CLS Holdings plc

2714781
A/C 1994

# Contents



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COMPANIES HOUSE 02/06/95

# Directors, Officers and Advisers

**Directors**

| | |
|---|---|
| S A Mörtstedt | *(Executive Chairman)* |
| G V Hirsch LLB ACA | *(Chief Executive)* |
| H O T Lundqvist | *(Finance Director)* |
| B F Mörtstedt | *(Executive Director)* |
| Sir David Rowe-Ham FCA | *(Non-executive Director)* |
| K R Harris PhD | *(Non-executive Director)* |

**Secretary**

T J Thomson BA *(Solicitor)*

**Registered Office**

6 Spring Gardens
Tinworth Street
London SE11 5EH

**Registered Number**

2714781

**Registered Auditors**

Coopers & Lybrand
Chartered Accountants
1 Embankment Place
London WC2N 6NN

**Registrars and Transfer Office**

Royal Bank of Scotland plc
Securities Services – Registrars
P O Box 435
Owen House
8 Bankhead Crossway North
Edinburgh EH11 4BR

**Clearing Bank**

Royal Bank of Scotland plc
24 Grosvenor Place
London SW1X 7HP

**Stockbrokers**

UBS Limited
100 Liverpool Street
London EC2M 2RH

**Solicitors**

Gouldens
22 Tudor Street
London EC4 0JJ

Taylor Walton
65 High Street
Harpenden, Herts AL5 2SW

# Chairman's Statement

1994 has been a landmark year for the Group and I am pleased to announce the Company's first annual results since its shares were listed on the London Stock Exchange in May 1994.

**Results**

The profit before tax, inclusive of exceptional items, was £12.2m compared to a loss of £2.3m in 1993. The profit before tax excluding exceptional items was £5.9m. The exceptional income in the accounts mainly results from the cancellation of debt at a discount arranged prior to flotation of the Company.

The Company has during the year increased its net assets to £130.7m (132p per share) incorporating a valuation of the Group's properties carried out by Allsop & Co at the year end. The increase of £83.6m from £47.1m on 1 January 1994 comprises the net proceeds of £47.7m from the listing on the London Stock Exchange, capitalisation of shareholders' loans prior to flotation, the revaluation of certain properties within the Group, the benefit of acquisitions and retained profit for the year.

Net rental income for the year amounted to £22.6m. The existing portfolio currently yields £25m per annum.

**Dividend**

Your board is recommending a final dividend of 2.95p per share making a total distribution of 3.35p for the period in which the Company was listed in 1994. This is equivalent to a dividend of 4.92p had the Company been listed for the whole of the year ended 31 December 1994. The dividend will be paid on 31 May 1995. Shareholders will be able to take a scrip dividend alternative and as indicated in the prospectus, the Mörtstedt family (who own 53.3% of the shares in the Company) will elect for the scrip dividend alternative in respect of half of their shareholding.

**Activities during 1994**

I mentioned at the interim stage that the Group is continuing to add value to its existing property portfolio interests by upgrading certain properties and through active property management and is looking for further opportunities on the market meeting its investment criteria. This process has continued:

— In December 1994 we purchased a long leasehold property, Conoco House, Blackfriars Road, London at an initial yield of 20.6%. The property, which is currently valued at £4.5m, comprises 60,000 square feet of air conditioned office accommodation and is fully let to the end of 1996 at £825,000 per annum at a rent of £13.75 per square foot.

— We are substantially refurbishing and extending Brent House, Wembley of which 42,000 square feet (42% of the whole) has been pre-let to Brent Council at a rental of approximately £378,000 per annum. The net cost of development after dilapidations is £1.6m.

— We have received a substantial reverse premium by agreeing a surrender of a lease of offices at Westminster Tower. The lease had sixteen years to run at a current rent of £267,250 per annum.

— Our tenant at One Leicester Square has agreed to relocate to the surrendered space in Westminster Tower which offers considerably higher quality offices. The new lease, which runs for a term of

# Chairman's Statement (continued)

fifteen years (without break) at a commencing rental of £350,000 per annum, also incorporates the vacant ground floor. The tenant's move from One Leicester Square releases most of the building for a proposed extension and refurbishment with the potential to provide entertainment and other leisure activities, thus maximising the return on a building with an excellent location.

In addition, earlier in the year the Group achieved the aims set out in the prospectus of acquiring the remaining 50% interest in the Group's two associated Companies and 100% interest in a further five Companies. These transactions were responsible for the increase in other reserves by £15.7m.

The Brussels Project has progressed more slowly than we originally anticipated and, whilst potential still remains, we have made full provision against our investment as an exceptional item.

We are actively progressing potential acquisitions of properties which will strengthen further our investment portfolio.

**Funding**

The Group's strategy of matching its long term rental flow with long term debt funding has been maintained. During the year the Group purchased long term interest rate caps and its interest profile at 31 December was such that after deducting cash balances only 18% of net debt was fully exposed to floating rates of interest.

**Prospects**

I am encouraged by the recent indications of economic recovery and I believe that improvement in the UK economy will enhance rental and capital value in the central London office market. I therefore believe that 1995 will be a better year for the property market than 1994.

I am also confident that we will reduce the high operating costs which we incurred during 1994 as a result of the rapid growth in the size of the Group.

The strategy, successfully implemented in 1994, to acquire central London properties with potential for future profit and enhanced capital value will continue in 1995.

**Employees**

I am pleased to report the appointment of Glyn Hirsch as Chief Executive of the Company on 12 April 1995. Glyn Hirsch was previously with UBS Limited where he was an executive Director in the Corporate Finance Division.

Although I will remain as Executive Chairman, Thomas Lundqvist will cease to be the full-time Finance Director of the Company but he will continue to be involved with the Company as a non-executive Director.

On behalf of the board I would like to thank all our employees for their service, loyalty and continuing contribution to the welfare of the Group in what has been a demanding year.

S A Mörtstedt
*Chairman*

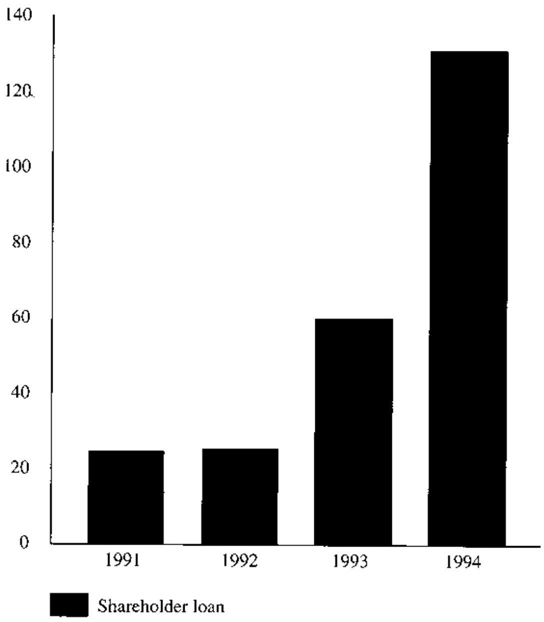
# Key Financial Highlights

| | | |
|---|---|---|
| Pre-Tax Profits | : | £12.2m |
| Pre-Tax Profits (excluding exceptional items) | : | £5.9m |
| Net Assets | : | £130.7m |
| Net Assets per Share | : | 132p |
| Earnings per Share | : | 15.7p |
| Earnings per Share (excluding exceptional items) | : | 7.6p |
| Gearing | : | 114% |
| Interest Cover* | : | 1.42 |

*Calculated excluding exceptional items.

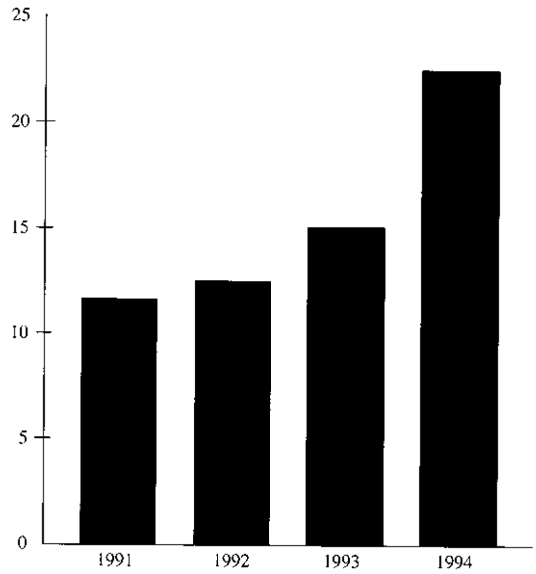
**Asset record**

**Net asset (£m)**




**Net rental income**

**(£m)**



# Group Property Portfolio

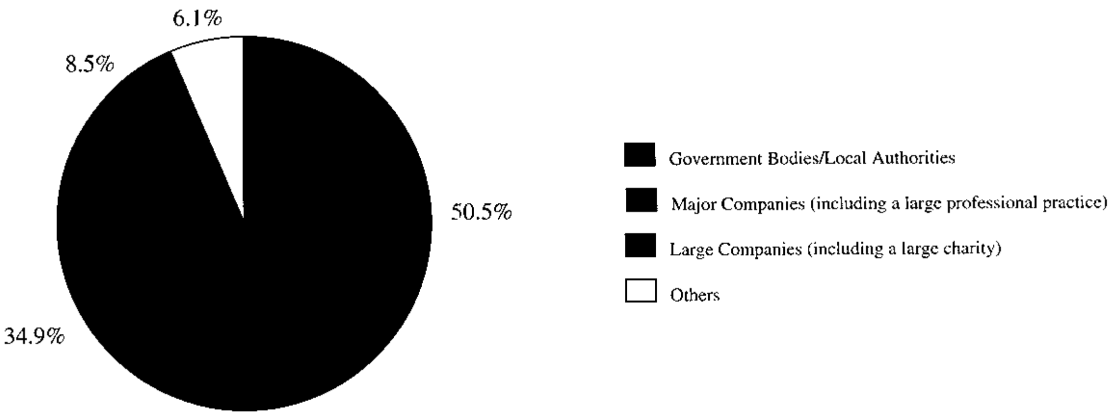
All of the Group's UK properties, which account for 98% of the portfolio, are located within the M25 motorway, with the majority being either in the centre or West End of London or along the south side of the River Thames.

All of the Group's UK properties, except three, are held as freeholds. The exceptions are properties at Prince's Court, Blackfriars Road and Onslow Gardens, which in aggregate account for six per cent. by value of the Group's portfolio.

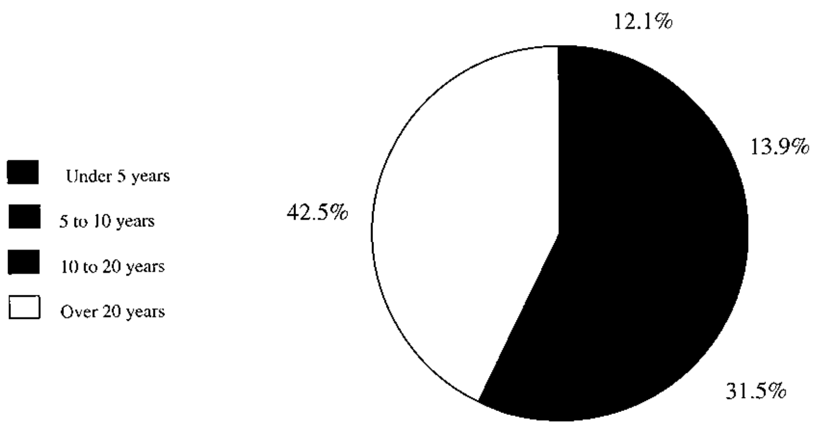
Approximately 85% by value of the Group's investment properties consists of commercial offices, with the remainder consisting primarily of retail or light industrial property. Many of the properties were built in the last 25 years or have been refurbished within the last three years, and the majority of the office space is fully air-conditioned.

The Group's properties are let on relatively long leases to a strong tenant base as illustrated below.

**Tenant Mix**




**Length of Lease**



# Directors' Report

*for the year ended 31 December 1994*

The Directors present their report and the audited financial statements for the year ended 31 December 1994. 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 unchanged from last year and are 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 14.

A review of activities, results for the year and prospects for the future are included within the Chairman's Statement on page 3.

### 3 Dividends and Transfers to Reserves

The Directors recommend a final dividend of 2.95p per share which, together with the interim dividend paid on 24 November 1994 of 0.4 p per share, will make a total dividend for the year of 3.35p. Shareholders have the option of taking all or part of their dividend in shares in lieu of cash.

After payment of the above dividends £8,914,000 of the profit for the financial year will be transferred to the Group's reserves.

### 4 Property Portfolio

A valuation of all the properties in the Group as at 31 December 1994 was carried out by Allsop & Co which produced an open market value of £ 297.0 million.

On the basis of that valuation the net asset per share amount to 132p.

In view of the policy of revaluing properties annually, in the opinion of the Directors there was no significant difference between market and book values of the properties at 31 December 1994.

### 5 Directors

The present composition of the Board is given on page 2.

Mr Sten Mörtstedt was appointed to the Board as Executive Chairman on 14 March 1994.

Mr Keith Harris was appointed to the Board as a non-executive Director on 28 April 1994. He is Chief Executive of Samuel Montagu & Co Limited. He formerly held directorships in Morgan Grenfell & Co. Limited, Drexel Burnham Lambert Holdings Limited and Apax Partners & Co. Corporate Finance Limited. In accordance with the Articles of Association of the Company, he retires by rotation and, being eligible, offers himself for re-election.

Sir David Rowe-Ham was appointed to the Board as a non-executive Director on 11 May 1994. He is Chairman of Brewin Dolphin Holdings PLC, APTA Healthcare PLC and Coral Products PLC and a Director of Williams Holdings PLC and other Companies. He was formerly a consultant to Touche Ross & Co. and he is a Fellow of the Institute of Chartered Accountants in England and Wales. As Sir David Rowe-Ham was appointed since the last Annual General Meeting, he retires in accordance with the Articles of Association of the Company and, being eligible, offers himself for re-election.

# Directors' Report (continued)

Mr Glyn Hirsch was appointed to the board as Chief Executive on 12 April 1995. He was previously an executive Director in the Corporate Finance Division of UBS Limited. As he was appointed since the last Annual General Meeting, he retires in accordance with the Articles of Association of the Company and, being eligible, offers himself for re-election.

Mr Bengt Mörtstedt and Mr Thomas Lundqvist remained Directors throughout 1994.

**6 Directors' Interests**

There were no contracts of significance subsisting during or at the end of year in which any Director of the Company or of its subsidiary Companies is materially interested.

The interests of the Directors and their families in the shares of the Company (including shares held by family trusts) at 31 December 1994 were as follows:

| | 31 December 1994 (Ordinary Shares of 25p each) (note (a)) | 1 January 1994 (Ordinary Shares of £1 each) |
|---|---|---|
| Mr S A Mörtstedt | 42,719,518 | 1,260,000 |
| Mr B Mörtstedt | 10,087,690 | 530,000 |
| Mr H O T Lundqvist | 95,270 | nil |
| Sir David Rowe-Ham | 20,000 | nil |
| Mr Keith Harris | nil | nil |
| Mrs K Mörtstedt (resigned 2 March 1994) | — | 460,000 |
| Miss A Mörtstedt (resigned 15 March 1994) | — | nil |

(a) Changes in the capital structure are shown in note 22.

The interests of Mr S A Mörtstedt and Sir David Rowe-Ham at their respective dates of appointment were the same as at 1 January 1994.

During 1994 options to subscribe for a total of 450,000 ordinary shares at a subscription price of 111p per share were granted to Mr H O T Lundqvist, comprising options for 134,000 shares within the Company's Inland Revenue approved share option scheme and options for 316,000 shares in a non-approved scheme. These options will lapse on 30 May 1995 upon Mr Lundqvist ceasing to be a full-time employee. In addition Mr Lundqvist held an additional 175,000 ordinary shares for the period 26 May 1994 to 16 August 1994.

Apart from the interests disclosed above, no Directors were interested at any time in the year in the share capital of the Company or other Group Companies.

On his appointment as Chief Executive in April 1995 Mr G V Hirsch was granted options to subscribe for a total of 1,000,000 ordinary shares at a subscription price of 97p, comprising options for 600,000 shares within the Company's Inland Revenue approved share option scheme and options for 400,000 shares in a non-approved scheme. He has had no other interest in the shares of the Company at any time.

No options were exercised during the year and no options have lapsed during the year.

# Directors' Report (continued)

Apart from the options granted to Mr G V Hirsch there has been no changes in the interests set out above between 31 December 1994 and the date of this report.

### 7 Substantial Shareholdings

In addition to the Directors whose holdings are disclosed above, the following have notified the Company of an interest in 3% or more in the ordinary share capital of the Company:

| | No of Shares | % |
|---|---|---|
| Govett Strategic Investment Trust plc | 3,035,504 | 3.06 |
| AMP Asset Management plc | 4,336,433 | 4.38 |
| Kleinwort Benson Group plc (note (a)) | 20,409,527 | 20.60 |

(a) All non-beneficial interests, of which 20,374,034 shares are held as trustees for the Mörtstedt family and form part of the holdings disclosed in paragraph 6 above.

### 8 Charitable contributions

The contributions made by the Group during the year for charitable purposes were £2,500.

### 9 Insurance of Directors

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

### 10 Corporate Governance

During the year the Company complied with recommendations of the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) to the extent that the relevant guidance for Directors has come into effect except as specified below.

The Board, which consists of four executive and two non-executive Directors, meets bi-monthly to consider all matters of significance affecting the Group. Annual budgets are reviewed and approved by the Board and throughout the year property acquisitions and financing matters are considered at specially convened Board meetings as required. Executive management also meet regularly outside of formal Board meetings. Directors are aware of their right to take independent professional advice in the furtherance of their duties, if necessary, and, in addition, the Board as a whole considers the appointment of non-executive Directors.

The Board has been reviewing its compliance with the Cadbury Committee Code of Best Practice. In order to comply with the Code a formal schedule of matters to be considered by the Board will be adopted in the coming year, together with formal procedures for the Directors to seek independent professional advice and for the appointment of non-executive Directors.

During the year the Board, as part of its review, established an audit committee and approved its formal written terms of reference in September 1994. The audit committee consists of two non-executive Directors, not three as recommended by the Code; the Board considers two to be sufficient for the size of the Company.

The Board also established a remuneration committee in May 1994 which consists of the two non-executive Directors and the chairman. The committee is responsible for determining the terms of service and remuneration of the Directors, including the granting of options under the Company's Executive Share Option Scheme.

# Directors' Report (continued)

The Directors, after making appropriate enquiries, have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

The Directors note that a formal report on internal financial controls will be a requirement for the accounting period commencing 1 January 1995. The Directors acknowledge their responsibility for the Company's systems of internal financial control and accept that such a system can provide only a reasonable and not absolute assurance against material misstatement or loss. The Group has established three main operating departments, property and tenants, loan financing and financial accounting and reporting. Relevant management procedures and responsibilities have been determined for each area given the nature and size of the Group.

### 11 Share Capital

Changes in share capital are shown in note 22.

Three resolutions relating to share capital will be proposed at this year's Annual General Meeting.

In relation to the Directors' authority to allot shares, resolution 7 set out in the Notice of Meeting, pages 39 to 40, authorises the Directors to allot all relevant securities in the authorised share capital of the Company which are unissued at the date of the meeting. Resolution 8 empowers the Directors to allot the unissued shares in three circumstances; to all members pro rata, pursuant to the Company's Executive Share Option Scheme or, otherwise, to a maximum nominal amount of £5,000,000.

The powers will replace and extend similar powers given to the Directors at an Extraordinary General Meeting held in May last year. They will be valid until the 1996 Annual General Meeting of the Company or until 14 August 1996, whichever shall be the earlier.

Resolution 9 gives effect to the scrip dividend arrangements which are described in the accompanying documents.

### 12 Taxation Status

The Company was a close company within the meaning of the Income and Corporation Taxes Act 1988 until its shares were listed on the Stock Exchange in May 1994. The Company is not now a close company and this position has not changed since 31 December 1994.

### 13 Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board

**T J Thomson**
*Company Secretary*

1 May 1995

# Statement of Directors' Responsibilities

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 1994. 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 safegarding 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.

By order of the Board
**T J Thomson**
*Company Secretary*
1 May 1995

# Report of the Auditors

*to the members of CLS Holdings plc*

We have audited the financial statements on pages 14 to 37.

**Respective responsibilities of Directors and Auditors**

As described on page 11 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 1994 and of the profit, total recognised gains and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Coopers & Lybrand**
*Chartered Accountants and Registered Auditors*
*London*

1 May 1995

# Report by the Auditors to CLS Holdings plc

*on corporate governance matters*

In addition to our audit of the financial statements, we have reviewed the Directors' statement included in the Directors' Report on pages 9 and 10 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

**Basis of opinion**

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Group's corporate governance procedures, nor on the ability of the Group to continue in operational existence.

**Opinion**

With respect to the Directors' statement on going concern on page 10, in our opinion the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for Directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on pages 9 and 10 appropriately reflects the Company's compliance with the other paragraphs of the Code specifed for our review.

**Coopers & Lybrand**
*Chartered Accountants*
*London*

1 May 1995

# Consolidated Profit and Loss Account

*for the year ended 31 December 1994*

| | Notes | 1994 £000 | 1993 £000 |
|---|---|---|---|
| **Turnover** | 1 | | |
| Continuing operations | | 22,666 | 14,679 |
| Acquisitions | | 1,876 | 1,464 |
| | 2 | 24,542 | 16,143 |
| Operating expenses | 3 | (4,573) | (3,167) |
| Exceptional operating expenses | 4 | (1,103) | (1,983) |
| | | (5,676) | (5,150) |
| Income from property sales | 2 | (16) | (233) |
| **Operating Profit** | | | |
| Continuing operations | | 17,170 | 9,446 |
| Acquisitions | | 1,680 | 1,314 |
| | | 18,850 | 10,760 |
| Gains/(losses) from interests in associated undertakings | | 45 | (309) |
| | | 18,895 | 10,451 |
| **Exceptional Item** | | | |
| Loss on disposal of subsidiaries | | — | (1,300) |
| **Profit on Ordinary Activities before Interest** | | 18,895 | 9,151 |
| Interest receivable and financial income | | 640 | 671 |
| Exceptional interest receivable and financial income | 5 | 7,430 | 500 |
| Interest payable and related charges | 6 | (14,729) | (12,644) |
| **Profit/(Loss) on Ordinary Activities before Taxation** | 8 | 12,236 | (2,322) |
| Ordinary activities excluding exceptional items | | 5,909 | 461 |
| Exceptional items | | 6,327 | (2,783) |
| Tax on ordinary activities | 10 | (4) | 721 |
| **Profit/(Loss) for the Financial Year** | 11 | 12,232 | (1,601) |
| Dividends | 12 | (3,318) | — |
| **Retained Profit/(Loss) for the Year** | 24 | 8,914 | (1,601) |
| **Earnings/(Loss) per Share** | 13 | 15.7p | (3.6p) |
| **Earnings per Share (excluding Exceptional Items)** | 13 | 7.6p | 2.6p |

## Statement of Total Recognised Gains and Losses

*for the year ended 31 December 1994*

| | Notes | 1994 £000 | Restated 1993 £000 |
|---|---|---|---|
| Profit/(loss) for the financial year | | 12,232 | (1,601) |
| Unrealised surplus on revaluation of properties | | 1,645 | 29,813 |
| Currency translation differences on foreign currency net investments | | (49) | — |
| Other recognised gains and losses relating to the year | | 1,596 | 29,813 |
| Total recognised gains and losses relating to the year | | 13,828 | 28,212 |
| Prior year adjustments | 25 | (2,245) | — |
| Total gains and losses recognised since last annual report | | 11,583 | 28,212 |

## Historical Cost Profits and Losses

*for the year ended 31 December 1994*

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Reported profit/(loss) on ordinary activities before taxation | 12,236 | (2,322) |
| Add: realisation of property revaluation gains of previous years | — | 3,998 |
| Add: realisation of gain on disposal of subsidiaries held at valuation | — | 13,318 |
| Historic cost operating profit on ordinary activities before taxation | 12,236 | 14,994 |
| Historic cost profit for the year retained after taxation and dividends | 8,914 | 15,715 |

# Reconciliation of Movement in Shareholders' Funds

*for the year ended 31 December 1994*

| | 1994 £000 | Restated 1993 £000 |
|---|---|---|
| Profit/(loss) for the financial year | 12,232 | (1,601) |
| Dividends | (3,318) | — |
| | 8,914 | (1,601) |
| Other recognised gains and losses relating to the year | 1,596 | 29,813 |
| New share capital issued | 61,344 | 250 |
| Bonus issue of shares | (10,590) | — |
| Expenses of share issue | (2,309) | — |
| Capitalisation of loans | 8,931 | — |
| Assets acquired during the year in excess of the related purchase consideration | 15,721 | — |
| Goodwill written off | — | (1,914) |
| Merger reserve arising on acquisition | — | 8,500 |
| Net additions to shareholders' funds | 83,607 | 35,048 |
| Opening shareholders' funds (originally £49,374,000 before deducting £2,245,000 prior year adjustments – see note 25) | 47,129 | 12,081 |
| **Closing shareholders' funds** | 130,736 | 47,129 |

# Consolidated Balance Sheet

*at 31 December 1994*

| | Notes | 1994 £000 | Restated 1993 £000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Tangible assets | 14 | 297,645 | 222,511 |
| Investments | 15 | 41 | 2,451 |
| | | 297,686 | 224,962 |
| **Current Assets** | | | |
| Stocks: trading properties | 16 | 75 | 245 |
| Debtors – amounts falling due after more than one year | 17 | 3,247 | 1,600 |
| Debtors – amounts falling due within one year | 17 | 3,389 | 11,286 |
| Cash at bank and in hand | | 12,473 | 8,860 |
| | | 19,184 | 21,991 |
| **Creditors:** amounts falling due within one year | 18 | (29,342) | (57,818) |
| **Net Current Liabilities** | | (10,158) | (35,827) |
| **Total Assets Less Current Liabilities** | | 287,528 | 189,135 |
| **Creditors:** amounts falling due after more than one year | 19 | (156,792) | (135,948) |
| **Provisions for Liabilities and Charges** | 20 | — | (6,058) |
| | | (156,792) | (142,006) |
| **Net Assets** | | 130,736 | 47,129 |
| **Capital and Reserves** | | | |
| Called up share capital | 22 | 24,767 | 2,250 |
| Share premium account | 24 | 34,859 | — |
| Revaluation reserve | 24 | 35,145 | 33,500 |
| Other reserves | 24 | 19,753 | 4,081 |
| Profit and loss account | 24 | 16,212 | 7,298 |
| **Total Equity Shareholders' Funds** | | 130,736 | 47,129 |

The financial statements on pages 14 to 37 were approved by the Board of Directors on 1 May 1995 and were signed on its behalf by:

Mr H O T Lundqvist
*Director*

# Company Balance Sheet

*at 31 December 1994*

| | Notes | 1994 £000 | Restated 1993 £000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Investments | 15 | 17,619 | 16,785 |
| **Current Assets** | | | |
| Debtors – amounts falling due after more than one year | 17 | 38,333 | 50 |
| Debtors – amounts falling due within one year | 17 | 15,453 | 7,745 |
| Cash at bank and in hand | | 5,574 | 134 |
| | | 59,360 | 7,929 |
| **Creditors:** amounts falling due within one year | 18 | (7,178) | (3,716) |
| **Net Current Assets** | | 52,182 | 4,213 |
| **Total Assets Less Current Liabilities** | | 69,801 | 20,998 |
| **Creditors:** amounts falling due after more than one year | 19 | — | (12,201) |
| **Provision for Liabilities and Charges** | 21 | (217) | — |
| **Net Assets** | | 69,584 | 8,797 |
| **Capital and Reserves** | | | |
| Called up share capital | 22 | 24,767 | 2,250 |
| Share premium account | 24 | 34,859 | — |
| Other reserves | 24 | 4,599 | 4,599 |
| Profit and loss account | 24 | 5,359 | 1,948 |
| **Total Equity Shareholders' Funds** | | 69,584 | 8,797 |

The financial statements on pages 14 to 37 were approved by the Board of Directors on 1 May 1995 and were signed on it's behalf by:

Mr H O T Lundqvist
*Director*

# Consolidated Cash Flow Statement

*for the year ended 31 December 1994*

| | Notes | 1994 £000 | Restated 1993 £000 |
|---|---|---|---|
| **Net cash inflow from continuing operating activities** | 27 | 16,932 | 13,167 |
| **Returns on investments and servicing finance** | | | |
| Interest received | | 529 | 671 |
| Interest paid | | (15,540) | (12,512) |
| Dividends paid | | (396) | — |
| **Net cash outflow from returns on investments and servicing of finance** | | (15,407) | (11,841) |
| **Overseas taxation paid** | | (4) | — |
| | | 1,521 | 1,326 |
| **Investing activities** | | | |
| Purchase and enhancement of properties | | (804) | (238) |
| Purchase of subsidiary (net of cash acquired) | 26 | (1,082) | 144 |
| Sale of investment properties and subsidiaries | | — | 11,550 |
| (Purchase)/sales of other fixed assets | | (112) | 322 |
| **Net cash (outflow)/inflow from investing activities** | | (1,998) | 11,778 |
| **Net cash (outflow)/inflow before financing** | | (477) | 13,104 |
| **Financing** | | | |
| Issue of equity share capital | | 50,000 | — |
| Expenses paid in connection with share issue | | (2,309) | — |
| New loans | | 28,837 | 24,455 |
| Repayment of loans | | (72,049) | (38,395) |
| **Net cash inflow/(outflow) from financing** | 28 | 4,479 | (13,940) |
| **Increase/(decrease) in cash and cash equivalents** | | 4,002 | (836) |

**Analysis of cash and cash equivalents**

| | 1994 £000 | 1993 £000 | 1994 Change in year £000 | 1993 £000 | 1992 £000 | 1993 Change in year £000 |
|---|---|---|---|---|---|---|
| Cash at bank and in hand | 12,473 | 8,860 | 3,613 | 8,860 | 9,305 | (445) |
| Bank overdrafts | (179) | (568) | 389 | (568) | (177) | (391) |
| **At 31 December** | 12,294 | 8,292 | 4,002 | 8,292 | 9,128 | (836) |

At 31 December 1994, the Group had £2.3 million (1993: £6.3 million) of restricted cash at bank and in hand. The restricted cash predominantly comprises deposits required to be kept on hand at certain banks to comply with loan and other agreements.

# Notes to the Financial Statements

*at 31st December 1994*

### 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. Two Group Companies Portapert Properties UK BV and New Printing House Square Limited have balance dates of 30 November. Both these Companies accounting reference dates will be brought into line with the rest of the Group. No profit and loss account is presented for CLS Holdings plc as permitted by Section 230 of the Companies Act 1985.

Undertakings, other than subsidiary undertakings, in which the Group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The Group financial statements include the appropriate share of these undertakings' results and reserves based on audited financial statements to 31 December 1994.

(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. Goodwill is written off to other reserves in accordance with Statement of Standard Accounting Practice No 22. In circumstances where the purchase consideration is less than the attributable net asset value at the date of acquisition, the difference is treated as a 'reserve arising on consolidation' and is included within other reserves.

(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, and the accounts of overseas subsidiaries are translated at the same rates. Differences on exchange arising from the retranslation 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 receivable, including reverse premiums paid by tenants on surrender of leases, and property-related services provided during the year, excluding VAT and intra-Group trading. Rents received in advance are shown as deferred income in the balance sheet.

(f) *Income from property sales*

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

# Notes to the Financial Statements (continued)

(g) *Properties*

i) *Investment properties*

Investment properties are revalued annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits which exceed the total of the revaluation reserve 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, loan arrangement costs, introduction and 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.

(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

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.

# Notes to the Financial Statements (continued)

(j) *Renegotiation and repurchase of debt*

Debt which is renegotiated or repurchased by the Group at a price which differs from the amount of the related liability in the balance sheet and yields a different effective economic result, is treated by recording the gain or loss as a component of interest receivable and financial income in the profit and loss account for the period in which the renegotiation or repurchase occurs.

(k) *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.

## 2 Property and other income

| | 1994 £000 | 1993 £000 |
|---|---|---|
| **(a) Turnover by major activity** | | |
| Net rental income | 22,643 | 15,653 |
| Fees from property related services | 346 | 198 |
| Lease variation and surrender income | 1,505 | 212 |
| Other property related income | 1,851 | 410 |
| Total property related income | 24,494 | 16,063 |
| Other income | 48 | 80 |
| | 24,542 | 16,143 |

**(b) Income from property sales**

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Loss on sale of trading properties | (16) | (68) |
| Loss on sale of investment properties | — | (165) |
| | (16) | (233) |

The proceeds from sales of trading properties was £156,000 (1993: £2,085,000).

**(c) Turnover by geographical analysis**

| | 1994 £000 | 1993 £000 |
|---|---|---|
| United Kingdom | 24,259 | 15,941 |
| Rest of Europe | 283 | 202 |
| | 24,542 | 16,143 |

# Notes to the Financial Statements (continued)

## 3 Operating profit

| | 1994 £000 Continuing | 1994 £000 Acquisitions | 1994 £000 Total | 1993 £000 Continuing | 1993 £000 Acquisitions | 1993 £000 Total |
|---|---|---|---|---|---|---|
| **Turnover** | 22,666 | 1,876 | 24,542 | 14,679 | 1,464 | 16,143 |
| **Operating expenses** | | | | | | |
| – Administrative | 2,669 | 132 | 2,801 | 2,344 | 66 | 2,410 |
| – Net property | 1,708 | 64 | 1,772 | 673 | 84 | 757 |
| | 4,377 | 196 | 4,573 | 3,017 | 150 | 3,167 |
| **Exceptional operating expenses** | | | | | | |
| – Administrative | 1,103 | — | 1,103 | — | — | — |
| – Net property | — | — | — | 1,983 | — | 1,983 |
| | 5,480 | 196 | 5,676 | 5,000 | 150 | 5,150 |
| Income from property sales | (16) | — | (16) | (233) | — | (233) |
| **Operating profit** | 17,170 | 1,680 | 18,850 | 9,446 | 1,314 | 10,760 |

## 4 Exceptional operating expenses

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Staff bonus paid on flotation | 235 | — |
| Brussels Project provision (note (a)) | 868 | — |
| Write off of property management debtors | — | 1,201 |
| Write off of capitalised lease | — | 782 |
| | 1,103 | 1,983 |

(a) Represents provision against investment in property development which has not progressed as anticipated.

## 5 Exceptional interest receivable and financial income

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Gains from repurchase or renegotiation of debt | 7,430 | 500 |

Represents the reduction of outstanding debt through repurchase or renegotiation.

# Notes to the Financial Statements (continued)

## 6 Interest payable and related charges

| | 1994 £000 | 1993 £000 |
|---|---|---|
| On debentures, bank loans, overdrafts and other loans: | | |
| Repayable within 5 years, not by instalments | 3,785 | 7,798 |
| Repayable within 5 years, by instalments | 4,321 | 3,063 |
| Repayable wholly or partly in more than 5 years | 6,623 | 1,783 |
| | 14,729 | 12,644 |

## 7 Directors' remuneration

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Fees | 29 | — |
| Salary payments | 234 | 175 |
| | 263 | 175 |

| | 1994 £000 | | 1993 £000 | |
|---|---|---|---|---|
| Fees and other emoluments paid to: | Chairman | Highest paid Director | Chairman | Highest paid Director |
| Salary payments | 59 | 119 | 53 | 112 |

The number of Directors (including chairman and the highest paid Director) who received fees and other emoluments in the following ranges was:

| | 1994 | 1993 |
|---|---|---|
| £NIL - £5,000 | 2 | 2 |
| £10,001 - £15,000 | 1 | — |
| £15,001 - £20,000 | 1 | — |
| £50,001 - £55,000 | — | 1 |
| £55,001 - £60,000 | 2 | — |
| £95,001 - £100,000 | — | 1 |
| £115,001 - £120,000 | 1 | — |
| | 7 | 4 |

During 1994 no Director received any performance-related remuneration or any pension contributions.

None of the non-executive Directors have any option arrangements or entitlement to any pension contributions.

All Directors' contracts are determinable on a maximum of twelve months' notice although that of the Chief Executive cannot be determined prior to 31 December 1996.

Details of the options granted to Directors are set out in paragraph 6 of the Directors' Report.

No Director waived emoluments in respect of the years ended 31 December 1994 and 31 December 1993.

# Notes to the Financial Statements (continued)

## 8 Profit/(loss) on ordinary activities before taxation

| | 1994 £000 | 1993 £000 |
|---|---|---|
| This is stated after charging: | | |
| Auditors' remuneration | 120 | 36 |
| Depreciation of tangible fixed assets | 271 | 269 |
| Operating lease rentals | — | 105 |
| Directors' emoluments | 263 | 175 |

Fees paid to the auditors in respect of other services were £193,200.

## 9 Employee information

| | 1994 | 1993 |
|---|---|---|
| The average number of persons employed by the Group including executive Directors and their aggregate emoluments was as follows: | | |
| (a) Employees | | |
| Administration | 19 | 18 |

| (b) Costs | 1994 £000 | 1993 £000 |
|---|---|---|
| Salaries | 812 | 691 |
| Exceptional bonus payments | 235 | — |
| Social security | 66 | 46 |
| | 1,113 | 737 |

## 10 Tax on ordinary activities

| | 1994 £000 | 1993 £000 |
|---|---|---|
| United Kingdom Corporation tax at 33% (1993: 33%) | 85 | — |
| Overseas taxation | 4 | — |
| Over provision in respect of prior years | (155) | (721) |
| Irrecoverable Advance Corporation Tax (see note 21) | 70 | — |
| | 4 | (721) |

The current year UK corporation tax charge is low as a result of losses brought forward.

# Notes to the Financial Statements (continued)

## 11 Profit/(loss) 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 profit for the financial year was £6,729,216 (1993: £784,412).

## 12 Dividends

| | 1994 £000 | 1993 £000 |
|---|---|---|
| Dividends on ordinary shares: | | |
| Interim paid 0.4p per share (1993: nil) | 396 | — |
| Final proposed 2.95p per share (1993: nil) | 2,922 | — |
| | 3,318 | — |

## 13 Earnings per ordinary share

The calculation of earnings per share on the net basis is based on the profit on ordinary activities after taxation and on 77,750,253 (1993: 45,000,000) ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

An alternative figure for earnings per share has been calculated based on the profit on ordinary activities after taxation but excluding exceptional items. This alternative figure is intended to demonstrate recurring elements of the results of the Company after eliminating any exceptional items which are not expected to recur.

| | 1994 | 1993 |
|---|---|---|
| Earnings per share | 15.7p | (3.6p) |
| Adjustment for exceptional items | (8.1p) | 6.2p |
| Earnings per share excluding exceptional items | 7.6p | 2.6p |

# Notes to the Financial Statements (continued)

## 14 Tangible fixed assets

| Group | Investment freehold property £000 | Investment leasehold property £000 | Leasehold premium £000 | Leasehold improvements £000 | Plant and machinery £000 | Total £000 |
|---|---|---|---|---|---|---|
| Cost or valuation: | | | | | | |
| Opening balance 1 January 1994 as previously stated | 231,192 | 13,950 | 30 | 9 | 1,915 | 247,096 |
| Prior year adjustment (see note 25) | (23,442) | — | — | — | — | (23,442) |
| At 1 January 1994 as restated | 207,750 | 13,950 | 30 | 9 | 1,915 | 223,654 |
| Exchange differences | 325 | — | — | — | — | 325 |
| Additions | 69,363 | 3,962 | — | — | 112 | 73,437 |
| Surplus on revaluation | 1,607 | 38 | — | — | — | 1,645 |
| Disposals | — | — | — | — | (127) | (127) |
| At 31 December 1994 | 279,045 | 17,950 | 30 | 9 | 1,900 | 298,934 |
| Depreciation: | | | | | | |
| At 1 January 1994 | — | — | 30 | 2 | 1,111 | 1,143 |
| Charge for the year | — | — | — | 2 | 269 | 271 |
| Disposals | — | — | — | — | (125) | (125) |
| At 31 December 1994 | — | — | 30 | 4 | 1,255 | 1,289 |
| Net book value at 31 December 1994 | 279,045 | 17,950 | — | 5 | 645 | 297,645 |
| Net book value at 1 January 1994 as restated | 207,750 | 13,950 | — | 7 | 804 | 222,511 |

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

(b) At 31 December 1994 all freehold and leasehold properties that make up 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., an independent firm of Chartered Surveyors. The average yield on the UK portfolio is 8.4%. The yield is calculated on those properties which have been in the Group for the entire year.

(c) The historical cost of investment properties included at valuation is £ 261.5 million.

(d) All leasehold properties are held under long leases.

# Notes to the Financial Statements (continued)

## 15 Investments

| | Shares in subsidiary undertakings £000 | Investments in associated undertakings £000 | Other investments £000 | Total £000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 January 1994 as previously stated | — | — | 238 | 238 |
| Prior year adjustment (see note 25) | — | 2,213 | — | 2,213 |
| At 1 January 1994 as restated | — | 2,213 | 238 | 2,451 |
| Share of retained profit | — | 45 | — | 45 |
| Additions | — | — | 671 | 671 |
| Transfer on acquisition of associates (see note 25) | — | (2,258) | — | (2,258) |
| Brussels Project provision (see note 4) | — | — | (868) | (868) |
| At 31 December 1994 | — | — | 41 | 41 |
| **Company** | | | | |
| Cost at 1 January 1994 as previously stated | 25,948 | — | — | 25,948 |
| Prior year adjustment (see note 25) | (8,500) | — | — | (8,500) |
| At 1 January 1994 as restated | 17,448 | — | — | 17,448 |
| Additions | 770 | — | — | 770 |
| Cost at 31 December 1994 | 18,218 | — | — | 18,218 |
| Provision at 1 January 1994 | (663) | — | — | (663) |
| Movement on provision | 64 | — | — | 64 |
| Provision at 31 December 1994 | (599) | — | — | (599) |
| Net book value at 31 December 1994 | 17,619 | — | — | 17,619 |
| Net book value at 1 January 1994 as restated | 16,785 | — | — | 16,785 |

A list of subsidiary undertakings is shown in note 30.

## 16 Stocks

| | Group 1994 £000 | Group 1993 £000 | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| Trading properties | 75 | 245 | — | — |

# Notes to the Financial Statements (continued)

## 17 Debtors

| | Group 1994 £000 | Group 1993 £000 Restated | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| **Amounts falling due after more than one year** | | | | |
| Loan stock owed by subsidiary undertakings | — | — | 38,333 | 50 |
| Other debtors | 3,247 | 1,600 | — | — |
| | 3,247 | 1,600 | 38,333 | 50 |

| | Group 1994 £000 | Group 1993 £000 Restated | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Trade debtors | 1,240 | 2,689 | — | — |
| Amounts owed by subsidiary undertakings | — | — | 15,174 | 7,485 |
| Advance Corporation Tax recoverable | 515 | — | 180 | — |
| Other debtors | 826 | 7,673 | 18 | 260 |
| Prepayments and accrued income | 808 | 924 | 81 | — |
| | 3,389 | 11,286 | 15,453 | 7,745 |

## 18 Creditors

| | Group 1994 £000 | Group 1993 £000 Restated | Company 1994 £000 | Company 1993 £000 |
|---|---|---|---|---|
| **Amounts falling due within one year** | | | | |
| Debentures | 197 | 177 | — | — |
| Bank loans and overdrafts | 3,739 | 27,040 | — | — |
| Other loans | 250 | 13,831 | — | — |
| Trade creditors | 952 | 674 | 66 | 20 |
| Amounts owed to subsidiary undertakings | — | — | 3,560 | 3,561 |
| Amounts owed to associated undertakings | — | 388 | — | — |
| Corporation tax | 128 | — | — | — |
| Advance Corporation Tax payable | 585 | — | 585 | — |
| Other taxes and social security | 2,455 | 2,466 | — | — |
| Other creditors | 9,468 | 4,994 | — | 50 |
| Accruals and deferred income | 8,646 | 8,248 | 45 | 85 |
| Dividends payable | 2,922 | — | 2,922 | — |
| | 29,342 | 57,818 | 7,178 | 3,716 |

Details of security over debentures, bank loans and other loans are shown in note 19.

# Notes to the Financial Statements (continued)

## 19 Creditors

| | Group 1994 £000 | Group 1993 £000 Restated | Company 1994 £000 | Company 1993 £000 Restated |
|---|---|---|---|---|
| **Amounts falling due after more than one year** | | | | |
| Debenture loans | 41,737 | 41,934 | — | — |
| Bank loans | 100,232 | 67,863 | — | — |
| Other loans | 14,823 | 13,138 | — | — |
| Shareholders' loans | — | 13,013 | — | 12,201 |
| | 156,792 | 135,948 | — | 12,201 |
| **Debenture loans are repayable by instalments as follows:** | | | | |
| In one year or less | 197 | 177 | — | — |
| Between one and two years | 219 | 197 | — | — |
| Between two and five years | 815 | 733 | — | — |
| In five years or more | 40,703 | 41,004 | — | — |
| | 41,934 | 42,111 | — | — |
| **Bank loans are repayable as follows:** | | | | |
| In one year or less | 3,739 | 27,040 | — | — |
| Between one and two years | 55,303 | 2,220 | — | — |
| Between two and five years | 34,705 | 63,567 | — | — |
| In five years or more – by instalments | 8,445 | 465 | — | — |
| – otherwise than by instalments | 1,779 | 1,611 | — | — |
| | 103,971 | 94,903 | — | — |
| **Other loans are repayable as follows:** | | | | |
| In one year or less | 250 | 13,831 | — | — |
| Between one and two years | 250 | 8,988 | — | — |
| Between two and five years | 750 | 750 | — | — |
| In five years or more – by instalments | 12,888 | 875 | — | — |
| – other than by instalments | 935 | 2,525 | — | — |
| | 15,073 | 26,969 | — | — |

(a) The £41.9 million (1993: £42.1 million) of debenture loans represent amortising bonds which are repayable in equal quarterly instalments of £1,176,000 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 10.77%. The debentures are secured by a legal charge over the respective property to which they relate.

(b) Interest on bank loans is charged at fixed rates ranging between 7.7% and 10.7% and floating rates of LIBOR plus a margin ranging between 1.0 % and 2.0 %. All bank loans are secured by legal charges over the respective properties to which they relate, and in some 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 11.0% and 11.6%. The loans are secured by legal charges over the respective properties to which they relate.

(d) Shareholder loans have been capitalised as described in note 22.

(e) The aggregate amount of loans repayable by instalments, any part of which falls due for repayment in more than five years is £11,845,000 (1993: £565,000) and £14,137,000 (1993: £2,125,000) for bank loans and other loans respectively.

# Notes to the Financial Statements (continued)

## 20 Provision for liabilities and charges

| Group | £000 |
|---|---|
| At 1 January 1994 | 6,058 |
| Transfer to creditors within one year | (6,058) |
| At 31 December 1994 | — |

The amount provided is the full liability expected to be incurred under a foreign currency swap arrangement expiring in 1995.

## 21 Deferred taxation

| | 1994 | | 1993 | |
|---|---|---|---|---|
| | Provision £000 | Amount unprovided £000 | Provision £000 | Amount unprovided £000 |
| **Group** | | | | |
| Deferred taxation is provided as follows: | | | | |
| Capital allowances in excess of depreciation | 72 | 6,195 | 43 | 3,450 |
| Other short term timing differences | (72) | (67) | (43) | (1,164) |
| Future benefit of tax losses | — | (2,856) | — | (1,789) |
| Taxation on revaluation surplus | — | 9,226 | — | 3,226 |
| | — | 12,498 | — | 3,723 |

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 if overseas Companies were to remit dividends to the UK. There is no present intention to take any of these actions.

| | 1994 | | 1993 | |
|---|---|---|---|---|
| | Provision £000 | Amount unprovided £000 | Provision £000 | Amount unprovided £000 |
| **Company** | | | | |
| Deferred taxation is provided as follows: | | | | |
| Other short term timing differences | 552 | — | — | — |
| Less: Advance Corporation Tax | (335) | — | — | — |
| | 217 | — | — | — |

Advance Corporation Tax payable amounts to £585,000 as shown in note 18. Based on information available, it appears reasonably certain that £515,000 will be used during the coming year. In respect of the Company, £335,000 has been offset against the deferred taxation provision, £180,000 is being carried forward as shown in note 17 and the balance has been written off as shown in note 10. The whole of the recoverable amount has been carried forward on a Group basis as no deferred taxation provision is required for the Group as a whole.

# Notes to the Financial Statements (continued)

## 22 Share capital

| (a) Authorised and issued as at 31 December | 1994 £000 | 1993 £000 |
|---|---|---|
| Authorised | | |
| 160,000,000 Ordinary Shares of 25p each | 40,000 | — |
| 40,000,000 Ordinary Shares of £1 each | — | 40,000 |
| Allotted, called up and fully paid | | |
| 99,066,501 Ordinary Shares of 25 p each | 24,767 | — |
| 2,250,000 Ordinary Shares of £1 each | — | 2,250 |

(b) In May 1994 the existing Ordinary Issued Shares of £1 were subdivided into Ordinary Shares of 25p each.

(c) Allotments of issued capital

| | Nominal value £000 | Number of Ordinary Shares of 25p each '000 |
|---|---|---|
| Opening share capital of £1 each | 2,250 | 2,250 |
| Share capital following share split described at (b) above | 2,250 | 9,000 |
| Allotted by way of capitalisation of loans of £9,568,000 | 637 | 2,548 |
| Allotted by way of bonus issue | 10,590 | 42,361 |
| Allotted pursuant to the Placing and Intermediaries Offer on 27 May 1994 at an aggregate consideration of £50,000,000 | 11,262 | 45,045 |
| Allotted in lieu of interim cash dividend | 28 | 112 |
| | 24,767 | 99,066 |

## 23 Options in shares of CLS Holdings plc

During the year options were granted for 25p Ordinary Shares as follows:

| No of Shares | Subscription Price per Share | Period of Option |
|---|---|---|
| 316,000 | 111p | 27.05.1997 – 26.05.2001 |
| 210,000 | 108p | 27.05.1997 – 26.05.2001 |
| 300,000 | 108p | 27.05.1997 – 26.05.2004 |
| 134,000 | 111p | 27.05.1997 – 26.05.2004 |
| 960,000 | | |

The options for 434,000 of these shares were granted within the Companies Inland Revenue Approved Executive Share Option Scheme and options for 526,000 shares were granted in a non-approved scheme.

The exercise of all of the above options is conditional upon the satisfaction of a performance criteria based on the growth of the net assets of the Company.

No options were exercised and no options lapsed during the year.

# Notes to the Financial Statements (continued)

## 24 Share premium account and reserves

| | Share premium account £000 | Revaluation reserve £000 | Other reserves £000 | Profit and loss account £000 |
|---|---|---|---|---|
| **Group** | | | | |
| At 1 January 1994 as previously stated | — | 33,442 | 6,384 | 7,298 |
| Prior year adjustments (note 25) | — | 58 | (2,303) | — |
| At 1 January as restated | — | 33,500, | 4,081 | 7,298 |
| Exchange difference | | | (49) | — |
| Issue of shares – Placing and Intermediaries Offer | 38,739 | — | — | — |
| Issue of shares – interim dividend | 88 | — | — | — |
| Bonus issue of shares | (10,590) | — | — | — |
| Expenses of share issue | (2,309) | — | — | — |
| Capitalisation of loans | 8,931 | — | — | — |
| Goodwill acquired during the year | — | — | 15,721 | — |
| Unrealised surplus on revaluation of properties | — | 1,645 | — | — |
| Retained profit for the year | — | — | — | 8,914 |
| At 31 December 1994 | 34,859 | 35,145 | 19,753 | 16,212 |
| **Company** | | | | |
| At 1 January 1994 as previously stated | 8,500 | — | 4,599 | 1,948 |
| Prior year adjustment (note 25) | (8,500) | — | — | — |
| At 1 January as restated | — | — | 4,599 | 1,948 |
| Issue of shares – Placing and Intermediaries Offer | 38,739 | — | — | — |
| Issue of shares – interim dividend | 88 | — | — | — |
| Bonus issue of shares | (10,590) | — | — | — |
| Expenses of share issue | (2,309) | — | — | — |
| Capitalisation of loans | 8,931 | — | — | — |
| Retained profit for the year | — | — | — | 3,411 |
| At 31 December 1994 | 34,859 | — | 4,599 | 5,359 |

# Notes to the Financial Statements (continued)

## 25 Prior year adjustments

(i) On 31 December 1993, the Group acquired all of the share capital of a Company (Klio AB) which had a 49% interest in a partnership which owned and operated a property. Prior to the above transaction, Klio AB entered into an agreement to purchase an additional 50% interest in the partnership. Klio AB consolidated the results of the partnership in its balance sheet at 31 December 1993. The acquisition of the additional 50% was however conditional at 31 December 1993, and no clear basis of control was present. A prior period adjustment has been made to restate the Group balance sheet as at 31 December 1993 to reflect the fact that Klio AB did not control the partnership at that date. No adjustment is required to the profit and loss account as Klio AB was acquired at the year end and was not therefore included in the profit and loss account in 1993. Net assets have been reduced by £2,245,000, as shown below, which represents 50% of the value of the partnership assets together with an exchange adjustment. The acquisition was completed on 27 May 1994.

| | Increase/ (Decrease) £000 |
|---|---|
| Tangible fixed assets | (23,442) |
| Investments | 2,213 |
| | (21,229) |
| Debtors: amounts falling due within one year | 769 |
| Cash at bank and in hand | (39) |
| | 730 |
| Creditors: amount falling due within one year | 3,748 |
| Net current assets | 4,478 |
| Total assets less current liabilities | (16,751) |
| Creditors: amounts falling due after one year | 14,506 |
| **Net Assets** | (2,245) |

(ii) In 1993 CLS Holdings plc acquired the whole of the issued share capital of Portapert Properties UK BV for a consideration of cash and shares in the Company. The shares were issued at a premium of £8,500,000 and a share premium account was created on acquisition. The acquisition is eligible for merger relief under the Companies Act 1985, therefore an adjustment has been made to eliminate the premium and reduce the investment to the nominal value of the shares issued.

(iii) Where necessary comparative figures have been conformed to the Listing Particulars which were published on 12 May 1994. In addition the bank overdraft held at 31 December 1993 of £391,000 has been reclassified from financing activities to cash equivalents in order to comply with the Financial Reporting Standard relating to Cash Flow Statements.

# Notes to the Financial Statements (continued)

## 26 Acquisitions

During the year ended 31 December 1994 the Group acquired the whole of the issued share capital of Bingram Limited and its subsidiaries and Malmros Property BV. These Companies were acquired for a cash consideration of £382,429. The Group has used acquisition accounting to account for the purchase. The subsidiaries had combined net profits of £8,364,716 from 1 January 1994, the beginning of their financial year, to the respective dates of acquisitions. Net profit included in the Group's results following acquisition was £676,773.

The remaining 50% was also acquired in both the Group's associate Companies, One Leicester Square Limited and Southern House KB for a cash consideration by the Group of £739,531. Net losses included in the Group's results following acquisition were £244,720. The associated Companies had combined net profits of £90,500 from 1 January 1994, the beginning of their financial year, to the respective dates of acquisition.

The fair value of the assets and liabilities as of the respective date of acquisition are set out below:

| | £000 |
|---|---|
| **Tangible fixed assets** | 68,947 |
| **Current assets** | |
| Debtors due after more than one year | 11,587 |
| Debtors falling due within one year | 4,161 |
| Cash at bank and in hand | 40 |
| **Total assets** | 84,735 |
| **Creditors** | |
| Amounts falling due within one year | (22,070) |
| Amounts falling due after more than one year | (42,408) |
| **Net Assets** | 20,257 |
| Value of assets in excess of related purchase consideration | (15,721) |
| | 4,536 |
| **Satisfied by:** | |
| Cash consideration | 1,122 |
| Non cash consideration | 3,414 |
| | 4,536 |

Non cash consideration is comprised of the original 50% investments in the associates acquired and the reversal of provisions relating to these investments.

The assets and liabilities of the acquired companies were historically carried at fair value and subject to the same accounting policies as those of the Group, as such, no adjustments to the carrying values were required on acquisition.

# Notes to the Financial Statements (continued)

## 27 Reconciliation of operating profit to net cash inflow from operating activities

| | Note | 1994 £000 | 1993 £000 |
|---|---|---|---|
| **Continuing activities** | | | |
| Operating profit | | 18,895 | 10,451 |
| Share of (profit)/loss of associated undertaking | | (45) | 309 |
| Depreciation | | 271 | 269 |
| Exceptional items | 4 | 868 | 1,983 |
| Decrease in debtors | | 7,521 | 2,484 |
| Decrease in creditors | | (10,748) | (4,635) |
| Decrease in stocks | | 170 | 2,141 |
| Loss on sale of property | | — | 165 |
| Net cash inflow from continuing operating activities | | 16,932 | 13,167 |

## 28 Changes in financing

| | 1994 £000 | Restated 1993 £000 |
|---|---|---|
| **(a) Loan finance** | | |
| Balance brought forward | 176,818 | 157,864 |
| Net cash outflow | (43,212) | (13,940) |
| Loans of subsidiary undertakings acquired during the year | 45,254 | 82,762 |
| Loans of subsidiary undertakings disposed of during the year | — | (49,624) |
| Interest capitalised | 180 | — |
| Capitalisation of shareholders' loans | (9,568) | — |
| Renegotiation of debt | (8,105) | (635) |
| | 161,367 | 176,427 |
| (Increase)/decrease in bank overdrafts | (389) | 391 |
| | 160,978 | 176,818 |

| | 1994 £000 | Restated 1993 £000 |
|---|---|---|
| **(b) Share capital (including premium)** | | |
| Balance brought forward | 2,250 | 2,000 |
| Shares issued for cash | 50,000 | — |
| Expenses of share issue | (2,309) | — |
| Shares issued for non cash consideration | 9,685 | 250 |
| Balance carried forward | 59,626 | 2,250 |

# Notes to the Financial Statements (continued)

## 29 Commitments and contingent liabilities

At 31 December 1994 the Group had no annual commitments under non-cancellable operating leases which expire in more than five years and no capital commitments existed as at 31 December 1994 for the Group or Company (1993 nil for the Group and nil for the Company). One of the Group undertakings has granted two rental indemnities which give that Company a maximum exposure of £44,345 per annum over the next sixteen years and £17,000 per annum over the next four years. These indemnities are currently covered by rental income arising from leases granted to the tenants on Group properties.

As of 31 December 1994, the Company had guaranteed £48.5 million of Group Companies' liabilities.

## 30 Investment in Group undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive lengths. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group:

| Name of Undertaking | Country of Incorporation or Registration | Description of shares held | Proportion of nominal value of issued shares held by: Group % | Company % |
|---|---|---|---|---|
| 100 Cambridge Grove Limited (formerly Selon Investments Limited) | England and Wales | Ordinary £1 shares | 100 | |
| CI Tower Limited (formerly Charngate Limited) | England and Wales | Ordinary £1 shares | | 100 |
| Cliffords Inn Ltd (formerly Talismead Investments Limited) | England and Wales | Ordinary £1 shares | 100 | |
| CLSH Management Limited | England and Wales | Ordinary £1 shares | | 100 |
| New Printing House Square Limited | England and Wales | Ordinary £1 shares | 100 | |
| New Malden House Limited (formerly Tileport Limited) | England and Wales | Ordinary £1 shares | | 100 |
| One Leicester Square Limited (formerly Amesbeech Limited) | England and Wales | Ordinary £1 shares | | 100 |
| Portapert Properties III BV | Netherlands | Ordinary Shares of NLG1,000 | | 100 |
| Southern House Limited (formerly Grangewise Investments Limited) | England and Wales | Ordinary £1 shares | 100 | |
| Spring Gardens Limited (formerly Express Offices Limited) | England and Wales | Ordinary £1 shares | | 100 |
| Vauxhall Cross Limited (formerly Amesdale Limited) | England and Wales | Ordinary £1 shares | | 100 |
| Westminster Tower Limited (formerly Hivebuy Limited) | England and Wales | Ordinary £1 shares | | 100 |

The principal activities of these subsidiaries is property investment apart from CLSH Management Limited which is property management.

The Group has no associated undertakings.

# Summary of financial statements

*for the four years ended 31 December 1994*

| Turnover and results | 1991 £000 | 1992 £000 | 1993 £000 | 1994 £000 |
|---|---|---|---|---|
| **Turnover** | | | | |
| Continuing operations | 12,657 | 15,360 | 14,679 | 22,666 |
| Acquisitions | — | 466 | 1,464 | 1,876 |
| | 12,657 | 15,826 | 16,143 | 24,542 |
| **Operating Profit** | | | | |
| Continuing operations | 11,038 | 10,851 | 9,446 | 17,170 |
| Acquisitions | — | 377 | 1,314 | 1,680 |
| | 11,038 | 11,228 | 10,760 | 18,850 |
| **Share of Profit/(Loss) of Associated Undertakings** | (160) | 200 | (309) | 45 |
| Exceptional item – loss on disposal of subsidiaries | — | — | (1,300) | — |
| **Profit on Ordinary Activities Before Interest** | 10,878 | 11,428 | 9,151 | 18,895 |
| Net interest payable and related charges | (13,418) | (12,895) | (11,973) | (14,089) |
| Exceptional interest and financial (loss)/income | — | (1,137) | 500 | 7,430 |
| **Profit/(Loss) Before Taxation** | (2,540) | (2,604) | (2,322) | 12,236 |
| Tax on ordinary activities | — | (159) | 721 | (4) |
| **Profit/(Loss) For The Financial Year** | (2,540) | (2,763) | (1,601) | 12,232 |
| Dividends | — | — | — | (3,318) |
| **Retained Profit/(Loss)** | (2,540) | (2,763) | (1,601) | 8,914 |
| **Net Assets Employed** | | | | |
| Fixed assets | 120,379 | 161,778 | 224,962 | 297,686 |
| Net current assets/(liabilities) | (20,315) | (24,055) | (35,827) | (10,158) |
| | 100,064 | 137,723 | 189,135 | 287,528 |
| Non-current liabilities | (85,248) | (120,152) | (135,948) | (156,792) |
| Provisions for liabilities and charges | — | (5,490) | (6,058) | — |
| | 14,816 | 12,081 | 47,129 | 130,736 |
| **Ratios** | | | | |
| Net assets per share | £7.41p | £6.04p | £20.95p | £1.32p |
| Earnings per share | (6.4p) | (6.9p) | (3.6p) | 15.7p |
| Gearing | 527% | 918% | 270% | 114% |
| Interest cover | 0.86 | 0.96 | 1.04 | 1.42 |

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

The results for 1990 have not been shown. This information is not considered to be relevant and did not form a part of the listing particulars issued on 12 May 1995.

# Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of CLS Holdings plc will be held at the Oxford Room, New Connaught Rooms, Great Queen Street, London WC2B 5DA on Tuesday 30 May 1995 at 12 noon for the following purposes:

**Ordinary Business**

1 To adopt the report of the Directors and the accounts for the year ended 31 December 1994

2 To declare a final dividend

3 To re-elect as a Director Sir David Rowe-Ham who retires under Article 129 (automatic retirement following appointment to the Board)

4 To re-elect Keith Harris as a Director who retires under Article 122 (retirement by rotation)

5 To re-elect as a Director Glyn Hirsch who retires under Article 129 (automatic retirement following appointment to the Board)

6 To re-appoint Coopers & Lybrand as auditors and authorise the Directors to fix their remuneration

7 To consider and if thought fit to pass the following resolution as an Ordinary Resolution:

"That the Directors be and are hereby unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to allot all relevant securities (within the meaning of the said Section 80) in the authorised share capital of the Company which are unissued at the time of the passing of this resolution provided that this authority shall expire on the conclusion of the next annual general meeting of the Company following the date of the passing of this resolution or 12 August 1996, whichever is the earlier "

8 To consider and if thought fit to pass the following resolution as a Special Resolution:

"That, subject to the passing of the preceding resolution, the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94) of the Companies Act 1985) as if Section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them

(b) the allotment of equity securities pursuant to the terms of the CLS Holdings plc 1994 Executive Share Option Scheme

(c) the allotment otherwise than pursuant to sub-paragraphs (a) and (b) above of equity securities which are to be wholly paid up in cash to an aggregate nominal value of £5,000,000 "

provided that this power shall expire on the conclusion of the next annual general meeting of the Company following the date of the passing of this resolution or 12 August 1996, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to such offer or agreement as if the power conferred hereby had not expired.

# Notice of Annual General Meeting (continued)

**Special Business**

9 To consider and if thought fit pass the following resolution as an ordinary resolution:

"That the Directors are generally and unconditionally authorised:

(a) to exercise the power contained in Article 164(B) of the Articles of Association of the Company so that, to the extent determined by the Directors, the holders of ordinary shares of 25 pence each may be permitted to elect to receive new ordinary shares of 25 pence each credited as fully paid instead of all or part of the final dividend for the financial year ended 31 December 1994 and any interim dividend resolved by the Directors to be paid in respect of the financial year ending 31 December 1995

(b) to capitalise the appropriate nominal amount of additional ordinary shares of 25 pence each falling to be allotted pursuant to the election made as aforesaid out of the amount standing to the credit of reserves, to apply such sum in paying up such ordinary shares of 25 pence each and to allot such shares to members of the Company validly making such elections."

**By order of the Board**

**T J Thomson**
Company Secretary
3 May 1995

*Registered Office:*
6 Spring Gardens
Tinworth Street
London SE11 5EH

Notes

1 Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company. Any form of proxy must be deposited with the Company's registrars at the address shown on the form of proxy not later than fortyeight hours before the time fixed for the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

2 There will be available for inspection at the Company's registered office during usual business hours each week on Mondays to Fridays (excluding public holidays) from the date of this notice up to the date of the meeting and at the meeting itself from fifteen minutes prior to the commencement of the meeting until its conclusion:

(i) the register of interests of Directors in the share capital of the Company

(ii) copies of all service contracts relating to Directors of the Company

CLS Holdings plc

# Form of Proxy for Annual General Meeting

I/We ..........................................................................................................................................
(BLOCK CAPITALS)

of ............................................................................................................................................
being member/members of CLS Holdings plc hereby appoint the Chairman of the meeting or..........
.......................................................... as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on 30 May 1995 and at any adjournment thereof.

I/We desire to vote in respect of the resolutions set out in the notice convening the meeting as follows:

| | | FOR | AGAINST |
|---|---|---|---|
| 1 | Resolution to receive the Directors' Report and Accounts | ☐ | ☐ |
| 2 | Resolution to declare a final dividend | ☐ | ☐ |
| 3 | Resolution to re-elect Sir David Rowe-Ham | ☐ | ☐ |
| 4 | Resolution to re-elect Keith Harris | ☐ | ☐ |
| 5 | Resolution to re-elect Glyn Hirsch | ☐ | ☐ |
| 6 | Resolution to re-appoint the auditors and authorise the Directors to fix their remuneration | ☐ | ☐ |
| 7 | Resolution to renew the Directors' authority to issue shares | ☐ | ☐ |
| 8 | Resolution to grant authority to the Directors to allot shares | ☐ | ☐ |
| 9 | Resolution to grant authority to the Directors to issue shares in lieu of a cash dividend | ☐ | ☐ |

Dated this ..........................................................day of..........................................................1995

Signature ......................................................................................................................................

**Notes**

1 Please indicate with a tick how you would like your votes to be cast. If for any resolution neither box is ticked the proxy will abstain or vote at his discretion.

2 This form of proxy, to be valid, must be lodged with the Company's registrars not less than 48 hours before the time of the meeting.

3 In the case of a corporation, this proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised, in which case the written authority must also be lodged with the Company's registrars with this form of proxy.

4 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

5 A member is entitled to appoint his or her own proxy and if he or she wishes to do so he or she should delete the appointee given above and insert the proxy's name in the space provided. A proxy need not be a member of the Company.

6 Completion of this form of proxy will not preclude attendance in person.

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**The Royal Bank of Scotland plc**
**PO Box 457**
**Owen House**
**8 Bankhead Crossway North**
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**EH11 0XG**

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