



INVESTORS IN EUROPEAN COMMERCIAL PROPERTY

- → CLS IS A COMMERCIAL PROPERTY INVESTMENT COMPANY THAT HAS BEEN LISTED ON THE LONDON STOCK EXCHANGE SINCE 1994.
- → WE OWN AND MANAGE A DIVERSE PORTFOLIO OF £876 MILLION OF MODERN, WELL-LET OFFICE AND COMMERCIAL PROPERTIES IN THE UK, FRANCE, GERMANY AND SWEDEN.
- → OUR PROPERTIES HAVE BEEN SELECTED FOR THEIR POTENTIAL TO ADD VALUE AND GENERATE HIGH RETURNS ON CAPITAL INVESTMENT.

OUR GOAL IS TO CREATE LONG TERM SHAREHOLDER VALUE

We aim to achieve this by continuing to:

- → Purchase modern, high quality, well-let office properties in good locations in selected European Cities
- → Use our in-house development teams to refurbish or redevelop appropriate properties
- → Focus on minimising vacant space within the portfolio
- → Provide our tenants with high quality accommodation at competitive rates
- → Develop long-term relationships with our tenants
- → Maintain strong links with a wide variety of banks and other sources of finance
- → Respond quickly to new opportunities
- → Carefully assess and manage our business risks

- 02 Business Highlights
- 03 Financial Highlights
- 04 Results at a Glance
- 05 Interim Management Report
- 15 Responsibility Statement
- 16 Un-audited Condensed Consolidated Income Statement
- 17 Un-audited Condensed Consolidated Balance Sheet
- **18** Un-audited Condensed Consolidated Statement of Changes in Equity
- 19 Un-audited Condensed Consolidated Cash Flow Statement
- 21 Report on Review of Condensed set of Financial Statements of CLS Holdings PLC
- 22 Glossary of Terms
- 23 Directors, Officers and Advisers

BUSINESS HIGHLIGHTS

Six months to 30 June 2008

PROPERTY DISPOSALS

- → Wholly owned subsidiaries of the Group completed the sale of 14 properties in France via a corporate sale in which the properties were valued at €142.4 million (£110.3 million). At 31 December 2007 the properties were valued in CLS' accounts at €132.6 million (£97.7 million) representing a premium of 7.4 per cent.
- → One Leicester Square, London WC2 and Coventry House, London SW1 were sold in a combined sale for £57.2 million which represented a premium of 8.4 per cent over 31 December 2007 valuations.
- The sale of shares in the company owning the London Bridge Quarter developments was completed on 9 January for a valuation on our share of the property of £110.2 million and net proceeds of £30.0 million in cash. The loss on disposal was recognised in the 2007 financial year.
- → Brent House, Wembley HA9 was sold for £17.1 million representing a 10.0 per cent premium on 31 December 2007 valuation.
- → Vista Centre, Heathrow was sold for £12.8 million representing a 2.5 per cent discount on the 31 December 2007 valuation.
- → Conoco House, London SE1 was sold for £8.8 million representing a 21.0 per cent premium on 31 December 2007 valuation.
- → 2 Boulevard Georges Clemenceau in Courbevoie, France was sold for €7.0 million (£5.4 million) which was 3.4 per cent more than 31 December 2007 valuation.
- → 22 Dukes Road, London WC1 was sold for £5.0 million representing a 2.0 per cent premium on 31 December 2007 valuation.
- → Satellite House, London N1 was sold for £3.0 million representing a 4.4 per cent premium on 31 December 2007 valuation
- → Two flats located at Victoria, London were sold for a total of £1.7 million which represented a premium of 12.0 per cent over 31 December 2007 valuations.
 - See financial review section for reconciliation of gain/loss on sale of investment properties, subsidiaries and joint venture.

PROPERTY DISPOSALS AFTER 30 JUNE 2008

- → King Street and London House both in Hammersmith, London have been sold for £7.8 million, which represents a discount of 1.3% on the 30 June 2008 valuation.
- → Citadel Holdings plc completed the sales of the Belin properties in Paris via a corporate sale in which the properties were valued at €87.0 million (£68.5 million) which is 0.7% less than 30 June 2008 valuations.

PROPERTY DEVELOPMENT

- → A €20.0 million (£15.9 million) re-development of the Rathaus Centre in the city of Bochum, Germany has begun and has been leased to the City of Bochum.
- → An €11.0 million (£8.7 million) multiphase development of the property at Landshut, Germany has commenced and is expected to be completed by June 2009. The properties are rented to the electricity company E.ON on a fully indexed 10 year lease.

FINANCIAL HIGHLIGHTS

- → Adjusted net asset value per share* 765.8 pence, up by 0.2 per cent from 764.2 pence at 31 December 2007 (Statutory NAV per share 623.9 pence, up 4.8 per cent from 595.1 pence at 31 December 2007).
- → Adjusted net assets* compared to market capitalisation £501.3 million compared to market capitalisation of £223.4 million at 30 June 2008, a discount of 55 per cent. (Statutory net assets including deferred tax provision, £408.4 million).
- → **Property portfolio** valued at £876.0 million, down 25.5 per cent from £1,175.3 million at December after taking into account disposals of £315.6 million and a revaluation decrement of £26.6 million.
- → Period end cash £176.9 million up by 45 per cent from £122.0 million at 31 December 2007.
- → Borrowings £593.2 million down by 26 per cent from £798.7 million at 31 December 2007.
- Adjusted gearing* 83.7% compared to 131.7% at 31 December 2007 (Statutory gearing was 102.8% compared to 169.1% at year end).
- -> Foreign currency translation gains on net assets of £15.2 million were taken to reserves.
- → Net rental income £34.2 million, up 5.6 per cent from £32.4 million for six months to 30 June 2007.
- → **Underlying profit*** £13.6 million up 63.9 per cent from £8.3 million for the six months ended 30 June 2007.
- → Loss before tax £24.6 million, (six months to 30 June 2007: profit £31.9 million).
- → **Profit after tax attributable to equity shareholders** £1.2 million (six months to 30 June 2007: profit £58.2 million).
- → **Proposed distribution** of 1 in every 25 ordinary shares by way of a tender offer at 425 pence per share, equivalent to 17 pence per share.

^{*} see glossary of terms

RESULTS AT A GLANCE

	30 Jun 08 6 months £m	30 Jun 07 6 months £m	Up / (Down)
INCOME STATEMENT (NON STATUTORY FORMAT) Net rental income Other income and expense Net finance costs Fair value gains on financial instruments Share of loss of associates	34.2 (8.5) (18.2) 6.2 (0.1)	32.4 (9.5) (20.7) 6.3 (0.2)	5.6% (10.5%) (12.1%) (1.6%) (50.0%)
Underlying profit Fair value (loss)/gain on investment properties Gains on sale of investment properties and subsidiaries Non recurring finance costs incurred on sales Non-recurring re-organisation costs Impairment charge	13.6 (26.6) 0.5 (0.3) (1.8) (10.0)	8.3 23.5 0.1 - -	63.9% (213.2%) 400.0% - -
(Loss)/profit before tax Tax – current Tax – deferred	(24.6) (2.0) 27.7	31.9 (1.3) 27.6	(177.1%) (53.8%) 0.4%
Profit for the period Minority interest	1.1 (0.1)	58.2 -	(98.1%) -
Profit for the period attributable to equity holders	1.2	58.2	(97.9%)
Adjusted (loss)/earnings per share* Earnings per share * Interest Cover *	0.0p 1.6p 1.7 times	9.8p 80.6p 1.4 times	
	30 Jun 08 £m	31 Dec 07 £m	Up / (Down)
BALANCE SHEET (NON STATUTORY FORMAT) Property portfolio Borrowings Cash Other	876.0 (593.2) 176.9 (51.3)	1,175.3 (798.7) 122.0 (95.5)	(25.5%) (25.7%) 45.0% (46.3%)
Net asset value	408.4	403.1	1.3%
Share Capital Reserves	18.1 390.3	18.7 384.4	(3.2%) 1.5%
Shareholders' funds	408.4	403.1	1.3%
Adjusted Net Assets * Statutory Net Assets Adjusted NAV per share * Statutory NAV per share * Adjusted gearing * Statutory gearing * Distribution per share from tender offer buy-backs Shares in issue (000's) – excluding treasury shares Weighted average shares in issue (000's) Diluted weighted average shares in issue (000's)	501.3m 408.4m 765.8p 623.9p 83.7% 102.8% -p 65,452 67,265	517.6m 403.1m 764.2p 595.1p 131.7% 169.1% 31.5p 67,740 71,092 71,092	

^{*} See glossary of terms

INTERIM MANAGEMENT REPORT

INTRODUCTION

In our most recent annual report, we reported that 2007 had been a tough year and that we did not anticipate life becoming much easier in 2008. There is still uncertainty caused by the risk of recession in the markets in which we are active and the continuing lack of financial liquidity and lending capacity.

We have now largely completed our strategy of selling selected properties to enable the Group to be strongly positioned to take advantage of purchasing opportunities as they arise in the future. In the first six months of 2008 we have sold properties for gross proceeds of £331.5 million. This has had the effect of reducing our adjusted gearing from 132 per cent at 31 December 2007 to 84 per cent and increasing our cash from £122 million at 31 December 2007 to £177 million at 30 June 2008.

BUSINESS OVERVIEW

UK – At 31 December 2007 the UK portfolio comprised 37 properties valued at £485.7 million plus £112.8 million for the London Bridge Quarter (LBQ) and Fielden House joint ventures. During the first half, nine investment properties were sold for gross proceeds of £105.5 million compared to a December 2007 carrying value of £97.3 million, a premium of 8.5 per cent. The sale of our interest in LBQ was also completed for £30 million including associated debt (see financial review section). The property at 86 Bondway that was previously included as an investment property has now been transferred to property, plant and equipment as required by International Accounting Standards from the date that we occupied it as our head office. This property will be held at cost until such time that it is returned to the investment portfolio or sold.

At 30 June the investment property portfolio comprised 27 properties valued at £377.6 million plus £2.7 million in respect of CLS' share of the Fielden House joint venture. This reflects a decrease in the value of unsold properties on a like for like basis of 2.3 per cent.

On 15 August the Group completed the sale of London House and 275/281 King Street, Hammersmith for £7.8 million. These properties were valued at £7.9 million at 30 June 2008.

We believe the biggest risks currently facing the property market are the risk of recession in the UK leading to increased vacancy and the lack of bank liquidity and lending continuing to affect the market. As approximately 55 per cent of the portfolio is let to government or semi-government tenants and the average period to end of lease is 11.5 years we believe that provided there are no further shocks in the banking sector and any recession is not prolonged, our UK property values will fall only slightly in the second half of the year.

Vacant space at 30 June was 5.6 per cent compared with 5.8 per cent at the end of 2007.

FRANCE - At 31 December 2007 the French portfolio comprised 42 properties valued at €482.2 million (£355.3 million).

There was a significant portfolio sale of 29 companies owning 14 properties in May 2008. Consideration in respect of the properties was \in 142.4 million (£110.3 million) representing a 7.4 per cent premium on December 2007 valuations. As these were corporate sales the purchaser also acquired the assets and liabilities of the companies including certain loans secured on the properties which led to a loss on the disposal of \in 7.7 million (£5.9 million). There was also a release of deferred tax liability on the disposal of \in 28.8 million (£22.3 million) which resulted in a net gain on the disposal of \in 21.1 million or \in 16.4 million (see financial review section). A further property in Courbevoie was sold for \in 7.0 million (£5.4 million) compared to a December 2007 valuation of \in 6.77 million (£5.0 million). We are pleased with the price obtained for all of these properties which have yielded good returns over our period of ownership.

At 30 June the portfolio comprised 27 properties with a value of €332.7 million (£263.9 million), reflecting a fall in value of 3 per cent on a like for like basis during the first six months of 2008. We expect growth in the French economy to be low in 2008 and as a result we believe that property valuations will fall slightly in the second half.

On 30 July the Group completed the corporate sale of three properties in a western suburb of Paris based on property values of €87.0 million (£68.5 million). These properties were valued at €87.6 million (£69.5 million) at 30 June 2008. As this was a corporate sale there was also a disposal of net assets and other adjustments and costs and a release of deferred tax liability. We are pleased to have sold these properties at an attractive price.

INTERIM MANAGEMENT REPORT (continued)

The vacancy rate has increased to 6.8 per cent as at 30 June from 4.0 per cent at the year end which is mainly attributable to the fact that the properties that have been sold had a lower vacancy rate than the properties retained. Negotiations are at an advanced stage for re-letting part of the vacant areas and we have also launched renovation work of the vacant areas for marketing purposes.

Rental indexation grew in the first half with annualised increases of 4.8 per cent in the first quarter and 3.5 per cent in the second quarter. New leases and lease renewals showed an overall uplift of 4 per cent in the period.

GERMANY – At 30 June the German portfolio comprised 17 properties with a value of €225.2 million (£178.6 million) reflecting a fall in value of 3.4 per cent compared to €233.2 million (£171.8 million) at 31 December 2007. There have been no acquisitions or disposals in the first half. Our German operations are entering an exciting phase with approximately €31 million (£24.6 million) expected to be spent on major re-developments at the Rathaus Centre in the city of Bochum, and two new buildings that will form part of our existing property in Landshut, Munich in the next twelve months. Both of these properties have strong tenants in place with Bochum being let on a 30 year indexed lease to the City of Bochum and the Landshut buildings on ten year leases to E.ON Bayem AG with no breaks.

The German economy is expected to continue to slow in the second half of 2008. However we expect that rental markets will remain strong cushioning property values which we believe will fall slightly in the second half.

The vacancy rate across the portfolio at 30 June is 2.6 per cent compared with 2.4 per cent at December 2007.

SWEDEN – The Swedish portfolio remains unchanged with four properties comprising the Vänerparken portfolio in Vänersborg near Gothenburg. The value of SEK635 million (£53.2 million) is unchanged from its valuation at 31 December 2007. This portfolio provides important public services accommodation to the town of Vänersborg, including the provision of healthcare and education facilities, offices, public swimming pool and a marina. The Swedish economy is showing signs of slowing growth, inflationary pressures and a tightening bias by the central bank. This is not expected to significantly impact the Vänerparken portfolio because the majority of it is let on long leases that will not expire until 2015 and 2018.

The vacancy rate across the portfolio at 30 June is 7.8 per cent compared with 0.8 per cent at December 2007. Negotiations are currently in process that if successful will see the vacancy rate reduced to 1.9 per cent.

WYATT MEDIA GROUP – In June of this year the Lunarworks Group was re-branded as the Wyatt Media Group (Wyatt) to better reflect its developing identity as a multi stranded media group that provides effective advertising opportunities for its customers wishing to access the youth market. Wyatt now owns or is associated with seven websites (see wyatt.se) and is Sweden's leading digital media house with 70 per cent of the youth market.

In May a new CEO joined Wyatt and a new strategy has been implemented that includes growth through both inhouse development and acquisitions. As part of this, CLS Group has re-assessed the state of the market Wyatt operates in, the risks and uncertainties associated with that market and the business in its current state of development, the rate of growth that can be expected and the synergies that can be obtained from recent acquisitions by Wyatt. On the basis of this re-assessment the Board has decided to write down goodwill on acquisition of Wyatt by £10 million. The carrying amount of the Wyatt Group after this write-down is £12.3 million at 30 June. The Group has also provided loans to the Wyatt Group of £3.7 million which are not included in the carrying amount as they have been eliminated on consolidation.

During the first half, the Wyatt Group exercised its option to acquire the remaining 60 per cent of Bilddagboken AB for consideration of SEK25 million (£2.1 million) bringing its shareholding to 100 per cent. It also increased its shareholding in Internetami AB (Tyda) from 57 per cent to 82.3 per cent for consideration of SEK5.4 million (£0.4 million) and acquired 40 per cent of blog collection site, Bloggkoll.com.

FINANCIAL REVIEW

INCOME STATEMENT (NON STATUTORY FORMAT)

RESULTS BY LOCATION	Total	UK	France	Germany	Sweden	Wyatt	Other	June
6 months to June 2008	£m	£m	£m	£m	£m	Group £m	£m	2007 £m
Net rental income Other income	34.2 2.5	13.8 0.9	11.7 0.2	5.8	2.9	- 1.7	- (0.3)	32.4 3.0
Operating expenses Net finance costs	(11.0) (18.2)	(2.5) (9.7)	(2.1) (5.7)	(1.4)	(1.2) (0.6)	(3.3) (0.1)	(0.5) 0.6	(12.5) (20.7)
Fair value gains on financial instruments	6.2	4.8	1.0	0.4	-	-	_	6.3
Share of loss of associates Underlying profit	13.6	7.3	- 5.1	2.1	0.5 1.6	(1.7)	(0.6)	(0.2) 8.3
Fair value (loss)/gain on investment properties Gain on sale of investment properties, subsidiaries and	(26.6)	(8.3)	(8.1)		(1.0)	-	-	23.5
joint venture Non recurring finance costs on sales Non-recurring re-organisation costs Impairment charge	0.5 (0.3) (1.8) (10.0)	6.6 0.1 (0.5)	(6.0) (0.4) (0.5)	-	- (0.4) -	- - - (10.0)	- - -	0.1 - - -
(Loss)/profit before tax Taxation – current Taxation – deferred	(24.6) (2.0) 27.7	5.2 - 10.8	(9.9) (1.4) 16.5		0.2 (0.4) (0.2)	(11.7) 0.1 -	(0.8) - -	31.9 (1.3) 27.6
Profit for the period after tax	1.1	16.0	5.2	(7.3)	(0.4)	(11.6)	(0.8)	58.2

Underlying profit

Underlying profit for the six months to 30 June is £13.6 million compared to £8.3 million for the six months to 30 June 2007 which is an increase of £5.3 million. Net rent has increased in the period by £1.8 million as a result of strong letting performance and foreign exchange gains on converting the European currencies into Sterling. Net finance costs are down by £2.5 million mainly due to increased finance income on higher average cash balances. This is offset by an increase of £1.5 million in the amortisation of issue costs of loans repaid in the period. Interest costs have increased from £19.3 million at 30 June 2007 (excluding joint venture interest) to £21.3 million for the six months ended 30 June 2008 due to increased interest rates in the current period. The Group caps its floating rate debt and those caps were reached around the December 2007 year end period. There was also a gain on derivatives used to hedge the Groups exposure to variable interest rates. This arose because during the first half of 2008, interest rates increased significantly, especially at the shorter end of the yield curve, a consequence of the financial markets turmoil. The effect of property sales are expected to have a positive impact on underlying profit in the second half of the year.

Gain on sale of investment properties, subsidiaries and joint venture

	June 2008 £m
Gain on sale of investment properties Loss on sale of subsidiaries Loss on sale of joint venture	6.4 (5.9)
Total	0.5

INTERIM MANAGEMENT REPORT (continued)

Gain on sale of investment properties

During the period nine properties were sold in the UK (excluding LBQ joint venture) and one property was sold in France. UK properties were sold for a total consideration of £105.5 million and yielded a profit of £6.6 million. The French property in Courbevoie was sold for total consideration of £5.4 million and yielded a small loss of £0.1 million. Selling costs on a property currently under negotiation of £0.1 million have also been included.

Loss on sale of subsidiaries

In May 2008 a significant portfolio sale of 29 companies owning 14 properties in France was completed.

Portfolio sale	5 May 08 £m
Net assets disposed of:	
Investment properties	102.7
Intercompany loans	16.9
Trade & other receivables	0.9
Cash & cash equivalents	2.6
Deferred income tax	(22.3)
Borrowings including finance leases	(62.4)
Trade & other payables	(4.1)
	34.3
Gain on disposal	16.4
Costs of disposal:	
Fees	1.3
Provision for rent guarantee	1.2
Write off goodwill on acquisition	1.7
Recapitalisation	1.7
Total consideration	56.6
Satisfied by:	
Cash	37.4
Deferred consideration	2.3
Payment of fees	0.0
Repayment of intercompany loans	16.9
	56.6
The gain on disposal is disclosed in the income statement as follows:	
Loss on disposal of subsidiaries	(5.9)
Release of deferred tax	22.3
Gain on disposal	16.4
Net cash inflow arising on disposal:	
Cash consideration	37.4
Cash and cash equivalents disposed of	(2.6)
·	34.8
	04.0

The Group has provided rental guarantees to the purchaser of €5.5 million (£4.4 million). An amount is held in escrow of €2.0 million (£1.6 million) for these guarantees and a provision has been raised at the time of sale for €1.55 million (£1.23 million) which is the current best estimate of the ultimate obligation. A warranty agreement was entered into in respect of representations made at the time of the sale in the amount of €6.7 million (£5.3 million). An amount of €1.0 million (£0.79 million) is held in escrow in respect of these warranties. It is not considered probable that any claims will be successful under the terms of the warranty agreement and no provision has been made against any potential claims.

Loss on sale of joint venture

LBQ disposal	9 Jan 08 £m
Net assets disposed of:	
Investment properties	110.2
Trade & other receivables	0.6
Cash & cash equivalents	1.9
Deferred income tax	0.0
Borrowings including finance leases	(66.2)
Trade & other payables	(16.5)
	30.0
Loss on disposal	0.0
Costs of disposal*	0.0
Total consideration	30.0
Satisfied by:	
Cash	30.0
Net cash inflow arising on disposal:	
Cash consideration	30.0
Cash and cash equivalents disposed of	(1.9)
	28.1

^{*} Costs relating to the disposal were incurred in the year ended 31 December 2007 and amounted to £2.5 million.

INTERIM MANAGEMENT REPORT (continued)

BALANCE SHEET (NON STATUTORY FORMAT)

June 2008	Total £m	UK £m	France £m	Germany £m	Sweden £m	Wyatt Group £m	Other* £m
Investment properties Borrowings	876.0 (566.5)	380.3 (269.2)	263.9 (157.2)	178.6 (109.2)	53.2 (30.9)	-	- -
Equity in property assets Equity in Property as % of Valuation	309.5 35%	111.1 29%	106.7 40%	69.4 39%	22.3 42%	- -	
Cash Deferred tax asset Other Assets Deferred tax liabilities Other Liabilities	176.9 1.7 81.5 (94.6) (66.6)	101.7 1.7 8.9 (24.9) (10.8)	45.3 - 7.7 (61.8) (10.1)	, ,	12.2 - 1.5 (6.5) (10.7)	0.7 - 12.9 - (1.3)	13.3 - 49.1 - (28.5)
Statutory net assets	408.4	187.7	87.8	67.9	18.8	12.3	33.9
Adjusted net assets	501.3	210.9	149.6	69.3	25.3	12.3	33.9

^{*&#}x27;Other' comprises non property investments including investment in associates and equity investments. Debt of £26.7 million on these investments is included in other liabilities.

Investment Property

The value of our portfolio is now £876.0 million compared to £1,175.3 million at 31 December 2007. The analysis of the net decrease is shown below:

	Group £m	UK £m	France £m	Germany £m	Sweden £m
Opening assets	1,175.3	598.5	355.3	171.8	49.7
Redevelopment	5.1	0.8	0.4	3.0	0.9
Disposals	(315.6)	(207.7)	(107.9)	-	_
Transfer to land & buildings	(2.1)	(2.1)	-	_	-
Revaluation loss	(26.6)	(8.3)	(8.1)	(9.2)	(1.0)
Rent free period adjustment	(1.0)	(0.9)	(0.1)	_	-
Foreign exchange gain	40.9	-	24.3	13.0	3.6
Closing assets	876.0 100%	380.3 44%	263.9 30%	178.6 20%	53.2 6%

The majority of redevelopment costs were incurred in Germany in respect of the Bochum and Landshut developments. Costs in Sweden were fit out costs for new tenants.

Disposals during the period are discussed above.

Debt Structure

Net debt amounted to £416.3 million (31 December 2007: £676.7 million) comprising:

	June 2008 £m	Dec 2007 £m
Fixed rate debt Floating rate debt	384.6 208.6	501.2 297.5
Cash	593.2 (176.9)	798.7 (122.0)
Net debt	416.3	676.7

Debt maturity is set out below:

	June 2008 £m	Dec 2007 £m
Under 1 year	32.9	104.0
1 to 5 years	279.6	356.9
Over 5 years	284.1	342.8
Arrangement fees	(3.4)	(5.0)
Total	593.2	798.7

During the first 6 months of 2008, a new loan for £0.3 million was raised in respect of a property in Paris.

Loans repaid or transferred as a result of the disposal of assets in France and the UK totalled £202.8 million. In March 2008, the Group also repaid a loan in respect of properties located in Munich for £16.4 million and received a discount amounting to £0.76 million which is included in finance income. Other repayments were also made amounting to £17.4 million.

The weakening of GBP against EUR and SEK also resulted in a £28.4 million adverse effect on the GBP value of our EUR and SEK denominated debt.

In June 2008, the Group completed financing totalling €29.0 million (£23.0 million) to fund the development costs and the existing investment in the property located in Bochum, Germany. Drawdown of the development loan is expected to commence in August 2008, in line with the payment of the development and refurbishment costs.

In June 2008, the Group agreed terms for financing totalling €26.7 million (£21.2 million) to fund the existing investment in properties located in Munich and the development of two new buildings just outside of Munich. Completion for this financing and drawdown of the corresponding loan is expected to commence in September 2008.

Guarantees and contingent liabilities

At 30 June 2008 Group companies had guaranteed £312.4 million of Group Companies liabilities (December 2007: £476.0 million).

There are also guarantees in respect of the sale of the French portfolio which are disclosed above.

At 30 June 2008 CLS Holdings plc had guaranteed £125.3 million of Group Companies liabilities (December 2007: £147.2 million).

INTERIM MANAGEMENT REPORT (continued)

Purchase of own shares

The Company has bought back 2,612,985 ordinary shares from the market for either cancellation or inclusion as treasury shares since the year end for the total amount of £9.1 million equating to an average cost of 346.28 pence per share compared to a closing adjusted NAV per share at 30 June 2008 of 765.8 pence.

At 30 June 2008 there were 65,452,472 ordinary shares in circulation (31 December 2007: 67,740,457) and 7,114,209 treasury shares (31 December 2007: 7,109,279). There were no options outstanding at 30 June (31 December 2007: 405,000).

Proposed share buy back

The Board of Directors propose a share buy back to purchase 1 in every 25 ordinary shares by way of a tender offer at 425 pence per share, equal to a distribution of 17 pence per share. If the EGM which it is proposed will be held in November 2008 approves the proposed share buy back, the Company will have distributed £11 million to shareholders by the proposed pro rata buy back. In addition the Company has paid £11.5 million (to 21 August 2008) to purchase its own shares in the market.

Related party transactions

No related party transactions have taken place in the first half of 2008 that have materially affected the financial position or the performance of the Group during the period.

RISKS AND UNCERTAINTIES

Risk:

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 actual results to differ materially from expected and historical results. Management and mitigation of these risks is the responsibility of the Board.

Mitigation:

Property investment risks	
Underperformance of investment portfolio impacting on financial performance due to: - cyclical downturn in property market - inappropriate buy/sell/hold decisions	The senior management team 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 the capital allocation decision.
– changes in supply and/or tenant demand affecting rents and vacancies	The Group's property portfolio is diversified across four countries. Average time remaining on current leases is 8.23 years and the Groups largest tenant concentration is with the Government sector which comprises 38.6 per cent. The largest single non government tenant represents 5.3 per cent of gross rent and is a major international bank.
– poor asset management	Property teams review the current status of all properties weekly and provide a written report to senior management on KPIs including vacancies, lease expiry profiles and progress on rent reviews which are actively managed to mitigate risk.

Risk: Mitigation:

Funding risks

The risk that financing or re-financing will not be obtained at an acceptable price

The Group has a dedicated Treasury department and relationships are maintained with approximately 20 banks across the countries in which we operate thus reducing credit risk and increasing opportunities to obtain the best deal. The Groups exposure to changes in prevailing market rates is largely hedged on existing debt but there is an exposure on re-financing of existing debt although this is mitigated by the lack of concentration in maturities. For new property acquisitions the current and expected future cost of debt is considered in the initial decision to buy.

Foreign currency exposure

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 but is monitored on an ongoing basis.

Taxation risks

The risk that there will be increases in tax rates or changes to the basis of taxation including corporation tax, VAT and stamp duty land tax.

The Group monitors legislative proposals and both retains and consults external advisors as required to understand and if possible mitigate the effects of any such changes.

UPDATE ON PROPOSED GROUP RESTRUCTURE

It was announced on 27 March 2008 in the preliminary financial results for the year ended 31 December 2007, that CLS is considering a number of options to restructure the Group in order to release reserves for future distributions, to align the Group's structure to reflect its pan-European operational focus and to enable the Group to compete more effectively with other UK property investors enjoying REIT status. This process is ongoing and if a firm proposal has been established we will seek the shareholders' approval.

Non recurring costs associated with the restructure have been incurred to date of £1.8 million.

BOARD CHANGES

It was announced on 2 May 2008 that Per Sjöberg had resigned as Chief Executive Officer and Henry Klotz was appointed with immediate effect. In addition, Anders Böös resigned from the Board and it was announced that Sten Mortstedt will continue in his role as Executive Chairman. On 8 May 2008 Steven Board resigned as Executive Director and Company Secretary. Tom Thomson was appointed Company Secretary in his place.

INTERIM MANAGEMENT REPORT (continued)

CONCLUSION

It is of course impossible to predict the future, but the status of the company today is as follows:

- Between 1 January and 21 August we have sold one third of our portfolio by value for over £400 million including our investment in the Shard. Overall, our UK disposals have been at 3.7 percent over valuations and the French disposals at 4 percent over valuations.
- After concluding our sale of properties during July/August this year, the portfolio value is approximately £800 million at 21 August (using 30 June valuations).
- Interest bearing debt at 21 August is approximately £545 million compared to £799 million at 31 December 2007, a reduction of 32%. Refinancing required between 21 August and 31 December 2009 is £30.4 million.
- Our cash deposits of approximately £190 million at 21 August are split 60% Pound Sterling and 40% Euro and Swedish Kronor, which at current rates would generate interest of around £8.8 million on a per annum basis.
- Our sales programme is now virtually complete with approximately £13 million currently under negotiation.
- We have a very secure rental income stream with 39 per cent coming from government and semi-government bodies. The majority of the remainder of our tenants are solid companies and at this time we foresee no major defaults. The vacant space in the portfolio is below 6 per cent at 21 August.
- The yield of the total property portfolio is 6.6 per cent at 21 August. The yield in the UK portfolio is 6.3 per cent, France 6.9 per cent, Germany 6.5 per cent and Sweden 7.11 per cent. All income streams in France, Germany and Sweden are index linked as is 14 per cent of UK rental income.
 - The yield of the property portfolio and that 64.1 per cent of rental income is index linked provides protection against possible future decreasing property values. It also provides protection during times of inflation such as we are facing.
- The Group has implemented a cost saving plan which is budgeted to result in savings on overhead costs of £4-4.5 million over 2008 and 2009 on an annualised basis.
- The Group is now looking to acquire new properties in the markets in which we operate. We believe that there could be interesting property investment opportunities available to us in the future.

We believe that the company is in a good shape and look forward to the future with confidence and hope to make some interesting acquisitions.

Sten Mortstedt

Executive Chairman 29 August 2008

: MurhM/

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the interim management report includes 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 interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board

Sten Mortstedt Henry Klotz

Executive Chairman Chief Executive Officer

UN-AUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008

	30 June 2008 £000	30 June 2007 £000
Continuing operations: Revenue		
Rental and similar revenue Service charge and similar revenue Service charge expense and similar charges	35,235 6,105 (7,171)	33,771 4,495 (5,869)
Net rental income Net income from non-property activities Other operating income Administrative expenses Net property expenses	34,169 1,694 836 (9,432) (1,639)	32,397 - 3,041 (11,170) (1,344)
Operating profit before (losses)/gains on investment properties Net (loss)/gain from fair value adjustment on investment property Loss on disposal of associate/part share joint venture (Loss)/gain on disposal of subsidiaries Profit from sale of investment properties	25,628 (26,618) - (5,923) 6,399	22,924 23,477 - 127 38
Operating (loss)/profit Finance income Finance costs Exceptional finance costs	(514) 5,413 (17,337) (265)	46,566 1,655 (16,087)
Total finance costs Share of loss of associates after tax Exceptional re-organisation costs Impairment charge	(17,602) (57) (1,800) (10,000)	(16,087) (217) –
(Loss)/profit before tax Taxation – current Taxation – deferred	(24,560) (2,021) 27,658	31,917 (1,344) 27,651
Tax credit	25,637	26,307
Profit for the period	1,077	58,224
Attributable to equity holders of the parent Attributable to minority interests	1,147 (70)	58,224 -
	1,077	58,224
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in pence per share)		
Basic Diluted	1.6p 1.6p	80.6p 80.1p

There were no discontinued operations in the periods ended 30 June 2008 or 30 June 2007.

UN-AUDITED CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2008

	30 June 2008 £000	31 Dec 2007 £000
ASSETS		
Non-current assets		
Investment property	876,014	1,175,291
Property, plant and equipment	3,607	1,832
Intangible assets	12,297	19,538
Investment in associates	42,416	42,305
Other investments	6,430	8,424
Derivative financial instruments	2,699	1,268
Deferred income tax	1,708	2,880
Trade and other receivables	47	49
Current assets	945,218	1,251,587
Trade and other receivables	11,196	9,070
Derivative financial instruments	2,796	1,208
Cash and cash equivalents	176,917	122,030
	190,909	132,308
Total assets	1,136,127	1,383,895
LIABILITIES Non-current liabilities Deferred income tax Borrowings, including finance leases	94,600 560,951	117,439 695,675
Current liabilities	655,551	813,114
Trade and other payables	36,190	59,667
Current income tax	3,799	2,690
Derivative financial instruments	· -	2,307
Borrowings, including finance leases	32,229	103,025
	72,218	167,689
Total liabilities	727,769	980,803
NET ASSETS	408,358	403,092
EQUITY Capital and reserves attributable to the Company's equity holders Share capital Share premium reserve Other reserves Retained earnings	18,142 70,515 74,455 246,445	18,712 69,824 61,198 254,432
Minority interest	409,557 (1,199)	404,166 (1,074)
TOTAL EQUITY	408,358	403,092
		400,072

UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			Minority Interest	Total
	Share capital £000	Other reserves £000	Retained earnings £000	£000	£000
Balance at 1 January 2008	18,712	131,022	254,432	(1,074)	403,092
Arising in the period:- Fair value gains/(losses) - available-for-sale investments - cash flow hedges		(2,024) 84			(2,024) 84
Currency translation differences on foreign currency net investments Expenses of share issue / purchase of own shares Purchase of own shares Exercise share options Change in associates reserves Change in minority interest	- (570) - - -	15,190 - 570 691 (563) -	- (85) (9,048) - - -	- - - - - (55)	15,190 (85) (9.048) 691 (563) (55)
Net (expense)/income recognised directly in equity Profit for the period	(570) -	13,948 -	(9,133) 1,146	(55) (70)	4,190 1,076
Total (decrease)/ increase in equity for the period	(570)	13,948	(7,987)	(125)	5,266
Balance at 30 June 2008	18,142	144,970	246,445	(1,199)	408,358
	Attributable to equity holders of the Company			Minority Interest	Total
	Share capital £000	Other reserves £000	Retained earnings £000	€000	£000
Balance at 1 January 2007	20,020	112,173	316,842	(896)	448,139
Arising in the period:- Fair value gains/(losses) - available-for-sale investments - cash flow hedges Currency translation differences on foreign currency net investments Expenses of share issue / purchase of own shares	- - - (443)	1,374 (343) (1,465) 506	- - - (85)		1,374 (343) (1,465) (22)
Purchase of own shares	(443)		(14,935)		(14,935)
Net (expense)/income recognised directly in equity Profit for the period	(443) -	72 -	(15,020) 58,224	- -	(15,391) 58,224
Total (decrease)/increase in equity for the period	(443)	72	43,204	-	42,833
Balance at 30 June 2007	19,577				

UN-AUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

	30 June 2008 £000	Re-stated 30 June 2007 £000
Cash flows from operating activities Cash generated from operations Interest paid Income tax paid	21,489 (22,440) (912)	12,369 (20,858) (458)
Net cash outflow from operating activities	(1,863)	(8,947)
Cash flows from investing activities Purchase of investment property Capital expenditure on investment property Proceeds from sale of investment property Exceptional finance costs on disposal in investment properties Purchase of property, plant and equipment Proceeds from sale of property, plant and equipment Purchase of equity investments Proceeds from disposal of equity investments Purchase of interests in joint venture/associate net of cash acquired Proceeds from disposal of interests in joint venture/associate net of cash sold Proceeds on disposal of subsidiary undertakings net of cash sold Proceeds from foreign exchange transactions Dividend received Interest received	- (6,763) 110,608 (265) (473) 290 (2,273) 424 - 28,107 34,857 1,051 1,479 4,048	(13,906) (8,899) - (812) 190 (29,892) - (7,918) - (4,983) - - 2,590
Net cash inflow/(outflow) from investing activities	171,090	(63,630)
Cash flows from financing activities Issue of shares Purchase of own shares Proceeds from exercise of options Proceeds from new loans Issue costs of new loans Repayment of loans (Purchase)/sale of financial instruments Re-organisation costs Net cash (outflow)/inflow from financing activities	(9,134) 691 317 (651) (108,039) (111) (528)	65 (15,020) - 55,064 (157) (23,321) 243 - 16,874
Net increase/(decrease) in cash and cash equivalents Foreign exchange gain/(loss) Cash and cash equivalents at beginning of period	51,772 3,115 122,030	(55,703) (1,061) 157,571
Cash and cash equivalents at end of period	176,917	100,807

UN-AUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT (continued)

for the six months ended 30 June 2008

Cash generated from operations

	30 June 2008 £000	Re-stated 30 June 2007 £000
Operating (loss)/profit from continuing operations	(514)	46,566
Adjustments for:		
- revaluation loss/(gain) on investment properties	26,618	(23,477)
- depreciation and amortisation	790	2,818
- profit on disposal of investment properties	(6,399)	(38)
- loss/(profit) on disposal of subsidiaries	5,923	(127)
– loss on disposal of equity investments	400	-
Changes in working capital:		
Increase in debtors	(6,016)	(6,937)
Increase/(decrease) in creditors	687	(6,436)
Cash generated from operations	21,489	12,369

In the 2007 consolidated statement of cashflows, proceeds from the disposal of a subsidiary have been reclassified out of cashflows from operations into cashflows from investing activities. Gains/losses on foreign exchange have been reclassified in 2007 from cashflows from operations to the main body of the cashflow statement.

NOTE 1 - BASIS OF PREPARATION

The annual financial statements of CLS Holdings plc are prepared in accordance with IFRS 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.

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in the Group's latest annual audited financial statements.

The information for the year ended 31 December 2007 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

This interim statement incorporates the financial review section.

REPORT ON REVIEW OF CONDENSED SET OF FINANCIAL STATEMENTS OF 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 2008 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related note 1. 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 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

OUR RESPONSIBILITY

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors 29 August 2008 London, UK

GLOSSARY OF TERMS

CONTRACTED RENT

Contracted rent is defined as gross annualised rent supported by a signed contract

NET RENT

Net rent is defined as contracted rent less net service charge costs

YIELD

Yields on net rents have been calculated by dividing the net rent by the book value

ESTIMATED RENTAL VALUE (ERV)

The ERV of lettable space as determined biannually by the Company's valuers. This may be different from the rent currently being paid.

UNDERLYING PROFIT

Underlying profit is the profit before tax excluding net gains/losses from fair value adjustment on investment properties, profit/losses disposal of joint ventures, subsidiaries, investment properties, non-recurring items and impairment charges.

ADJUSTED NET ASSETS =	Net assets	excluding deferred t	tax liabilities and o	deferred tax assets
-----------------------	------------	----------------------	-----------------------	---------------------

STATUTORY NET ASSET = Net assets
VALUE (NAV) PER SHARE Number of

Number of ordinary shares in free issue

ADJUSTED NAV PER SHARE = Net assets + deferred tax liabilities - deferred tax assets

Number of ordinary shares in free issue

STATUTORY GEARING = <u>Total gross borrowings – cash</u>

Net assets

ADJUSTED GEARING = Total gross borrowings – cash

Net assets + deferred tax liabilities - deferred tax assets

EARNINGS PER SHARE (EPS) = Profit after tax attributable to ordinary shareholders

Weighted average number of ordinary shares in free issue

ADJUSTED EPS = Profit after tax attributable to ordinary shareholders excluding deferred tax

and fair value gains on investment properties

Weighted average number of ordinary shares in free issue

INTEREST COVER* = EBIT – net gains from fair value adjustments in investment properties –

impairment loss

Net finance costs excluding change in fair value of financial instruments

^{*2007} interest cover excludes the effect of LBQ joint venture

DIRECTORS, OFFICERS AND ADVISERS

Directors

Sten Mortstedt (Executive Chairman)
Henry Klotz (Chief Executive Officer)
Thomas Thomson BA (Non-Executive Vice Chairman)
Malcolm Cooper † (Non-Executive Director)
James Dean FRICS * † ‡ (Non-Executive Director)
Thomas Lundqvist * † (Non-Executive Director)
Bengt Mörtstedt Juris Cand (Non-Executive Director)

- * = member of Remuneration Committee
- [†] = member of Audit Committee
- ‡ = senior independent director

Company Secretary

Thomas Thomson BA

Registered Office

86 Bondway London SW8 1SF

Registered Number

2714781

Registered Auditors

Deloitte & Touche LLP Chartered Accountants 1 Little New Street London EC4A 3TR

Registrars and Transfer Office

Computershare Investor Services Plc P 0 Box 82 The Pavilions, Bridgwater Road Bristol BS99 7NH Shareholder helpline: 0870 889 3286

Clearing Bank

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

Financial Advisers and Stockbrokers

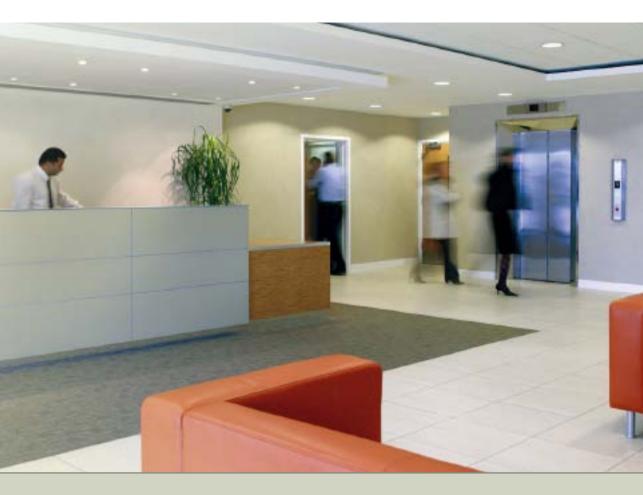
NCB Corporate Finance 51 Moorgate London EC2R 6BH

CLS Holdings plc on line:

www.clsholdings.com e-mail: enquiries@clsholdings.com



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



www.clsholdings.com

CLS Holdings plc

86 Bondway London SW8 1SF

Tel: +44 (0)20 7582 7766 Fax: +44 (0)20 7840 7710

e-mail: enquiries@clsholdings.com