



## CLS Holdings plc

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## **PRESS RELEASE**

Release date: 14 August 2013  
Embargoed until: 07.00am

### **CLS HOLDINGS PLC ("CLS", THE "COMPANY" OR THE "GROUP") ANNOUNCES ITS HALF-YEARLY FINANCIAL REPORT FOR THE SIX MONTHS TO 30 JUNE 2013**

#### **Taking advantage of opportunities**

CLS is a property investment company with a diverse portfolio of £1.0 billion 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**

- EPRA net assets per share up 6.0% to 1,223.7 pence (31 December 2012: 1,154.4 pence)
- EPRA earnings per share up 7.5% to 33.0 pence (2012: 30.7 pence)
- EPRA profit before tax up 8.9% to £19.5 million (2012: £17.9 million)
- Net assets per share up 6.4% to 1,024.8 pence (31 December 2012: 963.1 pence)
- Earnings per share up 10.3% to 52.7 pence (2012: 47.8 pence)
- Profit after tax up 6.6% to £22.7 million (2012: £21.3 million)

- Seven property acquisitions since 1 January 2013 at cost of £41.0 million, and a portfolio of 34 others in due diligence
- Investment property portfolio valued at £1,001.8 million (31 December 2012: 934.5 million), down 0.4% like-for-like in local currencies
- £158.5 million of liquid resources available for investment
- Low weighted average cost of debt reduced further to 3.55% (31 December 2012: 3.67%)
- High interest cover of 3.8 times (2012: 3.9 times)
- Total shareholder return of 30.1% in the six months to 30 June 2013, and top performer in UK listed property sector total shareholder return since July 2008 of 190.9%
- Proposed distribution to shareholders up 7.4% to £5.0 million (September 2012: £4.6 million) by way of tender offer buy-back of 1 in 113 at 1320 pence, equivalent to 11.68 pence per share

## OPERATIONAL HIGHLIGHTS

- Development under way at Spring Mews, SE11 mixed-use development in Vauxhall, with completion on schedule for late 2014
- Refurbishment of Clifford's Inn, Fetter Lane, EC4 under way with completion on schedule for late 2014
- Section 106 agreement signed on the 143,000 sq m Vauxhall Square, SW8 development
- Vacancy rate of 5.5% well below the benchmark average of over 9% for our type of portfolio

Sten Mortstedt, Executive Chairman of CLS, commented:

*"This is a good time in the cycle to be buying property. The Group continues to benefit from low interest rates and favourable rental markets, which remain solid throughout our regions. Furthermore, our cash generative business, with its strong balance sheet and high level of liquid resources, is very well placed to benefit from any interesting investment opportunities and to continue to produce attractive returns for shareholders."*

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CLS will be presenting to analysts at 8.30am on Wednesday, 14 August 2013, at Smithfield Consultants, 10 Aldersgate Street, London, EC1A 4HJ.

Conference call dial in numbers as follows:

Conference call access numbers:

Participant telephone number: +44 (0)20 3427 1919 (UK Toll)

Confirmation code: 3029268

## **INVESTORS IN EUROPEAN COMMERCIAL PROPERTY**

### **LISTED SINCE 1994**

- Shareholders' funds of £438 million

- EPRA net assets of £523 million
- £1 billion of office properties across London, France, Germany and Sweden
- Top UK property company total shareholder return performance in the last 5 years
- Strong alignment of interest with shareholders: management owns 54%
- Substantial cash and liquid resources available for new investment
- Cautiously entrepreneurial approach to future opportunities

## GENERATING CASH THROUGH HIGH NET INITIAL YIELD AGAINST LOW COST OF DEBT

### HOW WE OPERATE

Our goal is to create long-term shareholder value

We aim to achieve our goal by:

- Pursuing an opportunistic investment strategy
- Focusing on cash returns
- Operating in diverse locations
- Utilising diversified sources of finance
- Maintaining a broad customer base
- Minimising vacant space
- Imposing strict cost control
- Retaining a high level of liquid resources

### Financial highlights

- EPRA net assets per share: up 6.0% to 1,223.7 pence (31 December 2012: 1,154.4 pence)
- EPRA net assets: up 3.9% to £522.8 million (31 December 2012: £503.4 million)
- EPRA earnings per share: up 7.5% to 33.0 pence (2012: 30.7 pence)
- EPRA profit before tax: up 8.9% to £19.5 million (2012: £17.9 million)

- Cash flow from operating activities: £15.0 million (2012: £14.3 million)
- Net assets per share: up 6.4% to 1,024.8 pence (31 December 2012: 963.1 pence)
- Net assets: up 5.0% to £437.8 million (31 December 2012: £417.1 million)
- Earnings per share: up 10.3% to 52.7 pence (2012: 47.8 pence)
- Profit after tax: up 6.6% to £22.7 million (2012: £21.3 million)
- Proposed distribution to shareholders: £5.0 million (September 2012: £4.6 million) by way of tender offer buy-back: 1 in 113 at 1,320 pence, equivalent to 11.7 pence per share
- Low weighted average cost of debt: 3.55% (31 December 2012: 3.67%)
- Interest cover: 3.8 times (year ended 31 December 2012: 3.9 times)
- Adjusted solidity: 42.9% (31 December 2012: 41.1%)
- Balance sheet loan to value: 51.4% (31 December 2012: 52.5%)

### **Other key data**

- Top performer in UK listed property sector total shareholder return since July 2008: 190.9%
- Portfolio value: £1,001.8 million – down 0.4% in local currencies
- Proportion of rental income from Government tenants: 39%
- Occupancy rate: 94.5%
- Indexation applies to 64% of contracted rent
- Liquid resources: £158.6 million

## **CHAIRMAN'S STATEMENT**

A good time to be buying property

## Overview

The Group has had a very active first six months of 2013, with a number of successes for shareholders. Five acquisitions in London and Germany have helped the core investment portfolio to grow to over £1 billion in value and further acquisitions are being made in the second half. In London, construction is well under way at Spring Mews, Vauxhall and at Clifford's Inn, Fetter Lane, and solid progress is being made in advancing our Vauxhall Square project. All this activity has led to EPRA net asset value growing by 6.0% to 1,223.7 pence per share (31 December 2012: 1,154.4 pence).

The economic development in our markets across Europe continues to be mixed: the unemployment level in France is almost double that of Germany; and sovereign debt levels continue to grow.

Meanwhile, the core fundamentals of the Group's business strategy remain sound. The investment property portfolio contains a diverse base of 450 occupiers across four markets generating rental income well in excess of the Group's cost of debt, with 39% of rents paid by governments, 29% from major corporations; 64% of rents are subject to indexation. The balance sheet continues to grow ever stronger with significant levels of cash and liquid resources and a widespread funding base including 22 banks and other capital market funding sources.

The Group has produced a Total Shareholder Return in six months of 30.1% with the share price reaching record highs in recent months.

## Results and Financing

Profit before tax was £27.9 million for the six months to 30 June 2013 (2012: £27.1 million), with earnings per share of 52.7 pence (2012: 47.8 pence). EPRA earnings per share were 33.0 pence (2012: 30.7 pence) and EPRA profit before tax was £19.5 million (2012: £17.9 million).

Shareholders' funds have grown by 5.0% in the six months ended 30 June 2013 to £437.8 million after distributions to shareholders of £8.6 million.

Interest cover remains a very healthy 3.8 times (2012: 3.9 times) and the weighted average cost of debt has reduced further to 3.55% (31 December 2012: 3.67%), which is one of the lowest in the real estate sector of the London Stock Exchange. We continue to believe that interest rates will stay low, and, therefore, in our hedging strategy we favour the use of interest rate caps. At 30 June 2013, net debt as a proportion of gross assets (less cash) was 51.4%.

Availability of debt is improving, with more lenders in the market and better terms being offered. This is likely to lead to improved values for high yielding property in due course.

Net debt was unchanged at £592.3 million (31 December 2012: £592.6 million) as acquisitions and additional development expenditure were financed in part from the proceeds of the sale of corporate bonds. Our liquid resources, consisting of cash and corporate bonds, nevertheless remained at a very healthy level of £158.6 million, reinforcing the strength of the balance sheet and our capacity to invest in the future. We have reduced the corporate bond portfolio in the period from £127.3 million to £88.9 million, taking profits ahead of deteriorating market conditions in the second quarter. The corporate bonds generated a

total return of £7.9 million, or 6.2%, in the six months. In August 2013, we sold a further £68.4 million of corporate bonds over five days, and without affecting their individual prices, evidencing their very liquid nature.

## **Property Portfolio**

The value of the investment property portfolio has grown to £1.0 billion, with the five acquisitions in the period, in London and Germany, totalling £34.2 million with an annualised rental income of £3.36 million for a blended net initial yield of 10.01%.

Rental income has grown in the period to £35.9 million, a like for like increase of 6.1%, due in part to rental indexation, from which 64% of the portfolio benefits.

The investment property portfolio's underlying value rose by 2.3% in the six months, including a foreign exchange gain from sterling's relative weakness against the euro and Swedish krona. In local currencies the underlying portfolio fell by 0.4%. The London portfolio grew by 0.2%; developments added 3.2% after capital expenditure, acquisitions fell by 2.4% due to incidental transaction costs, and the remaining properties fell by 0.4%. The French portfolio reduced in value in local currency by 1.7%, reflecting the anticipated increase in the vacancy rate due to exceptionally high lease expiries and the soft economic conditions which we highlighted earlier in the year. The German portfolio increased in value by 0.8% in local currency (excluding the acquisition), and its vacancy rate has been successfully reduced since the year end. Sweden's property remained broadly level, down 1.1% in local currency. Overall the vacancy rate at 30 June 2013 was 5.5% (31 December 2012: 3.8%).

As new acquisitions are subject to somewhat abstruse valuation principles, such as excluding transaction costs in the valuation, an acquired property will initially be valued below its purchase price by at least 5%. During the period this had a negative effect of £2.2 million on valuations, an effect which may, albeit temporarily, increase should the Group make any larger acquisitions ahead.

Across the portfolio, the average rental level is now £173.5 per sq m which means we are very competitively priced in the key European cities in which we operate. In London, we are exploring a number of opportunities for the residential conversion of parts of the office portfolio. This is designed to benefit from the new planning rules, which are rightly aimed at increasing the stock of housing and generating additional economic activity. In the short term we expect this to lead to a modest increase in vacancy in the London portfolio. The low level of new construction of offices is expected to produce further growth of office rents in suburban London areas over the next few years, which we already see signs of happening.

The sale of our interest in Fielden House adjacent to the Shard, in April, generated a gain to the Group of £1.8 million corresponding to a sale price 66% above the year end valuation.

At Clifford's Inn, Fetter Lane, EC4 we are receiving strong pre-let enquiries for the 3,423 sq m office space being redeveloped.

Good progress is being made at Spring Mews, Vauxhall, SE11 where construction is proceeding to plan on our student and hotel scheme, and we have received enquiries from educational establishments to take a large number of rooms. In addition, we are in the process of finalising heads of terms with an international hotelier for the suite hotel.

The Vauxhall Nine Elms area is much in the news, with new investors being announced, a five star hotel planned, and more embassies expected. This bodes particularly well for Vauxhall Square, SW8, where we have signed the Section 106 agreement and are working on phasing and design options. We have received strong interest from student operators to build and manage the 359 room student building, which could be the first phase to start in early 2015, and from international 4-star hoteliers for the two hotels in the scheme.

In Sweden, Stockholm-listed Catena AB, in which the Group owns 29.9%, continues to work on the detail of phasing and funding its 150,000 sq m mixed use development, where further progress can be expected in the second half of the year.

Since 1 July 2013, we have completed the purchase of two properties in London for £6.2 million in aggregate and yielding 9.3% after costs. We have also agreed broad terms and signed an exclusivity agreement with the receiver of a portfolio of 34 government-let properties across the UK, generating over £15 million per annum to produce a yield of over 12.25% including costs.

## **Distributions**

In April, the Group made a distribution to shareholders of £8.6 million using our traditional tender offer buy-back process. We propose to distribute a further £5.0 million by similar means in September, offering 1 in 113 shares at 1,320 pence per share, and a circular will be sent to shareholders in the next few days. If approved, these two shareholder distributions will amount to an implied dividend yield of 3.62% based on the average share price during the first half of 2013.

## **Outlook**

Whilst the economic situation has improved in certain areas in which we operate, many challenges still lie ahead. The major EU economies are growing only modestly at best, and many are struggling to reduce their deficits. Significant macro-economic challenges remain to be resolved which may lead the financial markets to remain wary, and are likely to keep interest rates low for the foreseeable future.

In this environment, the Group continues to benefit from low interest rates and favourable rental markets, which remain solid throughout our regions. This is a good time in the cycle to be buying property. Furthermore, our cash generative business, with its strong balance sheet and high level of liquid resources, is very well placed to benefit from any interesting investment opportunities and to continue to produce attractive returns for shareholders.



**Sten Mortstedt**  
Executive Chairman

14 August 2013

## **BUSINESS REVIEW**

Taking advantage of opportunities

### **Investment Property**

**LONDON** Recent data suggests the UK has avoided a double dip recession, and is growing modestly, with a 0.6% GDP improvement in Q2 2013. However, London continues to outperform considerably, particularly in prime real estate. London is viewed as a safe haven by international investors in both residential and commercial property, and there is no sign of this trend abating.

The Group's London region has had a very busy six months. We have acquired four investment properties, totalling £22.1 million (including costs) and yielding £2.3 million, for a weighted average net initial yield of 10.01%:

	Cost £m	Net Initial Yield
Benwell House, Green Street, Sunbury	3.5	9.67%
Kings House, 32/40 Widmore Road, Bromley	2.3	14.23%
405 Kennington Road, London SE11	4.2	8.43%

Hygeia Building, College Road, Harrow	12.8	9.92%
	22.8	10.01%

As is often the case as an economic recovery begins, borrowers in financial difficulties are being placed under increased pressure by their banks to liquidate property holdings. This has been a lucrative source of investments for the Group, and since 1 July 2013 we have completed the acquisition of two further properties in London, in Staines and Chertsey, totalling £6.2 million, including costs, with an aggregate rent of £576,000 and a net initial yield of 9.3%. The total area is 2,528 sq m.

Whilst having been bought for their investment value, five of the purchases have residential potential as a viable alternative use and we fully support the government's new measures to ease the conversion of offices to residential, which can be a win-win for asset values and for the need for new homes. Within our existing portfolio there are also a number of asset management opportunities to create vacant space for conversion. In the short term this will lead to a slight increase in our vacancy levels, but it will add to net asset value in the medium term. The strategy would aim to grow a residential let portfolio in London over time.

The vacancy rate in London remains low at 4.4% (31 December 2012: 2.3%) despite our taking back space to refurbish, and adding to vacancies through partially let property acquisitions. Letting activity within the London investment portfolio has been healthy, with 2,475 sq m of space having been let or renewed in the six months, and 4,949 sq m made vacant, including 1,385 sq m to relocate a tenant to a new building, and other space taken back for refurbishment projects. There are signs in the market that office rents in suburban London will start rising in the next couple of years, with very little new construction and some office buildings being converted to other uses or becoming obsolete.

On a like-for-like basis, the value of our London portfolio moved marginally. In total it rose by 0.2% in the six months to 30 June 2013. Of this, the development portfolio rose by 3.2%, the acquisitions fell in value by 2.4% (without the dampening effect of purchaser's costs, they would have risen by 3.0%) and the rest of the London portfolio fell by 0.4%.

Good progress has been made on our three developments in Central London. At Spring Mews, Vauxhall, SE11, Shepherd Construction is on target to complete in autumn 2014 the mixed-use scheme of 400 student beds and a 93 bed suite hotel. We have appointed Fresh Student Living to run the direct letting of the student rooms, and have received enquiries from educational institutions to take a large number of rooms. Further, for the hotel, agreed terms are being finalised with an international hotel operator.

At Clifford's Inn, Fetter Lane, EC4, Vinci Construction is on site carrying out the comprehensive refurbishment, to create 3,423 sq m of offices and eight residential apartments, and is due to complete in summer 2014. Letting agents for the offices have received a number of pre-let enquiries.

The Vauxhall Nine Elms area continues to strengthen, with the Dutch embassy relocating there, and the Chinese Embassy rumoured to be acquiring a large site. A Chinese developer, Wanda, has acquired the One Nine Elms site for a 5-star hotel and residential development. On our adjacent Vauxhall Square site, the Section 106 agreement was signed at the beginning of July. Considerable interest has been received from international hoteliers for both of our hotels,

which will be of at least a 4-star quality. This interest is under consideration, and design and phasing options are being progressed. Vacant possession dates are to be discussed with existing occupiers and are likely from 2015 onwards. Strong interest has been received from student operators for the 359 bed student building which is adjacent to the main scheme and could start on site in early 2015.

**FRANCE** The economy in France continues to falter, as businesses and consumers assess the impact of the Hollande presidency, and the malaise across much of the Eurozone persists. Policy decision-making appears variable and lacking direction as competing interests weigh on the government. GDP growth in the country is forecast to be only just in positive territory by the end of the year and the unemployment rate has reached 10.8%, having risen for each of the last eight quarters.

Against this background, letting activity in the Paris region at 19% below average is not unexpected. The investment market has also seen lower levels of activity, down 13% from the first half of 2012.

As we indicated earlier this year, our vacancy levels are being adversely affected, in particular by the long expected departure of occupiers of 2,800 sq m at Reuil Malmaison in May and of 1,300 sq m in Lyon in June. Our vacancy rate at 30 June had risen to 9.3% by rental income (31 December 2012: 3.8%); this has already begun to fall and we expect to reduce it further by the year end as space is refurbished and relet. There continue to be a number of encouraging enquiries across the portfolio, and during the period we let or renewed 3,859 sq m, whilst occupiers vacated 8,472 sq m.

The value of our French investment portfolio fell marginally by 1.7% in local currency since the beginning of the year, the increase in vacancies being offset to some extent by an increase in rental income of €752,000 per annum through indexation.

**GERMANY** Economic indicators suggest that the economy appears relatively robust in Germany compared to much of the rest of the Eurozone, with latest GDP growth forecasts of 0.6% for 2013, employment levels up to a record high of 41.8 million, and unemployment down to 5.3%. The German business confidence index, Ifo, has risen for each of the last 3 months.

In the main German office markets, letting activity in the first half of 2013 was 4.0% below that of last year, but this was not reflected in our own portfolio where numerous letting successes, particularly around Munich, have reduced our vacancy rate significantly to 4.2% by rental income (31 December 2012: 7.4%). We achieved lettings and renewals in the period of 5,193 sq m, whilst only 255 sq m was vacated by occupiers.

Meanwhile, commercial investment transactions in Germany are up to €12.6 billion, some 34% above the corresponding six months in 2012. In June, the Group completed the acquisition of a 7,135 sq m, fully let office building in the centre of Freiburg in south-west Germany for €13.1 million, consisting of 5,127 sq m of modern offices, 1,247 sq m of retail, 761 sq m of archives and 112 car parking spaces. The net initial yield of 8.75% after costs is derived from rent of €1,235,410 from six occupiers including KPMG, Commerzbank and a government department. Debt was sourced from a regional Sparkasse bank.

The availability of bank debt in Germany continues to be the most prevalent, and the terms the most advantageous, of our operating regions.

The value of the existing German investment portfolio in local currency increased on a like-for-like basis by 0.8%, but, including the acquisition and its costs, the portfolio rose in value by only 0.3%.

**SWEDEN** The Swedish economy is forecast to grow 1.4% in 2013 rising to 2.3% in 2014, mainly driven by domestic demand as export markets struggle. However, in Q2 2013 GDP fell by 0.1% on the previous quarter, and for the year to 30 June 2013 grew by a surprisingly low 0.6%. Both household consumption and exports fell in Q2 2013, and inventories were higher than forecast which could be a drag on near-term growth.

At the Group's wholly-owned property, Vänerparken, lease negotiations are under way with the local County Council occupier as expected ahead of its 2015 lease expiries, which comprise 72% of passing rent.

Catena AB, the Stockholm-listed real estate company in which the Group owns a 29.9% shareholding, has continued to move forward the planning process on its scheme for 800 apartments and 73,000 sq m of offices at Haga Norra, Stockholm. The market value of the Group's stake at 30 June was £8.2 million over the book value, representing 19.0 pence per share on our EPRA net asset value.

Cood Investments AB, the residential-focused property company in which the Group owns 44.2%, is on track with its busy summer season of bookings. In addition the operational improvement process is ongoing to ensure it has a more efficient seasonal cost base. The book value of the holding at 30 June 2013 was £3.5 million and we remain confident in its future prospects.

## Results for the Period

**HEADLINES** Profit after tax of £22.7 million (2012: £21.3 million) generated basic earnings per share of 52.7 pence (2012: 47.8 pence), and EPRA earnings per share of 33.0 pence (2012: 30.7 pence). Gross property assets at 30 June 2013 rose to £1,001.8 million (31 December 2012: £934.5 million), net assets per share increased by 6.4% to 1,024.8 pence (31 December 2012: 963.1 pence) and EPRA net assets per share by 6.0% to 1,223.7 pence (31 December 2012: 1,154.4 pence).

**STATEMENT OF COMPREHENSIVE INCOME** We continue to increase the level of cash generated annually by the Group. Rental income for the six months to 30 June 2013 of £35.9 million (2012: £33.1 million) was higher than last year by £2.8 million, of which £0.8 million was due to changes in exchange rates. Acquisitions added £0.9 million, indexation £0.5 million, and a one-off lease surrender receipt contributed £0.9 million, whilst a rise in the vacancy rate accounted for a £0.3 million fall in like-for-like income. This was offset by an increase in dilapidations fees of £0.4 million charged to outgoing occupiers.

The increase in net rental income to £35.0 million (2012: £31.9 million) drove an increase in Group revenue less costs to £27.5 million (2012: £25.4 million).

Operating profit of £33.0 million (2012: £35.4 million) was marginally below that of last year due largely to non-cash items. Investment property values rose in the six months like-for-like by £22.2 million (2012: fall of £5.4 million), but in local currencies the portfolio fell in value by 0.4% or £3.5 million (2012: rose by 1.1% or £10.1 million). The disposal of £83.0 million (2012: £24.9 million) of corporate bonds and £1.7 million of equity investments (2012: £nil) realised

historical cost profits of £7.2 million (2012: loss of £0.1 million) and a profit of £1.8 million was made on the disposal of the Group's one-third interest in a joint venture adjacent to the Shard in London.

Interest income of £5.5 million (2012: £4.5 million) was higher than last year due to the higher average value of corporate bonds held by the Group, after investing some of the proceeds from the issue in the second half of 2012 of our £65 million 5.5% bond due 2019.

Interest expense of £12.7 million (2012: £11.9 million) was £0.8 million higher than in 2012. The 5.5% bond added £1.8 million, but the cost of bank debt fell by £1.1 million to £7.1 million (2012: £8.2 million) due to large falls in short-term interest rates upon which the Group's floating rate cost is based. The Board continues to favour floating rate debt, hedged by interest rate caps, and took advantage of the expiry of fixed rate loans in the six months to 30 June 2013 to increase this, thereby reducing the weighted cost of debt to only 3.55% (31 December 2012: 3.67%).

Whilst the total tax charge was in line with previous periods, the consistent profitability in the UK and Sweden has utilised many of the tax losses brought forward in these countries, creating a shift from deferred to current tax.

**EPRA NET ASSETS PER SHARE** EPRA net assets per share rose from 1,154.4 pence to 1,223.7 pence in the six months to 30 June 2013, an increase of 69.3 pence per share, or 6.0%. The majority of this increase came from profit after tax, which added 46.4 pence per share, and foreign exchange gains of 28.7 pence per share on the weakness of sterling.

**CASH FLOW, NET DEBT AND GEARING** The Group's ability to generate cash was further enhanced in the period, with net cash flow from operating activities rising to £15.0 million (2012: £14.3 million), £8.6 million of which was distributed to shareholders, and interest of £8.3 million was received from investments. Property acquisitions of £35.4 million were financed in part by new bank loans of £20.8 million, £12.1 million was spent on the development programme, and £65.7 million of bank loans were repaid through amortisation or property sales, or the repayment of short-term facilities, financed in part by proceeds from net bond disposals of £43.1 million. After all of this activity, liquid resources of cash and corporate bonds were £158.6 million at 30 June 2013.

In the six months to 30 June 2013, gross borrowings fell by £28.2 million to £662.0 million (31 December 2012: £690.2 million), broadly matching the reduction in cash balances of £27.9 million. The Group's weighted average property loan to value was 58.8% (2012: 58.8%), balance sheet loan to value was 51.4% (2012: 52.5%) and adjusted gearing, based on EPRA net assets, was 96.3% (2012: 92.7%). 79% of borrowings had their interest rate fixed or capped, and 77% were at floating rates.

**SHARE CAPITAL** In April 883,793 shares were cancelled under the tender offer buy-back at 970 pence per share, and in May 300,000 shares were issued on the exercise of share options. At 30 June 2013, there were 42,722,083 shares in issue, and 4,503,103 Treasury Shares held by the Company.

## **Sustainability**

At Crosspoint House, London SM6, which we bought in 2012, we have installed the portfolio's second array of photovoltaic cells. These will provide much of the electricity needed for the building's common parts and will cut carbon dioxide emissions by six tonnes per annum.

The year-to-date total consumption of gas and electricity by managed London buildings has increased in line with the four new property purchases. Spending on energy has increased by £56,000, representing an increase of 4% in carbon dioxide emissions at a cost of £3,500 from the Carbon Reduction Commitment (CRC) levy. However, a like-for-like comparison of the London portfolio to July 2012 shows reduced energy usage savings of £132,500, plus £9,500 for the CRC levy, showing the Group is achieving growth without cost to the environment.

Water consumption continues to fall: we have achieved a 66.7% reduction in water usage in London managed buildings since the 2010 baseline year, and we expect the Group's work in this field soon to be featured as a case study in a cross industry white paper.

## **Principal Risks and Uncertainties**

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause the results for the year to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2012. A detailed explanation of the risks summarised below can be found on pages 24 and 25 of the 2012 Annual Report, which is available at [www.clsholdings.com](http://www.clsholdings.com):

- Underperformance of investment portfolio due to:
  - Cyclical downturn in property market
  - Inappropriate buy/sell/hold decisions
  - Changes in supply of space and/or occupier demand
  - Poor asset management
- Corporate bond investments:
  - Underperformance of portfolio
  - Insolvency of bond issuer
- Failure to secure planning permission
- Contractor solvency and availability
- Downturn in investment or occupational markets

- Unavailability of financing at acceptable prices
- Adverse interest rate movements
- Breach of borrowing covenants
- Foreign currency exposure
- Financial counterparty credit risk
- Increases in tax rates or changes to the basis of taxation
- Break-up of the Euro
- Economic downturn
- Inadequate working capital to remain a going concern for the next 12 months

## Going Concern

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

## PORTFOLIO STATISTICS

At 30 June 2013	Contracted rent (£m)	Valuation (£m)	6 month revaluation in local currency	Net initial yield	Vacancy by rent	Weighted average unexpired lease term (years)	Contracted rent per let sq m (£)	Capital value per sq m (£)
London	30.2	468.6	+0.2%	6.6%	4.4%	7.9	219	2,990
France	18.9	249.7	-1.7%	7.4%	9.3%	4.8	215	2,599
Germany	16.4	221.4	+0.3%	7.3%	4.2%	8.7	113	1,437
Sweden	6.7	62.1	-1.1%	7.4%	1.7%	3.8	150	1,426
<b>Total portfolio</b>	<b>72.2</b>	<b>1,001.8</b>	<b>-0.4%</b>	<b>7.0%</b>	<b>5.5%</b>	<b>6.9</b>	<b>174</b>	<b>2,204</b>

## **Responsibility statement**

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the Chairman's Statement and Business Review include a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the Chairman's Statement and Business Review include a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board

**Sten Mortstedt**  
Executive Chairman

**Henry Klotz**  
Executive Vice Chairman

14 August 2013

## **INDEPENDENT REVIEW REPORT TO CLS HOLDINGS PLC**

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2013 which comprises the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Statement of Cash Flows and related notes 1 to 15. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent



permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

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

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

## **Our responsibility**

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

## **Scope of review**

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

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Deloitte LLP**

Chartered Accountants and Statutory Auditor  
London, United Kingdom

14 August 2013

**CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME**

for the six months ended 30 June 2013

		<b>Six months ended 30 June 2013 £m (unaudited)</b>	Six months ended 30 June 2012 £m (unaudited)	Year ended 31 December 2012 £m (audited)
	Notes			
<b>Continuing operations</b>				
Group revenue		<b>43.3</b>	39.9	80.2
Net rental income	3	<b>35.0</b>	31.9	62.9
Administration expenses		<b>(5.7)</b>	(5.2)	(10.5)
Other expenses		<b>(1.8)</b>	(1.3)	(2.9)
Group revenue less costs		<b>27.5</b>	25.4	49.5
Net movements on revaluation of investment properties		<b>(3.5)</b>	10.1	16.2
Net gain/(loss) on sale of corporate bonds and other investments	11	<b>7.2</b>	(0.1)	(0.4)
Profit on sale of joint venture		<b>1.8</b>	—	—
<b>Operating profit</b>		<b>33.0</b>	35.4	65.3
Finance income	4	<b>6.2</b>	5.0	10.6
Finance costs	5	<b>(10.2)</b>	(12.7)	(25.6)
Share of (loss)/profit of associates after tax		<b>(1.1)</b>	(0.6)	5.8
<b>Profit before tax</b>		<b>27.9</b>	27.1	56.1

Taxation	6	(5.2)	(5.8)	(9.4)
<b>Profit for the period</b>		<b>22.7</b>	21.3	46.7
<b>Other comprehensive income</b>				
Foreign exchange differences		8.5	(4.6)	(2.6)
Fair value (losses)/gains on corporate bonds and other investments		(0.1)	3.1	19.7
Fair value (gains)/losses taken to net gain/(loss) on sale of corporate bonds and other investments		(4.6)	1.8	4.0
Deferred tax on net fair value gains on corporate bonds and other investments	6	1.5	(1.1)	(5.9)
Share of other comprehensive loss of associates		—	(0.6)	—
Revaluation of owner-occupied property		(0.1)	0.1	0.1
<b>Total comprehensive income for the period</b>		<b>27.9</b>	20.0	62.0
<b>Earnings per share from continuing operations attributable to the owners of the Company during the period (expressed in pence per share)</b>				
Basic	7	52.7	47.8	106.0
Diluted	7	52.6	47.7	105.8

## CONDENSED GROUP BALANCE SHEET

at 30 June 2013

	Notes	30 June 2013 £m (unaudited)	30 June 2012 £m (unaudited)	31 December 2012 £m (audited)
<b>Non-current assets</b>				
Investment properties	9	1,001.8	904.4	934.5
Property, plant and equipment		2.7	2.8	2.8
Goodwill and other intangible assets		1.1	1.1	1.1

Investments in associates	10	33.5	25.8	33.3
Other investments	11	92.3	78.4	129.9
Derivative financial instruments		0.5	0.8	0.2
Deferred tax	6	6.6	12.5	8.7
		1,138.5	1,025.8	1,110.5
<b>Current assets</b>				
Trade and other receivables		13.2	10.6	17.0
Derivative financial instruments		–	0.7	0.6
Cash and cash equivalents		69.7	47.1	97.6
		82.9	58.4	115.2
<b>Total assets</b>		1,221.4	1,084.2	1,225.7
<b>Current liabilities</b>				
Trade and other payables		(35.1)	(30.3)	(33.0)
Current tax	6	(5.1)	(1.3)	(3.6)
Borrowings	12	(99.9)	(149.8)	(135.6)
Derivative financial instruments		(0.2)	(0.1)	(0.4)
		(140.3)	(181.5)	(172.6)
<b>Non-current liabilities</b>				
Deferred tax	6	(78.9)	(73.9)	(77.8)
Borrowings	12	(557.3)	(440.0)	(549.4)
Derivative financial instruments		(7.1)	(9.1)	(8.8)
		(643.3)	(523.0)	(636.0)
<b>Total liabilities</b>		(783.6)	(704.5)	(808.6)
<b>Net assets</b>		437.8	379.7	417.1
<b>Equity</b>				
Share capital	13	11.8	12.2	12.0
Share premium		71.5	71.5	71.5
Other reserves		107.2	85.0	101.8
Retained earnings		247.3	211.0	231.8
		437.8	379.7	417.1

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013

	Attributable to the owners of the Company				Total £m
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	
<b>Unaudited</b>					
<b>Arising in the six months ended 30 June 2013:</b>					
Total comprehensive income for the period	–	–	5.2	22.7	27.9
Purchase of own shares	(0.2)	–	0.2	(8.6)	(8.6)
Exercise of share options	–	–	–	1.4	1.4
<b>Total changes arising in the period</b>	<b>(0.2)</b>	<b>–</b>	<b>5.4</b>	<b>15.5</b>	<b>20.7</b>
<b>At 1 January 2013</b>	<b>12.0</b>	<b>71.5</b>	<b>101.8</b>	<b>231.8</b>	<b>417.1</b>
<b>At 30 June 2013</b>	<b>11.8</b>	<b>71.5</b>	<b>107.2</b>	<b>247.3</b>	<b>437.8</b>

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

Audited

Attributable to the owners of the Company

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Arising in the year ended 31 December 2012:					
Total comprehensive income for the year	–	–	15.3	46.7	62.0
Purchase of own shares	(0.5)	–	0.5	(12.5)	(12.5)
Expenses thereof	–	–	–	(0.1)	(0.1)
Employee share option schemes	–	–	–	0.2	0.2
Total changes arising in 2012	(0.5)	–	15.8	34.3	49.6
At 1 January 2012	12.5	71.5	86.0	197.5	367.5
At 31 December 2012	12.0	71.5	101.8	231.8	417.1

## CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 £m (unaudited)	Six months ended 30 June 2012 £m (unaudited)	Year ended 31 December 2012 £m (audited)
<b>Cash flows from operating activities</b>				
Cash generated from operations	14	26.2	26.4	54.3
Interest paid		(9.1)	(11.3)	(22.5)
Income tax (paid)/refunded		(2.1)	(0.8)	0.1
<b>Net cash inflow from operating activities</b>		<b>15.0</b>	<b>14.3</b>	<b>31.9</b>

### Cash flows from investing activities

Purchase of investment property	(35.4)	—	(13.1)
Capital expenditure on investment property	(12.1)	(7.8)	(13.5)
Interest received	8.3	5.4	8.2
Purchase of corporate bonds	(39.9)	(11.0)	(65.6)
Proceeds from sale of corporate bonds and other investments	83.0	24.9	45.8
Purchase of equity investments	(2.8)	(0.2)	(0.6)
Dividends received from equity investments	0.3	—	0.1
Proceeds from sale of equity investments	1.7	—	0.6
Purchase of interests in associate undertakings	(0.3)	(4.0)	(4.1)
Loans repaid from/(made to) associate undertakings	2.3	—	(4.5)
Proceeds from sale of joint venture	2.6	—	—
Distributions received from associate undertakings	0.3	0.6	0.8
(Costs of)/income from foreign currency transactions	(0.4)	(0.3)	0.3
Costs of corporate disposals	—	(0.3)	(0.8)
Purchases of property, plant and equipment	—	(0.1)	(0.2)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>7.6</b>	<b>7.2</b>	<b>(46.6)</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	(8.6)	(7.9)	(12.6)
Proceeds from exercise of share options	1.4	—	—
New loans	20.8	12.1	223.3
Issue costs of new loans	(0.2)	(0.1)	(2.4)
Repayment of loans	(65.7)	(33.7)	(151.7)
Purchase or cancellation of financial instruments	(0.3)	(0.1)	(0.1)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(52.6)</b>	<b>(29.7)</b>	<b>56.5</b>
<b>Cash flow element of net (decrease)/increase in cash and cash equivalents</b>	<b>(30.0)</b>	<b>(8.2)</b>	<b>41.8</b>
Foreign exchange gain	2.1	—	0.5
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(27.9)</b>	<b>(8.2)</b>	<b>42.3</b>
Cash and cash equivalents at the beginning of the period	97.6	55.3	55.3
<b>Cash and cash equivalents at the end of the period</b>	<b>69.7</b>	<b>47.1</b>	<b>97.6</b>

# NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

30 June 2013

## 1 BASIS OF PREPARATION

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results for the year ended 31 December 2012 are an abridged version of the full accounts for that year, which received an unqualified report from the auditor, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 or include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying the auditor's report, and have been filed with the Registrar of Companies. The annual financial statements of CLS Holdings plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this Half-Yearly Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements.

## 2 GOING CONCERN

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

## 3 SEGMENT INFORMATION

The Group has two operating divisions – Investment Property and Other Investments. Other Investments comprise corporate bonds, shares in Catena AB, Bulgarian Land Development Plc and 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. There was no change in the basis of segmentation, nor in the basis of measurement of segment profit or loss in the period.

The Group's results for the six months ended 30 June 2013 by operating segment were as follows:

	Investment Property				Other Investments	Total
	London £m	France £m	Germany £m	Sweden £m	£m	£m
Rental income	15.2	10.0	7.3	3.4	–	35.9
Other property-related income	0.3	0.3	0.1	–	–	0.7
Service charge income	2.3	3.1	1.1	0.2	–	6.7
Service charges and similar expenses	(2.9)	(3.1)	(1.5)	(0.8)	–	(8.3)
<b>Net rental income</b>	<b>14.9</b>	<b>10.3</b>	<b>7.0</b>	<b>2.8</b>	<b>–</b>	<b>35.0</b>
Administration expenses	(1.2)	(0.7)	(0.6)	(0.2)	(0.3)	(3.0)
Other expenses	(0.7)	(0.3)	(0.7)	(0.1)	–	(1.8)
<b>Group revenue less costs</b>	<b>13.0</b>	<b>9.3</b>	<b>5.7</b>	<b>2.5</b>	<b>(0.3)</b>	<b>30.2</b>
Net movements on revaluation of investment properties	0.6	(4.1)	0.7	(0.7)	–	(3.5)
Net gain on sale of corporate bonds and other investments	–	–	–	–	7.2	7.2
Profit on sale of joint venture	1.8	–	–	–	–	1.8
<b>Segment operating profit</b>	<b>15.4</b>	<b>5.2</b>	<b>6.4</b>	<b>1.8</b>	<b>6.9</b>	<b>35.7</b>
Finance income	–	–	–	–	6.2	6.2
Finance costs	(4.1)	(1.6)	(1.5)	(0.4)	(2.6)	(10.2)
Share of loss of associates after tax	–	–	–	–	(1.1)	(1.1)
<b>Segment profit before tax</b>	<b>11.3</b>	<b>3.6</b>	<b>4.9</b>	<b>1.4</b>	<b>9.4</b>	<b>30.6</b>

Central administration expenses	(2.7)
<b>Profit before tax</b>	<b>27.9</b>

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

	Investment property				Other Investments	Total
	London £m	France £m	Germany £m	Sweden £m	£m	£m
Rental income	13.7	9.4	6.9	3.1	–	33.1
Other property-related income	0.3	–	–	–	–	0.3
Service charge income	2.1	2.8	1.4	0.2	–	6.5
Service charges and similar expenses	(2.7)	(2.9)	(1.6)	(0.8)	–	(8.0)
<b>Net rental income</b>	<b>13.4</b>	<b>9.3</b>	<b>6.7</b>	<b>2.5</b>	<b>–</b>	<b>31.9</b>
Administration expenses	(1.0)	(0.7)	(0.5)	(0.2)	(0.2)	(2.6)
Other expenses	(0.6)	(0.2)	(0.4)	(0.1)	–	(1.3)
<b>Group revenue less costs</b>	<b>11.8</b>	<b>8.4</b>	<b>5.8</b>	<b>2.2</b>	<b>(0.2)</b>	<b>28.0</b>
Net movements on revaluation of investment properties	12.2	(0.9)	(0.3)	(0.9)	–	10.1
Net loss on sale of corporate bonds and other investments	–	–	–	–	(0.1)	(0.1)
<b>Segment operating profit/(loss)</b>	<b>24.0</b>	<b>7.5</b>	<b>5.5</b>	<b>1.3</b>	<b>(0.3)</b>	<b>38.0</b>
Finance income	0.2	0.1	–	–	5.0	5.3
Finance costs	(5.6)	(2.6)	(2.6)	(0.7)	(1.5)	(13.0)
Share of loss of associates after tax	–	–	–	–	(0.6)	(0.6)
<b>Segment profit before tax</b>	<b>18.6</b>	<b>5.0</b>	<b>2.9</b>	<b>0.6</b>	<b>2.6</b>	<b>29.7</b>
Central administration expenses						(2.6)
<b>Profit before tax</b>						<b>27.1</b>

The Group's results for the year ended 31 December 2012 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)
<b>Net rental income</b>	<b>26.8</b>	<b>18.5</b>	<b>13.1</b>	<b>4.5</b>	<b>–</b>	<b>62.9</b>
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)
<b>Group revenue less costs</b>	<b>23.0</b>	<b>16.7</b>	<b>11.3</b>	<b>4.1</b>	<b>(0.5)</b>	<b>54.6</b>
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)
<b>Segment operating profit/(loss)</b>	<b>42.8</b>	<b>13.2</b>	<b>11.4</b>	<b>3.9</b>	<b>(0.9)</b>	<b>70.4</b>
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
<b>Segment profit before tax</b>	<b>30.9</b>	<b>8.7</b>	<b>6.8</b>	<b>2.7</b>	<b>12.1</b>	<b>61.2</b>
Central administration expenses						(5.1)
<b>Profit before tax</b>						<b>56.1</b>

## Segment assets and liabilities

Assets	Liabilities
--------	-------------

	<b>30 June 2013 £m</b>	30 June 2012 £m	31 December 2012 £m	<b>30 June 2013 £m</b>	30 June 2012 £m	31 December 2012 £m
Investment Property						
London	<b>493.6</b>	441.7	463.5	<b>366.4</b>	296.8	358.7
France	<b>258.5</b>	248.3	247.0	<b>215.1</b>	206.1	207.5
Germany	<b>232.0</b>	199.0	202.5	<b>158.4</b>	144.2	144.4
Sweden	<b>65.6</b>	62.7	62.9	<b>40.5</b>	40.2	40.2
Other investments	<b>171.7</b>	132.5	249.8	<b>3.2</b>	17.2	57.8
	<b>1,221.4</b>	1,084.2	1,225.7	<b>783.6</b>	704.5	808.6

### Segment capital expenditure

	<b>Six months ended 30 June 2013 £m</b>	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Investment Property			
London	<b>33.2</b>	2.2	19.9
France	<b>1.4</b>	0.3	1.4
Germany	<b>12.7</b>	4.7	5.5
Sweden	<b>0.6</b>	0.4	0.7
	<b>47.9</b>	7.6	27.5

## 4 FINANCE INCOME

	<b>Six months ended 30 June 2013 £m</b>	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Interest income	<b>5.5</b>	4.5	9.9

Other finance income	0.3	0.1	0.1
Foreign exchange variances	0.4	0.4	0.6
	<b>6.2</b>	<b>5.0</b>	<b>10.6</b>

## 5 FINANCE COSTS

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Interest expense			
Bank loans	7.1	8.2	15.4
Debenture loans	2.3	2.3	4.7
Other interest	2.5	0.9	2.8
Amortisation of loan issue costs	0.8	0.5	1.3
Total interest costs	12.7	11.9	24.2
Less interest capitalised on development projects	(0.3)	–	(0.1)
	12.4	11.9	24.1
Movement in fair value of derivative financial instruments			
Interest rate swaps: transactions not qualifying as hedges	(2.2)	0.1	0.2
Interest rate caps: transactions not qualifying as hedges	–	0.7	1.3
	10.2	12.7	25.6

## 6 TAXATION

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Current tax	3.5	1.0	2.3

Deferred tax	1.7	4.8	7.1
	5.2	5.8	9.4

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

	Current tax Liability £m	Deferred tax Asset £m	Deferred tax Liability £m	Total Net Liability £m
<b>At 1 January 2013</b>	<b>(3.6)</b>	<b>8.7</b>	<b>(77.8)</b>	<b>(72.7)</b>
Charged in arriving at profit after tax	(3.5)	(2.1)	0.4	(5.2)
Credited to other comprehensive income	—	—	1.5	1.5
Net tax paid	2.1	—	—	2.1
Foreign exchange variances	(0.1)	—	(3.0)	(3.1)
<b>At 30 June 2013</b>	<b>(5.1)</b>	<b>6.6</b>	<b>(78.9)</b>	<b>(77.4)</b>

## 7 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, 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.

	Six months ended 30 June 2013 £m	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
<b>Earnings</b>			
Profit for the period attributable to the owners of the Company	22.7	21.3	46.7
Net movements on investment properties	3.5	(10.1)	(16.2)
Profit on sale of joint venture	(1.8)	—	—
Net (gain)/loss on sale of corporate bonds and other investments	(7.2)	0.1	0.4
Change in fair value of derivative financial instruments	(2.2)	1.1	1.5

Deferred tax relating to the above adjustments	(0.1)	1.6	2.0
Adjustments in respect of associates	(0.7)	(0.3)	(5.6)
<b>EPRA Earnings</b>	<b>14.2</b>	<b>13.7</b>	<b>28.8</b>

	<b>Six months ended 30 June 2013 Number</b>	Six months ended 30 June 2012 Number	Year ended 31 December 2012 Number
<b>Weighted average number of ordinary shares in circulation</b>			
Weighted average number of ordinary shares in circulation	<b>43,058,195</b>	44,571,352	44,072,410
Dilutive share options <sup>1</sup>	<b>98,031</b>	70,814	85,002
Diluted weighted average number of ordinary shares	<b>43,156,226</b>	44,642,166	44,157,412

	<b>Six months ended 30 June 2013 Pence</b>	Six months ended 30 June 2012 Pence	Year ended 31 December 2012 Pence
<b>Earnings per Share</b>			
Basic	<b>52.7</b>	47.8	106.0
Diluted	<b>52.6</b>	47.7	105.8
EPRA	<b>33.0</b>	30.7	65.3

1. 300,000 share options were granted on 11 March 2010 at an exercise price of 470 pence, and exercised on 17 May 2013.

## 8 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.

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
<b>Net Assets</b>			
Basic net assets	437.8	379.7	417.1
Dilutive impact of share options	–	1.4	1.4
Diluted net assets	437.8	381.1	418.5
Adjustment to increase fixed rate debt to fair value, net of tax	(19.7)	(23.4)	(23.9)
Goodwill as a result of deferred tax	(1.1)	(1.1)	(1.1)
<b>EPRA Triple Net Assets</b>	<b>417.0</b>	<b>356.6</b>	<b>393.5</b>
Deferred tax on property and other non-current assets	75.9	68.8	74.6
Fair value of derivative financial instruments	6.8	7.7	8.4
Adjustment to decrease fixed rate debt to book value, net of tax	19.7	23.4	23.9
Adjustments in respect of associates	3.4	2.0	3.0
<b>EPRA Net Assets</b>	<b>522.8</b>	<b>458.5</b>	<b>503.4</b>

	30 June 2013 Number	30 June 2012 Number	31 December 2012 Number
<b>Number of ordinary shares in circulation</b>			
Number of ordinary shares in circulation	42,722,083	43,883,287	43,305,876
Dilutive share options	–	300,000	300,000
Diluted number of ordinary shares in circulation	42,722,083	44,183,287	43,605,876

	30 June 2013 Pence	30 June 2012 Pence	31 December 2012 Pence
<b>Net Assets per Share</b>			
Basic	1,024.8	865.2	963.1
Diluted	n/a	862.5	959.7
EPRA	1,223.7	1,037.7	1,154.4
EPRA Triple Net	976.0	807.1	902.5



## 9 INVESTMENT PROPERTIES

	30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
London	468.6	412.7	437.5
France	249.7	239.5	239.6
Germany	221.4	194.8	197.4
Sweden	62.1	57.4	60.0
	<b>1,001.8</b>	<b>904.4</b>	<b>934.5</b>

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

	London £m	France £m	Germany £m	Sweden £m	Total £m
<b>At 1 January 2013</b>	<b>437.5</b>	<b>239.6</b>	<b>197.4</b>	<b>60.0</b>	<b>934.5</b>
Acquisitions	23.3	—	12.1	—	35.4
Capital expenditure	9.9	1.4	0.6	0.6	12.5
Disposals	(2.8)	—	—	—	(2.8)
Net movements on revaluation of investment properties	0.6	(4.1)	0.7	(0.7)	(3.5)
Rent-free period debtor adjustments	0.1	—	—	—	0.1
Exchange rate variances	—	12.8	10.6	2.2	25.6
<b>At 30 June 2013</b>	<b>468.6</b>	<b>249.7</b>	<b>221.4</b>	<b>62.1</b>	<b>1,001.8</b>

The investment properties were revalued at 30 June 2013 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 or Knight Frank

France: Jones Lang LaSalle

Germany: Colliers International

Sweden: CB Richard Ellis

Investment properties include leasehold properties with a carrying value of £19.4 million (30 June 2012: £18.3 million; 31 December 2012: £18.3 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 the current or comparative years.

Substantially all investment properties are secured against debt.

## 10 INVESTMENTS IN ASSOCIATES

At 30 June 2013	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
<i>Interest held in ordinary share capital</i>	<i>29.9%</i>	<i>48.3%</i>	<i>various</i>	
<b>Revenues</b>	<b>0.4</b>	<b>0.1</b>	<b>1.8</b>	<b>2.3</b>
<b>Share of profit/(loss) of associates after tax</b>	<b>0.9</b>	<b>(0.2)</b>	<b>(1.8)</b>	<b>(1.1)</b>
<b>Assets</b>	<b>27.9</b>	<b>8.6</b>	<b>20.0</b>	<b>56.5</b>
<b>Liabilities</b>	<b>(13.2)</b>	<b>(0.6)</b>	<b>(17.3)</b>	<b>(31.1)</b>
<b>Net assets</b>	<b>14.7</b>	<b>8.0</b>	<b>2.7</b>	<b>25.4</b>
<b>Goodwill</b>	<b>5.4</b>	<b>–</b>	<b>2.7</b>	<b>8.1</b>
<b>Investments in associates</b>	<b>20.1</b>	<b>8.0</b>	<b>5.4</b>	<b>33.5</b>
<b>Market value of interest</b>	<b>28.3</b>	<b>n/a</b>	<b>n/a</b>	

At 30 June 2012	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
<i>Interest held in ordinary share capital</i>	<i>29.9%</i>	<i>48.3%</i>	<i>various</i>	

Revenues	0.4	0.2	0.7	1.3
Share of profit/(loss) of associates after tax	0.4	(0.4)	(0.6)	(0.6)
Assets	19.6	8.9	6.4	34.9
Liabilities	(11.7)	(0.8)	(3.5)	(16.0)
Net assets	7.9	8.1	2.9	18.9
Goodwill	5.1	–	1.8	6.9
Investments in associates	13.0	8.1	4.7	25.8
Market value of interest	16.0	n/a	n/a	

	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>	29.9%	48.3%	various	
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	

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

	Net assets £m	Goodwill £m	Total £m
<b>At 1 January 2013</b>	<b>25.5</b>	<b>7.8</b>	<b>33.3</b>
Additions	0.3	—	0.3
Share of loss of associates after tax	(1.1)	—	(1.1)
Dividends received	(0.3)	—	(0.3)
Exchange rate differences	1.0	0.3	1.3
<b>At 30 June 2013</b>	<b>25.4</b>	<b>8.1</b>	<b>33.5</b>

## 11 OTHER INVESTMENTS

			30 June 2013 £m	30 June 2012 £m	31 December 2012 £m
Investment type	Destination of Investment				
Available-for-sale financial investments					
Listed corporate bonds	UK		50.4	47.3	73.2
	Eurozone		13.5	11.3	21.7
	Other		25.0	17.5	32.4
			88.9	76.1	127.3
Listed equity securities	UK		0.2	0.4	0.3
	Sweden		2.8	1.5	1.7
	Other		—	—	0.2
Unlisted investments	Sweden		0.3	0.3	0.3
Government securities	UK		0.1	0.1	0.1
			92.3	78.4	129.9

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

	Level 1 Quoted market price £m	Level 2 Observable market data £m	Level 3 Other valuation methods £m	Total £m
<b>At 1 January 2013</b>	<b>2.3</b>	<b>127.3</b>	<b>0.3</b>	<b>129.9</b>
Additions	2.8	39.9	—	42.7
Disposals	(2.6)	(74.2)	—	(76.8)
Fair value movements recognised in reserves on available-for-sale assets	(0.3)	(0.1)	—	(0.4)
Fair value movements recognised in profit before tax on available-for-sale assets	0.9	(5.5)	—	(4.6)
Exchange rate variations	—	1.5	—	1.5
<b>At 30 June 2013</b>	<b>3.1</b>	<b>88.9</b>	<b>0.3</b>	<b>92.3</b>

The net gain/(loss) on sale of corporate bonds and other investments for the six months ended 30 June 2013 included a valuation impairment of £0.3 million (30 June 2012: £nil; 31 December 2012: £nil).

## Corporate Bond Portfolio

At 30 June 2013

Sector	Banking	Insurance	Building Societies	Financials	Other	Total
Value	£30.1m	£24.2m	£6.4m	£7.6m	£20.6m	£88.9m
Running yield	8.9%	7.7%	9.1%	9.5%	9.3%	8.7%
Issuers	Rothschild SNS Bank Investec Lloyds Co-op KBC RBS	Friends Provident Brit Insurance Phoenix Life Direct Line Swiss Re Generali	Nationwide Yorkshire	Aberdeen AM Man Group	Telecom Italia Corral Finans Alliance Oil Swissport Europcar JC Penny SAS TUI ISS	

## 12 BORROWINGS

### Maturity profile

	Bank loans £m	Debenture loans £m	Zero Coupon Note £m	Other loans £m	Total £m
<b>At 30 June 2013</b>					
Within one year or on demand	99.9	1.4	—	—	101.3
More than one but not more than two years	39.9	1.6	—	—	41.5
More than two but not more than five years	340.0	5.8	—	29.4	375.2
More than five years	43.8	22.4	12.8	65.0	144.0
	523.6	31.2	12.8	94.4	662.0
Unamortised issue costs	(3.5)	—	—	(1.3)	(4.8)
<b>Borrowings</b>	<b>520.1</b>	<b>31.2</b>	<b>12.8</b>	<b>93.1</b>	<b>657.2</b>
Less amount due for settlement within 12 months	(98.8)	(1.4)	—	0.3	(99.9)
<b>Amount due for settlement after 12 months</b>	<b>421.3</b>	<b>29.8</b>	<b>12.8</b>	<b>93.4</b>	<b>557.3</b>

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

	Bank loans £m	Debenture loans £m	Zero Coupon Note £m	Other loans £m	Total £m
<b>At 31 December 2012</b>					

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)
Amount due for settlement after 12 months	414.6	30.5	12.1	92.2	549.4

## Currency profile

	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
<b>At 30 June 2013</b>			
Sterling	121.8	173.8	295.6
Euro	47.2	254.7	301.9
Swedish krona	—	59.7	59.7
	169.0	488.2	657.2

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

	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

## Fair values

	Carrying amounts			Fair values		
	June 2013 £m	June 2012 £m	December 2012 £m	June 2013 £m	June 2012 £m	December 2012 £m
Current borrowings	99.9	149.8	135.6	100.0	149.8	136.1
Non-current borrowings	557.3	440.0	549.4	582.9	470.6	579.8
	657.2	589.8	685.0	682.9	620.4	715.9

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

## 13 SHARE CAPITAL

	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2013	43,305,876	4,803,103	48,108,979	10.8	1.2	12.0
Cancelled following tender offer <sup>1</sup>	(883,793)	—	(883,793)	(0.2)	—	(0.2)
Exercise of share options	300,000	(300,000)	—	0.1	(0.1)	—



<b>At 30 June 2013</b>	<b>42,722,083</b>	<b>4,503,103</b>	<b>47,225,186</b>	<b>10.7</b>	<b>1.1</b>	<b>11.8</b>
	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2012	44,953,611	4,803,103	49,756,714	11.3	1.2	12.5
Cancelled following tender offer <sup>2</sup>	(1,070,324)	—	(1,070,324)	(0.3)	—	(0.3)
At 30 June 2012	43,883,287	4,803,103	48,686,390	11.0	1.2	12.2

	Number of ordinary shares in circulation	Number of treasury shares in circulation	Total number of shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2012	44,953,611	4,803,103	49,756,714	11.3	1.2	12.5
Cancelled following tender offer <sup>2 &amp; 3</sup>	(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

1. A tender offer by way of a Circular dated 15 March 2013 for the purchase of 1 in 49 shares at 970 pence per share was completed in April 2013. It returned £8.6 million to shareholders, equivalent to 19.8 pence per share.
2. 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 2012. It returned £7.9 million to shareholders, equivalent to 17.5 pence per share.
3. 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 2012. It returned £4.6 million to shareholders, equivalent to 10.6 pence per share.

## 14 Cash generated from operations

	<b>Six months ended 30 June 2013 £m</b>	Six months ended 30 June 2012 £m	Year ended 31 December 2012 £m
Operating profit	<b>33.0</b>	35.4	65.3

Adjustments for:			
Net movements on revaluation of investment properties	3.5	(10.1)	(16.2)
Depreciation and amortisation	–	0.1	0.2
Profit on sale of joint venture	(1.8)	–	–
Net (gain)/loss on sale of corporate bonds and other investments	(7.2)	0.1	0.4
Share-based payment expense	–	0.1	0.2
Non-cash rental income	(0.1)	(0.3)	–
Changes in working capital:			
(Increase)/decrease in debtors	(1.1)	0.2	0.8
(Decrease)/increase in creditors	(0.1)	0.9	3.6
<b>Cash generated from operations</b>	<b>26.2</b>	<b>26.4</b>	<b>54.3</b>

## 15 RELATED PARTY TRANSACTIONS

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

## GLOSSARY OF TERMS

### ADJUSTED NET ASSETS OR ADJUSTED SHAREHOLDERS' FUNDS

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

### ADJUSTED NET GEARING

Net debt expressed as a percentage of adjusted net assets

### ADJUSTED SOLIDITY

Adjusted net assets expressed as a percentage of adjusted total assets

**ADJUSTED TOTAL ASSETS**

Total assets excluding deferred tax assets

**ADMINISTRATION COST RATIO**

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

**BALANCE SHEET LOAN TO VALUE**

Net debt expressed as a percentage of total assets less cash and short-term deposits

**CONTRACTED RENT**

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

**CORE PROFIT**

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

**DILUTED EARNINGS PER SHARE**

Profit after tax divided by the diluted weighted average number of ordinary shares

**DILUTED NET ASSETS**

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

**DILUTED NET ASSETS PER SHARE OR DILUTED NET ASSET VALUE**

Diluted net assets divided by the diluted number of ordinary shares

**DILUTED NUMBER OF ORDINARY SHARES**

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

**DILUTED WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES**

Weighted average number of ordinary shares in issue during the period adjusted to include the effect of potential weighted average dilutive shares issuable under employee share schemes

**EARNINGS PER SHARE**

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

**EPRA**

European Public Real Estate Association

**EPRA EARNINGS PER SHARE**

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

**EPRA NET ASSETS**

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

**EPRA NET ASSETS PER SHARE**

EPRA net assets divided by the diluted number of ordinary shares

**EPRA NET INITIAL YIELD**

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

**EPRA TOPPED UP NET INITIAL YIELD**

Annual net rents on investment properties expressed as a percentage of the investment property valuation after adding purchasers' costs

**EPRA TRIPLE NET ASSETS**

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

**EPRA TRIPLE NET ASSETS PER SHARE**

EPRA triple net assets divided by the diluted number of ordinary shares

**ESTIMATED RENTAL VALUE (ERV)**

The market rental value of lettable space as estimated by the Group's valuers

**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 cash and short-term deposits

**NET GEARING**

Net debt expressed as a percentage of net assets

**NET INITIAL YIELD**

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

**NET RENT**

Contracted rent less net service charge costs

**OCCUPANCY RATE**

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

**OVER-RENTED**

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

**PASSING RENT**

Contracted rent before any rent-free periods have expired

**PROPERTY LOAN TO VALUE**

Property borrowings expressed as a percentage of the market value of the property portfolio

**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 valuers

## **DIRECTORS, OFFICERS AND ADVISERS**

### **Directors**

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

\* member of Remuneration Committee

† member of Audit Committee

‡ Senior Independent Director

**Company Secretary**

David Fuller BA, FCIS

**Registered Office**

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SW8 1SF

**Registered Number**

2714781

**Registrars and Transfer Office**

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Shareholder Helpline: 0870 889 3286

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**email:**

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### **Registered Auditor**

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Chartered Accountants  
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### **Financial and Corporate Public Relations**

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