CLS Holdings plc
Half-Yearly Financial Report

CORPORATE OVERVIEW

- Shareholders' funds of £380 million
- EPRA net assets of £459 million
- £904 million of office properties across London, France, Germany and Sweden
- Top property company total shareholder return performance since 2008
- Strong alignment of interest with shareholders: management owns 54%
- Substantial cash and liquid resources available for new investment
- Cautiously entrepreneurial approach to future opportunities

INVESTORS IN EUROPEAN COMMERCIAL PROPERTY

- CLS IS A PROPERTY INVESTMENT COMPANY WHICH HAS BEEN LISTED ON THE LONDON STOCK EXCHANGE SINCE 1994
- WE OWN AND MANAGE A DIVERSE PORTFOLIO OF £0.9 BILLION OF MODERN, WELL-LET OFFICE PROPERTIES IN LONDON, FRANCE, GERMANY AND SWEDEN
- OUR PROPERTIES HAVE BEEN SELECTED FOR THEIR POTENTIAL TO ADD VALUE AND TO GENERATE HIGH RETURNS ON CAPITAL INVESTMENT

CONTENTS

HOW WE OPERATE

Our goal is to create long-term shareholder value

WE AIM TO ACHIEVE THIS BY:

- PURSUING AN OPPORTUNISTIC INVESTMENT STRATEGY
- FOCUSING ON CASH RETURNS
- OPERATING IN DIVERSE LOCATIONS
- UTILISING DIVERSIFIED SOURCES OF FINANCE
- MAINTAINING A BROAD TENANT BASE
- MINIMISING VACANT SPACE
- IMPOSING STRICT COST CONTROL
- RETAINING A HIGH LEVEL OF LIQUID RESOURCES



Financial highlights

- **EPRA net assets per share: up 5.6%** to 1,037.7 pence (31 December 2011: 983.1 pence)
- **EPRA net assets: up 3.1%** to £458.5 million (31 December 2011: £444.9 million)
- **EPRA earnings per share: 30.7 pence** (2011: 37.4 pence)
- **EPRA profit before tax: £17.9 million** (2011: £16.4 million)
- **Cash flow from operating activities: £14.3 million** (2011: £14.0 million)
- **Net assets per share: up 5.8%** to 865.2 pence (31 December 2011: 817.5 pence)
- **Net assets: up 3.3%** to £379.7 million (31 December 2011: £367.5 million)
- **Earnings per share: 47.8 pence** (2011: 69.9 pence)
- **Profit after tax: £21.3 million** (2011: £33.6 million)
- **Proposed distribution to shareholders: £4.6 million** (September 2011: £4.4 million) by way of tender offer buy-back: 1 in 71 at 750 pence, equivalent to 10.6 pence per share
- **Low weighted average cost of debt: 3.74%** (31 December 2011: 4.06%)
- **Interest cover: 3.4 times** (2011: 3.4 times)
- **Adjusted solidity: 42.4%** (31 December 2011: 40.5%)
- **Adjusted gearing: 120%** (31 December 2011: 128%)

Other key data

- **Top performer in UK listed property sector total shareholder return since 2008: 106.2%**
- **Portfolio value: £904.4 million –** up 1.1% in local currencies
- **Proportion of Government tenants: 40.7%**
- **Occupancy rate: 96.5%**
- **Indexation applies to 66% of contracted rent**
- **Liquid resources: £123.2 million**

CHAIRMAN'S STATEMENT

Continuing to deliver

OVERVIEW

I am pleased to report that the first half of 2012 was one of considerable further achievements across the Group. We have continued to reduce our vacancy level to a new historical low of 3.5%, and further lowered our average cost of debt to 3.74%. We have also secured an important planning permission in London for our Spring Mews mixed-use development and completed the second of our German pre-lets, both of which I wrote about in the 2011 year end statement. These achievements have meant that EPRA net asset value rose in the first half by 5.6% to 1,037.7 pence (31 December 2011: 983.1 pence).

In the face of ongoing macroeconomic uncertainty, our business strategy displays further strength and resilience due to our asset diversity with over 400 tenants across four countries, including three of the strongest in the European Union, Germany, France and Sweden. That an eventual break-up of the euro could be a positive for CLS cannot, therefore, be ruled out. Underpinned by government leases, which provide 41% of rental income in a high-yielding and well-managed portfolio, the business generates an attractive rental surplus over our low cost of debt. Our balance sheet is strong with diverse financing arrangements from over 20 lending sources and we continuously aim to improve our funding profile, as further evidenced by our announcement this morning of plans to issue a retail bond.

We remain the top performer among UK listed real estate investment and development companies on a Total Shareholder Return basis having delivered 106.2% since the beginning of 2008, equivalent to an annualised return of 17.4%.

RESULTS AND FINANCING

Profit before tax for the six months to 30 June 2012 was £27.1 million (2011: £37.1 million) with earnings per share of 47.8 pence (2011: 69.9 pence). EPRA earnings per share were 30.7 pence (2011: 37.4 pence). Each of these comparatives contained a number of one-off items, and the underlying business remains very similar to that of a year ago. EPRA profit before tax was £17.9 million (2011: £16.4 million), 9.1% higher than last year, and the business continues to generate cash.

Shareholders' funds grew in the six months by 3.3% to £379.7 million (31 December 2011: £367.5 million), after distributions to shareholders of £7.9 million.

The Group's weighted average cost of debt has fallen to 3.74% (31 December 2011: 4.06%) which we believe is one of the lowest in the London Stock Exchange's real estate sector. This highlights the benefits of the treasury management and hedging strategy that we have pursued over the last few years, as short and long-term money market rates have continued to fall. At 30 June 2012, net debt as a proportion of gross assets (less cash) was 52.7%. So far in 2012, we have successfully refinanced £117.6 million of debt, including our largest asset, Spring Gardens, on 10 July, subsequent to which the weighted average unexpired loan term has increased to 4.6 years.

In addition, as part of our strategy of having a diverse range of sources and types of finance, today we announce that we are looking to issue a new unsecured corporate bond on the London Stock Exchange's ORB retail bond market, with book building due to begin in a few days.

At 30 June 2012, the Group's net debt had reduced to £546.3 million. Our liquid resources, held in cash and corporate bonds, stood at £123.2 million, a very healthy level confirming the strength of the Group's balance sheet. The corporate bonds have generated a total return in the first half of 10.4%, corresponding to £9.2 million. We also took the opportunity to sell off part of the portfolio into the market rally in the first quarter, which realised gains of £0.5 million. The interest received from our corporate bond portfolio generated £4.1 million of our £4.5 million of finance income, which covered 39% of our total interest expense.

PROPERTY PORTFOLIO

Despite a weaker overall investment climate, we have achieved numerous successes with a combination of planning gains, a further reduction of the vacancy level, rental increases from indexation, and asset management initiatives, such as extending key leases and removing break clauses from others. At 30 June the portfolio valuation stood at £904.4 million, reflecting an underlying like-for-like valuation gain since 31 December 2011 of 1.1% in local currencies. A negative foreign exchange movement of 1.7% produced an overall net valuation decrease of 0.6%.

"The Group is in an excellent position to benefit from attractive investment opportunities."

The London portfolio grew by 3.1% due to the uplift in the properties allocated for development, whilst the remainder of the London portfolio remained stable. In local currencies, France decreased by 0.4%, Germany by 0.2% and Sweden by 1.5%.

Lettings have been very positive for the Group and we have reduced overall vacancy even further to just 3.5% (31 December 2011: 3.9%). Whilst tenant demand is steady, the complete absence of new developments in most of our markets for the foreseeable future should continue to bode well for the Group. We can continue to refurbish and to maintain high quality space at an affordable level, and to respond flexibly to our customers' needs. We remain focused on energy efficiency and sustainability in our existing portfolio and activities, subjects on which you will find a more detailed description in the Business Review.

Like-for-like rents in local currency terms were up by 2.6% in the first half. The Group's average rent of £168 per sq m positions us attractively within the key European cities in which we operate to compete for new tenants. Government tenants represent 41% of rents while major corporations represent 28%, and 66% of the Group's rental income is subject to indexation. The weighted average lease length at 30 June 2012 was 7.4 years, or 6.3 years to first break.

The benefit of having high levels of liquid resources is that it enables us to move very quickly when attractive acquisition opportunities arise. In July, we exchanged and completed in just two weeks on a 1,963 sq m office property in Wallington, Surrey, generating £320,885 per annum. The acquisition price was £2.08 million, corresponding to a net initial yield of 14.1%. Well-let to 5 tenants, including the Metropolitan Police and Penta Consulting, this purchase price equates to a capital value of just £1,112 per sq m for a modern office building with good car parking. This is substantially below replacement cost.

Success was achieved with the 20,800 sq m mixed-use, student accommodation and hotel development proposal, Spring Mews, in Vauxhall, SE11, which received planning consent in May. We are progressing our detailed design and site preparation with an objective to start construction by the end of the year for a late 2014 completion. On the larger scheme, Vauxhall Square, constructive discussions are continuing with the planning authority and other stakeholders regarding our 154,000 sq m application. In February, at Grafelfing we completed the first of the two pre-let office schemes in Germany, as I highlighted in the 2011 report, and the second scheme, pre-let to E.ON, completed at the end of July. More details are available in the Business Review.

In Sweden, Catena, the listed property company in which the Group owns a 29.9% interest, is making good progress with its planning application for a 150,000 sq m mixed use scheme. A consent is expected by the end of the year.

DISTRIBUTIONS

In April we made a distribution to shareholders of £7.9 million through our traditional tender offer buy-back process. We propose to distribute a further £4.6 million to shareholders in September by similar means, offering 1 in 71 shares at a price of 750 pence per share, and a circular will be sent to shareholders in the next few days. If approved, these two shareholder distributions would correspond to an implied dividend yield of 4.5% based on our average market capitalisation during the first half of 2012.

OUTLOOK

The challenges in the macroeconomic climate look set to continue for a considerable time. The markets are likely to remain volatile and interest rates could remain at these historical lows for a sustained period.

The Group continues to be well placed to deliver good returns to shareholders: generating a high income surplus with a very low cost of debt; maintaining low vacancy levels; adding value through selective development; and being well financed with substantial liquid resources. I remain confident that the Group is in an excellent position to benefit from any attractive investment opportunities in the short to medium term.

Sten Mortstedt
Executive Chairman
15 August 2012

BUSINESS REVIEW

A clear focus on active management

INVESTMENT PROPERTY

LONDON Variable quarterly economic data suggest the UK is treading water at best; however, London itself is clearly outperforming the rest of the UK by some margin. This has been another successful six months for our asset management team in the London region. Whilst lettings continue to suffer around the M25 and beyond, where vacancy levels of over 15% are reported, Central London markets continue to outperform. We have reduced our vacancy levels to 2.9% at 30 June, from 4.0% at 31 December 2011, with particular successes at Westminster Tower, SE11 and Great West House, Brentford. In total we renewed leases on 4,824 sq m, and whilst 1,608 sq m became vacant we let 2,739 sq m. This excellent performance highlights the benefit of working closely with tenants and potential tenants, with our in-house asset and property management teams reacting fast and effectively, keeping office space up to date to meet expectations.

The lack of new or refurbished space in our sub-markets is clearly benefiting the Group, and on certain buildings we are now able to increase rents modestly to reflect this. We expect our holdings in Midtown at Fetter Lane, EC4, Gray's Inn Road, WC1 and John Adam Street, WC2 in particular will benefit from this.

In May the Group secured planning consent on the first of its two applications in Vauxhall, called Spring Mews, for a mixed-use scheme with 399 student bedrooms, a 120 bedroom hotel, a 561 sq m community centre and café, together with 469 sq m of office space, a 245 sq m convenience store and a new pedestrian mews for the public, linking Spring Gardens to Tinworth Street. We are progressing our detailed design and site preparation with a view to starting construction by the end of the year for a completion in late 2014. We are in discussions with potential specialist operators for the hotel and the student building, and anticipate an annual rental value in excess of £5 million.

Discussions are continuing with the planning authority and other stakeholders on our 154,000 sq m Vauxhall Square planning application. The Group's site is a key piece within the Vauxhall Nine Elms regeneration zone and our mixed-use proposal has been well received.

At Clifford's Inn, Fetter Lane, EC4, we have submitted a planning application for a comprehensive refurbishment to provide 3,433 sq m of new Grade A offices and eight residential apartments. Subject to receiving planning consent, we aim to start the refurbishment in April 2013; the cost is expected to be £9.1 million.

PORTFOLIO STATISTICS

At 30 June 2012	Contracted rent (£m)	Valuation (£m)	6 month revaluation in local currency	Net initial yield	Vacancy by rent	Weighted average unexpired lease term (years)	Contracted rent per let sq m (£)	Capital value per sq m (£)
London	27.8	412.7	+3.1%	6.4%	2.9%	8.8	219	3,156
France	18.5	239.5	–0.4%	7.7%	3.8%	5.3	199	2,482
Germany	13.8	194.8	–0.2%	7.0%	5.2%	8.7	106	1,395
Sweden	6.4	57.4	–1.5%	8.4%	1.7%	4.1	145	1,266
Total portfolio	66.5	904.4	+1.1%	7.0%	3.5%	7.4	168	2,194


The increase in the value of the London portfolio of 3.1% is a reflection primarily of the uplift due to properties allocated for development, and of the asset management successes.

Whilst the traditional banking market in London is weak, other sources of finance are becoming available to listed companies with a strong track record and we remain confident of our ability to tap into these and selectively take advantage of special opportunities in our markets. In this vein it took us only two weeks to acquire a 1,963 sq m office property in Wallington, Surrey generating £320,885 per annum at current market rents, and for which we paid £2.08 million, representing a net initial yield of 14.1%; the five tenants have a weighted average lease profile of 2.4 years to first break clause.

FRANCE The French economy slowed noticeably in the first half, with GDP at best being flat; this was inevitably exaggerated by the presidential election where the prospect of change led to uncertainty in the business community. There is a noticeable degree of caution amongst investors, banks and tenants whilst they wait to see the impact of the new president, both domestically and on the wider European stage.

Agents research indicates take up has reduced by over 20% compared to the first half of 2011.

Letting enquiries have reflected this caution, and our French vacancy rate increased from its all-time low in December of 2.7% to 3.8%, still significantly below the market average. Leases were renewed on 2,450 sq m, and whilst tenants vacated 2,747 sq m, new leases were signed for 1,963 sq m. Understandably, some smaller tenants have shown signs of experiencing difficulties in their businesses, and our in-house property team has been able to recognise this early and respond proactively to assist tenants where possible.

The lack of new construction of speculative office space in our main Paris and Lyon markets is likely to continue and will assist the Group as supply will be constrained; vacancy is 7% across the Greater Paris region and total office availability has fallen over the last 12 months.

The value of the French portfolio fell by 0.4%, despite rental indexation of €420,000 applying to the portfolio in the first half.

GERMANY Amongst the Eurozone hiatus in the last six months the German economy has continued to remain resilient, with unemployment falling. The office investment market has seen a decline in transaction volumes of 18%, with the focus being on core areas where prime yields are hardening, although private investors have increased their investing activity by 15% in the first half.

Office lettings in the Top 6 cities across Germany are 10.5% lower than in 2011, but with little new construction, vacancy levels in these markets have reduced to 9.3%. It is encouraging also that the Group's vacancy level has fallen to 5.2% (31 December 2011: 6.0%). Leases were signed or renewed on 2,337 sq m, whilst tenants vacated 2,513 sq m.

The pre-let extension of 1,642 sq m to Dr Honle AG in Grafelfing, Munich was completed in February, generating an extra €197,000 rent per annum and at the end of July we completed the 5,400 sq m pre-let to E.ON in Landshut near Munich, which will generate an additional rent of €410,000 per annum. Both developments were completed on time and on budget.

SWEDEN The Nordic banks have low exposure to the peripheral Euro countries and whilst some overseas lenders have pulled out of the area, the Nordic countries' positive current account balances provide the ability to replace credit from abroad with domestic savings. Coupled with population growth in key cities, this bodes well for the Swedish property markets both in commercial and in residential property.

The Group's Vanerparken property near Gothenburg is performing to plan, with discussions soon to begin on lease renewals. The Stockholm listed real estate company, Catena AB, in which the Group has a 29.9% shareholding, is continuing positive negotiations on its planning application for 950 apartments and 50,000 sq m of commercial space. A planning consent is expected to be received around the end of 2012.

Cood Investments AB, a residential property company specialising in holiday cottages and cabins, in which the Group made an investment of £4.0 million in the first half for a 16.6% stake, is performing satisfactorily.

BUSINESS REVIEW CONTINUED

OTHER INVESTMENTS

The corporate bond portfolio remains a key part of the Group's long-term investment strategy alongside the core ownership of investment properties. Corporate bonds held at 30 June 2012 had a value of £76.1 million (31 December 2011: £85.1 million) with a yield of 10.3% on value. A summary of the 34 bonds held at 30 June 2012 from 30 issuers (31 December 2011: 39 bonds from 33 issuers) are set out in note 11 of the financial statements.

The Group owns a 48.3% investment, carried in the balance sheet at £8.1 million, in Bulgarian Land Developments Plc which is working on its strategy of asset sales following achievement of the individual asset's objectives.

Nyheter 24 Group is an on-line news media company based in Stockholm and in which CLS owns a 20% interest, which is carried in the balance sheet at £1.8 million.

RESULTS FOR THE PERIOD

HEADLINES Profit after tax of £21.3 million (2011: £33.6 million) generated basic earnings per share of 47.8 pence (2011: 69.9 pence), and EPRA earnings per share of 30.7 pence (2011: 37.4 pence). Gross property assets at 30 June 2012 rose to £904.4 million (31 December 2011: £902.1 million); net assets per share increased by 5.8% to 865.3 pence (31 December 2011: 817.5 pence) and EPRA net assets per share by 5.6% to 1,037.7 pence (31 December 2011: 983.1 pence).

STATEMENT OF COMPREHENSIVE INCOME Although profit after tax of £21.3 million (2011: £33.6 million) was less than in 2011, the comparative contained a number of one-off items, and the underlying business remains very similar to that of a year ago. EPRA profit before tax was £17.9 million (2011: £16.4 million), 9.1% higher than last year.

There have been no material property acquisitions or disposals in the past twelve months, and the business continues to generate cash. Group revenue in the six months to 30 June 2012 of £40.0 million (2011: £39.9 million) and costs of £14.5 million (2011: £14.2 million) were virtually unchanged from last year. The 1.1% uplift in local currency of the investment property portfolio generated a revaluation gain of £10.1 million, a non-cash item which was some £4.0 million lower than last year (2011: £14.1 million), and it was largely this difference, and a one-off profit on sale of subsidiaries in 2011 of £1.2 million, which accounted for the lower operating profit of £35.5 million (2011: £41.3 million).

Interest income of £4.5 million (2011: £4.1 million) and positive foreign exchange variances of £0.7 million (2011: £0.8 million) were similar to last year. Finance income in 2011 also contained a one-off write-off of debt of £2.3 million on the liquidation of the subsidiaries which issued it.

Interest expense of £11.9 million (2011: £14.6 million) was £2.7 million lower than in 2011. In the second half of 2011 the Group cancelled an onerous interest rate swap contract, the effect of which was a saving in the six months to 30 June 2012 of £1.5 million against the comparable period in 2011. In addition, the Group benefited from lower short-term interest rates and the strength of sterling. At 30 June 2012, the weighted cost of debt had fallen to 3.74% (31 December 2011: 4.06%).

EPRA NET ASSETS PER SHARE EPRA net assets per share rose from 983.1 pence to 1,037.7 pence in the six months to 30 June 2012, an increase of 54.6 pence per share, or 5.6%. The majority of this increase came from profit after tax, which added 51.6 pence per share.

CASH FLOW, NET DEBT AND GEARING Net cash flow from operating activities of £14.3 million was at a similar level to the corresponding period in 2011, underlining the Group's ability to generate cash. £7.9 million of this was distributed to shareholders. Interest of £5.4 million was received from investments, and a net £13.9 million from disposing of corporate bonds and other investments. This cash was used to repay £21.7 million of loans, net of new loans taken out in the six months to 30 June 2012, capital expenditure of £7.8 million, the acquisition of an interest in an associate for £4.0 million and other expenditure of £0.4 million leaving a cash balance at 30 June of £47.1 million.

In the six months to 30 June 2012, gross borrowings fell by £31.7 million to £593.4 million (31 December 2011: £625.1 million), but net of cash balances, by only £23.5 million to £546.3 million (31 December 2011: £569.8 million) as cash balances reduced from £55.3 million in December to £47.1 million at the end of June. The Group's weighted average loan to value was 60.3% (2011: 62.5%). Balance sheet gearing was down to 144% (2011: 155%) and adjusted gearing, based on EPRA net assets, was 120% (2011: 128%).

SHARE CAPITAL In April 1,070,324 shares were cancelled under the tender offer buy-back at 735 pence per share. At 30 June 2012, there were 43,883,287 shares in issue, and 4,803,103 Treasury Shares held by the Company.

SUSTAINABILITY

We have installed our first set of photovoltaic cells at Buspace Studios, London W10 which will provide much of the electricity needed for the common parts and aims to cut CO_2 emissions by almost 24 tonnes per year. Following a lighting review, LED lighting has been installed in the common parts at Quayside, London SW6, which led to the consumption of electricity falling by over 90%. We intend to replicate the benefits of similar energy efficient lighting systems across our property portfolio. As participants in the Carbon Reduction Commitment Energy Efficiency Scheme, we have successfully reduced our CO_2 emissions by nearly 1,500 tonnes in the first comparative year to 31 March 2012, despite increasing the size of the portfolio. We expect to provide further information on progress against our sustainability measures at the year end.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause the results for the year to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2011. A detailed explanation of the risks summarised below can be found on pages 20 and 21 of the Annual Report, which is available at www.clsholdings.com:

- Underperformance of investment portfolio due to:
  - Cyclical downturn in property market
  - Inappropriate buy/sell/hold decisions
  - Changes in supply of space and/or tenant demand
  - Poor asset management
- Corporate bond investments
  - Underperformance of corporate bond portfolio
  - Insolvency of corporate issuer
- Failure to secure planning permission
- Contractor solvency and availability
- Downturn in investment or occupational markets
- Unavailability of financing at acceptable prices
- Adverse interest rate movements
- Breach of borrowing covenants
- Foreign currency exposure
- Financial counterparty credit risk
- Increases in tax rates or changes to the basis of taxation
- Break-up of the Euro
- Economic downturn
- Inadequate working capital to remain a going concern for the next 12 months

GOING CONCERN

As stated in note 2 to the Condensed Group Financial Statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this Half-Yearly Financial Report. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Group Financial Statements.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the Chairman's Statement and Business Review include a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Chairman's Statement and Business Review include a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board

Sten Mortstedt
Executive Chairman

Henry Klotz
Executive Vice Chairman

INDEPENDENT REVIEW REPORT TO CLS HOLDINGS PLC

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2012 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Statement of Cash Flows and related notes 1 to 15. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The Half-Yearly Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-Yearly Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the Half-Yearly Financial Report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
15 August 2012

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £m (unaudited)**	Six months ended 30 June 2011 £m (unaudited)	Year ended 31 December 2011 £m (audited)
Continuing operations				
Group revenue	3	**40.0**	39.9	80.1
Costs	3	**(14.5)**	(14.2)	(30.6)
		25.5	25.7	49.5
Net movements on revaluation of investment properties	9	**10.1**	14.1	18.0
Net (loss)/gain on sale of corporate bonds and other investments		**(0.1)**	0.3	2.2
Profit on sale of subsidiaries and associates		**–**	1.2	0.5
Operating profit		**35.5**	41.3	70.2
Finance income	4	**5.2**	7.2	12.2
Finance costs	5	**(13.0)**	(13.5)	(47.7)
Share of (loss)/profit of associates after tax	10	**(0.6)**	2.1	3.0
Profit before tax		**27.1**	37.1	37.7
Taxation	6	**(5.8)**	(3.5)	1.1
Profit for the period		**21.3**	33.6	38.8
Other comprehensive income				
Foreign exchange differences		**(4.6)**	9.0	(5.0)
Fair value gains/(losses) on corporate bonds and other investments		**3.1**	2.0	(16.0)
Fair value losses/(gains) taken to net (loss)/gain on sale of corporate bonds and other investments		**1.8**	0.1	(0.8)
Deferred tax on net fair value gains on corporate bonds and other investments	6	**(1.1)**	1.2	4.6
Share of other comprehensive (loss)/income of associates	10	**(0.6)**	0.1	–
Revaluation of owner-occupied property		**0.1**	0.2	0.3
Total comprehensive income for the period		**20.0**	46.2	21.9
Profit attributable to:				
Owners of the Company		**21.3**	32.3	37.5
Non-controlling interests		**–**	1.3	1.3
Profit for the period		**21.3**	33.6	38.8
Total comprehensive income attributable to:				
Owners of the Company		**20.0**	44.9	20.6
Non-controlling interests		**–**	1.3	1.3
Total comprehensive income for the period		**20.0**	46.2	21.9
Earnings per share from continuing operations attributable to the owners of the Company during the period (expressed in pence per share)				
Basic	7	**47.8**	69.9	82.0
Diluted	7	**47.7**	69.8	81.9

CONDENSED GROUP BALANCE SHEET

at 30 June 2012

	Notes	30 June 2012 £m (unaudited)	30 June 2011 £m (unaudited)	31 December 2011 £m (audited)
Non-current assets				
Investment properties	9	**904.4**	924.8	902.1
Property, plant and equipment		**2.8**	2.7	2.7
Goodwill and other intangible assets		**1.1**	1.1	1.1
Investments in associates	10	**25.8**	24.7	24.1
Other investments	11	**78.4**	114.7	87.8
Derivative financial instruments		**0.8**	4.7	1.5
Deferred tax	6	**12.5**	10.5	17.7
		1,025.8	1,083.2	1,037.0
Current assets				
Trade and other receivables		**10.6**	9.9	11.6
Derivative financial instruments		**0.7**	0.4	0.4
Cash and cash equivalents		**47.1**	119.5	55.3
		58.4	129.8	67.3
Total assets		**1,084.2**	1,213.0	1,104.3
Current liabilities				
Trade and other payables		**(30.3)**	(34.0)	(30.4)
Current tax	6	**(1.3)**	(3.7)	(1.2)
Borrowings	12	**(149.8)**	(98.3)	(151.2)
Derivative financial instruments		**(0.1)**	–	(0.1)
		(181.5)	(136.0)	(182.9)
Non-current liabilities				
Deferred tax	6	**(73.9)**	(79.0)	(75.0)
Borrowings	12	**(440.0)**	(587.6)	(469.8)
Derivative financial instruments		**(9.1)**	(14.1)	(9.1)
		(523.0)	(680.7)	(553.9)
Total liabilities		**(704.5)**	(816.7)	(736.8)
Net assets		**379.7**	396.3	367.5
Equity				
Share capital	13	**12.2**	12.6	12.5
Share premium		**71.5**	71.5	71.5
Other reserves		**85.0**	115.4	86.0
Retained earnings		**211.0**	196.8	197.5
		379.7	396.3	367.5

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012

	Attributable to the owners of the Company						
Unaudited	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total £m**
At 1 January 2012	**12.5**	**71.5**	**86.0**	**197.5**	**367.5**	**–**	**367.5**
Arising in the six months ended 30 June 2012:							
Total comprehensive income for the period	**–**	**–**	**(1.3)**	**21.3**	**20.0**	**–**	**20.0**
Purchase of own shares	**(0.3)**	**–**	**0.3**	**(7.9)**	**(7.9)**	**–**	**(7.9)**
Employee share option schemes	**–**	**–**	**–**	**0.1**	**0.1**	**–**	**0.1**
Total changes arising in the period	**(0.3)**	**–**	**(1.0)**	**13.5**	**12.2**	**–**	**12.2**
At 30 June 2012	**12.2**	**71.5**	**85.0**	**211.0**	**379.7**	**–**	**379.7**

	Attributable to the owners of the Company						
Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total £m
At 1 January 2011	12.9	71.5	102.5	171.6	358.5	(1.3)	357.2
Arising in the six months ended 30 June 2011:							
Total comprehensive income for the period	–	–	12.6	32.3	44.9	1.3	46.2
Purchase of own shares	(0.3)	–	0.3	(7.1)	(7.1)	–	(7.1)
Expenses thereof	–	–	–	(0.1)	(0.1)	–	(0.1)
Employee share option schemes	–	–	–	0.1	0.1	–	0.1
Total changes arising in the period	(0.3)	–	12.9	25.2	37.8	1.3	39.1
At 30 June 2011	12.6	71.5	115.4	196.8	396.3	–	396.3

	Attributable to the owners of the Company						
Audited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total £m
At 1 January 2011	12.9	71.5	102.5	171.6	358.5	(1.3)	357.2
Arising in the year ended 31 December 2011:							
Total comprehensive income for the year	–	–	(16.9)	37.5	20.6	1.3	21.9
Purchase of own shares	(0.4)	–	0.4	(11.7)	(11.7)	–	(11.7)
Expenses thereof	–	–	–	(0.1)	(0.1)	–	(0.1)
Employee share option schemes	–	–	–	0.2	0.2	–	0.2
Total changes arising in the year	(0.4)	–	(16.5)	25.9	9.0	1.3	10.3
At 31 December 2011	12.5	71.5	86.0	197.5	367.5	–	367.5

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June 2012

	Notes	**Six months ended 30 June 2012 £m (unaudited)**	Six months ended 30 June 2011 £m (unaudited)	Year ended 31 December 2011 £m (audited)
Cash flows from operating activities				
Cash generated from operations	14	**26.4**	28.3	54.1
Interest paid		**(11.3)**	(12.7)	(26.1)
Income tax paid		**(0.8)**	(1.6)	(2.9)
Net cash inflow from operating activities		**14.3**	14.0	25.1
Cash flows from investing activities				
Purchase of investment property		**–**	(0.9)	(7.2)
Capital expenditure on investment property		**(7.8)**	(6.0)	(13.2)
Interest received		**5.4**	3.1	6.9
Purchase of corporate bonds		**(11.0)**	(44.8)	(54.5)
Proceeds from sale of corporate bonds and other investments		**24.9**	22.2	39.0
Purchase of equity investments		**(0.2)**	(6.8)	(7.6)
Purchase of interests in associate		**(4.0)**	–	(0.2)
Distributions received from associate undertakings		**0.6**	19.9	19.9
Costs on foreign currency transactions		**(0.3)**	(1.2)	(1.4)
Costs of corporate disposals		**(0.3)**	(0.8)	(1.8)
Purchases of property, plant and equipment		**(0.1)**	(0.1)	(0.2)
Net cash inflow/(outflow) from investing activities		**7.2**	(15.4)	(20.3)
Cash flows from financing activities				
Purchase of own shares		**(7.9)**	(7.2)	(11.8)
New loans		**12.1**	175.3	174.2
Issue costs of new loans		**(0.1)**	(3.0)	(2.8)
Repayment of loans		**(33.7)**	(91.7)	(132.2)
Purchase or cancellation of financial instruments		**(0.1)**	(1.3)	(25.9)
Net cash (outflow)/inflow from financing activities		**(29.7)**	72.1	1.5
Cash flow element of net (decrease)/increase in cash and cash equivalents		**(8.2)**	70.7	6.3
Foreign exchange gain		**–**	0.5	0.7
Net (decrease)/increase in cash and cash equivalents		**(8.2)**	71.2	7.0
Cash and cash equivalents at the beginning of the period		**55.3**	48.3	48.3
Cash and cash equivalents at the end of the period		**47.1**	119.5	55.3

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

30 June 2012

1 BASIS OF PREPARATION

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results for the year ended 31 December 2011 are an abridged version of the full accounts for that year, which received an unqualified report from the auditor, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 or include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying the auditor's report, and have been filed with the Registrar of Companies. The annual financial statements of CLS Holdings plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements.

2 GOING CONCERN

The Directors regularly stress-test the business model to ensure that the Group has adequate working capital. They have reviewed the current and projected financial position of the Group as discussed in the Business Review, taking into account the repayment profile of the Group's loan portfolio, and making reasonable assumptions about future trading performance. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the Half-Yearly Financial Report.

3 SEGMENT INFORMATION

The Group has two operating divisions – Investment Property and Other Investments. Other Investments comprise corporate bonds, shares in Catena AB, Bulgarian Land Development Plc and Wyatt Media Group AB, and other small corporate investments. The Group manages the Investment Property division on a geographical basis due to its size and geographical diversity. Consequently, the Group's principal operating segments are:

Investment Property – London
France
Germany
Sweden

Other Investments

There are no transactions between the operating segments. There was no change in the basis of segmentation, nor in the basis of measurement of segment profit or loss in the period.

The Group's results for the six months ended 30 June 2012 by operating segment were as follows:

	Investment property					
	London £m	France £m	Germany £m	Sweden £m	Other Investments £m	Total £m
Rental income	13.7	9.4	6.9	3.1	–	33.1
Service charge income	2.1	2.8	1.4	0.2	–	6.5
Other property-related income	0.3	–	–	–	–	0.3
Income from non-property activities	–	–	–	–	0.1	0.1
Group revenue	16.1	12.2	8.3	3.3	0.1	40.0
Service charges and similar expenses	(2.7)	(2.9)	(1.6)	(0.8)	–	(8.0)
Administration expenses	(1.0)	(0.7)	(0.5)	(0.2)	(0.2)	(2.6)
Other expenses	(0.6)	(0.2)	(0.4)	(0.1)	–	(1.3)
Costs	(4.3)	(3.8)	(2.5)	(1.1)	(0.2)	(11.9)
Group revenue less costs	11.8	8.4	5.8	2.2	(0.1)	28.1
Net movements on revaluation of investment properties	12.2	(0.9)	(0.3)	(0.9)	–	10.1
Net loss on sale of corporate bonds and other investments	–	–	–	–	(0.1)	(0.1)
Segment operating profit	24.0	7.5	5.5	1.3	(0.2)	38.1
Finance income	0.2	0.1	–	–	4.9	5.2
Finance costs	(5.6)	(2.6)	(2.6)	(0.7)	(1.5)	(13.0)
Share of loss of associates after tax	–	–	–	–	(0.6)	(0.6)
Segment profit before tax	18.6	5.0	2.9	0.6	2.6	29.7
Taxation	(3.3)	(1.9)	(0.2)	(0.4)	–	(5.8)
Segment profit after tax	15.3	3.1	2.7	0.2	2.6	23.9
Central administration costs						(2.6)
Profit for the period						21.3

3 SEGMENT INFORMATION CONTINUED

The Group's results for the six months ended 30 June 2011 by operating segment were as follows:

	Investment property					
	London £m	France £m	Germany £m	Sweden £m	Other Investments £m	Total £m
Rental income	13.1	9.4	7.1	3.1	–	32.7
Service charge income	1.9	2.4	1.5	0.1	–	5.9
Other property-related income	0.3	0.2	–	–	–	0.5
Income from non-property activities	–	–	–	–	0.8	0.8
Group revenue	**15.3**	**12.0**	**8.6**	**3.2**	**0.8**	**39.9**
Service charges and similar expenses	(2.8)	(2.6)	(1.5)	(0.7)	–	(7.6)
Administration expenses	(1.0)	(0.6)	(0.5)	(0.1)	(1.1)	(3.3)
Other expenses	(0.6)	(0.1)	(0.3)	–	(0.1)	(1.1)
Costs	**(4.4)**	**(3.3)**	**(2.3)**	**(0.8)**	**(1.2)**	**(12.0)**
Group revenue less costs	10.9	8.7	6.3	2.4	(0.4)	27.9
Net movements on revaluation of investment properties	9.1	3.6	1.3	0.1	–	14.1
Net gain on sale of corporate bonds and other investments	–	–	–	–	0.3	0.3
Profit on sale of subsidiaries and associates	–	–	–	–	1.2	1.2
Segment operating profit	**20.0**	**12.3**	**7.6**	**2.5**	**1.1**	**43.5**
Finance income	–	–	–	–	7.2	7.2
Finance costs	(6.1)	(2.7)	(3.2)	(0.7)	(0.8)	(13.5)
Share of profit of associates after tax	–	–	–	–	2.1	2.1
Segment profit before tax	**13.9**	**9.6**	**4.4**	**1.8**	**9.6**	**39.3**
Taxation	(0.1)	(2.7)	(0.4)	(0.6)	0.3	(3.5)
Segment profit after tax	**13.8**	**6.9**	**4.0**	**1.2**	**9.9**	**35.8**
Central administration costs						(2.2)
Profit for the period						**33.6**

The Group's results for the year ended 31 December 2011 were as follows:

	Investment property					
	London £m	France £m	Germany £m	Sweden £m	Other Investments £m	Total £m
Rental income	26.5	19.1	14.4	6.2	–	66.2
Service charge income	4.2	5.2	2.5	0.3	–	12.2
Other property-related income	0.8	0.1	–	–	–	0.9
Income from non-property activities	–	–	–	–	0.8	0.8
Group revenue	**31.5**	**24.4**	**16.9**	**6.5**	**0.8**	**80.1**
Service charges and similar expenses	(5.9)	(5.5)	(3.3)	(1.6)	–	(16.3)
Administration expenses	(1.9)	(1.5)	(1.1)	(0.4)	(1.7)	(6.6)
Other expenses	(1.0)	(0.5)	(0.6)	(0.1)	–	(2.2)
Costs	**(8.8)**	**(7.5)**	**(5.0)**	**(2.1)**	**(1.7)**	**(25.1)**
Group revenue less costs	22.7	16.9	11.9	4.4	(0.9)	55.0
Net movements on revaluation of investment properties	10.2	4.9	2.0	0.9	–	18.0
Net gain on sale of corporate bonds and other investments	–	–	–	–	0.5	0.5
Profit on sale of subsidiaries and associates	–	–	–	1.8	0.4	2.2
Segment operating profit	**32.9**	**21.8**	**13.9**	**7.1**	**–**	**75.7**
Finance income	0.3	0.1	–	–	11.8	12.2
Finance costs	(30.3)	(7.9)	(7.1)	(1.6)	(0.8)	(47.7)
Share of profit of associates after tax	–	–	–	–	3.0	3.0
Segment profit before tax	**2.9**	**14.0**	**6.8**	**5.5**	**14.0**	**43.2**
Taxation	7.7	(4.4)	(0.4)	(2.2)	0.4	1.1
Segment profit after tax	**10.6**	**9.6**	**6.4**	**3.3**	**14.4**	**44.3**
Central administration costs						(5.5)
Profit for the year						**38.8**

3 SEGMENT INFORMATION CONTINUED

Segment assets and liabilities

	Assets			Liabilities		
	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m	**30 June 2012 £m**	30 June 2011 £m	31 December 2011 £m
Investment Property						
London	**441.7**	421.6	435.5	**296.8**	320.6	304.9
France	**248.3**	306.7	252.9	**206.1**	229.8	212.9
Germany	**199.0**	216.2	201.1	**144.2**	159.7	147.2
Sweden	**62.7**	65.4	65.2	**40.2**	46.0	42.0
Other investments	**132.5**	203.1	149.6	**17.2**	60.6	29.8
	1,084.2	1,213.0	1,104.3	**704.5**	816.7	736.8

Segment capital expenditure

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Investment Property			
London	**2.2**	3.2	12.6
France	**0.3**	1.2	1.8
Germany	**4.7**	1.3	4.0
Sweden	**0.4**	2.1	2.5
	7.6	7.8	20.9

4 FINANCE INCOME

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Interest income	**4.5**	4.1	9.2
Other finance income	**–**	2.3	2.3
Foreign exchange variances	**0.7**	0.8	0.7
	5.2	7.2	12.2

Other finance income in 2011 comprised the write off of debt on the liquidation of the subsidiaries which issued it.

5 FINANCE COSTS

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Interest expense			
Bank loans	**8.2**	10.4	21.2
Debenture loans	**2.3**	2.3	4.7
Other interest	**0.9**	0.4	1.2
Amortisation of loan issue costs	**0.5**	1.5	2.1
Movement in fair value of derivative financial instruments			
Interest rate swaps: transactions not qualifying as hedges	**0.1**	(2.3)	14.2
Interest rate caps: transactions not qualifying as hedges	**0.7**	1.2	4.3
Loss on sale of currency options	**0.3**	–	–
	13.0	13.5	47.7

6 TAXATION

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Current tax	**1.0**	(0.1)	(1.2)
Deferred tax	**4.8**	3.6	0.1
	5.8	3.5	(1.1)

The Balance Sheet movement in current and deferred tax since the last reported balance sheet is as follows:

	Current tax Liability	Deferred tax Asset	Deferred tax Liability	Total Net Liability
At 1 January 2012	**(1.2)**	**17.7**	**(75.0)**	**(58.5)**
Recognised directly in arriving at profit after tax	(1.0)	(4.0)	(0.8)	(5.8)
Recognised directly in equity	–	(1.1)	–	(1.1)
Net tax paid	0.8	–	–	0.8
Foreign exchange movements	0.1	(0.1)	1.9	1.9
At 30 June 2012	**(1.3)**	**12.5**	**(73.9)**	**(62.7)**

7 EARNINGS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) measure of earnings per share (Best Practices Recommendations October 2010, as clarified by Additional Guidance July 2011), which has been provided to give relevant information to investors on the long-term performance of the Group's underlying business. The EPRA measure excludes items which are non-recurring in nature such as profits (net of related tax) on sale of investment properties, other non-current investments and items which have no impact to earnings over their life, such as the change in fair value of derivative financial instruments and the net movement on revaluation of investment properties, and the related deferred taxation on these items.

Earnings	**Six months ended 30 June 2012 £m**	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Profit for the period attributable to the owners of the Company	**21.3**	32.3	37.5
Revaluation gains on investment properties	**(10.1)**	(14.1)	(18.0)
Profit on sale of subsidiaries and associates	**–**	(1.2)	(2.2)
Change in fair value of derivative financial instruments	**1.1**	(1.1)	18.5
Net loss/(gain) on sale of corporate bonds and other investments	**0.1**	(0.3)	(0.5)
Deferred tax relating to the above adjustments	**1.6**	4.4	0.5
Adjustments in respect of associates	**(0.3)**	(2.7)	(3.8)
Non-recurring finance income	**–**	–	(2.3)
EPRA Earnings	**13.7**	17.3	29.7

Weighted average number of ordinary shares in circulation	**Six months ended 30 June 2012 Number**	Six months ended 30 June 2011 Number	Year ended 31 December 2011 Number
Weighted average number of ordinary shares in circulation	**44,571,352**	46,237,751	45,738,600
Dilutive share options[1]	**70,814**	69,112	67,542
Diluted weighted average number of ordinary shares	**44,642,166**	46,306,863	45,806,142

Earnings per Share	**Six months ended 30 June 2012 Pence**	Six months ended 30 June 2011 Pence	Year ended 31 December 2011 Pence
Basic	**47.8**	69.9	82.0
Diluted	**47.7**	69.8	81.9
EPRA	**30.7**	37.4	64.9

1. 300,000 share options were granted on 11 March 2010 at an exercise price of 470 pence.

8 NET ASSETS PER SHARE

Management has chosen to disclose the two European Public Real Estate Association (EPRA) measures of net assets per share (Best Practices Recommendations October 2010, as clarified by Additional Guidance July 2011): EPRA net assets per share and EPRA triple net assets per share. The EPRA net assets per share measure highlights the fair value of equity on a long-term basis, and so excludes items which have no impact on the Group in the long term, such as fair value movements of derivative financial instruments and movements on fair value of investment properties, and associated deferred tax. The EPRA triple net assets per share measure discloses net assets per share on a true fair value basis: all balance sheet items are included at their fair value in arriving at this measure, including deferred tax, fixed rate loan liabilities and any other balance sheet items not reported at fair value.

Net Assets	**30 June 2012 £m**	30 June 2011 £m	31 December 2011 £m
Basic net assets	**379.7**	396.3	367.5
Dilutive impact of share options	**1.4**	1.4	1.4
Diluted net assets	**381.1**	397.7	368.9
Adjustment to increase fixed rate debt to fair value, net of tax	**(23.4)**	(18.0)	(23.7)
Goodwill as a result of deferred tax	**(1.1)**	(1.1)	(1.1)
EPRA Triple Net Assets	**356.6**	378.6	344.1
Deferred tax on property and other non-current assets	**68.8**	74.4	67.9
Fair value of derivative financial instruments	**7.7**	9.0	7.3
Adjustment to reduce fixed rate debt to book value, net of tax	**23.4**	18.0	23.7
Adjustments in respect of associates	**2.0**	0.9	1.9
EPRA Net Assets	**458.5**	480.9	444.9

Number of ordinary shares in circulation	**30 June 2012 Number**	30 June 2011 Number	31 December 2011 Number
Number of ordinary shares in circulation	**43,883,287**	45,597,005	44,953,611
Dilutive share options	**300,000**	300,000	300,000
Diluted number of ordinary shares in circulation	**44,183,287**	45,897,005	45,253,611

Net Assets per Share	**30 June 2012 Pence**	30 June 2011 Pence	31 December 2011 Pence
Basic	**865.2**	869.1	817.5
Diluted	**862.5**	866.5	815.2
EPRA	**1,037.7**	1,047.7	983.1
EPRA Triple Net	**807.1**	824.9	760.4

9 INVESTMENT PROPERTIES

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
London	**412.7**	387.3	398.0
France	**239.5**	267.0	248.3
Germany	**194.8**	209.7	197.1
Sweden	**57.4**	60.8	58.7
	904.4	924.8	902.1

The movement in investment properties since the last reported balance sheet was as follows:

	London £m	France £m	Germany £m	Sweden £m	Total £m
At 1 January 2012	**398.0**	**248.3**	**197.1**	**58.7**	**902.1**
Capital expenditure	2.2	0.3	4.7	0.4	7.6
Net movements on revaluation of investment properties	12.2	(0.9)	(0.3)	(0.9)	10.1
Rent-free period debtor adjustments	0.3	–	–	–	0.3
Exchange rate variances	–	(8.2)	(6.7)	(0.8)	(15.7)
At 30 June 2012	**412.7**	**239.5**	**194.8**	**57.4**	**904.4**

The investment properties were revalued at 30 June 2012 to their fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by external, professionally qualified valuers as follows:

London: Lambert Smith Hampton

France: Jones Lang LaSalle

Germany: Colliers International

Sweden: CB Richard Ellis

Investment properties include leasehold properties with a carrying value of £18.3 million (June 2011: £21.0 million; December 2011: £19.1 million).

Included within investment properties are properties held for sale with a carrying value of £nil (June 2011: £21.9 million; December 2011: £nil).

Where the Group leases out its investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised in the current or comparative years. Substantially all investment properties are secured against debt. During 2010 the Group purchased a property in London for £1.8 million. Under the terms of the purchase agreement, should the site be developed additional consideration may become due to the vendor. The maximum liability in respect of this is estimated to be £0.5 million. At 30 June 2012 the fair value of the liability was £nil (June 2011: £nil; December 2011: £nil).

10 INVESTMENTS IN ASSOCIATES

At 30 June 2012	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
Interest held in ordinary share capital	***29.9%***	***48.3%***	***various***	
Revenues	**0.4**	**0.2**	**0.7**	**1.3**
Share of profit/(loss) of associates after tax	**0.4**	**(0.4)**	**(0.6)**	**(0.6)**
Assets	**19.6**	**8.9**	**6.4**	**34.9**
Liabilities	**(11.7)**	**(0.8)**	**(3.5)**	**(16.0)**
Net assets	**7.9**	**8.1**	**2.9**	**18.9**
Goodwill	**5.1**	**–**	**1.8**	**6.9**
Investments in associates	**13.0**	**8.1**	**4.7**	**25.8**
Market value of interest	**16.0**	**n/a**	**n/a**	

At 30 June 2011	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
Interest held in ordinary share capital	*29.9%*	*48.3%*	*various*	
Revenues	0.2	0.3	0.4	0.9
Share of profit/(loss) of associates after tax	2.6	(0.5)	–	2.1
Assets	19.8	18.2	0.9	38.9
Liabilities	(12.1)	(8.7)	(0.5)	(21.3)
Net assets	7.7	9.5	0.4	17.6
Goodwill	5.4	–	1.7	7.1
Investments in associates	13.1	9.5	2.1	24.7
Market value of interest	37.9	n/a	n/a	

10 INVESTMENTS IN ASSOCIATES CONTINUED

At 31 December 2011	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
Interest held in ordinary share capital	*29.9%*	*48.3%*	*various*	
Revenues	0.8	0.6	0.6	2.0
Share of profit/(loss) of associates after tax	3.7	(0.5)	(0.2)	3.0
Assets	19.9	9.3	0.8	30.0
Liabilities	(11.5)	(0.6)	(0.5)	(12.6)
Net assets	8.4	8.7	0.3	17.4
Goodwill	5.1	–	1.6	6.7
Investments in associates	13.5	8.7	1.9	24.1
Market value of interest	17.8	n/a	n/a	

The movement in associates since the last reported balance sheet is as follows:

	Net assets £m	**Goodwill £m**	**Total £m**
At 1 January 2012	**17.4**	**6.7**	**24.1**
Additions	3.7	0.3	4.0
Share of loss of associates after tax	(0.6)	–	(0.6)
Dividends received	(0.6)	–	(0.6)
Share of other comprehensive income of associates	(0.6)	–	(0.6)
Exchange rate differences	(0.4)	(0.1)	(0.5)
At 30 June 2012	**18.9**	**6.9**	**25.8**

11 OTHER INVESTMENTS

	Investment type	Destination of Investment	**30 June 2012 £m**	30 June 2011 £m	31 December 2011 £m
Available-for-sale financial investments carried at fair value	Listed corporate bonds	UK	**47.3**	71.4	56.0
		Eurozone	**11.3**	15.1	12.2
		Other	**17.5**	22.8	16.9
			76.1	109.3	85.1
	Listed equity securities	UK	**0.4**	0.5	0.5
		Sweden	**1.5**	4.3	1.6
		Other	**–**	0.1	0.1
	Unlisted investments	Sweden	**0.3**	0.4	0.4
	Government securities	UK	**0.1**	0.1	0.1
			78.4	114.7	87.8

The movement of other investments since the last reported balance sheet, analysed based on the methods used to measure their fair value, is given below:

	Level 1 Quoted market price £m	**Level 2 Observable market data £m**	**Level 3 Other valuation methods £m**	**Total £m**
At 1 January 2012	**2.3**	**85.1**	**0.4**	**87.8**
Additions	0.2	11.0	–	11.2
Disposals	(0.4)	(24.4)	(0.3)	(25.1)
Fair value movements recognised in reserves on available-for-sale assets	(0.2)	3.3	–	3.1
Fair value movements recognised in profit before tax on available-for-sale assets	0.2	1.3	0.3	1.8
Exchange rate variations	(0.1)	(0.2)	(0.1)	(0.4)
At 30 June 2012	**2.0**	**76.1**	**0.3**	**78.4**

Corporate Bond Portfolio

At 30 June 2012

Sector	**Banking**	**Insurance**	**Building Societies**	**Financials**	**Other**	**Total**
Value	£18.0m	£19.0m	£9.7m	£11.2m	£18.2m	£76.1m
Coupon yield	11.0%	9.3%	9.5%	8.9%	11.7%	10.3%
Issuers	Rothschild	Friends Provident	Nationwide	Aberdeen AM	Renewable Energy	
	SNS Bank	Legal & General	Yorkshire	Man Group	Thomas Cook	
	Dresdner	RL Finance		Investec	Corral Finans	
	Lloyds	Direct Line			Lottomatica	
	Co-op	Old Mutual			Swissport	
	KBC	Swiss Life			Europcar	
	RBS	Swiss Re			SAS	
		Irish Life			TUI	
		Generali				
		Aviva				

12 BORROWINGS

Maturity profile

At 30 June 2012	Bank loans £m	Debenture loans £m	Zero Coupon Note £m	Other loans £m	Total £m
Within one year or on demand	**149.6**	**1.3**	**–**	**–**	**150.9**
More than one but not more than two years	**65.3**	**1.4**	**–**	**–**	**66.7**
More than two but not more than five years	**175.2**	**5.2**	**–**	**27.6**	**208.0**
More than five years	**131.8**	**24.5**	**11.5**	**–**	**167.8**
	521.9	**32.4**	**11.5**	**27.6**	**593.4**
Unamortised issue costs	**(3.2)**	**–**	**–**	**(0.4)**	**(3.6)**
Borrowings	**518.7**	**32.4**	**11.5**	**27.2**	**589.8**
Less amount due for settlement within 12 months	**(148.5)**	**(1.3)**	**–**	**–**	**(149.8)**
Amount due for settlement after 12 months	**370.2**	**31.1**	**11.5**	**27.2**	**440.0**

At 30 June 2011	Bank loans £m	Debenture loans £m	Zero Coupon Note £m	Other loans £m	Total £m
Within one year or on demand	98.3	1.1	–	–	99.4
More than one but not more than two years	132.1	1.3	–	–	133.4
More than two but not more than five years	217.2	34.2	–	–	251.4
More than five years	169.6	26.5	10.3	–	206.4
	617.2	63.1	10.3	–	690.6
Unamortised issue costs	(3.8)	(0.9)	–	–	(4.7)
Borrowings	613.4	62.2	10.3	–	685.9
Less amount due for settlement within 12 months	(97.4)	(0.9)	–	–	(98.3)
Amount due for settlement after 12 months	516.0	61.3	10.3	–	587.6

At 31 December 2011	Bank loans £m	Debenture loans £m	Zero Coupon Note £m	Other loans £m	Total £m
Within one year or on demand	151.0	1.2	–	–	152.2
More than one but not more than two years	71.9	1.3	–	–	73.2
More than two but not more than five years	199.4	5.0	–	28.0	232.4
More than five years	130.9	25.5	10.9	–	167.3
	553.2	33.0	10.9	28.0	625.1
Unamortised issue costs	(3.6)	–	–	(0.5)	(4.1)
Borrowings	549.6	33.0	10.9	27.5	621.0
Less amount due for settlement within 12 months	(150.0)	(1.2)	–	–	(151.2)
Amount due for settlement after 12 months	399.6	31.8	10.9	27.5	469.8

Currency profile

At 30 June 2012	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	**60.0**	**172.2**	**232.2**
Euro	**70.0**	**228.5**	**298.5**
Swedish krona	**–**	**57.3**	**57.3**
Other	**–**	**1.8**	**1.8**
	130.0	**459.8**	**589.8**

At 30 June 2011	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	151.5	95.0	246.5
Euro	118.5	216.7	335.2
Swedish krona	–	91.9	91.9
Other	–	12.3	12.3
	270.0	415.9	685.9

At 31 December 2011	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	60.2	183.5	243.7
Euro	73.2	239.6	312.8
Swedish krona	–	58.7	58.7
Other	–	5.8	5.8
	133.4	487.6	621.0

Fair values

	Carrying amounts			Fair values		
	June 2012 £m	June 2011 £m	December 2011 £m	**June 2012 £m**	June 2011 £m	December 2011 £m
Current borrowings	**149.8**	98.3	151.2	**149.8**	98.3	151.2
Non-current borrowings	**440.0**	587.6	469.8	**470.6**	611.5	501.1
	589.8	685.9	621.0	**620.4**	709.8	652.3

The fair value of non-current borrowings represents the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, discounted at the prevailing market rate, and excludes accrued interest.

13 SHARE CAPITAL

	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2012	**44,953,611**	**4,803,103**	**49,756,714**	**11.3**	**1.2**	**12.5**
Cancelled following tender offer[1]	**(1,070,324)**	**–**	**(1,070,324)**	**(0.3)**	**–**	**(0.3)**
At 30 June 2012	**43,883,287**	**4,803,103**	**48,686,390**	**11.0**	**1.2**	**12.2**

	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2011	46,588,244	4,793,000	51,381,244	11.7	1.2	12.9
Cancelled following tender offer[2]	(991,239)	–	(991,239)	(0.3)	–	(0.3)
At 30 June 2011	45,597,005	4,793,000	50,390,005	11.4	1.2	12.6

	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2011	46,588,244	4,793,000	51,381,244	11.7	1.2	12.9
Cancelled following tender offer[2 & 3]	(1,624,530)	–	(1,624,530)	0.4	–	0.4
Purchase of own shares – pursuant to market purchase	(10,103)	10,103	–	–	–	–
At 31 December 2011	44,953,611	4,803,103	49,756,714	11.3	1.2	12.5

1. A tender offer by way of a Circular dated 18 March 2012 for the purchase of 1 in 42 shares at 735 pence per share was completed in April 2012. It returned £7.9 million to shareholders, equivalent to 17.5 pence per share.
2. A tender offer by way of a Circular dated 18 March 2011 for the purchase of 1 in 47 shares at 725 pence per share was completed in April 2011. It returned £7.2 million to shareholders, equivalent to 15.4 pence per share.
3. A tender offer by way of a Circular dated 22 August 2011 for the purchase of 1 in 72 shares at 700 pence per share was completed in September 2011. It returned £4.4 million to shareholders, equivalent to 9.7 pence per share.

14 CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Operating profit	**35.5**	41.3	70.2
Adjustments for:			
Net movements on revaluation of investment properties	**(10.1)**	(14.1)	(18.0)
Depreciation and amortisation	**0.1**	0.1	0.2
Profit on sale of subsidiaries and associates	**–**	(1.2)	(2.2)
Net loss/(gain) on sale of corporate bonds and other investments	**0.1**	(0.3)	(0.5)
Share-based payment expense	**0.1**	0.1	0.2
Non-cash rental income	**(0.3)**	–	(0.2)
Revaluation of currency options	**–**	–	0.1
Changes in working capital:			
Decrease in debtors	**0.1**	3.6	2.8
Increase/(decrease) in creditors	**0.9**	(1.2)	1.5
Cash generated from operations	**26.4**	28.3	54.1

15 RELATED PARTY TRANSACTIONS

There have been no material changes in the related party transactions described in the last annual report, other than those disclosed elsewhere in this condensed set of financial statements.

GLOSSARY OF TERMS

ADJUSTED NET ASSETS OR ADJUSTED SHAREHOLDERS' FUNDS
Net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments and deferred tax on revaluations and goodwill arising as a result of deferred tax, including for associates

ADJUSTED NET GEARING
Net debt expressed as a percentage of adjusted net assets

ADJUSTED SOLIDITY
Adjusted net assets expressed as a percentage of adjusted total assets

ADJUSTED TOTAL ASSETS
Total assets excluding deferred tax assets

CONTRACTED RENT
Annual contracted rental income after any rent-free periods have expired

CORE PROFIT
Profit before tax and before net movements on revaluation of investment properties, profit on sale of investment properties, subsidiaries and corporate bonds, impairment of intangible assets and goodwill, non-recurring costs, change in fair value of derivatives and foreign exchange variances

DILUTED EARNINGS PER SHARE
Profit after tax divided by the diluted weighted average number of ordinary shares

DILUTED NET ASSETS
Equity shareholders' funds increased by the potential proceeds from issuing those shares issuable under employee share schemes

DILUTED NET ASSETS PER SHARE OR DILUTED NET ASSET VALUE
Diluted net assets divided by the diluted number of ordinary shares

DILUTED NUMBER OF ORDINARY SHARES
Number of ordinary shares in circulation at the balance sheet date adjusted to include the effect of potential dilutive shares issuable under employee share schemes

DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES
Weighted average number of ordinary shares in issue during the period adjusted to include the effect of potential weighted average dilutive shares issuable under employee share schemes

EARNINGS PER SHARE
Profit after tax divided by the weighted average number of ordinary shares in issue in the period

EPRA
European Public Real Estate Association

EPRA EARNINGS PER SHARE
Profit after tax, but excluding net gains or losses from fair value adjustments on investment properties, profits or losses on disposal of investment properties and other non-current investment interests, impairment of goodwill and intangible assets, movements in fair value of derivative financial instruments and their related current and deferred tax, including for associates

EPRA NET ASSETS
Diluted net assets excluding the mark-to-market on effective cash flow hedges and related debt adjustments, deferred tax on revaluations and goodwill arising as a result of deferred tax, including for associates

EPRA NET ASSETS PER SHARE
EPRA net assets divided by the diluted number of ordinary shares

EPRA NET INITIAL YIELD
Annual passing rent less net service charge costs on investment properties expressed as a percentage of the investment property valuation after adding purchasers' costs

EPRA TOPPED UP NET INITIAL YIELD
Annual net rents on investment properties expressed as a percentage of the investment property valuation after adding purchasers' costs

EPRA TRIPLE NET ASSETS
EPRA net assets adjusted to reflect the fair value of debt and derivatives and to include the fair value of deferred tax on property revaluations, including for associates

EPRA TRIPLE NET ASSETS PER SHARE
EPRA triple net assets divided by the diluted number of ordinary shares

ESTIMATED RENTAL VALUE (ERV)
The market rental value of lettable space as estimated by the Group's valuers

INTEREST COVER
The aggregate of group revenue less costs plus share of results of associates, divided by the aggregate of interest expense and amortisation of issue costs of debt, less interest income

NET ASSETS PER SHARE OR NET ASSET VALUE (NAV)
Equity shareholders' funds divided by the number of ordinary shares in circulation at the balance sheet date

NET DEBT
Total borrowings less cash and short-term deposits

NET GEARING
Net debt expressed as a percentage of net assets

NET INITIAL YIELD
Annual net rents on investment properties expressed as a percentage of the investment property valuation

NET RENT
Contracted rent less net service charge costs

OCCUPANCY RATE
Contracted rent expressed as a percentage of the aggregate of contracted rent and the ERV of vacant space

OVER-RENTED
The amount by which ERV falls short of the aggregate of passing rent and the ERV of vacant space

PASSING RENT
Contracted rent before any rent-free periods have expired

PROPERTY LOAN TO VALUE
Property borrowings expressed as a percentage of the market value of the property portfolio

RENT ROLL
Contracted rent

SOLIDITY
Equity shareholders' funds expressed as a percentage of total assets

TOTAL SHAREHOLDER RETURN
For a given number of shares, the aggregate of the proceeds from tender offer buy-backs and change in the market value of the shares during the year adjusted for cancellations occasioned by such buy-backs, as a percentage of the market value of the shares at the beginning of the year

TRUE EQUIVALENT YIELD
The capitalisation rate applied to future cash flows to calculate the gross property value, as determined by the Group's external valuers

DIRECTORS, OFFICERS AND ADVISERS

Directors
Sten Mortstedt (Executive Chairman)
Henry Klotz (Executive Vice Chairman)
Richard Tice (Chief Executive Officer)
John Whiteley (Chief Financial Officer)
Malcolm Cooper * † ‡ (Non-Executive Director)
Joseph Crawley (Non-Executive Director)
Christopher Jarvis * † (Non-Executive Director)
Thomas Lundqvist (Non-Executive Director)
Jennica Mortstedt (Non-Executive Director)
Brigith Terry (Non-Executive Director)
Thomas Thomson (Non-Executive Director)

* member of Remuneration Committee
† member of Audit Committee
‡ Senior Independent Director

Company Secretary
David Fuller BA, FCIS

Registered Office
86 Bondway
London
SW8 1SF

Registered Number
2714781

Registrars and Transfer Office
Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Shareholder Helpline: 0870 889 3286

CLS Holdings plc on line:
www.clsholdings.com

email:
enquiries@clsholdings.com

Clearing Bank
Royal Bank of Scotland Plc
24 Grosvenor Place
London
SW1X 7HP

Financial Advisers
Kinmont Limited
5 Clifford Street
London
W1S 2LJ

Stockbrokers
Liberum Capital
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

N+1 Brewin
12 Smithfield Street
London
EC1A 9BD

Registered Auditor
Deloitte LLP
Chartered Accountants
2 New Street Square
London
EC4A 3BZ

Financial and Corporate Public Relations
Smithfield Consultants Limited
10 Aldersgate Street
London
EC1A 4HJ

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Designed and produced by **MAGEE**
www.magee.co.uk

Printed by Boss Print Ltd

CLS Holdings plc

86 Bondway
London
SW8 1SF

Tel: +44 (0)20 7582 7766
Fax: +44 (0)20 7820 7728
email: enquiries@clsholdings.com

www.clsholdings.com