



CRITERION  
PROPERTIES

**Annual report & Financial statements**  
For the year ended 31 December 2000



# CONTENTS

Introduction	2
Directors and Advisers	3
Chairman's Statement	4
Property Review	6
Property Schedule	7
Report on Corporate Governance	8
Report by the Board to the Shareholders on Directors' Remuneration	10
Report of the Directors	12
Statement of Directors' Responsibilities	14
Report of the Auditors	15
Consolidated Profit and Loss Account	16
Consolidated Balance Sheet	17
Company Balance Sheet	18
Statement of Total Recognised Gains and Losses	19
Reconciliation of Movements in Shareholders' Funds	19
Consolidated Cash Flow Statement	20
Notes to the Accounts	21
Notice of Annual General Meeting	34

*IT Tower, Avenue Louise, Brussels  
22,778 m<sup>2</sup> – Bought March 2001*

# CRITERION PROPERTIES PLC

IT IS THE AIM OF CRITERION PROPERTIES PLC to enhance shareholder value through:–

- active management of our property portfolio;
- a programme of carefully selected property acquisitions and disposals;
- expanding the Company into European property;
- strengthening the Company's returns by working with partners, where appropriate;
- increasing earnings per share;
- increasing net asset value per share.

# DIRECTORS AND ADVISERS

<b>Directors</b>	<p>Rolf L Nordström <i>Chairman</i></p> <p>Alan Palmer <i>Finance Director</i></p> <p>Michael J de H Bell <i>Non-executive</i></p> <p>Michel Berges <i>Non-executive</i></p> <p>William Hemmings <i>Non-executive</i></p> <p>John S Lamb <i>Non-executive</i></p> <p>Sir Eric Parker <i>Non-executive</i></p>
<b>Secretary</b>	Alan Palmer
<b>Registered Office</b>	34 St James's Street London SW1A 1HD
<b>Registration No.</b>	2101254 – Registered in England and Wales
<b>Stockbrokers</b>	Peel Hunt PLC 62 Threadneedle Street London EC2R 8HP
<b>Auditors</b>	Deloitte & Touche Chartered Accountants Hill House, 1 Little New Street London EC4A 3TR
<b>Solicitors</b>	Brough Skerrett The City Law Partnership 99 Charterhouse Street London EC1M 6NQ
<b>Bankers</b>	Bank of Scotland
<b>Registrars and Transfer Office</b>	IRG plc Balfour House, 390/398 High Road Ilford, Essex IG1 1NQ
<b>Share Price Information</b>	The Financial Times Cityline Service: 0336 433 106

# CHAIRMAN'S STATEMENT

The Group has made significant progress during the year towards achieving its stated objectives of expanding its activities into Europe and disposing of its portfolio in the U.K.

## **Change of Control**

As mentioned in my statement made in April of last year the Company had a change in its major shareholders when Controlco BV purchased a majority share in the Company. This change of shareholding prompted an unconditional cash offer for the entire issued share capital of Criterion Properties PLC on 8 May 2000 under Rule 9 of the takeover code. Controlco BV then transferred its interest to Controlco Holding NV. As a result of these transactions Controlco Holding NV now owns 59.6% of the shares in Criterion Properties PLC. Both Controlco BV and Controlco Holding NV are indirectly beneficially owned by the Nordström family.

## **Results Summary**

Criterion's results this year include exceptional costs of £187,000 relating primarily to this Rule 9 offer during the first half of the year. Results also include a profit on sale of properties of £586,000 offset by costs of early redemption of loans of £201,000. Comparative results for the year ended 31 December 1999 included a one-off lease surrender receipt of £104,000.

The main financial highlights for the Financial Year ended 31 December 2000 include:

- Profit on ordinary activities before taxation for the year ended 31 December 2000 up 23% from 31 December 1999 to £814,000.
- Net asset value at 145.0 pence per share as at 31 December 2000 (137.8 pence per share as at 31 December 1999). Unrecognised trading stock value increases would add approximately 95.2 pence per share to the NAV gross before tax (116.9 pence per share as at 31 December 1999); making a total of 240.2 pence per share NAV gross before tax as at 31 December 2000 (254.7 pence per share as at 31 December 1999). Following post year end disposals of trading properties, the estimated NAV per share after tax based on the values in the Pro Forma Consolidated Balance Sheet given in Note 26 "Post Balance Sheet Events" on page 32, is 214.3 pence per share.
- Second interim dividend of 4.0 pence per share, making a total of interim dividends to date of 7.0 pence per share (Total Dividend of 7.0 pence per share for the year ended 31 December 1999).
- Earnings per share up 18% at the year ended 31 December 2000 8.82 pence per share (year ended 31 December 1999 – 7.44 pence per share).

## **Property purchases and sales**

On 3 April 2000 the Group purchased a 36,288 sq. metre (390,600 sq. feet) property comprising warehouses and offices in Aartselaar near Antwerp, Belgium. This building cost £6.9 million and presently yields in excess of 9% gross. Recent long term lease renewals to major tenants have improved the letting profile.

During the year 2000 the Group has sold a number of U.K. properties. On 12 February 2001 the £60 million sale of five major buildings both in the Group and the joint venture partnership with Oaktree Capital Management, LLC was completed. These buildings comprised Brunel House, Cardiff and Essex House, Hull within the Group; and Bouverie House, Fleet Street, The Pithay, Bristol and York House, Wembley within the joint venture partnership. These sales have released £11.7 million of cash into the Group.

On 15 March 2001, the Group completed the purchase of the long term 65 year leasehold interest in the ITT Tower, Brussels; a 22,778 sq. metre (245,180 sq. feet) land mark office block situated on Avenue Louise, Brussels. The property was purchased for Belgian Francs 1.650 billion (£25.6 million) using a mixture of long term non-recourse bank debt of Belgian Francs 1.307 billion (£20.4 million) and the balance in cash from the Group. The property is presently yielding 8.9% gross on the purchase cost and is 92% let.

The result of these post year end transactions is to increase the Group's reserves by £5.1 million as shown in the Pro Forma Consolidated Balance Sheet in Note 26 on Page 32.

## **Corporate matters**

On 4 April 2001 the Company announced the dismissal of Aubrey Glaser ("Mr Glaser") as Managing Director of the Company on 3 April 2001. As mentioned in previous statements the Company entered into a limited

partnership with Oaktree Capital Management LLC ("Oaktree"). On 30 March 2000 a Supplemental Agreement ("the Agreement") was entered into with Oaktree purporting to vary the terms of this partnership. It was executed purportedly on behalf of the Company by Mr Glaser, and the Company Secretary. This Agreement purported to give Oaktree the right to require the Company to buy out the Oaktree share of the partnership on terms highly beneficial to Oaktree in the event of a change of control of the Company or the departure or non involvement in management of the Chairman (who had no knowledge of the Agreement) or Mr Glaser.

Leading Counsel has advised that there are substantial grounds for contending that the Agreement was entered into in breach by Mr Glaser of his fiduciary and other duties. The Agreement was not authorised by the Board of Directors nor was it disclosed to the Board until recently. This lack of disclosure led to the Agreement not being referred to as a material contract in the offer document sent to shareholders on 8 May 2000 or the interim statements published on 12 September 2000. Acting on advice received from Leading Counsel the Company dismissed Mr Glaser.

On the basis of advice from Leading Counsel and the operation of the partnership to date, under which three out of four properties owned by the partnership have been sold, the opinion of the Board of Directors is that the Company is unlikely to incur a material loss as a result of this Agreement. Therefore no provision is included for any contingent liability or any possible claim following Mr Glaser's dismissal in the accounts for the year ended 31 December 2000.

#### **Prospects**

In the Interim report dated 12 September 2000 I observed that "the performance of the U.K. commercial property market continues to be sporadic". Recent U.K. and worldwide interest rate declines still do not seem to have affected this outlook. We are still seeing better opportunities for net income yield and asset growth in the continental European property market. A good example being our recent purchase of the ITT Tower, Brussels producing an initial 8.9% gross yield, which is expected to increase to 9.6% upon letting the vacant space.

With the acquisition of the ITT Tower the Company is well positioned for future growth. The outlook for the Brussels market is very positive with more countries joining the EC and the importance of Brussels as Europe's political capital is increasing. There are clear signs of the letting market for office space gradually becoming tighter with an upward movement in rents and property values.

In order to address the problem of the current share price discount to net asset value, the Board continues to explore the possibilities of a share buy back programme.

#### **Dividend**

The Board proposes to pay a second interim dividend of 4.0 pence per share bringing the total interim dividends per share for the year ended 31 December 2000 to 7.0 pence (Total interim and final dividends per share for the year to 31 December 1999: 7.0 pence per share). The second interim dividend will be paid on 4 July 2001 to shareholders on the register on 8 June 2001. It is the intention of the Board to maintain or improve earnings per share and dividends to shareholders as the Group expands into Europe.

#### **Directors and Staff**

I would like again to take this opportunity to thank my fellow Directors, staff and our advisers for their hard work and dedication during the year in helping us reposition the Company into the European property market.



Rolf L Nordström, Chairman  
4 June 2001

# PROPERTY REVIEW

Over the last year the Group has repositioned itself from primarily a U.K. into a primarily European property company. This has seen us sell a major portion of our U.K. portfolio while re-investing shareholder funds into the European property arena.

All of the various refurbishment programmes for the U.K. properties were completed during the year and our portfolio continued to let up to its highest ever occupancy levels.

During May 2000 the Company sold its retail property in Dartford at a loss on sale of £50,000. In November 2000 the Company sold 6-8 Catherine Street, Salisbury for a profit of £22,500. During October and November last year

the Company entered into an irrevocable agreement to sell Hathaway House, London; Finance House, Bristol; and West Africa House, Liverpool. These resulted in a profit on sale of £586,000.



*Brunel House, Cardiff.*

On 12 February 2001 the Company completed on the sale of five major remaining buildings both in the Group and also in the joint venture partnership arrangement with Oaktree Capital Management, LLC. These buildings comprised Brunel House, Cardiff and Essex House, Hull within the Group's wholly owned properties; and Bouverie House, Fleet Street; The Pithay, Bristol and York House,

Wembley within the joint venture. These sales released £11.7 million of cash into the Group.

On 3 April 2000, the Company purchased a 36,288 sq.m. (390,604 sq.ft.) building comprising warehouses and offices in Aartselaar near Antwerp, Belgium, via a wholly owned subsidiary. The building cost £6.9 million and presently yields 9% gross, rising to over 10% when fully let. The purchase was funded using a mix of local Belgian bank borrowings and cash. Some minor refurbishment works are planned for the second quarter 2001. It is the intention to fully lease the building and then to sell it.



*IT Tower, Brussels*

On 27 February 2001 the Company announced the purchase of the leasehold interest in the ITT Tower, Avenue Louise, Brussels, Belgium for BEF 1,690 billion (£26.2 million) including transaction costs. The leasehold interest has 65 years remaining. The property was let as at 1 January 2001 yielding an annual rental income of BEF 151 million, (£2.34 million) and the purchase represents a net initial yield of 8.9%. Fully let the building is estimated to produce an income of approximately BEF 162 million (£2.51 million) with a yield of 9.6%. The intention is to hold the property as trading stock. The 22,778 sq. metres (245,182 sq. feet) office property is well located close to the city centre at the corner of the Avenue Louise and the Avenue De Mot. Major tenants at the building include international management consultants McKinsey & Co, FMC Europe, Volkswagen, Jones Day and Stora Enso. The Company will continue a programme of upgrading space at the property.

Further details of the above purchases and sales and their impact on the Group's balance sheet are given in the Note on Post Balance Sheet Events on page 31. The present portfolio of properties is given in the "Property Schedule" on page 7.

# PROPERTY SCHEDULE

at 4 June 2001

Location	Type	Freehold or Leasehold	Size ft <sup>2</sup>	Size m <sup>2</sup>	Occupancy	Notes
<b>CRITERION PROPERTIES PLC</b>						
<b>WHOLLY OWNED</b>						
<b>Aartselaar</b> Antwerp, Belgium	Warehouse + Office	Freehold	390,604	36,288	92%	
<b>Penzance – 4/8 Market Place</b> 4/8 Market Place, Penzance, Cornwall	Retail + Office	Freehold	4,886	460	85%	
<b>ITT Tower</b> Brussels, Belgium	Office	Leasehold	245,182	22,778	92%	65 Year lease to 2066. Acquired 15 March 2001
<b>Total, wholly owned properties:</b>			<b>640,672</b>	<b>59,526</b>		
<b>PARTNERSHIP PROPERTIES</b>						
<b>Criterion – Stratford (Basingstoke) Limited</b>						
<b>Basingstoke – Digital Building</b> Viabes Industrial Estate, Basingstoke	Office	Leasehold	44,070	4,093	100%	125 Year lease to 2107 82% interest
<b>TOTAL, OWNED OR UNDER MANAGEMENT:</b>			<b>684,742</b>	<b>63,619</b>		
<b>SUMMARY:</b>						
<b>Criterion Properties PLC share of Partnership Properties @ 25%</b>			<b>11,018</b>	<b>1,023</b>		
<b>Criterion Properties PLC wholly owned properties</b>			<b>640,672</b>	<b>59,526</b>		
<b>TOTAL, WHOLLY OWNED AND SHARE OF PARTNERSHIP:</b>			<b>651,690</b>	<b>60,549</b>		

# REPORT ON CORPORATE GOVERNANCE

As required by the Financial Services Authority Listing Rules, paragraph 12.43A(a), the Board sets out below its application of the principles in the Combined Code.

## **Company Organisation**

The Board comprises two executive Directors including an executive Chairman, and five independent non-executive Directors. The roles of Chairman and Chief Executive are held by Rolf L Nordström. The senior independent non-executive Director is John Lamb. The Board carries the responsibility for the overall conduct of the business of the Company and Group. It is responsible for the overall Group strategy and management, acquisition and divestment policy, internal control, approval of major capital expenditure projects and significant financing matters. Both regular and ad hoc reports and information are supplied in a timely manner to the Directors prior to each Board meeting. Board meetings are held approximately once every three months. The present Board consists of experienced Directors from the property, construction, financial services and fund management sectors. The principal committees of the Board are the Remuneration Committee, the Nominations Committee and the Audit Committee.

## **The Appointment of Directors**

All Directors have to retire by rotation every three years and submit themselves for re-election. Each non-executive Director has a separate Letter of Appointment setting out their non-executive duties and remuneration. All Directors are able to take independent professional advice in furtherance of their duties if necessary. All appointments to the Board are recommended through the Nominations Committee which comprises M J de H Bell, J Lamb, R L Nordström and Sir Eric Parker.

## **Audit Committee**

The Audit Committee comprises all non-executive Directors with Sir Eric Parker holding the position of Chairman, with all executive Directors invited to attend. The Committee reviews the half year and final financial results before they are approved by the Board of Directors. The Audit Committee reviews any changes in accounting practice, major areas of judgement, the going concern assumption, compliance with accounting and regulatory principles, and ensures that the results represent a fair and meaningful assessment of the Company's financial performance and prospects. The auditors present a report to the Audit Committee at the interim and year end and are given the opportunity to speak confidentially to the Committee. The Audit Committee semi-annually reviews the system of internal controls and the need for an internal audit function in the Company.

## **Investor Relations**

Investor relations are managed mainly through the Annual General Meeting of the Company and on an ad hoc basis through enquiry from investors with the Directors of the Company. The Board encourages questions from shareholders at the Annual General Meeting during which the Chairmen of the Audit and Remuneration Committees, Sir Eric Parker and Michael Bell respectively, will be available to answer any shareholder questions.

The next Annual General Meeting will take place on 10 July 2001. Details of the business to be considered are contained in the Notice of Meeting, which accompanies this report.

## **Financial Reporting**

A review of the Group's significant property activities during the year is included in the Property Review on page 6. The Board uses this, together with the Chairman's Statement on pages 4 and 5 and the Report of the Directors on pages 12 and 13 to present a balanced and understandable assessment of the Group's position and prospects. The Directors' responsibility for the financial statements is described on page 14.

## **Internal Control**

The Board confirms that it has implemented the Guidance "Internal Controls: Guidance for Directors on The Combined Code" during the financial year. An ongoing process for identifying, evaluating and managing significant risks faced by the Group was in place for the period from 22 November 2000 to 4 June 2001. This process was reviewed by the Board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull Working Party. During the preceding part of the year procedures were being established to meet the requirements for the system of internal control determined by the Board. These procedures include prioritising the Group's objectives and risks, monitoring the effect of change on risks and determining a control strategy for each of the significant risks. A risk management policy document has been prepared for the Board and has also been sent to all senior employees setting out the Board's attitude to risk in the achievement of the business objectives. The quarterly management information now includes the addition of key risk indicators.

By a Circular dated 11 February 1998, the Company announced its entry into a limited partnership with Oaktree Capital Management LLC ("Oaktree") who are based in the United States of America. On 30 March 2000 a Supplemental Agreement ("Agreement") was entered into with Oaktree purporting to vary the terms of the partnership. It was executed, purportedly on behalf of the Company, by its Managing Director, Aubrey Glaser, and the Company Secretary. This Agreement purported to give Oaktree the right (*inter alia*) to require the Company to buy out the Oaktree share of the partnership on terms highly beneficial to Oaktree in the event of a change of control of the Company or the departure or non involvement in management of the Chairman (who had no knowledge of the Agreement) or Aubrey Glaser.

Leading Counsel has advised the Company that there are substantial grounds for contending that the Agreement was entered into in breach by Mr Glaser of his fiduciary and other duties to the Company; and that, as Oaktree must have been aware of this, the Agreement is not binding upon and cannot be enforced against the Company. If the provisions of the Agreement are triggered and prove to be enforceable by Oaktree at today's date the Company may have to pay to Oaktree a sum substantially in excess of what would have been its entitlement under the 1998 agreement. The Agreement was not authorised by the Board of Directors of the Company, nor was it disclosed to the Board until recently. This lack of disclosure led to the Agreement not being referred to as a material contract in the offer document sent to shareholders on 8 May 2000 or the interim statements published on 12 September 2000.

On the basis of the legal advice received and the operation of the partnership to date, under which all but one of the properties that are owned by the partnership (Mobius House, Basingstoke) have been disposed of, the opinion of the Board of Directors is that the Company is unlikely to incur a material loss as a result of this Agreement. Therefore no provision is to be included for this contingent liability in the accounts for the year ended 31 December 2000. Mr Glaser was dismissed as Managing Director of the Company on 3 April 2001.

The Directors acknowledge their responsibility for the Group's system of internal control. On the basis that no internal control system can provide absolute assurance against material misstatement or loss, the Directors have performed a review of the effectiveness of the Group's internal controls during the period. Key control procedures include:

- the day to day supervision of the business by the executive Directors;
- the annual approval of budget and cash flow forecasts for the following year and quarterly monitoring of performance against budget and forecast through quarterly management accounts and cash reports;
- consideration of all major business and financial risks for the Group;
- establishment of lines of responsibility and delegation of authority appropriate to the size of the Group;
- review of all key reports given to the Board including property appraisals, property reviews, cash flow and cash balance reports, quarterly management reports and share register movements;
- establishment of clear procedures and reports for rent and service charge collection and expenditure approvals and payment;
- the Group's policy to recruit and train good quality staff appropriate to their areas of duty and responsibility; and to annually review staff performance by the executive Directors; and
- the computer controls and procedures over the security of data held on computer systems, combined with comprehensive disaster recovery arrangements and regular testing by external consultants.

All recommendations by the external auditors with regard to improvement and changes to the internal control procedures are considered for implementation by the Group. Given the current size of the Group, the Directors consider that an internal audit function would not be appropriate.

### **Going Concern**

The following statement is made solely in order to comply with paragraph D.1.3 of the Code and 12.43(v) of the Listings Rules: after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

### **Statement of Compliance with the Combined Code**

Since 22 November 2000 the Company has been in compliance with the Code provisions set out in section 1 of the Combined Code on Corporate Governance issued by the Financial Services Authority, with the exception that since 3 April 2001 the role of Chairman and Chief Executive has been combined.

By Order of the Board

A G Palmer, Secretary

London 4 June 2001

# REPORT BY THE BOARD TO THE SHAREHOLDERS ON DIRECTORS' REMUNERATION

A Remuneration Committee, consisting of M J de H Bell (Chairman) and J Lamb determines the overall remuneration package for executive Directors. The Committee is responsible for advising on remuneration policy in order to attract and retain high quality executives capable of achieving the Group's objectives. The Remuneration Committee considers the Directors' performance and the remuneration for similar positions in other comparable companies. Remuneration is reviewed annually and comprises basic salary, bonus, medical insurance, life insurance and permanent health insurance. An element of Directors' remuneration is linked to performance by way of a Share Incentive Plan described below.

Fees for non-executive Directors are determined by the Board on the recommendation of the Chairman based upon comparable market levels.

R L Nordström has a service contract, which can be terminated by the Company by one year's notice. A Palmer has a service contract which can be terminated by the Company by six months' notice. The contracts contain provisions for compensation on termination of up to one year's remuneration.

No Director holds any share options other than those rights disclosed under the Share Incentive Plan below. Annual bonuses are awarded to key employees predominately on the basis of their individual achievements in relation to their areas of responsibility.

## Directors' remuneration

The salaries and fees of the Directors are given in the table below.

	Basic Salaries and Fees	Bonuses	Benefits in Kind	Year ended 31 Dec 2000 Total	Year ended 31 Dec 1999 Total
	£	£	£	£	£
Executive Directors' fees/salaries					
R L Nordström	70,000	–	–	70,000	75,000
A Glaser	70,000	–	3,074	73,074	77,715
A Palmer	54,000	–	2,072	56,072	58,326
Non-executive Directors' fees					
M J de H Bell	10,000	–	–	10,000	8,750
M Berges	6,250	–	–	6,250	–
M Gilbert	–	–	–	–	7,500
W Hemmings	7,500	–	–	7,500	–
J Lamb	15,000	–	–	15,000	15,000
Sir Eric Parker	11,875	–	–	11,875	7,500
	244,625	–	5,146	249,771	249,791

No pension contributions were paid in respect of the Directors during the year ended 31 December 2000 (year ended 31 December 1999 – £nil).

## Directors' interests

The beneficial interests of the Directors in the issued share capital were as follows:

	Ordinary shares of 40p each		
	1 January 2000 or date of appointment	31 December 2000	4 June 2001
R L Nordström (Swedish)	–	4,382,311*	4,382,311*
A Glaser (US)	5,000	50,000	50,000
A G Palmer	–	24,444	24,444
M J de H Bell	5,000	5,000	5,000
M Berges (Belgian)	–	–	–
W Hemmings	–	–	–
J Lamb	125,000	125,000	125,000
Sir Eric Parker	25,000	25,000	25,000

\*As at 31 December 2000 and 4 June 2001, Controlco Holding N.V., a company indirectly beneficially owned by the Nordström family held 4,382,311 shares in the Company (59.56%).

During the first quarter of the year Sir Eric Parker and Michel Berges had a consultancy agreement with a subsidiary of Columna Fastigheter AB, which, up to 5 April 2000, owned 29.9% of the shares in Criterion Properties PLC.

Apart from the interests stated above and the conditional rights in shares granted under the Share Incentive Plan, no Director held any beneficial or non-beneficial interest in any Group Company.

### Share Incentive Plan

By Ordinary Resolution dated 26 February 1998 the Company established The Criterion Properties PLC Share Incentive Plan, whereby Criterion Properties PLC may advance sums to the Criterion Properties Employee Share Trust in order for it to subscribe for shares in the Company. Such shares are to be held for the purpose of the Plan and otherwise for the general benefit of the Group's employees. The number of shares in the Company which may be held by the Trust at any time is limited to 5% of the issued ordinary share capital of the Company.

The Trustee of the Criterion Properties Employee Share Trust (acting on the recommendation and with the consent of the Remuneration Committee, but subject always to the exercise of its discretion) may grant conditional rights to acquire shares in the Company to selected employees. Rights which become vested will normally be exercisable after the end of three years only if a three year performance target, determined by the Remuneration Committee on the date the award is made, is exceeded. Following the change of control in the Company on 5 April 2000 parts of the rights granted were exercised on the recommendation of the Remuneration Committee.

During the year the following rights were granted and exercised:

Director	At 1 January 2000	Granted	Exercised	At 31 December 2000	Date from which exercisable	Expiry Date
R L Nordström	52,500	–	29,167	23,333	9/8/2001	9/8/2008
	47,500	–	15,833	31,667	11/4/2002	9/8/2009
	–	30,000	–	30,000	11/4/2003	11/4/2010
A Glaser	52,500	–	29,167	23,333	9/8/2001	9/8/2008
	47,500	–	15,833	31,667	11/4/2002	9/8/2009
	–	30,000	–	30,000	11/4/2003	11/4/2010
A Palmer	35,000	–	19,444	15,556	9/8/2001	9/8/2008
	15,000	–	5,000	10,000	11/4/2002	9/8/2009
	–	5,000	–	5,000	11/4/2003	11/4/2010

The price payable to the Trustee upon exercise of a long term incentive award is £1. The market price at the date of the above rights being exercised was 118p.

No rights lapsed during the year. The market price of the shares at 31 December 2000 was 125.5p. The range during the year was 103.5p to 127.5p.

The rights to acquire 85,000 shares held by Mr Glaser lapsed following his dismissal on 3 April 2001.

During the year a sum of £15,000 has been paid into the Criterion Properties PLC Employees Share Incentive Plan. Further details of the Plan are given in note 27 on page 32.

Chairman of the Remuneration Committee  
M J de H Bell

London 4 June 2001

# REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2000.

## **Principal Group activities**

The Group's principal activity during the year was property investment and trading. Details of the principal subsidiary undertakings are set out in note 12(c) to the accounts.

## **Review of business and future developments**

A summary of the results of the year's trading is given on page 16 and a review of the activities of the Group and of future developments is contained in the Chairman's Statement and the Property Review.

## **Dividends**

An interim dividend of 3.0 pence per share was paid on 20 October 2000 (year ended 31 December 1999: 3.0 pence). The Directors recommend a second interim dividend for the year of 4.0 pence per share payable on 4 July 2001 making a total interim dividend of 7.0 pence per share for the year (year ended 31 December 1999: 7.0 pence total interim and final dividend per share).

## **Directors**

The names of the current Directors appear on page 3. On 15 February 2000, Martin Gilbert resigned as a non-executive Director and Michel Berges and William Hemmings were appointed non-executive Directors. Their beneficial interests in the share capital of the Company are shown in the Report by the Board to the Shareholders on Directors' Remuneration.

In accordance with the Articles of Association, Michael Bell, Alan Palmer and Sir Eric Parker retire by rotation at the Annual General Meeting. The retiring Directors, being eligible, offer themselves for re-election.

At the balance sheet date, Michael Bell, Michel Berges, William Hemmings, John Lamb and Sir Eric Parker were non-executive Directors of the Company. The non-executive Directors do not participate in the Share Incentive Plan.

Rolf L Nordström, aged 46, has been investing in and managing properties in the UK and Europe since the early 1980s.

Alan Palmer, aged 41, is a Chartered Accountant (South Africa) and his career has included 10 years in international property investment and development before joining Criterion Properties PLC as Finance Director in 1998.

Michael Bell, aged 60, is a fellow of the Institute of Actuaries. He is Chairman of Century Group Limited and its wholly owned subsidiary, Century Life Plc. From 1967 to 1993, he was a partner in the firm of R Watson & Sons, consulting actuaries.

Michel Berges, aged 58, is an experienced banker, Honorary Director of Generale Bank S.A., and a director of Bank Degroof S.A. He was appointed as a Director on 15 February 2000.

John Lamb, aged 57, qualified as a Chartered Surveyor in 1966. He is Managing Director of Eskmuir Properties Plc, a property investment company. He was previously Managing Director of Laing Properties Plc.

Sir Eric Parker, FCA, aged 67, qualified as a Chartered Accountant in 1956. He joined Trafalgar House PLC in 1965 and retired as Chief Executive and deputy Chairman in 1992.

William Hemmings, aged 35, is a specialist smaller company and property share fund manager with Aberdeen Asset Fund Managers Limited. He was appointed as a Director on 15 February 2000.

On 3 April 2001 Aubrey Glaser was dismissed as Managing Director.

### **Substantial shareholdings**

On 4 June 2001 the Company was advised of the following disclosable beneficial interests of 3% or more in its issued ordinary share capital.

Controlco Holding NV	59.56%
Butler Finance Limited and associates	5.21%
Rathbone Nominees Limited and associates	4.86%

In addition Aberdeen Asset Management PLC has advised that it holds a non-beneficial interest in 5.44% of the Company's issued ordinary share capital.

The Directors are not aware of any other disclosable interest in its shares of 3% or more.

### **Purchase of own shares**

The Company had shareholders' authority for the purchase of up to 10% of its own shares until 13 April 2001. The Company did not acquire any of its own shares during the year. A Special Resolution is to be proposed at the next Annual General Meeting to renew the authority granted to the Directors to make market purchases of up to 10% of the issued share capital.

### **Creditor payment policy**

The Group's current policy concerning the payment of all its trade creditors is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that suppliers are made aware of the terms of payment; and
- (c) pay in accordance with its contracted and other legal obligations.

At the end of the current year and prior period there were no trade creditors.

### **Treasury policy**

It is the policy of the Group to ensure all cash balances earn a market rate of interest; that interest rate exposures are regularly reviewed and are managed using fixed rate debt and hedging instruments where appropriate; that bank relationships are maintained and strengthened; that sufficient cash and unutilised bank facilities are available to manage projected Group cash needs.

The Group's cash is managed through electronic cash management systems with the Group's clearing bank to maximise interest earned on its balances. Similarly the Group's liquidity is managed through regularly updated annual cash flow forecasts. As at 4 June 2001 the Group has in excess of £18 million of unutilised funding facilities available for acquisitions and refurbishment of properties.

Interest rate risks are monitored and reported to the Board at each Board meeting. The Group currently has unutilised derivative credit lines of a notional £8 million for five years' duration. All uses of derivatives are pre-agreed at Board level prior to implementation.

Interest on existing debt comprised 23% at a fixed rate and 77% at a floating rate. The Group presently has in place interest rate caps and/or floor agreements amounting to a notional value of £9.7 million, equating to 47% of the floating rate debt.

### **Auditors**

The auditors, Deloitte & Touche, will be proposed for reappointment in accordance with section 385(2) of the Companies Act 1985.

BY ORDER OF THE BOARD  
A G Palmer, Secretary  
London, 4 June 2001

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which 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. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Group's system of internal control and for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# REPORT OF THE AUDITORS TO THE MEMBERS OF CRITERION PROPERTIES PLC

We have audited the financial statements on pages 16 to 33 which have been prepared under the accounting policies set out on pages 21 and 22.

## **Respective responsibilities of Directors and Auditors**

The Directors are responsible for preparing the Annual Report including, as described on page 14, preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom Law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Financial Services Authority and by 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 Companies Act 1985. 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 required for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance statement on pages 8 and 9 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We 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 United Kingdom 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 circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all of 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 as at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Hill House  
1 Little New Street  
London EC4A 3TR

4 June 2001

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	Year ended 31 December 2000 £'000	Year ended 31 December 1999 £'000
<b>Turnover</b>			
Net rental income	2	3,605	2,864
Property sales	2	7,115	720
		<b>10,720</b>	3,584
Cost of sales		<b>(6,484)</b>	(700)
<b>Gross Profit</b>			
		<b>4,236</b>	2,884
Exceptional charges	3	<b>(187)</b>	–
Administrative expenses		<b>(1,073)</b>	(834)
<b>Operating Profit</b>			
	4	<b>2,976</b>	2,050
Net interest payable	6	<b>(2,162)</b>	(1,387)
<b>Profit on Ordinary Activities before Taxation</b>			
		<b>814</b>	663
Tax on profit on ordinary activities	7	<b>(165)</b>	(142)
<b>Profit for the Financial Year</b>			
		<b>649</b>	521
Equity dividends	9	<b>(504)</b>	(494)
<b>Retained Profit for the Financial Year</b>			
	21	<b>145</b>	27
<b>Basic earnings per share</b>			
	8	<b>8.82p</b>	7.44p
<b>Diluted earnings per share</b>			
	8	<b>8.82p</b>	7.44p

The results for the above years reflect the continuing operations of the Group.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2000

	Notes	31 December 2000		31 December 1999	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Investment properties	10		<b>8,253</b>		7,758
Other tangible assets	11		<b>201</b>		130
Investments	12(a)		<b>359</b>		135
			<b>8,813</b>		8,023
<b>Current Assets</b>					
Trading properties	13	<b>22,866</b>		21,767	
Debtors	14	<b>7,154</b>		1,565	
Cash at bank and in hand		<b>1,448</b>		1,264	
		<b>31,468</b>		24,596	
<b>Current Liabilities</b>					
<b>Creditors:</b> amounts falling due within one year	15	<b>(3,598)</b>		(2,132)	
<b>Net Current Assets</b>			<b>27,870</b>		22,464
<b>Total Assets Less Current Liabilities</b>					
<b>Creditors:</b> amounts falling due after more than one year	16	<b>(25,962)</b>		(20,291)	
<b>Provisions for liabilities and charges</b>	19	<b>(56)</b>		(56)	
			<b>10,665</b>		10,140
<b>Capital and Reserves</b>					
Called up share capital	20	<b>2,943</b>		2,943	
Share premium account	21(a)	<b>5,001</b>		5,001	
Investment revaluation reserve	21(a)	<b>666</b>		370	
Capital redemption reserve	21(a)	<b>183</b>		183	
Profit and loss account	21(a)	<b>1,872</b>		1,643	
<b>Equity Shareholders' Funds</b>			<b>10,665</b>		10,140

The financial statements were approved by the Board of Directors on 4 June 2001 and were signed on its behalf by:

R L Nordström	}	Directors
A Palmer		

# COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2000

	Notes	31 December 2000		31 December 1999	
		£'000	£'000	£'000	£'000
<b>Fixed Assets</b>					
Investment properties	10		<b>8,253</b>		7,758
Other tangible assets	11		<b>201</b>		130
Investments	12(b)		<b>719</b>		485
			<b>9,173</b>		8,373
<b>Current Assets</b>					
Trading properties	13		<b>3,214</b>		3,214
Debtors	14		<b>20,029</b>		19,475
Cash at bank and in hand			<b>735</b>		896
			<b>23,978</b>		23,585
<b>Current Liabilities</b>					
<b>Creditors:</b> amounts falling due within one year	15		<b>(1,583)</b>		(1,636)
<b>Net Current Assets</b>			<b>22,395</b>		21,949
<b>Total Assets Less Current Liabilities</b>					
<b>Creditors:</b> amounts falling due after more than one year	16		<b>(22,420)</b>		(20,291)
			<b>9,148</b>		10,031
<b>Capital and Reserves</b>					
Called up share capital	20		<b>2,943</b>		2,943
Share premium account	21(b)		<b>5,001</b>		5,001
Investment revaluation reserve	21(b)		<b>666</b>		370
Capital redemption reserve	21(b)		<b>183</b>		183
Profit and loss account	21(b)		<b>355</b>		1,534
<b>Equity Shareholders' Funds</b>			<b>9,148</b>		10,031

The financial statements were approved by the Board of Directors on 4 June 2001 and were signed on its behalf by:

R L Nordström	}	Directors
A Palmer		

# STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2000

	<b>Year ended 31 December 2000</b>	Year ended 31 December 1999
	<b>£'000</b>	£'000
Profit for the financial year	<b>649</b>	521
Surplus arising on revaluation of investment properties	<b>296</b>	446
Gain on foreign exchange net of tax	<b>84</b>	–
<b>Total recognised gains and losses relating to the year</b>	<b>1,029</b>	967

# RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2000

	<b>Year ended 31 December 2000</b>	Year ended 31 December 1999
	<b>£'000</b>	£'000
Profit for the financial year	<b>649</b>	521
Dividends	<b>(504)</b>	(494)
	<b>145</b>	27
Issue of shares	–	365
Surplus on revaluation of investment properties	<b>296</b>	446
Foreign exchange translation gain net of tax	<b>84</b>	–
Net addition to Shareholders' Funds	<b>525</b>	838
Opening Shareholders' Funds	<b>10,140</b>	9,302
<b>Closing Shareholders' Funds</b>	<b>10,665</b>	10,140

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	Year ended 31 December 2000		Year ended 31 December 1999	
		£'000	£'000	£'000	£'000
<b>Net cash inflow/(outflow) from operating activities</b>	22(a)		<b>3,427</b>		(64)
<b>Returns on investments and servicing of finance</b>					
Interest paid		<b>(1,934)</b>		(1,535)	
Interest received		<b>26</b>		79	
			<b>(1,908)</b>		(1,456)
<b>Taxation paid</b>			<b>(296)</b>		(330)
<b>Capital expenditure and financial investment</b>					
Purchase of and additions to investment properties		<b>(199)</b>		(822)	
Purchase of other tangible fixed assets		<b>(152)</b>		(78)	
Disposal of other tangible fixed assets		<b>8</b>		10	
Purchase of investments		<b>(310)</b>		(99)	
			<b>(653)</b>		(989)
Payments to acquire investments in subsidiaries		<b>(1,279)</b>			–
<b>Equity dividends paid</b>			<b>(504)</b>		(550)
<b>Cash outflow before financing</b>			<b>(1,213)</b>		(3,389)
<b>Financing</b>					
Issue of share capital		–		365	
Redemption of loan notes		<b>(1,498)</b>		–	
New loans drawn down		<b>12,550</b>		5,675	
Repayment of amounts borrowed		<b>(9,655)</b>		(3,791)	
			<b>1,397</b>		2,249
<b>Increase/(decrease) in cash</b>			<b>184</b>		(1,140)
<b>Reconciliation of net cash flow to movement in net debt</b>					
Increase/(decrease) in cash			<b>184</b>		(1,140)
Cash inflow from increase in debt			<b>(1,397)</b>		(2,249)
Movement in net debt			<b>(1,213)</b>		(3,389)
Loan Notes issued to acquire subsidiary			<b>(1,487)</b>		–
Loan acquired with subsidiary			<b>(3,643)</b>		–
Issue of share capital			–		365
Translation movements			<b>86</b>		–
Net debt at 1 January			<b>(19,357)</b>		(16,333)
<b>Net debt at 31 December</b>	22(b)		<b>(25,614)</b>		(19,357)

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2000

## **I Accounting Policies**

### **(a) Basis of accounting**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable Accounting Standards in the United Kingdom.

### **(b) Basis of consolidation**

The consolidated accounts include the audited financial statements of the Company and its subsidiaries.

The results of the subsidiaries are consolidated from their effective dates of acquisition and up to their effective date of disposal.

Goodwill represents the excess of the purchase consideration over the fair value of net assets of an acquired business.

In accordance with FRS10 "Goodwill and intangible assets", goodwill arising on acquisition on or after 1 January 1998 is capitalised and amortised to the profit and loss account over its useful economic life. Goodwill arising on acquisition prior to 1 January 1998 was written off directly to reserves and has not been reinstated. If an acquired business is subsequently sold, any attributable goodwill, which has not previously been dealt with in the profit and loss account, is taken into account in calculating the profit or loss on disposal of the business.

### **(c) Joint arrangement**

An undertaking is regarded as a joint arrangement if the group has a participating interest and joint control over its operating and financial policies, but the undertaking is not an entity distinguishable from the business of its investors. The Company has entered into a joint arrangement for the acquisition of investment properties.

In accordance with FRS9 "Associates and joint ventures", the Group accounts for its share of the individual items of income, expenditure, assets, liabilities and cash flows of joint arrangements. The directors consider that this departure from the requirement of the Companies Act 1985 to account for participating interests in joint arrangements as associates is necessary for the financial statements to show a true and fair view because joint arrangements are in substance an extension of the Group's own business.

### **(d) Turnover**

Turnover represents sales of properties, lease surrenders and rents receivable net of rental expenses, excluding value added tax. Property sales are recognised in the period within which there is an unconditional exchange of contracts or irrevocable undertaking to sell.

### **(e) Investment properties**

No depreciation is provided in respect of investment properties. The requirement in the Companies Act 1985 that all properties should be depreciated conflicts with the generally accepted accounting principle set out in Statement of Standard Accounting Practice No. 19. In the opinion of the Directors, to depreciate investment properties would not give a true and fair view and accordingly investment properties are included in the financial statements at open market value. Open market value is based on professional valuations at 31 December annually.

The surplus or deficit arising on revaluation is transferred to the revaluation reserve except for permanent diminution in value which is written off to the profit and loss account.

### **(f) Tangible fixed assets**

Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset over its estimated useful life:

Short leasehold improvements	– over the period of the lease
Fixtures, fittings and equipment	– 33%
Motor vehicles	– 25%

No depreciation is provided on investment properties (see (e) above).

### **(g) Trading properties**

Properties held for resale are stated at the lower of cost and market value. Cost includes acquisition expenses and refurbishment expenditure in respect of major works and attributable interest and overheads.

# NOTES TO THE ACCOUNTS

## CONTINUED

### I Accounting Policies (continued)

#### (h) Deferred taxation

Deferred taxation is accounted for using the liability method in respect of all timing differences to the extent that it is probable that a liability will crystallise at the rate at which it is estimated that the tax will arise.

#### (i) Financial Instruments

Derivative instruments utilised by the Group include interest rate swaps. These instruments are used for hedging purposes to alter the risk profile of an existing exposure of the Group in line with the Group's risk management policies. Amounts payable or receivable in respect of interest rate swaps are recognised as adjustments to interest expense over the period of the contracts.

#### (j) Foreign exchange translation

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Trading results of overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the average rate for the appropriate preceding period. Assets and liabilities of overseas subsidiaries which are denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Unrealised exchange differences arising on the retranslation of opening net assets are taken directly to reserves. Where investments in overseas subsidiaries include loans in matching currencies, these are translated at rates of exchange ruling at the balance sheet date and the net exchange difference is taken directly to reserves.

### 2 Segmental Analysis

	Year ended 31 December 2000			Year ended 31 December 1999		
	Turnover	Operating Profit	Net Assets	Turnover	Operating Profit	Net Assets
United Kingdom	£'000	£'000	£'000	£'000	£'000	£'000
Investment	3,044	1,819	9,943	2,864	2,050	10,120
Trading	7,115	652	631	720	–	20
	<b>10,159</b>	<b>2,471</b>	<b>10,574</b>	3,584	2,050	10,140
Continental Europe	£'000	£'000	£'000	£'000	£'000	£'000
Trading	561	505	91	–	–	–
	<b>561</b>	<b>505</b>	<b>91</b>	–	–	–
	<b>10,720</b>	<b>2,976</b>	<b>10,665</b>	3,584	2,050	10,140

### 3 Exceptional charges

Costs of £187,000 were incurred primarily in respect of the Company's response to the unconditional offer by Controlco BV under Rule 9 of the City Code on Takeovers and Mergers.

### 4 Operating Profit

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
This is stated after charging:		
Depreciation of tangible fixed assets and amortisation of investments	156	92
Operating lease rentals – land and buildings	60	41
Auditors' remuneration – audit fees (Group)	26	46
– audit fees (Company)	21	30
– other	45	32

## 5 Employees

	Year ended 31 December 2000	Year ended 31 December 1999
	No.	No.
(a) The average number of employees during the year was as follows:		
Administrative and management		
Executive Directors	3	3
Non-executive Directors	5	4
Other employees	4	5
	<b>12</b>	<b>12</b>
	<b>£'000</b>	<b>£'000</b>
(b) Wages and salaries	379	412
Social security costs	45	31
	<b>424</b>	<b>443</b>

(c) Details of Directors' remuneration are given in the Report of the Board to Shareholders on Directors' Remuneration on pages 10 and 11.

## 6 Net Interest Payable

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
Bank loans	(380)	(99)
Other loans	(1,853)	(1,446)
	<b>(2,233)</b>	<b>(1,545)</b>
Capitalised interest	45	79
Interest receivable	26	79
	<b>(2,162)</b>	<b>(1,387)</b>

Bank loan interest includes £201,000 of loan breakage costs incurred upon repayment of debt.

## 7 Tax on Profit on Ordinary Activities

	Year ended 31 December 2000	Year ended 31 December 1999
	£'000	£'000
The tax charge on the profit on ordinary activities for the year was as follows:		
UK corporation tax at 20.0% (1999 – 30.25%)	(190)	(148)
Overseas tax	(53)	–
Adjustment to prior year	78	6
	<b>(165)</b>	<b>(142)</b>

Tax of £36,000 arising on foreign exchange gains has been taken to reserves. Total tax charge for the year is £279,000.

The U.K. corporation tax charge is higher than the standard small companies rate of 20% due to certain disallowable expenditure arising in respect of the Company's response to the unconditional offer by Controlco BV under Rule 9 of the City Code on Takeovers and Mergers.

# NOTES TO THE ACCOUNTS

## CONTINUED

### 8 Earnings per share

	Year ended 31 December 2000	Year ended 31 December 1999
Earnings per share are calculated as follows:		
Profit for the year	<b>£649,184</b>	£521,213
Weighted average number of shares in issue	<b>7,357,446</b>	7,009,014
<b>Basic earnings per share</b>	<b>8.82p</b>	7.44p
<b>Diluted earnings per share</b>	<b>8.82p</b>	7.44p

### 9 Equity dividends

	Year ended 31 December 2000	Year ended 31 December 1999
	<b>£'000</b>	£'000
Interim paid of 3.0p per share (31 December 1999 – 3.0p)	<b>210</b>	200
Second interim dividend of 4.0p per share (31 December 1999 – 4.0p)	<b>294</b>	294
	<b>504</b>	494

### 10 Investment Properties

Group and Company	Freehold £'000	Long Leasehold £'000	Total £'000
Valuation			
At 1 January 2000	4,117	3,641	<b>7,758</b>
Additions at cost	65	134	<b>199</b>
Revaluation surplus	540	(244)	<b>296</b>
<b>At 31 December 2000</b>	<b>4,722</b>	<b>3,531</b>	<b>8,253</b>

These properties are held through an investment in a joint arrangement and the carrying value at 31 December 2000 represents the Company's share of the investment properties (note 1(c)). Properties with a value of £1,562,500 (1999 – value £1,762,500) were valued by Jones Lang La Salle, Chartered Surveyors, at 31 December 2000, on the basis of open market value. The remaining properties were valued by the directors at open market value. In the prior years all properties were valued by Jones Lang LaSalle.

The historical cost of the Company's interest in the investment properties was £7,587,000 (1999 – £7,388,000). The tax which would be payable on the surplus arising on the revaluation of investment properties, in the event of their sale at such valuation, is estimated to be £184,000 (year ended 31 December 1999 – £122,000). The historical cost of the investment properties includes capitalised interest of £56,000 (1999 – £21,000).

**11 Other Tangible Fixed Assets**

<b>Group and Company</b>	Short Leasehold Improvements	Fixtures, Fittings and Equipment	Motor Vehicles	<b>Total</b>
	£'000	£'000	£'000	<b>£'000</b>
Cost				
At 1 January 2000	50	160	18	<b>228</b>
Additions	59	93	–	<b>152</b>
Disposals	–	–	(18)	<b>(18)</b>
<b>At 31 December 2000</b>	<b>109</b>	<b>253</b>	<b>–</b>	<b>362</b>
Depreciation				
At 1 January 2000	8	87	3	<b>98</b>
Charge for year	8	58	4	<b>70</b>
Disposals	–	–	(7)	<b>(7)</b>
<b>At 31 December 2000</b>	<b>16</b>	<b>145</b>	<b>–</b>	<b>161</b>
Net book values				
<b>At 31 December 2000</b>	<b>93</b>	<b>108</b>	<b>–</b>	<b>201</b>
At 31 December 1999	42	73	15	<b>130</b>

**12 Fixed Asset Investments**

(a) <b>Group</b>	Other Investments	Listed Investments	<b>Total</b>
	£'000	£'000	<b>£'000</b>
Cost			
At 1 January 2000	193	1	<b>194</b>
Additions	310	–	<b>310</b>
<b>At 31 December 2000</b>	<b>503</b>	<b>1</b>	<b>504</b>
Amortisation			
At 1 January 2000	59	–	<b>59</b>
Charge for the year	86	–	<b>86</b>
<b>At 31 December 2000</b>	<b>145</b>	<b>–</b>	<b>145</b>
Net book values			
<b>At 31 December 2000</b>	<b>358</b>	<b>1</b>	<b>359</b>
At 31 December 1999	134	1	<b>135</b>

# NOTES TO THE ACCOUNTS

## CONTINUED

### 12 Fixed Asset Investments (continued)

#### Other investments

This investment includes 105,566 Ordinary Shares of the Company held by the Company's Employee Share Trust for the benefit of certain executive Directors for future awards of shares arising under the Share Incentive Plan which are contingent upon certain Group performance criteria being met. Further details of the Share Incentive Plan are included in the Report by the Board to the Shareholders on Directors' Remuneration on pages 10 and 11. In addition, the investment includes a share investment in a Swiss based property fund.

(b) <b>Company</b>	Shares in Subsidiary Undertakings	Other Investments	Listed Investments	<b>Total</b>
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2000	420	193	1	<b>614</b>
Additions	10	310	–	<b>320</b>
<b>At 31 December 2000</b>	<b>430</b>	<b>503</b>	<b>1</b>	<b>934</b>
Provision/amortisation				
At 1 January 2000	70	59	–	<b>129</b>
Charge for the year	–	86	–	<b>86</b>
<b>At 31 December 2000</b>	<b>70</b>	<b>145</b>	<b>–</b>	<b>215</b>
Net book values				
<b>At 31 December 2000</b>	<b>360</b>	<b>358</b>	<b>1</b>	<b>719</b>
At 31 December 1999	350	134	1	<b>485</b>

(c) The Company's principal operating subsidiaries at 31 December 2000 were as follows:

	Nature of Business	Percentage Shareholding of Ordinary Shares	Country of Operation
Touquet Properties Limited	Property trading	100	Great Britain
Finlaw Forty-Nine Limited	Property trading	100	Great Britain
Touquet Europe B.V.	Property trading	100	Netherlands

All of these operations are included in the Consolidated Financial Statements.

(d) The Company is a limited partner in the Criterion-Stratford Umbrella Limited Partnership whose principal place of business is 34 St James's Street, London SW1 1HD. The Company accounts for its share of the assets, liabilities and cash flows of the Partnership.

### 13 Trading Properties

	Group		Company	
	31 December 2000	31 December 1999	31 December 2000	31 December 1999
	£'000	£'000	£'000	£'000
Properties held for resale	<b>22,866</b>	21,767	<b>3,214</b>	3,214
Includes interest capitalised on refurbishment	<b>258</b>	213	<b>5</b>	5

**14 Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2000</b>	31 December 1999	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Amounts falling due within one year				
Trade debtors	<b>5,954</b>	839	<b>138</b>	276
Amounts owed by group undertakings	–	–	<b>19,669</b>	18,840
Other debtors	<b>901</b>	327	<b>19</b>	90
Prepayments and deferred expenditure	<b>299</b>	399	<b>203</b>	269
	<b>7,154</b>	1,565	<b>20,029</b>	19,475

Group trade debtors include £5,335,000 (1999 – £nil) of receivables due upon the completion of sale of certain trading properties. As at 4 June 2001 these sales had been completed and the amounts paid in full.

**15 Creditors – Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2000</b>	31 December 1999	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Bank overdraft and loans (note 17)	<b>1,100</b>	330	<b>788</b>	330
Amounts owed to group undertakings	–	–	<b>205</b>	460
Corporation tax	<b>3</b>	158	<b>36</b>	–
Social security and other taxes	<b>157</b>	38	<b>84</b>	38
Other creditors	<b>754</b>	205	<b>36</b>	55
Accruals and deferred income	<b>1,290</b>	1,107	<b>140</b>	459
Proposed dividend	<b>294</b>	294	<b>294</b>	294
	<b>3,598</b>	2,132	<b>1,583</b>	1,636

**16 Creditors – amounts falling due after more than one year**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2000</b>	31 December 1999	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Bank loans (note 17)	<b>25,962</b>	20,291	<b>22,420</b>	20,291

**17 Borrowings**

	<b>Group</b>		<b>Company</b>	
	<b>31 December 2000</b>	31 December 1999	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Falling due within one year				
Bank overdraft and other loans – current portion	<b>1,100</b>	330	<b>788</b>	330
Falling due after more than one year				
Bank loans				
– repayable between one and two years	<b>13,350</b>	287	<b>13,038</b>	287
– repayable between two and five years	<b>2,009</b>	2,141	<b>1,071</b>	2,141
– repayable other than by instalments after five years or more	<b>3,711</b>	12,867	<b>3,711</b>	12,867
– repayable by instalments after five years or more	<b>6,892</b>	4,996	<b>4,600</b>	4,996
	<b>25,962</b>	20,291	<b>22,420</b>	20,291
Total borrowings	<b>27,062</b>	20,621	<b>23,208</b>	20,621

Bank and other loans are secured by legal mortgages over the investment properties and trading properties. Amounts repayable after five years or more are due between six and fourteen years from the balance sheet date. The interest rates on these amounts include floating rates and rates fixed between 6.50% and 9.87%.

# NOTES TO THE ACCOUNTS

CONTINUED

## 18 Financial instruments

<b>Borrowing facilities</b>	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000
Undrawn committed borrowing facilities available to the Group at 31 December 2000 were as follows:		
Expiring in 2001	<b>250</b>	250
Expiring between 1-2 years	<b>2,750</b>	–
Expiring between 2-5 years	–	–
Expiring thereafter	<b>15,247</b>	6,486
	<b>18,247</b>	6,736

<b>Interest rate risk profile of financial liabilities</b>	<b>Weighted average period of financial liabilities</b>	<b>Weighted average interest rate %</b>	<b>31 December 2000</b>	<b>Weighted average period of financial liabilities</b>	<b>Weighted average interest rate %</b>	<b>31 December 1999</b>
	<b>31 December 2000</b>	<b>31 December 2000</b>	<b>31 December 2000</b>	<b>31 December 1999</b>	<b>31 December 1999</b>	<b>31 December 1999</b>
	<b>£'000</b>			£'000		
The interest rate profile of the financial liabilities of the Group at 31 December 2000 was as follows:						
Fixed interest borrowings	<b>5.48 yrs</b>	<b>7.30%</b>	<b>6,245</b>	5.98 yrs	7.55%	6,404
Floating rate borrowings		<b>7.47%</b>	<b>20,817</b>		7.70%	14,217

The interest rate profile of the financial liabilities of the Group at 31 December 2000 was as follows:

Fixed interest borrowings	<b>5.48 yrs</b>	<b>7.30%</b>	<b>6,245</b>	5.98 yrs	7.55%	6,404
Floating rate borrowings		<b>7.47%</b>	<b>20,817</b>		7.70%	14,217

The weighted average interest rate figures include the applicable margin paid on individual loans.

Floating rate borrowings bear interest based on LIBOR, EURIBOR or the average variable mortgage rate set by leading mortgage lenders.

Floating borrowings of £9.7million (1999 – £5.0 million) were covered by interest rate cap and/or floor agreements, expiring between 2005 and 2009.

The maturity profile of these financial liabilities is given in Note 17.

	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000
The Group held the following financial assets as at 31 December 2000:		
Listed investments	<b>1</b>	1
Unlisted investments	<b>287</b>	–
Cash deposits	<b>1,448</b>	1,264
	<b>1,736</b>	1,265

### The fair values of financial assets and financial liabilities

A valuation was performed by the Directors as at 31 December 2000 and 31 December 1999 to calculate the market value of the Group's debt instruments on a replacement basis taking into account the prevailing interest rates for the respective periods of the appropriate debt instruments. The valuations are as follows:

	<b>Book value 31 December 2000</b>	<b>Fair value 31 December 2000</b>	Book value 31 December 1999	Fair value 31 December 1999
	<b>£'000</b>	<b>£'000</b>	£'000	£'000
Borrowings	<b>27,062</b>	<b>27,437</b>	20,621	20,579
Loan breakage costs accrued	<b>201</b>	–	–	–
Interest rate hedges	–	<b>212</b>	–	49
	<b>27,263</b>	<b>27,649</b>	20,621	20,628

The valuation indicated a fair value of £386,000 above the actual financial liabilities at 31 December 2000 (31 December 1999 – £7,000).

No further analysis of the net amounts of monetary assets and liabilities by functional currencies is given as there are no material exchange gains and losses taken to the profit and loss account.

## 18 Financial instruments (continued)

The fair value of interest rate hedging derivatives amounts to a negative present value difference of £212,000 at 31 December 2000 (31 December 1999 – £49,000). This figure is not projected to crystallise during the year to 31 December 2001.

Market values have been used to determine the fair value of interest rate derivatives. The fair values of all other items have been calculated by discounting the expected future cash flows at prevailing interest rates. If the interest rates current at 31 December 2000 were to prevail throughout the year to 31 December 2001, the cost to the Group for that year from the interest rate derivatives taken out at that date would be £10,000.

The exemption available under FRS 13 not to disclose short term debtors and creditors has been taken.

## 19 Deferred Taxation

	<b>31 December 2000</b>	31 December 1999
	<b>£'000</b>	£'000

The amount provided and the liability for deferred taxation was as follows:

### Group

Short term timing differences	<b>56</b>	56
-------------------------------	-----------	----

Within the Group, there are property trading losses available for future relief amounting to £1,586,000 and capital losses amounting to £3,109,000

## 20 Called up Share Capital

	<b>31 December 2000</b>	31 December 1999
<b>Authorised</b>		
9,953,805 Ordinary Shares of 40p each	<b>£3,981,522</b>	£3,981,522
<b>Allotted and fully paid</b>		
At 1 January and 31 December 2000 7,357,446 Ordinary Shares of 40p each	<b>£2,942,978</b>	£2,942,978

## 21 Reserves

(a) <b>Group</b>	Share Premium Account	Investment Revaluation Reserve	Capital Redemption Reserve	Profit and Loss Account	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
At 1 January 2000	5,001	370	183	1,643	<b>7,197</b>
Revaluation surplus	–	296	–	–	<b>296</b>
Currency movement net of tax	–	–	–	84	<b>84</b>
Profit retained for the financial year	–	–	–	145	<b>145</b>
<b>At 31 December 2000</b>	<b>5001</b>	<b>666</b>	<b>183</b>	<b>1,872</b>	<b>7,722</b>

The cumulative amount of goodwill charged to reserves as a matter of accounting policy prior to the implementation of FRS10 is £2,336,000 (1999 – £2,336,000).

(b) <b>Company</b>	Share Premium Account	Investment Revaluation Reserve	Capital Redemption Reserve	Profit and Loss Account	<b>Total</b>
	£'000	£'000	£'000	£'000	£'000
At 1 January 2000	5,001	370	183	1,534	<b>7,088</b>
Revaluation surplus	–	296	–	–	<b>296</b>
Loss retained for the financial year	–	–	–	(1,179)	<b>(1,179)</b>
<b>At 31 December 2000</b>	<b>5001</b>	<b>666</b>	<b>183</b>	<b>355</b>	<b>6,205</b>

No profit and loss account is presented by the Company as permitted by Section 230 of the Companies Act 1985.

# NOTES TO THE ACCOUNTS

CONTINUED

## 22 Cash Flow Statement

(a) Reconciliation of operating profit to operating cash flow	31 December 2000	31 December 1999
	£'000	£'000
Operating profit	2,976	2,050
Depreciation and amortisation charges	156	92
Loss on sale of tangible fixed assets	3	–
Decrease/(increase) in stock	5,325	(1,928)
Increase in debtors	(5,638)	(174)
Increase/(decrease) in creditors	605	(104)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>3,427</b>	<b>(64)</b>

(b) Analysis of net debt	At 1 January 2000	Cash Flow	Acquisitions	Other non-cash movements	Exchange movements	At 31 December 2000
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,264	184	–	–	–	1,448
Debt due within one year	(330)	330	–	(1,100)	–	(1,100)
Debt due after one year	(20,291)	(3,214)	(3,643)	1,100	86	(25,962)
	<b>(19,357)</b>	<b>(2,700)</b>	<b>(3,643)</b>	<b>–</b>	<b>86</b>	<b>(25,614)</b>

## 23 Acquisition

On 3 April 2000 the Group acquired the entire issued share capital of Aartselaar Holdings BV. The net assets acquired were £2,766,000, satisfied by cash of £1,279,000 and loan notes of £1,487,000. The loan notes were repaid in full on 12 June 2000. No goodwill arose on acquisition.

	Total
	£'000
<b>Net assets acquired</b>	<b>£'000</b>
Stock – trading property	6,379
Debtors	30
Loans	(3,643)
	<b>2,766</b>
<b>Satisfied by</b>	
Cash	1,279
Loan notes	1,487
	<b>2,766</b>

The subsidiary undertaking acquired during the year utilised £2,247,000 of the Group's net operating cash flows, paid £107,000 in respect of net returns on investments and servicing of finance, paid £55,000 in respect of taxation and had no capital expenditure.

## 24 Guarantees and financial commitments

- (a) The Company has provided guarantees in respect of loans entered into in a joint arrangement. At 31 December 2000 the amount guaranteed and not accounted for by the Group amounted to £21,603,000 (1999 – £21,681,000). The Company has received a secured counter-indemnity from the other party to the joint arrangement for this amount.
- (b) At 31 December 2000 the Group had annual commitments under operating leases in respect of land and buildings which expire:

	<b>31 December 2000 £'000</b>	31 December 1999 £'000
Over five years	<b>59</b>	33

- (c) At 31 December 2000 the Group had capital commitments in respect of contracted refurbishment works of £168,000 (1999 – £699,000).

## 25 Contingent Liabilities

By a Circular dated 11 February 1998, the Company announced its entry into a limited partnership with Oaktree Capital Management LLC ("Oaktree") who are based in the United States of America. On 30 March 2000 a Supplemental Agreement ("Agreement") was entered into with Oaktree purporting to vary the terms of the partnership. It was executed, purportedly on behalf of the Company, by its Managing Director, Aubrey Glaser, and the Company Secretary. This Agreement purported to give Oaktree the right (*inter alia*) to require the Company to buy out the Oaktree share of the partnership on terms highly beneficial to Oaktree in the event of a change of control of the Company or the departure or non involvement in management of the Chairman (who had no knowledge of the Agreement) or Aubrey Glaser.

Leading Counsel has advised the Company that there are substantial grounds for contending that the Agreement was entered into in breach by Mr Glaser of his fiduciary and other duties to the Company; and that, as Oaktree must have been aware of this, the Agreement is not binding upon and cannot be enforced against the Company. If the provisions of the Agreement are triggered and prove to be enforceable by Oaktree at the date of signing these accounts the Company may have to pay to Oaktree a sum substantially in excess of what would have been its entitlement under the 1998 agreement. The Agreement was not authorised by the Board of Directors of the Company, nor was it disclosed to the Board until recently. This lack of disclosure led to the Agreement not being referred to as a material contract in the offer document sent to shareholders on 8 May 2000 or the interim statements published on 12 September 2000.

On the basis of the legal advice received and the operation of the partnership to date, under which all but one of the properties that are owned by the partnership (Mobius House, Basingstoke) have been disposed of, the opinion of the Board of Directors is that the Company is unlikely to incur a material loss as a result of this Agreement. Therefore no provision is included for this contingent liability in the accounts for the year ended 31 December 2000. Mr Glaser was dismissed as Managing Director of the Company on 3 April 2001.

## 26 Post Balance sheet Events

On 12 February 2001 the Group completed the sale of two properties, being Brunel House, Cardiff and Exeter House, Kingston upon Hull, to Dawnay Day Properties Limited for £23 million. These disposals resulted in a gross profit of £7.4 million.

On the same date the limited partnerships formed with Oaktree Capital Management, LLC completed the sale of three properties to Dawnay Day Properties Limited, being Bouverie House, Fleet Street, York House, Wembley and The Pithay, Bristol for £37 million. The Company's share of profits made on these disposals resulted in a gross profit to the Company of £0.6 million.

These disposals represent the sale of almost all the properties held in the United Kingdom, with the exception of a small property in Penzance, and Mobius House, Basingstoke, being a property held within the limited partnership with Oaktree Capital Management, LLC.

# NOTES TO THE ACCOUNTS

## CONTINUED

On 15 March 2001 IT Tower bvba, a wholly owned Belgian subsidiary company of Criterion Properties PLC, completed the purchase of the 65 year leasehold interest in the ITT Tower, Avenue Louise 480, Brussels for Belgian Francs 1,650 million (£25.6 million) from Fonciere Tour Louise. The purchase was funded by a loan of Belgian Francs 1,307 million (£20.3 million) by Deutsche Hyp Bank, Frankfurt and cash. The interest rate exposure has been hedged using interest rate caps. The effect of the above disposals and acquisitions is shown in the pro forma balance sheet below.

### PRO FORMA CONSOLIDATED BALANCE SHEET

	31 December 2000		Adjustments		Pro forma 31 December 2000	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Fixed Assets</b>						
Investment properties		8,253		(6,690)		1,563
Other tangible assets		201		–		201
Investments		359		–		359
		<b>8,813</b>		<b>(6,690)</b>		<b>2,123</b>
<b>Current Assets</b>						
Stock – trading properties	22,866		10,657		33,523	
Debtors	7,154		(5,272)		1,882	
Cash at bank and in hand	1,448		7,119		8,567	
	<b>31,468</b>		<b>12,504</b>		<b>43,972</b>	
<b>Current Liabilities</b>						
<b>Creditors:</b> amounts falling due within one year		<b>(3,598)</b>		<b>513</b>		<b>(3,085)</b>
<b>Net Current Assets</b>		<b>27,870</b>		<b>13,017</b>		<b>40,887</b>
<b>Total Assets Less Current Liabilities</b>		<b>36,683</b>		<b>6,327</b>		<b>43,010</b>
<b>Creditors:</b> amounts falling due after more than one year		(25,962)		(1,223)		(27,185)
<b>Provisions for liabilities and charges:</b>						
Deferred taxation		(56)		–		(56)
		<b>10,665</b>		<b>5,104</b>		<b>15,769</b>

This pro forma balance sheet reflects the impact on the Group's Consolidated Balance Sheet assuming the above transactions including related cash receipts had occurred on 31 December 2000 and does not include any trading results since the balance sheet date. Further property details can be found in the Property Review on page 6 and the Property Schedule on page 7.

### 27 Share Incentive Plan

The Company has established The Criterion Properties PLC Share Incentive Plan, whereby the Company may advance sums to the Criterion Properties Employee Share Trust in order for it to subscribe for shares in the Company. Such shares are to be held for the purpose of the Plan.

The Trustees of the Criterion Properties Employee Share Trust in exercising their discretion may grant rights to acquire shares in the Company to selected employees. Rights which become vested will normally be exercisable after the end of three years if a three year performance target, determined by the Remuneration Committee on the date the award is made, is exceeded.

**27 Share Incentive Plan (continued)**

The initial market value of shares over which a long-term incentive award may be granted to an individual in any year cannot exceed the amount of their basic annual salary.

The maximum awards in aggregate which may be granted in any one year will be limited to 2% of the Company's issued ordinary share capital.

The number of shares which may be issued for the purposes of the Plan, when added to shares issued or over which options to subscribe for shares have been granted under any other relevant employee share scheme, may not exceed 3% of the issued ordinary share capital in any period of three years, subject to an overall limit of 5% in any period of ten years.

The details of the number of rights granted to Executive Directors during the year are given in the Report by the Board to the Shareholders on Directors' Remuneration on pages 10 and 11.

**28 Related Party Transactions**

On 12 June 2000 Criterion Properties PLC repaid £1,487,000 of loan notes due to Fortress Vastgoed Exploitate XVIII BV, a company then owned by Controlco Holdings NV.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 99 Charterhouse Street, London EC1M 6NQ on 10 July 2001 at 11.00 a.m. to transact the following business:

## **Ordinary Business**

1. To receive and adopt the Report of the Directors and the audited Financial Statements for the year ended 31 December 2000.
2. To re-elect Michael Bell who retires by rotation, as a Director.
3. To re-elect Sir Eric Parker who retires by rotation, as a Director.
4. To re-elect Alan Palmer who retires by rotation, as a Director.
5. To re-appoint Deloitte & Touche auditors and to authorise the Directors to determine their remuneration.

## **Special Business**

To consider and, if thought fit, to pass the following as ordinary and special resolutions respectively:

### **Ordinary Resolution**

6. THAT the Directors be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ('the Act') in substitution for any existing authority to exercise all the powers of the Company to allot relevant securities (as defined in Section 80(2) of the Act) up to a maximum nominal amount of £9,057,021 provided that this authority shall expire (unless previously renewed varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may prior to the expiry of such authority make an offer or agreement under which the relevant securities would or might fall to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this Resolution had not expired.

### **Special Resolutions**

7. THAT the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority conferred by Resolution 7 above as if Section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:
  - 7.1 the allotment of equity securities in connection with an offer for securities, open for acceptance for a period fixed by the Directors, by way of rights, open offer or otherwise to holders of Ordinary Shares and such other equity securities as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached to them (but subject to such exclusions or other arrangements necessary or expedient to deal with fractional entitlements that would otherwise arise or with the legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or any stock exchange in any territory or otherwise however); and
  - 7.2 any other allotment (otherwise than pursuant to paragraph 8.1 above) of equity securities up to the aggregate nominal value of £147,148;

and shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution, but so that the Directors shall be entitled to make, at any time prior to the expiry of the power hereby conferred, any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot securities in pursuance of such offer or agreement as if the powers hereby conferred had not expired.

8. THAT the Company is, pursuant to Section 166 of the Act, hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Act) of ordinary shares of 40p each in the capital of the Company ('ordinary shares') provided that:
- 8.1 the maximum number of ordinary shares hereby authorised to be purchased is 735,744 ordinary shares being 10% of the issued share capital at the date of the passing of the Resolution;
  - 8.2 the minimum price which may be paid for ordinary shares is 40p per ordinary share;
  - 8.3 the maximum price which may be paid for an ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share derived from the London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the ordinary share is contracted to be purchased;
  - 8.4 the Company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which contract to purchase will be executed wholly or partly after the expiry of such authority, and may make the purchase of ordinary shares in pursuance of any such contract; and
  - 8.5 the authority hereby conferred shall expire on 10 July 2002.

34 St James's Street  
London SW1A 1HD

By Order of the Board  
A G Palmer, Secretary  
4 June 2001

**NOTES:**

A member who is entitled to be present and vote at the above Meeting may appoint one or more proxies to attend and vote on a poll on his/her behalf. Any proxy need not be a member of the Company. Forms of proxy (and the power of attorney or other authority, if any, upon which it is signed) must be deposited with the Company's registrars, Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ not less than 48 hours before the appointed time of the meeting. Completion of the form of proxy does not preclude the member from attending the meeting and voting thereat. If the appointer is a corporation (which includes a limited company) the form must be under its common seal or under the hand of its attorney or duly authorised officer.

The following documents are available for inspection during normal business hours at the Company's registered office on any weekday except Saturdays and Bank holidays, and at the place of the meeting for a period of fifteen minutes prior to the Annual General Meeting and during the meeting:

1. The Register of Directors' Interests.
2. Copies of all contracts of service whereunder Directors of the Company are employed by the Company or any of its subsidiaries.
3. The Memorandum and Articles of Association of the Company.

*Brunel House, Cardiff*  
20,750 m<sup>2</sup> – Sold January 2001

# CRITERION PROPERTIES PLC

## Form of Proxy

\*I/We.....  
 (\*Please insert your full Name and Address in BLOCK CAPITALS)

of .....

being (a) member(s) of Criterion Properties PLC hereby appoint the Chairman of the Meeting (see Note 2)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on • June 2001 and at any adjournment thereof. I/we direct my/our proxy to vote on the Resolution set out in the Notice convening the Annual General Meeting as follows:

	<b>Resolution</b>	<b>For</b>	<b>Against</b>
1	To receive the Report of the Directors and audited Financial Statements for the year ended 31 December 2000		
2	To declare a dividend		
3	To re-elect Michael Bell, who retires by rotation, as a Director		
4	To re-elect Sir Eric Parker who retires by rotation, as a Director		
5	To re-elect Alan Palmer who retires by rotation, as a Director		
6	To re-appoint Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration		
7	The Directors be authorised to allot relevant securities up to an aggregate nominal amount of £9,057,021		
8	The Directors be empowered to allot equity securities as if the statutory pre-emption rights did not apply		
9	The Company be authorised to make market purchases of own shares		

Dated this ..... day of .....2001

Signature .....

**Notes:**

- To be valid, this form together with any power of attorney or other authority under which it is executed, must reach the Registrars of the Company not later than 12.00 noon on • June 2001.
- You may if you wish delete "the Chairman of the Meeting" and insert the name of some other person. A proxy need not be a member of the Company. Any changes should be initialled.
- A corporation must execute this form under its seal or under the hand of a duly authorised officer or attorney.
- In the case of joint holdings, only one holder need sign. If more than one joint holder attends the Meeting, whether in person or by proxy, the one whose name stands first on the register of members in respect of any shares shall alone be entitled to vote. Completion and return of the form of proxy will not prevent you from attending and voting in person.

Second Fold

BUSINESS REPLY SERVICE  
Licence No. ANG 1468



Capita IRG plc  
Balfour House  
390/398 High Road  
Ilford  
Essex IG1 1BR

First Fold

Third Fold and Tuck in

Brunel House, Cardiff  
20,757 m<sup>2</sup> – sold January 2001

Criterion Properties PLC  
Registered Office  
34 St James's Street, London SW1A 1HD

Registered in England and Wales  
No. 2101254