CLS Holdings plc

86 Bondway
London
SW8 1SF

Tel: +44 (0)20 7582 7766
Fax: +44 (0)20 7735 2779
email: enquiries@clsholdings.com

www.clsholdings.com

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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 2014

A RECORD YEAR FOR THE GROUP

CLS is a property investment company with a diverse portfolio of £1.31 billion modern, well-let properties in the UK, 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 39.9% to 1,774.1 pence (2013: 1,268.4 pence)
- Profit after tax up 208.4% to £194.9 million (2013: £63.2 million)
- EPRA earnings per share up 16.9% to 77.4 pence (2013: 66.2 pence)
- Portfolio value £1,310.1 million (2013: £1,132.9 million), up 15.8% in local currencies
- Robust interest cover of 3.3 times (2013: 3.2 times)
- Weighted average cost of debt remains low at 3.64% (2013: 3.64%) – one of the lowest in the property sector – and has fallen to 3.58% since 1 January 2015
- Distributions to shareholders up 6.4% in the year, like-for-like, with a proposed £10.4 million by way of tender offer buy-back: 1 in 80 at 1,950 pence, equivalent to 24.4 pence per share
- Total shareholder return of 206.6% in five years
- Entered the FTSE 250 index in December 2014

OPERATIONAL HIGHLIGHTS

Investment Property Portfolio:
- Three selective acquisitions for £29.7 million providing a blended net initial yield of 6.7%
- Two opportunistic disposals generating proceeds of £37.5 million at a blended yield of 2.9%
- Vacancy rate at an all-time low of 3.0% (2013: 4.4%)
- EPRA net initial yield of 6.5%, 290 basis points above cost of debt, one of the highest differentials in the listed property sector

Developments:
- Completion of the £55 million development of Spring Mews, SE11 comprising:
  - 378 room student accommodation opened and fully let in September
  - 93 room Staybridge Suite Hotel opened in January
- Completion of the redevelopment 2,769 sqm of office space at 138 Fetter Lane, EC4
- Further planning consent for design enhancements at Vauxhall Square, SW8

- Planning consent gained on Westminster Tower, SE1 for 3 additional storeys and 23 luxury riverside apartments

Key Financings:
- £97 million refinancing of Spring Gardens for 6 years at low swap rates
- €24 million acquisition financing of Harburg properties for 7 years at an all in cost fixed at less than 2%

Sten Mortstedt, Executive Chairman of CLS, commented:

"In 2014 we continued to make substantial progress, with the completion of two important developments in central London, opportunistic acquisitions, selective disposals, the extension of our development pipeline, and the lowest ever vacancy rate across the Group.

"Our portfolio benefited from a 15.8% revaluation uplift, EPRA NAV rose by 39.9% to a record 1,774.1 pence per share and our strategy, to invest in attractive, high-yielding office properties in major cities, should continue to serve the Group well in 2015."

-ENDS-

For further information please contact:

CLS Holdings plc www.clsholdings.com Sten Mortstedt, Executive Chairman Henry Klotz, Executive Vice Chairman Fredrik Widlund, Chief Executive Officer John Whiteley, Chief Financial Officer	+44 (0)20 7582 7766
Kinmont Limited Jonathan Gray	+44 (0)20 7087 9100
Smithfield Consultants Limited Alex Simmons	+44 (0)20 7360 4900
Liberum Capital Limited Tom Fyson	+44 (0)20 3100 2222
Charles Stanley Securities Mark Taylor Hugh Rich	+44 (0)20 7149 6000

CLS will be presenting to analysts at 8.30am on Wednesday, 4 March 2015, at Smithfield Consultants, 10 Aldersgate Street, London, EC1A 4HJ.

Conference call dial in numbers as follows:

Participant telephone number:	+44(0)20 3427 1912 (UK Toll)
Confirmation code:	2636578

Please dial in at least 5 minutes prior to the start of the meeting and quote the above confirmation code when prompted.

CHAIRMAN'S STATEMENT

OVERVIEW In 2014 we continued to make substantial progress in a number of areas. These included the completion of two important developments in central London, opportunistic acquisitions in Germany and London and selective disposals in London and Paris. Furthermore, we extended our development pipeline, and the benefits from our active in-house asset management resulted in our lowest ever vacancy rate across the Group.

At the year end our property portfolio benefited from a 15.8% annual revaluation uplift to £1.31 billion, the highest ever level in our history. EPRA NAV rose 39.9% to a record 1,774.1 pence per share and following a five year compound Total Shareholder Return of over 25% per annum, in December 2014 we entered the FTSE 350 index.

The Group places a strong emphasis on cash generation. Our portfolio produces a net initial yield of 6.5% and is financed by debt with a weighted average cost of 3.64%. In 2014 our rental income rose 11.1% to £84.4 million (2013: £76.0 million), benefiting from the effect of a full year's income from the Neo portfolio which was acquired last year, and EPRA earnings per share rose 16.9% to 77.4 pence (2013: 66.2 pence).

Our strategy of running a diversified, modern and efficient property portfolio with in-house asset management has continued to prove successful. We operate in close cooperation with our customers to meet their occupational needs, and this is reflected in a Group vacancy rate of 3.0%, well below the sector average.

During the year we selectively acquired investments in Germany and the UK at an aggregate cost of £29.7 million, generating a net initial yield of 6.7% and financed by debt at 1.97%. We also made some opportunistic disposals in London and Paris at low yields, thereby recycling our capital for an enhanced return.

The UK market continued to grow in 2014. In London, demand from overseas investors searching for prime yielding properties remained robust, with increasing interest beyond the traditional West End and City locations. In Germany and France the markets were characterised by low interest rates, a low level of new completions and improvement in occupier demand. Germany continued to offer the more attractive opportunities. The Swedish market displayed lower yields and a high level of activity, driven mainly by domestic property investors, and we continued to find better value elsewhere.

PROPERTY PORTFOLIO The increase in EPRA net assets per share was driven by a significant increase in values across our London portfolio, particularly in our Vauxhall heartland. The Group's property portfolio grew by £177.2 million or 15.6% over the period to £1.31 billion, due predominantly to a revaluation uplift of £186.5 million. France and Germany contributed positively, but the vast majority of the increase came from the London portfolio, particularly from developments and long leases with secure Government income.

At the year end the contracted rent roll was £87.5 million (2013: £85.6 million), of which 68% came from governments and major corporations and 58% was index-linked.

At Spring Mews SE11, our first student and hotel development scheme reached completion. The student accommodation was completed in September, in time for the start of the academic year, and all 378 rooms were let. We have already started letting rooms for 2015/16. At Clifford's Inn, Fetter Lane EC4, construction was completed at the end of 2014 and we are actively marketing the 2,769 sqm of new office space in a very strong mid-town office market. We have also secured detailed planning consent to convert and extend Westminster Tower SE1, providing luxury riverside apartments overlooking the Houses of Parliament, with a small amount of office space to be retained on the lower floors.

At Vauxhall Square we have secured further planning consent for design enhancements, and agreed commercial terms to acquire additional adjoining land and properties. In January 2014 we entered into a conditional agreement to grant a long lease in relation to the student site in Miles Street, on which an enhanced planning consent has also been achieved. These enhancements have contributed positively to the uplift in value. During 2015 we will explore all our available options for this major regeneration project to make a constructive start in 2017.

In the second half of the year, the Group acquired Berkeley House in Datchet, Berkshire for £2.2 million on a net initial yield of 10.75%. We also unconditionally exchanged contracts to acquire two modern, multi-let, office buildings in Harburg, a waterfront district in the southern part of Hamburg, Germany for €32.4 million before costs. We completed the acquisitions shortly after the year end. These high-quality offices are located in a district which is seeing significant investment in infrastructure and is developing into a popular mixed-use location.

In April the Group took advantage of a strong demand for development opportunities, and disposed of Cambridge House W6 for £29.5 million. The price was 32% above the December 2013 valuation and corresponded to an initial yield of 2.34%. Part of Le Quatuor in Montrouge, Paris was sold for €9.9 million, 23% above the June 2014 valuation, to accommodate the Grand Paris Express project to improve the railway system. The station will be a major transportation hub which will benefit our remaining holding.

RESULTS EPRA net assets per share have risen by 39.9% to 1,774.1 pence (2013: 1,268.4 pence), and net assets per share by 39.0% to 1,521.1 pence (2013: 1,094.1 pence). Profit after tax grew by 208.4% to £194.9 million (2013: £63.2 million) and shareholders' funds rose by 35.8% to £652.9 million, after distributions to shareholders of £15.5 million. The balance sheet remains strong, with cash and liquid resources of £162.0 million.

Recurring interest cover increased to 3.3 times (2013: 3.2 times), as the Group continued to enjoy a very low weighted average cost of debt of just 3.64% (2013: 3.64%), one of the lowest in the listed property sector. At 31 December 2014 the weighted average loan to value of our secured debt was 49.7% (2013: 56.3%).

FINANCING The Group continues its strategy of having a wide variety of financing from banks and other debt providers, and of ring-fencing debt against individual properties where appropriate. We secured financing for the Harburg acquisitions with a seven-year fixed interest rate loan below 2% for the first time. Since the end of 2014 we have refinanced our largest individual property loan on Spring Gardens in Vauxhall for 6 years, and this, together with the Harburg loan, has reduced our pro forma weighted average cost of debt further to 3.58%. Diversity of financing is important to reduce risk and we enjoy active lending relationships with 23 debt providers. Interest rates have remained very low, with further reductions in the Eurozone. We expect this will remain the case for an extended period and as a consequence, 68% of our debt is at floating rates, with 41% being protected against rising interest rates through interest rate caps.

The Group's corporate bond portfolio has continued to be a valuable part of our cash management strategy. The portfolio outperformed the bond market during the year, delivering a total return of £7.7 million, or 8.7% on capital. At the year end the portfolio consisted of 27 bonds valued at £61.8 million with a running yield of 7.4% on market value, and a weighted average duration of 15 years.

SUSTAINABILITY During the past twelve months we have continued our objective to further improve the quality of our portfolio through carbon reduction programmes, investments in renewable technology and social engagement within the communities in which we invest. We have achieved two SKA Gold ratings and three BREEAM Very Good ratings through our refurbishment programme, and we have reduced the consumption of electricity, gas and water in our properties.

More details of these initiatives are set out in the Corporate, Social and Environmental Responsibility Report in the 2014 Annual Report and Accounts. In addition we have, in line with our Green Charter established in 2011, committed additional resources to our in-house sustainability team to help minimise the impact the Group and its customers have on the environment.

BOARD CHANGES During the year Tom Thomson, Brigith Terry and Claes-Johan Geijer retired as non-executive directors and I wish to record our thanks for their contribution to our success. We have welcomed Lennart Sten and Elizabeth Edwards who have joined us in their place. Richard Tice resigned as Chief Executive Officer in February and, following a successful search by an executive search firm, we were pleased to welcome Fredrik Widlund as his replacement in November. Fredrik joins us after a long career at GE Capital.

DISTRIBUTIONS TO SHAREHOLDERS In 2014, the Group distributed through tender offer buy-backs £10.0 million in May, equivalent to 22.65 pence per share, and £5.5 million in September, equivalent to 12.61 pence per share. Similarly, the Board is proposing a tender offer buy-back of 1 in 80 shares at 1,950 pence per share in April 2015, to distribute £10.4 million to shareholders, equivalent to 24.4 pence per share. This will bring total distributions for the year to £15.9 million, an annual increase of 6.4% and corresponding to an implied yield of 2.7%, based on the average market capitalisation for the Group in the year. A circular setting out the details will be sent to shareholders with the Annual Report and Accounts.

OUTLOOK Although its forthcoming general election may cause some temporary political uncertainty, we expect the UK's economy to continue to grow and the commercial property market to continue to perform well in 2015.

We also believe that the positive trends seen in London, including increasing rents and declining vacancies, will cascade into other parts of the country during the year. The Group's portfolio is well-positioned to benefit from a continuing strong UK market.

Even though we expect economic growth in the Eurozone to remain slow, we believe our overseas assets will continue to benefit from record low interest rates and a pick-up in demand. Our strategy, to invest in attractive, high-yielding office properties in secondary areas of major cities, should continue to serve the Group well in 2015.

Sten Mortstedt
Executive Chairman
4 March 2015

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: • 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 6.4 years and the Group's largest occupier concentration is with the Government sector (46.8%).
• 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 monthly to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews.

Risk	Areas of impact	Mitigation
OTHER INVESTMENT RISKS		
Corporate bond investments: • 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 monthly basis. The Executive Directors formally review the corporate bond strategy monthly.
DEVELOPMENT RISK		
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 Cash flow Profitability	Developments are undertaken only after an appropriate level of pre-lets have been sought.

Risk	Areas of impact	Mitigation
SUSTAINABILITY RISKS		
Increasing building regulation and obsolescence	Rental income, cash flow, vacancy rate, net asset value, profitability, liquid resources	Continual assessment of all properties against emerging regulatory changes. Fit-out and refurbishment projects benchmarked against third party schemes.
Climate change	Net asset value, profitability, liquid resources	Board responsibility for environment. Dedicated specialist personnel. Increased due diligence when making acquisitions. Investment in energy efficient plant and building mounted renewable energy systems.
Increasing energy costs and regulation	Net asset value, profitability, liquid resources	Investment in energy efficient plant and building mounted renewable energy systems.
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 23 banks, thus reducing credit and liquidity risk. The exposure on refinancing 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 23 banks, thus reducing credit and liquidity risk. The exposure on re-financing debt is mitigated by the lack of concentration in maturities.

Risk	Areas of impact	Mitigation
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 6.4 years and the Group's largest customer concentration is with the Government sector (46.8%). 58.2% 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.

BUSINESS REVIEW

The main activity of the Group is the investment in commercial real estate across five European regions – London, the rest of the United Kingdom, France, Germany and Sweden – with a focus on providing well-managed, cost-effective offices for cost-conscious occupiers in key European cities.

The Group's total property interests have increased to £1,382.1 million at 31 December 2014, comprising the wholly-owned property investment portfolio valued at £1,310.1 million, a hotel with a value of £21.3 million, vacation sites valued at £20.5 million (the Group's share), and a 13.5% interest in Swedish listed property company Catena AB, valued at £30.2 million.

PROPERTIES

OVERVIEW At 31 December 2014, the directly held investment property portfolio was independently valued at £1,310.1 million (31 December 2013: £1,132.9 million). This increase of £177.2 million primarily comprised new acquisitions and development expenditure of £79.8 million in aggregate, and a £186.5 million valuation uplift; the effects of these were mitigated by disposals of £28.6 million, the transfer of the recently-completed Spring Mews hotel to Property, Plant and Equipment, and the £37.8 million negative impact of exchange rate movements. In local currencies, the portfolio rose by 15.8%, after acquisitions and development expenditure. The driver was the outstanding performance of the London portfolio, which increased in value by 34.1%; Germany rose by 2.9% and France by 1.7%, whilst the rest of UK fell by 0.3% and Sweden by 15.8%.

Over 40% of the uplift in the value of the London portfolio came from four development schemes, of which two reached practical completion in the second half of the year, a third, Westminster Tower SE1, gained planning consent, and the fourth, Vauxhall Square, moved twelve months closer to our gaining vacant possession in early 2017. The medium-term development programme was extended during the year, with the planning consent gained on Westminster Tower, and with two French properties providing the opportunity for redevelopment.

Of the £31.6 million spent on acquisitions in the year, £27.4 million related to two modern, multi-let office buildings in a suburb of Hamburg. Cambridge House, Hammersmith was sold in April for £29.5 million, 32% above its valuation four months earlier. Contracted rent rose in the twelve months by 1.7% on a like-for-like basis, whilst the annualised rent rose by 2.3%, including £3.5 million of income from the completed developments. The increase in the capital values of the London properties far outstripped the increase in their rents, reducing the net initial yield of the overall investment property portfolio (excluding developments) at 31 December 2014 to 6.5% (2013: 7.0%). The average rent across the Group remained very affordable at £158 per sqm, and the average capital value was also low at just £2,352 per sqm. This was very close to replacement cost, meaning that the land element of our investments in key European cities was minimal. This also highlights how successful the Group can be in attracting occupiers with cost-effective rents.

The bedrock of the Group's rental income is strong, with 47% being paid by government occupiers and 21% from major corporations, and 58% of our rents are subject to indexation. The weighted average lease length at 31 December 2014 was 6.4 years, or 5.1 years to first break. Some over-rented leases expire in 2015, notably in Sweden, and thereafter the portfolio is broadly let at current market rents.

The overall vacancy rate reached an all-time low at just 3.0% (2013: 4.4%), including a reduction in France of more than a half, from 10.6% to 5.1%. This is testament to the benefit of active in-house asset and property management, and of maintaining strong links with our occupiers to ensure we understand and respond to their needs.

The benefits of the Group's geographical diversification remain self-evident: there is strong growth in the London portfolio, at a time when there are good investment opportunities and readily available debt in Germany.

The Group maintains its strong commitment to sustainability, which has benefited both occupiers and the Group. The Corporate, Social and Environmental Responsibility Report in the 2014 Annual Report and Accounts provides more detail.

LONDON

The UK economy remains relatively robust – GDP growth was 2.6% in 2014 and a similar level is forecast for 2015, unemployment is 5.7% and set to fall, and inflation is under control – and London is the engine which drives it. The property market in London benefits from these conditions. It continues to show an imbalance of demand exceeding supply, in both the investment and the occupancy markets, and this has manifested in a fall in investment yields and in a rise in rental values, both within Central London and across its suburbs.

In the two years to 31 December 2013, the Group took advantage of buying opportunities in suburban London, investing £40.9 million at an average net initial yield of 9.9%. A subsequent significant increase in competition for such offices, coupled with more readily available bank finance, has since reduced yields by some 200 basis points. Whilst we continued actively to compete in these markets in 2014, we restricted our attention to opportunities in which we could see the better returns, and acquired Berkeley House, Datchet for £2.2 million plus costs, generating a net initial yield of 10.75%.

We have, however, taken the opportunity to dispose selectively of certain types of property. Following the sale in late 2013 of Ingram House, John Adam Street, WC2 for £13.2 million at a capital value before refurbishment costs of over £10,000 per sqm, in April we sold Cambridge House W6 for £29.5 million at a net initial yield of 2.34%, which, considered a development site, reflected its 50% vacancy.

The London occupancy market strengthened in 2014, and with a lack of new developments to satisfy this demand, rental values rose. On average, new lettings were achieved at 8.2% above the ervs of 31 December 2013. During 2014 ervs of the London portfolio rose by 9.7%, and at 31 December 2014 the London portfolio was net reversionary. Those leases which were reversionary were £4.1 million or 11.6% under-rented; of the £1.3 million (3.7%) of over-renting in London, more than £0.9 million was on leases which expire in 2022 or later. The vacancy rate for London remains very low at just 3.3%, excluding development stock (2013: 3.2%). During 2014, 6,365 sqm became vacant and we let or renewed leases on 5,661 sqm.

Of the developments in Central London, two have completed, a third continues to make good progress, and a fourth was added during the year. At Spring Mews, Vauxhall SE11, practical completion was reached on the 20,800 sqm mixed-use scheme, comprising a 378 bed student accommodation building, and a 93 bedroom suite hotel, together with retail and office space. The student accommodation was ready for the start of the academic year in September and achieved full occupancy in its first year. At the hotel a franchise agreement is in place with Intercontinental Hotel Group for a Staybridge branded suite hotel, run by specialist franchise operator, Cycas Hospitality. Following the fit-out, the hotel opened for business shortly after the year end. The 245 sqm of retail and 1,000 sqm of offices within the scheme are expected to be let in 2015. Under IFRS, the hotel element of the scheme is carried in the balance sheet at market value within Property, Plant and Equipment.

	Investment Properties	Spring Mews hotel
Value	**£705.0 million**	£21.3 million
Group's property interests	**51%**	2%
No. of properties	**34**	1
Lettable space	**158,892 sqm**	93 rooms
EPRA net initial yield[1]	**5.2%**	n/a
Vacancy rate	**3.3%**	n/a
Valuation uplift	**34.1%**	n/a
Government and major corporates	**72%**	n/a
Average unexpired lease length	**7.0 years**	n/a
To first break	**6.1 years**	n/a

[1] excluding developments

The comprehensive refurbishment of Clifford's Inn, EC4 was completed towards the end of the year to provide 2,769 sqm of top quality office space and eight new residential apartments. The offices were launched on the occupational market in January 2015 and the eight apartments are to be marketed later in the year.

The Nine Elms/Vauxhall district of London continues to be the most industrious development area in the capital. The developments of the new American and Dutch embassies are well advanced, as is the demolition of Market Towers by Chinese developer Dalian Wanda Group, in preparation for the development of One Nine Elms, a five star hotel and high-end residential scheme. Developments are well advanced at Riverlight, Embassy Gardens and Battersea Power Station, other developers have started on site in the past twelve months, such as Sainsbury's/Barratt Homes and Bellway Homes, both on Wandsworth Road, and Keybridge House on South Lambeth Road was bought by developer Mount Anvil/A2 Dominion in November.

In early 2017 we are due to gain vacant possession of the site which comprises Vauxhall Square, SW8, which, adjacent to the main transport hub, is the gateway into Nine Elms/Vauxhall. We have continued to make good progress during the year on this 143,000 sqm mixed-use development scheme in the heart of Vauxhall. In January 2014 we entered into a conditional long lease with a specialist student housing developer/operator to build and manage the 359 student room building adjacent to the main Vauxhall Square site, and we continue to make progress to satisfy the conditionality. Planning consent was granted during the year to reconfigure this building to provide 454 student rooms. Consent was also granted to upgrade one of the hotels in our scheme from a mid-market offer to a four-star hotel with conferencing facilities.

At Westminster Tower, SE1, on the south side of Lambeth Bridge, detailed planning consent was granted for a major refurbishment of the existing 14 storey building, the addition of three further stories, and the conversion from an office building to 34 residential units (of which 11 will be of shared ownership) and 1,441 sqm of offices. Vacant possession is expected to be secured in the medium term.

The 34.1% uplift in the values of the London portfolio reflected both strong growth in the value of underlying investment properties and very strong growth in the values of the four developments. The let investment properties benefited from an uplift of 9.7% in ervs in the twelve months, and from a reduction in the true equivalent yields of 90 bps, which together contributed to a 27.8% uplift in values. The increase in value of the developments reflected profits recognised for the first time on completed developments, the granting of planning consent on Westminster Tower, and the continued strength of the Nine Elms/Vauxhall area. The valuation of Vauxhall Square benefited from a 5.5% increase in residential values reflecting price movements across the Nine Elms/Vauxhall area, office yields tightened by 50 bps and rents rose by over 15%. In total the four developments of Spring Mews, Clifford's Inn, Westminster Tower and Vauxhall Square shared an uplift of 48.3% in the twelve months after capital expenditure, representing 44% of the total uplift in London in the year. Of the remaining £104.2 million of London's uplift, two properties with long leases to Central Government departments added £63.8 million – an uplift of 30.6% – and the rest of the London portfolio rose by 16.4%. At 31 December 2014 the valuation of the London portfolio, except Vauxhall Square, was undertaken by DTZ for the first time; Vauxhall Square continued to be valued by Knight Frank.

REST OF UK

Value	£97.6 million
Group's property interests	7%
No. of properties	32
Lettable space	98,086 sqm
EPRA net initial yield	12.8%
Vacancy rate	0.9%
Valuation fall	-0.3%
Government and major corporates	100%
Average unexpired lease length	6.6 years
To first break	4.1 years

The Rest of UK portfolio was acquired in September 2013 as part of the Neo portfolio of government-occupied offices across the UK.

The portfolio is 99% let to 14 government departments. In 2014, we renewed two leases, at 12.2% above their ervs of 31 December 2013, and agreed five index-linked rent reviews at an average of 17.7% above previous rents; in aggregate £265,000 was added to the rent roll.

The UK economic recovery driven by London has begun to reach other areas around the UK, and in 2014 ervs rose in the Rest of UK portfolio. However, the portfolio has a concentration of lease expiries and breaks in March 2018 and the external valuers are required by their professional rules to assume that each event affects the value as if it will be exercised. This negatively affected the value of the Rest of UK portfolio, increasing its true equivalent yield by 97 bps, which offset the impact of new lettings and erv growth, and the portfolio fell marginally in the year by 0.3%. At 31 December 2014 the valuation of the Rest of UK portfolio was undertaken by DTZ for the first time.

FRANCE

The French economy stagnated in the first half of 2014 before picking up slightly over the summer. GDP growth is projected to continue at a slow pace in 2015, helped by lower energy prices, a favourable exchange rate and improvements in the global environment.

With an undersupply of new developments, and an increase in the number of projects on hold, headline rents in Paris stabilised following their fall in 2013. However, vacancy rates in the markets of La Defense and the Western Crescent of Paris now stand at 12%.

It is in these difficult conditions that the French team managed to more than halve our vacancy rate in France to only 5.1% (2013: 10.6%). Whilst 15,949 sqm of space was subject to expiries or vacancies in the year, 19,317 sqm was let. This was achieved at a weighted average rent of less than 1.5% below ervs at 31 December 2013.

In August we disposed of Blocks C and D of Le Quatuor, 168 Avenue Jean Jaurès, Montrouge under a compulsory purchase order to facilitate the expansion of the local train station to accommodate the Grand Paris project. The disposal was made at a gain of £1.7 million above the 2013 external valuation, and Blocks A and B which remain in our ownership will benefit in the fullness of time from the improvements to the area which this new railway line will bring.

Value	£225.1 million
Group's property interests	16%
No. of properties	26
Lettable space	92,147 sqm
EPRA net initial yield[1]	6.2%
Vacancy rate	5.1%
Valuation uplift	1.7%
Government and major corporates	56%
Average unexpired lease length	5.2 years
To first break	2.6 years

[1] excluding developments

The French portfolio valuation rose by 1.7% in the year in local currency, but fell by 4.9% in sterling. The underlying portfolio of 24 of our 26 properties rose in value by 2.7%, reflecting the fall in vacancies across the portfolio, offset by a fall in ervs in the year of 1.1%. The values of the other two properties fell by 9.1% in aggregate. These properties were the Group's most central property in Paris, 1,800 sqm of offices directly opposite the Banque de France in Rue Croix des Petits Champs, and 3,700 sqm of offices in Rue Eugène Ruppert in Luxembourg. Both became empty during the year and provide excellent opportunities to carry out significant refurbishments or developments in the next few months.

TOP 10 CUSTOMERS

The ten customers which contribute most rental income to the Group account for 48.7% of the rent roll, and comprise:

LONDON

• National Crime Agency	Government
• Trillium	Government
• Cap Gemini	Major Corporation
• BAE Systems	Major Corporation

REST OF UK

• Secretary of State	Government

GERMANY

• City of Bochum	Government
• BrainLab	Major Corporation
• E.ON	Major Corporation

SWEDEN

• Västra Götaland Country Council	Government
• Vänersborg Kommun	Government

GERMANY

In 2014, Germany's GDP growth of 1.5% remained relatively weak and it is projected to grow only gradually, its otherwise robust labour market and expansionary monetary policy being constrained by weakness in its trading partners.

We continue to see good investment value in German real estate, supported by favourable financing conditions. Last year we bought Bismarckallee 18/20 in Freiburg, and in December 2014 we unconditionally exchanged on the acquisition of Schellerdamm 2 and Schellerdamm 16, two modern, multi-let office buildings in the Harburg district of Hamburg providing 18,665 sqm of lettable space and 287 car parking spaces. Completion took place shortly after the year end at a price of €32.35 million plus costs, generating a net initial yield of 6.4%, which we financed with a seven-year loan from a local Sparkasse bank at a cost fixed at less than 2% per annum.

During 2014, lettings and renewals totalled 6,023 sqm whilst only 2,256 sqm were vacated by occupiers, and as a consequence the vacancy rate fell to 2.6% (2013: 3.5%); two years ago the German portfolio was 7.4% vacant. New leases and renewals were achieved at an average of 4.1% above ervs at the end of 2013.

The valuation of the German portfolio rose by 2.9% in local currencies, but fell by 3.4% in sterling. However, the underlying portfolio of 16 out the 18 properties rose in value by 4.8%, partly due to the reduction in voids, and partly because the equivalent yield fell by 20 bps; ervs were virtually unchanged in the year. Of the other two properties, Harburg was acquired at the end of the year and rose by 1.4% after costs, and Kapellenstrasse 12, Feldkirchen fell by 16.6% after the sole tenant announced its intention to vacate the building when its lease expires at the end of 2016. The value of this building is unlikely to fall significantly further in value before then.

Value	£235.5 million
Group's property interests	17%
No. of properties	19
Lettable space	170,743 sqm
EPRA net initial yield	6.7%
Vacancy rate	2.6%
Valuation uplift	2.9%
Government and major corporates	39%
Average unexpired lease length	7.1 years
To first break	7.0 years

SWEDEN

INVESTMENT PROPERTY

Value	£46.9 million
Group's property interests	3%
No. of properties	1
Lettable space	45,354 sqm
EPRA net initial yield	8.5%
Vacancy rate	0.8%
Valuation fall	-15.8%
Government and major corporates	96%
Average unexpired lease length	2.8 years
To first break	2.8 years

FINANCIAL INVESTMENT

Value in Catena	£30.2 million
Group's property interests	2%
Interest in Catena	13.5%

PROPERTY, PLANT & EQUIPMENT

Value in First Camp	£5.9 million
Group's property interests	2%
Interest in First Camp	58.0%
Gross value of assets	£35.4 million
Share of gross value of assets	£20.5 million

The Group's interests in Sweden consist of two operating segments: Investment Properties and Other Investments. The Other Investments are an equity stake in a financial investment and a subsidiary, both of which invest in Swedish real estate, and as they operate against the same economic backdrop, are considered together with the directly-held Swedish investment property in this Strategic Review.

Sweden's economy has continued to show signs of robustness. Inflation is running at marginally below 0%, unemployment is around 7%, and the Riksbank has reduced its Repo rate to 0% and expects GDP growth of 2.6% in 2015. The direct property market in Sweden has remained dominated by domestic demand with readily available finance, and in 2014 we have been able to find better returns elsewhere in the areas in which we invest.

At the 45,354 sqm office complex, Vänerparken, near Gothenburg, negotiations have progressed with the main local government occupier on lease renewals in mid-2015 which currently account for SEK 47.0 million of the SEK 71.3 million rental income from the property. It is likely that this occupier will remain only in part of the building complex, vacating in particular much of the basement and storage areas, and at a rent per square metre well below the current over-rented levels. Ervs at 31 December 2014 have fallen by 24.5% from their levels twelve months earlier and this is the primary reason for the fall in the property's market value by 15.8% in local currency (25.6% in sterling) in the year.

Catena AB's share price rose by 5.8% in 2014 to SEK 105.75 per share, but as sterling appreciated against the krona by 12.4% the sterling carrying value of the investment fell by a net 7.4%. Catena remains very profitable and we received a dividend of £0.7 million in the year.

At 31 December 2013, the Group held a 44.2% interest in its associate, Cood Investments AB. During the year the interest in Cood was sold, and certain income-producing assets of Cood were acquired by First Camp Sverige Holding AB, a newly-formed subsidiary in which the Group holds a 58% interest. The assets, predominantly camp sites in Sweden, were valued at £35.4 million (Group's share: £20.5 million) at 31 December 2014, and the Group's share in the net assets of First Camp at that date was £5.9 million.

EXCHANGE RATES TO THE £

	EUR	SEK
At 31 December 2012	1.2317	10.5677
2013 average rate	1.1779	10.1926
At 31 December 2013	1.2041	10.6562
2014 average rate	1.2410	11.2984
At 31 December 2014	1.2876	12.1654

RESULTS FOR THE YEAR

HEADLINES Profit after tax of £194.9 million (2013: £63.2 million) generated EPRA earnings per share of 77.4 pence (2013: 66.2 pence), and basic earnings per share of 449.0 pence (2013: 146.9 pence). Gross property assets at 31 December 2014 were £1,310.1 million (2013: £1,132.9 million), EPRA net assets per share were 39.9% higher at 1,774.1 pence (2013: 1,268.4 pence), and basic net assets per share rose by 39.0% to 1,521.1 pence (2013: 1,094.1 pence).

A key feature of the Group is its ability to generate cash through the yield on its portfolio far exceeding its cost of debt, and the low vacancy rate driven by in-house asset management. Net cash flow from operating activities, including interest received, was £34.5 million which represented a cash return of 7.2% on opening net assets.

Approximately 50% of the Group's business is conducted in the reporting currency of sterling, around 45% in euros, and the balance is in Swedish kronor. Compared to last year, sterling strengthened against the euro by 5.4% and against the krona by 10.8%, reducing profits accordingly. Likewise, at 31 December 2014 the euro was 6.9% weaker and the krona 14.2% weaker against sterling than twelve months previously, reducing the sterling equivalent value of non-sterling net assets.

INCOME STATEMENT At £84.4 million, rental income in 2014 was £8.4 million higher than in 2013, largely through a full year's impact of acquisitions made in 2013, which added £13.6 million, offset by disposals of £2.0 million, and the strength of the sterling which lowered rent by £2.4 million. First Camp added £0.7 million of income for the first time, and net rental income of £82.2 million was 12.4% higher than last year (2013: £73.1 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 2014, retaining key staff whilst expanding staff levels for the development programme and property purchases, drove the increase in administration expenses of the property segment of the Group to £12.8 million (2013: £11.9 million). As a proportion of net rental income, the administration cost ratio reduced to 15.7% (2013: 16.3%).

The net surplus on revaluation of investment properties of £186.0 million was predominantly generated by the London portfolio, which rose in value by £185.1 million. £80.9 million (an uplift of 48.3%) of this reflected increases in the value of the four developments mentioned above, £63.8 million (an uplift of 30.6%) was generated on Spring Gardens, SE11 and 214/236 Gray's Inn Road, WC1, both of which have long leases with Central Government departments, and £40.4 million (an uplift of 16.4%) came from the rest of the let portfolio.

The majority of the profit on sale of investment properties was generated by the disposals of Cambridge House W6 and Blocks C and D of Le Quatuor in Paris, which realised a gain of £8.5 million after costs over their aggregate valuation at 31 December 2013 of £28.6 million.

In August, the Group increased its interest in its associate, Cood investments AB, from 44.2% to 58.0%, whereupon Cood was reclassified as a subsidiary at fair value, generating a gain on reclassification of £0.2 million. The increase of 13.8% was acquired for a price below the fair value of the share of net assets acquired, which produced a gain on acquisition of £1.2 million.

The majority of finance income of £7.7 million (2013: £7.6 million) was interest income of £6.1 million (2013: £6.3 million) from our corporate bond portfolio. At 31 December 2014, this had a value of £61.8 million, and remained an important cash management tool of the Group, earning a return on capital of 8.7% in the year.

Finance costs of £28.1 million (2013: £23.7 million) were higher than last year as they contained a £1.3 million loss on redeeming 25% of the zero coupon note, and non-cash items – an adverse movement in the fair value of derivatives of £0.9 million (2013: favourable £3.3 million) – added £4.2 million. The underlying interest cost, excluding these items, fell to £24.8 million (2013: £25.2 million), after capitalising interest of £2.9 million (2013: £0.9 million) on Spring Mews and Clifford's Inn, which will not recur next year. A full year of interest on the £80 million secured notes issued in December 2013 to finance the Neo acquisition added £2.9 million to gross interest costs in 2014. However, 68% of our debt is at floating rates to take advantage of the low interest rate environment, and the fall in Libor and its European equivalents reduced the cost of bank loans by £0.6 million compared to 2013.

Investments in associates have been largely sold or written down during the year, and at 31 December 2014 stood at only £1.5 million. We received a dividend from Bulgarian Land Development Plc of £0.8 million, and provided £2.2 million for the full impairment of the rest of the carrying value of the investment to reflect the difficult conditions likely to prevail in the Bulgarian residential holiday market.

Once again this year the tax charge of 17.7% was significantly below the weighted average rate of the countries in which we do business (22.1%), primarily due to indexation allowances available on United Kingdom properties.

Overall, profit after tax attributable to owners of the Company of £194.9 million (2013: £63.2 million) was £131.7 million above that of last year. In 2013, the underlying profit after tax, before gains on the sale of bonds (£14.1 million) and on the reclassification of an associate (£14.9 million), was £34.2 million. EPRA profit after tax of £33.6 million (2013: £28.5 million) was 17.9% or £5.1 million higher in 2014, and the property valuation, net of deferred tax, was £154.5 million higher.

EPRA NET ASSET VALUE At 31 December 2014, EPRA net assets per share (a diluted measure which highlights the fair value of the business on a long-term basis) were 1,774.1 pence (2013: 1,268.4 pence), a rise of 39.9%, or 505.7 pence per share. The main reasons for the increase were the uplift in the valuation of the investment property portfolio which added 433.5 pence, and underlying profit after tax which added 98.9 pence. Sundry fair value uplifts of property, plant and equipment, equities and bonds added 24.0 pence, but the strength of sterling against the euro and krona reduced EPRA net assets per share by 45.0 pence.

CASH FLOW, NET DEBT AND GEARING At 31 December 2014, the Group's cash balances of £100.2 million were £29.6 million lower than twelve months previously. Operating activities generated £34.5 million, of which £15.5 million was returned to shareholders, and proceeds from property disposals added £37.1 million. £45.2 million was spent on capital expenditure, particularly on the developments at Spring Mews and Clifford's Inn, and repayment of loans exceeded the proceeds from new ones by £32.6 million.

Gross debt fell by £54.3 million in a relatively quiet year for completing financing deals, and half of the fall was through retranslating non-sterling debt. One new loan of £22.5 million was taken out to replace £18.7 million repaid, and £13.4 million of loans were acquired by First Camp. £24.8 million was returned to the banks through amortisation, and a net £18.7 million of overdrafts were repaid. At the end of the year the weighted average unexpired term of the Group's debt was 3.9 years. Since the year end, the Harburg acquisition was financed with €24.0 million for seven years at a fixed cost of 1.915% p.a., and Spring Gardens was refinanced with £97 million for six years.

Balance sheet loan-to-value (net debt to gross assets less cash) fell to 43.4% (2013: 52.8%), and the weighted average loan-to-value on borrowings secured against properties was a comfortable 49.7% (2013: 56.3%). Adjusted solidity was 48.0% (2013: 39.9%).

The weighted average cost of debt at 31 December 2014 was 3.64%, which fell to a pro forma 3.58% after the financings of Harburg and Spring Gardens in February 2015, and it remains one of the lowest in the property sector. The cost of new bank financing has fallen in the past few months, particularly in the UK, but notwithstanding low medium-term rates, refinancing existing debts as they fall due will probably gradually increase the average cost of debt of the Group.

In 2014, our low cost of debt led to recurring interest cover of a comfortable 3.3 times (2013: 3.2 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. The Group had 60 loans across the portfolio from 23 banks, plus a debenture, a zero coupon note, secured notes and two unsecured bonds.

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 caps and swaps. Since 2009, the Board has believed that interest rates were likely to remain low longer than the forward interest curve would imply, and, therefore, its policy has been 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 expected, the Group entered into interest rate caps. This policy has served the Group well. At 31 December 2014, 32% of the Group's borrowings were at fixed rates or subject to interest rate swaps, 41% were subject to caps and 27% of debt costs were unhedged. With long-term rates now at historically low levels, particularly for the euro, the Board may seek to fix rates over the medium term with interest rate swaps when the opportunity arises, such as on the recent Harburg acquisition.

The Group's financial derivatives – predominantly interest rate caps and interest rate swaps – are marked to market at each balance sheet date. At 31 December 2014 they represented a net liability of £7.3 million (2013: £5.2 million).

DISTRIBUTIONS TO SHAREHOLDERS In May 2014, £10.0 million was distributed to shareholders by means of a tender offer buy-back of 1 in 66 shares at 1,495 pence per share. In September, a further £5.5 million was distributed by means of a tender offer buy-back of 1 in 119 shares at 1,500 pence per share, and a proposed tender offer buy-back of 1 in 80 shares at 1,950 pence per share to return £10.4 million will be put to shareholders at the Annual General Meeting in April 2015. This represents a 7.6% uplift in distribution per share over the equivalent distribution last year.

SHARE CAPITAL At 1 January 2014, there were 46,856,893 shares in issue, of which 2,903,103 were held as treasury shares. Shares were cancelled during the year under the distribution policy of tender offer buy-backs: in May, 665,966 shares were cancelled in exchange for £10.0 million distributed to shareholders, and in September, 363,763 shares were cancelled in exchange for a distribution of £5.5 million.

Consequently, at 31 December 2014, 42,924,061 shares were listed on the London Stock Exchange, and 2,903,103 shares remained held in Treasury.

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 1,379 pence on 31 December 2013 to 1,529 pence at 31 December 2014. Accordingly, the total shareholder return in 2014 was 10.9%. In the five years to 31 December 2014, our total shareholder return of 206.6%, which represented a compound annual return of 25.1%, was one of the best performances in the listed real estate sector.

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

KEY PERFORMANCE INDICATORS

Our performance against our key performance indicators is set out in the 2014 Annual Report and Accounts.

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	32.4	31.7	158,892	34.9	38.9	6.0	3.3%
Rest of UK	13.3	13.3	98,086	13.3	9.8	6.1	0.9%
France	17.1	17.0	92,147	15.9	15.8	15.9	5.1%
Germany	15.3	14.9	170,743	17.5	16.9	17.1	2.6%
Sweden	6.3	4.6	45,354	5.9	3.7	5.9	0.8%
Total Portfolio	**84.4**	**81.5**	**565,222**	**87.5**	**85.1**	**51.0**	**3.0%**

VALUATION DATA

		Valuation movement in the year						
	Market value of property £m	Underlying £m	Foreign exchange £m	EPRA net initial yield	EPRA topped up net initial yield	Reversion	Over-rented	True equivalent yield
London	705.0	185.1	–	5.2%	5.2%	11.6%	3.7%	6.1%
Rest of UK	97.6	(0.3)	–	12.8%	12.9%	2.6%	30.3%	10.0%
France	225.1	4.0	(15.6)	6.2%	6.7%	3.0%	9.4%	6.6%
Germany	235.5	6.9	(15.2)	6.7%	6.8%	2.0%	8.1%	5.9%
Sweden	46.9	(9.2)	(7.0)	8.5%	8.5%	2.3%	39.3%	7.0%
Total Portfolio	**1,310.1**	**186.5**	**(37.8)**	**6.5%**	**6.6%**	**6.1%**	**12.0%**	

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	6.1	7.0	3.3	3.1	5.7	22.9	3.8	3.3	6.7	23.9
Rest of UK	4.1	6.6	1.6	0.8	2.1	8.9	0.9	1.0	1.4	6.3
France	2.6	5.2	1.6	0.8	5.6	8.0	1.2	0.7	5.0	8.0
Germany	7.0	7.1	1.9	3.3	4.0	8.3	1.9	2.8	3.9	7.8
Sweden	2.8	2.8	3.9	0.2	0.5	1.3	1.7	0.2	0.5	1.3
Total Portfolio	**5.1**	**6.4**	**12.3**	**8.2**	**17.9**	**49.4**	**9.5**	**8.0**	**17.5**	**47.3**

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- 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 or loss of the company and the undertakings included in the consolidation taken as a whole;

- the strategic 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 that they face; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

This statement of responsibilities was approved by the Board on 4 March 2015.

By order of the Board

David Fuller BA FCIS
Company Secretary
4 March 2015

GROUP INCOME STATEMENT

for the year ended 31 December 2014

	Notes	**2014 £m**	2013 £m
Continuing operations			
Group revenue		**99.6**	91.2
Net rental income	2	**82.2**	73.1
Administration expenses		**(13.6)**	(12.4)
Other expenses		**(4.9)**	(3.5)
Group revenue less costs		**63.7**	57.2
Net movements on revaluation of investment properties	8	**186.0**	(0.2)
Profit on sale of investment property		**8.7**	4.5
Fair value gain on reclassification of an associate as a subsidiary	24	**0.2**	–
Gain arising from acquisition	24	**1.2**	–
Profit on sale of joint venture	25	**–**	1.8
Net gain on sale of corporate bonds and other financial investments		**–**	14.1
Fair value gain on reclassification of an associate as an investment		**–**	14.9
Operating profit		**259.8**	92.3
Finance income	3	**7.7**	7.6
Finance costs	4	**(28.1)**	(23.7)
Share of loss of associates after tax	11	**(2.6)**	(4.8)
Profit before tax		**236.8**	71.4
Taxation	5	**(42.0)**	(8.2)
Profit for the year		**194.8**	63.2
Attributable to:			
Owners of the Company		**194.9**	63.2
Non-controlling interests		**(0.1)**	–
		194.8	63.2

Earnings per share from continuing operations (expressed in pence per share)			
Basic	6	**449.0**	146.9
Diluted	6	**449.0**	146.7

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

	Notes	**2014 £m**	2013 £m
Profit for the year		**194.8**	63.2
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange differences		**(14.7)**	3.4
Items that may be reclassified to profit or loss			
Fair value gains/(losses) on corporate bonds and other financial investments	12	**3.2**	(1.4)
Fair value losses/(gains) taken to net gain on sale of corporate bonds and other			
financial investments	12	**0.2**	(11.2)
Revaluation of property, plant and equipment	9	**6.5**	–
Deferred tax on net fair value (gains)/losses	16	**(1.3)**	3.1
Total items that may be reclassified to profit or loss		**8.6**	(9.5)
Total comprehensive income for the year		**188.7**	57.1
Total comprehensive income attributable to:			
Owners of the Company		**187.5**	57.1
Non-controlling interests		**1.2**	–
		188.7	57.1

GROUP BALANCE SHEET

At 31 December 2014

	Notes	2014 £m	2013 £m
Non-current assets			
Investment properties	8	**1,310.1**	1,132.9
Property, plant and equipment	9	**60.4**	2.8
Goodwill	10	**1.1**	1.1
Investments in associates	11	**1.5**	9.1
Other financial investments	12	**99.9**	104.3
Derivative financial instruments	18	**–**	0.4
Deferred tax	16	**4.8**	6.4
		1,477.8	1,257.0
Current assets			
Trade and other receivables	13	**10.8**	12.7
Derivative financial instruments	18	**–**	0.3
Cash and cash equivalents	14	**100.2**	129.8
		111.0	142.8
Total assets		**1,588.8**	1,399.8
Current liabilities			
Trade and other payables	15	**(68.1)**	(40.3)
Current tax		**(7.7)**	(3.5)
Borrowings	17	**(192.8)**	(77.5)
Derivative financial instruments	18	**(1.0)**	–
		(269.6)	(121.3)
Non-current liabilities			
Deferred tax	16	**(105.9)**	(74.4)
Borrowings	17	**(549.5)**	(717.3)
Derivative financial instruments	18	**(6.3)**	(5.9)
		(661.7)	(797.6)
Total liabilities		**(931.3)**	(918.9)
Net assets		**657.5**	480.9
Equity			
Share capital	19	**11.5**	11.7
Share premium	21	**82.9**	82.9
Other reserves	22	**88.8**	96.0
Retained earnings		**469.7**	290.3
Equity attributable to owners of the Company		**652.9**	480.9
Non-controlling interests		**4.6**	–
Total equity		**657.5**	480.9

The financial statements of CLS Holdings plc (registered number: 2714781) were approved by the Board of Directors and authorised for issue on 4 March 2015 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 2014

	Notes	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interest £m**	**Total equity £m**
Arising in 2014:								
Total comprehensive income for the year		**–**	**–**	**(7.4)**	**194.9**	**187.5**	**1.2**	**188.7**
Adjustment arising from change in non-controlling interest		**–**	**–**	**–**	**–**	**–**	**3.4**	**3.4**
Purchase of own shares	19	**(0.2)**	**–**	**0.2**	**(15.4)**	**(15.4)**	**–**	**(15.4)**
Expenses thereof		**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Total changes arising in 2014		**(0.2)**	**–**	**(7.2)**	**179.4**	**172.0**	**4.6**	**176.6**
At 1 January 2014		**11.7**	**82.9**	**96.0**	**290.3**	**480.9**	**–**	**480.9**
At 31 December 2014		**11.5**	**82.9**	**88.8**	**469.7**	**652.9**	**4.6**	**657.5**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Arising in 2013:								
Total comprehensive income for the year		–	–	(6.1)	63.2	57.1	–	57.1
Issue of share capital		–	11.4	–	8.0	19.4	–	19.4
Expenses thereof		–	–	–	(0.4)	(0.4)	–	(0.4)
Exercise of share options		–	–	–	1.4	1.4	–	1.4
Purchase of own shares	19	(0.3)	–	0.3	(13.6)	(13.6)	–	(13.6)
Expenses thereof		–	–	–	(0.1)	(0.1)	–	(0.1)
Total changes arising in 2013		(0.3)	11.4	(5.8)	58.5	63.8	–	63.8
At 1 January 2013		12.0	71.5	101.8	231.8	417.1	–	417.1
At 31 December 2013		11.7	82.9	96.0	290.3	480.9	–	480.9

GROUP STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Notes	**2014 £m**	2013 £m
Cash flows from operating activities			
Cash generated from operations	23	**53.3**	63.4
Interest paid		**(24.4)**	(22.2)
Income tax paid		**(2.5)**	(5.4)
Net cash inflow from operating activities		**26.4**	35.8
Cash flows from investing activities			
Purchase of investment property		**(4.2)**	(165.3)
Capital expenditure on investment property		**(45.2)**	(34.3)
Net cash inflow from business acquisition		**2.9**	–
Proceeds from sale of investment property		**37.1**	13.2
Proceeds from sale of joint venture		**–**	4.4
Interest received		**8.1**	11.2
Purchase of corporate bonds		**(70.9)**	(110.6)
Proceeds from sale of corporate bonds		**82.9**	172.9
Purchase of equity investments		**(5.1)**	(3.3)
Dividends received from equity investments		**0.7**	0.4
Proceeds from sale of equity investments		**3.3**	3.1
Purchase of interests in associate undertakings		**–**	(0.3)
Loans to associate undertakings		**(1.0)**	(1.2)
Distributions received from associate undertakings		**0.8**	0.3
Costs on foreign currency transactions		**(0.9)**	(1.7)
Costs of corporate disposals		**–**	(0.3)
Purchases of property, plant and equipment		**(11.3)**	(0.3)
Net cash outflow from investing activities		**(2.8)**	(111.8)
Cash flows from financing activities			
Proceeds from issue of shares		**–**	20.4
Purchase of own shares		**(15.5)**	(13.7)
New loans		**32.6**	207.4
Issue costs of new loans		**(0.2)**	(1.9)
Repayment of loans		**(65.0)**	(103.4)
Purchase or cancellation of derivative financial instruments		**–**	(0.3)
Net cash (outflow)/inflow from financing activities		**(48.1)**	108.5
Cash flow element of net (decrease)/increase in cash and cash equivalents		**(24.5)**	32.5
Foreign exchange loss		**(5.1)**	(0.3)
Net (decrease)/increase in cash and cash equivalents		**(29.6)**	32.2
Cash and cash equivalents at the beginning of the year		**129.8**	97.6
Cash and cash equivalents at the end of the year	14	**100.2**	129.8

NOTES TO THE GROUP FINANCIAL STATEMENTS

31 December 2014

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 the United Kingdom, 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 2014 Annual Report and Accounts will be posted to shareholders on 13 March 2015 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 2014. 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 2014 or 2013, but is derived from those accounts. Those accounts give a balanced, 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 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts and the auditors' reports on both the 2013 and 2014 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 Group’s business activities, and the factors likely to affect its future development and performance, are set out in the Strategic Review. The financial position of the Group, its liquidity position and borrowing facilities are described in the Strategic 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, First Camp Sverige Holding AB 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
Rest of United Kingdom
France
Germany
Sweden
Other Investments

There are no transactions between the operating segments.

The Group's results for the year ended 31 December 2013 by operating segment were as follows:

	Investment Property						
	London £m	**Rest of UK £m**	**France £m**	**Germany £m**	**Sweden £m**	**Other Investments £m**	**Total £m**
Rental income	**32.4**	**13.3**	**17.1**	**15.3**	**6.3**	**–**	**84.4**
Other property-related income	**1.0**	**–**	**0.3**	**–**	**–**	**0.7**	**2.0**
Service charge income	**4.9**	**0.2**	**4.8**	**3.0**	**0.3**	**–**	**13.2**
Service charges and similar expenses	**(6.6)**	**(0.2)**	**(5.2)**	**(3.4)**	**(2.0)**	**–**	**(17.4)**
Net rental income	**31.7**	**13.3**	**17.0**	**14.9**	**4.6**	**0.7**	**82.2**
Administration expenses	**(3.2)**	**(0.2)**	**(1.6)**	**(1.2)**	**(0.2)**	**(0.8)**	**(7.2)**
Other expenses	**(2.0)**	**(0.4)**	**(1.0)**	**(1.1)**	**(0.1)**	**(0.3)**	**(4.9)**
Group revenue less costs	**26.5**	**12.7**	**14.4**	**12.6**	**4.3**	**(0.4)**	**70.1**
Profit on sale of investment property	**6.8**	**–**	**1.9**	**–**	**–**	**–**	**8.7**
Net movements on revaluation of investment properties	**185.1**	**(0.4)**	**3.4**	**7.0**	**(9.1)**	**–**	**186.0**
Fair value gain on reclassifying an amount as a subsidiary	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Gain arising from acquisition	**–**	**–**	**–**	**–**	**–**	**1.2**	**1.2**
Segment operating profit/(loss)	**218.4**	**12.3**	**19.7**	**19.6**	**(4.8)**	**1.0**	**266.2**
Finance income	**–**	**–**	**–**	**–**	**–**	**7.7**	**7.7**
Finance costs	**(10.1)**	**(3.3)**	**(3.0)**	**(2.4)**	**(0.9)**	**(8.4)**	**(28.1)**
Share of loss of associates after tax	**–**	**–**	**–**	**–**	**–**	**(2.6)**	**(2.6)**
Segment profit/(loss) before tax	**208.3**	**9.0**	**16.7**	**17.2**	**(5.7)**	**(2.3)**	**243.2**
Central administration expenses							**(6.4)**
Profit before tax							**236.8**

The Group's results for the year ended 31 December 2013 by operating segment were as follows:

	Investment Property						
	London £m	Rest of UK £m	France £m	Germany £m	Sweden £m	Other Investments £m	Total £m
Rental income	30.8	3.9	19.2	15.5	6.6	–	76.0
Other property-related income	0.7	–	0.4	0.1	–	–	1.2
Service charge income	5.1	–	5.4	3.1	0.4	–	14.0
Service charges and similar expenses	(6.5)	(0.1)	(5.7)	(3.4)	(2.4)	–	(18.1)
Net rental income	30.1	3.8	19.3	15.3	4.6	–	73.1
Administration expenses	(3.0)	–	(1.4)	(1.3)	(0.6)	(0.5)	(6.8)
Other expenses	(1.5)	(0.1)	(0.6)	(1.1)	(0.2)	–	(3.5)
Group revenue less costs	25.6	3.7	17.3	12.9	3.8	(0.5)	62.8
Profit on sale of investment	4.5	–	–	–	–	–	4.5

property							
Net movements on revaluation of investment properties	15.3	(4.3)	(9.2)	(0.6)	(1.4)	–	(0.2)
Profit on sale of joint venture	1.8	–	–	–	–	–	1.8
Net gain on sale of corporate bonds and other financial investments	–	–	–	–	–	14.1	14.1
Fair value gain on reclassification of an associate as an investment	–	–	–	–	–	14.9	14.9
Segment operating profit/(loss)	47.2	(0.6)	8.1	12.3	2.4	28.5	97.9
Finance income	–	–	–	–	–	7.6	7.6
Finance costs	(9.1)	(0.5)	(3.2)	(2.9)	(0.8)	(7.2)	(23.7)
Share of loss of associates after tax	–	–	–	–	–	(4.8)	(4.8)
Segment profit/(loss) before tax	38.1	(1.1)	4.9	9.4	1.6	24.1	77.0
Central administration expenses							(5.6)
Profit before tax							71.4

Other segment information:

	Assets		Liabilities		Capital expenditure	
	2014	2013	**2014**	2013	**2014**	2013
	£m	£m	**£m**	£m	**£m**	£m
Investment Property						
London	**717.9**	542.2	**402.4**	374.9	**45.5**	78.9
Rest of UK	**100.2**	98.7	**81.8**	82.2	**–**	101.5
France	**229.8**	245.1	**184.7**	206.2	**2.3**	4.7
Germany	**239.5**	220.3	**160.2**	147.7	**29.4**	13.2
Sweden	**49.7**	67.5	**36.6**	44.5	**3.0**	2.1
Other Investments	**251.7**	226.0	**65.5**	63.4	**30.1**	–
	1,588.8	1,399.8	**931.3**	918.9	**110.3**	200.4

Included within the assets of other investments are investments in associates of £1.5 million (2013: £9.1 million).

3 FINANCE INCOME

	2014	2013
	£m	£m
Interest income	**7.0**	7.2
Other finance income	**0.7**	0.4
	7.7	7.6

4 FINANCE COSTS

	2014 £m	2013 £m
Interest expense		
Bank loans	**13.3**	13.9
Debenture loan	**3.2**	3.3
Zero coupon note	**1.3**	1.4
Secured notes	**3.2**	0.3
Unsecured bonds	**4.8**	5.1
Amortisation of loan issue costs	**1.9**	2.1
Total interest costs	**27.7**	26.1
Less interest capitalised on development projects	**(2.9)**	(0.9)
	24.8	25.2
Loss on partial redemption of zero coupon note	**1.3**	–
Movement in fair value of derivative financial instruments		
Interest rate swaps: transactions not qualifying as hedges	**0.5**	(3.4)
Interest rate caps: transactions not qualifying as hedges	**0.4**	0.1
Foreign exchange variances	**1.1**	1.8
	28.1	23.7

5 TAXATION

	2014 £m	2013 £m
Current tax charge	**7.2**	5.3
Deferred tax charge (note 16)	**34.8**	2.9
	42.0	8.2

A deferred tax charge of £1.3 million (2013: credit of £3.1 million) was recognised directly in equity (note 16).

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:

	2014 £m	2013 £m
Profit before tax	**236.8**	71.4
Tax calculated at domestic tax rates applicable to profits in the respective countries	**52.3**	16.5
Expenses not deductible for tax purposes	**0.6**	0.1
Tax effect of unrecognised losses/(profits) in associates and joint ventures	**0.3**	(0.7)
Tax effect of fair value movements on investments	**0.9**	–
Adjustment in respect of indexation allowance on United Kingdom properties	**(3.5)**	(4.2)
Non-taxable income	**(2.8)**	(2.4)
Gain arising from acquisition	**(0.3)**	–
Change in tax rate	**–**	(1.6)
Deferred tax on losses (recognised)/not recognised	**(3.3)**	0.9
Deferred tax liability released on disposals	**(0.8)**	–
Other deferred tax adjustments	**(0.2)**	(0.1)
Adjustment in respect of prior periods	**(1.2)**	(0.3)
Tax charge for the year	**42.0**	8.2

The weighted average applicable tax rate of 22.1% (2013: 23.1%) 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 property investment 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.

Earnings	**2014 £m**	2013 £m
Profit for the year	**194.9**	63.2
Net movements on revaluation of investment properties	**(186.0)**	0.2
Group's share of gain arising from acquisition	**(1.2)**	–
Profit on sale of investment property	**(8.7)**	(4.5)
Impairment of carrying value of associates	**2.2**	4.0
Change in fair value of derivative financial instruments	**0.9**	(3.3)
Fair value gain on reclassification of an associate as a subsidiary	**(0.2)**	–
Fair value gain on reclassification of an associate as an investment	**–**	(14.9)
Profit on sale of joint venture	**–**	(1.8)
Net (gain)/loss on sale of corporate bonds and other financial investments	**–**	(14.1)
Deferred tax relating to the above adjustments	**31.7**	(0.3)
EPRA earnings	**33.6**	28.5

Weighted average number of ordinary shares	**2014 Number**	2013 Number
Weighted average number of ordinary shares in circulation	**43,410,928**	43,026,586
Dilutive share options†	**–**	59,992
Diluted weighted average number of ordinary shares	**43,410,928**	43,086,578

Earnings per Share	**2014 Pence**	2013 Pence
Basic	**449.0**	146.9
Diluted	**449.0**	146.7
EPRA	**77.4**	66.2

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

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 deferred tax on the fair value of investment properties. The EPRA triple net assets per share measure discloses net assets per share on a true fair value basis: all balance sheet items are included at their fair value in arriving at this measure, including deferred tax, fixed rate loan liabilities and any other balance sheet items not reported at fair value.

Net assets	**2014 £m**	2013 £m
Basic net assets attributable to owners of the Company	**652.9**	480.9
Adjustment to increase fixed rate debt to fair value, net of tax	**(29.2)**	(21.1)
Goodwill as a result of deferred tax	**(1.1)**	(1.1)
EPRA triple net assets	**622.6**	458.7
Deferred tax on property and other non-current assets	**102.4**	72.5
Fair value of derivative financial instruments	**7.3**	5.2
Adjustment to decrease fixed rate debt to book value, net of tax	**29.2**	21.1
EPRA net assets	**761.5**	557.5

Number of ordinary shares	**2014 Number**	2013 Number
Number of ordinary shares in circulation	**42,924,061**	43,953,790
Dilutive share options	**–**	–
Diluted number of ordinary shares	**42,924,061**	43,953,790

Net Assets Per Share	**2014 Pence**	2013 Pence
Basic	**1,521.1**	1,094.1
Diluted	**1,521.1**	1,094.1
EPRA	**1,774.1**	1,268.4
EPRA triple net	**1,450.5**	1,043.6

8 INVESTMENT PROPERTIES

	London £m	**Rest of UK £m**	**France £m**	**Germany £m**	**Sweden £m**	**Total £m**
At 1 January 2014	**519.9**	**97.9**	**240.6**	**214.4**	**60.1**	**1,132.9**
Acquisitions	**2.3**	**–**	**–**	**27.4**	**1.9**	**31.6**
Capital expenditure	**42.8**	**–**	**2.3**	**2.0**	**1.1**	**48.2**
Disposals	**(22.4)**	**–**	**(6.2)**	**–**	**–**	**(28.6)**
Transfer to property, plant and equipment	**(22.7)**	**–**	**–**	**–**	**–**	**(22.7)**
Net movement on revaluation of investment properties	**185.1**	**(0.4)**	**3.4**	**7.0**	**(9.1)**	**186.0**
Rent-free period debtor adjustments	**–**	**0.1**	**0.6**	**(0.1)**	**(0.1)**	**0.5**
Exchange rate variances	**–**	**–**	**(15.6)**	**(15.2)**	**(7.0)**	**(37.8)**
At 31 December 2014	**705.0**	**97.6**	**225.1**	**235.5**	**46.9**	**1,310.1**

	London £m	Rest of UK £m	France £m	Germany £m	Sweden £m	Total £m
At 1 January 2013	436.8	0.7	239.6	197.4	60.0	934.5
Acquisitions	52.7	100.5	–	12.1	–	165.3
Capital expenditure	26.9	–	4.7	1.1	2.1	34.8
Disposals	(11.3)	–	–	–	–	(11.3)
Net movement on revaluation of investment properties	14.3	(3.3)	(9.2)	(0.6)	(1.4)	(0.2)
Rent-free period debtor adjustments	0.5	–	–	0.1	(0.1)	0.5
Exchange rate variances	–	–	5.5	4.3	(0.5)	9.3
At 31 December 2013	519.9	97.9	240.6	214.4	60.1	1,132.9

The investment properties (and the hotel and the owner-occupied property detailed in note 9) were revalued at 31 December 2014 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: DTZ; Knight Frank (2013: Lambert Smith Hampton; Knight Frank)
Rest of UK: DTZ (2013: Savills)
France: Jones Lang LaSalle
Germany: Colliers International
Sweden: CB Richard Ellis

Property valuations are complex and require a degree of judgements and are based on data which is not publicly available. Consistent with EPRA guidance, we have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. In addition to note 3(i), inputs into the valuations include equivalent yields and rental income and are described as ‘unobservable’ as per IFRS 13. These inputs are analysed by segment in the property portfolio information. All other factors remaining constant, an increase in rental income would increase valuations, whilst an increase in equivalent nominal yield would result in a fall in value and vice versa.

Investment properties included leasehold properties with a carrying amount of £49.6 million (2013: £57.4 million).

Interest capitalised within capital expenditure in the year amounted to £2.9 million (2013: £0.9 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 (2013: £nil).

9 PROPERTY, PLANT AND EQUIPMENT

	Hotel £m	Land and buildings £m	Owner-occupied property £m	Fixtures and fittings £m	Total £m
Cost or valuation					
At 1 January 2013	–	–	2.6	1.3	3.9
Additions	–	–	–	0.3	0.3
Disposals	–	–	–	(0.1)	(0.1)
At 31 December 2013	**–**	**–**	**2.6**	**1.5**	**4.1**
Additions	**–**	**10.9**	**–**	**0.4**	**11.3**
Acquired during the year	**–**	**18.0**	**–**	**1.2**	**19.2**
Transfer from investment properties	**21.3**	**–**	**–**	**1.4**	**22.7**
Exchange rate variances	**–**	**(1.8)**	**–**	**–**	**(1.8)**
Revaluation	**–**	**5.0**	**1.5**	**–**	**6.5**
At 31 December 2014	**21.3**	**32.1**	**4.1**	**4.5**	**62.0**
Comprising:					
At cost	**–**	**–**	**–**	**4.5**	**4.5**
At valuation 31 December 2014	**21.3**	**32.1**	**4.1**	**–**	**57.5**
	21.3	**32.1**	**4.1**	**4.5**	**62.0**
Accumulated depreciation and impairment					
At 1 January 2013	–	–	(0.2)	(0.9)	(1.1)
Depreciation charge	–	–	–	(0.3)	(0.3)
Eliminated on disposals	–	–	–	0.1	0.1
At 31 December 2013	**–**	**–**	**(0.2)**	**(1.1)**	**(1.3)**
Depreciation charge	**–**	**–**	**–**	**(0.3)**	**(0.3)**
At 31 December 2014	**–**	**–**	**(0.2)**	**(1.4)**	**(1.6)**
Net book value					
At 31 December 2014	**21.3**	**32.1**	**3.9**	**3.1**	**60.4**
At 31 December 2013	–	–	2.4	0.4	2.8

A hotel and an owner-occupied property were revalued at 31 December 2014 based on the external valuation performed by DTZ and Knight Frank, respectively, as detailed in note 8.

The land and buildings were revalued at 31 December 2014 based on an external valuation performed by Forum Fastighetsekonomi AB.

10 GOODWILL

	2014 **£m**	2013 £m
Cost		
At 1 January and at 31 December	**1.1**	1.1
Amortisation		
At 1 January and 31 December	**–**	–
Net book value		
At 31 December	**1.1**	1.1

Goodwill comprised £0.8 million (2013: £0.8 million) on the acquisition of a French property portfolio in 2004 and £0.3 million (2013: £0.3 million) on a German property acquisition in 2005.

Impairment review 2014 and 2013
Goodwill was reviewed for impairment at 31 December 2014 and at 31 December 2013 using the key assumptions set out below. No adjustment for impairment was required.

Key assumptions:
Unamortised goodwill at 31 December 2014 and at 31 December 2013 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 (2013: £0.1 million).

11 INVESTMENTS IN ASSOCIATES

	Net assets £m	**Goodwill £m**	**Impairment £m**	**Total £m**
At 1 January 2014	**15.6**	**1.5**	**(8.0)**	**9.1**
Share of loss of associates after tax	**(0.4)**	**–**	**(2.2)**	**(2.6)**
Dividends received	**(0.8)**	**–**	**–**	**(0.8)**
Disposal	**(6.8)**	**–**	**3.5**	**(3.3)**
Exchange rate differences	**(1.4)**	**(0.2)**	**0.7**	**(0.9)**
At 31 December 2014	**6.2**	**1.3**	**(6.0)**	**1.5**

	Net assets £m	Goodwill £m	Impairment £m	Total £m
At 1 January 2013	25.5	7.8	–	33.3
Additions	5.6	(5.3)	–	0.3
Share of (loss)/profit of associates after tax	(0.8)	4.2	(8.2)	(4.8)
Dividends received	(0.3)	–	–	(0.3)
Reclassification of associate as an investment	(14.8)	(5.4)	–	(20.2)
Exchange rate differences	0.4	0.2	0.2	0.8
At 31 December 2013	15.6	1.5	(8.0)	9.1

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

At 31 December 2014	**Bulgarian Land Development Plc £m**	**Other associates £m**	**Total £m**
Interest held in ordinary share capital			
Revenues	**0.1**	**7.0**	**7.1**
Share of loss of associates after tax, before impairment	**(0.2)**	**(0.2)**	**(0.4)**
Impairment	**(2.2)**	**–**	**(2.2)**
Share of loss of associates after tax	**(2.4)**	**(0.2)**	**(2.6)**
Assets	**6.2**	**0.8**	**7.0**
Liabilities	**(0.2)**	**(0.6)**	**(0.8)**
Net assets	**6.0**	**0.2**	**6.2**
Goodwill	**–**	**1.3**	**1.3**
Impairment	**(6.0)**	**–**	**(6.0)**
Investments in associates	**–**	**1.5**	**1.5**

At 31 December 2013	Catena AB £m	Bulgarian Land Development Plc £m	Other associates £m	Total £m
Interest held in ordinary share capital	13.8%	48.3%	various	
Revenues	0.6	0.2	6.4	7.2
Share of profit/(loss) of associates after tax, before impairment	1.0	(0.6)	(1.2)	(0.8)
Impairment	–	(4.0)	–	(4.0)
Share of profit/(loss) of associates after tax	1.0	(4.6)	(1.2)	(4.8)
Assets	–	7.8	17.6	25.4
Liabilities	–	(0.4)	(9.4)	(9.8)
Net assets	–	7.4	8.2	15.6
Goodwill	–	–	1.5	1.5
Impairment	–	(4.0)	(4.0)	(8.0)
Investments in associates	–	3.4	5.7	9.1

Catena AB
At 1 January 2013 the Group had a 29.9% interest in Catena AB ("Catena"), a listed Swedish property company. On 30 September 2013, Catena issued new shares in payment for an acquisition, reducing the Group's interest in Catena to 13.8%. Consequently, the investment in Catena was reclassified as an available-for-sale financial investment and held at fair value by reference to Catena's share price. Henry Klotz, Executive Vice Chairman of the Company, is the Non-Executive Chairman of Catena AB.

Bulgarian Land Development Plc
At 31 December 2014 the Group had a 48.3% (2013: 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
On 15 August 2014, the Group increased to 58.0% (2013: 44.2%) its interest in Cood Investments AB ("Cood"), an unlisted residential property company specialising in vacation sites in Sweden. Consequently, the investment in Cood was reclassified as a subsidiary. Henry Klotz, Executive Vice Chairman of the Company, is a non-executive director of Cood.

At 31 December 2014 the Group had a 20.0% (2013: 20.0%) interest in Nyheter 24, an unlisted Swedish on-line news and media business.

Impairment
2014
An impairment review was carried out to assess the Group's carrying value of BLD based upon a review of BLD's audited net assets, which were prepared under IFRS, and of its cash flow forecasts. On the basis of this review and following the receipt of a dividend of £0.8 million, an impairment of £2.2 million was made against the carrying value of the Group's interest in BLD at 31 December 2014.

The fair value of Nyheter 24 was determined on acquisition to be £1.9 million and was based upon detailed profit 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 2014.

2013

An impairment review was carried out to assess the Group's carrying value of BLD based upon a review of BLD's audited net assets, which were prepared under IFRS, and of its cash flow forecasts. On the basis of this review an impairment of £4.0 million was made against the carrying value of the Group's interest in BLD at 31 December 2013.

The consideration for the acquisition of the interest in Cood in 2013 was £0.3 million and on assessing the fair value of the net assets acquired, negative goodwill of £5.3 million arose. As required under IAS 28, the negative goodwill was credited to the Group Statement of Comprehensive Income in 2013. As part of this fair value review, a review of the goodwill on the original interest acquired in 2012 was carried out and an impairment of £1.1 million made to the Group Statement of Comprehensive Income in 2013. At 31 December 2013, the fair value of the Group's interest in Cood was assessed based on Cood's results to date, net assets, and profit forecasts. On the basis of this review an impairment of £4.2 million was made against the carrying value of the Group's interest in Cood at 31 December 2013.

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 2013.

12 OTHER FINANCIAL INVESTMENTS

	Investment type	Destination of Investment	**2014 £m**	2013 £m
Available-for-sale financial investments carried at fair value	Listed corporate bonds	UK	**19.1**	28.4
		Eurozone	**3.9**	10.8
		Other	**38.8**	30.2
			61.8	69.4
	Listed equity securities	UK	**0.2**	0.2
		Sweden	**34.6**	34.1
		Other	**–**	0.3
	Unlisted investments	Sweden	**3.3**	0.3
			99.9	104.3

The movement of other financial 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 2014	**34.6**	**69.4**	**0.3**	**104.3**
Acquisitions arising from business combinations	**–**	**–**	**3.0**	**3.0**
Additions	**2.5**	**70.9**	**2.6**	**76.0**
Disposals	**(0.6)**	**(80.9)**	**(2.7)**	**(84.2)**
Fair value movements recognised in reserves on available-for-sale assets	**2.6**	**0.6**	**–**	**3.2**
Fair value movements recognised in profit before tax on available-for-sale assets	**0.1**	**–**	**0.1**	**0.2**
Exchange rate variations	**(4.4)**	**1.8**	**–**	**(2.6)**
At 31 December 2014	**34.8**	**61.8**	**3.3**	**99.9**

	Level 1 Quoted market prices £m	Level 2 Observable market data £m	Level 3 Other valuation methods* £m	Total £m
At 1 January 2013	2.3	127.3	0.3	129.9
Additions	37.7	110.6	–	148.3
Disposals	(4.1)	(156.5)	–	(160.6)
Fair value movements recognised in reserves on available-for-sale assets	(1.4)	–	–	(1.4)
Fair value movements recognised in profit before tax on available-for-sale assets	0.9	(12.1)	–	(11.2)
Loss on permanent impairment	–	(0.3)	–	(0.3)
Exchange rate variations	(0.8)	0.4	–	(0.4)
At 31 December 2013	34.6	69.4	0.3	104.3

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

Corporate Bond Portfolio
At 31 December 2013

Sector	Banking	Insurance	Travel and tourism	Food producers	Other	Total
Value	£30.3m	£1.8m	£5.7m	£1.6m	£22.4m	£61.8m
Running yield	7.6%	6.5%	6.6%	9.0%	7.2%	7.4%
Issuers	RBS	Brit Insurance	SAS	Findus	Dell	
	HSBC		Stena		Enel	
	Lloyds		British Airways		Seadrill	
	Investec				T-Mobile	
	Barclays				Stora Enso	
	Unicredit				Centurylink	
	Deutsche				Transocean	
	SNS Bank				ArcelorMittal	
	Commerzbank				Corral Finans	
	Credit Agricole				Telecom Italia	
	Bank of Ireland					
	Societe Generale					

13 TRADE AND OTHER RECEIVABLES

	2014	2013
	£m	£m
Current		
Trade receivables	**4.6**	1.3
Prepayments	**1.7**	1.2
Accrued income	**1.5**	2.7
Other debtors	**3.0**	7.5
	10.8	12.7

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 (2013: none). No trade and other receivables were interest-bearing.

Included within other debtors is £1.1 million (2013: £6.0 million) due after more than one year.

14 CASH AND CASH EQUIVALENTS

	2014 **£m**	2013 £m
Cash at bank and in hand	**95.2**	129.8
Short-term bank deposits	**5.0**	–
	100.2	129.8

At 31 December 2014, Group cash at bank and in hand included £11.0 million (2013: £11.0 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:

At 31 December 2014	**Cash at bank and in hand £m**	**Short-term Deposits £m**	**Total £m**
Sterling	**59.5**	**5.0**	**64.5**
Euro	**16.8**	**–**	**16.8**
Swedish Krona	**17.1**	**–**	**17.1**
Other	**1.8**	**–**	**1.8**
	95.2	**5.0**	**100.2**

At 31 December 2013	Cash at bank and in hand £m
Sterling	106.7
Euro	9.5
Swedish Krona	13.6
	129.8

15 TRADE AND OTHER PAYABLES

	2014 **£m**	2013 £m
Current		
Trade payables	**1.6**	6.1
Social security and other taxes	**2.1**	1.3
Other payables	**34.1**	7.0
Accruals	**15.3**	14.5
Deferred income	**15.0**	11.4
	68.1	40.3

16 DEFERRED TAX

	2014 **£m**	2013 £m
Deferred tax assets:		
– after more than 12 months	**(4.8)**	(6.4)
Deferred tax liabilities:		
– after more than 12 months	**105.9**	74.4
	101.1	68.0

The movement in deferred tax was as follows:

	2014 **£m**	2013 £m
At 1 January	**68.0**	69.1
Charged in arriving at profit after tax	**34.8**	2.9
Charged/(credited) to other comprehensive income	**1.3**	(3.1)
Deferred tax on acquisition	**1.3**	(2.1)
Exchange rate variances	**(4.3)**	1.2
At 31 December	**101.1**	68.0

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:

Deferred tax assets	**Tax losses £m**	**Other £m**	**Total £m**
At 1 January 2014	**(4.5)**	**(1.9)**	**(6.4)**
Charged/(credited) in arriving at profit after tax	**3.1**	**(1.7)**	**1.4**
Charged to other comprehensive income	**–**	**0.1**	**0.1**
Exchange rate variances	**0.1**	**–**	**0.1**
At 31 December 2014	**(1.3)**	**(3.5)**	**(4.8)**

Deferred tax assets	Tax losses £m	Other £m	Total £m
At 1 January 2013	(5.5)	(3.2)	(8.7)
Charged in arriving at profit after tax	3.1	1.4	4.5
Credited to other comprehensive income	–	(0.1)	(0.1)
Deferred tax on acquisition	(2.1)	–	(2.1)
At 31 December 2013	(4.5)	(1.9)	(6.4)

Deferred tax liabilities	**UK capital allowances £m**	**Fair value adjustments to investment properties £m**	**Other £m**	**Total £m**
At 1 January 2014	**8.0**	**65.5**	**0.9**	**74.4**
Charged in arriving at profit after tax	**2.6**	**30.5**	**0.3**	**33.4**
Charged to other comprehensive income	**–**	**–**	**1.2**	**1.2**
Deferred tax on acquisition	**–**	**–**	**1.3**	**1.3**
Exchange rate variances	**–**	**(4.2)**	**(0.2)**	**(4.4)**
At 31 December 2014	**10.6**	**91.8**	**3.5**	**105.9**

Deferred tax liabilities	UK capital allowances £m	Fair value adjustments to investment properties £m	Other £m	Total £m
At 1 January 2013	9.4	64.7	3.7	77.8
(Credited)/charged in arriving at profit after tax	(1.4)	(0.3)	0.1	(1.6)
Credited to other comprehensive income	–	–	(3.0)	(3.0)
Exchange rate variances	–	1.1	0.1	1.2
At 31 December 2013	8.0	65.5	0.9	74.4

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 2014 the Group did not recognise deferred tax assets of £10.6 million (2013: £8.4 million) in respect of losses amounting to £47.0 million (2013: £33.7 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.

17 BORROWINGS

At 31 December 2014	**Current £m**	**Non-current £m**	**Total borrowings £m**
Bank loans	**187.4**	**350.9**	**538.3**
Debenture loans	**1.6**	**27.4**	**29.0**
Zero coupon note	**–**	**11.2**	**11.2**
Unsecured bonds	**(0.3)**	**89.1**	**88.8**
Secured notes	**4.1**	**70.9**	**75.0**
	192.8	**549.5**	**742.3**

At 31 December 2013	Current £m	Non-current £m	Total borrowings £m
Bank loans	72.6	507.5	580.1
Debenture loans	1.5	29.0	30.5
Zero coupon note	–	13.4	13.4
Unsecured bonds	(0.6)	92.3	91.7

Secured notes	4.0	75.1	79.1
	77.5	717.3	794.8

Arrangement fees of £3.7 million (2013: £5.5 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 (2013: 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% (2013: 0.8% and 1.8%) and floating rate margins range between 0.8% and 3.8% (2013: 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 (2013: £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 £32.8 million in aggregate in February 2025. £3.6 million of the zero coupon note was bought back in the year at a cost of £4.9 million.

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.

Secured notes
On 3 December 2013, the Group issued £80.0 million secured, partially-amortising notes. The notes attract a fixed rate coupon of 4.17% on the unamortised principal, the balance of which is repayable in December 2022.

Loan covenants
A subsidiary of the Group has an amortising secured bank loan with a carrying amount of £8.5 million which expires in July 2017. A covenant of the loan requiring a minimum level of net rental income from the secured property was in breach at 31 December 2014. The Group is in discussions with the bank to effect a remedy of the breach in accordance with the terms of the loan and, therefore, the loan was not payable on demand at 31 December 2014. Save for this, there were no loan covenants in breach at 31 December 2014 (2013: none).

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

At 31 December 2014	**Bank loans £m**	**Debenture loans £m**	**Zero coupon note £m**	**Unsecured bonds £m**	**Secured notes £m**	**Total £m**
Within one year or on demand	**188.3**	**1.7**	**–**	**–**	**4.2**	**194.2**
More than one but not more than two years	**158.1**	**1.8**	**–**	**24.7**	**4.2**	**188.8**
More than two but not more than five years	**153.4**	**6.8**	**–**	**65.0**	**12.5**	**237.7**
More than five years	**40.5**	**18.7**	**11.2**	**–**	**54.9**	**125.3**
	540.3	**29.0**	**11.2**	**89.7**	**75.8**	**746.0**
Unamortised issue costs	**(2.0)**	**–**	**–**	**(0.9)**	**(0.8)**	**(3.7)**
Borrowings	**538.3**	**29.0**	**11.2**	**88.8**	**75.0**	**742.3**
Less amount due for settlement within 12 months	**(187.4)**	**(1.6)**	**–**	**0.3**	**(4.1)**	**(192.8)**
Amounts due for settlement after 12 months	**350.9**	**27.4**	**11.2**	**89.1**	**70.9**	**549.5**

At 31 December 2013	Bank loans £m	Debenture loans £m	Zero coupon note £m	Unsecured bonds £m	Secured notes £m	Total £m
Within one year or on demand	73.7	1.5	–	–	4.2	79.4
More than one but not more than two years	155.4	1.7	–	–	4.2	161.3
More than two but not more than five years	321.3	6.1	–	28.2	12.5	368.1
More than five years	32.8	21.2	13.4	65.0	59.1	191.5
	583.2	30.5	13.4	93.2	80.0	800.3
Unamortised issue costs	(3.1)	–	–	(1.5)	(0.9)	(5.5)
Borrowings	580.1	30.5	13.4	91.7	79.1	794.8
Less amount due for settlement within 12 months	(72.6)	(1.5)	–	0.6	(4.0)	(77.5)
Amounts due for settlement after 12 months	507.5	29.0	13.4	92.3	75.1	717.3

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

	At 31 December 2014		At 31 December 2013	
	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	**6.2**	**7.5**	6.2	8.5
Euro	**5.0**	**0.7**	5.0	1.7

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

	At 31 December 2014			At 31 December 2013		
	% 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	**68**	**3.0**	**1.4**	63	3.0	2.2
Euro	**72**	**3.2**	**1.2**	70	3.1	2.2
Swedish Krona	**–**	**n/a**	**n/a**	–	n/a	n/a

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

At 31 December 2014	**Fixed rate financial liabilities £m**	**Floating rate financial liabilities £m**	**Total £m**
Sterling	**205.4**	**202.2**	**407.6**
Euro	**25.3**	**228.0**	**253.3**
Swedish Krona	**–**	**81.4**	**81.4**
	230.7	**511.6**	**742.3**

At 31 December 2013	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	200.6	213.9	414.5
Euro	28.1	260.3	288.4
Swedish Krona	–	81.1	81.1
Other	–	10.8	10.8
	228.7	566.1	794.8

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

	Carrying amounts		**Fair values**	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current borrowings	**192.8**	77.5	**192.8**	77.5
Non-current borrowings	**549.5**	717.3	**586.0**	743.7
	742.3	794.8	**778.8**	821.2

Arrangement fees of £3.7 million (2013: £5.5 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:

	2014 £m	2013 £m
Floating rate:		
– expiring within one year	**39.0**	9.5
– expiring after one year	**–**	3.1
	39.0	12.6

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2014 Assets £m	**2014 Liabilities £m**	2013 Assets £m	2013 Liabilities £m
Non-current				
Interest rate swaps	**–**	**(6.3)**	–	(5.9)
Interest rate caps	**–**	**–**	0.4	–
	–	**(6.3)**	0.4	(5.9)
Current				
Interest rate swaps	**–**	**–**	–	–
Forward foreign exchange contracts	**–**	**(1.0)**	0.3	–
	–	**(1.0)**	0.3	–
	–	**(7.3)**	0.7	(5.9)

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 2014 was £41.8 million (2013: £35.2 million).

The average period to maturity of these interest rate swaps was 4.1 years (2013: 4.2 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 2014 the Group had £2.6 million of outstanding net foreign exchange contracts (2013: £1.4 million).

19 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 2014	**43,953,790**	**2,903,103**	**46,856,893**	**11.0**	**0.7**	**11.7**
Cancelled following tender offers	**(1,029,729)**	**–**	**(1,029,729)**	**(0.2)**	**–**	**(0.2)**
At 31 December 2014	**42,924,061**	**2,903,103**	**45,827,164**	**10.8**	**0.7**	**11.5**

	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 2013	43,305,876	4,803,103	48,108,979	10.8	1.2	12.0
Cancelled following tender offers	(1,252,086)	–	(1,252,086)	(0.3)	–	(0.3)
Exercise of share options	300,000	(300,000)	–	0.1	(0.1)	–
Ordinary shares issued from treasury shares	1,600,000	(1,600,000)	–	0.4	(0.4)	–
At 31 December 2013	43,953,790	2,903,103	46,856,893	11.0	0.7	11.7

Ordinary shares have a nominal value of 25 pence each.

20 TENDER OFFER BUY-BACKS

A tender offer by way of a Circular dated 14 March 2014 for the purchase of 1 in 66 shares at 1,495 pence per share was completed in May. It returned £10.0 million to shareholders, equivalent to 22.65 pence per share.

A tender offer by way of a Circular dated 22 August 2014 for the purchase of 1 in 119 shares at 1,500 pence per share was completed in September. It returned £5.5 million to shareholders, equivalent to 12.61 pence per share.

A further tender offer will be put to shareholders in April 2015 for the purchase of 1 in 80 shares at a price of 1,950 pence per share which, if approved, will return £10.4 million to shareholders, equivalent to 24.38 pence per share.

21 SHARE PREMIUM

	2014 £m	2013 £m
At 1 January	**82.9**	71.5
Ordinary shares issued from treasury shares	**–**	11.4
At 31 December 2014	**82.9**	82.9

22 OTHER RESERVES

	Capital redemption reserve £m	**Cumulative translation reserve £m**	**Fair value reserve £m**	**Other reserves £m**	**Total £m**
At 1 January 2014	**22.0**	**47.2**	**(1.3)**	**28.1**	**96.0**
Purchase of own shares:					
– cancellation pursuant to tender offer	**0.2**	**–**	**–**	**–**	**0.2**
Exchange rate variances	**–**	**(14.0)**	**(0.3)**	**–**	**(14.3)**
Available-for-sale financial assets:					
– net fair value gains in the year	**–**	**–**	**7.8**	**–**	**7.8**
– deferred tax thereon	**–**	**–**	**(0.9)**	**–**	**(0.9)**
At 31 December 2014	**22.2**	**33.2**	**5.3**	**28.1**	**88.8**

	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Other reserves £m	Total £m
At 1 January 2013	21.7	43.8	8.2	28.1	101.8
Purchase of own shares:					
– cancellation pursuant to tender offer	0.3	–	–	–	0.3
Exchange rate variances	–	3.4	–	–	3.4
Available-for-sale financial assets:					
– net fair value losses in the year	–	–	(12.6)	–	(12.6)
– deferred tax thereon	–	–	3.1	–	3.1
At 31 December 2013	22.0	47.2	(1.3)	28.1	96.0

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.

23 CASH GENERATED FROM OPERATIONS

	2014 £m	2013 £m
Operating profit	**259.8**	92.3
Adjustments for:		
Net movements on revaluation of investment properties	**(186.0)**	0.2
Depreciation and amortisation	**0.3**	0.3
Profit on sale of investment property	**(8.7)**	(4.5)
Profit on sale of joint venture	**–**	(1.8)
Gain arising on acquisition	**(1.2)**	–
Non-cash rental income	**(0.5)**	(0.5)
Fair value gain on reclassification of an associate as a subsidiary	**(0.2)**	–
Net gain on sale of corporate bonds and other financial investments	**–**	(14.1)
Fair value gain on reclassification of an associate as an investment	**–**	(14.9)
Changes in working capital:		
(Increase)/decrease in debtors	**(2.0)**	1.2
(Decrease)/increase in creditors	**(8.2)**	5.2
Cash generated from operations	**53.3**	63.4

24 BUSINESS ACQUISITIONS

Cood Investment AB and First Camp Sverige Holding AB

On 11 February 2014, the Group acquired a 58.0% interest in a newly incorporated company, First Camp Sverige Holding AB ("FCSH"). On 15 August 2014, FCSH acquired a 23.8% interest in Cood Investment AB ("Cood") for the consideration of SEK 3. As a result, the Group's interest in Cood increased from 44.2% to 58.0% and Cood was reclassified from an associate to a subsidiary. A fair value gain on reclassification to a subsidiary of £0.2 million has been recognised in the group income statement.

The Group has consolidated the gross results and balance sheet of Cood and accounted for its non-controlling interests in accordance with IFRS 3, Business Combinations. A gain of £1.2 million arose on acquisition which was credited to the group income statement. The book values and the provisional fair values of the assets and liabilities at the date of the acquisition, translated at the prevailing exchange rate, were as follows:

At 15 August 2014	Book values £m	Fair value adjustment £m	Fair value Total £m	Fair value of pre-existing 44.2% share £m	Fair value of additional 13.8% acquired £m
Non-current assets – property, plant and equipment	15.6	3.6	19.2	8.5	2.6
Non-current assets – other	8.4	(5.4)	3.0	1.3	0.4
Trade and other receivables	9.3	(4.9)	4.4	2.0	0.6
Cash and cash equivalents	2.9	–	2.9	1.3	0.4
Current liabilities	(16.7)	–	(16.7)	(7.4)	(2.2)
Non-current liabilities – debt	(3.3)	–	(3.3)	(1.5)	(0.4)
Non-current liabilities – deferred tax	(0.3)	(1.0)	(1.3)	(0.6)	(0.2)
Net assets at date of acquisition	15.9	(7.7)	8.2	3.6	1.2
Book value as an associate				(3.4)	–
Total consideration for net assets acquired				–	–
Gain arising on reclassification/acquisition				0.2	1.2

Fair value adjustments arose on operating property assets and receivables: the operating property assets were fair valued to market value, net of the associated deferred tax; provisions against receivables which became due from Group subsidiaries were reversed.

The fair value assessment was made on a provisional basis.

Cash flows on acquisition were:

	£m	Fair value of pre-existing 44.2% share £m	Fair value of additional 13.8% acquired £m
Cash	–	–	–
Total consideration for assets acquired	–	–	–
Less non-cash consideration	–	–	–
Less cash acquired	(2.9)	(1.3)	(0.4)
Net cash inflow arising on acquisition	(2.9)	(1.3)	(0.4)

On 14 November 2014, FCSH acquired assets and shares in companies from Cood and the Group simultaneously disposed of its interest in Cood for nominal value. No gain or loss arose on this disposal.

25 BUSINESS DISPOSALS

Fielden House Limited

On 11 April 2013, the Group disposed of its one-third interest in the issued share capital of a joint venture, Fielden House Investment Limited. The joint venture was previously reported within the UK geographical segment.

	2013 £m
Net assets disposed of:	
Non-current assets	2.7
Current assets	0.1
Current liabilities	(0.1)
Non-current liabilities	(2.0)
	0.7
Gain on disposal of joint venture	1.8
Total consideration	2.5
Satisfied by:	
Cash	2.5
Deferred consideration	–
	2.5
Net cash inflow arising on disposal:	
Cash consideration	2.5
Cash and cash equivalents disposed of	(0.1)
Borrowings disposed of	2.0
	4.4

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 £25,000 was made (2013: £40,433), of which £6,250 (2013: £6,250) remained outstanding at the balance sheet date.

At 31 December 2014, the Group had a convertible loan of £411,002 (2013: £469,210), 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.

In 2013, the Group sold its one-third interest in Fielden House Investment Limited (see note 34).

On 11 March 2013, the Group acquired an additional 27.6% interest in Cood Investments AB ("Cood"), for £0.3 million, increasing its interest to 44.2%. This was a related party transaction as: first, the trust in which Sten Mortstedt, Executive Chairman of CLS Holdings plc, is interested (the "Trust") simultaneously acquired at the same price per share an additional 13.8% interest in Cood, increasing its interest to 22.2%; and, second, a company in which Christer Sandberg has an interest ("Christer Sandberg's company") owned 9.8% of Cood. Christer Sandberg is a director of certain Group companies.

On 25 July 2013, Cood issued a two year convertible loan bearing an annual interest rate of 12% and convertible into preference shares (the "Convertible Loan"). The conversion price was SEK 10,000 per Cood preference share, and each preference share would carry ten times the voting rights and capital rights of an ordinary share. The loanholder could elect to be paid the loan coupon in cash or payment-in-kind (being preference shares in Cood). The Convertible Loan was convertible at the option of the loanholder only, and at any time between 1 January 2014 and 31 May 2015. The Group's participation in the Convertible Loan amounted to SEK 23,220,000; the Trust simultaneously participated in the Convertible Loan for an amount of SEK 11,650,000 and Christer Sandberg's company for an amount of SEK 5,170,000.

At 1 January 2014, the Group had provided to Cood up to £8.0 million of lending facilities at market rates, of which £3,324,362 was outstanding. On 16 February 2014, the Group lent a further £1,027,048 under the existing loan facility.

On 11 February 2014, the Group acquired for £2,393 a 58.0% interest in FCSH (note 33), in which company the Trust has a 29.1% interest and Christer Sandberg's company. As required under IFRS 3 "Business Combinations", the Group has consolidated the results and balance sheet of FCSH and, therefore, any loans and accrued interest have been eliminated.

On 15 August 2014, the Group acquired a controlling interest in Cood.

On 18 September 2014, the outstanding loan and accrued interest on both the Convertible Loan and loan facility were novated from Cood to First Camp Sverige Holding AB ("FCSH").

Up to 18 September 2014, interest of £211,563 (2013: £81,000) was charged on the Convertible Loans, of which £nil (2013: £77,476) was outstanding at the balance sheet date; and interest of £227,305 (2013: £270,229) was charged on the loan facility, of which £nil (2013: £25,109) was outstanding at the balance sheet date.

On 14 November 2014, the Group, together with the Trust and Christer Sandberg's company, sold their entire holdings in Cood for nominal value.

Transactions with Directors

Distributions totalling £8,813,580 (2013: £8,096,147) were made through tender offer buy-backs in the year in respect of ordinary shares held by the Company's Directors.

During the year, a company owned by Sten Mortstedt rented office space to a Group company, Vänerparken Investment AB ("Vänerparken"), at a cost of £35,403 (2013: £39,240). At the balance sheet date a Group company, Museion Förvaltning AB, had signed an agreement to lease the office space until 30 September 2018 at a cost of £35,403 per annum. Also, a company owned by Sten Mortstedt purchased accountancy services from Vänerparken during the year amounting to £nil (2013: £4,710). In relation to all of these transactions, no balances were outstanding at the balance sheet date (2013: £nil).

During the year a son of Joe Crawley rented premises from the Group at an arm's length rent for three months.

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 in the 2014 Annual Report and Accounts.

	2014	2013
	£m	£m
Short-term employee benefits	**2,054**	1,653
Post-employment benefits	**35**	21
Other long-term benefits	**250**	538
	2,339	2,212

GLOSSARY OF TERMS

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

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

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

INTEREST COVER
The aggregate of group revenue less costs, divided by the aggregate of interest expense and amortisation of loan issue costs, less interest income

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

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

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

RENT ROLL
Contracted rent

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

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

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