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

Release date: 12 August 2015
Embargoed until: 07:00

PRESS RELEASE

CLS HOLDINGS PLC
("CLS", THE "COMPANY" OR THE "GROUP")
ANNOUNCES ITS HALF YEAR FINANCIAL REPORT
FOR THE 6 MONTHS TO 30 JUNE 2015

AN ACTIVE AND SUCCESSFUL PERIOD

CLS is a FTSE 250 property investment company with a £1.4 billion portfolio in the UK, Germany, France and Sweden offering geographical diversification with local presence and knowledge.

FINANCIAL HIGHLIGHTS

- EPRA net assets per share: up 7.9% to 1,914.3 pence (31 December 2014: 1,774.1 pence)
- Profit after tax: up 10.6% to £68.6 million (2014: £62.0 million)
- EPRA earnings per share: up 12.3% to 41.9 pence (2014: 37.3 pence)
- Operating cash flow up 13.3% to £24.7 million (2014: £21.8 million) driven by a healthy arbitrage between net initial yield and cost of debt
- Property portfolio value, including properties held for sale, £1,365.9 million (31 December 2014: £1,310.1 million), up 4.0% in local currencies
- Weighted average cost of debt brought down to 3.46% (31 December 2014: 3.64%)
- Interest cover remains comfortable at 3.1 times (2014: 3.6 times)
- Proposed distribution to shareholders: up 5.1% to £5.7 million by way of tender offer buy-back: 1 in 162 at 2,190 pence, equivalent to 13.52 pence per share

OPERATIONAL HIGHLIGHTS

Investment Property Portfolio:

- Three acquisitions in the period in Bracknell, Vauxhall and Munich for £42.3 million
- New income of £3.5 million in six months from completed developments
- Vacancy rate remains low at 3.4% (31 December 2014: 3.0%) despite the release of 4,421 sqm of new space from development portfolio

Developments:

- Strong rental growth at 405 Kennington Road, SE11 made it more profitable to re-let the space as refurbished offices than to implement our planning consent to change its use to residential
- Completed developments at Spring Mews, SE11 and 138 Fetter Lane, EC4 virtually fully let and trading very successfully

- At Vauxhall Square, agreement with a specialist student operator to build and manage the 454 room student building expected to complete in the autumn, with development to start on site early next year

Key Financing:

- £97 million refinancing of Spring Gardens fixed for 6 years at 2.80%
- €36.5 million refinancing of Bochum fixed for 7 years at 1.74%
- €24 million acquisition financing of Schellerdamm fixed for 7 years at 1.91%
- In July, €17.2 million acquisition financing of Tangentis fixed for 7 years at 1.44%

Sten Mortstedt, Executive Chairman of CLS, commented:

"We have continued to make good progress in what has been an active first half. Our core business is performing well and we are seeing the benefits of an improving economy in the UK and Germany.

"With high occupancy levels and a low cost of debt, the Group remains well positioned to generate cash. Our strong operations, a solid balance sheet and a high level of liquid resources, together with our flexible and opportunistic business approach, will enable us to benefit from the challenges and opportunities which lie ahead."

-ENDS-

For further information, please contact:

CLS Holdings plc +44 (0)20 7582 7766
www.clsholdings.com
Sten Mortstedt, Executive Chairman
Henry Klotz, Executive Vice Chairman
Fredrik Widlund, Chief Executive Officer
John Whiteley, Chief Financial Officer

Liberum Capital Limited +44 (0)20 3100 2222
Tom Fyson

Panmure Gordon (UK) Limited +44 (0)20 7886 2500
Mark Taylor
Russell Cook

Kinmont Limited +44 (0)20 7087 9100
Jonathan Gray

Smithfield Consultants (Financial PR) +44 (0)20 7360 4900
Alex Simmons

CLS will be presenting to analysts at 8.30am on Wednesday, 12 August 2015, at Smithfield Consultants, 10 Aldersgate Street, London, EC1A 4HJ.

Conference call dial in numbers as follows:

Participant telephone number +44 (0)20 34271908

Confirmation code 8398120

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

AN ACTIVE AND SUCCESSFUL PERIOD

OVERVIEW

The first half of 2015 proved to be an active and successful period, evidenced by strong earnings, substantial lettings, opportunistic acquisitions and significant financing activity at historically low interest rates.

The Group has made some notable progress since the beginning of the year, including 12,356 sqm of lettings, acquisitions in Bracknell, Vauxhall and Munich, and £141.4 million of new bank loans. Strong operational earnings and a rise in property values led to an 11.3% increase in EPRA net asset value in constant currencies, but after reflecting the weakness of the euro and the krona against our reporting currency of sterling, EPRA NAV grew by a net 7.9% to 1,914.3 pence per share (31 December 2014: 1,774.1 pence).

The core fundamentals of the Group's business strategy remain strong. The investment property portfolio contains a diverse base of 550 occupiers across four markets generating rental income well in excess of the Group’s cost of debt. Approximately 44% of rents are paid by governments and 22% by major corporations, and 52% of rents are subject to indexation. The balance sheet is strong with significant levels of cash and liquid resources and the Group’s funding is achieved from a diversified base of 24 banks, together with other capital market funding sources.

RESULTS AND FINANCING

Profit before tax for the six months to 30 June 2015 was £80.2 million (2014: £72.6 million), significantly above that of last year reflecting, in part, the higher uplift in property values, and generated earnings per share of 160.2 pence (2014: 141.8 pence). EPRA earnings per share, which exclude the effect of revaluations, were 41.9 pence (2014: 37.3 pence), an increase over the last year of 4.6 pence, which was principally from lower net financing costs and an improved performance from associates.

Shareholders’ funds rose by 7.7% to £703.2 million, net of distributions to shareholders of £10.4 million.

Interest cover remained a comfortable 3.1 times (2014: 3.6 times). We took advantage of low medium-term swap rates to fix recent financings at Spring Gardens (2.80%), Bochum (1.74%) and Tangentis (1.44%) and the weighted average cost of debt fell to 3.46% (31 December 2014: 3.64%), remaining one of the lowest in the real estate sector of the London Stock Exchange. At 30 June 2015, net debt as a proportion of gross assets (excluding liquid resources) was 40.6% (31 December 2014: 40.9%).

Net debt increased to £602.9 million (31 December 2014: £584.0 million) reflecting our financing of the acquisition of Schellerdamm, and refinancing of Spring Gardens and Bochum. Our liquid resources, consisting of cash and corporate bonds of £154.2 million, demonstrated the strength of the balance sheet and our capacity to invest in the future. The corporate bond portfolio, which we utilise as a cash management operation, generated a total return of £2.2 million in the six months, corresponding to an annualised 6.6% return on the invested capital.

PROPERTY PORTFOLIO

The value of the property portfolio, including properties held for sale, grew to £1.4 billion in the six months, principally through £42.3 million of acquisitions and a 0.8% revaluation uplift net of foreign exchange movements. The market for acquisitions in London remains very competitive, but we were able to acquire the Reflex building in Bracknell for £19.1 million at an initial yield of 8%. We continue to see good investment opportunities in Germany, where financing is more prevalent and attractive, and in May we exchanged contracts on the acquisition of Tangentis near Munich for €24.4 million at an initial yield of 7.9% and financed by a seven-year bank loan fixed at 1.44%. We also acquired 109 and 111 Wandsworth Road, SW8, adjacent to the Vauxhall Square site, for £3.3 million.

Net rental income in the period grew by 22% to £49.8 million (2014: £40.8 million), and included the income generated by our Spring Mews student and hotel development for the first time. Net of an adverse foreign exchange variance from sterling's relative strength against the euro (+9.5%) and Swedish krona (+7.0%) since the year end, the sterling value of the portfolio rose by 0.8%. In local currencies, the investment property portfolio's underlying value rose by 4.0% in the six months, with uplifts across the whole portfolio. The London portfolio grew by 4.6% and the Rest of the UK by 9.3%, the French portfolio rose by 2.8% in local currency, the German portfolio by 1.5%, and the Swedish portfolio by 5.0%. Overall, the vacancy rate at 30 June 2015 was only 3.4% (31 December 2014: 3.0%), despite the release in January of 4,421 sqm of new space from our development portfolio.

Across the portfolio, the average rent is now £155 per sqm which is a very competitive level in the key European cities in which we operate. The low level of new office construction is expected to produce growth of office rents in suburban London areas over the next few years, further to that already seen this year. At 405 Kennington Road, SE11 strong rental growth made it more profitable to re-let the space as refurbished offices than to implement our planning consent to change its use to residential units.

Letting interest at our recently-completed developments at Spring Mews, Vauxhall, SE11 and 138 Fetter Lane, EC4 has been very strong and both schemes are virtually fully let and trading very successfully.

At Vauxhall Square, SW8, the agreement with a specialist student operator to build and manage the 454 room student building is likely to complete in the autumn and development is expected to start on site early next year, implementing the planning consent for the whole Vauxhall Square site.

DISTRIBUTIONS

In April, the Group made a distribution to shareholders of £10.4 million using our traditional tender offer buy-back process. We propose to distribute a further £5.7 million by similar means in September, offering 1 in 162 shares at 2,190 pence per share, on which a Circular will be sent to shareholders in the next few days. If approved, these two shareholder distributions will correspond to an implied dividend yield of 2.15%, based on the average market capitalisation during the first half of 2015.

BOARD CHANGES

Since 1 January, Jennica Mortstedt stepped down as a Non-Executive Director, and was replaced by Philip Mortstedt. In addition, Anna Seeley has joined the Board as a Non-Executive Director.

OUTLOOK

The UK economy has continued to grow and the commercial property market has continued to flourish in the first half of the year. Within the Eurozone, however, continued strength in the German economy contrasts with that of France, and a solid economic recovery across Europe may still be some way off. As a consequence, interest rates may remain low for the foreseeable future.

With high occupancy levels and a low cost of debt, the Group remains well positioned to generate cash. Our strong operations, a solid balance sheet and a high level of liquid resources, together with our flexible and opportunistic business approach, will enable us to benefit from the challenges and opportunities which lie ahead.

Sten Mortstedt
Executive Chairman

12 August 2015

BUSINESS REVIEW

LONDON HAS CONTINUED TO BE AN ATTRACTIVE DESTINATION

INVESTMENT PROPERTY

LONDON

(57% of the Group's property investments) With the Bank of England predicting GDP growth in the UK of 2.5% in 2015, and inflation not rising to its target of 2.0% for a couple of years, and with market consensus suggesting no rise in interest rates until next year, London has continued to be an attractive destination for real estate investors, both domestic and overseas. In addition to this investor demand for South East offices, occupancy demand has remained strong, and these factors have driven the uplift in the value of the London portfolio of 4.6% in the first half of the year.

We have continued actively to seek new investments and in June we acquired Reflex, Cain Road, Bracknell for £19.1 million, on an 8% net initial yield. The building comprised 9,610 sqm of Grade A offices let predominantly to Honda Motors. We also acquired two town houses, 109 and 111 Wandsworth Road, SW8, adjacent to our Vauxhall Square site, for £3.3 million in aggregate.

On average, new lettings and rent reviews were achieved at 7.1% above ervs of 31 December 2014, with notable successes at 138 Fetter Lane, EC4, 405 Kennington Road, SE11, and Great West House, Brentford. In the six months to 30 June 2015, ervs across the London portfolio rose by 3.3%. The vacancy rate in London rose in the six months to 4.9% (31 December 2014: 3.3%) due to the completion of developments, with 2,683 sqm of space becoming available at 138 Fetter Lane, EC4, and 1,126 sqm of offices at Spring Mews, SE11. Occupational demand within the London investment portfolio has been strong, with 6,016 sqm of space having been let or renewed in the six months, whilst 5,604 sqm became vacant.

On the expiry of the office lease at 405 Kennington Road, SE11, we had intended to redevelop the property as residential units in accordance with the planning consent obtained in 2014. However, rental levels had risen to such an extent that it was more profitable to refurbish the property and let it as an office. Work on the refurbishment is due to end later this year and we have already pre-let the entire 1,380 sqm of office space for 12 years at £42.50 per sq ft.

At our recently-completed development at Spring Mews, Vauxhall, SE11, the Staybridge suite hotel opened for business in late January and has achieved occupancy rates of over 94%, whilst the student accommodation, which was 100% occupied in its first academic year to August 2015, is already 90% pre-let for 2015/16 at rates 9% higher than last year. 911 sqm of offices on the site have been let and the remaining 215 sqm are under offer.

Following its comprehensive refurbishment, at 138 Fetter Lane, EC4 we let 1,366 sqm of the 2,683 sqm of office space which came to market at the beginning of the year and six of the eight apartments, generating £1.0 million p.a. in aggregate, and the remainder of the space is expected to be let this year.

The Vauxhall Nine Elms area continues to strengthen: there have been two recent launches of new residential tower developments – Aykon Tower and Keybridge House – and in the autumn others are planned, including Embassy Gardens. The US and Dutch embassies remain under construction, and piling has begun on One Nine Elms, Vauxhall's first five-star hotel. At Vauxhall Square, SW8, the agreement with a specialist student operator to build and manage the 454 room student building is likely to complete in the autumn and development is expected to start on site early next year, implementing the planning consent for the whole Vauxhall Square site.

REST OF UK

(8% of the Group's property investments) The growth in the UK's GDP has permeated the regional property markets, and this has been reflected in the performance of our Rest of UK portfolio, 99% of which is let to 14 government departments. There were no significant lease events in the six months, but ervs rose by 2.0%, and yields tightened by around 100 basis points to achieve the overall uplift in values of 9.3%.

GERMANY

(17% of the Group's property investments) Economic growth in Germany, currently at around 1.8% p.a., is projected to strengthen, driven by both domestic and external demand and, with low and falling unemployment, it remains one of the most robust economies in Europe.

The take-up of office space in the main German markets in the six months to 30 June 2015 was around 1.0 million sqm, and the national vacancy rate had fallen to 6.1%.

The vacancy rate in our German portfolio has fallen to 1.8% (31 December 2014: 2.6%), with strong occupational demand being captured in significant lettings at Schellerdamm, Hamburg and Maximilian Forum, Munich. In the six months to 30 June 2015, 1,421 sqm of space was let or renewed and only 1,109 sqm made vacant. Rents were achieved on new lettings and lease extensions at 3.6% above ervs at 31 December 2014.

There were €24 billion of commercial investment transactions in Germany in the first half of 2015, 40% higher than the comparable period last year. We continue to see good value in selective opportunities in Germany and historically low debt costs. In February, we completed 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. This €32.3 million purchase, which was accounted for as an acquisition on exchange of contracts in 2014, generated a net initial yield of 6.4%, and was financed with a seven-year loan from a local Sparkasse bank at a cost fixed at less than 2% per annum. In May, we exchanged contracts to acquire Tangentis, a high-quality, multi-let office building in the Unterföehring district to the north of Munich, providing 14,630 sqm of lettable space and 252 car parking spaces. Completion took place in July at a price of €24.4 million plus costs, generating a net initial yield of 7.9%, which we financed with a seven-year loan from a local bank at a cost fixed at 1.44% per annum.

The value of the German portfolio increased by €4.8 million or 1.5% in local currency, driven by the fall in the vacancy rate and a small tightening of yields; ervs in Germany rose by 0.2% in the six months.

Since 1 July 2015, we have exchanged contracts on the sale of Unterschleissheim in Munich for €3.8 million, which will represent a slight loss to its value at 31 December 2014 after foreign exchange variations.

FRANCE

(15% of the Group's property investments) French economic growth is projected to gain momentum into 2016, but at less than 1.5% it is unlikely to be enough to affect significantly a level of unemployment of around 10%.

Against this background, it is unsurprising that letting activity in the Paris region in the first half of 2015 was 20% below the ten year average, and that the vacancy rate across Paris was 7.5%. Likewise, the investment market recorded aggregate transactions in the first half of 2015 38% down on the same period last year.

Notwithstanding the economic backdrop against which it operates, in the six months to 30 June 2015 the French team has reduced its void rate still further to 4.6% (31 December 2014: 5.1%). During the period occupiers vacated or leases expired on 8,072 sqm of space, of which 3,698 sqm was transferred to development stock, but we let or renewed 4,918 sqm. This is currently an occupier's market and rents achieved in the French portfolio in the first six months of the year have been 0.9% below December 2014's ervs.

The value of our French investment portfolio grew by 2.8% in local currency since the beginning of the year, reflecting the fall in voids; ervs were largely unchanged in the six months.

SWEDEN

(3% of the Group's property investments) Swedish GDP is expected to grow by around 2.5% in 2015, driven by the international outlook and domestic consumption, and CPI inflation is forecast to be 1.0%. Negative interest rates and the Swedish government's bond buying programme have helped to weaken the Swedish krona, which has adversely affected the results of the Group.

In the six months to 30 June 2015, the Swedish portfolio rose by 5.0% in local currency, but through the weakness of the krona, fell by 1.9% in sterling.

Catena AB, the Stockholm-listed real estate company in which the Group owns a 13.5% shareholding, sold its development site at Haga Norra, Stockholm for SEK 1.45 billion, to focus on its substantial logistics property portfolio in southern Sweden. The Group received from Catena a dividend of £0.8 million in the period, and Catena's share price rose by 26.2% in the six months to June, increasing the market value of the Group's stake to £35.6 million (31 December 2014: £30.2 million).

First Camp Sverige Holding AB, an owner and operator of Swedish camp sites and in which the Group owns a 58.0% interest, is a seasonal business which is at its most active in the third quarter. At 30 June, the Group's interest in First Camp was valued at £5.2 million (31 December 2014: £5.9 million).

RESULTS FOR THE PERIOD

HEADLINES

Profit after tax of £68.6 million (2014: £62.0 million) generated basic earnings per share of 160.2 pence (2014: 141.8 pence), and EPRA earnings per share of 41.9 pence (2014: 37.3 pence). Gross property assets at 30 June 2015 including those held for sale, rose to £1,365.9 million (31 December 2014: £1,310.1 million), net assets per share increased by 9.0% to 1,658.4 pence (31 December 2014: 1,521.1 pence) and EPRA net assets per share by 7.9% to 1,914.3 pence (31 December 2014: 1,774.1 pence).

INCOME STATEMENT

We continue to increase the level of cash generated annually by the Group, and rental income for the six months to 30 June 2015 of £42.4 million (2014: £42.1 million) was higher than last year by £0.3 million. Spring Mews's student accommodation generated £2.2 million for the first time, and new acquisitions added £0.6 million of rent, but the weakness of the euro and krona dampened rents by £2.3 million. Other property-related income of £8.7 million (2014: £0.8 million) included the revenue stream from the Spring Mews hotel of £1.3 million and from First Camp in Sweden for the first time.

Operating profit of £86.7 million (2014: £84.1 million) included £53.9 million of net movements on revaluation of investment properties (2014: £45.2 million), representing an uplift in local currencies of 4.0% (2014: 4.0%).

Interest income of £2.8 million (2014: £3.9 million) was lower than last year due to the lower average value of corporate bonds held by the Group. Interest expense of £12.0 million (2014: £14.7 million) was £1.0 million lower than in 2014 excluding foreign exchange variances, because the effect of the fall in the weighted average rate of interest was greater than the impact of having more debt. With interest rate swaps at historically low rates, we have chosen to fix the interest rate of recent financings. We financed the Schellerdamm acquisition at 1.91% for seven years, and the refinancing of Spring Gardens at 2.80% for six years and of Bochum at 1.74% for seven years. As a consequence, the weighted average cost of debt fell to 3.46% (31 December 2014: 3.64%). In July, we financed the acquisition of Tangentis at 1.44% for seven years, which brought down the pro forma cost of debt by a further 3 basis points.

EPRA NET ASSETS PER SHARE

EPRA net assets per share rose from 1,774.1 pence to 1,914.3 pence in the six months to 30 June 2015, an increase of 140.0 pence per share, or 7.9%. The majority of this increase came from the revaluations of the property portfolio and other financial investments, which added 135.5 pence and 18.4 pence per share, respectively. Other profits after tax, which were predominantly cash-based, contributed 51.7 pence per share, but these were offset by adverse foreign exchange movements of 59.7 pence per share reflecting the relative strength of sterling.

CASH FLOW, NET DEBT AND GEARING

The Group's ability to generate cash was enhanced by acquisitions and by the development at Spring Mews coming on stream in 2015, with net cash flow from operating activities rising to £24.7 million (2014: £21.8 million), £10.4 million of which was distributed to shareholders. £49.4 million was paid to acquire Schellerdamm, Hamburg and Reflex, Bracknell, financed in part through £8.9 million raised from net disposals of corporate bonds, and a net £37.0 million of new bank loans. At 30 June 2015, cash and cash equivalents of £100.4 million were broadly unchanged from six months earlier.

In the six months to 30 June 2015, gross borrowings increased by £11.0 million to £757.0 million (31 December 2014: £746.0 million), through a new loan on the recent Schellerdamm acquisition, and refinancing of Spring Gardens and Bochum, whilst other loans were reduced through amortisation and foreign exchange movements. The Group's weighted average property loan to value was 49.7% (2014: 49.7%) and balance sheet loan to value was 42.7% (2014: 43.4%).

PORTFOLIO STATISTICS[1]

At 30 June 2015	ERV Contracted rent (£m)	Contracted rent (£m)	Valuation[2] (£m)	6 month revaluation in local currency	Net initial yield[3]	Vacancy by rent	Weighted average unexpired lease term (years)	Contracted rent per let sqm (£m)
London	42.1	38.7	795.8	4.6%	4.9%	4.9%	7.0	235
Rest of UK	9.9	13.3	107.0	9.3%	11.7%	0.9%	6.2	140
France	13.1	13.7	211.9	2.8%	5.8%	4.6%	5.4	161
Germany	16.3	17.4	236.5	1.5%	6.6%	1.8%	6.4	95
Sweden	3.5	5.5	46.2	5.0%	7.6%	0.8%	2.3	122
Total portfolio	84.9	88.6	1,397.4	4.0%	6.1%	3.4%	6.2	155

1 Data relates to investment properties and properties held for sale unless otherwise stated
2 Includes operational assets
3 Excludes developments

SHARE CAPITAL

In March, 15,000 shares were issued to the Chief Executive Officer, Fredrik Widlund, from Treasury Shares in lieu of incentives forfeited by him to join the Company, and in May, 536,738 shares were cancelled under the tender offer buy-back at 1,950 pence per share. At 30 June 2015, there were 42,402,323 shares in issue, and 2,888,103 Treasury Shares held by the Company.

SUSTAINABILITY

On the back of the strong sustainability performance in 2014, we have continued to make good progress through a range of initiatives in 2015. With the completion of our sixth solar photovoltaic array installation, we now generate 84,000kWh of green energy every year. We have continued to roll out LED lighting across all common areas which has supported our energy reduction targets. We also aim to achieve the highest sustainability standards in our refurbishment programmes. Currently four refurbishment projects in the UK are undergoing assessments for SKA 'Silver' or 'Gold' certification and two refurbishments in France are undergoing BREEAM 'Very Good' or 'Excellent' certification.

The CO_2 emissions of our managed assets in the UK for the six months to 30 June were 1% less than those of last year. We are focused on improving this performance further in the second half of the year to ensure we meet occupier comfort requirements whilst preventing any inefficiency in energy use.

We have also introduced additional internal sustainability targets to support the Green Charter Pledge, made back in 2011. These new targets (15 in total) are reviewed annually at country level and reported back to the Group Sustainability Manager.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause the results for the year to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2014. A detailed explanation of the risks summarised below can be found on pages 8 and 9 of the 2014 Annual Report, which is available at www.clsholdings.com:

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

GOING CONCERN

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements, which has been prepared in accordance with IAS 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit of the Group as required by DTR 4.2.4R;

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

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

On behalf of the Board

Sten Mortstedt	**Henry Klotz**
Executive Chairman	Executive Vice Chairman

12 August 2015

INDEPENDENT REVIEW REPORT TO CLS HOLDINGS PLC

We have been engaged by the Company to review the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2015 which comprises the Condensed Group Income Statement, the Condensed Group Statement of Comprehensive Income, the Condensed Group Balance Sheet, the Condensed Group Statement of Changes in Equity, the Condensed Group Statement of Cash Flows and related notes 1 to 15. We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

DIRECTORS' RESPONSIBILITIES

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

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

OUR RESPONSIBILITY

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Half-Yearly Financial Report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International

Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

12 August 2015

CONDENSED GROUP INCOME STATEMENT

for the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 £m (unaudited)**	Six months ended 30 June 2014 £m (unaudited)	Year ended 31 December 2014 £m (audited)
Continuing operations				
Group revenue		**58.6**	49.8	99.6
Net rental income	3	**49.8**	40.8	82.2
Administration expenses		**(9.5)**	(6.2)	(13.6)
Other expenses		**(7.5)**	(1.8)	(4.9)
Group revenue less costs		**32.8**	32.8	63.7
Net movements on revaluation of investment properties	9	**53.9**	45.2	186.0
Profit on sale of investment properties		**–**	7.0	8.7
Net loss on sale of corporate bonds and other financial investments		**–**	(0.9)	–
Gain arising from acquisition		**–**	–	1.2
Fair value gain on reclassification of an associate as a subsidiary		**–**	–	0.2
Operating profit		**86.7**	84.1	259.8
Finance income	4	**5.5**	4.6	7.7
Finance costs	5	**(12.0)**	(14.7)	(28.1)
Share of loss of associates after tax		**–**	(1.4)	(2.6)
Profit before tax		**80.2**	72.6	236.8
Taxation	6	**(11.2)**	(10.6)	(42.0)
Profit for the period		**69.0**	62.0	194.8
Attributed to				
Owners of the Company		**68.6**	62.0	194.9
Non-controlling interests		**0.4**	–	(0.1)
		69.0	62.0	194.8
Earnings per share from continuing operations attributable to the owners of the Company during the period (expressed in pence per share)				
Basic and diluted	7	**160.5p**	141.8p	449.0p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 £m (unaudited)**	Six months ended 30 June 2014 £m (unaudited)	Year ended 31 December 2014 £m (audited)
Profit for the period		**69.0**	62.0	194.8
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Foreign exchange differences		**(18.7)**	(6.1)	(14.7)
Items that may be reclassified to profit or loss				
Fair value gains on corporate bonds and other financial investments		**7.8**	4.6	3.2
Fair value losses taken to net loss on sale of corporate bonds and other financial investments		**–**	0.1	0.2
Revaluation of property, plant and equipment		**1.0**	0.4	6.5
Deferred tax on net fair value losses/(gains)	6	**0.6**	(0.8)	(1.3)
Total items that may be reclassified to profit or loss		**9.4**	4.3	8.6
Total comprehensive income for the period		**59.7**	60.2	188.7
Attributed to				
Owners of the Company		**60.5**	60.2	187.5
Non-controlling interests		**(0.8)**	–	1.2
		59.7	60.2	188.7

CONDENSED GROUP BALANCE SHEET

at 30 June 2015

	Notes	**30 June 2015 £m (unaudited)**	30 June 2014 £m (unaudited)	31 December 2014 £m (audited)
Non-current assets				
Investment properties	9	**1,326.0**	1,168.8	1,310.1
Property, plant and equipment	10	**63.6**	3.4	60.4
Goodwill		**1.1**	1.1	1.1
Investments in associates		**1.4**	6.5	1.5
Other financial investments	11	**97.4**	120.1	99.9
Derivative financial instruments		**–**	0.1	–
Deferred tax	6	**2.9**	5.0	4.8
		1,492.4	1,305.0	1,477.8
Current assets				
Trade and other receivables		**6.1**	10.9	10.8
Properties held for sale		**39.9**	–	–
Derivative financial instruments		**–**	0.6	–
Cash and cash equivalents		**100.4**	69.4	100.2
		146.4	80.9	111.0
Total assets		**1,638.8**	1,385.9	1,588.8
Current liabilities				
Trade and other payables		**(60.6)**	(37.1)	(68.1)
Current tax	6	**(6.5)**	(6.6)	(7.7)
Borrowings	12	**(237.0)**	(98.9)	(192.8)
Derivative financial instruments		**(0.3)**	–	(1.0)
		(304.4)	(142.6)	(269.6)
Non-current liabilities				
Deferred tax	6	**(106.4)**	(78.5)	(105.9)
Borrowings	12	**(516.1)**	(628.2)	(549.5)
Derivative financial instruments		**(4.9)**	(5.5)	(6.3)
		(627.4)	(712.2)	(661.7)
Total liabilities		**(931.8)**	(854.8)	(931.3)
Net assets		**707.0**	531.1	657.5
Equity				
Share capital	13	**11.3**	11.5	11.5
Share premium		**83.1**	82.9	82.9
Other reserves		**80.9**	94.4	88.8
Retained earnings		**527.9**	342.3	469.7
Equity attributable to owners of the Company		**703.2**	531.1	652.9
Non-controlling interests		**3.8**	–	4.6
Total equity		**707.0**	531.1	657.5

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015

Unaudited	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interest £m**	**Total equity £m**
Arising in the six months ended 30 June 2015:							
Total comprehensive income for the period	**–**	**–**	**(8.1)**	**68.6**	**60.5**	**(0.8)**	**59.7**
Issue of shares	**–**	**0.2**	**–**	**–**	**0.2**	**–**	**0.2**
Purchase of own shares	**(0.2)**	**–**	**0.2**	**(10.4)**	**(10.4)**	**–**	**(10.4)**
Total changes arising in the period	**(0.2)**	**0.2**	**(7.9)**	**58.2**	**50.3**	**(0.8)**	**49.5**
At 1 January 2015	**11.5**	**82.9**	**88.8**	**469.7**	**652.9**	**4.6**	**657.5**
At 30 June 2015	**11.3**	**83.1**	**80.9**	**527.9**	**703.2**	**3.8**	**707.0**

Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Arising in the six months ended 30 June 2014:							
Total comprehensive income for the period	–	–	(1.8)	62.0	60.2	–	60.2
Purchase of own shares	(0.2)	–	0.2	(10.0)	(10.0)	–	(10.0)
Total changes arising in the period	(0.2)	–	(1.6)	52.0	50.2	–	50.2
At 1 January 2014	11.7	82.9	96.0	290.3	480.9	–	480.9
At 30 June 2014	11.5	82.9	94.4	342.3	531.1	–	531.1

Audited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
Arising in the year ended 31 December 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	(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

CONDENSED GROUP STATEMENT OF CASH FLOWS

for the six months ended 30 June 2015

	Notes	**Six months ended 30 June 2015 £m (unaudited)**	Six months ended 30 June 2014 £m (unaudited)	Year ended 31 December 2014 £m (audited)
Cash flows from operating activities				
Cash generated from operations	14	**37.5**	30.4	53.3
Interest received		**3.1**	4.4	8.1
Interest paid		**(11.6)**	(12.7)	(24.4)
Income tax paid		**(4.3)**	(0.3)	(2.5)
Net cash inflow from operating activities		**24.7**	21.8	34.5
Cash flows from investing activities				
Purchase of investment property		**(49.4)**	(0.6)	(4.2)
Capital expenditure on investment property		**(3.4)**	(30.5)	(45.2)
Proceeds from sale of investment property		**–**	29.3	37.1
Net cash (outflow)/inflow from business acquisition		**(0.7)**	–	2.9
Purchase of corporate bonds		**(12.1)**	(58.3)	(70.9)
Proceeds from sale of corporate bonds		**21.0**	44.5	82.9
Purchase of equity investments		**–**	(2.6)	(5.1)
Dividends received from equity investments		**1.0**	0.7	0.7
Proceeds from sale of equity investments		**–**	0.4	3.3
Loans made to associate undertakings		**–**	(1.1)	(1.0)
Distributions received from associate undertakings		**–**	0.8	0.8
(Costs of)/income from foreign currency transactions		**(1.8)**	0.8	(0.9)
Purchases of property, plant and equipment		**(4.1)**	(0.3)	(11.3)
Net cash outflow from investing activities		**(49.5)**	(16.9)	(10.9)
Cash flows from financing activities				
Purchase of own shares		**(10.4)**	(10.0)	(15.5)
New loans		**141.4**	–	32.6
Issue costs of new loans		**(1.3)**	–	(0.2)
Repayment of loans		**(103.1)**	(53.6)	(65.0)
Net cash inflow/(outflow) from financing activities		**26.6**	(63.6)	(48.1)
Cash flow element of net increase/(decrease) in cash and cash equivalents		**1.8**	(58.7)	(24.5)
Foreign exchange loss		**(1.6)**	(1.7)	(5.1)
Net increase/(decrease) in cash and cash equivalents		**0.2**	(60.4)	(29.6)
Cash and cash equivalents at the beginning of the period		**100.2**	129.8	129.8
Cash and cash equivalents at the end of the period		**100.4**	69.4	100.2

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

NOTES TO THE CONDENSED GROUP FINANCIAL STATEMENTS

30 June 2015

1 BASIS OF PREPARATION

The financial information contained in this Half-Yearly Financial Report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results for the year ended 31 December 2014 are an abridged version of the full accounts for that year, which received an unqualified report from the auditor, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 or include a reference to any matter to which the auditor drew attention by way of emphasis without qualifying the auditor's report, and have been filed with the Registrar of Companies. The annual financial statements of CLS Holdings plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed financial statements included in this Half-Yearly Financial Report have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements, except as explained in the note below the Condensed Group Statement of Cash Flows.

For the year ending 31 December 2015, the Company plans to transition to reporting under FRS 101 as issued by the Financial Reporting Council, and therefore take advantage of the disclosure exemptions permitted by the standard, unless an objection is served by any shareholder or shareholders holding in aggregate 5% or more of the allotted shares. Objections may be served by writing to the Company Secretary at the registered office, 86 Bondway, London, SW8 1SF, no later than 13 November 2015.

2 GOING CONCERN

The Directors regularly stress-test the business model to ensure that the Group has adequate working capital. They have reviewed the current and projected financial position of the Group, taking into account the repayment profile of the Group's loan portfolio, and making reasonable assumptions about future trading performance. In particular, the Directors are confident that loans expiring within the next 12 months will be refinanced, and note that no further loans expire in the United Kingdom between 2016 and 2018, and, therefore, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the Half-Yearly Financial Report.

3 SEGMENT INFORMATION

The Group has two operating divisions – Investment Property and Other Investments. Other Investments comprise Spring Mews hotel, 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 six months ended 30 June 2015 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	**18.4**	**6.7**	**6.9**	**7.7**	**2.7**	**–**	**42.4**
Other property-related income	**0.5**	**–**	**–**	**–**	**0.4**	**7.8**	**8.7**
Service charge income	**3.4**	**–**	**2.3**	**1.6**	**0.2**	**–**	**7.5**
Service charges and similar expenses	**(3.3)**	**(0.1)**	**(2.4)**	**(1.7)**	**(1.3)**	**–**	**(8.8)**
Net rental income	**19.0**	**6.6**	**6.8**	**7.6**	**2.0**	**7.8**	**49.8**
Administration expenses	**(1.7)**	**(0.1)**	**(0.7)**	**(0.6)**	**(0.1)**	**(2.4)**	**(5.6)**
Other expenses	**(1.5)**	**(0.2)**	**(0.4)**	**(0.6)**	**(0.1)**	**(4.7)**	**(7.5)**
Group revenue less costs	**15.8**	**6.3**	**5.7**	**6.4**	**1.8**	**0.7**	**36.7**
Net movements on revaluation of investment properties	**33.5**	**9.1**	**5.5**	**3.5**	**2.3**	**–**	**53.9**
Segment operating profit	**49.3**	**15.4**	**11.2**	**9.9**	**4.1**	**0.7**	**90.6**
Finance income	**–**	**–**	**–**	**–**	**–**	**5.5**	**5.5**
Finance costs	**(5.4)**	**(1.6)**	**(1.2)**	**(0.9)**	**(0.2)**	**(2.7)**	**(12.0)**
Segment profit before tax	**43.9**	**13.8**	**10.0**	**9.0**	**3.9**	**3.5**	**84.1**
Central administration expenses							**(3.9)**
Profit before tax							**80.2**

The Group's results for the six months ended 30 June 2014 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	15.5	6.6	9.0	7.8	3.2	–	42.1
Other property-related income	0.6	–	0.1	0.1	–	–	0.8
Service charge income	2.8	–	2.7	1.3	0.1	–	6.9
Service charges and similar expenses	(3.5)	–	(3.0)	(1.7)	(0.8)	–	(9.0)
Net rental income	15.4	6.6	8.8	7.5	2.5	–	40.8
Administration expenses	(1.3)	(0.1)	(0.7)	(0.6)	(0.2)	(0.2)	(3.1)
Other expenses	(0.7)	(0.2)	(0.5)	(0.4)	–	–	(1.8)
Group revenue less costs	13.4	6.3	7.6	6.5	2.3	(0.2)	35.9

Profit on sale of investment properties	6.8	–	0.2	–	–	–	7.0
Net loss on sale of corporate bonds and other financial investments	–	–	–	–	–	(0.9)	(0.9)
Net movements on revaluation of investment properties	43.9	0.7	(2.6)	3.0	0.2	–	45.2
Segment operating profit/(loss)	64.1	7.0	5.2	9.5	2.5	(1.1)	87.2
Finance income	–	–	–	–	–	4.6	4.6
Finance costs	(5.2)	(1.7)	(1.6)	(1.3)	(0.5)	(4.4)	(14.7)
Share of loss of associates after tax	–	–	–	–	–	(1.4)	(1.4)
Segment profit/(loss) before tax	58.9	5.3	3.6	8.2	2.0	(2.3)	75.7
Central administration expenses							(3.1)
Profit before tax							72.6

The Group's results for the year ended 31 December 2014 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
Gain arising from acquisition	–	–	–	–	–	1.2	1.2
Fair value gain on reclassification of an associate as a subsidiary	–	–	–	–	–	0.2	0.2
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

Segment assets and liabilities

	Assets			**Liabilities**		
	30 June	30 June	31 December	**30 June**	30 June	31 December

	2015 £m	2014 £m	2014 £m	2015 £m	2014 £m	2014 £m
Investment Property						
London	**775.3**	578.3	717.9	**419.7**	345.7	402.4
Rest of UK	**108.5**	99.5	100.2	**81.5**	81.4	81.8
France	**215.6**	235.6	229.8	**168.0**	196.0	184.7
Germany	**241.0**	214.9	239.5	**163.4**	140.1	160.2
Sweden	**47.5**	63.4	49.7	**33.6**	42.7	36.6
Other investments	**250.9**	194.2	251.7	**65.6**	48.9	65.6
	1,638.8	1,385.9	1,588.8	**931.8**	854.8	931.3

Segment capital expenditure

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Investment Property			
London	**25.7**	29.1	45.5
Rest of UK	**0.3**	–	–
France	**0.8**	1.3	2.3
Germany	**18.7**	0.5	29.4
Sweden	**0.1**	3.1	3.0
Other investments	**5.4**	–	30.1
	51.0	34.0	110.3

4 FINANCE INCOME

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Interest income	**2.8**	3.9	7.0
Other finance income	**1.0**	0.7	0.7
Foreign exchange variances	**1.7**	–	–
	5.5	4.6	7.7

5 FINANCE COSTS

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Interest expense			
Bank loans	**6.5**	7.0	13.3
Debenture loan	**1.5**	1.6	3.2
Zero-coupon note	**0.6**	0.7	1.3
Secured notes	**1.6**	1.7	3.2
Unsecured bonds	**2.2**	2.4	4.8
Amortisation of loan issue costs	**1.2**	0.9	1.9
Total interest costs	**13.6**	14.3	27.7

Less interest capitalised on development projects	**(0.2)**	(1.3)	(2.9)
	13.4	13.0	24.8
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	**(1.4)**	(0.3)	0.5
Interest rate caps: transactions not qualifying as hedges	**–**	0.3	0.4
Foreign exchange variances	**–**	1.7	1.1
	12.0	14.7	28.1

6 TAXATION

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Current tax	**3.3**	3.5	7.2
Deferred tax	**7.9**	7.1	34.8
	11.2	10.6	42.0

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

	Current tax Liability £m	**Deferred tax Asset £m**	**Deferred tax Liability £m**	**Total Net Liability £m**
At 1 January 2015	**(7.7)**	**4.8**	**(105.9)**	**(108.8)**
Charged in arriving at profit after tax	**(3.3)**	**(1.8)**	**(6.1)**	**(11.2)**
(Charged)/credited to other comprehensive income	**–**	**(0.1)**	**0.7**	**0.6**
Net tax paid	**4.3**	**–**	**–**	**4.3**
Deferred tax on acquisition	**–**	**–**	**(0.1)**	**(0.1)**
Foreign exchange variances	**0.2**	**–**	**5.0**	**5.2**
At 30 June 2015	**(6.5)**	**2.9**	**(106.4)**	**(110.0)**

7 EARNINGS PER SHARE

Management has chosen to disclose the European Public Real Estate Association (EPRA) measure of earnings per share, which has been provided to give relevant information to investors on the long-term performance of the Group’s underlying business. The EPRA measure excludes items which are non-recurring in nature such as profits (net of related tax) on sale of investment properties 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	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Profit for the period	**68.6**	62.0	194.9
Net movements on investment properties	**(53.9)**	(45.2)	(186.0)
Change in fair value of derivative financial instruments	**(1.4)**	–	0.9
Other gains and losses	**(2.9)**	–	(1.2)
Profit on sale of investment property	**–**	(7.0)	(8.7)
Net loss on sale of corporate bonds and other financial investments	**–**	0.9	–
Fair value gain on reclassification of an associate as a subsidiary	**–**	–	(0.2)
Impairment of carrying value of associate	**–**	–	2.2
Deferred tax relating to the above adjustments	**7.5**	5.6	31.7
EPRA earnings	**17.9**	16.3	33.6

Weighted average number of ordinary shares in circulation	Six months ended 30 June 2015 Number	Six months ended 30 June 2014 Number	Year ended 31 December 2014 Number
Weighted average number of ordinary shares in circulation	**42,732,275**	43,733,028	43,410,928

Earnings per Share	Six months ended 30 June 2015 Pence	Six months ended 30 June 2014 Pence	Year ended 31 December 2014 Pence
Basic and diluted	**160.5**	141.8	449.0
EPRA	**41.9**	37.3	77.4

8 NET ASSETS PER SHARE

Management has chosen to disclose the two European Public Real Estate Association (EPRA) measures of net assets per share: EPRA net assets per share; and EPRA triple net assets per share. The EPRA net assets per share measure highlights the fair value of equity on a long-term basis, and so excludes items which have no impact on the Group in the long term, such as fair value movements of derivative financial instruments and 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	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Basic net assets attributable to owners of the Company	**703.2**	531.1	652.9
Adjustment to increase fixed rate debt to fair value, net of tax	**(33.3)**	(22.2)	(29.2)
Goodwill as a result of deferred tax	**(1.1)**	(1.1)	(1.1)

EPRA triple net assets	**668.8**	507.8	622.6
Deferred tax on property and other non-current assets	**104.4**	76.4	102.4
Fair value of derivative financial instruments	**5.2**	4.8	7.3
Adjustment to decrease fixed rate debt to book value, net of tax	**33.3**	22.2	29.2
EPRA net assets	**811.7**	611.2	761.5

Number of ordinary shares in circulation	30 June 2015 Number	30 June 2014 Number	31 December 2014 Number
Number of ordinary shares in circulation	**42,402,323**	43,287,824	42,924,061

Net Assets per Share	30 June 2015 Pence	30 June 2014 Pence	31 December 2014 Pence
Basic	**1,658.4**	1,226.9	1,521.1
EPRA	**1,914.3**	1,412.0	1,774.1
EPRA triple net	**1,577.3**	1,173.1	1,450.5

9 INVESTMENT PROPERTIES

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
London	**741.3**	570.3	705.0
Rest of UK	**99.6**	98.7	97.6
France	**205.4**	230.8	225.1
Germany	**233.5**	209.9	235.5
Sweden	**46.2**	59.1	46.9
	1,326.0	1,168.8	1,310.1

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

	London £m	Rest of UK £m	France £m	Germany £m	Sweden £m	Total £m
At 1 January 2015	**705.0**	**97.6**	**225.1**	**235.5**	**46.9**	**1,310.1**
Acquisitions	**23.7**	**–**	**–**	**18.6**	**–**	**42.3**
Capital expenditure	**2.0**	**0.3**	**0.8**	**0.1**	**0.1**	**3.3**
Transfer to held for sale	**(23.0)**	**(7.4)**	**(6.5)**	**(3.0)**	**–**	**(39.9)**
Net movements on revaluation of investment properties	**33.5**	**9.1**	**5.5**	**3.5**	**2.3**	**53.9**
Rent-free period debtor adjustments	**0.1**	**–**	**0.3**	**–**	**–**	**0.4**
Exchange rate variances	**–**	**–**	**(19.8)**	**(21.2)**	**(3.1)**	**(44.1)**
At 30 June 2015	**741.3**	**99.6**	**205.4**	**233.5**	**46.2**	**1,326.0**

The investment properties were revalued at 30 June 2015 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 (30 June 2014: Lambert Smith Hampton; Savills; Knight Frank)

Rest of UK: DTZ (30 June 2014: Savills; Lambert Smith Hampton)

France: Jones Lang LaSalle

Germany: Colliers International

Sweden: CB Richard Ellis

Investment properties include leasehold properties with a carrying value of £51.2 million (30 June 2014: £56.6 million; 31 December 2014: £49.6 million).

Where the Group leases out its investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised in the current or comparative years.

Substantially all investment properties are secured against debt.

10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Hotel	**25.3**	–	21.3
Land and buildings	**30.4**	–	32.1
Owner-occupied property	**4.8**	2.9	3.9
Fixtures and fittings	**3.1**	0.5	3.1
Total	**63.6**	3.4	60.4

The movement in property, plant and equipment since the last reported balance sheet was as follows:

	Hotel £m	**Land and buildings £m**	**Owner-occupied property £m**	**Fixtures and fittings £m**	**Total £m**
At 1 January 2015	**21.3**	**32.1**	**4.1**	**4.5**	**62.0**
Additions	**–**	**3.7**	**–**	**0.4**	**4.1**
Acquisitions arising from business combinations	**–**	**1.3**	**–**	**–**	**1.3**
Exchange rate variances	**–**	**(2.2)**	**–**	**–**	**(2.2)**
Revaluation	**4.0**	**(3.9)**	**0.9**	**–**	**1.0**
At 30 June 2015	**25.3**	**31.0**	**5.0**	**4.9**	**66.2**
Comprising:					
At cost	**–**	**–**	**–**	**4.9**	**4.9**
At valuation 30 June 2015	**25.3**	**31.0**	**5.0**	**–**	**61.3**
	25.3	**31.0**	**5.0**	**4.9**	**66.2**
Accumulated depreciation and impairment					
At 1 January 2015	**–**	**–**	**(0.2)**	**(1.4)**	**(1.6)**
Depreciation charge	**–**	**(0.6)**	**–**	**(0.4)**	**(1.0)**

At 30 June 2015	**–**	**(0.6)**	**(0.2)**	**(1.8)**	**(2.6)**
Net book value					
At 30 June 2015	**25.3**	**30.4**	**4.8**	**3.1**	**63.6**
At 31 December 2014	21.3	32.1	3.9	3.1	60.4

11 OTHER FINANCIAL INVESTMENTS

	Investment type	Destination of Investment	**30 June 2015 £m**	30 June 2014 £m	31 December 2014 £m
Available-for-sale financial investments carried at fair value	Listed corporate bonds	UK	**19.4**	30.2	19.1
		Eurozone	**3.5**	9.5	3.9
		Other	**30.9**	44.6	38.8
			53.8	84.3	61.8
	Listed equity securities	UK	**0.2**	0.2	0.2
		Sweden	**40.2**	32.7	34.6
	Unlisted investments	Sweden	**3.2**	2.9	3.3
			97.4	120.1	99.9

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

	Level 1 Quoted market price £m	**Level 2 Observable market data £m**	**Level 3 Other valuation methods* £m**	**Total £m**
At 1 January 2015	**34.8**	**61.8**	**3.3**	**99.9**
Additions	**–**	**12.1**	**–**	**12.1**
Disposals	**–**	**(18.3)**	**–**	**(18.3)**
Fair value movements recognised in reserves on available-for-sale assets	**8.2**	**(0.4)**	**–**	**7.8**
Exchange rate variations	**(2.6)**	**(1.4)**	**(0.1)**	**(4.1)**
At 30 June 2015	**40.4**	**53.8**	**3.2**	**97.4**

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

Corporate Bond Portfolio

At 30 June 2015

Sector	**Banking and Financials**	**Insurance**	**Leisure and Travel**	**Telecom and IT**	**Other**	**Total**
Value	£22.0m	£5.7m	£5.6m	£9.5m	£11.0m	£53.8m
Running yield	7.7%	6.7%	6.2%	7.3%	8.3%	7.5%
Issuers	Societe Generale	Brit Insurance	British Airways	Telecom Italia	Arcelor Mittal	
	Bank of Ireland	Phoenix Life	Stena	CenturyLink	Transocean	
	Deutsche Bank	Old Mutual	SAS	T-Mobile	Stora Enso	
	Credit Agricole			Dell	Seadrill	
	SNS Bank				Findus	

Unicredit	Enel
Barclays	
Investec	
Lloyds	
HSBC	
RBS	

12 BORROWINGS

Maturity profile

At 30 June 2015	**Bank loans £m**	**Debenture loans £m**	**Zero coupon note £m**	**Unsecured bonds £m**	**Secured notes £m**	**Total £m**
Within one year or on demand	**209.3**	**1.7**	**–**	**23.0**	**4.2**	**238.2**
More than one but not more than two years	**58.7**	**1.9**	**–**	**–**	**4.2**	**64.8**
More than two but not more than five years	**119.3**	**7.2**	**–**	**65.0**	**12.5**	**204.0**
More than five years	**168.0**	**17.4**	**11.8**	**–**	**52.8**	**250.0**
	555.3	**28.2**	**11.8**	**88.0**	**73.7**	**757.0**
Unamortised issue costs	**(2.4)**	**–**	**–**	**(0.8)**	**(0.7)**	**(3.9)**
Borrowings	**552.9**	**28.2**	**11.8**	**87.2**	**73.0**	**753.1**
Less amount due for settlement within 12 months	**(208.5)**	**(1.7)**	**–**	**(22.7)**	**(4.1)**	**(237.0)**
Amount due for settlement after 12 months	**344.4**	**26.5**	**11.8**	**64.5**	**68.9**	**516.1**

At 30 June 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	94.8	1.6	–	–	4.2	100.6
More than one but not more than two years	221.5	1.7	–	26.2	4.2	253.6
More than two but not more than five years	171.8	6.4	–	–	12.5	190.7
More than five years	30.5	20.0	14.2	65.0	57.0	186.7
	518.6	29.7	14.2	91.2	77.9	731.6
Unamortised issue costs	(2.5)	–	–	(1.1)	(0.9)	(4.5)
Borrowings	516.1	29.7	14.2	90.1	77.0	727.1
Less amount due for settlement within 12 months	(93.7)	(1.6)	–	0.4	(4.0)	(98.9)
Amount due for settlement after 12 months	422.4	28.1	14.2	90.5	73.0	628.2

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	188.4	1.6	–	–	4.2	194.2
More than one but not more than	158.1	1.8	–	24.7	4.2	188.8

two years						
More than two but not more than five years	153.4	6.8	–	65.0	12.5	237.7
More than five years	40.4	18.8	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)
Amount due for settlement after 12 months	350.9	27.4	11.2	89.1	70.9	549.5

Fair values

	Carrying amounts			**Fair values**		
	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m	**30 June 2015 £m**	30 June 2014 £m	31 December 2014 £m
Current borrowings	**237.0**	98.9	192.8	**237.0**	98.9	192.8
Non-current borrowings	**516.1**	628.2	549.5	**557.7**	655.9	586.0
	753.1	727.1	742.3	**794.7**	754.8	778.8

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

13 SHARE CAPITAL

	Number					
	Ordinary shares in circulation	**Treasury shares**	**Total ordinary shares**	**Ordinary shares in circulation £m**	**Treasury shares £m**	**Total ordinary shares £m**
At 1 January 2015	**42,924,061**	**2,903,103**	**45,827,164**	**10.8**	**0.7**	**11.5**
Issued	**15,000**	**(15,000)**	**–**	**–**	**–**	**–**
Cancelled following tender offer[1]	**(536,738)**	**–**	**(536,738)**	**(0.2)**	**–**	**(0.2)**
At 30 June 2015	**42,402,323**	**2,888,103**	**45,290,426**	**10.6**	**0.7**	**11.3**

	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 offer[2]	(665,966)	–	(665,966)	(0.2)	–	(0.2)
At 30 June 2014	43,287,824	2,903,103	46,190,927	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 2014	43,953,790	2,903,103	46,856,893	11.0	0.7	11.7
Cancelled following tender offer[2 & 3]	(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

1. A tender offer by way of a Circular dated 13 March 2015 for the purchase of 1 in 80 shares at 1,950 pence per share was completed in April 2015. It returned £10.4 million to shareholders, equivalent to 24.38 pence per share.
2. 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 2014. It returned £10.0 million to shareholders, equivalent to 22.65 pence per share.
3. 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 2014. It returned £5.5 million to shareholders, equivalent to 12.61 pence per share.

14 CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
Operating profit	**86.7**	84.1	259.8
Adjustments for:			
Net movements on revaluation of investment properties	**(53.9)**	(45.2)	(186.0)
Depreciation and amortisation	**1.0**	0.1	0.3
Non-cash rental income	**(0.4)**	(0.1)	(0.5)
Recruitment costs paid as shares	**0.2**	–	–
Profit on sale of investment property	**–**	(7.0)	(8.7)
Net loss on sale of corporate bonds and other financial investments	**–**	0.9	–
Gain arising on acquisition	**–**	–	(1.2)
Fair value gain on reclassification of an associate as a subsidiary	**–**	–	(0.2)
Changes in working capital:			
Decrease/(increase) in debtors	**4.4**	0.6	(2.0)
Decrease in creditors	**(0.5)**	(3.0)	(8.2)
Cash generated from operations	**37.5**	30.4	53.3

15 RELATED PARTY TRANSACTIONS

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

GLOSSARY OF TERMS

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

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

ERV (ESTIMATED RENTAL VALUE)
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 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

REVERSIONARY
The amount by which the ERV exceeds the passing rent

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

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

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

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

Sten Mortstedt	(Executive Chairman)
Henry Klotz	(Executive Vice Chairman)
Fredrik Widlund	(Chief Executive Officer)
John Whiteley	(Chief Financial Officer)
Malcolm Cooper * † ‡	(Non-Executive Director)
Joseph Crawley	(Non-Executive Director)
Elizabeth Edwards	(Non-Executive Director)
Christopher Jarvis † ‡	(Non-Executive Director)
Thomas Lundqvist	(Non-Executive Director)
Philip Mortstedt	(Non-Executive Director)
Anna Seeley	(Non-Executive Director)
Lennart Sten	(Non-Executive Director)

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

COMPANY SECRETARY
David Fuller BA, FCIS

REGISTERED OFFICE
86 Bondway
London
SW8 1SF

REGISTERED NUMBER
2714781

REGISTRARS AND TRANSFER OFFICE
Computershare Investor Services Plc
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH
Shareholder Helpline: 0870 889 3286

CLS HOLDINGS PLC ONLINE:
www.clsholdings.com

EMAIL:
enquiries@clsholdings.com

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

FINANCIAL ADVISERS
Kinmont Limited
5 Clifford Street
London
W1S 2LJ

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

Panmure Gordon (UK) Limited
One New Change
London
EC4M 9AF

REGISTERED AUDITOR
Deloitte LLP
Chartered Accountants
2 New Street Square
London
EC4A 3BZ

FINANCIAL AND CORPORATE PUBLIC RELATIONS
Smithfield Consultants Limited
10 Aldersgate Street
London
EC1A 4HJ