



CRITERION
PROPERTIES

Interim Report & Accounts
for the six months period
ended 30 June 2001

THE CHAIRMAN'S STATEMENT

The Interim Report and Accounts to 30 June 2001 reflect the major restructuring of the Company as detailed in my Chairman's Statement of 4 June.

The accounts reflect the sale of the Company's remaining UK property interests apart from the Limited Partnership property in Basingstoke, in which we have a 25% interest, which I will deal with later. These sales produced a gross profit of £6.219 million on proceeds of £22.899 million, with Brunel House, Cardiff being the main contributor.

Exiting the UK market and re-positioning the company in Europe, whilst profitable, resulted in a number of exceptional charges and finance costs, which are included in the accounts.

The Company remains actively engaged in managing the two major properties in Belgium, the IT Tower office block in Brussels and the Aartselaar warehouse in Antwerp.

The IT Tower purchase of a long term 65 year leasehold interest was completed on 15 March. The 22,778 sq. metre (245,180 sq. feet) landmark office block situated on Avenue Louise, Brussels 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 from the Group resources.

The property was yielding 8.9% gross on the purchase price, whilst the office tower was 92% let. The tower is now 97% let, with a rolling refurbishment programme under way for the 3rd floor and the communal areas. At the same time the ground and lower ground floors are being redeveloped. The running yield on an annualised basis is now 9.5%. The Company intends trading this property on.

Our warehouse in Aartselaar near Antwerp, Belgium is leasing up well and is benefiting from a rolling refurbishment programme. This expenditure amounted to some BEF 11 million (£167,000). As previously stated, it is our intention to trade this building on.

The sole tenant, Dolphin Telecom Services Ltd, of the Limited Partnership property in Basingstoke went into administration on 1 August. We are in talks with the administrator and will shortly know whether they intend to stay in the building. The Limited Partnership has an insurance policy in place covering one year's loss of rent. The Basingstoke property market is under pressure from new developments and refurbished properties. The value of the property has decreased and the reduction is included in the half yearly results.

A full explanation of the ongoing litigation between the Company, Oaktree Capital Management LLC and Mr Aubrey Glaser, the former Managing Director, is included under note 4 'contingent liabilities' in the attached Interim Accounts. It would be inappropriate for further comment at this stage.

During the six months to 30 June 2001 profit on ordinary activities before taxation was £4.251 million (six months to 30 June 2000: £18,000). The Group was impacted from an unfavourable exchange movement of £345,000 net of tax when translating its net investment in its new continental subsidiaries. This amount has been debited directly to reserves.

As a result of the repositioning of your Company the net borrowings at 30 June 2001 reduced to £18.270 million compared with £25.614 million at 31 December 2000.

Net asset value as at 30 June 2001 was 180 pence per share (the net asset value as at 31 December 2000 was 145p). This increase being attributable mainly to the net profits realised on the sale of properties held as trading stock.

The outlook for the second half of the year is difficult to project, pending the outcome of Basingstoke and the economic uncertainty stemming from the tragic events in the U.S.A. The share price is trading at a substantial discount to net asset value and your Board of Directors continues to examine alternatives to reduce this discount.

The Board proposes to pay an interim dividend of 3 pence per share (30 June 2000: 3 pence per share) payable on 31 October, to shareholders on the register on 12 October. Despite the good results for the half year, an increase in dividend was considered inappropriate given the uncertainties relating to Basingstoke, the Oaktree litigation and the general economic climate.



Rolf L Nordström, Chairman

28 September 2001

INDEPENDENT REVIEW

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2001 which comprises the profit and loss account, the balance sheet, the cash flow statement and related notes 1 – 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six month period ended 30 June 2001.

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

28 September 2001

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

	Notes	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
		£'000 Unaudited	£'000 Unaudited	£'000 Audited
Turnover	2			
Net rental income		1,323	1,695	3,605
Property sales		22,899	1,450	7,115
		24,222	3,145	10,720
 Cost of sales		(16,680)	(1,500)	(6,484)
 Gross Profit		7,542	1,645	4,236
Administrative expenses		(803)	(566)	(1,073)
Exceptional charges	3a	(855)	(180)	(187)
Operating Profit	2	5,884	899	2,976
Amounts written off investments	3b	(143)	–	–
Net interest payable		(604)	(881)	(2,162)
Exceptional Finance Costs	3c	(886)	–	–
 Profit on Ordinary Activities before Taxation		4,251	18	814
Tax on profit on ordinary activities	5	(1,034)	(8)	(165)
 Profit for the Financial Period		3,217	10	649
Equity dividends		(221)	(221)	(504)
 Retained Profit/(Loss) for the Financial Period		2,996	(211)	145
Basic and diluted earnings per share	6	43.72p	0.14p	8.82p

The results for the above periods reflect the continuing operations of the group.

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2001

		30.6.2001	30.6.2000	31.12.2000
		£'000	£'000	£'000
		Unaudited	Unaudited	Audited
Fixed Assets				
Investment property	7	1,212	7,874	8,253
Other tangible assets		119	207	201
Investments		180	95	359
		1,511	8,176	8,813
Current Assets				
Stock – trading properties	8	32,191	27,557	22,866
Debtors		1,678	1,396	7,154
Cash at bank and in hand		6,694	1,081	1,448
		40,563	30,034	31,468
Current Liabilities				
Creditors: amounts falling due within one year		(3,976)	(2,056)	(3,598)
Net Current Assets		36,587	27,978	27,870
Total Assets Less Current Liabilities				
		38,098	36,154	36,683
Creditors: amounts falling due after more than one year		(24,818)	(26,076)	(25,962)
Provisions for liabilities and charges:				
Deferred taxation		(56)	(56)	(56)
		13,224	10,022	10,665
Capital and Reserves				
Called up share capital		2,943	2,943	2,943
Share premium account	9	5,001	5,001	5,001
Investment revaluation reserve		–	370	666
Capital redemption reserve		183	183	183
Profit and loss account		5,097	1,525	1,872
Equity Shareholders' Funds		13,224	10,022	10,665

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
	£'000	£'000	£'000
Profit for the financial period	3,217	10	649
Dividends	(221)	(221)	(504)
	2,996	(211)	145
Surplus arising on revaluation of investment properties	–	–	296
Impairment of investment properties	(92)	–	–
Foreign exchange translation			
(Loss)/Gain	(450)	132	120
Tax credit/(charge) on foreign exchange	105	(39)	(36)
Net addition/(reduction) to Shareholders' funds	2,559	(118)	525
Opening Shareholders' funds	10,665	10,140	10,140
Closing Shareholders' Funds	13,224	10,022	10,665

STATEMENT OF RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
	£'000	£'000	£'000
Profit for the financial period	3,217	10	649
Surplus arising on revaluation of investment properties	–	–	296
Impairment of investment properties	(92)	–	–
(Loss)/gain on foreign exchange	(450)	132	120
Tax credit/(charge) on foreign exchange	105	(39)	(36)
Total recognised gains and losses relating to the period	2,780	103	1,029

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

	Notes	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
		£'000	£'000	£'000
Net cash inflow from operating activities	10(a)	1,424	2,281	3,427
Returns on investments and servicing of finance				
Interest paid		(1,824)	(811)	(1,934)
Interest received		173	14	26
		(1,651)	(797)	(1,908)
Taxation paid		(76)	(270)	(296)
Capital expenditure and financial investment				
Purchase of subsidiary undertaking		–	(2,791)	–
Purchase of and additions to investment properties		–	(116)	(199)
Disposal of investment properties		6,691	–	–
Purchase of other tangible fixed assets		(1)	(109)	(152)
Disposal of other tangible fixed assets		–	–	8
Purchase of investments		–	(11)	(310)
Payments to acquire investments in subsidiaries		–	–	(1,279)
		6,690	(3,027)	(1,932)
Equity dividends paid		–	(294)	(504)
Cash inflow/(outflow) before financing	10(b)	6,387	(2,107)	(1,213)
Financing				
Other new loans drawn down		20,425	13,450	12,550
Repayment of amounts borrowed		(21,566)	(11,560)	(9,655)
Redemption of loan notes		–	–	(1,498)
		(1,141)	1,890	1,397
Increase/(decrease) in cash		5,246	(217)	184
Reconciliation of net cash flow to movement in net debt				
Increase/decrease in cash		5,246	(217)	184
Cash outflow/(inflow) from decrease/(increase) in debt		1,141	(1,890)	(1,397)
Loan notes issued to acquire subsidiary		–	–	(1,487)
Bank loan acquired with subsidiary undertaking		–	(3,643)	(3,643)
Exchange movement		957	(220)	86
Movement in net debt		7,344	(5,970)	(6,257)
Net debt at start of period/year		(25,614)	(19,357)	(19,357)
Net debt at end of period/year	10(b)	(18,270)	(25,327)	(25,614)

NOTES TO THE ACCOUNTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

1 Preparation of interim financial information

This financial information has been prepared on the basis of the accounting policies set out in the full accounts for the year ended 31 December 2000.

The financial information contained in this report does not constitute statutory accounts within the meaning of S240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2000 have been delivered to the Registrar of Companies and the audit report on those accounts was unqualified and did not contain any statements under section 237 of the Companies Act 1985.

2 Segmental Analysis

	Six month period ended 30.6.2001			Six month period ended 30.6.2000			Year ended 31.12.2000		
	Turnover	Operating Profit	Net Assets	Turnover	Operating Profit	Net Assets	Turnover	Operating Profit	Net Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom									
Investment	480	111	260	1,546	308	2,569	3,044	1,819	3,103
Trading	22,899	5,380	158	1,450	482	3,410	7,115	652	1,762
Other	-	-	3,237	-	-	935	-	-	2,692
	23,379	5,491	3,655	2,996	790	6,914	10,159	2,471	7,557
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continental Europe									
Trading	843	393	9,618	149	109	3,108	561	505	3,108
	24,222	5,884	13,273	3,145	899	10,022	10,720	2,976	10,665

Turnover for the United Kingdom trading includes property sales from the disposal in February 2001 of Brunel House, Cardiff and Essex House, Hull. The net assets are attributed to segments based on the capital employed including intra group loans. This is a change from the analysis included in the Financial Statements for 31 December 2000 and the comparatives have been restated accordingly.

3 Exceptional charges

(a)

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
	£	£	£
Provision for permanent dilution in value of investment properties	260*	-	-
Costs associated with the divestment of properties from the UK market	350	-	-
Other litigation and related exceptional costs	245	-	-
Costs incurred in responding to unconditional offer from Controlco BV	-	180	187
	855	180	187

*In addition an amount of £92,000 has been taken directly to the revaluation on reserves.

(b) The write off of an amount of £143,000 relates to the Directors revaluation of an unlisted property share investment.

(c)

Included within net interest payable:			
Loan breakage costs	250	-	-
Other finance costs associated with the divestment from the UK market	311	-	-
Interest rate floor breakage costs	325	-	-
	886	-	-

NOTES TO THE ACCOUNTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

4 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 purportedly 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 of the Company, and that, as Oaktree must have been aware of this, the Agreement is not binding and can not be enforced against the Company. The Agreement was not authorised by the Board of Directors of the Company, nor was it disclosed to the Board until earlier this year. Mr Glaser was dismissed as Managing Director of the Company on 3 April 2001.

In June 2001 the Company was served with a claim form issued by Stratford UK Properties LLC, its partner in the limited partnership with Oaktree, claiming sums allegedly due under the terms of the original partnership agreement as purportedly varied by the Agreement. The current estimates by the Company calculate that if it were obliged to pay the amount claimed by Oaktree the loss to the Company would be approximately £4.25 million. The amount claimed by Oaktree is increasing at 25% per annum compounded monthly. The Company has appointed solicitors and is resisting the claim strenuously. On 10 July 2001 the Company applied to the High Court for an order that the Second Supplemental Agreement be set aside and that Aubrey Glaser pay the Company compensation for any loss and damage suffered.

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 were owned by the partnership (Mobius House, Basingstoke) 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 this contingent liability in the interim statements for the period ended 30 June 2001.

In September 2001 Mr Glaser has served the Company with a claim for loss of office totalling £280,000. No provision has been included for the contingent liability in the interim statements for the period ended 30 June 2001.

5 Tax on profit on ordinary activities

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
	£'000	£'000	£'000
United Kingdom corporation tax at 30%	(1,113)	7	(190)
Overseas tax	54	(15)	(53)
Adjustment in respect of prior year	25	-	78
	(1,034)	(8)	(165)

The UK corporation tax charge for the six months period ended 30 June 2001 is lower than the standard rate due to the utilisation of tax losses brought forward.

6 Earnings per share

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
Earning per share are calculated as follows:			
Profit for the period	£3,217,000	£10,000	£649,000
Weighted average number of shares in issue	7,357,446	7,357,446	7,357,446
Basic earnings per share	43.72p	0.14p	8.82p
Diluted earnings per share	43.72p	0.14p	8.82p

NOTES TO THE ACCOUNTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2001

7 Investment Property

Investment property comprises the Company's share of investment in Mobius House, Basingstoke.

8 Stock – trading properties

Trading properties comprise the Artselaar property near Antwerp and the IT Tower, Brussels.

9 Reserves

	Share Premium Account	Investment Revaluation Reserve	Capital Redemption Reserve	Profit and Loss Account	Total
At 1 January 2001	£'000	£'000	£'000	£'000	£'000
Retained profit for the period	5,001	666	183	1,872	7,722
Foreign exchange loss	–	–	–	2,996	2,996
Impairment of investment properties	–	(92)	–	(450)	(450)
Tax on foreign exchange	–	–	–	–	(92)
Transfer of realised revaluation gains	–	(574)	–	105	105
	–	–	–	574	–
	5,001	–	183	5,097	10,281

10 Cash Flow Statement

(a) Reconciliation of operating profit in operating cash flow

	Six month period ended 30.6.2001	Six month period ended 30.6.2000	Year ended 31.12.2000
	£'000	£'000	£'000
Operating profit	5,884	899	2,976
Depreciation and amortisation charges	119	83	156
Loss on sale of tangible fixed assets	–	–	3
(Increase)/decrease in stock	(10,727)	1,032	5,325
Decrease/(increase) in debtors	5,892	335	(5,638)
Increase/(decrease) in creditors	256	(68)	605
Net cash inflow from operating activities	1,424	2,281	3,427

(b) Analysis of net debt

	At 1 January 2001	Cash Flow	Other non Acquisitions	Exchange movement	At 30 June 2001
	£'000	£'000	£'000	£'000	£'000
Cash in bank and in hand	1,448	5,246	–	–	6,694
Debt due within one year	(1,100)	1,259	(629)	–	(470)
Debt due after one year	(25,962)	(118)	629	957	(24,494)
	(25,614)	6,387	–	957	(18,270)

PROPERTY SCHEDULE

AT 30 JUNE 2001

Location	Type	Freehold or Leasehold	Size ft ²	Size m ²	Occupancy	Notes
CRITERION PROPERTIES PLC WHOLLY OWNED						
IT Tower Brussels, Belgium	Office	Leasehold	245,182	22,778	97%	66 Year Lease to 2066
Aartselaar Antwerp, Belgium	Warehouse + Office	Freehold	390,604	36,288	92%	
Penzance - 4/8 Market Place 4/8 Market Place, Penzance, Cornwall	Retail + Office	Freehold	4,886	460	85%	
Total, wholly owned properties:			640,672	59,526		
PARTNERSHIP PROPERTIES						
Criterion-Stratford (Basingstoke) Limited * Basingstoke - Digital Building Viabes Industrial Estate, Basingstoke	Office	Leasehold	44,070	4,093	100%	125 Year lease to 2107 82% interest
Total, partnership properties:			44,070	4,093		
TOTAL, OWNED OR UNDER MANAGEMENT:			684,742	63,619		

SUMMARY:

Criterion Properties PLC share of Partnership Properties *@ 25%	11,018	1,023
Criterion Properties PLC wholly owned properties	640,672	59,526
TOTAL, WHOLLY OWNED AND SHARE OF PARTNERSHIP:	651,690	60,549



CRITERION
PROPERTIES

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Registered in England and Wales
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