are shown on page 24.

As the market capitalisation of the Company is relatively modest the Board has decided not to appoint a nomination committee for the time being. Any appointments to the Board are instead considered by the full Board.

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The Directors also confirm that applicable accounting standards have been followed and that the statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report

for the year ended 31 December 2000

13 CORPORATE GOVERNANCE (continued)

Shareholder Relations

The Group issues full annual accounts to each of its shareholders and at the half-year an Interim Report is sent to all shareholders. In addition, all press releases are copied to each shareholder.

The Chairman and the Chief Executive have regular meetings with institutional shareholders.

14 GOING CONCERN

The financial statements which appear on pages 32 to 57 are prepared on a going concern basis as, after making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

15 SHARE CAPITAL

Changes in share capital are shown in Note 22.

16 CHARITABLE CONTRIBUTIONS

The contributions made by the Group during the year for charitable purposes were £1,613 (1999: £10,357).

17 INSURANCE OF DIRECTORS

The Group maintains insurance for the Company's Directors in respect of their duties as Directors.

18 SUPPLIER PAYMENT POLICY

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At the year end Group trade creditors were owed the equivalent of 30 days total invoices received for the year as a whole (1999: 8 days). For the company, trade creditors were owed 3 days (1999: nil days).

19 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

T J Thomson
Company Secretary
28 March 2001

Report of the Auditors

to the members of CLS Holdings plc

We have audited the financial statements on pages 32 to 57.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Annual Report. As described on page 29, 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, the Listing Rules of the Financial Services Authority 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 or the Listing Rules 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.

We review whether the statement on page 29 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's and Group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT 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 and the Group at 31 December 2000 and of the profit and cash flows of the Group 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

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Notes	2000 £000	1999 £000 Restated
Net rental income (including associates & joint ventures)		**42,112**	33,732
Continuing operations		**38,743**	33,732
Acquisitions		**3,369**	-
Less: Joint venture		**(706)**	(190)
Associate		**(1,191)**	(1,047)
		40,215	32,495
Other property related income		**1,315**	4,907
	2, 3	**41,530**	37,402
Administrative expenses		**(6,358)**	(4,791)
Net property expenses		**(1,026)**	(1,427)
		(7,384)	(6,218)
Other operating income		**552**	4,616
Group Operating Profit		**34,698**	35,800
Continuing operations		**32,094**	35,800
Acquisitions		**2,604**	-
Share of joint ventures' operating profit		**690**	184
Share of associates' operating profit		**959**	837
Operating Profit including joint ventures and associates		**36,347**	36,821
Gains from sale of investment property		**2,969**	-
Profit on Ordinary Activities Before Interest		**39,316**	36,821
Interest receivable and financial income:			
Group		**1,353**	1,059
Joint Venture		**13**	-
Associate		**25**	23
Interest payable and related charges:	4		
Group		**(24,772)**	(20,373)
Joint Venture		**(622)**	(173)
Associate		**(484)**	(444)
Profit on Ordinary Activities Before Taxation	3, 6	**14,829**	16,913
Tax on Profit on ordinary activities:			
Group	8	**46**	(2,121)
Joint Venture		**-**	-
Associate		**(57)**	(4)
Profit on ordinary activities after taxation	9	**14,818**	14,788
Equity minority interest		**(7)**	-
Retained Profit For The Year	24	**14,811**	14,788
Basic Earnings per Share	11	**14.6p**	14.0p
Diluted Earnings per Share	11	**14.5p**	13.9p

Consolidated Balance Sheet

at 31 December 2000

	Notes	2000 £000	1999 £000 Restated
Fixed assets			
Tangible assets	12	**672,150**	499,847
Investments:			
Interest in joint venture:			
Share of gross assets		**12,320**	9,856
Share of gross liabilities		**(10,547)**	(9,165)
	13	**1,773**	691
Interest in associate	13	**-**	6,631
Other Investments	13	**161**	255
		674,084	507,424
Current assets			
Stocks - trading properties	14	**2,185**	-
Debtors - amounts falling due after more than one year	15	**2,363**	2,958
Debtors - amounts falling due within one year	15	**6,787**	5,754
Investments	16	**10,609**	4,462
Cash at bank and in hand	17	**39,100**	36,072
		61,044	49,246
Creditors: amounts falling due within one year	18	**(41,086)**	(33,984)
Net current assets		**19,958**	15,262
Total assets less current liabilities		**694,042**	522,686
Creditors: amounts falling due after more than one year			
Bank and Other Loans	19	**(342,094)**	(273,968)
Net Assets		**351,948**	248,718
Capital and reserves			
Called up share capital	22	**27,032**	25,491
Share premium account	24	**67,293**	37,643
Revaluation reserve	24	**178,851**	117,589
Capital Redemption Reserve	24	**6,111**	3,460
Other reserves	24	**20,196**	18,977
Profit and loss account	24	**52,351**	45,558
Total equity shareholders' funds		**351,834**	248,718
Equity minority interests		**114**	-
Capital employed		**351,948**	248,718

The financial statements on pages 32 to 57 were approved by the Board of Directors on 28 March 2001 and were signed on its behalf by:

Mr S A Mörtstedt
Director

Mr G V Hirsch
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Notes	2000 £000	1999 £000 Restated
Net cash inflow from operating activities	25	**34,575**	37,905
Returns on investments and servicing of finance			
Interest received		**1,753**	1,362
Income from current asset investments		**3,671**	4,616
Interest paid		**(22,860)**	(17,660)
Issue costs on new bank loans		**(753)**	(1,635)
Interest rate caps purchased		**(72)**	(925)
Net cash outflow from returns on investments and servicing of finance		**(18,261)**	(14,242)
Taxation		**247**	(3,344)
Capital expenditure and financial investment			
Purchase and enhancement of properties		**(16,262)**	(59,892)
Sale of investment properties		**39,729**	-
Disposal of other fixed assets		**-**	17
Purchase of other fixed assets		**(123)**	(913)
Purchase of own shares		**(19,790)**	(14,695)
Net cash inflow/(outflow) for capital expenditure and financial investment		**3,554**	(75,483)
Acquisitions and disposals			
Investment in associate undertaking		**-**	(2,072)
Net cash inflow/(outflow) before use of liquid resources and financing		**20,115**	(57,236)
Management of liquid resources			
Cash (placed on)/released from short term deposits		**(4,998)**	4,824
Current asset investments		**(9,161)**	(1,790)
Financing			
Issue of ordinary share capital		**211**	162
New loans		**28,188**	101,916
Repayment of loans		**(35,916)**	(35,955)
Net cash (outflow)/inflow from financing		**(7,517)**	66,123
(Decrease)/increase in cash	26	**(1,561)**	11,921

Statement of Total Recognised Gains & Losses

for the year ended 31 December 2000

	2000 £000	1999 £000
Profit for the financial year	**14,811**	14,788
Unrealised surplus on revaluation of properties	**72,602**	40,932
Share of Joint Venture/Associate unrealised surplus on revaluation of properties	**1,000**	474
Currency translation differences on foreign currency net investments	**658**	(109)
Share of Associate other reserves	**(10)**	(404)
Other recognised gains relating to the year	**74,250**	40,893
Total gains and losses recognised since last annual report	**89,061**	55,681

Reconciliation of Historical Cost Profits & Losses

For the year ended 31 December 2000

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	**14,829**	16,913
Realisation of property revaluation gains of previous years	**11,769**	4,050
Historical cost profit on ordinary activities before taxation	**26,598**	20,963
Historical cost profit for the year retained after taxation and dividends	**26,580**	18,838

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2000

	2000 £000	1999 £000
Profit for the financial year	**14,811**	14,788
Other recognised gains relating to the year	**74,250**	40,893
New share capital issued	**33,842**	162
Purchase of own shares	**(19,617)**	(14,468)
Expenses of share issue/purchase of own shares	**(170)**	(227)
Net additions to shareholders' funds	**103,116**	41,148
Opening shareholders' funds	**248,718**	207,570
Closing shareholders' funds	**351,834**	248,718

Company Balance Sheet

at 31 December 2000

	Notes	2000 £000	1999 £000
Fixed Assets			
Investments	13	**55,627**	20,616
Current Assets			
Debtors - amounts falling due within one year	15	**68,993**	62,784
Current asset investments	16	**33**	59
Cash at bank and in hand	17	**11,558**	8,991
		80,584	71,834
Creditors: amounts falling due within one year	18	**(4,071)**	(5,772)
Net Current Assets		**76,513**	66,062
Total Assets Less Current Liabilities		**132,140**	86,678
Net Assets		**132,140**	86,678
Capital and Reserves			
Called up share capital	22	**27,032**	25,491
Capital redemption reserve	24	**6,111**	3,460
Share premium account	24	**67,293**	37,643
Other reserves	24	**4,599**	4,599
Profit and loss account	24	**27,105**	15,485
Total Equity Shareholders's Funds		**132,140**	86,678

The financial statements on pages 36 to 57 were approved by the Board of Directors on 28 March 2001 and were signed on its behalf by:

Mr S A Mörtstedt
Director

Mr G V Hirsch
Director

Notes to Financial Statements

at 31 December 2000

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting Standards currently applicable in the United Kingdom. The principal accounting policies, which have been applied consistently are set out below.

(a) Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of investment properties held as fixed assets.

(b) Basis of consolidation

The Group financial statements consolidate the accounts of CLS Holdings plc and all its subsidiary undertakings drawn up to 31 December each year. Four group companies have different balance sheet dates to CLS Holdings PLC being SA Euler and SA Petits Champs at 31 May, and SA Sutol and SA Solabel at 31 October. Their results have been included for the year to 31 December based on management accounts.

(c) Goodwill

Goodwill represents the excess of purchase consideration for businesses and subsidiary undertakings acquired over the attributable net asset value at the date of acquisition. In the past, Goodwill was written off to other reserves. In circumstances where the purchase consideration was less than the attributable net asset value at the date of acquisition, the difference was treated as a "reserve arising on consolidation" and was included within other reserves. In accordance with FRS10 "goodwill and intangible assets" previous years' negative goodwill was not re-capitalised in the balance sheet.

(d) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year or at a contracted rate where appropriate, and the accounts of overseas subsidiaries are translated at the same rates. Differences on exchange arising from the re-translation of the opening net investment in subsidiary companies are taken to reserves. All other exchange differences are dealt with through the profit and loss account.

(e) Turnover

Turnover comprises the total value of rents and service charge income receivable under operating leases, including reverse premiums paid by tenants on surrender of leases, and property-related services provided during the year, excluding VAT and intra-Group trading. 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.

(f) Income from property sales

Profits or losses arising from the sale of trading and investment properties are included in the profit and loss account of the Group. Profits or losses arising from the sale of investment properties are calculated by reference to their carrying value and recorded after operating profit as part of ordinary activities.

Notes to Financial Statements

at 31 December 2000

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Properties

i) Investment properties

Investment properties are re-valued bi-annually. Completed investment properties are stated at their open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits which exceed the total of the revaluation reserve and are deemed to be permanent are charged to the profit and loss account.

ii) Stocks: Trading properties

Trading properties are stated at the lower of cost or net realisable value. Cost includes purchase price, stamp duty, legal fees and introduction on purchase fees.

iii) Acquisition and disposal of properties

Acquisitions and disposals of assets are considered to have taken place where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract. Profit on sales of investment properties is recognised in the profit and loss account by reference to net carrying amount. Acquisitions and disposals are considered to be part of continuing activities unless they represent a material change to the portfolio or a departure from the principal activities of the business.

(h) Depreciation

i) Investment properties

Freehold

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 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.

Leasehold

For the reason stated no amortisation is provided on leasehold properties with unexpired terms of more than 50 years. Leasehold properties having unexpired terms of less than 50 years are amortised so as to write off their cost or valuation over the unexpired period of the lease.

ii) Other tangible fixed assets

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

Leasehold improvement	over period of lease
Plant and machinery	20 % - 25 %

(i) 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.

(j) Leases

Finance leases are capitalised and depreciation is provided in accordance with the normal depreciation policy. Lease payments are treated as consisting of capital and interest elements. Interest is charged to the profit and loss account. Operating lease rentals are charged wholly to the profit and loss account as incurred.

1 **PRINCIPAL ACCOUNTING POLICIES (continued)**

(k) Financial Instruments

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.

Shares, Warrants & Options

Shares, warrants and options are held on the balance sheet at the lower of cost and net realisable value. Net realisable value is determined by the quoted market price in respect of listed investments and Directors' valuation regarding other non property assets. Profits are only recognised on shares once they are sold and on options when either the maturity date is reached or the exposure on the option is closed out. Income received on options which have not yet reached maturity is held as deferred income. As referred to on page 8 of the Financial Review, profit on financial instruments held for trading purposes has been shown as 'other operating income' for the year ended 31 December 2000, and the comparatives have been restated for 1999. This profit was previously shown within interest receivable and financial income, but has been re-classified to improve clarity and presentation of the results.

(l) 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.

(m) Joint ventures and Associates

The Group's share of net assets of associated undertakings has been included in the accounts under the equity accounting method in compliance with FRS 9. Joint ventures are arrangements in which the Group has a long-term interest and shares control under a written contractual arrangements. The Group accounts include that appropriate share of the joint venture's results and retained reserves which have been included in the accounts on a gross equity basis in accordance with FRS 9. Negative goodwill arising on the acquisition of the associated undertaking and joint venture has been included in the carrying amount for the associated undertaking and joint venture. Negative goodwill will be credited to the profit and loss when the investment in the associated undertaking or joint venture is sold.

2 **PROPERTY AND OTHER INCOME**

	2000 £000	1999 £000
Turnover by activity		
Rental income	**44,949**	36,150
Less: Joint venture	**(706)**	(190)
Associate	**(1,191)**	(1,047)
Service charge income	**3,181**	2,869
	46,233	37,782
Fees from property related services	**91**	891
Lease variation and surrender income	**340**	9,668
Other income	**884**	699
Turnover	**47,548**	49,040
Service charge expenditure	**(6,018)**	(5,287)
Diminution in value due to lease surrender	**-**	(6,351)
	41,530	37,402

Notes to Financial Statements

at 31 December 2000

3 SEGMENTAL REPORTING

	Turnover 2000 £000	Turnover 1999 £000	Profit before tax 2000 £000	Profit before tax 1999 £000	Net assets 2000 £000	Net assets 1999 £000
Geographical analysis						
UK	**35,594**	43,348	**11,030**	15,349	**227,968**	199,330
Sweden	**8,585**	5,692	**2,116**	1,564	**71,382**	49,388
France	**3,369**	-	**1,683**	-	**52,598**	-
	47,548	49,040	**14,829**	16,913	**351,948**	248,718

During the year the Group acquired several properties in Paris and Lyon which contributed to the results and net assets of the France segment.

Profit before tax for the UK segment includes profit on financial instruments for trading purposes of £552,000 (1999: £4,616,000), and profit of £68,000 from the joint venture. Profit from the associate is shown within the France segment.

Net assets for the UK segment include companies trading in financial instruments amounting to £10,610,403 (1999: £9,810,943).

4 INTEREST PAYABLE AND RELATED CHARGES

	2000 £000	1999 £000
Group		
On debentures	**4,700**	4,704
On bank loans	**16,769**	14,180
On finance leases	**38**	-
On other loans	**2,778**	1,328
Amortisation of issue costs of loans	**487**	161
	24,772	20,373
Share of Joint Venture - on bank loans	**622**	173
Share of Associate - on bank loans	**484**	444

5 DIRECTORS' EMOLUMENTS, SHARE OPTIONS AND INTERESTS IN ORDINARY SHARES

Information relating to Directors' emoluments, share options and interests in ordinary shares are given in the Directors' report on pages 25 to 30.

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £000	1999 £000
This is stated after charging:		
Auditors' remuneration	**257**	142
Depreciation of tangible fixed assets	**247**	169
Directors' emoluments	**1,646**	924

Fees paid to the auditors in respect of other services were £155,000 (1999: £64,000) audit fees for the Company were £95,000 (1999: £34,000)

7 EMPLOYEE INFORMATION

The monthly average number of persons employed by the Group, including executive Directors and their aggregate emoluments, was as follows:

	2000	1999
(a) Number of employees	**33**	30

	2000 £000	1999 £000
(b) Costs		
Salaries	**2,970**	2,251
Social security	**142**	212
	3,112	2,463

8 TAX ON ORDINARY ACTIVITIES

	2000 £000	1999 £000
United Kingdom corporation tax at 30.0% (1999: 30.25%)	**285**	-
Overseas taxation	**92**	1
Overseas deferred taxation	**3**	-
Under provision in respect of prior years	**-**	1,600
Irrecoverable advance corporation tax	**(426)**	520
	(46)	2,121

The taxation charge for the year has been reduced by corporation tax losses brought forward and by the capital allowances on fixed plant and machinery in properties held as investments. In accordance with the Group's accounting policy, no deferred tax has been provided in respect of capital allowances on those investment properties for which there is no intention to sell.

Notes to Financial Statements

at 31 December 2000

9 PROFIT FOR THE FINANCIAL YEAR

As permitted by Section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's retained profit for the financial year was £31,410,242 (1999: £1,088,000).

10 DIVIDENDS

No Dividends have been paid or proposed for the year ended 31 December 2000 (1999: nil).

As noted in the Directors' Report it is proposed that the Company buy back 1 in 55 shares at 315 pence per share in lieu of a final dividend.

11 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below.

	2000			**1999**		
	Earnings £000's	**Weighted average no of shares**	**Per share amount, pence**	Earnings £000's	Weighted average no of shares	Per share amount, pence
Basic EPS						
Earnings attributable to ordinary shareholders	**14,811**	**101,287**	**14.6p**	14,788	105,773	14.0p
Effect of dilutive securities						
Options	**-**	**791**	**(0.1p)**	-	480	(0.1p)
Diluted EPS	**14,811**	**102,078**	**14.5p**	14,788	106,253	13.9p

12 TANGIBLE FIXED ASSETS

Group	Investment freehold property £000	Investment long leasehold property £000	Investment short leasehold property £000	Leasehold premium £000	Leasehold improvements £000	Plant and machinery £000	Total £000
Cost or valuation:							
Opening balance							
at 1 January 2000	479,274	19,975	-	30	8	2,648	501,935
Exchange differences	694	311	-	-	-	(14)	991
Additions	132,640	14,179	-	-	-	446	147,265
Transfers	(332)	(2,068)	2,400	-	-	-	-
Surplus on revaluation	59,476	1,648	-	-	-	-	61,124
Disposals	(18,480)	(18,280)	-	-	-	(783)	(37,543)
At 31 December 2000	**653,272**	**15,765**	**2,400**	**30**	**8**	**2,297**	**673,772**
Depreciation:							
At 1 January 2000	-	-	-	30	8	2,050	2,088
Exchange differences	-	-	-	-	-	(14)	(14)
Charge for the year	-	-	-	-	-	247	247
Disposals	-	-	-	-	-	(699)	(699)
At 31 December 2000	**-**	**-**	**-**	**30**	**8**	**1,584**	**1,622**
Net book value							
at 31 December 2000	**653,272**	**15,765**	**2,400**	**-**	**-**	**713**	**672,150**
Net book value							
at 1 January 2000	479,274	19,975	-	-	-	598	499,847

(a) The holding Company has no tangible fixed assets.

(b) At 31 December 2000 all freehold and leasehold properties owned by the consolidated Group were revalued at their open market value taking into account their condition and tenancies existing at that date. The property valuations were carried out by Allsop & Co and DTZ Tie Lung, independent firms of Chartered Surveyors, in compliance with the Practice Statements contained within the Appraisal and Valuation Manual prepared by the Royal Institute of Chartered Surveyors.

(c) The historical cost of the freehold and leasehold investment properties included at valuation is freehold: £475.4 million, leasehold: £26.1 million.

(d) Included in leasehold properties are assets of £3.0 million which are held under finance leases.

The purchase of the Citadel portfolio comprised investment properties of £126.6 million, net loans of £77.2 million and other assets and liabilities of £4.1 million. The excess of the fair value of net assets acquired over consideration of £11.0 million is included within revaluation of the properties as shown in note 24. The acquisition is considered to be the purchase of a portfolio of properties and not a business and as such fair value accounting and the calculation of goodwill is not required.

The results relating to the portfolio from 1 January 2000 to 1 September 2000 comprised turnover of £6.9 million, operating profit of £5.6 million, and profit before tax and profit after tax of £2.9 million and £2.6 million respectively. For the same period there were total recognised gains of £0.1 million after revaluation surpluses of £0.6 million and exchange losses taken to reserves of (£0.5) million. The group disclosed its share of the above results for the period to 1 September as that of an associate company.

The profit after tax generated by the portfolio for the year ended 31 December 1999 was £3.7 million.

Notes to Financial Statements

at 31 December 2000

13 INVESTMENTS

Fixed Asset Investments		Joint venture £000	Associate £000	Shares in subsidiary undertakings £000	Other Investments £000 Restated	Total £000
Group						
At 1 January 2000	- Goodwill	(1,590)	(2,169)	-	-	(3,759)
	- Other	2,281	8,800	-	255	11,336
Additions	- Goodwill	656	-	-	-	656
	- Other	(655)	-	-	-	(655)
Transfer		-	-	-	(59)	(59)
Disposals		-	(7,064)	-	(35)	(7,099)
Share of revaluation reserve		1,000	-	-	-	1,000
Share of other reserves		-	(10)	-	-	(10)
Share of retained profit		81	443	-	-	524
		1,773	-	-	161	1,934
At 31 December 2000	**- Goodwill**	**(934)**	**-**	**-**	**-**	**(934)**
	- Other	**2,707**	**-**	**-**	**161**	**2,868**
		1,773	**-**	**-**	**161**	**1,934**
Company						
Cost at 1 January 2000		-	6,082	18,032	-	24,114
Additions		-	-	35,011	-	35,011
Transfer		-	(6,082)	6,082	-	-
Cost at 31 December 2000		**-**	**-**	**59,125**	**-**	**59,125**
Provision at 1 January 2000		-	-	(3,498)	-	(3,498)
Provision at 31 December 2000		**-**	**-**	**(3,498)**	**-**	**(3,498)**
Net Book Value at 31 December 2000		**-**	**-**	**55,627**	**-**	**55,627**
Net Book Value at 1 January 2000		-	6,082	14,534	-	20,616

A list of principal subsidiary undertakings is shown in Note 31.

The joint venture is Teighmore Limited, a property investment company incorporated in Jersey, of which the Group owns 25 per cent of the ordinary share capital (1999: 25 per cent). The parent company owns no shares in Teighmore Limited. The adjustment to goodwill arises due to a balance sheet re-classification in the company's year end accounts.

The associate was Citadel Holdings plc, a property investment company, which the Group and Company now hold as a subsidiary. In 1999, the Group held 5,791,025 ordinary shares of 25p in Citadel Holdings plc, representing 17.4 per cent of the issued share capital and over which the Group had significant influence. The remaining shares were purchased between August and December 2000, and the company has been accounted for as a subsidiary from 1 September 2000. At 31 December 2000, a total of 61,482 shares were held by minorities, representing 0.2% of the issued share capital.

Other investments have been restated for the Group's investment in a venture capital fund, which has been re-classified as a current asset investment (see note 16). The value of this asset at 31 December 1999 was £136,134.

14 STOCKS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Trading properties	**2,185**	-	-	-

15 DEBTORS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amounts falling due after more than one year				
Other debtors	**2,363**	2,955	-	-
Deferred taxation (Note 21)	-	3	-	-
	2,363	2,958	-	-

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Amounts falling due within one year				
Trade debtors	**3,458**	1,904	-	-
Amounts owed by subsidiary undertakings	-	-	**64,855**	57,959
Other debtors	**1,410**	1,543	-	57
Prepayments and accrued income	**1,919**	2,307	**4,138**	4,768
	6,787	5,754	**68,993**	62,784

Included within other debtors is an amount of £nil (1999: £57,381) in respect of loans made to employees to exercise their share options.

16 CURRENT ASSET INVESTMENTS

	Group 2000 £000	Group 1999 £000 Restated	Company 2000 £000	Company 1999 £000
Shares and Warrants	**9,793**	4,267	-	-
Other investments	**816**	195	**33**	59
	10,609	4,462	**33**	59

The shares and warrants stated at the lower of cost and net realisable value of £9,793,374 (1999: £4,266,805) relate to listed investments on the London and Swedish Stock Exchanges, and unlisted investments. Their market value at 31 December 2000 was £10,057,061 (1999: £5,634,349). Total provisions against current asset investments amounted to £4,856,300 (1999: £1,737,544).

Notes to Financial Statements

at 31 December 2000

17 CASH AT BANK AND IN HAND

At 31 December 2000, Group cash balances with banks include £3.6 million (1999: £7.9 million) of cash deposits which are subject to either a legal assignment or a charge in favour of a third party (Company £nil) (1999: £0.8 million).

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Interest bearing:				
Debentures	**373**	335	-	-
Bank loans and overdrafts	**13,083**	11,160	-	-
Obligations under finance leases	**138**	-	-	-
Amounts owed to subsidiary undertakings	-	-	**2,556**	5,000
Non interest bearing:				
Trade creditors	**2,106**	613	**14**	-
Amounts due to clients	**685**	678	-	-
Other taxes and social security	**1,091**	1,228	**52**	-
Corporation tax	**698**	-	-	-
Other creditors	**3,741**	431	-	-
Accruals and deferred income	**19,171**	19,539	**1,449**	772
	41,086	33,984	**4,071**	5,772

Details of debentures, bank loans and other loans are shown in Note 20.

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2000 £000	Group 1999 £000	**Company 2000 £000**	Company 1999 £000
Debenture loans	**39,994**	40,367	-	-
Bank loans	**284,309**	221,401	-	-
Other loans	**15,656**	12,200	-	-
Obligations under finance leases	**2,135**	-	-	-
	342,094	273,968	-	-

Details of debentures, bank loans and other loans are shown in Note 20.

20 ANALYSIS OF CORPORATE LOANS

	Group 2000 £000	Group 1999 £000	Company 2000 £000	Company 1999 £000
Debenture loans are repayable by instalments as follows:				
In one year or less or on demand	**373**	335	-	-
In more than one but not more than two years	**414**	373	-	-
In more than two but not more than five years	**1,543**	1,387	-	-
In more than five years	**38,037**	38,607	-	-
	40,367	40,702	-	-
Bank loans are repayable as follows:				
In one year or less or on demand	**13,478**	11,452	-	-
In more than one but not more than two years	**28,879**	36,479	-	-
In more than two but not more than five years	**150,131**	132,344	-	-
In more than five years - by instalment	**103,708**	41,206	-	-
- other than by instalment	**3,386**	12,235	-	-
	299,582	233,716	-	-
Unamortised issue costs	**(2,190)**	(1,155)	-	-
	297,392	232,561	-	-
Other loans and net obligations under finance leases are repayable as follows:				
In one year or less or on demand	**138**	-	-	-
In more than one but not more than two years	**143**	-	-	-
In more than two but not more than five years	**2,999**	976	-	-
In more than five years - by instalment	**14,698**	11,224	-	-
	17,978	12,200	-	-
Unamortised issue costs	**(49)**	-	-	-
	17,929	12,200	-	-

(a) The £40.4 million (1999: £40.7 million) of debenture loans represent amortising bonds which are repayable in equal quarterly instalments of £1,175,839 with final repayment due January 2025. Each instalment is apportioned between principal and interest on a reducing balance basis. Interest is charged at a fixed rate of 10.76 per cent. The debentures are secured by a legal charge over the property and securitisation of its rental income.

(b) Interest on bank loans is charged at fixed rates ranging between 5.89 per cent and 11.63 per cent and floating rates of LIBOR or equivalent, plus a margin ranging between 0.80 per cent and 1.25 per cent. All bank loans are secured by legal charges over the respective properties to which they relate, and in most cases, floating charges over the remainder of the assets held in the Company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

(c) Interest on other loans is charged at fixed rates ranging between 4.30 per cent and 6.98 per cent. The loans are secured by legal charges over the respective properties to which they relate.

The aggregate amount of loans repayable by instalments, any part of which falls due for repayment in more than five years is £173,336,702 (1999: £88,952,568) and £17,978,000 (1999: £12,200,000) for bank loans and other loans respectively.

21 DEFERRED TAXATION

	2000 Provision £000	2000 Amount unprovided £000	1999 Provision £000	1999 Amount unprovided £000
Group				
Deferred taxation is provided as follows:				
Capital allowances in excess of depreciation	-	**12,325**	-	13,006
Other short term timing differences	-	**(15)**	(3)	(21)
Future benefit of tax losses	-	**(4,101)**	-	(7,574)
Taxation on revaluation surplus	-	**6,047**	-	16,623
	-	**14,256**	(3)	22,034

No provision has been made for further tax which could arise if subsidiary or associated undertakings are disposed of, or investment properties included in fixed assets are disposed of, or overseas companies were to remit dividends to the UK. There is no present intention to take any of these actions.

No deferred tax liability arises relating to the Company (1999: nil).

22 SHARE CAPITAL

	2000 £000	1999 £000
(a) Authorised and issued as at 31 December		
Authorised 160,000,000 Ordinary Shares of 25p each	**40,000**	40,000
Alloted, called up and fully paid		
108,128,651 Ordinary Shares of 25p each (1999: 101,962,238)	**27,032**	25,491

	Nominal value £000	Number of ordinary shares of 25p each
(b) Allotments of issued capital		
Opening share capital	**25,491**	101,962
Issue of shares allotted under share option scheme	**48**	196
Issue of shares pursuant to acquisition of Citadel Holdings portfolio	**4,144**	16,576
Cancelled pursuant to Market purchase	**(1,643)**	(6,569)
Cancelled pursuant to Tender Offer	**(1,008)**	(4,036)
	27,032	108,129

The consideration receivable for shares allotted in respect of options exercised was £210,400, and pursuant to the acquisition of the Citadel Holdings portfolio was £33,632,446.

23 OPTIONS IN SHARES OF CLS HOLDINGS PLC

Details of options in shares of CLS Holdings plc granted during 2000 are given in the Directors Report on pages 25 to 30.

24 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £000	Capital redemption reserve £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group					
At 1 January 2000	37,643	3,460	117,589	18,977	45,558
Exchange difference	-	-	(571)	1,219	-
Shares issued	29,650	-	-	-	-
Share buybacks	-	2,651	-	-	(19,617)
Expenses of share buybacks	-	-	-	-	(170)
Realised surplus on revaluation of properties	-	-	(11,769)	-	11,769
Unrealised surplus on revaluation of properties	-	-	73,602	-	-
Retained profit for the year	-	-	-	-	14,811
At 31 December 2000	**67,293**	**6,111**	**178,851**	**20,196**	**52,351**
Company					
At 1 January 2000	37,643	3,460	-	4,599	15,485
Shares issued	29,650	-	-	-	-
Share buybacks	-	2,651	-	-	(19,618)
Expenses of share buybacks	-	-	-	-	(172)
Retained profit for the year	-	-	-	-	31,410
At 31 December 2000	**67,293**	**6,111**	**-**	**4,599**	**27,105**

25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £000	1999 £000 Restated
Operating profit	**34,698**	35,800
Less: other operating income	**(552)**	(4,616)
Profit on lease surrender	**-**	(3,317)
Depreciation	**247**	169
Lease surrender income	**-**	9,668
(Increase)/decrease in debtors	**(660)**	962
Increase/(decrease) in creditors	**2,977**	(847)
(Increase)/decrease in stocks	**(2,185)**	77
Loss on sale of fixed assets	**50**	9
Net cash inflow from operating activities	**34,575**	37,905
Continuing operations	**32,360**	37,905
Acquisitions	**2,215**	-

Other operating income has been deducted from operating profit as current asset investments meet the definition of liquid resources, shown below in note 26(a), Analysis of net debt.

Consideration for the purchase of the Citadel Holdings plc portfolio comprised the issue of 16.6 million ordinary shares in CLS Holdings plc which is a significant non-cash movement. Further details of the acquisition are set out in note 12, and included within note 26(a).

26(a) ANALYSIS OF NET DEBT

	1 Jan 2000 £000 Restated	Cash flow £000	Non-cash movement £000	Foreign exchange £000	31 Dec 2000 £000
Net cash:					
Cash at bank and in hand	36,072	3,437	-	(409)	**39,100**
Less: deposits treated as liquid resources	(13,168)	(4,998)	-	(73)	**(18,239)**
	22,904	(1,561)	-	(482)	**20,861**
Liquid resources:					
Deposits included in cash	13,168	4,998	-	73	**18,239**
Current asset investments	4,462	9,161	(2,873)	(141)	**10,609**
	17,630	14,159	(2,873)	(68)	**28,848**
Debt:					
Debts falling due within one year	(11,495)	191	(2,226)	74	**(13,456)**
Finance leases falling due within one year	-	-	(134)	(4)	**(138)**
Debts falling due after more than one year	(273,968)	8,254	(73,600)	(645)	**(339,959)**
Finance leases falling due after more than one year	-	35	(2,111)	(59)	**(2,135)**
	(285,463)	8,480	(78,071)	(634)	**(355,688)**
Net debt	(244,929)	21,078	(80,944)	(1,184)	**(305,979)**
Cash at bank and in hand	36,072	3,437	-	(409)	**39,100**
Current asset investments	4,462	9,161	(2,873)	(141)	**10,609**
Debts falling due within one year	(11,495)	191	(2,360)	70	**(13,594)**
Debts falling due after more than one year	(273,968)	8,289	(75,711)	(704)	**(342,094)**
	(244,929)	21,078	(80,944)	(1,184)	**(305,979)**

Liquid resources are short-term deposits or current asset investments that are readily convertible into known amounts of cash.

26(b) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2000 £000	1999 £000 Restated
(Decrease)/increase in cash in the period	**(1,561)**	11,921
Cash outflow/(inflow) from increase/(decrease) in liquid resources	**14,159**	(3,579)
Cash outflow/(inflow) from decrease/(increase) in debt	**8,480**	(64,645)
Changes in net debt resulting from cash flows	**21,078**	(56,303)
Translation differences	**(1,184)**	1,622
Capitalised interest	**(342)**	(307)
Amortisation of issue costs	**(487)**	(161)
Other non-cash movements	**(80,115)**	-
Net debt at 1 January	**(244,929)**	(189,780)
Net debt at 31 December	**(305,979)**	(244,929)

27 CHANGES IN FINANCING

	2000 £000	1999 £000 Restated
(a) Loan finance		
Balance brought forward	**285,463**	221,972
Net cash (outflow)/inflow	**(8,480)**	64,645
Interest capitalised	**342**	307
Amortisation of issue costs	**487**	161
Foreign exchange movements	**634**	(1,622)
Other non-cash movements	**77,242**	-
Balance carried forward	**355,688**	285,463

	2000 £000	1999 £000
(b) Share capital (including share premium account and capital redemption reserve)		
Balance brought forward as previously stated	**66,594**	78,121
Prior year adjustment	**-**	(11,689)
Balance brought forward as restated	**66,594**	66,432
Shares issued	**33,842**	162
Balance carried forward	**100,436**	66,594

28 FINANCIAL INSTRUMENTS

(a) Short-term debtors and creditors

Short-term debtors and creditors have been excluded from all the following disclosures, other than the currency risk disclosures.

(b) Interest rate risk profile of financial liabilities

As explained on page 10 of the financial review, in order to mitigate the effect of interest rate fluctuations the Group has purchased interest rate caps or secured fixed rate borrowings in respect of all of its debt.

The interest rate risk profile of the Group's financial liabilities at 31 December 2000 was:

	Total £000	Floating rate financial liabilities £000	Fixed rate financial liabilities £000	Financial liabilities on which no interest is paid £000
Financial liabilities				
- Sterling	206,954	139,639	67,315	-
- Swedish Kronor	58,548	13,472	43,507	1,569
- French Franc	90,076	50,377	39,699	-
- Other EU currencies	1,679	-	1,679	-
At 31 December 2000	**357,257**	**203,488**	**152,200**	**1,569**
Financial liabilities				
- Sterling	223,254	166,055	57,199	-
- Swedish Kronor	61,992	14,336	46,109	1,547
- Other EU currencies	1,764	-	1,764	-
At 31 December 1999	287,010	180,391	105,072	1,547

28 FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk profile of financial liabilities (continued)

All the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short-term items or because they do not meet the definition of a financial liability, such as tax balances.

Arrangement fees of £2.2 million have been offset against the balance of floating and fixed rate loans (1999: £1.2 million).

	Fixed rate financial liabilities		Financial liabilities on which no interest is paid
	Weighted average interest rate %	Weighted average period for which rate is fixed Years	Weighted average period until maturity Years
- Sterling	10.32	17.9	-
- Swedish Kronor	6.17	8.7	0.2
- French Franc	4.98	3.3	-
- Other EU currencies	5.50	15.8	-
At 31 December 2000	**6.37**	**11.4**	**0.2**
- Sterling	8.46	21.6	-
- Swedish Kronor	5.80	10.1	0.2
- Other EU currencies	4.50	0.8	-
At 31 December 1999	7.51	15.7	0.2

Floating rate financial liabilities bear interest at rates, based on relevant national LIBOR or equivalents, which are fixed in advance for periods of between one month and six months. Further protection from interest rate movement is provided by interest rate caps on £140 million at 6.5 per cent to 9.0 per cent expiring within 4 years and FF487 million at 6.0 per cent to 7.0 per cent expiring within 2 to 5 years. (1999: £180 million at 6.5 per cent to 9 per cent expiring between 1 and 5 years).

(c) Interest rate risk of financial assets

	Cash at bank and in hand £000	Short-term deposits £000	2000 Total £000	Cash at bank and in hand £000	Short-term deposits £000	1999 Total £000
- Sterling	**15,153**	**11,505**	**26,658**	13,392	13,168	26,560
- Swedish Kronor	**4,841**	**-**	**4,841**	9,307	-	9,307
- French Franc	**514**	**6,734**	**7,248**	-	-	-
- Other EU currencies	**353**	**-**	**353**	205	-	205
At 31 December	**20,861**	**18,239**	**39,100**	22,904	13,168	36,072

Short term deposits are invested at competitive rates in both Jersey, the UK and France.

28 FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk of financial assets (continued)

In addition the following financial assets were held:

	2000 £000	1999 £000
Assets held as part of the financing arrangements of the Group:		
Interest bearing debtor	**1,937**	1,928
Assets held or issued for treasury purposes:		
Equity investments and other financial instruments	**11,073**	4,916
Interest rate caps	**1,590**	2,371
	14,600	9,215

The interest bearing debtor represents a third party deferred interest loan which is repayable over a period of 27 years from the balance sheet date at a fixed rate of 7.0 per cent. Assets held for treasury purposes do not attract interest.

(d) Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities, other than short term creditors such as trade creditors and accruals, at 31 December was as follows:

	Debt £000	Finance leases £000	Other financial liabilities £000	2000 Total £000	Debt £000	Other financial liabilities £000	1999 Total £000
Within 1 year, or on demand	**13,456**	**138**	**1,569**	**15,163**	11,495	1,547	13,042
Between 1 and 2 years	**28,933**	**143**	**-**	**29,076**	36,588	-	36,588
Between 2 and 5 years	**153,486**	**465**	**-**	**153,951**	134,140	-	134,140
Over 5 years	**157,540**	**1,527**	**-**	**159,067**	103,240	-	103,240
	353,415	**2,273**	**1,569**	**357,257**	285,463	1,547	287,010

Other financial liabilities relate to deferred income in respect of financial instruments.

(e) Borrowing facilities

The Group has the following undrawn committed borrowing facilities available at 31 December in respect of which all conditions precedent had been met at that date:

	2000 Total £000	1999 Total £000
Expiring within 1 year	**2,500**	-

Notes to Financial Statements

at 31 December 2000

28 FINANCIAL INSTRUMENTS (continued)

(f) Fair values of financial assets and financial liabilities

The following table provides a comparison by category of the carrying amounts and the fair values of the Group's financial assets and financial liabilities at 31 December 2000 and 1999. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest and exchange rates. Set out below the table is a summary of the methods and assumptions used for each category of financial instruments.

	2000 Book value £000	**2000 Fair value £000**	1999 Book value £000	1999 Fair value £000
Primary financial instruments held or issued to finance the Group's operations:				
Short-term borrowings	**(13,594)**	**(13,594)**	(11,495)	(11,495)
Long-term borrowings	**(342,094)**	**(368,747)**	(273,968)	(288,856)
Short-term deposits	**18,239**	**18,239**	13,168	13,168
Cash at bank and in hand	**20,861**	**20,861**	22,904	22,904
Interest bearing debtor	**1,937**	**1,690**	1,928	1,648
Derivative financial instruments held to manage the interest rate and currency profile:				
Interest rate caps	**1,590**	**116**	2,371	1,013
Financial instruments held for trading purposes				
Other financial liabilities	**(1,569)**	**(1,675)**	(1,547)	(1,066)
Equity investments and other financial assets	**11,073**	**11,203**	4,916	5,956

Summary of methods and assumptions

Interest rate cap and forward foreign currency contracts	Fair value is based on market price of comparable instruments at the balance sheet date.
Short-term deposits and borrowings approximates	The fair value of short-term deposits, loans and overdrafts to the carrying amount because of the short maturity of these instruments.
Equity investments and other financial instruments	Fair value is based on market price of comparable instruments at the balance sheet date.
Long-term interest bearing debtor	The fair value of this asset has been calculated by discounting expected cash flows at the prevailing interest rate.
Long-term borrowings	The fair value for floating rate loans approximates to the carrying value reported in the balance sheet as payments are reset to market rates at intervals of less than one year. Fixed rate loans have been discounted at gilt rates, which were provided by the banks.

28 FINANCIAL INSTRUMENTS (continued)

(g) Currency exposures

As explained in paragraph 1 on page 10 of the financial review, to mitigate the effect of the currency exposures arising from its net investments overseas the Group borrows in the local currencies of its main operating units. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the statement of total recognised gains and losses.

The tables below show the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group companies and the Group.

2000	Net foreign currency monetary assets/(liabilities) SEK £000	French Franc £000	Other EU currencies £000	Total £000
Functional currency of Group operation:				
Sterling	**414**	**(377)**	**-**	**37**
Total	**414**	**(377)**	**-**	**37**
1999				
Functional currency of Group operation:				
Sterling	3,634	-	10	3,644
Total	3,634	-	10	3,644

(h) Hedges

As explained in the operating and financial review in paragraph 1 on page 10 the Group's policy is to hedge the following exposures:

- Interest rate risk - using interest rate caps
- Currency risk - using forward foreign currency contracts and swaps

Gains and losses on instruments used for hedging are not recognised and are effectively deferred in the balance sheet as the book value of a cap differs from its fair value. Changes in the fair value of forward foreign exchange contracts arise due to movements in the exchange rate. These are matched with the change in value of the foreign net asset investment.

The table below shows the extent to which the Group has off balance sheet (unrecognised) and on balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the beginning and end of the year. It also shows the amounts of such gains and losses which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in next years or later profit and loss account.

	Deferred losses £000
Unrecognised gains and losses on hedges as at 1 January 2000	**1,358**
Change in value arising in 2000 and unrecognised	**953**
Loss arising before 1 January 2000 included in current year expenditure	**(980)**
Gains and losses arising before 1 January 2000 and during 2000 that were not recognised	**1,331**
Loss arising in current year included in current year expenditure	**(19)**
Change in value in current year not included in current year expenditure and not recognised	**162**
Unrecognised gains and losses on hedges as at 31 December 2000	**1,474**
Of which:	
Gains and losses expected to be recognised in 2001	**726**
Gains and losses expected to be recognised in 2002 or later	**748**

28 FINANCIAL INSTRUMENTS (continued)

(h) Hedges (continued)

i) Financial instruments held for trading purposes

	2000 £000	1999 £000
Net gain included in profit and loss account	**552**	4,616
Fair value of financial assets held for trading at 31 December	**11,203**	5,956
Fair value of financial liabilities held for trading at 31 December	**(1,675)**	(1,066)
	9,528	4,890

29 COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2000 the Group had an authorised but not contracted for financial commitment amounting to £1.1 million (1999: £0.1 million). The Group had no annual commitments under non-cancellable operating leases which expire in more than five years.

There are outstanding obligations of £0.4 million per annum regarding operating leases expiring within 2 to 5 years.

As of 31 December 2000 the Company had guaranteed £27.1 million of Group Companies liabilities (1999: £41.2 million). Of the amount guaranteed, £21.7 million (1999: £31.0 million) is limited to a maximum annual liability of £4.1 million (1999: £6.0 million).

30 POST BALANCE SHEET EVENTS

There are no post balance sheet events.

31 INVESTMENT IN GROUP UNDERTAKINGS

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those wholly owned subsidiary companies whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group. All of these subsidiaries were incorporated in England and Wales with the exception of Vänerparken Investments and Solna Business Centre which are incorporated in Sweden and Hamersley International BV which is incorporated in Holland.

Brent House Limited	One Leicester Square Limited
Brideglen Impex Limited	Rayman Finance Limited
Carlow House Limited	Spring Gardens Limited
CI Tower Investments Limited	Three Albert Embankment Limited
CLSH Management Limited	Vauxhall Cross Limited
Great West House Limited	Vänerparken Investments AB
Hamersley International BV	Vista Centre Limited
Ingrove Limited	Solna Business Centre AB
New Printing House Square Limited	Citadel Holdings PLC

The principal activity of each of these subsidiaries is property investment apart from that of CLSH Management Limited which is property management, and Rayman Finance Limited and Brideglen Impex Limited, which is trading in financial instruments. To comply with the Companies Act 1985, a full list of subsidiaries will be filed with the Company's next annual return.

32 RELATED PARTY TRANSACTIONS

In August 2000 the Company made an agreed offer for the whole of the issued share capital of Citadel Holdings plc ("Citadel") not already owned by it in order to purchase the property portfolio. At the date of the offer the Company owned 5,827,310 shares in Citadel, representing 17.4 per cent of its issued share capital, having increased its holding from 5,791,025 as at 31 December 1999 by electing to receive 36,285 shares by way of enhanced scrip dividend in May 2000.

The terms of the offer provided for the issue to existing shareholders of Citadel of three new shares in the Company for every five shares held by them in Citadel. There was no cash alternative.

As at 31 December 2000 the company owned 99.8 per cent of Citadel and 16,576,317 new shares had been issued in the Company by way of consideration for the shares in Citadel. Since the year end the company has acquired a further 26,837 shares, bringing its holding to 99.9 per cent.

On 31 August 2000, pursuant to the merger offer, Sten Mörtstedt acquired 4,289,908 new ordinary shares in the Company; Thomas Lundqvist acquired 3,052 new ordinary shares; and Glyn Hirsch acquired 12,556 new ordinary shares.

Management Agreement

For the period 1 January 2000 to 31 August 2000, whilst Citadel Holdings plc remained an associate company, CLSH Management Limited, a wholly owned subsidiary of CLS, continued to render management services to the company.

They were paid an amount equal to a fair and reasonable allocation of its central overheads and were reimbursed all third party costs and expenses incurred in providing the services, but did not charge any additional fees. The total value of fees shown in these accounts is £500,000 (1999: £750,000).

Other Transactions

CLSH Management Limited, a wholly owned subsidiary of CLS Holdings plc, acts as an agent in respect of the collection of rental income and payment of loan interest for Teighmore Limited, a joint venture. At 31 December 2000 Teighmore was owed £684,000 by the Group (£1999: 678,000).

A Group company, Förvaltnings AB Klio, rents office space from a company owned by Sten Mörtstedt. The total amount payable was £9,000 (1999: £9,000).

Five Year Financial Summary

for the year ended 31 December

Turnover and results	2000 £000	Restated 1999 £000	1998 £000	1997 £000	1996 £000
Turnover	**47,548**	49,040	35,025	36,979	34,734
Operating Profits	**34,698**	35,800	26,642	28,298	27,974
Share of Profit of Associated and Joint Venture Undertaking	**1,649**	1,021	-	-	-
Gain from sale of subsidiary	**-**	-	465	-	-
Gain from sale of investment properties	**2,969**	-	2,131	428	164
Profit on Ordinary Activities Before Interest	**39,316**	36,821	29,238	28,726	28,138
Net interest payable and related charges	**(24,487)**	(19,908)	(18,184)	(18,248)	(17,830)
Profit Before Taxation	**14,829**	16,913	11,054	10,478	10,308
Tax on ordinary activities	**(11)**	(2,125)	(961)	(726)	(871)
Profit For the Financial Year	**14,818**	14,788	10,093	9,752	9,437
Equity minority interests	**(7)**	-	-	-	-
Dividends	**-**	-	(3,406)	(6,473)	(6,070)
Retained Profit	**14,811**	14,788	6,687	3,279	3,367
Share buy backs paid and proposed	**(10,541)**	(7,663)	(8,473)	-	-
Net Assets Employed					
Fixed assets	**674,084**	507,424	409,401	378,013	365,006
Net current assets/(liabilities)	**19,958**	15,262	9,843	2,474	(2,402)
	694,042	522,686	419,244	380,487	362,604
Non-current liabilities	**(342,094)**	(273,968)	(211,674)	(199,364)	(207,213)
	351,948	248,718	207,570	181,123	155,391
Ratios					
Net assets per share	**£3.26**	£2.44	£1.84	£1.60	£1.40
Earnings per share	**14.6p**	14.0p	8.8p	8.7p	8.7p
Gearing	**91%**	101%	93%	104%	128%
Interest cover	**1.61**	1.83	1.57	1.57	1.57

The results comply with the requirements of FRS3 and have been prepared on a consistent basis.

Operating profit has been restated in 1999 to reflect the inclusion of profit on financial instruments held for trading purposes, previously shown within net interest payable and related charges.

Schedule of Group Properties

Properties UK	Address	Freehold/ Leasehold	Area M²	Area Sq. ft.	Use	Date of Construction/ Refurbishment
Brent House	349-357 High Road Wembley, Middx HA9	Freehold	9,137	98,356	Offices	1995
Buspace Studios	10 Conlan Street, London W10	Freehold	2,545	27,392	Studio/Workshops/ Offices	1992
Cambridge House	100 Cambridge Grove, London W6	Freehold	6,634	71,405	Offices	1991/1998
Cap Gemini	95 Wandsworth Rd, 72-78 Bondway, 22 Miles Street, London SW8	Freehold	10,427	112,235	Offices/Industrial	1995
Carlow House	Carlow Street, London NW1	Freehold	4,327	46,580	Offices/Residential	1989
Chancel House	Neasden Lane, London NW10	Freehold	7,017	75,538	Offices	1990
CI Tower	High Street, New Malden, Surrey KT3	Freehold	7,572	81,511	Offices	1992
Clifford's Inn	Fetter Lane, London EC4	Freehold	3,134	33,737	Offices/Residential	1993
Club UK	The Studio, Fox's Lane, Wolverhampton, West Midlands WV1	Freehold	2,139	23,027	Nightclub	1999
Colne House	21 Upton Road, Watford WD1	Freehold	2,381	25,629	Offices	2000
Coventry House	21/24 Coventry St. & 35a Haymarket, London SW1	Freehold	955	10,278	Restaurant/Residential/ Advertising	2000
Coombe Hill House	Raynes Park, New Malden SW20	Freehold	3,437	37,000	Offices	1990
Deanery Street	2 Deanery Street, London W1	Freehold	191	2,051	Offices/Residential	1988
Drury Lane	167-172 Drury Lane, London WC2	Freehold	2,968	31,958	Retail/Offices/Theatre	1999
Dukes Road	22 Dukes Road WC1	Freehold	1,155	12,437	Offices	1980's
Great West House	Great West Road, Brentford, Middx TW8	Freehold	8,568	92,231	Offices	1989
Computer House	Great West Road, Brentford, Middx TW8	Freehold	5,706	61,421	Offices	1989
Holland Park Avenue	London W11	Freehold	275	2,956	Residential	1997
Hollywood Nightclub	Princess Street, Ipswich, Suffolk, IP1	Freehold	1,951	21,000	Nightclub	1999
Ingram House	13/15 John Adam Street, London WC2	Freehold	1,328	14,295	Offices	1989
275 King Street	275/281 King Street, London W6	Freehold	1,895	20,399	Offices	1999
Larkhall Lane	157 Larkhall Lane, London SW4	Freehold	3,338	35,934	Industrial	1994
Leicester Square	1 Leicester Square, London WC2	Freehold	2,689	28,946	Cinema/Retail/Leisure	1999
London House	271/273 King St, Hammersmith, London W6	Freehold	1,426	15,351	Business Centre	1983
New Printing House Square	214/236 Grays Inn Road, London WC1	Freehold	26,438	284,585	Offices	1996
Satellite House	15-23 Baches Street London N1	Freehold	1,450	15,604	Offices	1980
Scriptor Court	155 Farringdon Road, London EC1	Leasehold	1,584	17,052	Offices	1980's
Spring Gardens	Tinworth Street, London SE11	Freehold	14,516	156,249	Offices	1990
Spring Gardens Court	80 Vauxhall Walk, London SE11	Freehold	1,185	12,753	Residential	1998
Tinworth Street, 2/10	2/10Tinworth Street, London SE11	Freehold	1,263	13,598	Industrial/Offices	Early 1900's
Oval Business Centre	142/170 Vauxhall St, London SE11	Freehold	3,186	34,294	Offices	1990
Vauxhall Walk 110	110 Vauxhall Walk, London SE11	Freehold	790	8,500	Industrial/Offices	1990
Vauxhall Walk 108	108 Vauxhall Walk, London SE11	Freehold	600	6,456	Industrial/Offices	Early 1900's
Vista Office Centre	Salisbury Road, Hounslow, Middx TW4	Freehold	9,389	101,063	Offices	1999
Western House	5 Glasshouse Walk, London SE11	Freehold	611	6,578	Offices	1900's
Westminster Tower	3 Albert Embankment, London SE1	Freehold	4,467	48,081	Offices	1983
UK Properties at 31.12.00	**Sub total**		**156,674**	**1,686,480**		

Properties Germany	Address	Freehold/ Leasehold	Area M²	Area Sq. ft.	Use	Date of Construction/ Refurbishment
Schanzenstrasse	Schanzenstrasse 76, Dusseldorf	Freehold	3,095	33,315	Offices	1990
Westbahnhof	Kasseler Strasse, Bokenheim Frankfurt am Main	Freehold	2,314	24,905	Offices/Industrial/ Retail/Residential	1950's
German Properties at 31.12.00	**Sub total**		**5,409**	**58,220**		

Schedule of Group Properties

Properties Sweden	Address	Freehold/ Leasehold	Area M²	Area Sq. ft.	Use	Date of Construction/ Refurbishment
Vänerparken	Lasarettet No. 2, Vänerparken, Vänersborgs Kommun	Freehold	45,240	486,975	Offices/Education/ Residential/Leisure/ Hospital	Various
Solna	Fräsaren 11, Fräsaren 12, Smeden 1, Sliparen 2	Freehold	113,288	1,219,464	Offices/Industrial/ Retail/Residential	1960's
Swedish Properties at 31.12.00	**Sub total**		**158,528**	**1,706,439**		

Properties France	Address	Freehold/ Leasehold	Area M²	Area Sq. ft.	Use	Date of Construction/ Refurbishment
D'Aubigny	27 rue de la Villette, 69003 Lyon	Leasehold	4,316	46,459	Offices	1989
Forum	27/33 rue Maurice Flandin, 69003 Lyon	Freehold	6,911	74,390	Offices	1989
Front de Parc	109 Boulevard de Stalingrad, 69100 Lyon	Leasehold	5,109	54,993	Offices	1989
Park Avenue	81 Boulevard de Stalingrad, Villeurbanne, 69100 Lyon	Freehold	4,249	45,736	Offices	1988/89
Rhone Alpes	235 Cours Lafayette, 69006 Lyon	Freehold	3,697	39,799	Offices	1993
Capitaine Guynemer	53/55 rue de Capitaine Guynemer, Courbevoie, 92400 Paris	Freehold	1,893	20,376	Office	1993
Columbus	1 Rond Point de L'Europe, 92250 La Garenne-Colombes, Paris	Freehold	3,162	34,035	Office	1990
Equinoxe II	1 bis avenue du 8 Mai, 1945, St Quentin en Yvelines, Paris	Freehold	4,235	45,585	Office	1995
Mission Marchand	56 Boulevard de la Mission Marchand, 92400 Courbevoie, Paris	Freehold	2,635	28,363	Office	1993
Philippe Auguste	83/85 avenue Philippe Auguste, 75011 Paris	Freehold	1,610	17,330	Office	1995
Le Sigma	Place de Belgique, 90 Bld de L'Europe, 92250 La Garenne Colombes, Paris	Freehold	6,575	70,773	Office	1993
Rueil 2000	15/21 avenue Edouard Belin, 92500 Rueil-Malmaison, Paris	Freehold	7,408	79,739	Office	1991
Edouard Vaillant	28/30 rue Edouard Vaillant, 92300 Levallois Perret, Paris	Leasehold	1,706	18,363	Office	1996
Charenton Bercy	2 rue du Nouveau Bercy, 94220 Charenton	Freehold	5,207	56,048	Office	1994
Petits Hotels	20-22 rue des Petits Hotels, 75010 Paris	Freehold	2,001	21,539	Office	1994
Santos Dumont	23 avenue Louis Breguet, 78140 Velizy	Freehold	3,701	39,837	Office	1991
Petits Champs	48 rue Croix des Petits Champs 75001, Paris	Freehold	1,800	19,375	Office	1972
Lotus	41 rue du Capitaine Guynemer, 92400 Courbevoie, Paris	Freehold	6,026	64,863	Office	1977
Edouard Belin	1 avenue Edouard Belin, 92500 Rueil Malmaison, Paris	Freehold	9,849	106,014	Office	1991
Paul Doumer	147 avenue Paul Doumer, 92500 Rueil Malmaison, Paris	Freehold	3,494	37,609	Office	1998
Bellevue	95/97Bis Rue de Bellevue, 92100 Boulogne, Paris	Freehold	2,400	25,833	Office	1988
Lord Byron	2 rue Lord Byron, 75008 Paris	Freehold	560	6,028	Office	1929
Marcel Pourtout	5 Boulevard Marcel Pourtout, 92500 Rueil Malmaison, Paris	Freehold	2,270	24,426	Office	1990
French Properties at 31.12.00	**Sub total**		**90,814**	**977,513**		
	TOTAL ALL PROPERTY		**411,425**	**4,428,652**		