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PRESS RELEASE

CLS HOLDINGS PLC ("CLS", THE "COMPANY" OR THE "GROUP") ANNOUNCES ITS FULL YEAR FINANCIAL REPORT FOR THE 12 MONTHS TO 31 DECEMBER 2012

Robust performance in challenging market conditions

CLS is a property investment company with a diverse portfolio of £934 million modern, well-let properties in London, France, Germany and Sweden. CLS's properties have been selected for their potential to add value and to generate high returns on capital investment through active asset management.

FINANCIAL HIGHLIGHTS

Robust performance demonstrating resilience of the Group:-

- Profit before tax up 48.8% to £56.1 million (2011: £37.7 million)
- EPRA net assets per share up 17.4% to 1,154.4 pence (31 December 2011: 983.1 pence)
- EPRA earnings per share up to 65.3 pence (2011: 64.9 pence)
- Portfolio valued at £934.5 million (31 December 2011: £902.1 million), up 1.7% in local currencies
- Contracted rental income up to £68.3 million (2011 £66.2 million), up 2.4% like-for-like
- Return on corporate bond portfolio of £32.5m or 31.4%
- Successful issue of 5.5% £65 million retail bond 2019
- Weighted average cost of debt down to 3.67% (31 December 2011: 4.06%)
- Interest cover of 3.9 times (2011: 2.6 times)
- £224.9 million of liquid resources available for new investments
- Proposed year end distribution up 7.6% to £8.5 million (2011: £7.9 million) by way of tender offer buy-back: 1 in 46 at 900 pence, equivalent to 19.6 pence per share
- Total shareholder return of 30% for the year, and the highest total shareholder return performance by a UK listed property company over 5 years with 135%

OPERATIONAL HIGHLIGHTS

Significant progress across letting, financing and development:-

- Planning application approved for the 143,000 sq m Vauxhall Square, SW8 development
- Planning permission also secured for the Spring Mews, SE11 mixed-use development in Vauxhall. Demolition took place before the end of the year and completion is targeted for late 2014
- Planning application approved for 150,000 sq m mixed-use scheme in Solna, Stockholm, for 29.99% associate, Catena AB
- Vacancy rate reduced to 3.8%, (31 December 2011: 3.9%), less than half the benchmark average of over 9% for our type of portfolio

- Net initial yield of 7.0%, 330 basis points above cost of debt, one of the highest differentials in the sector
- The quality of rental income remains high, with 40% from governments and 29% from major corporations, and 65% subject to indexation

Sten Mortstedt, Executive Chairman of CLS, commented:

"This has been a very successful year for the group and I am delighted to report such strong results. We continue to focus our energies on our core portfolio to drive our rental performance. The planning permissions we have gained this year provide significant opportunities to deliver additional value for shareholders over the coming years. With a solid balance sheet, a strong cash generating operation and a tangible, medium-term development programme, we are in an excellent position to benefit from the attractive opportunities ahead."

-ENDS-

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CLS will be presenting to analysts at 8.30am on Monday, 4 March 2013, at Smithfield Consultants, 10 Aldersgate Street, London, EC1A 4HJ.

Conference call dial in numbers as follows:

Conference call access numbers:

| | |
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| Confirmation code: | 9294901 |
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CHAIRMAN'S STATEMENT

This has been a successful year for the Group, with continued progress on many fronts: we have gained two significant planning permissions, reduced the vacancy rate, acquired properties, expanded the sources of our financing, increased profits and delivered strong returns for shareholders.

OVERVIEW

Our total shareholder return for the year was 30% and the annualised return since 2008 has been almost 19% compound, making CLS the top performing UK listed real estate share over the last five years.

The profit before tax was up 48.8% to £56.1 million (2011: £37.7 million) and EPRA net assets per share increased by 17.4% to 1,154.4 pence (2011: 983.1 pence). EPRA earnings per share were marginally ahead at 65.3 pence (2011: 64.9 pence).

The core fundamentals of our business have remained strong: we have secure income from over 400 customers across four countries, a broad range of financing sources from over 20 banks and the capital markets, and high levels of cash and other liquid resources.

The conditions in the financial markets improved during the second half of the year as concerns regarding the future of the Eurozone eased after some decisive measures from the European Central Bank. This led to a strong performance in the securities markets, even though many fundamental challenges are still to be addressed in the economy.

INVESTMENT PROPERTY PORTFOLIO

During the year, the investment property portfolio in local currency terms and on a like-for-like basis grew by 1.7%, due largely to planning consents gained on two important sites in London. Elsewhere across the Group values were broadly unchanged. Total acquisitions, all in London, were £13.1 million while no properties were sold. At the year end the total portfolio value had increased to £934.5 million (2011: £902.1 million), notwithstanding a negative currency effect of £11.1 million.

The Group continues to generate cash from its core investment portfolio with a high net initial yield of 7.0% and a low cost of debt of just 3.67%. This spread of 330 basis points, amongst the highest in the listed property sector, is a key factor in our performance.

Contracted rental income in the year grew by £1.6 million, or 2.4%, on a like-for-like basis and the rent roll at 31 December 2012 was £68.3 million. At a time of rising inflation, it is worth emphasising that 65% of our rents are subject to indexation, and the quality of our income remains high, with 40% from governments and 29% from major corporations.

We work closely with our customers to understand their space needs, and having in-house property management in all our regions is a key factor in meeting our occupiers' expectations in well-maintained buildings. As an example, we were able to accommodate the expansion needs of one of our occupiers by moving them from one of our London buildings to 1,500 sq m in another, and we provided a full facilities management service as part of the move. This attention

to detail is a material reason for our low vacancy rate, which reduced in the year to just 3.8%, less than half the benchmark average of over 9% for our type of property.

Letting enquiries remain resilient, in particular in London and Germany. The French economy is currently the weakest in which we invest, and where we are aware of the intentions of certain occupiers to depart in 2013; we will need to work hard to replace them. The weighted average lease length across the Group is 7.2 years, and 6.1 years to first break clause.

During the year we acquired a number of high yielding office properties in London, the three most significant of which cost £10.8 million with an average yield of 9.97% and an average capital value per sq m of £1,489, which was well below replacement cost. The UK government's initiatives to improve the planning system to ease the housing shortage are to be welcomed and we are actively exploring the potential for conversions of offices to residential for selected elements of our London portfolio.

We completed the development of two pre-let office buildings in Germany totalling 7,042 sq m to generate an extra €659,000 per annum. We secured planning permission on both the significant applications in Vauxhall. In May, we gained consent for the student and hotel scheme, Spring Mews, SE11, where demolition took place before the end of the year and completion is targeted for late 2014. The annual net income is expected to be some £5.5 million after a development cost of £50 million. Secondly, in December the major 143,000 sq m mixed-use scheme, Vauxhall Square, SW8 gained planning permission. We will now progress options and details on this site, where vacant possession is available from the end of 2014.

Since the year end, we have gained planning consent for a prime 3,423 sq m office refurbishment and 500 sq m residential development at Clifford's Inn, Fetter Lane, London EC4, which we expect to complete by the end of 2014.

In Sweden, Catena AB, a Stockholm-listed company in which we own a 29.9% interest, also secured its planning approval for a 150,000 sq m mixed-use development and will, likewise, be advancing its plans during 2013.

RESULTS

Profit after tax grew by 20.4% to £46.7 million (2011: £38.8 million), and shareholders' funds increased to £417.1 million after distributions to shareholders of £12.6 million.

The uplift in EPRA net assets per share of 17.4% to 1,154.4 pence (2011: 983.1 pence) was after an adverse foreign exchange effect of 8.7 pence, equating to £3.8 million, due to the weaker euro against sterling. Net assets per share rose by 17.8% to 963.1 pence (2011: 817.5 pence). Since 1 January 2013, sterling has weakened against the euro and Swedish krona. Had the current exchange rates applied at 31 December 2012, our net assets would have increased by 3.2%, or £13.4 million, to £430.5 million, and pro forma EPRA NAV would have been 40.0 pence higher at 1,194.4 pence. Also, since the year end the corporate bond portfolio has risen in value by £2.4 million, equivalent to 5.5 pence on EPRA net assets per share.

Recurring interest cover was a healthy 3.9 times (2011: 2.6 times) reflecting, in particular, the Group's reduced cost of debt. Net debt as a percentage of property loan to value was 58.8% (2011: 62.5%).

FINANCING

The Group seeks to have a wide variety of different financing from banks and other debt sources, and to ring-fence debt against individual properties where appropriate, a strategy which has served the Group well over the years. This year we welcome two new lenders to the Group, an Asian bank and a German Sparkasse lender, which brings the total number of banks with which we enjoy an active relationship to 21. This shows that there continue to be new borrowing sources in the market, even as others stop lending, and to exploit this we typically approach a wide range of banks for any new financing.

During the year we refinanced £95 million of debt with banks and in September raised our second corporate bond, this time in London on the relatively new Order book for Retail Bonds (ORB). It raised £65 million, from some 5,000 private investor bondholders, at a fixed rate of interest of 5.5% for over seven years. This retail bond increased the diversity of our funding sources, and was for a longer term and enjoyed additional flexibility than traditional bank debt. It also had the intangible benefit of raising the awareness of the Group amongst the private investor and wealth management community. We were only the second listed property company to raise money this way, which highlighted our ability to innovate; a further three listed property companies subsequently issued bonds on ORB and we are optimistic that this market will offer increasing choice and sophistication as it grows, evolves and matures.

In addition, in December we signed a new £15 million general facility with one of our existing lenders to finance the acquisition of new purchases.

Our weighted average cost of debt at 31 December 2012 was just 3.67% (2011: 4.06%), with an average loan length of 4.6 years. We continue to believe in a benign interest rate environment and, therefore, have 73% of our debt at floating rates whilst 67% is protected against interest rate rises, mainly using caps for 40%.

The Group's balance sheet is strong and we have cash and other liquid resources of £224.9 million, excluding substantial credit facility headroom. The Group's portfolio of corporate bonds performed well during the year with a total return, being an aggregate of price changes and income, of £32.5 million, or 31.4%. All bonds met with their respective terms and the Group received around £9.1 million of interest income during the year, corresponding to an 8.8% running yield. At the end of the year, the average annual running yield was 8.2% against market value and the bonds had a weighted average duration of 7.4 years.

ENERGY EFFICIENCY

The extra attention and investment that the Group has made in this important area is paying dividends. Driven by our in-house Sustainability Manager, we have progressed a wide range of measures, including installing our first photovoltaic panels on the roof of one of our London properties. It is pleasing to report that in London we have reduced our gas consumption by over 25% in each of the last two years across our portfolio. In our HQ office we have reduced paper consumption by some 31% in one year. Many efficiency improvements have been behavioural, together with better use and monitoring of controls. During the year we have installed over 500 LED lights.

As we share our knowledge with our customers, we are enhancing our service to them, which can help to retain them in our properties.

DISTRIBUTIONS TO SHAREHOLDERS

During 2012, using our traditional tender offer buy back of shares, we distributed £7.9 million in April and £4.6 million in September. The Board proposes to distribute £8.5 million in April 2013 at a rate of 1 in 46 shares at 900 pence per share. A circular setting out the details will be sent to shareholders with the Annual Report and Accounts.

OUTLOOK

In last year's report, I referred to the need for a credible solution to the Eurozone crisis and a greater supply of credit to provide a platform for economies to grow. There has been some progress on both counts which has lessened risk and volatility, but much remains to be done to restore confidence amongst the business community.

Our central expectation is that growth in the countries in which we operate will remain volatile, but that attractive opportunities will continue to emerge. With a solid balance sheet, a strong cash generating operation and a tangible, medium-term development programme, we are in an excellent position to benefit from any such opportunities.

Sten Mortstedt

Executive Chairman

4 March 2013

BUSINESS REVIEW

The main activity of the Group is investment in commercial real estate across four European regions: London, France, Germany and Sweden. There is a particular focus on providing well-managed, cost-effective offices and property for cost-conscious occupiers in key European cities.

The Group's total property interests at 31 December 2012 were £959.9 million, comprising the wholly-owned investment property portfolio valued at £934.5 million, a 29.9% interest in Swedish listed property company Catena AB valued at £20.7 million and a £4.7 million interest in 16.6% of Cood Investments AB. The Group's Other Investments comprised the corporate bond portfolio, valued at £127.3 million at the year end, and smaller equity holdings of £2.6 million.

PROPERTIES

OVERVIEW

At 31 December 2012, the directly held investment portfolio totalled £934.5 million, a like-for-like annual increase of 1.7% in local currencies or 0.5% when translated into sterling. In local currencies, the London portfolio rose by 4.7% and the other portfolios were broadly unchanged (Germany +0.1%, Sweden -0.3% and France -1.4%). At the year end, and excluding Spring Mews, which is under development, the average capital value of £2,164 per sq m was close to replacement cost, meaning that the land element of our investments in key European cities was minimal; this highlights how competitive the Group can be in attracting occupiers with cost-effective rents.

The contracted rent grew in the year on a like-for-like basis by 2.4% in local currencies and at the year end was £68.3 million. This produces a net initial yield of 7.0% on value, again excluding Spring Mews, and an average rent of just £169 per sq m. The income stream is strongly secured as 40% is from government occupiers and 29% from major corporations, and 65% of rents are subject to indexation. The weighted average lease length is 7.2 years, or 6.1 years to the first break. Over the next three years, just 23% of the current rent roll expires and the rent on these expiries is broadly in line with current open market rental values.

The overall vacancy rate remains low at just 3.8%, reflecting the benefits of active, in-house asset and property management together with maintaining strong relationships with our occupiers, working to understand their needs as our customers.

The Group's portfolio spread provides diversification and protection. Inevitably occupier demand will vary year on year as different economies grow at different speeds. As previously forecast, the lack of new speculative offices in most of our local markets is a positive for our portfolio and our ability to attract occupiers, and this is likely to remain the case for the foreseeable future.

Whilst the availability of debt continued to shrink over the last 12 months (presenting buying opportunities) our extensive banking contacts meant that we were able to identify new lenders to the Group, including from the Far East.

Across the Group, the extra focus on sustainability in our operations and our properties has paid real dividends and improved energy efficiency. Occupiers have appreciated the collaborative approach we have adopted on this, sharing knowledge, and this has been a powerful incentive for occupiers to stay with the Group. The benefits of our employing a full-time Sustainability Manager are evident in the Corporate, Social and Environmental Responsibility Report in the 2012 Annual Report and Accounts.

LONDON

| | |
|---------------------------------|----------------|
| Value | £437.5 million |
| Group's property interests | 46% |
| No of properties | 28 |
| Lettable space | 137,753 sq m |
| Net initial yield | 6.6% |
| Vacancy rate | 2.3% |
| Like-for-like valuation uplift | 4.7% |
| Government and major corporates | 79% |
| Average unexpired lease length | 8.4 years |
| To first break | 7.6 years |

The London division has had another very successful year, with a significant fall in the vacancy rate and the achievement of two key planning permissions.

It continues to be most encouraging to have further reduced vacancy levels from 4.0% in 2011 to just 2.3%. This reinforces the trend referred to last year of occupiers clearly making decisions not just on price but also towards better managed and refurbished buildings. This is coupled with the clear benefits of in-house property management. For example, service charges are prepared on our multi-let buildings within just three weeks of the year end, giving confidence to occupiers.

During the year, 12,815 sq m became vacant, and we let or renewed leases with existing occupiers on 15,116 sq m. In particular we let 1,801 sq m at Great West House, reducing its vacancy to its lowest level for over five years. Westminster Tower, Quayside and Falcon House all became fully let in the year.

During the second half of the year we acquired three office buildings: Crosspoint House in Wallington near Croydon (1,963 sq m yielding 14.1%), Gateway House in Kennington, SW8 (1,844 sq m yielding 8.5%) and Sentinel House, Coulsdon near Croydon (3,411 sq m yielding 8.9%) in separate transactions totalling £10.8 million before costs. This equated to an average capital value of £1,489 per sq m, which was below replacement cost. These transactions were of a size where competition to buy them was reduced due to other parties' difficulties in finding debt.

Significant progress has been made since January 2012 on progressing development opportunities from within the investment portfolio:

- Spring Mews, Vauxhall, SE11 – in May, planning consent was granted for a 20,800 sq m mixed-use scheme which will consist of 400 student bedrooms, and a 93 bedroom suite hotel, together with a 561 sq m community centre and café, 468 sq m of offices and a 245 sq m convenience store. We will also provide a new pedestrian thoroughfare for the public linking Spring Gardens to Tinworth Street. Demolition has been completed and construction is under way, with a target completion in late 2014. The development is expected to generate over £5.5 million net income per annum when complete. Detailed discussions are well advanced with our selected operators for both the hotel and the student housing.

- Vauxhall Square, SW8 – in December, and subject to signing a Section 106 agreement, this 143,000 sq m mixed-use scheme was also granted planning consent for 410 private residential apartments, 110 affordable homes, 22,732 sq m of offices, 3,119 sq m of shops and restaurants, a 278 bedroom hotel and a 123 suite hotel, 359 student rooms and a 50 bedroom new hostel for the homeless, together with a 3,777 sq m multi-screen cinema. There will also be associated community facilities, all built around a substantial new public square. The Group will progress plans during 2013, with a start date on site expected to be in 2015 on a phased basis. The development cost is anticipated to be in excess of £500 million. The Vauxhall Nine Elms Opportunity area has seen significant achievements in 2012, with the Battersea Power Station's future being secured, the Northern Line extension funding confirmed by the Government, and construction well under way on the new United States embassy and on numerous other sites with substantial pre-sales of residential apartments. The Dutch embassy is reported to be coming to the area and other requirements are emerging. The pace of activity bodes well for Vauxhall Square, which is located in the heart of the area, adjacent to the Vauxhall transport interchange. The Vauxhall Business Improvement District has had a positive first nine months of operation, with a series of initiatives which have raised awareness of the benefits of Vauxhall as a business location, to the advantage of the Group's holdings in the area.
- Clifford's Inn, EC4 – in January 2013, planning consent was gained to comprehensively refurbish the existing space to create 3,423 sq m of offices behind a new Portland stone façade, with an infill extension, and eight new residential apartments, at a total cost of £10.1 million. The twelve month programme is expected to begin in the second quarter of 2013.

Overall the London portfolio increased in value by 4.7%. Spring Mews and Vauxhall Square rose in value by 51.7% in aggregate, reflecting the effect of their planning gains. Excluding these properties, the London portfolio fell by 0.3%; the effect of the weakening of the high-yielding investment market was mitigated by our success in significantly reducing the vacancy rate of the portfolio, and by other asset management initiatives.

FRANCE

| | |
|---------------------------------|----------------|
| Value | £239.6 million |
| Group's property interests | 25% |
| No of properties | 26 |
| Lettable space | 96,244 sq m |
| Net initial yield | 7.7% |
| Vacancy rate | 3.8% |
| Like-for-like valuation fall | -1.4% |
| Government and major corporates | 59% |
| Average unexpired lease length | 5.0 years |
| To first break | 2.4 years |

The French economy has been impacted noticeably by the Eurozone crisis, concern over rising sovereign debt levels, and a presidential election year when change was expected. GDP growth was only just in positive territory at 0.2%, with economists' forecasts for 2013 being not much higher.

Unsurprisingly this has led some businesses to pause their investment plans and this, coupled with some struggling financially, has led to a reduction in new letting enquiries and a rise in our vacancy rate over the year to from 2.7% twelve months ago to 3.8% at December 2012. This is

still well below the market average vacancy of 6.5%. Take up of offices fell in both the Paris and Lyon markets by 4% and 29% respectively.

Leases were renewed on 3,596 sq m, and whilst new leases were signed on 4,066 sq m, occupiers vacated 5,202 sq m. In France the property fundamentals are good, with the lack of new construction protecting rents and vacancy levels, especially in Lyon. However, we must be prepared for vacancy levels to rise if the economy does not grow, as there are more lease expiries and breaks in our French portfolio in 2013 than in either of the previous two years. At our property in Rueil Malmaison, to the west of Paris, an occupier departure in 2013 from 2,867 sq m provides an opportunity to refurbish and reconfigure some of the common areas.

The investment market has seen an expected reduction in volumes of almost 8% in the year; however, there were still over 30 individual transactions of more than €100 million. There are fewer properties being offered for sale and there are still almost no signs of distress sales in this region. The Group's own investment portfolio fell in value by 1.4% in local currency terms, largely reflecting the increase in voids.

GERMANY

| | |
|---------------------------------|----------------|
| Value | £197.4 million |
| Group's property interests | 20% |
| No of properties | 16 |
| Lettable space | 144,991 sq m |
| Net initial yield | 7.0% |
| Vacancy rate | 7.4% |
| Like-for-like valuation uplift | 0.1% |
| Government and major corporates | 49% |
| Average unexpired lease length | 9.0 years |
| To first break | 8.9 years |

The German economy has demonstrated resilience with GDP growth in 2012 of 0.9% and a forecast of 1.5% for 2013, and with employment data at an all-time high of over 41 million people and unemployment at only 6.7%. In real estate markets, whilst the volume of new lettings in 2012 was lower than 2011, it was still above the 10 year average at over 3 million sq m. Inevitably, there have been some pauses in decision-making by occupiers, but vacancy levels are at their ten-year low of 9%, and new construction is at a five-year low. The level of investment increased by some 11% compared to 2011, to the highest level since 2007.

The Group's German vacancy rate at the year end was 7.4%, which reflected a long-planned departure in December of an occupier in Berlin from 3,500 sq m. Current enquiries, however, are encouraging, notably at the Group's two multi-let properties in the Munich area; by letting space currently under offer the vacancy rate would fall to 5.1%.

During the year we completed the two pre-let developments near Munich on time and budget, let to Dr Honle AG and E.ON Service Plus GmbH, increasing the annual rent roll by €856,000. The value of the German portfolio remained flat in the year in local currency terms, with the positive effect of the new developments being largely offset by the increased vacancy rate.

We continue to look actively for opportunities in this market. The availability of bank debt is most advantageous in Germany compared to the Group's other regions.

SWEDEN

| | |
|-------|---------------|
| Value | £85.4 million |
|-------|---------------|

Directly owned

| | |
|---------------------------------|---------------|
| Value | £60.0 million |
| Group's property interests | 6% |
| No of properties | 1 |
| Lettable space | 45,354 sq m |
| Net initial yield | 7.5% |
| Vacancy rate | 1.7% |
| Like-for-like valuation fall | -0.3% |
| Government and major corporates | 97% |
| Average unexpired lease length | 3.5 years |
| To first break | 3.5 years |

Indirectly owned

| | |
|------------------------------|---------------|
| Value in Catena | £20.7 million |
| Group's property interest | 2% |
| Interest in Catena AB | 29.9% |
| Value in Cood Investments | £4.7 million |
| Group's property interest | 1% |
| Interest in Cood Investments | 16.6% |

The Group's property interests in Sweden span two operating segments: Investment Properties and Other Investments. Two of our Other Investments are equity stakes in associates which invest in Swedish real estate, and as these operate against the same economic backdrop, they are considered together with the directly-held Swedish investment properties in this Business Review.

The Swedish economy continues to perform relatively well, with GDP growth in 2013 and 2014 expected to be 1.2% and 2.6%, respectively, low levels of sovereign debt at just 35% of GDP, and unemployment at 8%. Sweden's rising working age population is also good for economic growth prospects, due to its productivity and consumption potential.

The directly-owned interest is a 45,354 sq m office complex at Vänersborg, near Gothenburg, called Vänerparken, which has over 98% occupancy. The leases to the largest occupier, the local County Council, expire in 2015, and in 2013 negotiations are expected to begin on lease renewals. Our new £2.3 million energy centre has been through its first full year of operation and is performing well. The Swedish engineers who designed the system are advising the Group on similar opportunities in London, most notably at Spring Mews, Vauxhall.

The Group owns 29.9% in the Stockholm-listed real estate company, Catena AB, which has one remaining but significant property in Stockholm. Catena secured planning permission in December for some 800 apartments and 73,000 sq m of commercial space which can be delivered over the next few years. The valuation uplift from gaining this permission drove its contribution to share of profit of associates after tax to £5.8 million, and during the year we also received a distribution from Catena of £0.6 million. At the year end, the market value of the Group's shareholding was £20.7 million, being a surplus of £1.8 million over the book value; this equates to an extra 4 pence per share on our EPRA net asset value.

The Group's 16.6% interest in the residential property company, Cood Investments AB, which specialises in holiday homes on vacation sites. Since the Group's initial investment in January 2012, operational improvements at Cood have delivered encouraging results with an associate profit after tax of £0.8 million, in addition to a dividend of £0.2 million paid in the year. The

remaining carrying value of this associate holding was £4.7 million and future potential is significant.

RESULTS FOR THE YEAR

Headlines

Profit after tax of £46.7 million (2011: £38.8 million) generated EPRA earnings per share of 65.3 pence (2011: 64.9 pence), and basic earnings per share of 106.0 pence (2011: 82.0 pence). Gross property assets at 31 December 2012 were £934.5 million (2011: £902.1 million), EPRA net assets per share were 17.4% higher at 1,154.4 pence (2011: 983.1 pence), and basic net assets per share rose by 17.8% to 963.1 pence (2011: 817.5 pence).

Approximately 40% of the Group's business is conducted in the reporting currency of sterling, around 50% is in euros, and the balance is in Swedish kronor. Compared to last year, profits suffered as the average rate of the euro was 7.0% weaker and the krona 3.1% weaker against sterling than in 2011. Likewise, at 31 December 2012 the closing rate of the euro was 2.8% weaker against sterling than twelve months previously, reducing the sterling equivalent value of net assets.

EXCHANGE RATES TO THE £

| | EUR | SEK |
|---------------------|------------|------------|
| At 31 December 2010 | 1.1664 | 10.4828 |
| 2011 average rate | 1.1525 | 10.4091 |
| At 31 December 2011 | 1.1987 | 10.7088 |
| 2012 average rate | 1.2332 | 10.7326 |
| At 31 December 2012 | 1.2317 | 10.5677 |

STATEMENT OF COMPREHENSIVE INCOME

At £66.1 million, rental income in 2012 was £0.1 million less than in 2011, but acquisitions added £1.0 million of rent, and indexation a further £1.3 million, and it was the weakness of the euro and krona, reducing rent by £2.3 million, which distorted the underlying strong rental performance of the Group. Other property-related income and net service charge expenses were in line with last year, resulting in net rental income of £62.9 million being broadly unchanged from last year (2011: £63.0 million).

We monitor the administration expenses incurred in running the property portfolio by reference to the income derived from it, which we call the administration cost ratio, and this is a key performance indicator of the Group. In 2012, we expanded the property development team in London ahead of gaining planning consents for Spring Mews and Vauxhall Square, and administration expenses, net of £0.1 million capitalised since gaining the planning consents, increased to £10.0 million (2011: £9.7 million). As a proportion of net rental income, the administration cost ratio increased to 15.9% (2011: 15.4%), but would have fallen had the euro and Swedish krona not weakened against sterling.

The net surplus on revaluation of investment properties in the year was £16.2 million (2011: £18.0 million). £21.0 million of uplift came from the two London properties on which we gained planning permission, and the remaining portfolio fell by 0.5% in local currencies, and by 1.7% after foreign exchange effects.

Finance income of £10.6 million (2011: £12.2 million) comprised predominantly interest income of £9.1 million (2011: £8.4 million) from our corporate bond portfolio. This portfolio appreciated in value strongly, particularly in the second half of the year, producing a total return in the year of 31.4%, and ended the year with a value of £127.3 million.

The fall in short-term interest rates, the switch from fixed rates to floating rates for certain loans, the termination in December 2011 of an onerous interest rate swap, and the weakness of the euro and Swedish krona relative to sterling, all contributed to the fall in the interest expense of bank loans, debenture loans and unsecured bonds in the year to £24.2 million (2011: £29.2 million). These effects were only partially offset by the increase in borrowings, particularly the issue of the retail bond. With significantly fewer derivative liabilities than in 2011, the movement in the fair value of derivatives in 2012 was only £1.5 million (2011: £18.5 million).

The majority of the £5.8 million (2011: £3.0 million) share of results of associates was contributed by Catena AB. This contribution reflected Catena's planning consent gained on its large development site in Stockholm.

Once again this year the tax charge was below the weighted average rate of the countries in which we do business, due primarily to the accruing benefit of indexation on the original cost of UK properties.

EPRA NET ASSET VALUE

At 31 December 2012, EPRA net assets per share (a diluted measure which highlights the fair value of the business on a long-term basis) were 1,154.4 pence (2011: 983.1 pence), a rise of 17.4%, or 171.3 pence per share. The main reason for the increase was underlying profit after tax which added 89.4 pence. The two tender offer buy-backs in the year added 8.5 pence per share, the fair value movement on investment properties added a further 37.1 pence, and the valuation uplift of the corporate bonds added 45.0 pence; against this, exchange rate variances reduced EPRA net assets per share by 8.7 pence.

CASH FLOW, NET DEBT AND GEARING

At 31 December 2012, the Group's cash balances of £97.6 million were £42.3 million higher than twelve months previously, mainly due to £31.9 million from operating activities and net new loans of £69.2 million, less capital expenditure of £26.6 million, £12.6 million of distributions to shareholders, and net investments in corporate bonds of £19.8 million.

Following the success of the issue of a SEK 300 million unsecured bond in Stockholm in 2011, in September 2012 the Company issued its first retail bond on the Order book for Retail Bonds (ORB) of the London Stock Exchange. This £65 million unsecured bond attracts a coupon of 5.5% and expires in December 2019. It was taken up by some 5,000 investors, extending the constituency of investor stakeholders, and thereby raising the profile of the Company. £101.3 million of bank debt, excluding overdrafts, was drawn or refinanced in the year, including £78.5 million at our largest asset, Spring Gardens. £121.9 million of loans were repaid in 2012, including £11.7 of amortisation of loan balances in the normal course of business. At 31 December 2012 the weighted average unexpired term of the Group's debt, excluding overdrafts, was 4.6 years.

Adjusted net gearing, which is based on EPRA net assets, was 92.7% at 31 December 2012 (2011: 109.3%) and the weighted average loan-to-value on borrowings against properties was a comfortable 58.8% (2011: 62.5%). Adjusted solidity was 41.1% (2011: 40.5%).

The weighted average cost of debt at 31 December 2012 was 3.67%, one of the lowest in the property sector, and down from 4.06% twelve months earlier. The fall was primarily caused by cancelling a long-term swap, and a fall in short-term interest rates. With bank financing now more expensive than when certain existing loans were taken out, refinancing them as they fall due will probably gradually increase the average cost of debt of the Group.

In 2012, our low cost of debt led to recurring interest cover of a comfortable 3.9 times (2011: 2.6 times).

FINANCING STRATEGY

The Group's strategy is to hold its investment properties predominantly in single-purpose vehicles financed primarily by non-recourse bank debt in the currency used to purchase the asset. In this way credit and liquidity risk can most easily be managed, around 75% of the Group's exposure to foreign currency is naturally hedged, and the most efficient use can be made of the Group's assets. Bank debt ordinarily attracts covenants on loan-to-value and on interest and debt service cover. None of the Group's debt was in breach of covenants at 31 December 2012. The Group had 56 loans across the portfolio from 21 banks, a debenture, a zero-coupon loan and two unsecured bonds. None of the loans at 31 December 2012 had been securitised by any lender, and the Group had no exposure to the CMBS market.

To the extent that Group borrowings are not at fixed rates, the Group's exposure to interest rate risk is mitigated by the use of financial derivatives, particularly interest rate swaps and caps. The Board believes that interest rates are likely to remain low longer than the forward interest curve would imply, and, therefore, its policy is to allow a majority of debt to remain subject to floating rates. To mitigate the risk of interest rates increasing more sharply than the Board expects, the Group enters into interest rate caps. At 31 December 2012, 27% of the Group's borrowings were at fixed rates or subject to interest rate swaps, 40% were subject to caps and 33% of debt costs were unhedged.

The Group's financial derivatives - predominantly interest rate swaps and interest rate caps - are marked to market at each balance sheet date. At 31 December 2012 they were a net liability of £8.4 million (2011: £7.3 million).

SHARE CAPITAL AND DISTRIBUTIONS TO SHAREHOLDERS

At 1 January 2012, there were 49,756,714 shares in issue, of which 4,803,103 were held as treasury shares. In April, £7.9 million was distributed to shareholders by means of a tender offer buy-back of 1 in 42 shares at 735 pence per share, which cancelled 1,070,324 shares. In September, a further £4.6 million was distributed by means of a tender offer buy-back of 1 in 76 shares at 805 pence per share, which cancelled 577,411 shares. Consequently, at 31 December 2012, 43,305,876 shares were listed on the London Stock Exchange, and 4,803,103 shares remained held in Treasury.

In April 2013, the Directors intend to put to a General Meeting of the Company a proposal to issue a tender offer buy-back of 1 in 46 shares at 900 pence per share. If approved by shareholders this could lead to the purchase and cancellation of 941,432 shares, and a distribution to shareholders of £8.5 million, being an increase of 7.7% on the same time last year, and distributions paid and proposed for the year of £13.1 million (2011: £12.3 million), an increase of 6.7%.

TOTAL RETURNS TO SHAREHOLDERS

In addition to the distributions and share cancellations associated with the tender offer buy-backs, shareholders benefited from a rise in the share price in the year from 590 pence on 31 December 2011 to 765 pence at 31 December 2012. Accordingly, the total shareholder return in 2012 was 29.7%. In the five years to 31 December 2012, our total shareholder return of 135.4%, which represented a compound annual return of 18.7%, represented the best performance in the UK listed real estate sector.

Since the Company listed on the London Stock Exchange in 1994, it has outperformed the FTSE Real Estate and FTSE All Share indices.

KEY PERFORMANCE INDICATORS

Total Shareholder Return

- | | |
|-------------|--|
| Aim | • to provide a TSR of over 12% p.a. over the medium term |
| Achievement | • 2008-2012: 135.4%, or 18.7% p.a. compound |

Effective management of balance sheet

- | | |
|-------------|--|
| Aim | • to sell assets with limited growth potential and invest in high yielding alternatives |
| Achievement | • 2007 to 2012: £746 million of property sales |
| | • Pre-let developments in Landshut and Gräfelfing, Germany are providing returns on equity of 19.4% and 18.3% p.a., respectively |

Administration cost ratio

- | | |
|-------------|---|
| Aim | • to maintain administration costs below 15.0% of net rental income |
| Achievement | • 2012: 15.9% |
| | • 2011: 15.4% |
| | • 2010: 15.2% |

Occupancy rate

- | | |
|-------------|--|
| Aim | • to maintain an occupancy level of over 95% |
| Achievement | • 2012: 96.2% |
| | • 2011: 96.1% |
| | • 2010: 95.7% |

TOP 10 CUSTOMERS

The 10 customers which contribute most rental income to the Group account for 41.2% of the rent roll, and comprise:

London

- The Home Office *Government*
- Secretary of State for Work and Pensions *Government*
- Cap Gemini *Major Corporation*
- BAE Systems *Major Corporation*

Germany

- City of Bochum *Government*
- E.ON *Major Corporation*
- BrainLab *Major Corporation*

Sweden

- Västra Götaland County Council *Government*
- Vänersborg Kommun *Government*

France

- Grand Duchy of Luxembourg *Government*

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause the results to differ materially from expected or historical results. The management and mitigation of these risks are the responsibility of the Board.

| Risk | Areas of Impact | Mitigation |
|--|--|---|
| PROPERTY INVESTMENT RISKS | | |
| Underperformance of investment portfolio due to: <ul style="list-style-type: none"> • Cyclical downturn in property market • Inappropriate buy/sell/hold decisions | Cash flow Profitability Net asset value Banking covenants | Senior management has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in capital allocation decision-making. |
| Changes in supply of space and/or occupier demand | Rental income Cash flow Vacancy rate Void running costs Bad debts Net asset value | The Group's property portfolio is diversified across four countries. The weighted-average unexpired lease term is 7.2 years and the Group's largest occupier concentration is with the Government sector (39.6%). |
| Poor asset management | Rental income Cash flow Vacancy rate Void running costs Property values Net asset value | Property teams proactively manage customers to ensure changing needs are met, and review the current status of all properties weekly. Written reports are submitted bi-weekly to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews. |
| OTHER INVESTMENT RISKS | | |
| Corporate bond investments: <ul style="list-style-type: none"> • Underperformance of portfolio • Insolvency of bond issuer | Net asset value Liquid resources | In assessing potential investments, the Treasury department undertakes research on the bond and its issuer, seeks third-party advice, and receives legal advice on the terms of the bond, where appropriate. The Treasury department and Executive Directors receive updates on bond price movements and third party market analysis on a daily basis, and reports on corporate bonds to the full Board on a bi-weekly basis. The Executive Directors formally review the corporate bond strategy |

| | | |
|--|---|--|
| | | monthly. |
| DEVELOPMENT RISKS | | |
| Failure to secure planning permission | Abortive costs Reputation | Planning permission is sought only after engaging in depth with all stakeholders. |
| Contractor solvency and availability | Reduced development returns Cost overruns. Loss of rental revenue | Only leading contractors are engaged. Prior to appointment, contractors are the subject of a due diligence check and assessed for financial viability. |
| Downturn in investment or occupational markets | Net asset value | Developments are undertaken only after an appropriate level of pre-lets have been obtained. |
| FUNDING RISKS | | |
| Unavailability of financing at acceptable prices | Cost of borrowing Ability to invest or develop | The Group has a dedicated Treasury department and relationships are maintained with some 21 banks, thus reducing credit and liquidity risk. The exposure on re-financing debt is mitigated by the lack of concentration in maturities. |
| Adverse interest rate movements | Cost of borrowing Cost of hedging | The Group's exposure to changes in prevailing market rates is largely hedged on existing debt through interest rate swaps and caps, or by borrowing at fixed rates. |
| Breach of borrowing covenants | Cost of borrowing | Financial covenants are monitored by the Treasury department and regularly reported to the Board. |
| Foreign currency exposure | Net asset value Profitability | Property investments are partially funded in matching currency. The difference between the value of the property and the amount of the financing is generally unhedged and monitored on an ongoing basis. |
| Financial counterparty credit risk | Loss of deposits Cost of rearranging facilities Incremental cost of borrowing | The Group has a dedicated Treasury department and relationships are maintained with some 21 banks, thus reducing credit and liquidity risk. The exposure on re-financing debt is mitigated by the lack of concentration in maturities. |
| TAXATION RISK | | |
| Increases in tax rates or changes to the basis of taxation | Cash flow Profitability Net asset value | The Group monitors legislative proposals and consults external advisors to understand and mitigate the effects of any such |

| | | |
|--|--|--|
| | | change. |
| POLITICAL AND ECONOMIC RISK | | |
| Break-up of the Euro | Net asset value Profitability | Euro-denominated liquid resources are kept to a minimum. Euro property assets are largely financed with euro borrowings. |
| Economic downturn | Cash flow Profitability Net asset value Banking covenants | The Group's property portfolio is diversified across four countries. The weighted-average unexpired lease term is 7.2 years and the Group's largest customer concentration is with the Government sector (39.6%). 65% of rental income is subject to indexation. |
| GOING CONCERN | | |
| The Group will not have adequate working capital to remain a going concern for the next 12 months. | Pervasive | The Directors regularly stress-test the business model to ensure the Group has adequate working capital. |

PROPERTY PORTFOLIO RENTAL DATA

| | Gross rental income for the year £m | Net rental income for the year £m | Lettable space sq m | Contracted rent at year end £m | ERV at year end £m | Contracted rent subject to indexation £m | Vacancy rate at year end % |
|------------------------|--|--------------------------------------|------------------------|-----------------------------------|-----------------------|---|-------------------------------|
| London | 27.5 | 26.8 | 136,504 | 29.1 | 27.4 | 5.4 | 2.3% |
| France | 18.5 | 18.5 | 96,244 | 18.7 | 17.8 | 18.7 | 3.8% |
| Germany | 13.9 | 13.1 | 144,991 | 14.1 | 14.5 | 14.1 | 7.4% |
| Sweden | 6.2 | 4.5 | 45,354 | 6.4 | 5.7 | 6.4 | 1.7% |
| Total Portfolio | 66.1 | 62.9 | 423,093 | 68.3 | 65.4 | 44.6 | 3.8% |

Note: a further £3.8 million of London contracted rent will be subject to annual indexation from 2015

VALUATION DATA

Valuation movement in the year

| | Market value of property £m | Underlying £m | Foreign exchange £m | Net initial yield ⁽¹⁾ % | EPRA topped up net initial yield ⁽²⁾ % | Reversion % | Over-rented % | True equivalent yield % |
|------------------------|--------------------------------|------------------|------------------------|---------------------------------------|--|----------------|------------------|----------------------------|
| London | 437.5 | 19.8 | – | 6.6% | 6.3% | 3.0% | 11.4% | 6.9% |
| France | 239.6 | (3.5) | (6.6) | 7.7% | 7.3% | 0.8% | 9.6% | 7.1% |
| Germany | 197.4 | 0.1 | (5.3) | 7.0% | 6.6% | 0.9% | 6.0% | 6.0% |
| Sweden | 60.0 | (0.2) | 0.8 | 7.5% | 7.1% | 2.6% | 14.7% | 9.4% |
| Total Portfolio | 934.5 | 16.2 | (11.1) | 7.0% | 6.6% | 1.9% | 10.1% | |

- (1) Based on contracted rent less non-recoverable service charges and before adding purchasers' costs to investment property values; if based on passing rent, net initial yield would be 6.8%
- (2) Based on contracted rent less non-recoverable service charges and after adding purchasers' costs to investment property values; if based on passing rent, EPRA net initial yield would be 6.5%

LEASE DATA

| | Average lease length | | Passing rent of leases expiring in: | | | | ERV of leases expiring in: | | | |
|------------------------|----------------------|-----------------|-------------------------------------|--------------|-------------------|--------------------|----------------------------|--------------|-------------------|--------------------|
| | To break years | To expiry years | Year 1 £m | Year 2 £m | Year 3 to 5 £m | After year 5 £m | Year 1 £m | Year 2 £m | Year 3 to 5 £m | After year 5 £m |
| London | 7.6 | 8.4 | 2.1 | 1.2 | 6.9 | 18.9 | 2.2 | 1.3 | 6.5 | 16.6 |
| France | 2.4 | 5.0 | 0.9 | 1.7 | 5.5 | 10.6 | 0.8 | 1.4 | 5.0 | 9.9 |
| Germany | 8.9 | 9.0 | 0.4 | 1.6 | 4.6 | 7.5 | 0.3 | 1.5 | 4.3 | 7.3 |
| Sweden | 3.5 | 3.5 | 0.2 | – | 4.6 | 1.6 | 0.2 | – | 3.7 | 1.6 |
| Total Portfolio | 6.1 | 7.2 | 3.6 | 4.5 | 21.6 | 38.6 | 3.5 | 4.2 | 19.5 | 35.4 |

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm to the best of our knowledge that:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole; and
- the Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

This statement of responsibilities was approved by the Board on 4 March 2013.

By order of the Board

David Fuller BA FCIS

Company Secretary

4 March 2013

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

| | Notes | 2012 £m | 2011 £m |
|---|-------|-------------|-------------|
| Continuing operations | | | |
| Group revenue | | 80.2 | 80.1 |
| Net rental income | 2 | 62.9 | 63.0 |
| Income from non-property activities | | – | 0.8 |
| Administration expenses | | (10.5) | (12.1) |
| Other expenses | | (2.9) | (2.2) |
| Group revenue less costs | | 49.5 | 49.5 |
| Net movements on revaluation of investment properties | 8 | 16.2 | 18.0 |
| Net (loss)/gain on sale of corporate bonds and other investments | | (0.4) | 0.5 |
| Profit on sale of subsidiaries and associates | 25 | – | 2.2 |
| Operating profit | | 65.3 | 70.2 |
| Finance income | 3 | 10.6 | 12.2 |
| Finance costs | 4 | (25.6) | (47.7) |
| Share of profit of associates after tax | 12 | 5.8 | 3.0 |
| Profit before tax | | 56.1 | 37.7 |
| Taxation | 5 | (9.4) | 1.1 |
| Profit for the year | | 46.7 | 38.8 |
| Other comprehensive income | | | |
| Foreign exchange differences | | (2.6) | (5.0) |
| Fair value gains/(losses) on corporate bonds and other investments | 13 | 19.7 | (16.0) |
| Fair value losses/(gains) taken to (loss)/gain on sale of corporate bonds and other investments | 13 | 4.0 | (0.8) |
| Deferred tax on net fair value gains on corporate bonds and other investments | 17 | (5.9) | 4.6 |
| Revaluation of owner-occupied property | 9 | 0.1 | 0.3 |
| Total comprehensive income for the year | | 62.0 | 21.9 |
| Profit attributable to: | | | |
| Owners of the Company | | 46.7 | 37.5 |
| Non-controlling interests | | – | 1.3 |
| Profit for the year | | 46.7 | 38.8 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 62.0 | 20.6 |
| Non-controlling interests | | – | 1.3 |
| Total comprehensive income for the year | | 62.0 | 21.9 |
| Earnings per share from continuing operations attributable to the owners of the Company during the year (expressed in pence per share) | | | |
| Basic | 6 | 106.0 | 82.0 |
| Diluted | 6 | 105.8 | 81.9 |

GROUP BALANCE SHEET

At 31 December 2012

| | Notes | 2012 £m | 2011 £m |
|--------------------------------------|-------|----------------|----------------|
| Non-current assets | | | |
| Investment properties | 8 | 934.5 | 902.1 |
| Property, plant and equipment | 9 | 2.8 | 2.7 |
| Goodwill and other intangible assets | 11 | 1.1 | 1.1 |
| Investments in associates | 12 | 33.3 | 24.1 |
| Other investments | 13 | 129.9 | 87.8 |
| Derivative financial instruments | 19 | 0.2 | 1.5 |
| Deferred tax | 17 | 8.7 | 17.7 |
| | | 1,110.5 | 1,037.0 |
| Current assets | | | |
| Trade and other receivables | 14 | 17.0 | 11.6 |
| Derivative financial instruments | 19 | 0.6 | 0.4 |
| Cash and cash equivalents | 15 | 97.6 | 55.3 |
| | | 115.2 | 67.3 |
| Total assets | | 1,225.7 | 1,104.3 |
| Current liabilities | | | |
| Trade and other payables | 16 | (33.0) | (30.4) |
| Current tax | | (3.6) | (1.2) |
| Borrowings | 18 | (135.6) | (151.2) |
| Derivative financial instruments | 19 | (0.4) | (0.1) |
| | | (172.6) | (182.9) |
| Non-current liabilities | | | |
| Deferred tax | 17 | (77.8) | (75.0) |
| Borrowings | 18 | (549.4) | (469.8) |
| Derivative financial instruments | 19 | (8.8) | (9.1) |
| | | (636.0) | (553.9) |
| Total liabilities | | (808.6) | (736.8) |
| Net assets | | 417.1 | 367.5 |
| Equity | | | |
| Share capital | 20 | 12.0 | 12.5 |
| Share premium | 22 | 71.5 | 71.5 |
| Other reserves | 23 | 101.8 | 86.0 |
| Retained earnings | | 231.8 | 197.5 |
| Total equity | | 417.1 | 367.5 |

The financial statements of CLS Holdings plc (registered number: 2714781) were approved by the Board of Directors and authorised for issue on 4 March 2013 and were signed on its behalf by:

Mr S A Mortstedt
Director

Mr E H Klotz
Director

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

| Attributable to the owners of the Company | | | | | | | | |
|---|-------|---------------------|---------------------|----------------------|-------------------------|-------------|---------------------------------|-------------|
| | Notes | 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 2012: | | | | | | | | |
| Total comprehensive income for the year | | – | – | 15.3 | 46.7 | 62.0 | – | 62.0 |
| Purchase of own shares | 20 | (0.5) | – | 0.5 | (12.5) | (12.5) | – | (12.5) |
| Expenses thereof | | – | – | – | (0.1) | (0.1) | – | (0.1) |
| Employee share option schemes | | – | – | – | 0.2 | 0.2 | – | 0.2 |
| Total changes arising in 2012 | | (0.5) | – | 15.8 | 34.3 | 49.6 | – | 49.6 |
| At 31 December 2012 | | 12.0 | 71.5 | 101.8 | 231.8 | 417.1 | – | 417.1 |

| Attributable to the owners of the Company | | | | | | | | |
|---|-------|---------------------|---------------------|----------------------|-------------------------|-------------|---------------------------------|-------------|
| | Notes | 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 2011: | | | | | | | | |
| Total comprehensive income | | | | | | | | |
| for the year | | – | – | (16.9) | 37.5 | 20.6 | 1.3 | 21.9 |
| Purchase of own shares | 20 | (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 2011 | | (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 |

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

| | Notes | 2012 £m | 2011 £m |
|---|-------|---------------|---------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 24 | 54.3 | 54.1 |
| Interest paid | | (22.5) | (26.1) |
| Income tax refunded/(paid) | | 0.1 | (2.9) |
| Net cash inflow from operating activities | | 31.9 | 25.1 |
| Cash flows from investing activities | | | |
| Purchase of investment property | | (13.1) | (7.2) |
| Capital expenditure on investment property | | (13.5) | (13.2) |
| Interest received | | 8.2 | 6.9 |
| Purchase of corporate bonds | | (65.6) | (54.5) |
| Proceeds from sale of corporate bonds | | 45.8 | 31.8 |
| Purchase of equity investments | | (0.6) | (7.6) |
| Dividends received from equity investments | | 0.1 | – |
| Proceeds from sale of equity investments | | 0.6 | 7.2 |
| Purchase of interests in associate undertakings | | (4.1) | (0.2) |
| Loans to associate undertakings | | (4.5) | – |
| Distributions received from associate undertakings | | 0.8 | 19.9 |
| Income/(costs) on foreign currency transactions | | 0.3 | (1.4) |
| Costs of corporate disposals | | (0.8) | (1.8) |
| Purchases of property, plant and equipment | | (0.2) | (0.2) |
| Net cash outflow from investing activities | | (46.6) | (20.3) |
| Cash flows from financing activities | | | |
| Purchase of own shares | | (12.6) | (11.8) |
| New loans | | 223.3 | 174.2 |
| Issue costs of new loans | | (2.4) | (2.8) |
| Repayment of loans | | (151.7) | (132.2) |
| Purchase or cancellation of derivative financial instruments | | (0.1) | (25.9) |
| Net cash inflow from financing activities | | 56.5 | 1.5 |
| Cash flow element of net increase in cash and cash equivalents | | 41.8 | 6.3 |
| Foreign exchange gain | | 0.5 | 0.7 |
| Net increase in cash and cash equivalents | | 42.3 | 7.0 |
| Cash and cash equivalents at the beginning of the year | | 55.3 | 48.3 |
| Cash and cash equivalents at the end of the year | 15 | 97.6 | 55.3 |

Interest received has been included in cash flows from investing activities as the majority of it arises from investing in corporate bonds. Previously, interest received was disclosed in cash flows from operating activities.

NOTES TO THE GROUP FINANCIAL STATEMENTS

31 December 2012

1 GENERAL INFORMATION

CLS Holdings plc (the “Company”) and its subsidiaries (together “CLS Holdings” or the “Group”) is an investment property group which is principally involved in the investment, management and development of commercial properties, and in other investments. The Group’s principal operations are carried out in London, France, Germany and Sweden.

The Company is registered in the UK, registration number 2714781, with its registered address at 86 Bondway, London, SW8 1SF. The Company is listed on the London Stock Exchange.

The annual financial report (produced in accordance with the Disclosure and Transparency Rules) can be found on the Company’s website www.clsholdings.com. The 2012 Annual Report and Accounts will be posted to shareholders on 15 March 2013 and will also be available on the Company’s website.

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2012. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company’s statutory accounts for the years ended 31 December 2012 or 2011, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company’s Annual General Meeting. The auditors have reported on those accounts and the auditors’ reports on both the 2011 and 2012 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) Companies Act 2006 or preceding legislation.

GOING CONCERN

The current macro-economic conditions have created a number of uncertainties. The Group’s business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The financial position of the Group, its liquidity position and borrowing facilities are described in the Business Review.

The Directors regularly stress-test the business model to ensure that the Group has adequate working capital and have reviewed the current and projected financial positions of the Group, 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 Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 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 Cood Investments 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.

The Group's results for the year ended 31 December 2012 by operating segment were as follows:

| | Investment Property | | | | Other Investments | Total |
|---|---------------------|--------------|---------------|--------------|-------------------|-------------|
| | London £m | France £m | Germany £m | Sweden £m | £m | £m |
| Rental income | 27.5 | 18.5 | 13.9 | 6.2 | – | 66.1 |
| Other property-related income | 0.6 | 0.1 | 0.1 | – | – | 0.8 |
| Service charge income | 4.7 | 5.5 | 2.7 | 0.4 | – | 13.3 |
| Service charges and similar expenses | (6.0) | (5.6) | (3.6) | (2.1) | – | (17.3) |
| Net rental income | 26.8 | 18.5 | 13.1 | 4.5 | – | 62.9 |
| Administration expenses | (2.3) | (1.4) | (0.9) | (0.3) | (0.5) | (5.4) |
| Other expenses | (1.5) | (0.4) | (0.9) | (0.1) | – | (2.9) |
| Group revenue less costs | 23.0 | 16.7 | 11.3 | 4.1 | (0.5) | 54.6 |
| Net movements on revaluation of investment properties | 19.8 | (3.5) | 0.1 | (0.2) | – | 16.2 |
| Net loss on sale of corporate bonds and other investments | – | – | – | – | (0.4) | (0.4) |
| Segment operating profit/(loss) | 42.8 | 13.2 | 11.4 | 3.9 | (0.9) | 70.4 |
| Finance income | – | 0.1 | – | – | 10.5 | 10.6 |
| Finance costs | (11.9) | (4.6) | (4.6) | (1.2) | (3.3) | (25.6) |
| Share of profit of associates after tax | – | – | – | – | 5.8 | 5.8 |
| Segment profit before tax | 30.9 | 8.7 | 6.8 | 2.7 | 12.1 | 61.2 |
| Taxation | (5.2) | (3.5) | (0.7) | – | – | (9.4) |
| Segment profit after tax | 25.7 | 5.2 | 6.1 | 2.7 | 12.1 | 51.8 |
| Central administration expenses | | | | | | (5.1) |
| Profit for the year | | | | | | 46.7 |

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

| | Investment Property | | | | Other Investments | Total |
|---|---------------------|--------------|---------------|--------------|-------------------|--------|
| | London £m | France £m | Germany £m | Sweden £m | £m | £m |
| Rental income | 26.5 | 19.1 | 14.4 | 6.2 | – | 66.2 |
| Other property-related income | 0.8 | 0.1 | – | – | – | 0.9 |
| Service charge income | 4.2 | 5.2 | 2.5 | 0.3 | – | 12.2 |
| Service charges and similar expenses | (5.9) | (5.5) | (3.3) | (1.6) | – | (16.3) |
| Net rental income | 25.6 | 18.9 | 13.6 | 4.9 | – | 63.0 |
| Income from non-property activities | – | – | – | – | 0.8 | 0.8 |
| 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) |
| 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 expenses | | | | | | (5.5) |
| Profit for the year | | | | | | 38.8 |

Other segment information:

| | Assets | | Liabilities | | Capital expenditure | |
|---------------------|------------|------------|-------------|------------|---------------------|------------|
| | 2012 £m | 2011 £m | 2012 £m | 2011 £m | 2012 £m | 2011 £m |
| Investment Property | | | | | | |
| London | 463.5 | 435.5 | 358.7 | 304.9 | 19.9 | 12.6 |
| France | 247.0 | 252.9 | 207.5 | 212.9 | 1.4 | 1.8 |
| Germany | 202.5 | 201.1 | 144.4 | 147.2 | 5.5 | 4.0 |
| Sweden | 62.9 | 65.2 | 40.2 | 42.0 | 0.7 | 2.5 |
| Other investments | 249.8 | 149.6 | 57.8 | 29.8 | – | – |
| | 1,225.7 | 1,104.3 | 808.6 | 736.8 | 27.5 | 20.9 |

Included within the assets of other investments are investments in associates of £33.3 million (2011: £24.1 million).

3 FINANCE INCOME

| | 2012 £m | 2011 £m |
|----------------------------|-------------|-------------|
| Interest income | 9.9 | 9.2 |
| Other finance income | 0.1 | 2.3 |
| Foreign exchange variances | 0.6 | 0.7 |
| | 10.6 | 12.2 |

4 FINANCE COSTS

| | 2012 £m | 2011 £m |
|--|-------------|-------------|
| Interest expense | | |
| Bank loans | 15.4 | 21.2 |
| Debenture loans | 4.7 | 4.7 |
| Unsecured bonds | 2.8 | 1.2 |
| Amortisation of loan issue costs | 1.3 | 2.1 |
| Total interest costs | 24.2 | 29.2 |
| Less interest capitalised on development projects | (0.1) | – |
| | 24.1 | 29.2 |
| Movement in fair value of derivative financial instruments | | |
| Interest rate swaps: transactions not qualifying as hedges | 0.2 | 14.2 |
| Interest rate caps: transactions not qualifying as hedges | 1.3 | 4.3 |
| | 25.6 | 47.7 |

5 TAXATION

| | 2012 £m | 2011 £m |
|-------------------------------|------------|--------------|
| Current tax charge/(credit) | 2.3 | (1.2) |
| Deferred tax charge (note 17) | 7.1 | 0.1 |
| | 9.4 | (1.1) |

A deferred tax charge of £5.9 million (2011: credit of £4.6 million) was recognised directly in equity (note 17).

The charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits of Group companies as follows:

| | 2012 £m | 2011 £m |
|--|-------------|--------------|
| Profit before tax | 56.1 | 37.7 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 13.9 | 10.1 |
| Expenses not deductible for tax purposes | (0.7) | (0.1) |
| Tax effect of unrecognised profits in associates and joint ventures | (1.2) | (0.8) |
| Adjustment in respect of indexation allowance on London properties | (3.0) | (4.6) |
| Other deferred tax adjustments | (0.9) | (1.6) |
| Deferred tax assets not recognised | 0.1 | (0.8) |
| Adjustment in respect of prior periods | 1.2 | (3.3) |
| Tax charge/(credit) for the year | 9.4 | (1.1) |

The weighted average applicable tax rate of 24.9% (2011: 26.7%) was derived by applying to their relevant profits and losses the rates in the jurisdictions in which the Group operated.

6 EARNINGS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) measure of earnings per share 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 and of 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.

| | 2012 £m | 2011 £m |
|--|-------------|-------------|
| Earnings | | |
| Profit for the period attributable to the owners of the Company | 46.7 | 37.5 |
| Revaluation gains on investment properties | (16.2) | (18.0) |
| Profit on sale of subsidiaries and associates | – | (2.2) |
| Net loss/(gain) on sale of corporate bonds and other investments | 0.4 | (0.5) |
| Change in fair value of derivative financial instruments | 1.5 | 18.5 |
| Deferred tax relating to the above adjustments | 2.0 | 0.5 |
| Adjustments in respect of associates | (5.6) | (3.8) |
| Non-recurring finance income | – | (2.3) |
| EPRA earnings | 28.8 | 29.7 |

| | 2012 Number | 2011 Number |
|---|-------------------|-------------------|
| Weighted average number of ordinary shares | | |
| Weighted average number of ordinary shares in circulation | 44,072,410 | 45,738,600 |
| Dilutive share options† | 85,002 | 67,542 |
| Diluted weighted average number of ordinary shares | 44,157,412 | 45,806,142 |

| | 2012 Pence | 2011 Pence |
|---------------------------|---------------|---------------|
| Earnings per Share | | |
| Basic | 106.0 | 82.0 |
| Diluted | 105.8 | 81.9 |
| EPRA | 65.3 | 64.9 |

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

7 NET ASSETS PER SHARE

Management has chosen to disclose the two European Public Real Estate Association (EPRA) measures of net assets per share: 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.

| | 2012 £m | 2011 £m |
|--|--------------|--------------|
| Net assets | | |
| Basic net assets | 417.1 | 367.5 |
| Dilutive impact of share options | 1.4 | 1.4 |
| Diluted net assets | 418.5 | 368.9 |
| Adjustment to increase fixed rate debt to fair value, net of tax | (23.9) | (23.7) |
| Goodwill as a result of deferred tax | (1.1) | (1.1) |
| EPRA triple net assets | 393.5 | 344.1 |
| Deferred tax on property and other non-current assets | 74.6 | 67.9 |
| Fair value of derivative financial instruments | 8.4 | 7.3 |
| Adjustment to decrease fixed rate debt to book value, net of tax | 23.9 | 23.7 |
| Adjustments in respect of associates | 3.0 | 1.9 |
| EPRA net assets | 503.4 | 444.9 |

| | 2012 Number | 2011 Number |
|--|-------------------|-------------------|
| Number of ordinary shares | | |
| Number of ordinary shares in circulation | 43,305,876 | 44,953,611 |
| Dilutive share options | 300,000 | 300,000 |
| Diluted number of ordinary shares | 43,605,876 | 45,253,611 |

| | 2012 Pence | 2011 Pence |
|-----------------------------|---------------|---------------|
| Net Assets Per Share | | |
| Basic | 963.1 | 817.5 |
| Diluted | 959.7 | 815.2 |
| EPRA | 1,154.4 | 983.1 |
| EPRA triple net | 902.5 | 760.4 |

8 INVESTMENT PROPERTIES

| | London £m | France £m | Germany £m | Sweden £m | Total £m |
|---|--------------|--------------|---------------|--------------|---------------|
| At 1 January 2012 | 398.0 | 248.3 | 197.1 | 58.7 | 902.1 |
| Acquisitions | 13.1 | – | – | – | 13.1 |
| Capital expenditure | 6.6 | 1.4 | 5.5 | 0.7 | 14.2 |
| Net movement on revaluation of investment properties | 19.8 | (3.5) | – | (0.1) | 16.2 |
| Rent-free period debtor adjustments | – | – | 0.1 | (0.1) | – |
| Exchange rate variances | – | (6.6) | (5.3) | 0.8 | (11.1) |
| At 31 December 2012 | 437.5 | 239.6 | 197.4 | 60.0 | 934.5 |

| | London £m | France £m | Germany £m | Sweden £m | Total £m |
|--|--------------|--------------|---------------|--------------|-------------|
| At 1 January 2011 | 375.0 | 248.7 | 196.5 | 56.7 | 876.9 |
| Acquisitions | 6.4 | – | 0.8 | – | 7.2 |
| Capital expenditure | 6.1 | 1.7 | 3.2 | 2.5 | 13.5 |
| Net movement on revaluation of investment properties | 10.2 | 4.9 | 2.0 | 0.9 | 18.0 |
| Rent-free period debtor adjustments | 0.3 | – | – | (0.1) | 0.2 |
| Exchange rate variances | – | (7.0) | (5.4) | (1.3) | (13.7) |
| At 31 December 2011 | 398.0 | 248.3 | 197.1 | 58.7 | 902.1 |

The investment properties (and the owner-occupied property detailed in note 9) were revalued at 31 December 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 included leasehold properties with a carrying amount of £18.3 million (2011: £19.1 million).

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 either the current or the comparative year.

Substantially all investment properties (and the owner-occupied property detailed in note 9) are secured against debt.

In 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 the balance sheet date the fair value of the liability was £nil (2011: £nil).

9 PROPERTY, PLANT AND EQUIPMENT

| | 2012 £m | 2011 £m |
|--|------------|------------|
| Cost or valuation | | |
| At 1 January | 4.0 | 5.4 |
| Additions | 0.2 | 0.2 |
| Disposals | (0.4) | (1.9) |
| Revaluation | 0.1 | 0.3 |
| At 31 December | 3.9 | 4.0 |
| Accumulated depreciation and impairment | | |
| At 1 January | (1.3) | (2.8) |
| Depreciation charge | (0.2) | (0.2) |
| Disposals | 0.4 | 1.7 |
| At 31 December | (1.1) | (1.3) |
| Net book value | | |
| At 31 December | 2.8 | 2.7 |

An owner-occupied property was revalued at 31 December 2012 based on the external valuation performed by Lambert Smith Hampton as detailed in note 8.

10 JOINT VENTURES

At 31 December 2012 the Group had a one-third interest (2011: one-third) in the issued ordinary share capital of Fielden House Investment Limited, a company incorporated in England and Wales, which had a coterminous year end to that of the Group.

The principal activity of Fielden House Investment Limited is investment in, and management and development of, commercial property.

The following amounts represent the Group's share of the assets and liabilities, and of the income and expenditure of Fielden House Investment Limited which are included in the balance sheet and statement of comprehensive income of the Group:

| | 2012 £m | 2011 £m |
|-------------------------|------------|------------|
| Assets | | |
| Non-current assets | 2.7 | 2.3 |
| Current assets | 0.2 | 0.1 |
| | 2.9 | 2.4 |
| Liabilities | | |
| Current liabilities | (0.1) | (0.1) |
| Non-current liabilities | (2.0) | (2.3) |
| | (2.1) | (2.4) |
| Net assets | 0.8 | — |
| Income | 0.2 | 0.2 |
| Expenses | (0.2) | (0.2) |
| Profit after tax | — | — |

11 GOODWILL AND OTHER INTANGIBLE ASSETS

| | Goodwill £m | Other intangibles £m | Total £m |
|--|----------------|----------------------------|-------------|
| Cost | | | |
| At 1 January 2012 and 31 December 2012 | 1.1 | – | 1.1 |
| Amortisation | | | |
| At 1 January 2012 and 31 December 2012 | – | – | – |
| Net book value | | | |
| At 31 December 2012 | 1.1 | – | 1.1 |

| | Goodwill £m | Other intangibles £m | Total £m |
|-----------------------|----------------|----------------------------|-------------|
| Cost | | | |
| At 1 January 2011 | 18.6 | 7.2 | 25.8 |
| Disposals | (17.5) | (7.2) | (24.7) |
| At 31 December 2011 | 1.1 | – | 1.1 |
| Amortisation | | | |
| At 1 January 2011 | (17.5) | (7.2) | (24.7) |
| Disposals | 17.5 | 7.2 | 24.7 |
| At 31 December 2011 | – | – | – |
| Net book value | | | |
| At 31 December 2011 | 1.1 | – | 1.1 |

Goodwill comprised £0.8 million (2011: £0.8 million) on the acquisition of a French property portfolio in 2004 and £0.3 million (2011: £0.3 million) on a German property acquisition in 2005. All other goodwill and other intangibles (relating to trade names, technology, customer relationships, capitalised development and other costs), which had been fully written down, related to the Wyatt Media Group, which was sold in 2011, as described in note 25.

Impairment review 2012 and 2011

Goodwill was reviewed for impairment at 31 December 2012 and at 31 December 2011 using the key assumptions set out below. No adjustment for impairment was required.

Key assumptions:

Unamortised goodwill at 31 December 2012 and at 31 December 2011 related to contingent deferred tax arising on acquisitions of corporate entities for which an equal deferred tax liability was recognised in the balance sheet. Management have reviewed the sensitivity to a fall in property values of each cash generating unit. A fall of 10% would result in a potential impairment of goodwill of up to £0.1 million (2011: £0.1 million).

12 INVESTMENTS IN ASSOCIATES

| | Net assets £m | Goodwill £m | Total £m |
|---|---------------------|----------------|-------------|
| At 1 January 2012 | 17.4 | 6.7 | 24.1 |
| Additions | 3.1 | 1.0 | 4.1 |
| Share of profit of associates after tax | 5.8 | – | 5.8 |
| Dividends received | (0.8) | – | (0.8) |
| Exchange rate differences | – | 0.1 | 0.1 |
| At 31 December 2012 | 25.5 | 7.8 | 33.3 |

| | Net assets £m | Goodwill £m | Total £m |
|---|---------------------|----------------|-------------|
| At 1 January 2011 | 33.8 | 6.8 | 40.6 |
| Additions | 0.7 | 1.4 | 2.1 |
| Disposals | – | (1.5) | (1.5) |
| Share of profit of associates after tax | 3.0 | – | 3.0 |
| Dividends received | (19.9) | – | (19.9) |
| Exchange rate differences | (0.2) | – | (0.2) |
| At 31 December 2011 | 17.4 | 6.7 | 24.1 |

The Group's interests in its principal associates were as follows:

| | Catena AB £m | Bulgarian Land Development Plc £m | Other associates £m | Total £m |
|--|--------------------|---|---------------------------|-------------|
| At 31 December 2012 | | | | |
| <i>Interest held in ordinary share capital</i> | <i>29.9%</i> | <i>48.3%</i> | <i>various</i> | |
| Revenues | 0.7 | 0.4 | 2.7 | 3.8 |
| Share of profit/(loss) of associates after tax | 5.8 | (0.7) | 0.7 | 5.8 |
| Assets | 26.1 | 8.4 | 10.0 | 44.5 |
| Liabilities | (12.4) | (0.6) | (6.0) | (19.0) |
| Net assets | 13.7 | 7.8 | 4.0 | 25.5 |
| Goodwill | 5.2 | – | 2.6 | 7.8 |
| Investments in associates | 18.9 | 7.8 | 6.6 | 33.3 |
| Market value of interest | 20.7 | n/a | n/a | |

| 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 | |

Catena AB

At 31 December 2012 the Group had a 29.9% (2011: 29.9%) interest in Catena AB, a listed Swedish property company. Henry Klotz, Executive Vice Chairman of the Company, is the Non-Executive Chairman of Catena AB.

Bulgarian Land Development Plc

At 31 December 2012 the Group had a 48.3% (2011: 48.3%) interest in Bulgarian Land Development Plc (“BLD”), an unlisted developer of residential and commercial real estate in Bulgaria. Henry Klotz, Executive Vice Chairman of the Company, is the Non-Executive Chairman of BLD.

Other associates

As described in note 25, on 31 May 2011 the Group sold the remaining operating subsidiaries and certain associates of the Wyatt Media Group. The entities were acquired by Nyheter 24 (a Swedish on-line news and media business) in exchange for a 20% interest in the enlarged Nyheter 24 group. The fair value of the Group’s interest in Nyheter 24 was determined on acquisition to be £1.9 million. Henry Klotz, Executive Vice Chairman of the Company, was appointed to the board of Nyheter 24.

The Group retains an associate interest in one former associate of the Wyatt Media Group.

On 12 January 2012, the Group acquired a 16.6% interest in Cood Investments AB (“Cood”), an unlisted residential property company specialising in holiday cottages and cabins on vacation sites in Sweden. Henry Klotz, Executive Vice Chairman of the Company, was appointed to the board of Cood.

Impairment

2012

In assessing the carrying value of Catena AB, management considered it was not impaired as the market value of the Group's interest in Catena exceeded its carrying value by £1.8 million at 31 December 2012.

BLD was carried in the balance sheet at a value equal to the Group's share of its net assets. BLD's audited net assets, which were prepared under IFRS, were reviewed and found not to be impaired at 31 December 2012. Accordingly there was no requirement to provide for further impairment in the carrying value of the Group's interest in BLD at 31 December 2012.

The fair value of Nyheter 24 was determined on acquisition to be £1.9 million and was based upon detailed forward forecasts. As the progress to date has not been materially dissimilar from these forecasts, management considered the carrying value of Nyheter 24 not to be impaired at 31 December 2012.

The fair value of Cood was assessed on acquisition and the results to date, including the payment of a dividend, support the fair value.

2011

In assessing the carrying value of Catena AB, management considered that the net asset value of Catena's balance sheet was not representative of true fair value as it did not include the latent development profit on Catena's remaining single development site, Haga Norra. Furthermore, the market value of the Group's interest in Catena exceeded its carrying value by £4.3 million at 31 December 2011.

BLD was carried in the balance sheet at a value equal to the Group's share of its net assets. BLD's audited net assets, which were prepared under IFRS, were reviewed and found not to be impaired at 31 December 2011. Accordingly there was no requirement to provide for further impairment in the carrying value of the Group's interest in BLD at 31 December 2011.

The fair value of Nyheter 24 was determined on acquisition to be £1.9 million and was based upon detailed forward forecasts. As the progress to date has not been materially dissimilar from these forecasts, management considered the carrying value of Nyheter 24 not to be impaired at 31 December 2011.

13 OTHER INVESTMENTS

| | Investment type | Destination of Investment | 2012 £m | 2011 £m |
|--|--------------------------|---------------------------|------------|------------|
| Available-for-sale financial investments carried at fair value | | | | |
| | Listed corporate bonds | UK | 73.2 | 56.0 |
| | | Eurozone | 21.7 | 12.2 |
| | | Other | 32.4 | 16.9 |
| | | | 127.3 | 85.1 |
| | Listed equity securities | UK | 0.3 | 0.5 |
| | | Sweden | 1.7 | 1.6 |
| | | Other | 0.2 | 0.1 |
| | Unlisted investments | Sweden | 0.3 | 0.4 |
| | Government securities | UK | 0.1 | 0.1 |
| | | | 129.9 | 87.8 |

The movement of other investments, analysed based on the methods used to measure their fair value, was as follows:

| | Level 1 Quoted market prices £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 | 0.6 | 65.6 | – | 66.2 |
| Disposals | (0.9) | (46.3) | (0.3) | (47.5) |
| Fair value movements recognised in reserves on available-for-sale assets | 0.1 | 19.6 | – | 19.7 |
| Fair value movements recognised in profit before tax on available-for-sale assets | 0.3 | 3.5 | 0.2 | 4.0 |
| Exchange rate variations | (0.1) | (0.2) | – | (0.3) |
| At 31 December 2012 | 2.3 | 127.3 | 0.3 | 129.9 |

| | Level 1 Quoted market prices £m | Level 2 Observable market data £m | Level 3 Other valuation methods* £m | Total £m |
|---|---|---|---|-------------|
| At 1 January 2011 | 3.1 | 78.1 | 0.4 | 81.6 |
| Additions | 7.6 | 54.5 | – | 62.1 |
| Disposals | (7.7) | (31.1) | – | (38.8) |
| Fair value movements recognised in reserves on available-for-sale assets | (0.4) | (15.6) | – | (16.0) |
| Fair value movements recognised in profit before tax on available-for-sale assets | (0.1) | (0.7) | – | (0.8) |
| Exchange rate variations | (0.2) | (0.1) | – | (0.3) |
| At 31 December 2011 | 2.3 | 85.1 | 0.4 | 87.8 |

* Unlisted equity shares valued using multiples from comparable listed organisations.

Corporate Bond Portfolio

At 31 December 2012

| Sector | Banking | Insurance | Building Societies | Financials | Other | Total |
|---------------|---|--|-------------------------|--------------------------|---|---------|
| Value | £29.3m | £42.8m | £8.7m | £7.3m | £39.2m | £127.3m |
| Running yield | 8.5% | 7.5% | 8.7% | 7.0% | 8.9% | 8.2% |
| Issuers | KBC RBS HBoS Lloyds Investec Dresdner SNS Bank* Rothschild Danske Bank* | Brit AXA Aviva Generali Irish Life Swiss Re Swiss Life Direct Line RL Finance Phoenix Life Legal & General Friends Provident | Yorkshire Nationwide | Man Group Aberdeen AM | TUI Fiat SAS Boparan Europcar Telefonica Swissport Alliance Oil Lottomatica Norske Skog Corral Finans Thomas Cook British Airways Renewable Energy Corp | |

* Less than £0.3 million market value.

14 TRADE AND OTHER RECEIVABLES

| | 2012 £m | 2011 £m |
|-------------------|-------------|-------------|
| Current | | |
| Trade receivables | 3.0 | 3.6 |
| Prepayments | 0.9 | 0.5 |
| Accrued income | 6.8 | 5.2 |
| Other debtors | 6.3 | 2.3 |
| | 17.0 | 11.6 |

There was no concentration of credit risk with respect to trade receivables as the Group had a large number of customers spread across the countries in which it operated.

There were no material trade and other receivables classified as past due but not impaired (2011: none). No trade and other receivables were interest-bearing.

Included within other debtors is £5.0 million (2011: £0.5 million) due after more than one year.

15 CASH AND CASH EQUIVALENTS

| | 2012 £m | 2011 £m |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 96.8 | 25.7 |
| Short-term bank deposits | 0.8 | 29.6 |
| | 97.6 | 55.3 |

At 31 December 2012, Group cash at bank and in hand included £6.8 million (2011: £5.8 million) which was restricted by a third-party charge.

Cash and short-term deposits are invested at floating rates of interest based on relevant national LIBID and base rates or equivalents in the UK, France, Germany and Sweden. The cash and cash equivalents currency profile was as follows:

| | Cash at bank and in hand £m | Short- term deposits £m | Total £m |
|----------------------------|--|--|---------------------|
| At 31 December 2012 | | | |
| Sterling | 59.6 | 0.8 | 60.4 |
| Euro | 15.8 | – | 15.8 |
| Swedish Krona | 21.2 | – | 21.2 |
| Other | 0.2 | – | 0.2 |
| | 96.8 | 0.8 | 97.6 |
| <hr/> | | | |
| | Cash at bank and in hand £m | Short- term deposits £m | Total £m |
| At 31 December 2011 | | | |
| Sterling | 10.1 | 5.2 | 15.3 |
| Euro | 13.6 | 0.4 | 14.0 |
| Swedish Krona | 2.0 | 24.0 | 26.0 |
| | 25.7 | 29.6 | 55.3 |

16 TRADE AND OTHER PAYABLES

| | 2012 £m | 2011 £m |
|---------------------------------|--------------------|--------------------|
| Current | | |
| Trade payables | 1.6 | 1.7 |
| Social security and other taxes | 2.2 | 1.9 |
| Other payables | 7.4 | 6.0 |
| Accruals | 11.0 | 11.4 |
| Deferred income | 10.8 | 9.4 |
| | 33.0 | 30.4 |

17 DEFERRED TAX

| | 2012 £m | 2011 £m |
|-----------------------------|--------------------|--------------------|
| Deferred tax assets: | | |
| – after more than 12 months | (8.7) | (17.7) |
| Deferred tax liabilities: | | |
| – after more than 12 months | 77.8 | 75.0 |
| | 69.1 | 57.3 |

The movement in deferred tax was as follows:

| | 2012 £m | 2011 £m |
|--|--------------------|--------------------|
| At 1 January | 57.3 | 63.3 |
| Charged in arriving at profit after tax | 7.1 | 0.1 |
| Charged/(credited) to other comprehensive income | 5.9 | (4.6) |
| Exchange rate variances | (1.2) | (1.5) |
| At 31 December | 69.1 | 57.3 |

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

| | Tax losses £m | Other £m | Total £m |
|--|------------------------------|---------------------|---------------------|
| Deferred tax assets | | | |
| At 1 January 2012 | (10.6) | (7.1) | (17.7) |
| Charged in arriving at profit after tax | 5.1 | 1.0 | 6.1 |
| Charged to other comprehensive income | – | 2.9 | 2.9 |
| At 31 December 2012 | (5.5) | (3.2) | (8.7) |

| | Tax losses £m | Other £m | Total £m |
|--|------------------------------|---------------------|---------------------|
| Deferred tax assets | | | |
| At 1 January 2011 | (5.1) | (6.1) | (11.2) |
| (Credited)/charged in arriving at profit after tax | (5.5) | 2.0 | (3.5) |
| Credited to other comprehensive income | – | (3.1) | (3.1) |
| Exchange rate variances | – | 0.1 | 0.1 |
| At 31 December 2011 | (10.6) | (7.1) | (17.7) |

| | UK capital allowances £m | Fair value adjustments to investment properties £m | Other £m | Total £m |
|---|---|---|---------------------|---------------------|
| Deferred tax liabilities | | | | |
| At 1 January 2012 | 9.7 | 64.5 | 0.8 | 75.0 |
| (Credited)/charged in arriving at profit after tax | (0.3) | 1.4 | (0.1) | 1.0 |
| Charged to other comprehensive income | – | – | 3.0 | 3.0 |
| Exchange rate variances | – | (1.2) | – | (1.2) |
| At 31 December 2012 | 9.4 | 64.7 | 3.7 | 77.8 |

| | UK capital allowances £m | Fair value adjustments to investment properties £m | Other £m | Total £m |
|---|---|---|---------------------|---------------------|
| Deferred tax liabilities | | | | |
| At 1 January 2011 | 10.2 | 62.3 | 2.0 | 74.5 |
| (Credited)/charged in arriving at profit after tax | (0.5) | 3.8 | 0.3 | 3.6 |
| Credited to other comprehensive income | – | – | (1.5) | (1.5) |
| Exchange rate variances | – | (1.6) | – | (1.6) |
| At 31 December 2011 | 9.7 | 64.5 | 0.8 | 75.0 |

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2012 the Group did not recognise deferred tax assets of £8.2 million (2011: £7.2 million) in respect of losses amounting to £33.2 million (2011: £27.9 million) which can be carried forward against future taxable income or gains. The majority of deferred tax assets recognised within the “other” category relate either to deferred tax on swaps with a

negative book value or to corporate bonds carried at below cost. Losses recognised as deferred tax assets can be carried forward without restriction.

On 1 April 2013 the UK corporation tax rate reduces from 25% to 23%. As this has been substantively enacted at the balance sheet date the UK deferred tax assets and liabilities have been calculated at a rate of 23%. The impact on net assets for 2012 as a result of this change was an increase of £1.0 million. It is expected that UK tax rates will reduce to 22% by 1 April 2014. A further 1% fall in the rate of UK tax would increase net assets by £0.5 million, and increase profit after tax by £0.5 million.

18 BORROWINGS

| | Current £m | Non- current £m | Total borrowings £m |
|----------------------------|---------------|-----------------------|---------------------------|
| At 31 December 2012 | | | |
| Bank loans | 134.5 | 414.6 | 549.1 |
| Debenture loans | 1.3 | 30.5 | 31.8 |
| Zero coupon note | – | 12.1 | 12.1 |
| Unsecured bonds | (0.2) | 92.2 | 92.0 |
| | 135.6 | 549.4 | 685.0 |
| <hr/> | | | |
| | Current £m | Non- current £m | Total borrowings £m |
| At 31 December 2011 | | | |
| Bank loans | 150.0 | 399.6 | 549.6 |
| Debenture loans | 1.2 | 31.8 | 33.0 |
| Zero coupon note | – | 10.9 | 10.9 |
| Unsecured bonds | – | 27.5 | 27.5 |
| | 151.2 | 469.8 | 621.0 |

Arrangement fees of £5.2 million (2011: £4.1 million) have been offset in arriving at the balances in the above tables.

Bank loans

Interest on bank loans is charged at fixed rates ranging between 3.1% and 11.2%, including margin (2011: 3.1% and 11.2%) and at floating rates of typically LIBOR, EURIBOR or STIBOR, plus a margin. Fixed rate margins range between 0.8% and 1.8% (2011: 0.8% and 1.8%) and floating rate margins range between 0.8% and 3.8% (2011: 0.8% and 3.8%). All bank loans are secured by legal charges over the respective properties, and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

Debenture loans

The debenture loans represent amortising bonds which are repayable in equal quarterly instalments of £1.2 million (2011: £1.2 million) with final repayment due in January 2025. Each instalment is apportioned between principal and interest on a reducing balance basis. Interest is charged at an annual fixed rate of 10.8%, including margin. The debentures are secured by a legal charge over a property and securitisation of its rental income.

Zero coupon note

The zero coupon note accrues interest at an annual rate of 11.2%, including margin. It is unsecured and is redeemable as a balloon repayment of principal and interest of £43.7 million in aggregate in February 2025.

Unsecured bonds

On 11 September 2012, the Group issued £65.0 million unsecured retail bonds, which attract a fixed rate coupon of 5.5% and are due for repayment in 2019. The bonds are listed on the London Stock Exchange's Order book for Retail Bonds.

On 15 April 2011, the Group issued SEK 300 million unsecured bonds. The bonds attract a floating rate coupon of 3.75% over three months' STIBOR and are due for repayment in 2016. After two years, the Group has an option to redeem all outstanding bonds subject to an early repayment premium. The bonds were listed on the NASDAQ OMX Stockholm on 5 July 2011.

Loan covenants

There were no covenant breaches at 31 December 2012 or at 31 December 2011.

The maturity profile of the carrying amount of the Group's borrowings was as follows:

| | Bank loans £m | Debenture loans £m | Zero coupon note £m | Unsecured bonds £m | Total £m |
|--|---------------------|--------------------------|------------------------------|--------------------------|----------------|
| At 31 December 2012 | | | | | |
| Within one year or on demand | 135.7 | 1.3 | – | – | 137.0 |
| More than one but not more than two years | 37.1 | 1.5 | – | – | 38.6 |
| More than two but not more than five years | 286.1 | 5.5 | – | 28.4 | 320.0 |
| More than five years | 94.0 | 23.5 | 12.1 | 65.0 | 194.6 |
| | 552.9 | 31.8 | 12.1 | 93.4 | 690.2 |
| Unamortised issue costs | (3.8) | – | – | (1.4) | (5.2) |
| Borrowings | 549.1 | 31.8 | 12.1 | 92.0 | 685.0 |
| Less amount due for settlement within 12 months | (134.5) | (1.3) | – | 0.2 | (135.6) |
| Amounts due for settlement after 12 months | 414.6 | 30.5 | 12.1 | 92.2 | 549.4 |

| | Bank loans £m | Debenture loans £m | Zero coupon note £m | Unsecured bonds £m | Total £m |
|--|---------------------|--------------------------|------------------------------|--------------------------|----------------|
| At 31 December 2011 | | | | | |
| 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) |
| Amounts due for settlement | 399.6 | 31.8 | 10.9 | 27.5 | 469.8 |

after 12 months

The interest rate risk profile of the Group's fixed rate borrowings was as follows:

| | At 31 December 2012 | | At 31 December 2011 | |
|----------|---|--|---|--|
| | Weighted average fixed rate of financial liabilities % | Weighted average period for which rate is fixed Years | Weighted average fixed rate of financial liabilities % | Weighted average period for which rate is fixed Years |
| Sterling | 7.5 | 8.5 | 9.6 | 11.1 |
| Euro | 5.1 | 1.6 | 5.1 | 2.3 |

The interest rate risk profile of the Group's floating rate borrowings was as follows:

| | At 31 December 2012 | | | At 31 December 2011 | | |
|---------------|--|---------------------------------------|-----------------------------|--|---------------------------------------|-----------------------------|
| | % of net floating rate loans capped | Average capped interest rate % | Average tenure Years | % of net floating rate loans capped | Average capped interest rate % | Average tenure Years |
| Sterling | 33 | 3.0 | 2.9 | 66 | 3.7 | 2.2 |
| Euro | 79 | 3.1 | 2.9 | 75 | 3.2 | 3.8 |
| Swedish Krona | 44 | 2.6 | 0.9 | 53 | 2.6 | 1.9 |
| Other | – | n/a | n/a | – | n/a | n/a |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | Fixed rate financial liabilities £m | Floating rate financial liabilities £m | Total £m |
|----------------------------|--|---|-----------------|
| At 31 December 2012 | | | |
| Sterling | 123.9 | 206.9 | 330.8 |
| Euro | 60.5 | 223.6 | 284.1 |
| Swedish Krona | – | 68.6 | 68.6 |
| Other | – | 1.5 | 1.5 |
| | 184.4 | 500.6 | 685.0 |

| | Fixed rate financial liabilities £m | Floating rate financial liabilities £m | Total £m |
|----------------------------|--|---|-----------------|
| At 31 December 2011 | | | |
| 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 |

The carrying amounts and fair values of the Group's borrowings are as follows:

| | Carrying amounts | | Fair values | |
|------------------------|-----------------------------|-------|------------------------|-------|
| | 2012 | 2011 | 2012 | 2011 |
| | £m | £m | £m | £m |
| Current borrowings | 135.6 | 151.2 | 136.1 | 151.2 |
| Non-current borrowings | 549.4 | 469.8 | 579.8 | 501.1 |
| | 685.0 | 621.0 | 715.9 | 652.3 |

Arrangement fees of £5.2 million (2011: £4.1 million) have been offset in arriving at the balances in the above table.

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.

The Group has the following undrawn committed facilities available at 31 December:

| | 2012 | 2011 |
|----------------------------|-------------|------|
| | £m | £m |
| Floating rate: | | |
| – expiring within one year | 21.9 | 0.6 |
| – expiring after one year | 12.9 | – |
| | 34.8 | 0.6 |

19 DERIVATIVE FINANCIAL INSTRUMENTS

| | 2012 | 2012 | 2011 | 2011 |
|------------------------------------|---------------|--------------------|---------------|--------------------|
| | Assets | Liabilities | Assets | Liabilities |
| | £m | £m | £m | £m |
| Non-current | | | | |
| Interest rate swaps | – | (8.8) | – | (9.1) |
| Interest rate caps | 0.2 | – | 1.5 | – |
| | 0.2 | (8.8) | 1.5 | (9.1) |
| Current | | | | |
| Interest rate swaps | – | (0.4) | – | – |
| Currency options | 0.6 | – | 0.4 | – |
| Forward foreign exchange contracts | – | – | – | (0.1) |
| | 0.6 | (0.4) | 0.4 | (0.1) |
| | 0.8 | (9.2) | 1.9 | (9.2) |

The valuation methods used to measure the fair value of all derivative financial instruments were derived from inputs which were either observable as prices or derived from prices (Level 2).

There were no derivative financial instruments accounted for as hedging instruments.

Interest rate swaps

The aggregate notional principal of interest rate swap contracts at 31 December 2012 was £48.4 million (2011: £50.0 million). The average period to maturity of these interest rate swaps was 3.1 years (2011: 4.1 years).

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts from time to time to add certainty to, and to minimise the impact of foreign exchange movements on, committed cash flows. At 31 December 2012 the Group had £9.9 million of outstanding net foreign exchange contracts (2011: £19.9 million).

Currency options

The Group uses currency options from time to time to hedge the foreign exchange risk relating to the translation of the Group's net investment in overseas subsidiaries. At 31 December 2012 the Group had no currency options (2011: €90.0 million in exchange for sterling at an average exchange rate of £1:€1.2876).

20 SHARE CAPITAL

| | Number | | | | | |
|--------------------------------------|--------------------------------------|--------------------|-----------------------------|--|--------------------------|-----------------------------------|
| | Ordinary shares in circulation | Treasury shares | Total ordinary 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 offers | (1,647,735) | – | (1,647,735) | (0.5) | – | (0.5) |
| At 31 December 2012 | 43,305,876 | 4,803,103 | 48,108,979 | 10.8 | 1.2 | 12.0 |

| | Number | | | | | |
|-------------------------------------|--------------------------------------|--------------------|-----------------------------|--|--------------------------|-----------------------------------|
| | Ordinary shares in circulation | Treasury shares | Total ordinary 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 | (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 |

Ordinary shares have a nominal value of 25 pence each.

21 TENDER OFFER BUY-BACKS

A tender offer by way of a Circular dated 16 March 2012 for the purchase of 1 in 42 shares at 735 pence per share was completed in April. It returned £7.9 million to shareholders, equivalent to 17.5 pence per share.

A tender offer by way of a Circular dated 24 August 2012 for the purchase of 1 in 76 shares at 805 pence per share was completed in September. It returned £4.6 million to shareholders, equivalent to 10.6 pence per share.

A further tender offer will be put to shareholders in April 2013 for the purchase of 1 in 46 shares at a price of 900 pence per share which, if approved, will return £8.5 million to shareholders, equivalent to 19.6 pence per share.

22 SHARE PREMIUM

| | 2012 £m | 2011 £m |
|---------------------------------|------------|------------|
| At 1 January and at 31 December | 71.5 | 71.5 |

23 OTHER RESERVES

| | Capital redemption reserve £m | Cumulative translation reserve £m | Fair value reserve £m | Other reserves £m | Total £m |
|--|--|--|-----------------------------|-------------------------|-------------|
| At 1 January 2012 | 21.2 | 46.4 | (9.7) | 28.1 | 86.0 |
| Purchase of own shares: | | | | | |
| – cancellation pursuant to tender offer | 0.5 | – | – | – | 0.5 |
| Exchange rate variances | – | (2.6) | – | – | (2.6) |
| Available-for-sale financial assets: | | | | | |
| – net fair value gains in the year | – | – | 23.7 | – | 23.7 |
| – deferred tax thereon | – | – | (5.9) | – | (5.9) |
| Revaluation of owner-occupied property | – | – | 0.1 | – | 0.1 |
| At 31 December 2012 | 21.7 | 43.8 | 8.2 | 28.1 | 101.8 |

| | Capital redemption reserve £m | Cumulative translation reserve £m | Fair value reserve £m | Other reserves £m | Total £m |
|--|--|--|-----------------------------|-------------------------|-------------|
| At 1 January 2011 | 20.8 | 51.4 | 2.2 | 28.1 | 102.5 |
| Purchase of own shares: | | | | | |
| – cancellation pursuant to tender offer | 0.4 | – | – | – | 0.4 |
| Exchange rate variances | – | (5.0) | – | – | (5.0) |
| Available-for-sale financial assets: | | | | | |
| – net fair value losses in the year | – | – | (16.8) | – | (16.8) |
| – deferred tax thereon | – | – | 4.6 | – | 4.6 |
| Revaluation of owner-occupied property | – | – | 0.3 | – | 0.3 |
| At 31 December 2011 | 21.2 | 46.4 | (9.7) | 28.1 | 86.0 |

The cumulative translation reserve comprises the aggregate effect of translating net assets of overseas subsidiaries into sterling since acquisition.

The fair value reserve comprises the aggregate movement in the value of corporate bonds, other available-for-sale assets and owner-occupied property since acquisition, net of deferred tax.

The amount classified as other reserves was created prior to listing in 1994 on a Group reconstruction and is considered to be non-distributable.

24 CASH GENERATED FROM OPERATIONS

| | 2012 £m | 2011 £m |
|--|-------------|-------------|
| Operating profit | 65.3 | 70.2 |
| Adjustments for: | | |
| Net movements on revaluation of investment properties | (16.2) | (18.0) |
| Depreciation and amortisation | 0.2 | 0.2 |
| Profit on sale of subsidiaries and associates | – | (2.2) |
| Net loss/(gain) on sale of corporate bonds and other investments | 0.4 | (0.5) |
| Share-based payment expense | 0.2 | 0.2 |
| Non-cash rental income | – | (0.2) |
| Revaluation of currency options | – | 0.1 |
| Changes in working capital: | | |
| Decrease in debtors | 0.8 | 2.8 |
| Increase in creditors | 3.6 | 1.5 |
| Cash generated from operations | 54.3 | 54.1 |

25 BUSINESS DISPOSALS

Wyatt Media Group

On 31 May 2011, the Group disposed of its interests in Wyatt Media Group, comprising five subsidiaries and two associates. All of the corporate entities sold were previously reported in the "Other Investments" division. The entities were disposed of in a share-for-share exchange with Nyheter 24 (a Swedish on-line news and media business) and the Group received a 20% interest in Nyheter 24 following the transaction. In addition the Group received a £0.5 million convertible loan note.

| | £m |
|---|------------|
| Net assets disposed of: | |
| Investments in associates | 1.5 |
| Property, plant and equipment | 0.1 |
| Trade and other receivables | 0.4 |
| Cash and cash equivalents | 0.1 |
| Trade and other payables | (0.5) |
| | 1.6 |
| Gain on disposal of subsidiaries and associates | 0.5 |
| Costs of disposal | 0.3 |
| Total consideration | 2.4 |
| Satisfied by: | |
| Convertible loan notes received | 0.5 |
| Shares in Nyheter 24 (note 17) | 1.9 |
| | 2.4 |
| Net cash inflow arising on disposal: | |
| Cash consideration | – |
| Cash and cash equivalents disposed of | (0.1) |
| | (0.1) |

| | 2012 | 2011 |
|---|------|------|
| | £m | £m |
| Profit on disposal of subsidiaries and associates | | |
| Disposal of the Wyatt Media Group | – | 0.5 |
| Release of provisions and guarantees in relation to corporate disposals made in prior years | – | 1.7 |
| | – | 2.2 |

26 RELATED PARTY TRANSACTIONS

Associates and Joint Ventures

A Group company provided accounting services to Bulgarian Land Development plc, an associate of the Group, for which a charge of £48,000 was made (2011: £48,000), of which £nil (2011: £15,000) remained outstanding at the balance sheet date.

In 2011, a Group company charged Catena AB, an associate of the Group, £74,700 for management services provided by Henry Klotz, the Executive Vice Chairman of CLS Holdings plc. In relation to this transaction £nil (2011: £74,700) remained outstanding at the balance sheet date.

At 31 December 2012, the Group had a convertible loan of £473,140 (2011: £466,905), due from Nyheter24 Media Network AB, an associate company. Until 1 May 2015, this loan is interest free, and thereafter attracts Swedish base rate plus 2%. At any date between 1 May 2016 and 30 June 2016, the Group is permitted to convert the loan into shares in Nyheter24 Media Network AB at SEK 40.5 each.

The Group had a one-third interest in a joint venture, Fielden House Investment Limited, which owed a loan to a Group company of £350,000 (2011: £350,000). Interest of £8,774 (2011: £8,750), receivable on this loan at a rate of 2.0% above base rate, was accrued in the year. Accrued interest of £87,531 (2011: £78,757) remained outstanding at the balance sheet date.

On 12 January 2012, the Group acquired a 16.64% interest in Cood Investments AB (“Cood”), for £4.1 million, and also provided to Cood up to £8.0 million of lending facilities at market rates. This was a related party transaction as: first, the trust in which Sten Mortstedt, Executive Chairman of CLS Holdings plc, is beneficially interested (the “Trust”) simultaneously acquired at the same price per share an 8.39% in, and provided lending facilities on the same terms to, Cood; and, second, Christer Sandberg, who is a director of certain Group companies, owned 7.5% of the enlarged equity of Cood. At the balance sheet date, loans to Cood from the Group were £4,525,110 (2011: £nil), and during the year interest of £42,920 (2011: £nil) was charged on these loans, of which £25,270 (2011: £nil) was outstanding at the balance sheet date. The Group also charged Cood fees of £44,555 (2011: £nil) relating to the arrangement of these loans. As a result of overpayment of these fees, a balance of £9,580 (2011: £nil) was owed to Cood at the balance sheet date.

Transactions with Directors

Distributions totalling £7,737,720 (2011: £6,718,039) were made through tender offer buy-backs in the year in respect of ordinary shares held by the Company's Directors.

In August 2012, companies connected with Sten Mortstedt subscribed for retail bonds totalling £1,120,000, Richard Tice subscribed for £90,000, Thomas Thomson subscribed for £46,900 and Malcolm Cooper subscribed for £30,000 on the issue by the Company of its unsecured retail bond.

During the year, a company owned by Sten Mortstedt rented office space to a Group company, Vänerparken Investment AB ("Vänerparken"), at a cost of £37,270 (2011: £19,000), and in 2011 to another Group company, Förvaltnings AB Klio ("Klio"), at a cost of £19,000. At the balance sheet date Vänerparken had signed an agreement to lease the office space until 31 December 2014 at a cost of £37,270 per annum. Also, a company owned by Sten Mortstedt purchased accountancy services from Vänerparken during the year amounting to £8,950 (2011: £5,000), and in 2011 from Klio for £5,000. In relation to all of these transactions, no balances were outstanding at the balance sheet date (2011: £nil).

Directors' Remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Information about the remuneration of individual directors is provided in the audited part of the Remuneration Committee Report on pages in the 2012 Annual Report and Accounts.

| | 2012 | 2011 |
|------------------------------|--------------|-------|
| | £000 | £000 |
| Short-term employee benefits | 1,960 | 1,735 |
| Post-employment benefits | 20 | 19 |
| | 1,980 | 1,754 |

GLOSSARY OF TERMS

ADMINISTRATION COST RATIO

Recurring administration expenses of the Investment Property operating segment expressed as a percentage of net rental income

ADJUSTED NET ASSETS OR ADJUSTED SHAREHOLDERS' FUNDS

Net assets excluding the fair value of financial derivatives, deferred tax on revaluations, and goodwill arising as a result of deferred tax

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

EPRA NET ASSETS

Diluted net assets excluding the fair value of financial derivatives, deferred tax on revaluations, and goodwill arising as a result of deferred tax

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

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

LIQUID RESOURCES

Cash and short-term deposits and listed corporate bonds

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 liquid resources

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

RECURRING 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

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 valuer