

CHARLWORTH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2000

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



Company No. 3000681

CHARLWORTH LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2000**

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CHARLWORTH LIMITED

REPORT OF THE DIRECTORS' FOR THE YEAR ENDED 31 DECEMBER 2000

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

1 PRINCIPAL ACTIVITY

The principal activity of the company is to carry on investment business.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the financial statements. The Directors expect the principal activity of the company to remain unchanged for the foreseeable future.

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31 December 2000 (1999: Nil).

4 DIRECTORS

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

Mr G V Hirsch

Mr T J Thomson

5 DIRECTORS' INTERESTS

TJ Thomson who is a director of Charlworth Limited holds shares in the parent company, CLS Holdings plc of 33,540 (1999: 32,390). GV Hirsch is also a director of CLS Holdings plc. His interest in CLS Holdings plc is disclosed in that company's financial statements.

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

CHARLWORTH LIMITED

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

6 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company at the end of the year and of the profit or loss for the year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

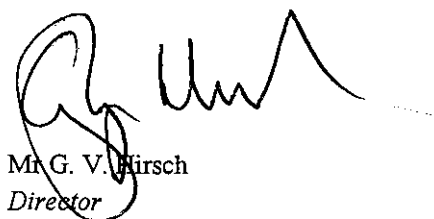
The Directors confirm that the financial statements comply with the above requirements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. The Directors also have general responsibility for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

7 AUDITORS

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

BY ORDER OF THE BOARD


Mr G. V. Hirsch
Director

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

28 March 2001

CHARLWORTH LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF CHARLWORTH LIMITED

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

Respective Responsibilities of Directors and Auditors

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

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

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

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

28 March 2001

CHARLWORTH LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2000**

| | NOTES | 2000 £ | 1999 £ |
|---|-------|-----------|-----------|
| Turnover | (2) | 223,023 | 223,084 |
| Administrative expenses | | (2,137) | (2,375) |
| Operating profit | | 220,886 | 220,709 |
| Interest payable and related charges | (3) | (213,983) | (200,260) |
| Profit on ordinary activities before taxation | (5) | 6,903 | 20,449 |
| Tax on profit on ordinary activities | (6) | 238 | (1,072) |
| Retained profit for the year | (13) | 7,141 | 19,377 |

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

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

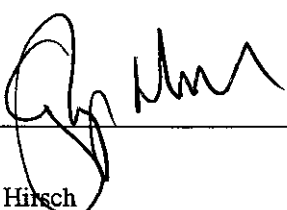
All items included in the above profit and loss account are part of continuing operations.

CHARLWORTH LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2000

| | NOTES | 2000 £ | 1999 £ |
|--|-------|------------------------|----------------------|
| FIXED ASSETS | | | |
| Investments | (7) | 1,920,627 | 2,350,383 |
| CURRENT ASSETS | | | |
| Debtors: amounts falling due after more than one year | (9) | - | 1,993 |
| Debtors: amounts falling due within one year | (8) | 322,986 | 541,962 |
| Cash at bank and in hand | | 223,974 | 836 |
| CREDITORS: amounts falling due within one year | (10) | 546,960 (2,438,674) | 544,791 (592,777) |
| NET CURRENT LIABILITIES | | (1,891,714) | (47,986) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 28,913 | 2,302,397 |
| CREDITORS: amounts falling due after more than one year | (11) | - | 2,280,625 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | (12) | 2 | 2 |
| Profit and loss account | (13) | 28,911 | 21,770 |
| EQUITY SHAREHOLDERS' FUNDS | | 28,913 | 21,772 |
| | | 28,913 | 2,302,397 |

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


 _____ DIRECTOR
 Mr G. V. Hirsch

CHARLWORTH LIMITED

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

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

1.1 *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company has taken advantage of the exemption in Financial Reporting Standard No 1 as a cash flow statement has been prepared for the Group. The company is a wholly owned subsidiary of CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings as the financial statements of CLS Holdings plc are publicly available. The company has received assurances from fellow group companies that sufficient funds will be made available to meet the company's requirements for at least twelve months from the date of these accounts. Accordingly, these financial statements have been prepared on a going concern basis.

Consolidated financial statements incorporating Charlworth Limited and its subsidiary are prepared by CLS Holdings plc and therefore consolidated financial statements of the company have not been prepared.

1.2 *Turnover*

Turnover comprises income receivable from investments.

1.3 *Fixed Asset Investments*

Investments held as fixed assets are stated at cost. A provision is made for any material diminution in value.

1.4 *Interest Rate Caps*

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

2 TURNOVER

| | 2000 | 1999 |
|---------------------|---------|---------|
| | £ | £ |
| Interest receivable | 223,023 | 223,084 |

3 INTEREST PAYABLE AND RELATED CHARGES

| | 2000 | 1999 |
|--------------------------------|---------|---------|
| | £ | £ |
| On bank loans | 168,911 | 155,212 |
| On loan from group undertaking | 36,876 | 36,875 |
| Interest cap amortisation | 8,196 | 8,173 |
| | 213,983 | 200,260 |

CHARLWORTH LIMITED

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

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the Company who are Directors of CLS Holdings plc are disclosed in that company's financial statements in respect of their services to the group as a whole. None of the other Directors received emoluments for their services during the year (1999:nil). The Company had no employees during the year (1999: none).

| 5 | PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2000 £ | 1999 £ |
|---|---|-----------|-----------|
| | This is stated after charging: | | |
| | Auditors remuneration | 1,176 | 1,545 |

| 6 | TAX ON PROFIT ON ORDINARY ACTIVITIES | 2000 £ | 1999 £ |
|---|---|--------------|--------------|
| | UK corporation tax at 30% (1999: 30.25%). | - | - |
| | Adjustments in respect of prior years | (238) | 1,072 |
| | | <u>(238)</u> | <u>1,072</u> |

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

| 7 | FIXED ASSET INVESTMENTS | Shares in subsidiary £ | Loans to subsidiary £ | Gilts £ | Total £ |
|---|-----------------------------|------------------------------|-----------------------------|---------------|------------------|
| | Balance at 1st January | 2 | 2,330,625 | 19,756 | 2,350,383 |
| | Additions | - | - | 20,000 | 20,000 |
| | Disposals/redemptions | - | - | (19,756) | (19,756) |
| | Repayments | <u>-</u> | <u>(430,000)</u> | <u>-</u> | <u>(430,000)</u> |
| | Balance at 31 December 2000 | <u>2</u> | <u>1,900,625</u> | <u>20,000</u> | <u>1,920,627</u> |

The shares in subsidiary represents 100% ownership in Spring Gardens II Limited, which is registered and incorporated in England and its principal activity is to invest in commercial property. The nominal value of allotted shares held by the company is £2,000.

Loans to subsidiary represents a loan provided to Spring Gardens II Limited.

The Gilts were purchased at a cost of £20,000. Market value at 31 December 2000 was £ 19,555 (1999: £19,246).

The directors do not consider this diminution to be material, therefore no provision has been made in the accounts.

| 8 | DEBTORS - Amounts falling due within one year | 2000 £ | 1999 £ |
|---|---|----------------|----------------|
| | Other debtors | 2,233 | 8,676 |
| | Amounts due from group undertakings | 320,642 | 533,286 |
| | Prepayments and accrued income | 111 | - |
| | | <u>322,986</u> | <u>541,962</u> |

CHARLWORTH LIMITED

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

| 9 | DEBTORS - Amounts falling due after more than one year | 2000 £ | 1999 £ |
|---|---|-----------|-----------|
| | Other debtors | - | 1,993 |

| 10 | CREDITORS: amounts falling due within one year | 2000 £ | 1999 £ |
|----|---|------------------|----------------|
| | Bank Loan | 1,900,625 | 50,000 |
| | Amounts due to group undertakings | 538,049 | 542,777 |
| | | <u>2,438,674</u> | <u>592,777</u> |

| 11 | CREDITORS: amounts falling due after more than one year | 2000 £ | 1999 £ |
|----|--|-----------|-----------|
| | Bank Loan | - | 2,280,625 |

The bank loan is repayable as follows:

| | | |
|--|------------------|------------------|
| In one year or less, or on demand; | 1,900,625 | 50,000 |
| In more than one year but not more than two years; | - | 2,280,625 |
| In more than two years but not more than five years. | - | - |
| | <u>1,900,625</u> | <u>2,330,625</u> |

Interest on the loan is charged at Libor plus a margin of 1.25% and is secured by a legal charge over the property Satellite House held by Spring Gardens II Limited.

| 12 | CALLED UP SHARE CAPITAL | 2000 £ | 1999 £ |
|----|---------------------------------------|-----------|-----------|
| | Authorised ordinary Shares of £1 each | 100 | 100 |
| | Allotted, called up and fully paid: | | |
| | Ordinary Shares of £1 each | <u>2</u> | <u>2</u> |

CHARLWORTH LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000 (CONTINUED)****13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS**

| | Share Capital £ | Profit & Loss Account £ | 2000 Total £ | 1999 Total £ |
|------------------------|--------------------------------|--|-----------------------------|-----------------------------|
| Balance at 1 January | 2 | 21,770 | 21,772 | 2,395 |
| Profit for the year | - | 7,141 | 7,141 | 19,377 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Balance at 31 December | 2 | 28,911 | 28,913 | 21,772 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

14 CONTINGENT LIABILITIES

The company has charged all the issued shares in Spring Gardens II Ltd to secure all sums due from the company to Woolwich Building Society under a loan facility, the principle amount of which now outstanding is £1,900,625.

15 PARENT UNDERTAKING

The Directors consider that the immediate, ultimate parent undertaking and controlling party is CLS Holdings plc which is registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, CLS Holdings plc, One Citadel Place, Tinworth Street, London, SE11 5EF.