



CLS Holdings plc

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PRESS RELEASE

11 March 2010

CLS Holdings plc (“CLS”, the “Company” or the “Group”)
Audited Financial Results for the year ended 31 December 2009

Financial highlights

- **Adjusted net assets per share: up 18.6%** to 767.5 pence (2008: 647.2 pence)
- **Adjusted earnings per share: up to 48.2 pence** (2008: loss per share of 65.6 pence)
- **Proposed tender offer buy-back: 1 in 42 shares at 525 pence**, equivalent to 12.5 pence per share, and increasing pro forma adjusted net assets per share to 771.7 pence
- **Profit before tax: up to £18.5 million** (2008: loss £142.1 million)
- **Profit after tax: up to £17.4 million** (2008: loss of £78.0 million)
- **Core Profit: up to £23.7 million** (2008: £2.8 million)
- **Portfolio value: £813.0 million** (2008: £798.8 million) - underlying valuation movement up 7.5% in UK, down 5.6% in Europe, down 0.6% overall
- **Aggregate cash, corporate bonds and other investments: £144.2 million**
- **Recurring interest cover: up at 2.1 times** (2008: 1.1 times)
- **Weighted average cost of debt: down to 4.0%** (2008: 5.8%)
- **Corporate bond portfolio: return on capital employed of 54.2%**
- **Distributions through tender offer buy-back: 77.8 pence per share** (£48.0 million)
- **Total Shareholder Return: for the year ended 31 December 2009 52.7%**
- **Occupancy rate: consistently high at 95.5%** (2008: 95.7%)
- **Proportion of rent roll let to Government tenants: 40% for the Group and 54% in the UK**

Commenting on the results, Sten Mortstedt, Executive Chairman, said:

“The property portfolio has performed well in difficult market conditions, reflecting the defensive benefits of well-let properties, and net assets per share are 18.6% higher than a year ago, a good result in the light of the adverse 36 pence impact of sterling strengthening during the period”.

“The fundamentals of our business remain sound. We have the resources available to take advantage of opportunities as they arise and I am delighted to report that we face the challenges ahead from a position of strength and confidence.”

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The annual financial report can be found on www.clsholdings.com

CHAIRMAN'S STATEMENT 2009

Investment Philosophy

CLS has an investment philosophy and a strategy to seek out and exploit imperfections in the market.

By this I mean that today's prices and values will always be different in the future and CLS, therefore, tries to predict price movements and then position itself to benefit from them.

In order to achieve higher returns and minimise the associated higher risks, diversification is key; CLS's main investment is in properties, but we have also invested in a portfolio of corporate bonds. Both asset classes cover a number of countries and currencies, and have exposure to different sectors. This diversification ensures that if some of the investments are unsuccessful the total return should still remain very good.

Imperfections Exploited

- In 2006, we anticipated significant falls in property values across Europe and embarked on a strategy to dispose of a number of properties. By the end of 2008 we had raised through sales almost £750 million, repaid associated debts, returned £72 million to investors and retained £150 million for subsequent investment. Consequently, whilst the UK listed property sector was repairing its collective balance sheet with right issues of over £6 billion, CLS was returning cash to shareholders.
- During the most critical period of the financial crisis we became uncomfortable with the outlook for the banking industry. In order to gain absolute protection for a large part of our liquid assets, we reduced our exposure to bank deposits and invested in government bonds.
- At the end of 2008, when we were convinced that the banking system would survive, we placed large cash deposits of 12 months' duration at interest rates of 6.15% (sterling) and 4.9% (euro), expecting rates to fall. Within four to five months interest rates were virtually zero.
- Also in the autumn of 2008 we began to invest for the long term in a portfolio of liquid corporate bonds as we believed the prevailing market prices to be too low. In 2009 the bond portfolio provided a total return of £18.0 million, adding 37 pence per share to net asset value, and at 31 December 2009 the portfolio of £70.0 million was yielding over 8.1%. The increase in value of the bonds has not been included in profit before tax due to the long-term characteristics of this new investment.
- We broke several interest rate swaps in July 2009 as we were of the opinion that the yield curve was too steep and, therefore, the swaps were undervalued, which proved to be correct. In addition, we sought to increase the extent to which our interest rate risk was mitigated by caps rather than swaps, thereby allowing us to take advantage of the prevailing low interest rate environment whilst restricting our exposure to interest rate rises. At 31 December 2009, our weighted average cost of borrowing was 4.0% and 50% of our debt was at floating rates.

We believe CLS has served investors well; in the ten years since 2000, our total shareholder return has been 297%. Over the same period, using tender buy-backs and market purchases of shares, we have returned in aggregate £266 million to

shareholders; in January 2000 CLS's market capitalisation was £159 million. We believe that for the past ten years, CLS has been one of the three best performing property companies listed on the London Stock Exchange.

The Portfolio

In 2009, the property portfolio which we retained has performed well in difficult market conditions, a reflection of the strength of our rent roll and our team's active management. 40% of the Group's rental income is derived from governmental or quasi-governmental tenants, our weighted average lease length is 8.5 years, and our vacancy rate remains low at 4.5% by rental value. Further, our traditional focus on debt collection has consistently seen collection rates exceed 90% within a few days of the due date during the year.

The portfolio's valuation at 31 December 2009 reflected the defensive benefits of well-let properties. In the UK, our portfolio began to rise in value in the first half of the year, and over the twelve months showed a gain of 7.5%. In recent years the French market has been less volatile than the UK, rising neither as quickly nor as far, and falling more slowly. In 2009 our French portfolio declined in value by 6.2% in local currency and the German portfolio by 5.7%.

Financials

Net assets per share at 31 December 2009, adjusted to exclude deferred tax, were 767.5 pence, 18.6% higher than a year earlier, and 4.8% above the pro forma equivalent of 732.0 pence, after the effect of the large tender offer in January 2009. This is a good result in the light of the adverse 36.0 pence impact of sterling strengthening during the period.

Property Investment

In the prevailing economic climate, we have been rigorous in assessing investment opportunities in 2009, restricting our acquisitions to the £29.2 million 7 Rue Eugène et Armand Peugeot, Rueil-Malmaison, to the west of Paris, a transaction which was completed at the end of December. Our only disposal in the year was 2 Deanery Street, London W1 for £2.2 million.

The UK market is now characterised by a far greater demand for property investment than supply and banking conditions remain relatively unfavourable. We see greater value and better conditions in both France and Germany and we will seek to take advantage of opportunities in these markets in the short to medium term.

Cash Management

During a year of uncertain property and financial markets, effective cash management has been key. With poor returns available from bank deposits, the Board sought to manage the Group's cash resources by exploiting opportunities which arose in the corporate bond market as explained above. The corporate bond portfolio is a part of the Company's long-term investment strategy.

A further initiative successfully executed in 2009 was the avoidance of potential breaches of covenants of bank loans with an aggregate value of £176.4 million, by repaying or placing on deposit new cash of £14.3 million. The fact that this was achieved at a time of significant banking turmoil is testament to the good relationships we enjoy with our principal lenders.

With the reduction in the appetite of banks to lend, it is encouraging that very little of our borrowing matures over the next two years.

Efficiency

We successfully implemented a cost-cutting programme before the financial crisis began. In May 2008 we moved to cheaper premises in one of our own buildings and slimmed down the organisation, successfully reducing our administration costs from £16.1 million in 2008 to £12.2 million in 2009.

We believe that environmentally safe and energy-efficient buildings are both commercially beneficial and socially desirable. For this reason we incorporate environmentally effective features in our developments and convert or modify as many properties as possible. This provides an advantage in letting the buildings, creating benefits to tenants, who enjoy higher quality buildings, lower running costs and a healthier environment, and it provides cost savings for the Group and added investment value. At Solna Business Park in Sweden we developed buildings with geothermal heating and cooling systems, which cut running costs significantly, and met high specifications for air quality, sound proofing and illumination. Both of our recent developments in Germany, at Landshut and Bochum, were designed to comply with the ENEC requirements on energy saving, and at Landshut ground water is used in the cooling system for the office space. We intend to extend this programme of energy efficiency across the portfolio.

Distributions

Following the substantial returns of cash to shareholders in late 2008 and early 2009, and with the share price at a discount of over 40% to adjusted net assets per share, we believe this is an appropriate time to restore our distribution policy. Accordingly, we propose to recommend a tender offer buy-back of 1 in 42 shares at 525 pence per share, and a general meeting to consider this will be convened for early April.

Appointments

In November we welcomed John Whiteley to the Board as Chief Financial Officer, and Thomas Lundqvist succeeded Tom Thomson as Vice Chairman. In addition, David Fuller was appointed Company Secretary. I would like to thank my Board colleagues and our staff for their fortitude during demanding times, and our shareholders, lenders, customers and suppliers for their continued support.

The Future

We operate in difficult markets, with banks seeking to reduce their exposure to the real estate sector. Good property deals, such as our recent French acquisition, are scarce. The fundamentals of our business remain sound. We have resources available to take advantage of opportunities as they arise and I am delighted to report that we face the challenges ahead from a position of strength and confidence.

Sten Mortstedt

Executive Chairman

11 March 2010

BUSINESS REVIEW 2009

The Group's business is divided into two operating divisions: investment properties and other investments. The investment property division is sub-divided for management purposes between the United Kingdom, France, Germany and Sweden. Other investments comprise investments in corporate bonds, in property groups Catena AB and Bulgarian Land Development plc, and in website media company Wyatt Media Group AB and other small corporate investments. At 31 December 2009, the investment property portfolio was valued at £813.0 million, and the other investments had a book value of £114.8 million.

Investment Property

Overview At 31 December 2009, the investment property portfolio was valued at £813.0 million, a fall in the year of 4.3%, of which 3.7% was due to the strength of sterling against assets held in euros and Swedish kronor. In local currency, the UK portfolio rose in value by 7.5%, France fell by 6.2%, Germany by 5.7% and Sweden by 2.0%. The property investment markets did not provide many opportunities to invest at value in the year, but towards the end of December we acquired Frères Peugeot in Paris for £29.2 million. Disposals in the year were restricted to 2 Deanery Street, London for £2.2 million. At 31 December 2009, the weighted average lease length across the Group was 8.5 years.

United Kingdom At 31 December 2009, the UK accounted for 42.7% of the investment portfolio at a value of £346.8 million, 7.5% higher than twelve months earlier on a like-for-like basis. By contrast, Investment Property Databank recorded a fall in office values across the UK of 5.9% in the year. Our valuation gain reflected a fall in yields for long-term, secure income caused by an excess of demand from investors over the available supply. The UK portfolio has a strong tenant profile with over 50% by rental value let to government tenants, and longevity of income with a weighted average lease term of over 10 years.

During the year, 2 Deanery Street, a Grade II listed building extending to 197 sq m of office accommodation, was sold with vacant possession for £2.2 million, generating a profit of £0.3 million over its 2008 valuation and representing the final disposal of properties considered to offer limited future prospects for growth. At 31 December 2009, the UK portfolio comprised 26 properties with an aggregate lettable area of 116,700 sq m.

We saw few opportunities for acquisitions offering good long-term value, with pricing generally reflecting excessive demand from overseas buyers and institutions. Nevertheless, we remain vigilant for opportunistic acquisitions. As a long-term holder of properties we have continued to carry out renovation and improvement works to a number of buildings in the UK portfolio, comprising £1.3 million in aggregate in the year, and including works at Chancel House and the installation of a new substation and refurbishment works at Cambridge House. At Westminster Tower, the electrical supply to each of the floors was replaced whilst the building remained fully occupied. At Great West House, a further floor was refurbished for the letting to Medical Professional Personnel.

Within the context of an economy in recession, the UK vacancy rate remained low at 4.5% by rental income compared to 4.4% in December 2008.

Despite the difficult market conditions, lettings were achieved at Great West House to Medical Professional Personnel and National Aviation Company of India, for 473

sq m and 299 sq m respectively, and an existing tenant at Great West House, Global Refund, acquired further space. At Quayside, 147 sq m was let to Knowledge to Action and at Ingram House 178 sq m was contracted with Ash Associates Communications. Further lettings were achieved at Spring Gardens Court, 16 Tinworth Street, 2/10 Tinworth Street and 107 Wandsworth Road.

Significant rental increases were achieved on the rent reviews at CI Tower: the annual rent from Hays Specialist Recruitment rose by 15%, and rent from Lafarge Cement UK increased by the same degree. Further rent reviews were settled at Spring Gardens, Westminster Tower and Cambridge House.

Through our close relationships with tenants we have again achieved excellent levels of debt recovery with no tenant company failures to report across the UK portfolio during the year. On average we received 94% of rent and service charge within 14 days of the due dates.

In the medium term, we plan to capitalise on the improvement of the Vauxhall area, following the recent substantial residential development of St George's Wharf, the relocation of the New Covent Garden Market, and the announcement of the new location of the United States embassy which is to open in 2016. We are pursuing development options on two sites in Vauxhall which are important projects in an improving area offering strong potential for adding value to substantial sites.

France At the end of 2009, the French portfolio was valued at £222.8 million, or 27.4% of the total CLS portfolio, and had fallen by 6.2% in the year in local currency on a like-for-like basis. This compares favourably to a 2009 average fall of 16% in the French market.

Throughout 2009 we were prepared to wait for the right deal. Having appraised many opportunities in the year, on 29 December we acquired 7 rue Eugène et Armand Peugeot in Rueil-Malmaison for £29.2 million. This was a 7,350 sq m multi-let office building to the west of Paris yielding 8.3% and providing a return on equity of 16.1%. There were no disposals from the French portfolio in the year, which at the year end comprised 25 properties of 85,800 sq m with 180 tenants. Most tenancies were of the traditional French 3:6:9 year duration, and the weighted average lease length at 31 December 2009 was 5.9 years.

The French portfolio suffered no major tenancy changes in the year, but 7,200 sq m of space was relet and 8,700 sq m renewed, resulting in a year end vacancy rate of 4.2% by rental value. Among the deals closed in the year were two lettings to existing tenants in Lyon: 3,909 sq m let to Deloitte in Park Avenue; and 1,050 sq m to Deloitte's parent, Inuem, at Front de Parc. In Paris, at Le Quatuor, Montrouge, Pôle Emploi took 999 sq m, and in 96 Rue Nationale, Lille, Medef signed a lease renewal and extension on 936 sq m. Renewals and lease extensions were also completed in Paris with Micro Application on 1,315 sq m in 20/22 Rue des Petits Hôtels, with Citadines on 1,264 sq m in 120 Rue Jean Jaurès, with Camfil on 1,228 sq m in Le Debussy, and with Cesap on 606 sq m in new nine year leases.

£2.3 million was incurred in 2009 maintaining the fabric of the portfolio, in particular in Paris at Le Debussy, la Garenne-Colombes with the renovation of common parts and the replacement of the heating and cooling system at the building. Other renovation work took place in Lyon at Rhône Alpes, and in Paris at Le Quatuor, Montrouge, 95/97 Bis Rue de Bellevue, Boulogne, and 120 Rue Jean-Jaures, Levallois Perret, and in Luxembourg.

The total French investment market turnover in 2009 was €8 billion, down from €12.5 billion in 2008 and €27 billion in 2007, and the letting market was 25% down on 2008 at 1.8 million sq m. We expect the French property market to recover slowly in 2010 in line with the French economy, but with well-located assets performing the better.

Germany The German portfolio, 23.6% of the total portfolio, was valued at £192.1 million at 31 December 2009, a fall of 5.7% in local currency on a like-for-like basis, caused by a marginal increase in yield of typically 0.125 to 0.25%. There were no purchases or sales in the year.

During 2009 capital expenditure in Germany comprised £17.7 million in total. The second and third phases of the Landshut development, of 7,032 sq m in aggregate, were completed on time and on budget. The entire scheme was pre-let to E.ON Bayern AG for 15 years with no breaks, and added €957,000 per annum to the rent roll. In addition, the 23,800 sq m redevelopment of the Rathaus Center in Bochum was completed and handed over to the City in December 2009 under a 30 year pre-letting to the local municipality at €2,285,000 per annum.

At 31 December 2009, the German portfolio comprised 16 properties with 140,400 sq m of lettable space. During the year tenants vacated 9,611 sq m, and lettings were achieved on 5,021 sq m, resulting in an increase in our void rate to 5.8% by rental value, well below the national rate. Notable amongst the lettings, at Frohbösestrasse 12 in Hamburg, laboratory equipment manufacturer Scope Life Sciences leased 1,595 sq m, and also in Hamburg three tenants took 1,100 sq m in aggregate at Jarrestrasse 8/10. At 31 December 2009 the portfolio housed 80 tenants on a weighted average lease term of 9.3 years.

Germany's GDP fell by 5.1% in 2009, the largest decrease in 50 years; an increase of 1.5% is expected in 2010. It is within this context that activity in the German commercial investment property market fell to €10.3 billion in 2009, down from €19.6 billion in 2008 and €75.0 billion in 2007. The market was dominated by open-ended funds looking for safe core investments, in which there was a small fall in yields which is expected to continue in 2010. We were prepared not to enter the investment market in 2009 except for the right opportunity, and we will continue to be circumspect in 2010.

The office letting market was depressed in 2009, with an overall fall in activity of 28% against the previous year, which in some cities such as Munich and Düsseldorf reached around 40%. Letting activity is unlikely to increase in 2010, but there remains very limited development activity to bring further supply to the market. The national average vacancy rate increased from 8.9% in 2008 to 9.9% in 2009, and is expected to increase in 2010. Our void rate of only 5.8% is a creditable result in the prevailing economic climate.

Sweden Our Swedish portfolio comprises adjacent buildings located in Vänersborg, near Gothenburg, which we treat collectively as one asset of 45,500 sq m called Vänerparken. At 31 December 2009 it was valued at £51.3 million, reflecting a fall of 2.0% on a like-for-like basis, and representing 6.3% of the Group portfolio.

Since mid-2008, the local university has vacated approximately 12,500 sq m and has been replaced as a tenant by the local municipality. The City of Vänersborg has leased the entire space for 20 years, with 10 years term certain. Should the local authority exercise its break in 2019 it would be subject to a break cost of one year's rent. We now have a secure income stream of 97% of our total Swedish income from governmental tenants until mid-2015, and subject to annual indexation.

With the new letting to the City of Vänersborg, the vacancy rate at Vänerparken has fallen to 1.9% by rental value.

Investment market activity in Sweden was not immune from global sentiment, and fell in 2009 by 75% against the year before.

Other Investments

Other investments at 31 December 2009 comprised investments in corporate bonds, in property groups Catena AB and Bulgarian Land Development Plc, and in website media company Wyatt Media Group AB and other small corporate investments, and represented a book value of £114.8 million in aggregate.

The corporate bond portfolio was acquired as part of the Group's long-term investment strategy in parallel with the ownership of long-term investment properties and had a value of £70.0 million at the year end against an historical cost of £58.4 million. The valuation uplift, together with interest income from the portfolio and gains on disposals, produced a total return on capital employed in the year of 54.2%.

Catena AB is a Swedish listed property investment company with a Scandinavian property portfolio valued at approximately one-quarter the size of that of CLS. During the year, the Group increased its interest in the issued share capital of Catena marginally to 29.8%, taking the aggregate cost to £28.6 million.

Bulgarian Land Development Plc is an AIM-listed developer of predominantly residential buildings in Bulgaria. CLS owns 47.7% of the company, acquired at a cost of £13.4 million.

Results for the Year

Changes in presentation In the year ended 31 December 2009, a number of International Financial Reporting Standards have been applied for the first time, as explained in Note 2 to the financial statements, although none has materially affected the results for the year. In applying IFRS8 – Operating Segments this year for the first time we are also required under the newly issued IAS 1 (revised) Presentation of financial statements, to provide three balance sheets instead of the usual two and several pages of accompanying notes, even though in applying IFRS8 the balance sheets are unaffected. Also under IAS 1 (revised) this year a Statement of Comprehensive Income is presented for the first time, comprising the traditional Income Statement and other reserve movements.

Headlines Profit after tax attributable to the owners of the Company of £17.5 million (2008: loss of £78.1 million) generated basic earnings per share of 36.4 pence (2008: loss per share of 120.6 pence). After excluding the effect of deferred tax and the movement on the revaluation of investment properties, adjusted earnings per share were 48.2 pence (2008: loss per share of 65.6 pence). Gross property assets at 31 December 2009 rose to £813.0 million (2008: £798.8 million), net assets per share were 643.3 pence (2008: 548.4 pence) and adjusted net assets per share, which

exclude deferred tax, were 18.6% higher than the previous year at 767.5 pence (2008: 647.2 pence).

Approximately 40% of the Group's business is conducted in the reporting currency of sterling, and 8% is in Swedish kronor, the exchange rate for which remained largely unchanged against sterling between 2008 and 2009. However, half of the Group's business is conducted in euros, the average rate of which strengthened by around 10% against sterling in 2009 compared to the previous year, adding to the profits reported in the Statement of Comprehensive Income. Towards the end of 2008 the euro strengthened significantly, reaching almost parity at the year end, but by 31 December 2009 sterling had strengthened by 7.8%, reducing the relative value of euro-based net assets. So, perversely, when compared to the previous year the Statement of Comprehensive Income benefited from the euro's strength in 2009, but the Balance Sheet at 31 December 2009 suffered from its weakness.

Exchange rates to the £

	EUR	SEK
At 31 December 2007	1.3571	12.7896
2008 average rate	1.2575	12.0861
At 31 December 2008	1.0461	11.4474
2009 average rate	1.1233	11.9290
At 31 December 2009	1.1275	11.5689

Statement of Comprehensive Income Rental income for 2009 was £60.6 million, 3.9% lower than in 2008. Rents in the UK were £25.0 million, 41% of the total Group, and £1.2 million lower than 2008, virtually entirely due to disposals made in 2008. At £4.9 million, rents in Sweden were in line with last year. In Germany and France, a full year of loss of rent from disposals made in 2008 reduced rental income by £6.4 million in 2009, whilst rents from completed developments and termination payments on expiries added £2.1 million. Underlying rental income from the remaining portfolios in Germany and France rose by 1.0% in local currency but translated to a 13.1% rise due to the strength of the euro.

Following the rationalisation of the property portfolio, we embarked upon a process to address the cost base of the Group, slimming down the organisation and reducing administration costs from £19.0 million in 2007 (excluding £8.7 million relating to the investment in London Bridge Quarter which was sold at the end of that year), to £16.1 million in 2008, and £12.2 million in 2009.

The net deficit on revaluation of investment properties at 31 December 2009 was £6.7 million (2008: deficit of £103.3 million). The uplift in the UK of £24.1 million reflected a 7.5% underlying gain. In Germany and France, the underlying deficit in local currency of around 6% was doubled by the relative strength of sterling at the year end, causing a deficit of £13.5 million and £15.9 million, respectively. The deficit on revaluation of investment properties is excluded in arriving at adjusted earnings per share.

The impairment of intangible fixed assets and goodwill of £22.0 million significantly reduced adjusted earnings per share in 2008. There was no such impairment in 2009.

Net finance costs in 2009 were £25.5 million (2008: £43.0 million). Within this number, interest payable of £28.5 million (2008: £42.6 million) was lower than the previous year due to the reduction in loans which accompanied the disposals in 2008, and also due to the decision to reduce exposure to fixed rate interest rate swaps in favour of interest rate cap contracts, which enabled the Group to benefit from the prevailing low interest rate environment. The fall in interest income to £6.4 million (2008: £8.7 million) was largely due to cash balances being reduced by the £48.0 million distributed through the tender offer buy-back in January 2009. Foreign exchange variances created a loss of £9.7 million (2008: gain of £11.9 million), and the effect of marking derivatives to market at the year end produced a net gain of £6.3 million (2008: loss of £21.0 million).

Within the Other Investments division, in addition to the return of 54.2% from corporate bonds, Wyatt Media Group contributed £0.1 million (2008: loss of £2.8 million) to operating profit on turnover of £3.6 million (2008: £3.6 million), and the Group's share of Catena AB's profit after tax was £3.0 million. Bulgarian Land Development plc contributed a loss after tax of £3.3 million, which was partially offset by negative goodwill of £2.8 million occasioned when the Group bought a further 11.9% of the shares in BLD at a price below that company's net asset value.

Once again this year the current tax charge was significantly below the weighted average rate of the countries in which we do business. Our French operation was the only part of the Group which paid tax. Elsewhere in the Group, through judicious planning, tax losses absorbed taxable profits made in the year. Future profits will erode such tax losses and, thereby, the Group's ability to mitigate future tax liabilities. The tax charge also contains a deferred tax credit of £1.0 million (2008: tax credit of £67.7 million), which typically largely contains an adjustment required under IFRS for the potential tax occasioned by valuation movements on investment properties. In practice this tax is unlikely to be paid, so deferred tax is excluded from the calculations of adjusted earnings per share and adjusted net asset value.

Adjusted net asset value Adjusted net assets fell by 7.7% to £368.6 million (2008: £399.6 million), but adjusted net assets per share rose because the number of shares in issue was reduced by 2 in 9, or 22%, through the tender offer buy-back.

At 31 December 2009, adjusted net assets per share, which exclude deferred tax, were 767.5 pence (2008: 647.2 pence), a rise of 18.6%. On 7 January 2009, a tender offer of 2 in 9 shares in issue took place at 350 pence per share, which had the effect of increasing adjusted net assets per share to 732.0 pence. Profit after tax added a further 34.3 pence, and fair value movements contributed 28.2 pence. Against this, exchange rate variances reduced adjusted net assets per share by 27.0 pence.

Cash flow, net debt and gearing At 31 December 2009, the Group's cash balances of £70.3 million were £125.0 million lower than twelve months previously, mainly due to the distribution of £48.0 million by way of the tender offer buy-back in January, property acquisitions and other capital expenditure of £52.0 million, and the net investment in corporate bonds of £45.9 million.

During the year gross debt reduced from £601.7 million to £592.8 million. £19.2 million was raised to finance the acquisition of Frères Peugeot in Paris, £21.1 million to finance developments in Germany, and £29.4 million for sundry working capital requirements. £57.4 million was repaid during the normal course of business, and the effect of translating euro-denominated loans into sterling at an exchange rate 7.8% different from twelve months earlier reduced the sterling value of overseas loans by £21.1 million.

Adjusted net gearing, which excludes the effect of deferred tax, was 101.7% at 31 December 2008, but rose to a pro forma 129.2% with the tender offer buy-back on 7 January. At 31 December 2009 it was 141.7%, and the weighted average loan-to-value on borrowings against properties was 66.9%. Adjusted solidity was 36.4% (2008: 37.6%).

During the year a number of fixed interest rate swap contracts were cancelled in favour of interest rate caps to take advantage of the prevailing low interest rate environment. This had the effect of reducing the weighted average cost of debt to 4.0% (2008: 5.8%), and increasing the proportion of floating rate loans to 50% of total borrowings (2008: 42.5%). In 2009 recurring interest cover rose to a comfortable 2.1 times (2008: 1.1 times).

Financing strategy The Group's strategy is to hold its investments predominantly in single-purpose vehicles financed primarily by non-recourse bank debt in the currency used to purchase the asset. In this way credit and liquidity risk can most easily be managed, around 75% of the Group's exposure to foreign currency is naturally hedged, and the most efficient use can be made of the Group's assets. Bank debt ordinarily attracts covenants on loan-to-value and on interest and debt service cover. Following the significant fall in property values at 31 December 2008, actual and potential covenant breaches on loans with a value of £176.4 million were resolved through the part-repayment of loans or the placing of cash on deposit using less than £15 million in aggregate. None of the Group's debt was in breach of covenants at 31 December 2009; potential breaches could be rectified on the part-repayment of £1.9 million of principal.

To the extent that Group borrowings are not at fixed rates, the Group's exposure to interest rate risk is mitigated by the use of financial derivatives, particularly interest rate swaps and caps.

Share capital At 1 January 2009, there were 66,745,471 shares in issue, of which 5,000,000 were held as Treasury shares. On 7 January, under the tender offer buy-back, 13,721,215 shares were cancelled in exchange for £48.0 million distributed to shareholders. There were no other changes to share capital in the year, and at 31 December 2009 48,024,256 shares were listed on the London Stock Exchange, and 5,000,000 shares remained in Treasury.

The Directors intend to put to a general meeting of the Company in April 2010 a proposal to issue a tender offer to buy back 1 in 42 shares at 525 pence per share. If approved by shareholders this could lead to the purchase and cancellation of 1,143,434 shares, a distribution to shareholders of £6.0 million, and 46,880,822 shares remaining, excluding Treasury shares.

Total Returns to Shareholders

In addition to the distribution associated with the tender offer buy-back in January 2009, shareholders benefited from a rise in the share price in the year from 305 pence on 31 December 2008 to 498.75 pence on 31 December 2009. Accordingly, the total shareholder return in 2009 was 52.7%.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risk	Mitigation
Property investment risks Underperformance of investment portfolio impacting on financial performance due to: <ul style="list-style-type: none">• Cyclical downturn in property market• Inappropriate buy/sell/hold decisions	Senior management has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in capital allocation decision-making.
<ul style="list-style-type: none">• Changes in supply of space and/or tenant demand affecting rents and vacancies	The Group's property portfolio is diversified across four countries. The weighted-average unexpired lease term is 8.5 years and the Group's largest tenant concentration is with the Government sector (40.1 per cent).
<ul style="list-style-type: none">• Poor asset management	Property teams proactively manage tenants to ensure changing needs are met, and review the current status of all properties weekly. Written reports are submitted bi-weekly to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews.
Other investment risks Underperformance of corporate bond portfolio	In assessing potential investments, the Group Treasury department undertakes research on the bond and its issuer, seeks third-party advice, and receives legal advice on the terms of the bond, where appropriate. The Group Treasury department receives updates on bond price movements and third party market analysis on a daily basis and reports on corporate bonds to the Board on a bi-weekly basis.

<p>Funding risks Unavailability of financing at acceptable prices</p>	<p>The Group has a dedicated Treasury department and relationships are maintained with approximately 20 banks, thus reducing credit and liquidity risk. The exposure on re-financing debt is mitigated by the lack of concentration in maturities.</p>
<p>Adverse interest rate movements</p>	<p>The Group's exposure to changes in prevailing market rates is largely hedged on existing debt through interest rate swaps and caps, or by borrowing at fixed rates.</p>
<p>Breach of borrowing covenants</p>	<p>Financial covenants are monitored by the Group Treasury department and regularly reported to the Board.</p>
<p>Foreign currency exposure</p>	<p>Property investments are partially funded in matching currency. The difference between the value of the property and the amount of the financing is generally unhedged and monitored on an ongoing basis.</p>
<p>Taxation risks The risk that there will be increases in tax rates or changes to the basis of taxation.</p>	<p>The Group monitors legislative proposals and consults external advisors to understand and mitigate the effects of any such change.</p>
<p>Going concern The risk that given the economic uncertainties the Group will not have adequate working capital to remain a going concern for the next 12 months</p>	<p>See note 1 to the group financial statements.</p>

PROPERTY PORTFOLIO

At 31 December 2009, the Group owned 68 properties containing 389 tenants in a total lettable area of 388,381 sq m. Contracted rent across the Group was £64.0 million; net rent, which is contracted rent less net service charge costs, was running at £61.9 million from properties with a book value of £813.0 million, representing a net initial yield of 7.6%. Should the vacant space at 31 December 2009 have been let at its estimated rental value (ERV) of £3.1 million per annum, the yield would have been 7.9%.

The ERV of the entire portfolio was £61.3 million, of which £58.2 million related to the let portfolio which, therefore, was 9.1% over-rented. However, around half of the over-rented element was in the UK, where the weighted average lease length was over 10 years and £1.9 million of the over-rented element in the UK was let to the Government for 16 years unexpired. 67% of the Group's rent roll extended beyond five years and 27% had over 10 years unexpired. The weighted average lease length across the Group was 8.5 years. 40% of the rent roll was let to government tenants, and a further 26% to major corporations.

	Contracted rent £m	Net rent £m	Book value £m	Net initial yield	Yield when fully let	True equivalent yield
UK	24.8	24.0	346.8	6.7%	7.3%	6.5%
France	18.8	18.6	222.8	8.0%	8.7%	7.7%
Germany	14.6	14.4	192.1	7.2%	7.8%	7.2%
Sweden	5.8	4.9	51.3	10.5%	9.5%	8.0%
	64.0	61.9	813.0	7.6%	7.9%	

	Vacant %	Vacant @ ERV £m	Total contracted plus vacant £m	ERV of total portfolio £m	Over- rented £m	Weighted average lease length
UK	4.5%	1.3	26.1	23.3	2.8	10.4 years
France	4.2%	0.8	19.6	18.0	1.6	5.9 years
Germany	5.8%	0.9	15.5	15.1	0.4	9.3 years
Sweden	1.9%	0.1	5.9	4.9	1.0	6.4 years
	4.5%	3.1	67.1	61.3	5.8	8.5 years

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RELATION TO THE ANNUAL REPORT

The Responsibility Statement has been prepared in connection with the Company's full Annual Report for the year ended 31 December 2009. Certain parts of the Annual Report are not included within this announcement.

We confirm to the best of our knowledge that:

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

This statement of responsibilities was approved by the Board on 11 March 2010.

By order of the Board

David Fuller BA FCIS
Company Secretary
11 March 2010

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Continuing operations			
Group revenue	4	76.3	81.6
Costs	4	(30.3)	(37.4)
		46.0	44.2
Net movements on revaluation of investment properties	10	(6.7)	(103.3)
Profit on sale of investment properties		0.3	7.0
Profit on sale of corporate bonds		1.9	–
Impairment of intangible fixed assets and goodwill	12	–	(22.0)
Loss on disposal of subsidiaries	30	–	(16.2)
Operating profit/(loss)		41.5	(90.3)
Net finance costs	7	(25.5)	(43.0)
Other non-recurring costs	5	–	(1.3)
Share of profit/(loss) of associates after tax	14	2.5	(7.5)
Profit/(loss) before tax		18.5	(142.1)
Taxation	8	(1.1)	64.1
Profit/(loss) for the year	5	17.4	(78.0)
Other comprehensive income			
Foreign exchange differences		(9.5)	36.2
Fair value gains/(losses) on corporate bonds and other investments	15	13.5	(3.4)
Deferred tax on fair value gains on corporate bonds	20	(3.2)	–
Share of other comprehensive income of associates	14	0.4	4.3
Total comprehensive income/(loss) for the year		18.6	(40.9)
Profit/(loss) attributable to:			
Owners of the Company		17.5	(78.1)
Minority interests		(0.1)	0.1
Profit/(loss) for the year		17.4	(78.0)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		18.7	(41.0)
Minority interests		(0.1)	0.1

Total comprehensive income/(loss) for the year		18.6	(40.9)
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Earnings/(loss) per share from continuing operations attributable to the owners of the Company during the year (expressed in pence per share)

Basic	9	36.4	(120.6)
Diluted	9	36.4	(120.6)

Notes 1 to 32 are an integral part of these group financial statements.

GROUP BALANCE SHEET

At 31 December 2009

	Notes	2009 £m	2008 £m	2007 £m
Non-current assets				
Investment properties	10	813.0	798.8	1,175.3
Property, plant and equipment	11	2.5	2.8	1.8
Intangible assets	12	1.1	1.1	19.5
Investments in associates	14	40.9	39.3	42.3
Other investments	15	73.9	14.3	8.4
Derivative financial instruments	16	0.1	0.4	1.3
Deferred tax	20	12.7	12.4	2.9
		944.2	869.1	1,251.5
Current assets				
Trade and other receivables	17	10.4	10.6	9.1
Derivative financial instruments	16	–	–	1.3
Cash and cash equivalents	18	70.3	195.3	122.0
		80.7	205.9	132.4
Total assets		1,024.9	1,075.0	1,383.9
Non-current liabilities				
Deferred tax	20	(72.3)	(73.4)	(117.4)
Borrowings, including finance leases	21	(479.3)	(529.1)	(695.7)
		(551.6)	(602.5)	(813.1)
Current liabilities				
Trade and other payables	19	(30.1)	(32.8)	(59.7)
Current tax		(5.0)	(5.9)	(2.7)
Derivative financial instruments	16	(15.7)	(22.6)	(2.3)
Borrowings, including finance leases	21	(113.5)	(72.6)	(103.0)
		(164.3)	(133.9)	(167.7)
Total liabilities		(715.9)	(736.4)	(980.8)

Net assets		309.0	338.6	403.1
EQUITY				
Capital and reserves attributable to the owners of the Company				
Share capital	23	13.3	16.7	18.7
Share premium account	25	70.5	70.5	69.8
Other reserves	26	105.0	100.4	61.3
Retained earnings		121.5	152.2	254.4
		310.3	339.8	404.2
Minority interest		(1.3)	(1.2)	(1.1)
Total equity		309.0	338.6	403.1

Notes 1 to 32 are an integral part of these group financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

Attributable to the
owners of the Company

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m	Minority Interest £m	Total £m
At 1 January 2009		16.7	70.5	100.4	152.2	339.8	(1.2)	338.6
Arising in 2009:								
Total comprehensive income/(loss) for the year		–	–	1.2	17.5	18.7	(0.1)	18.6
Purchase of own shares	23	(3.4)	–	3.4	(48.0)	(48.0)	–	(48.0)
Expenses thereof		–	–	–	(0.2)	(0.2)	–	(0.2)
Total changes arising in 2009		(3.4)	–	4.6	(30.7)	(29.5)	(0.1)	(29.6)
At 31 December 2009		13.3	70.5	105.0	121.5	310.3	(1.3)	309.0

	Notes	Attributable to the owners of the Company				Total £m	Minority Interest £m	Total £m
		Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m			
At 1 January 2008		18.7	69.8	61.3	254.4	404.2	(1.1)	403.1
Arising in 2008:								
Total comprehensive income/(loss) for the year		–	–	37.1	(78.1)	(41.0)	0.1	(40.9)
Purchase of own shares	23	(1.5)	–	1.5	(23.9)	(23.9)	–	(23.9)
Expenses thereof		–	–	–	(0.2)	(0.2)	–	(0.2)
Employee share option scheme	25	–	0.7	–	–	0.7	–	0.7
Cancellation of treasury shares		(0.5)	–	0.5	–	–	–	–
Change in minority interest		–	–	–	–	–	(0.2)	(0.2)
Total changes arising in 2008		(2.0)	0.7	39.1	(102.2)	(64.4)	(0.1)	(64.5)
At 31 December 2008		16.7	70.5	100.4	152.2	339.8	(1.2)	338.6

Notes 1 to 32 are an integral part of these group financial statements.

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	27	45.7	49.9
Interest received		4.8	8.7
Interest paid		(30.1)	(41.4)
Income tax paid		(3.0)	(0.4)
Net cash inflow from operating activities		17.4	16.8
Cash flows from investing activities			
Purchase of investment property		(29.2)	–
Capital expenditure on investment property		(22.8)	(18.9)
Proceeds from sale of investment property		2.2	127.5
Purchase of corporate bonds		(70.8)	(10.6)
Purchase of subsidiary undertakings		–	(2.7)
Proceeds from sale of corporate bonds		24.9	–
Proceeds from sale of equity investments		0.7	0.3
Purchase of interests in associate		(1.8)	(0.9)
Dividend received from associate undertaking		1.5	1.5
(Costs)/proceeds on foreign currency transactions		(4.2)	2.3
Amounts expended in relation to corporate disposals in prior periods		(1.0)	(3.0)
Purchases of property, plant and equipment		(0.1)	(0.2)
Proceeds on disposal of joint venture net of cash sold	30	–	28.1
Proceeds on disposal of subsidiary undertakings net of cash sold	30	–	49.2
Proceeds from sale of property, plant and equipment		–	0.4
Net cash (outflow)/inflow from investing activities		(100.6)	173.0
Cash flows from financing activities			
Purchase of own shares		(48.2)	(24.1)
New loans		69.7	21.3
Issue costs of new loans		(0.3)	(2.3)
Repayment of loans		(57.4)	(122.9)
Purchase of financial instruments		(0.1)	–
Issue of shares		–	0.7
Non-recurring restructuring costs		–	(1.3)
Net cash outflow from financing activities		(36.3)	(128.6)
Net (decrease)/increase in cash and cash equivalents			
		(119.5)	61.2
Foreign exchange (loss)/gain		(5.5)	12.1
Cash and cash equivalents at the beginning of the year		195.3	122.0
Cash and cash equivalents at the end of the year	18	70.3	195.3

Notes 1 to 32 are an integral part of these group financial statements.

NOTES TO THE GROUP FINANCIAL STATEMENTS

31 December 2009

1 General Information

CLS Holdings plc and its subsidiaries is an investment property group which is principally involved in the investment, management and development of commercial properties, and in other investments. The Group's principal operations are carried out in the United Kingdom, France, Germany and Sweden.

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

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year ended 31 December 2009. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's annual general meeting. The auditors' reports on both the 2008 and 2009 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) Companies Act 2006 or preceding legislation.

Going concern

The current economic conditions have created a number of uncertainties as set out above. The Group's business activities, together with the factors likely to affect its future development and performance are set out in the Business Review. The financial position of the Group, its liquidity position and borrowing facilities are described in the Business Review and in notes 21 and 22 of the financial statements.

The Directors regularly stress-test the business model to ensure that the Group has adequate working capital and have reviewed the current and projected financial positions of the Group, taking into account the repayment profile of the Group's loan portfolio, and making reasonable assumptions about future trading performance. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the annual report and accounts.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis as explained above and have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

New standards and interpretations

In the current year, the Group has adopted standards and guidance for the first time, the following three of which have had a material effect on the results for the year, or their presentation:

- Amendments to IAS 1 – *Presentation of Financial Statements*
- Amendments to IFRS 7 – *Improving Disclosures about Financial Instruments*
- IFRS 8 – *Operating Segments*

In accordance with IFRS 8, the reporting of the Group's operating divisions has been restated to reflect the way in which senior management monitors the Group. Under IAS 1, a change of comparatives, such as that occasioned by IFRS 8, requires a second comparative balance sheet to be disclosed. In addition, a Group Statement of Comprehensive Income has been produced for the first time. IFRS 7 introduced additional disclosures on financial instruments.

Also in the current year, the Group has adopted the following standards and guidance for the first time, none of which has had a material effect on the results for the year:

- Amendments to IAS 20 – *Accounting for Government Grants and Disclosure of Government Assistance*
- Amendments to IAS 32 and IAS 1 – *Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to IAS 38 – *Intangible assets*
- Amendments to IAS 39 and IFRS 7 – *Reclassification of Financial Assets*
- Amendments to IAS 39 and IFRS 7 – *Reclassification of Financial Assets – Effective Date and Transition*
- Amendments to IAS 40 – *Investment Property*
- Amendments to IFRS 1 and IAS 27 – *Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to IFRS 2 – *Vesting Conditions and Cancellations*
- Amendments to IFRIC 9 and IAS 39 – *Embedded Derivatives*
- IFRIC 12 – *Service Concession Arrangements*
- IFRIC 13 – *Customer Loyalty Programmes*
- IFRIC 15 – *Agreements for the Construction of Real Estate*
- IFRIC 16 – *Hedges of a Net Investment in a Foreign Operation*

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance have not been endorsed by the European Union:

- IAS 24 (revised) – *Related Party Disclosures*; effective for accounting periods starting on or after 1 January 2011

- Amendments to IAS 27 – *Consolidated and Separate Financial Statements*; effective for accounting periods starting on or after 1 July 2009
- Amendment to IAS 32 (October 2009) – *Classification of Rights Issues*; effective for accounting periods starting on or after 1 February 2010
- Amendments to IAS 39 – *Eligible Hedged Items*; effective for accounting periods starting on or after 1 July 2009
- FRS 1 (revised) – *First-time Adoption of International Financial Reporting Standards*; effective for accounting periods starting on or after 1 July 2009
- Amendments to IFRS 1 – *Additional Exemptions for First-time Adopters*; effective for accounting periods starting on or after 1 January 2010
- Amendment to IFRS 1 – *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*; effective for accounting periods starting on or after 1 July 2010
- Amendments to IFRS 2 – *Group Cash-settled Share-based Payment Transactions*; effective for accounting periods starting on or after 1 January 2010
- IFRS 9 – *Financial Instruments*; effective for accounting periods starting on or after 1 January 2013
- IFRS 3 (revised) – *Business Combinations*; effective for accounting periods starting on or after 1 July 2009
- Amendments to IFRIC 14 – *Prepayments of a Minimum Funding Requirement*; effective for accounting periods starting on or after 1 January 2011
- IFRIC 17 – *Distributions of Non-cash Assets to Owners*; effective for accounting periods starting on or after 1 July 2009
- IFRIC 18 – *Transfers of Assets from Customers*; effective for transfers on or after 1 July 2009
- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments*; effective for accounting periods starting on or after 1 July 2010

These pronouncements, when applied, will either result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements.

2.2 Business Combinations

(i) Subsidiary undertakings

Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity or business to benefit from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The group financial statements include the Group's proportionate share of income, expenses, assets, liabilities and cash flows of joint ventures.

(iii) Associates

Associates are those entities over which the Group has significant influence but which are not subsidiary undertakings or joint ventures. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the Balance Sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. When the Group's share of losses in an associate equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(iv) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, joint venture or associate at the date of acquisition. It is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually.

2.3 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into sterling using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date, and differences arising on translation are recognised in profit before tax, unless they relate to qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities classified as available-for-sale and denominated in foreign currencies are recognised in profit before tax where the translation difference results from changes in the amortised cost of the security, and are recognised in equity where it results from other changes in the carrying amount of the security.

(ii) Consolidation of foreign entities

The results and financial position of all the Group entities that have a functional currency different from sterling are translated into sterling as follows:

- (a) assets and liabilities are translated at the closing rate at the date of the balance sheet;
- (b) income and expenses for each income statement are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (c) all resulting exchange differences are recognised directly in equity in the cumulative translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to the cumulative translation reserve. When a foreign operation is sold, such exchange differences are recognised as part of the gain or loss on sale in profit before tax.

2.4 Investment properties

Investment properties are those properties held for long-term rental yields or for capital appreciation or both. Land held under an operating lease is classified and accounted for as an investment property when the definition of investment property is met and the operating lease is accounted for as if it were a finance lease. Investment properties are measured initially at cost, including related transaction costs.

After initial recognition at cost, investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Investment properties being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be classified as investment properties and measured at fair value. Changes in fair values are recognised in profit before tax. If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Subsequently the owner-occupied property is depreciated over its useful economic life and revalued at the balance sheet date.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any recognised impairment loss.

Land is not depreciated. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost less estimated residual values over the estimated useful lives, as follows:

Plant and equipment	4 – 5 years
Freehold property	6 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit before tax. Freehold property is depreciated until December 2014 after which it is anticipated that it will be redeveloped.

2.6 Intangible assets

Intangible assets acquired separately are capitalised at cost, and in respect of business combinations are capitalised at fair value at the date of acquisition. Intangible assets are amortised over their estimated useful lives on a straight line basis as follows:

Trade names	11 years
Customer relationships	10 – 11 years
Technology	4 years
Capitalised development and other costs	not amortised

2.7 Financial instruments

(i) Derivative financial instruments

The Group uses derivative financial instruments, including swaps and interest rate caps, to help manage its interest rate and foreign exchange rate risk. Derivative financial instruments are recorded, and subsequently revalued, at fair value. Revaluation gains and losses are recognised in profit before tax, except for derivatives which qualify as effective cash flow hedges, the gains and losses relating to which are recognised directly in equity.

(ii) Available-for-sale investments

Available-for-sale investments are initially measured at cost, and are subsequently revalued to fair value. Revaluation gains and losses are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary assets. On disposal, the cumulative gain or loss previously recognised in equity is recycled through profit before tax.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(iv) Trade and other receivables and payables

Trade and other receivables are recognised initially at fair value. An impairment provision is created where there is objective evidence that the Group will not be able to collect the receivable in full. Trade and other payables are stated at cost, which equates to fair value.

(v) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit before tax over the period of the borrowings, using the effective interest rate method.

2.8 Revenue

(i) Rental income

Rental revenue from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental revenue.

(ii) Service charge income

Service and management charge revenue is recognised on a gross basis in the accounting period in which the services are rendered. Where the Group is acting as an agent, the commission rather than gross revenue is recorded as revenue.

(iii) Other property-related income

Revenue from the sale of goods and services is booked when the revenue can be calculated reliably, and the risks and benefits have been transferred to the buyer. Revenues are booked net of deductions for VAT and discounts.

2.9 Profit on sale of investment properties

Profits on sale of investment properties are recognised when the risks and rewards of ownership have been transferred to the buyer, typically on unconditional exchange of contracts or when legal title passes.

2.10 Income tax

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the values used for tax purposes. Temporary differences are not provided for when they arise from initial recognition of goodwill or from the initial recognition of assets and liabilities in a transaction that does not affect accounting or taxable profit.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is calculated using rates that are expected to apply in the period when the liability is settled or the asset is realised, in the tax jurisdiction in which the temporary differences arise. Deferred tax is charged or credited in arriving at profit after tax, except when it relates to items recognised directly in equity, in which case the deferred tax is also recognised in equity.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority, there is a legally enforceable right of set-off and the Group intends to settle its current tax assets and liabilities on a net basis.

2.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and benefits of ownership to the lessee. All other leases are classified as operating leases. Certain operating leases for land that is classified and accounted for as investment property pursuant to IAS 40 – *Investment Properties* are accounted for as if they were finance leases.

(i) A Group company is the lessee

- (a) Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the term of the lease.
- (b) Assets held under finance leases are recognised as assets at the lease commencement date at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Each lease payment is allocated between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

(ii) A Group company is the lessor

- (a) Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.
- (b) Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic return on the Group's net investment outstanding in respect of the leases.

2.12 Employee benefits

Pension obligations

The Group operates various defined contribution plans. The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. A contribution is recognised as an employee benefit expense when it is due. A prepaid contribution is recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical estimates and judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(i) Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

- (c) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

(ii) Income Taxes

The Group is subject to income taxes in different jurisdictions and estimation is required to determine the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

(iii) Impairment of goodwill and other intangible assets

When assessing possible impairment of goodwill and other intangible assets the Group is required to make an assessment of recoverable amounts. Recoverable amount is calculated as the higher of fair value less costs to sell and value in use. In making these assessments, assumptions are required to be made based upon information available at the time.

(iv) Deferred tax

The method of calculation of deferred tax in relation to UK properties assumes that indexation allowance will be available as it is assumed that the Group will recover the carrying amount of its investment properties through use followed by an eventual sale.

4 Segment information

The Group has two operating divisions – Investment Property and Other Investments. Other Investments comprise corporate bonds, shares in Catena AB, Bulgarian Land Development Plc and Wyatt Media Group 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 – United Kingdom
 France
 Germany
 Sweden

Other Investments

There are no transactions between the operating segments.

The Group's results for the year ended 31 December 2009 by operating segment were as follows:

	Investment property				Other Investments £m	Total £m
	United Kingdom £m	France £m	Germany £m	Sweden £m		
Rental income	25.0	15.9	14.8	4.9	–	60.6
Service charge income	4.7	4.2	1.7	0.3	–	10.9
Other property- related income	0.4	0.3	0.3	–	–	1.0
Income from non-property activities	–	–	–	–	3.8	3.8
Group revenue	30.1	20.4	16.8	5.2	3.8	76.3
Service charges and similar expenses	(6.3)	(4.5)	(2.8)	(1.2)	–	(14.8)
Administration expenses	(2.6)	(1.5)	(1.1)	(0.5)	(3.7)	(9.4)
Other expenses	(1.0)	(0.7)	(1.2)	(0.2)	(0.2)	(3.3)
Costs	(9.9)	(6.7)	(5.1)	(1.9)	(3.9)	(27.5)
Group revenue less costs	20.2	13.7	11.7	3.3	(0.1)	48.8
Net movements on revaluation of investment properties	24.1	(15.9)	(13.5)	(1.4)	–	(6.7)
Profit on sale of investment properties	0.3	–	–	–	–	0.3
Profit on sale of corporate bonds	–	–	–	–	1.9	1.9

Segment operating profit/(loss)	44.6	(2.2)	(1.8)	1.9	1.8	44.3
Net finance costs	(6.1)	(7.0)	(7.4)	(1.6)	(3.4)	(25.5)
Share of profit of associates after tax	–	–	–	–	2.5	2.5
Segment profit/(loss) before tax	38.5	(9.2)	(9.2)	0.3	0.9	21.3
Taxation	(4.0)	1.6	0.2	0.6	0.5	(1.1)
Segment profit/(loss) after tax	34.5	(7.6)	(9.0)	0.9	1.4	20.2
Central administration costs						(2.8)
Profit for the year						17.4

On the adoption of IFRS 8 – *Operating Segments* in 2009, certain items in 2008 and 2007 have been reclassified. Previously, other investments were shown within their respective geographical segment, central administration costs and non-recurring costs were included within the UK segment and the deferred tax charge was not allocated by segment. In 2008, results from associates (loss of £7.5 million) were shown within the Sweden segment and are now shown within the Other Investments segment. Available-for-sale investments of £11.0 million were shown in the assets of the UK segment and investments in associates of £39.3 million were shown in the Sweden segment; both are now shown within other investments.

The Group's results for the year ended 31 December 2008 by operating segment, restated as explained above and in note 2, were as follows:

	Investment property				Other Investments £m	Total £m
	United Kingdom £m	France £m	Germany £m	Sweden £m		
Rental income	26.2	19.6	12.3	5.0	–	63.1
Service charge income	5.4	3.4	2.2	0.3	–	11.3
Other property- related income	0.9	1.1	–	1.3	–	3.3
Income from non-property activities	–	–	–	–	3.9	3.9
Group revenue	32.5	24.1	14.5	6.6	3.9	81.6
Service charges and similar expenses	(5.7)	(3.7)	(2.3)	(1.4)	–	(13.1)
Administration expenses	(1.6)	(2.0)	(1.8)	(1.3)	(6.5)	(13.2)
Other expenses	(1.6)	(0.8)	(1.2)	–	(4.6)	(8.2)
Costs	(8.9)	(6.5)	(5.3)	(2.7)	(11.1)	(34.5)
Group revenue less costs	23.6	17.6	9.2	3.9	(7.2)	47.1
Net movements on revaluation of investment properties	(59.4)	(17.8)	(19.9)	(6.2)	–	(103.3)
Profit/(loss) on sale of investment properties	6.6	(0.2)	0.6	–	–	7.0

Impairment of intangible fixed assets and goodwill	–	–	–	–	(22.0)	(22.0)
Loss on disposal of subsidiaries	–	(15.9)	–	(0.3)	–	(16.2)
Segment operating loss	(29.2)	(16.3)	(10.1)	(2.6)	(29.2)	(87.4)
Net finance costs	(25.7)	(9.0)	(8.8)	(1.4)	1.9	(43.0)
Share of loss of associates after tax	–	–	–	–	(7.5)	(7.5)
Segment loss before tax	(54.9)	(25.3)	(18.9)	(4.0)	(34.8)	(137.9)
Taxation	25.5	34.4	1.6	2.1	0.5	64.1
Segment (loss)/profit after tax	(29.4)	9.1	(17.3)	(1.9)	(34.3)	(73.8)
Central administration costs						(2.9)
Non-recurring costs						(1.3)
Loss for the year						(78.0)

Other segment information:

	Assets			Liabilities			Capital expenditure		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
	£m	restated £m	restated £m	£m	restated £m	restated £m	£m	restated £m	restated £m
Investment Property									
United Kingdom	370.2	428.9	625.5	282.0	311.5	482.3	1.3	2.7	20.8
France	246.1	307.5	376.5	187.6	193.5	295.2	31.4	1.2	5.5
Germany	200.0	210.1	177.5	158.8	152.4	123.0	17.8	11.1	26.2
Sweden	58.6	70.1	71.5	30.7	52.8	44.6	2.2	2.4	0.5
Other investments	150.0	58.4	132.9	56.8	26.2	35.7	–	–	–
	1,024.9	1,075.0	1,383.9	715.9	736.4	980.8	52.7	17.4	53.0

Included within the assets of other investments are investments in associates of £40.9 million (2008: £39.3 million; 2007: £42.3 million).

5 Profit/(loss) for the year

Profit/(loss) for the year has been arrived at after charging:

	2009 £m	2008 £m
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the parent Company and group accounts	0.2	0.1
Fees payable to the Company's auditors for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	0.1	0.1
Corporate finance services*	–	0.2
Depreciation and amortisation	0.5	1.4
Loss on disposal of property, plant and equipment	–	0.2
Permanent diminution in value of available-for-sale equity investments	–	3.0
Employee benefits expense (note 6)	6.7	7.9
Professional fees and other non-recurring costs of investigating a potential restructuring of the Group*	–	1.3

* In 2008 fees payable to the Company's auditors for corporate finance services of £0.2 million are also included within non-recurring costs of £1.3 million.

6 Employee benefits expense

	2009 £m	2008 £m
Wages and salaries	5.3	5.5
Social security costs	0.8	1.2
Pension costs – defined contribution plans	0.2	0.4
Other employee-related expenses	0.4	0.8
	6.7	7.9

The Directors are considered to be key management of the Group.

No amounts were charged to the Statement of Comprehensive Income in relation to share-based payments (2008: £nil).

The monthly average number of employees of the Group in continuing operations, including Executive Directors, was as follows:

	2009			2008		
	Property number	Other operations number	Total number	Property number	Other operations number	Total number
Male	20	20	40	22	39	61
Female	29	8	37	30	15	45
	49	28	77	52	54	106

7 Net Finance costs

	2009 £m	2008 £m
Interest expense		
Bank loans	22.7	33.3
Debenture loans	4.7	4.7
Other interest	0.3	0.9
Amortisation of issue costs of loans	0.8	3.7
Foreign exchange variances	9.7	(11.9)
Movement in fair value of derivative financial instruments		
Interest rate swaps: transactions not qualifying as hedges	(6.7)	19.9
Interest rate caps, collars and floors: transactions not qualifying as hedges	0.4	1.1
Interest income	(6.4)	(8.7)
	25.5	43.0

8 Taxation

	2009 £m	2008 £m
Current tax	2.1	3.6
Deferred tax (note 20)	(1.0)	(67.7)
	1.1	(64.1)

A deferred tax charge of £3.2 million (2008: £nil) was recognised directly in equity (note 20).

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

	2009 £m	2008 £m
Profit/(loss) before tax	18.5	(142.1)
Tax calculated at domestic tax rates applicable to profits in the respective countries	4.9	(40.8)
Expenses not deductible for tax purposes	0.5	10.3
Tax effect of unrecognised losses in associates and joint ventures	(0.7)	2.0
Previously unrecognised tax losses and other deferred tax adjustments	(3.6)	(3.0)
Different taxation treatment of disposals	(0.1)	(32.2)
Deferred tax assets not recognised	2.9	0.4
Adjustment in respect of prior periods	(2.8)	(0.8)
Tax expense/(credit) for the year	1.1	(64.1)

The weighted average applicable tax rate of 26.3 per cent (2008: 28.7 per cent) was derived by applying to their relevant profits and losses the rates in the jurisdictions in which the Group operated.

9 Earnings per share

Management has chosen to disclose adjusted earnings per share from continuing operations in order to provide an indication of the Group's underlying business performance. Adjusted earnings per share excludes the effect of revaluations of investment properties and deferred tax.

	2009 £m	2008 £m
Profit/(loss) for the year attributable to the owners of the Company	17.5	(78.1)
Deferred tax	(1.0)	(67.7)
Net movement on revaluation of investment properties	6.7	103.3
Adjusted profit/(loss) for the year attributable to the owners of the Company	23.2	(42.5)

	2009 number	2008 number
Weighted average number of ordinary shares	48,249,810	64,783,048

	2009 pence	2008 pence
Basic and diluted earnings/(loss) per share from continuing operations	36.4	(120.6)
Adjusted earnings/(loss) per share from continuing operations	48.2	(65.6)

In 2009 there were no instruments in issue which could have changed the weighted average number of shares. In 2008 there were share options in issue for part of the year, the effect of which had they been issued from the start of the year would have been accretive to earnings per share. Had these been issued from the start of 2008, the weighted average number of shares that year would have increased by 110,877 shares.

10 Investment properties

	2009 £m	2008 £m	2007 £m
At 1 January	798.8	1,175.3	1,143.4
Acquisitions	29.2	–	29.0
Capital expenditure	23.4	17.2	23.2
Transfer to property, plant and equipment (note 11)	–	(2.3)	–
Disposals – property sales	(1.9)	(120.5)	–
Disposals – corporate sales (note 30)	–	(285.3)	–
Net movements on revaluation of investment properties	(6.7)	(103.3)	(68.1)
Rent-free period debtor adjustments	1.5	(1.0)	0.8
Exchange rate variances	(31.3)	118.7	47.0
At 31 December	813.0	798.8	1,175.3

The investment properties (and the owner-occupied property detailed in note 11) were revalued at 31 December 2009 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:

UK 2009: Lambert Smith Hampton

UK 2007 and 2008: Allsop & Co.

France: DTZ Debenham Tie Leung

Germany: DTZ Debenham Tie Leung

Sweden: CB Richard Ellis

Investment properties included leasehold buildings of which the carrying amount was £18.1 million (2008: £20.8 million; 2007: £113.3 million).

Where the Group leases out its investment property under operating leases the duration is typically 3 years or more. No contingent rents have been recognised in the current or comparative years.

Substantially all investment properties (and the owner-occupied property detailed in note 11) are secured against debt.

In the latter half of 2008 the economic climate and lower transactional volumes in the real estate markets in which the Group was active meant that the valuers had to refer to greater use of professional judgement in arriving at the year end valuations at 31 December 2008. The Directors are satisfied that market conditions, while still remaining challenging, had returned to a more normal level of transactional activity by 31 December 2009. The Directors are satisfied that the external valuations supplied are appropriate to adopt for the 2009 financial statements without adjustment.

11 Property, plant and equipment

	2009	2008	2007
	£m	£m	£m
Cost or valuation			
At 1 January	6.6	6.7	6.5
Transfer from investment property (note 10)	–	2.3	–
Additions	0.1	0.2	0.8
Disposals	–	(2.6)	(0.6)
Revaluation increase/(decrease)	0.1	(0.3)	–
Exchange rate variances	–	0.3	–
At 31 December	6.8	6.6	6.7
Accumulated depreciation and impairment			
At 1 January	(3.8)	(4.9)	(4.5)
Depreciation charge	(0.5)	(0.9)	(1.0)
Disposals	–	2.2	0.6
Exchange rate variances	–	(0.2)	–
At 31 December	(4.3)	(3.8)	(4.9)
Net book value			
At 31 December	2.5	2.8	1.8

Owner-occupied property was revalued at 31 December 2009 based on the external valuation performed by Lambert Smith Hampton (in prior years Allsop & Co.) as detailed in note 10.

12 Intangible assets

	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 January 2009 and at 31 December 2009	18.6	7.2	25.8
Amortisation			
At 1 January 2009 and at 31 December 2009	(17.5)	(7.2)	(24.7)
Net book value At 31 December 2009	1.1	–	1.1
<hr/>			
	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 January 2008	15.2	6.5	21.7
Additions	3.6	0.2	3.8
Disposals	(1.6)	–	(1.6)
Exchange rate variations	1.4	0.5	1.9
At 31 December 2008	18.6	7.2	25.8
Amortisation			
At 1 January 2008	–	(2.2)	(2.2)
Amortisation	–	(0.5)	(0.5)
Impairment	(17.5)	(4.5)	(22.0)
At 31 December 2008	(17.5)	(7.2)	(24.7)
Net book value At 31 December 2008	1.1	–	1.1
<hr/>			
	Goodwill £m	Other intangibles £m	Total £m
Cost			
At 1 January 2007	12.9	6.3	19.2
Additions	1.8	–	1.8
Exchange rate variations	0.5	0.2	0.7
At 31 December 2007	15.2	6.5	21.7
Amortisation			
At 1 January 2007	–	(0.4)	(0.4)
Amortisation	–	(1.8)	(1.8)
At 31 December 2007	–	(2.2)	(2.2)
Net book value At 31 December 2007	15.2	4.3	19.5

Goodwill

Goodwill comprised £0.8 million (2008: £0.8 million; 2007: £2.4 million) on the acquisition of a French property portfolio in 2004 and £0.3 million (2008: £0.3 million; 2007: £0.3 million) on a German property acquisition in 2005. All other goodwill and intangible assets related to Wyatt Media Group AB and were fully written down in 2008.

In October 2007, the Group purchased a call option for the remaining 60% shareholding in Bilddagboken AB for £1.2 million. The option was exercised on 22 January 2008 for £2.2 million. When exercised, goodwill of £3.3 million was recognised.

In February and April 2008, the Group acquired a further 25.1% of the share capital of Internetami AB (Tyda) taking the Group's total shareholding to 82.3%. On acquisition, goodwill of £0.2 million was recognised.

In October 2008, the Group acquired the remaining 47% of the share capital of Xtraworks AB. On acquisition, goodwill of £0.1 million was recognised.

Other intangibles

Other intangibles (relating to trade names, technology, customer relationships, capitalised development and other costs) relate to Wyatt Media Group AB and were fully written down during 2008 as described above.

2009 Impairment review

Goodwill was reviewed for impairment at 31 December 2009 using the key assumptions set out below. No impairment was required.

Key assumptions:

Unamortised goodwill at 31 December 2009 related to contingent deferred tax arising on acquisitions of corporate entities for which an equal deferred tax liability was recognised in the Balance Sheet.

2008 impairment review

The impairment losses recognised in the Statement of Comprehensive Income in 2008 in respect of goodwill and intangible assets related exclusively to Wyatt Media Group AB. During the year ended 31 December 2008, the goodwill and intangible assets in respect of the Group's online media operations were impaired by £17.5 million and £4.5 million, respectively. This was due to market competition, primarily in the social networking environment, and increased obsolescence of existing coding and software causing a significant pre-tax risk adjustment. At 31 December 2008 the net book value of goodwill and intangible assets relating to Wyatt Media Group AB was £nil.

Key assumptions:

The key assumptions used in reviewing for impairment at 31 December 2008 the goodwill and intangibles of Wyatt Media Group AB were as follows:

- Budgeted earnings before interest, tax, depreciation and amortisation (EBITDA) – budgeted EBITDA was based on an "income per user" measure derived from existing income streams and new product launches. Projected user volumes using web services were derived from past experience of the business.
- Long-term growth rates – growth rates of between 2-3 per cent were used which approximated to the nominal GDP rates in the countries in which the business operated.

- Pre-tax adjusted discount rate – the discount rate was derived from a risk-free rate adjusted to reflect specific risk premiums in relation to the systemic risk of 33 per cent and a risk adjustment ('beta') applied to reflect the risk of the operating entity.

13 Joint ventures

At 31 December 2009 the Group had a one-third interest (2008: one-third; 2007: one-third) in the issued ordinary share capital of Fielden House Investments Limited, a company incorporated in England and Wales.

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

The following amounts represent the Group's share of the assets and liabilities, and income and expenditure of Fielden House Investments Limited which are included in the Balance Sheet and Statement of Comprehensive Income of the Group:

	2009	2008	2007
	£m	£m	£m
Assets			
Non-current assets	1.8	2.3	2.9
Current assets	0.2	–	0.1
	2.0	2.3	3.0
Liabilities			
Non-current liabilities	(2.5)	(2.5)	(2.5)
Current liabilities	(0.2)	–	(0.1)
	(2.7)	(2.5)	(2.6)
Net (liabilities)/assets	(0.7)	(0.2)	0.4
Income	0.2	0.2	0.2
Expenses	(0.2)	(0.8)	(0.2)
Loss after income tax	–	(0.6)	–

In 2007 the Group had interests in two other joint ventures, Teighmore Limited and New London Bridge House Limited, of which the Group also owned one-third of the issued ordinary share capital.

2007	Teighmore £m	New London Bridge House £m	Total £m
Assets			
Non-current assets	80.4	29.8	110.2
Current assets	2.2	0.3	2.5
	82.6	30.1	112.7
Liabilities			
Current liabilities	(69.1)	(13.6)	(82.7)
Net assets	13.5	16.5	30.0
Income	0.7	1.1	1.8
Expenses	(6.0)	(1.4)	(7.4)
Loss after income tax	(5.3)	(0.3)	(5.6)

The Group's interests in New London Bridge House Limited and Teighmore Limited were disposed of during 2008 as described in note 30. There were no contingent liabilities on sale.

14 Investments in associates

	Net assets £m	Goodwill £m	Total £m
At 1 January 2009	34.6	4.7	39.3
Additions	1.7	0.1	1.8
Share of profit of associates after tax [†]	2.5	–	2.5
Other equity movements*	0.4	–	0.4
Dividends received	(1.5)	–	(1.5)
Exchange rate differences	(1.6)	–	(1.6)
At 31 December 2009	36.1	4.8	40.9

	Net assets £m	Goodwill £m	Total £m
At 1 January 2008	31.9	10.4	42.3
Additions	0.8	0.1	0.9
Reclassification	1.3	(1.3)	–
Share of loss of associates after tax [†]	(2.2)	(5.3)	(7.5)
Other equity movements*	4.3	–	4.3
Dividends received	(1.5)	–	(1.5)
Exchange rate differences	–	0.8	0.8
At 31 December 2008	34.6	4.7	39.3

	Net assets £m	Goodwill £m	Total £m
At 1 January 2007	–	–	–
Transfer from other investments	4.2	–	4.2
Additions	24.8	10.4	35.2
Share of profit of associates after tax [†]	0.5	–	0.5
Other equity movements*	0.3	–	0.3
Exchange rate differences	2.1	–	2.1
At 31 December 2007	31.9	10.4	42.3

† Consists of share of associates' loss of £0.3 million (2008: loss of £4.3 million; 2007: profit of £0.5 million) and the realisation of £2.8 million (2008: £2.1 million; 2007: £nil) of negative goodwill on acquisition. The write down of goodwill of £5.3 million in 2008 is explained in note 14.

* Primarily foreign exchange movements of the associate undertakings.

£1.3 million was reclassified to net assets from goodwill in 2008 to reflect a revision to the original acquisition calculation in 2007, which had been based on preliminary results and was updated in 2008 to reflect published data.

During 2008 Bulgarian Land Development Plc restated its 2007 accounts. The share of loss in 2008 disclosed above includes £0.5 million relating to 2007, and other equity movements in 2008 include a further £0.5 million also relating to 2007.

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

At 31 December 2009	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit / (loss) £m	Interest held in ordinary share capital %
Catena AB	Sweden	66.4	(43.8)	5.1	3.0	29.8
Bulgarian Land Development Plc	Isle of Man	27.4	(13.9)	2.1	(3.3)	47.7
Flavour of the Month AB	Sweden	–	–	–	–	40.0
		93.8	(57.7)	7.2	(0.3)	

At 31 December 2008	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit / (loss) £m	Interest held in ordinary share capital %
Catena AB	Sweden	61.4	(40.9)	4.6	(3.2)	29.1
Bulgarian Land Development Plc	Isle of Man	23.8	(9.7)	2.3	(1.1)	35.8
Flavour of the Month AB	Sweden	–	–	–	–	40.0
		85.2	(50.6)	6.9	(4.3)	

At 31 December 2007	Country of incorporation	Assets £m	Liabilities £m	Revenues £m	Profit / (loss) £m	Interest held in ordinary share capital %
Catena AB	Sweden	57.8	(34.9)	0.7	0.6	29.1
Bulgarian Land Development Plc	Isle of Man	17.2	(8.2)	–	(0.1)	28.7
		75.0	(43.1)	0.7	0.5	

Catena AB

In May 2007 the Group acquired a 27.6 per cent stake in Catena AB, a listed Swedish property company, increasing this to 29.1 per cent on 3 July 2007, for an aggregate sum of £28.0 million. A further 0.7 per cent was acquired during 2009 at a cost of £0.6 million. Henry Klotz, Chief Executive Officer of the Company, was appointed Chairman of Catena in 2007.

The quoted market value of the Group's investment in the shares of Catena AB at year end was £26.1 million (2008: £17.6 million; 2007: £28.0 million).

Bulgarian Land Development Plc

During 2006, the Group acquired 4,250,000 shares (10.6 per cent) of Bulgarian Land Development Plc (BLD), a company listed on the Alternative Investment Market of the London Stock Exchange, at a cost of £4.2 million. BLD develops residential and commercial properties in Bulgaria.

In 2007 a further 7,211,787 shares were acquired by the Group at a cost of £7.2 million taking the total shareholding to 28.7 per cent.

In 2008 a further 2,859,500 shares were acquired by the Group at a cost of £0.8 million to take the total shareholding to 35.8 per cent. This created negative goodwill of £2.1 million which was included in the Group's profit before tax in 2008.

In 2009 the Group increased its holding by 4,763,491 shares at a cost of £1.2 million, taking the total shareholding to 47.7 per cent. This created negative goodwill of £2.8 million which was included in the Group's profit before tax in 2009.

The market value of the Group's investment in the shares of BLD at the year end was £3.8 million (2008: £4.6 million; 2007: £9.1 million).

Flavour of the Month AB

In 2008 the Group acquired a 40 per cent interest in a blog resourcing website provider, Flavour of the Month AB, for £0.1 million.

Impairment 2009

In assessing the carrying value of Catena AB, the Group considered that the balance sheet of Catena AB at 31 December 2009 was stated at fair value except for certain deferred tax liabilities. It was management's assessment that the realisation of Catena's property assets would occur through corporate disposals and therefore latent deferred tax liabilities were unlikely to crystallise. As the Group's share of the net assets of Catena AB, excluding deferred tax liabilities, exceeded the carrying value of the Group's interest there was no further impairment of the Group's interest in Catena AB at 31 December 2009.

BLD is carried in the Balance Sheet at a value equal to the Group's share of its net assets. BLD's net assets were reviewed and found not to be impaired at 31 December 2009. Accordingly there was no further provision against the carrying value of the Group's interest in BLD at 31 December 2009.

2008

Given the economic instability in late 2008 and the likelihood of a slowdown in global growth, the Group considered that this represented a potential indication of impairment in relation to its associate investments. Consequently, the Group tested the recoverability of its associate investments by comparing the carrying amount of the associate investment at the balance sheet date to its recoverable amount. This resulted in a write down of £5.3 million of goodwill.

In assessing the carrying value of Catena AB, the Group considered that the balance sheet of Catena AB at 31 December 2008 was stated at fair value except for certain deferred tax liabilities. It was management's assessment that the realisation of Catena's property assets would occur through corporate disposals and therefore latent deferred tax liabilities were unlikely to crystallise. Taking this into account the write down in relation to Catena was £3.9 million in 2008, representing the excess of carrying value over fair value.

In assessing the carrying value of BLD there was significant uncertainty over the timing and level of future cash flows which crystallised a write down of goodwill of £1.4 million in 2008. A review of BLD's underlying assets was undertaken and found not to be impaired at 31 December 2008. On this basis the Directors considered the Group's share of net assets approximated to recoverable value.

15 Other investments

		2009 £m	2008 £m	2007 £m
Available-for-sale financial investments carried at fair value				
Listed corporate bonds	UK	17.1	1.2	–
	Eurozone	40.0	8.3	–
	Other	12.9	1.2	–
Listed equity securities	UK	0.6	0.3	1.7
	Sweden	2.5	2.3	5.0
	Other	0.1	0.1	–
Unlisted investments	UK	–	0.1	–
	Sweden	0.6	0.6	–
Government securities	UK	0.1	0.2	0.1
		73.9	14.3	6.8
Investments designated as at fair value through the profit or loss				
Listed equity securities	UK	–	–	0.8
	Other	–	–	0.3
Unlisted investments	Sweden	–	–	0.5
		–	–	1.6
		73.9	14.3	8.4

When investments are managed and their performance is evaluated on a fair value basis they are designated upon initial recognition as "at fair value through the profit or loss". All other equity investments are designated as "available-for-sale".

The movement of other investments is analysed below:

	2009	2008	2007
	£m	£m	£m
At 1 January	14.3	8.4	16.2
Additions	70.7	10.6	7.2
Disposals	(23.4)	(0.3)	(13.5)
Fair value movements recognised in reserves on available-for-sale assets	13.5	(3.4)	1.7
Fair value movements recognised in profit before tax on available-for-sale assets	–	(3.0)	(0.3)
Transfers to investments in associates	–	–	(4.2)
Exchange rate variations	(1.2)	2.0	1.3
At 31 December	73.9	14.3	8.4

The table below gives an analysis of the valuation methods used to measure the fair value of the other investments, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	2009	2008	2007
	£m	£m	£m
Level 1 – quoted unadjusted market prices	3.3	2.9	7.9
Level 2 – valuation from observable market data [†]	70.0	10.7	–
Level 3 – other valuation methods*	0.6	0.7	0.5
	73.9	14.3	8.4

† Includes £5.1 million (2008: £4.9 million; 2007: £nil) of corporate bonds priced directly from market makers in those bonds.

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

16 Derivative financial instruments

	2009 Assets £m	2009 Liabilities £m	2008 Assets £m	2008 Liabilities £m	2007 Assets £m	2007 Liabilities £m
Non-current						
Interest rate swaps	–	–	–	–	0.1	–
Interest rate caps and floors	0.1	–	0.4	–	1.2	–
	0.1	–	0.4	–	1.3	–
Current						
Interest rate swaps	–	(15.7)	–	(22.4)	–	(2.3)
Forward foreign exchange contracts	–	–	–	(0.2)	–	–
Call option on subsidiary undertaking	–	–	–	–	1.3	–
	–	(15.7)	–	(22.6)	1.3	(2.3)
	0.1	(15.7)	0.4	(22.6)	2.6	(2.3)

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

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

Interest rate swaps

The aggregate notional principal of the outstanding interest rate swap contracts at 31 December 2009 was £136.7 million (2008: £296.8 million; 2007: £195.7 million). The average period to maturity of the interest rate swaps was 3.9 years (2008: 2.1 years; 2007: 3.8 years).

The main interest rate swap matures payable during 2026. During the period to maturity there is a single date in 2012 on which the swap can be cancelled by the counterparty and settled at fair value. The fair value of this swap at 31 December 2009 was a liability of £9.9 million (2008: £15.0 million; 2007: £0.8 million).

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts from time to time to add certainty to, and to minimise the impact of foreign exchange movements on, committed cash flows. At 31 December 2009 the Group had £5.4 million of outstanding net foreign exchange contracts (2008: £23.4 million; 2007: £35.0 million).

17 Trade and other receivables

	2009 £m	2008 £m	2007 £m
Current			
Trade receivables	2.8	3.7	2.9
Prepayments	0.8	0.7	1.3
Accrued income	2.2	0.3	0.4
Other debtors	4.6	5.9	4.5
	10.4	10.6	9.1

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of tenants spread across the countries in which it operates.

There were no material trade and other receivables classified as past due but not impaired. No trade and other receivables are interest-bearing.

18 Cash and cash equivalents

	2009 £m	2008 £m	2007 £m
Cash at bank and in hand	47.0	64.9	42.7
Short-term bank deposits	23.3	130.4	79.3
	70.3	195.3	122.0

At 31 December 2009, Group cash at bank and in hand included £13.8 million (2008: £11.0 million; 2007: £21.4 million) of cash deposits which were restricted by a third-party charge.

Cash and short-term deposits are invested at floating rates of interest based on relevant national LIBID and base rates or equivalents in the UK, France, Germany and Sweden.

The cash and cash equivalents currency profile is as follows:

	Cash at bank and in hand £m	Short-term deposits £m	Total £m
At 31 December 2009			
Sterling	18.5	22.0	40.5
Euro	24.5	1.3	25.8
Swedish Krona	4.0	–	4.0
	47.0	23.3	70.3

	Cash at bank and in hand £m	Short-term deposits £m	Total £m
At 31 December 2008			
Sterling	12.4	75.0	87.4
Euro	50.3	49.7	100.0
Swedish Krona	2.2	5.7	7.9
	64.9	130.4	195.3

At 31 December 2007	Cash at bank and in hand £m	Short-term deposits £m	Total £m
Sterling	20.6	64.7	85.3
Euro	18.5	4.5	23.0
Swedish Krona	3.6	10.1	13.7
	42.7	79.3	122.0

19 Trade and other payables

	2009 £m	2008 £m	2007 £m
Current			
Trade payables	1.9	2.5	5.8
Social security and other taxes	1.8	1.1	2.1
Other payables	5.4	4.7	6.1
Accruals	12.1	16.6	36.9
Deferred income	8.9	7.9	8.8
	30.1	32.8	59.7

20 Deferred tax

	2009 £m	2008 £m	2007 £m
Deferred tax assets:			
– after more than 12 months	(12.7)	(12.4)	(2.9)
Deferred tax liabilities:			
– after more than 12 months	72.3	73.4	117.4
	59.6	61.0	114.5

The movement in deferred tax is as follows:

	2009 £m	2008 £m	2007 £m
At 1 January	61.0	114.5	150.3
Credited to the tax charge in the Statement of Comprehensive Income	(1.0)	(33.1)	(42.3)
Released on disposal of subsidiaries (note 30)	–	(34.6)	–
Charged to equity	3.2	–	0.3
Exchange rate variances	(3.6)	14.2	6.2
At 31 December	59.6	61.0	114.5

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

Deferred tax assets	Tax losses £m	Other £m	Total £m
At 1 January 2009	(5.4)	(7.0)	(12.4)
(Credited)/charged to the tax charge in the Statement of Comprehensive Income	(1.7)	1.4	(0.3)
At 31 December 2009	(7.1)	(5.6)	(12.7)

	Tax losses £m	Other £m	Total £m
At 1 January 2008	(1.8)	(1.1)	(2.9)
Credited to the tax charge in the Statement of Comprehensive Income	(3.6)	(5.9)	(9.5)
At 31 December 2008	(5.4)	(7.0)	(12.4)

	Tax losses £m	Other £m	Total £m
At 1 January 2007	(3.6)	(1.0)	(4.6)
Charged/(credited) to the tax charge in the Statement of Comprehensive Income	1.8	(0.4)	1.4
Charged to equity	–	0.3	0.3
At 31 December 2007	(1.8)	(1.1)	(2.9)

Deferred tax liabilities	UK capital allowances £m	Fair value adjustments to investment properties £m	Other £m	Total £m
At 1 January 2009	12.2	60.5	0.7	73.4
Credited to the tax charge in the Statement of Comprehensive Income	(0.1)	(0.4)	(0.2)	(0.7)
Charged to equity	–	–	3.2	3.2
Exchange rate variances	–	(3.6)	–	(3.6)
At 31 December 2009	12.1	56.5	3.7	72.3

	UK capital allowances £m	Fair value adjustments to investment properties £m	Other £m	Total £m
At 1 January 2008	15.8	101.5	0.1	117.4
(Credited)/charged to the tax charge in the Statement of Comprehensive Income	(3.6)	(20.1)	0.1	(23.6)
Released on disposal of subsidiaries (note 30)	–	(34.6)	–	(34.6)
Exchange rate variances	–	13.7	0.5	14.2
At 31 December 2008	12.2	60.5	0.7	73.4

	UK capital allowances £m	Fair value adjustments to investment properties £m	Other £m	Total £m
At 1 January 2007	15.9	138.8	0.2	154.9
Credited to the tax charge in the Statement of Comprehensive Income	(0.1)	(43.5)	(0.1)	(43.7)
Exchange rate variances	–	6.2	–	6.2
At 31 December 2007	15.8	101.5	0.1	117.4

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2009 the Group did not recognise deferred tax assets of £7.8 million (2008: £6.0 million; 2007: £7.4 million) in respect of losses amounting to £40.6 million (2008: £29.4 million; 2007: £21.2 million) which can be carried forward against future taxable income or gains. The majority of deferred tax assets recognised within the “other” category relate to deferred tax on swaps with a negative book value. Losses recognised as deferred tax assets can be carried forward without restriction.

21 Borrowings, including finance leases

At 31 December 2009	Current £m	Non-current £m	Total borrowings £m
Bank loans	112.5	434.1	546.6
Debenture loans	1.0	34.1	35.1
Zero coupon note	–	8.8	8.8
Other loans	–	2.3	2.3
	113.5	479.3	592.8

At 31 December 2008	Current £m	Non-current £m	Total borrowings £m
Bank loans	71.7	483.8	555.5
Debenture loans	0.9	35.1	36.0
Zero coupon note	–	7.9	7.9
Other loans	–	2.3	2.3
	72.6	529.1	601.7

At 31 December 2007	Current £m	Non-current £m	Total borrowings £m
Bank loans	102.0	648.8	750.8
Debenture loans	0.8	36.0	36.8
Zero coupon note	–	7.1	7.1
Other loans	–	2.5	2.5
Finance lease liabilities	0.2	1.3	1.5
	103.0	695.7	798.7

Arrangement fees of £2.9 million (2008: £3.6 million; 2007: £5.0 million) have been offset in arriving at the balances in the above tables.

Bank loans

Interest on bank loans is charged at fixed rates ranging between 3.9 per cent and 11.2 per cent, including margin (2008: 3.9 per cent and 11.2 per cent; 2007: 4.5 per cent and 11.2 per cent) and at floating rates of typically LIBOR, EURIBOR or STIBOR, plus a margin. Fixed rate margins range between 0.8 per cent and 1.8 per cent (2008: 0.8 per cent and 1.8 per cent; 2007: 0.7 per cent and 2.5 per cent) and floating rate margins range between 0.8 per cent and 3.0 per cent (2008: 0.8 per cent and 2.0 per cent; 2007: 0.8 per cent and 2.5 per cent). All bank loans are secured by legal charges over the respective properties, and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

Debenture loans

The debenture loans represent amortising bonds which are repayable in equal quarterly instalments of £1.2 million (2008: £1.2 million; 2007: £1.2 million) with final repayment due in January 2025. Each instalment is apportioned between principal and interest on a reducing balance basis. Interest is charged at a fixed rate of 10.8 per cent, including margin. The debentures are secured by a legal charge over a property and securitisation of its rental income.

Zero coupon note

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

Other loans

Interest on other loans is at a fixed rate of 6.5 per cent and a variable rate ranging between 2.0 per cent and 4.0 per cent (2008: 2.0 per cent and 4.0 per cent; 2007: 2.0 per cent and 4.0 per cent), comprising LIBOR plus a margin. The loans are secured by legal charges over the share capital of the borrowing subsidiaries.

Loan covenants

There were no covenant breaches at 31 December 2009. Loans totalling £26.8 million at 31 December 2008 had covenant breaches which were rectified in 2009.

The maturity profile of the carrying amount of the Group's borrowings, including finance leases, at 31 December was as follows:

	Bank loans	Debenture	Zero coupon	Other loans	Total
	£m	loans	note	£m	£m
	£m	£m	£m	£m	£m
At 31 December 2009					
Within one year or on demand	113.1	1.0	–	–	114.1
More than one but not more than two years	27.3	1.1	–	2.3	30.7
More than two but not more than five years	200.7	4.0	–	–	204.7
More than five years	208.4	29.0	8.8	–	246.2
	549.5	35.1	8.8	2.3	595.7
Unamortised issue costs	(2.9)	–	–	–	(2.9)
Borrowings, including finance leases	546.6	35.1	8.8	2.3	592.8
Less amount due for settlement within 12 months	(112.5)	(1.0)	–	–	(113.5)
Amounts due for settlement after 12 months	434.1	34.1	8.8	2.3	479.3

	Bank loans	Debenture	Zero coupon	Other loans	Total
	£m	loans	note	£m	£m
	£m	£m	£m	£m	£m
At 31 December 2008					
Within one year or on demand	72.4	0.9	–	–	73.3
More than one but not more than two years	60.2	1.0	–	–	61.2
More than two but not more than five years	194.7	3.6	–	2.3	200.6
More than five years	231.8	30.5	7.9	–	270.2
	559.1	36.0	7.9	2.3	605.3
Unamortised issue costs	(3.6)	–	–	–	(3.6)
Borrowings, including finance leases	555.5	36.0	7.9	2.3	601.7
Less amount due for settlement within 12 months	(71.7)	(0.9)	–	–	(72.6)
Amounts due for settlement after 12 months	483.8	35.1	7.9	2.3	529.1

	Bank loans £m	Debenture loans £m	Zero coupon note £m	Other loans £m	Total £m
At 31 December 2007					
Within one year or on demand	103.0	0.8	–	0.2	104.0
More than one but not more than two years	53.2	0.9	–	1.2	55.3
More than two but not more than five years	295.9	3.2	–	2.5	301.6
More than five years	303.7	31.9	7.1	0.1	342.8
	755.8	36.8	7.1	4.0	803.7
Unamortised issue costs	(5.0)	–	–	–	(5.0)
Borrowings, including finance leases	750.8	36.8	7.1	4.0	798.7
Less amount due for settlement within 12 months	(102.0)	(0.8)	–	(0.2)	(103.0)
Amounts due for settlement after 12 months	648.8	36.0	7.1	3.8	695.7

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

	At 31 December 2009		At 31 December 2008		At 31 December 2007	
	Weighted average fixed rate of financial liabilities %	Weighted average period for which rate is fixed Years	Weighted average fixed rate of financial liabilities %	Weighted average period for which rate is fixed Years	Weighted average fixed rate of financial liabilities %	Weighted average period for which rate is fixed Years
Sterling	6.5	6.6	6.8	5.7	6.7	6.4
Euro	4.3	3.1	5.1	3.4	4.9	0.8
Swedish Krona	–	–	–	–	5.4	3.3

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

	At 31 December 2009			At 31 December 2008			At 31 December 2007		
	% of net floating rate loans capped	Average capped interest rate %	Average tenure Years	% of net floating rate loans capped	Average capped interest rate %	Average tenure Years	% of net floating rate loans capped	Average capped interest rate %	Average tenure Years
Sterling	100	3.9	0.7	100	3.8	1.7	100	5.5	2.0
Euro	100	4.7	1.6	100	4.7	2.3	100	4.7	3.3
Swedish Krona	–	n/a	n/a	–	n/a	n/a	100	4.5	0.8

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

At 31 December 2009	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	154.2	115.4	269.6
Euro	123.8	165.1	288.9
Swedish Krona	–	34.3	34.3
	278.0	314.8	592.8

At 31 December 2008	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	230.5	37.0	267.5
Euro	115.8	161.8	277.6
Swedish Krona	–	56.6	56.6
	346.3	255.4	601.7

At 31 December 2007	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Total £m
Sterling	328.5	79.9	408.4
Euro	152.0	177.7	329.7
Swedish Krona	20.7	39.9	60.6
	501.2	297.5	798.7

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

	Carrying amounts			Fair values		
	2009 £m	2008 £m	2007 £m	2009 £m	2008 £m	2007 £m
Current borrowings, including finance leases	113.5	72.6	103.0	113.5	72.6	103.0
Non-current borrowings, including finance leases	479.3	529.1	695.7	503.4	563.2	716.5
	592.8	601.7	798.7	616.9	635.8	819.5

Arrangement fees of £2.9 million (2008: £3.6 million; 2007: £5.0 million) have been offset in arriving at the balances in the above table.

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

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

	2009	2008	2007
	£m	£m	£m
Floating rate:			
– expiring within one year	0.6	–	–
– expiring after one year	0.9	23.5	–
	1.5	23.5	–

22 Financial instruments

22.1 Categories of financial instruments

Financial assets of the Group comprise:

- Interest rate swaps and caps
- Foreign currency swaps and forward contracts
- Available-for-sale investments
- Investments in associates
- Trade and other receivables
- Cash and cash equivalents

Financial liabilities of the Group comprise:

- Interest rate swaps and caps
- Foreign currency swaps and forward contracts
- Bank loans
- Debenture loans
- Other loans
- Finance lease liabilities
- Trade and other payables
- Provisions
- Current tax liabilities

The fair values of financial assets and liabilities are determined as follows:

- (a) Interest rate swaps and caps are measured at the present value of future cash flows based on applicable yield curves derived from quoted interest rates.
- (b) Foreign currency swaps and forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- (c) The fair value of non-derivative financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include available-for-sale instruments such as listed corporate bonds and equity investments.
- (d) In more illiquid conditions, non-derivative financial assets are valued using multiple quotes obtained from market makers. Where the spread of prices is tightly clustered the consensus price is deemed to be fair value. Where prices become more dispersed or there is a lack of available quoted data, further procedures are undertaken such as evidence from the last non-forced trade.

- (e) The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments.

Except for investments in associates, bank loans, debenture loans, other loans and finance lease liabilities, the carrying amounts of financial assets and liabilities recorded at amortised cost approximate to their fair value.

22.2 Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform “stress tests” of the Group’s business model to ensure that the Group’s objectives can be met. The objectives have been met in the year.

The Directors review the capital structure on a quarterly basis to ensure that key strategic goals are being achieved. As part of this review they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2009	2008	2007
	£m	£m	£m
Debt	595.7	605.3	803.7
Cash and cash equivalents	(70.3)	(195.3)	(122.0)
Net debt	525.4	410.0	681.7
Equity	309.5	338.6	403.1
Net debt to equity ratio	170%	121%	169%

Debt is defined as long and short-term borrowings excluding unamortised issue costs as detailed in note 21. Equity includes all capital and reserves of the Group attributable to the owners of the Company.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements except to the extent that debt covenants may require group companies to maintain ratios such as debt to equity (or similar) below certain levels.

22.3 Risk management objectives

The Group’s activities expose it to a variety of financial risks, which can be grouped as:

- market risk;
- credit risk; and
- liquidity risk.

The Group’s overall risk management approach seeks to minimise potential adverse effects on the Group’s financial performance whilst maintaining flexibility.

Risk management is carried out by the Group Treasury department in close co-operation with the Group's operating units and with guidance from the Board of Directors. The Board regularly assesses and reviews the financial risks and exposures of the Group.

(a) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates, and to a lesser extent other price risk. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk and also uses natural hedging strategies such as matching the duration, interest payments and currency of assets and liabilities.

(i) Interest rate risk

The Group's most significant interest rate risk arises from its long-term variable rate borrowings. Interest rate risk is regularly monitored by the Group Treasury department and by the Board on both a country and a Group basis. The Board's policy is to minimise variable interest rate exposure whilst maintaining the flexibility to borrow at the best rates and with consideration to potential penalties on termination of fixed rate loans. To manage its exposure the Group uses interest rate swaps, interest rate caps and natural hedging from cash held on deposit.

In assessing risk, a range of scenarios is taken into consideration such as refinancing, renewal of existing positions and alternative financing and hedging. Under these scenarios, the Group calculates the impact on the Statement of Comprehensive Income for a defined movement in the underlying interest rate. The impact of a reasonably likely movement in interest rates is set out below:

Scenario	2009 Statement of Comprehensive Income £m	2008 Statement of Comprehensive Income £m
Cash +100 basis points (2008: +50 basis points)	0.9	1.4
Variable borrowings (including caps) +100 basis points (2008: +50 basis points)	(2.7)	(0.5)
Cash -100 basis points (2008: -50 basis points)	(0.9)	(1.4)
Variable borrowings (including caps) -50 basis points (2008: -50 basis points)	1.3	1.2

(ii) Foreign exchange risk

The Group does not have any regular transactional foreign exchange exposure. However, it has operations in Europe which transact business denominated in euros and, to a lesser extent, in Swedish kronor. Consequently, there is currency exposure caused by translating the local trading performance and net assets into sterling for each financial period and balance sheet, respectively.

The Group's principal foreign currency exposures are in respect of the euro and the Swedish krona. If the value of sterling were to increase in strength by 1% against the value of the euro, the Group's net assets would decrease by £1.4 million and the Group's profit by £0.1 million. If the value of sterling were to decrease in strength by 1% against the value of the euro, the Group's net assets would increase by £1.4 million and the Group's profit by £0.1 million. If the value of sterling were to increase in strength by 1% against the value of the Swedish krona the Group's net assets would decrease by £0.4 million and the Group's profit by £0.1 million. If the value of sterling were to decrease in strength by 1% against the value of the Swedish krona the Group's net assets would increase by £0.3 million and the Group's profit by £0.1 million.

The policy of the Group is to match the currency of investments with the related borrowing, which largely eliminates foreign exchange risk on property investments. A portion of the remaining operations, equating to the net assets of the foreign property operations, is not hedged. Where foreign exchange risk arises from future commercial transactions, the Group will hedge the future committed commercial transaction using foreign exchange swaps or forward foreign exchange contracts.

(iii) Other price risk

The Group is exposed to corporate bond price risk and, to a lesser extent, to equity securities price risk, because of investments held by the Group and classified in the Balance Sheet as available-for-sale.

In order to manage the risk in relation to the holdings of corporate bonds and equity securities the Group holds a diversified portfolio. Diversification of the portfolio is managed in accordance with the limits set up by the Group.

The table below shows the effect on profit before tax and on equity which would result from an increase or decrease of 10% in the market value of corporate bonds and equity securities, which is an amount management believes to be reasonable in the current market:

Scenario: Shift of 10% in valuations	2009 Profit before tax £m	2009 Directly in equity £m	2008 Profit before tax £m	2008 Directly in equity £m
10% fall in value	0.1	(7.4)	–	(1.4)
10% increase in value	(0.1)	7.4	–	1.4

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the ability of tenants to meet outstanding receivables and future lease commitments, and from financial institutions with which the Group places cash and cash equivalents, and enters into derivative financial instruments. The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets which are carried in the Balance Sheet, including derivatives with positive fair values.

For credit exposure other than to tenants, the Directors believe that counterparty risk is minimised to the fullest extent possible as the Group has policies which limit the amount of credit exposure to any individual financial institution.

The Group has policies in place to ensure that rental contracts are made with tenants with an appropriate credit history. Credit risk to tenants is assessed by a process of internal and external credit scoring, and is reduced by obtaining bank guarantees from the tenant or its parent, and receipted rental deposits. The overall credit risk in relation to tenants is monitored on an ongoing basis. Moreover, a significant proportion of the Group portfolio is let to Government tenants which can be considered financially secure.

At 31 December 2009 the Group held £73.9 million (2008: £14.3 million; 2007: £8.4 million) of available-for-sale and other financial assets. Management of the Group considers the credit risk associated with individual transactions and monitors the risk on a continuing basis. Information is gathered from external credit rating agencies (Standard & Poor's) and other market sources to allow management to react to any perceived change in the underlying credit risk of the instruments in which the Group invests. This allows the Group to minimise its credit exposure to such items and at the same time to maximise returns for shareholders.

The table below shows the external Standard & Poor's credit banding on the available-for-sale and other investments held by the Group:

S&P Credit rating at balance sheet date	2009 £m	2008 £m	2007 £m
Investment grade	42.0	7.2	0.1
Non-investment grade	23.8	–	–
Not rated	8.1	7.1	8.3
Total	73.9	14.3	8.4

(c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash, other liquid assets and the availability of funding to meet short, medium and long-term requirements. The Group maintains adequate levels of liquid assets to fund operations and to allow the Group to react quickly to potential opportunities.

Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flow so that future requirements can be managed effectively.

The majority of the Group's debt is arranged on an asset-specific, non-recourse basis. This allows the Group a higher degree of flexibility in dealing with potential covenant defaults than if the debt was arranged under a Group-wide borrowing facility.

Loan covenant compliance is closely monitored by the Group Treasury department. Potential covenant breaches can ordinarily be avoided by placing additional security or a cash deposit with the lender, or by partial repayment before an event of default takes place. Potential loan-to-value covenant breaches at 31 December 2009 could be remedied by partial repayments of the loans of £1.9 million in aggregate.

The table below analyses the Group's contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities at the balance sheet date, into relevant maturity groupings based on the period remaining to the contractual maturity date. Amounts due within one year are equivalent to the carrying values in the balance sheet as the impact of discounting is not significant.

At 31 December 2009	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Non-derivative financial liabilities:				
Borrowings, including finance leases	114.1	30.7	204.7	246.2
Interest payments on borrowings⁽ⁱ⁾	23.5	24.2	56.2	72.6
Trade and other payables	30.1	–	–	–
Forward foreign exchange contracts:				
Cash flow hedges				
– Outflow	5.4	–	–	–
– Inflow	(5.4)	–	–	–

At 31 December 2008	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Non-derivative financial liabilities:				
Borrowings, including finance leases	73.3	61.2	200.6	270.2
Interest payments on borrowings ⁽ⁱ⁾	20.1	14.8	36.7	60.8
Trade and other payables	32.8	–	–	–
Forward foreign exchange contracts:				
Cash flow hedges				
– Outflow	(130.1)	–	–	–
– Inflow	129.9	–	–	–
At 31 December 2007	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m
Non-derivative financial liabilities:				
Borrowings, including finance leases	104.0	55.3	301.6	342.8
Interest payments on borrowings ⁽ⁱ⁾	42.2	40.2	92.7	117.2
Trade and other payables	59.7	–	–	–
Forward foreign exchange contracts:				
Cash flow hedges				
– Outflow	(35.0)	–	–	–
– Inflow	35.1	–	–	–

(i) Interest payments on borrowings are calculated without taking into account future events. Floating rate interest is estimated using a future interest rate curve as at 31 December.

23 Share capital

	Number			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation thousands	Treasury shares thousands	Total ordinary shares thousands			
At 1 January 2009	61,745,471	5,000,000	66,745,471	15.4	1.3	16.7
Cancelled following tender offer	(13,721,215)	–	(13,721,215)	(3.4)	–	(3.4)
At 31 December 2009	48,024,256	5,000,000	53,024,256	12.0	1.3	13.3

	Number			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation thousands	Treasury shares thousands	Total ordinary shares thousands			
At 1 January 2008	67,740,457	7,109,279	74,849,736	16.9	1.8	18.7
Employee share option scheme:						
– shares issued	325,000	(325,000)	–	0.1	(0.1)	–
Cancellation of Treasury Shares	–	(2,114,209)	(2,114,209)	–	(0.5)	(0.5)
Purchase of own shares:						
– pursuant to market purchase	(329,930)	329,930	–	(0.1)	0.1	–
Cancelled following market purchases	(3,414,412)	–	(3,414,412)	(0.9)	–	(0.9)
Cancelled following tender offer	(2,575,644)	–	(2,575,644)	(0.6)	–	(0.6)
At 31 December 2008	61,745,471	5,000,000	66,745,471	15.4	1.3	16.7

	Number			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation thousands	Treasury shares thousands	Total ordinary shares thousands			
At 1 January 2007	72,604,668	7,477,168	80,081,836	18.1	1.9	20.0
Cancellation of Treasury Shares	–	(750,000)	(750,000)	–	(0.2)	(0.2)
Purchase of own shares:						
– pursuant to market purchase	(382,111)	382,111	–	(0.1)	0.1	–
Cancelled following market purchases	(1,163,140)	–	(1,163,140)	(0.3)	–	(0.3)
Cancelled following tender offer	(3,318,960)	–	(3,318,960)	(0.8)	–	(0.8)
At 31 December 2007	67,740,457	7,109,279	74,849,736	16.9	1.8	18.7

24 Tender offer buy-backs

A tender offer by way of a Circular dated 1 December 2008 for the purchase of 2 in 9 shares at 350 pence per share was completed in January 2009. It returned £48,024,253 to shareholders, equivalent to 77.8 pence per share.

A further tender offer will be put to shareholders in April 2010 for the purchase of 1 in 42 shares at a price of 525 pence per share which, if approved, will return £6.0 million to shareholders, equivalent to 12.5 pence per share.

25 Share premium account

	2009 £m	2008 £m	2007 £m
At 1 January	70.5	69.8	69.7
Employee share option scheme – shares issued	–	0.7	0.1
At 31 December	70.5	70.5	69.8

26 Other reserves

	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Other reserves £m	Total £m
At 1 January 2009	17.0	59.8	(4.5)	28.1	100.4
Purchase of own shares:					
– cancellation pursuant to tender offer	3.4	–	–	–	3.4
Exchange rate variances	–	(9.5)	–	–	(9.5)
Share of exchange rate variances of associates	–	0.4	–	–	0.4
Available-for-sale financial assets:					
– net fair value gains in the year	–	–	13.5	–	13.5
– deferred tax thereon	–	–	(3.2)	–	(3.2)
At 31 December 2009	20.4	50.7	5.8	28.1	105.0

	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Other reserves £m	Total £m
At 1 January 2008	15.0	19.3	(1.1)	28.1	61.3
Purchase of own shares:					
– cancellation pursuant to tender offer	0.6	–	–	–	0.6
– cancellation pursuant to market purchase	0.9	–	–	–	0.9
– cancellation of treasury shares	0.5	–	–	–	0.5
Exchange rate variances	–	36.2	–	–	36.2
Share of exchange rate variances of associates	–	4.3	–	–	4.3
Available-for-sale financial assets:					
– net fair value losses in the year	–	–	(3.4)	–	(3.4)
At 31 December 2008	17.0	59.8	(4.5)	28.1	100.4

	Capital redemption reserve £m	Cumulative translation reserve £m	Cash flow hedge reserve £m	Fair value reserve £m	Other reserves £m	Total £m
At 1 January 2007	13.7	2.4	1.2	(2.8)	28.1	42.6
Purchase of own shares:						
– cancellation pursuant to tender offer	0.8	–	–	–	–	0.8
– cancellation pursuant to market purchase	0.3	–	–	–	–	0.3
– cancellation of treasury shares	0.2	–	–	–	–	0.2
Exchange rate variances	–	16.9	–	–	–	16.9
Available-for-sale financial assets:						
– net fair value gains in the year	–	–	–	1.7	–	1.7
Cash flow hedges:						
– fair value losses in the year	–	–	(0.1)	–	–	(0.1)
– transfers	–	–	(0.8)	–	–	(0.8)
– deferred tax	–	–	(0.3)	–	–	(0.3)
At 31 December 2007	15.0	19.3	–	(1.1)	28.1	61.3

The amount classified as other reserves was created prior to listing in 1995 on a Group reconstruction and is considered to be non-distributable.

27 Cash generated from operations

	2009 £m	2008 £m
Operating profit/(loss)	41.5	(90.3)
Adjustments for:		
Net movements on revaluation of investment properties	6.7	103.3
Depreciation and amortisation	0.5	1.4
Profit on disposal of investment properties	(0.3)	(7.0)
Loss on disposal of subsidiaries	–	16.2
(Profit)/loss on equity investments	(2.1)	3.0
Impairment of goodwill	–	22.0
Changes in working capital:		
Increase in debtors	(0.7)	(11.3)
Increase in creditors	0.1	12.6
Cash generated from operations	45.7	49.9

28 Contingencies

At 31 December 2009 CLS Holdings plc had guaranteed certain liabilities of group companies. These were primarily in relation to Group borrowings and covered interest and amortisation payments. No cross guarantees had been given by the Group in relation to the principal amounts of these borrowings. Certain warranties given in the course of corporate sales during 2008 either had been provided for or were too remote to be considered contingent.

29 Commitments

The Group leases office space under non-cancellable operating lease agreements. The future aggregate minimum lease payments under these non-cancellable operating leases are as follows:

Operating lease commitments – where the Group is the lessee	2009 £m	2008 £m	2007 £m
Within one year	0.1	–	0.6
More than one but not more than five years	0.1	0.3	1.1
More than five years	0.3	0.3	–
	0.5	0.6	1.7

At the balance sheet date the Group had contracted with tenants for the following minimum lease payments:

Operating lease commitments – where the Group is lessor	2009 £m	2008 £m	2007 £m
Within one year	57.9	55.3	63.0
More than one but not more than five years	196.1	174.1	196.0
More than five years	182.1	203.2	226.8
	436.1	432.6	485.8

Operating leases where the Group is the lessor are typically negotiated on a tenant-by-tenant basis and include break clauses and indexation provisions.

Other commitments

At 31 December 2009 the Group had no other commitments (2008: £30 million of contracted capital expenditure in relation to developments in Germany; 2007: £nil). There were no authorised financial commitments which were yet to be contracted with third parties (2008: none; 2007: none).

30 Business acquisitions and disposals

Business disposals – prior years

French property portfolio disposals

On 15 May 2008, the Group disposed of its interests in 29 subsidiaries, 9 in the Netherlands and 20 in France, owning 14 properties in France. Collectively these were referred to as the LFPI Portfolio. On 30 July 2008, the Group completed on the disposal of two subsidiary undertakings owning two properties in France, known as the Belin sale. Results of the entities disposed of were previously reported in the French operating segment.

	LFPI Portfolio		Belin	
	May-08 £m	Dec-07 £m	Jul-08 £m	Dec-07 £m
Net assets disposed of:				
Investment properties	105.4	97.7	69.7	66.6
Property, plant & equipment	–	–	–	26.1
Trade and other receivables	18.3	15.6	25.4	–
Cash and cash equivalents	2.6	0.5	4.4	–
Deferred tax	(17.4)	–	(17.2)	–
Trade and other payables	(4.2)	(3.1)	(2.1)	(1.0)
Borrowings, including finance leases	(64.0)	(59.7)	(45.3)	(42.2)
	40.7	51.0	34.9	49.5
Gain on disposal	11.2		7.5	
Costs of disposal	6.2		0.3	
Total consideration	58.1		42.7	
Satisfied by:				
Cash	38.4		17.8	
Subordination of intercompany debt	17.3		24.9	
Deferred consideration	2.4		–	
	58.1		42.7	

The gain on disposal is disclosed in the Statement of Comprehensive Income as follows:

Loss on disposal of subsidiaries	(6.2)	(9.7)
Release of deferred tax	17.4	17.2
	11.2	7.5

Net cash inflow arising on disposal:

Cash consideration	38.4	17.8
Cash and cash equivalents disposed of	(2.6)	(4.4)
	35.8	13.4

Included in costs for the LFPI Portfolio disposal are rent guarantee provisions of £1.5 million, the write-off of £1.7 million of goodwill on the original acquisition of the LFPI Portfolio, £1.8 million for a contribution to the capital of the disposed subsidiaries and £1.3 million of professional and advisory costs incurred. Deferred consideration of £2.7 million (classified within other debtors) remains on escrow to cover the rent guarantee provisions as mentioned above and other contingencies (the likelihood of crystallisation of these other contingencies is considered remote and therefore they have not been provided for).

The costs in relation to the Belin sale related to professional fees.

London Bridge Quarter

On 9 January 2008 the Group disposed of its one-third interest in the London Bridge Quarter joint venture (Teighmore Limited and New London Bridge House Limited). The joint venture was previously reported within the UK operating segment.

	London Bridge Quarter	
	Jan-08	Dec-07
	£m	£m
Net assets disposed of:		
Investment properties	110.2	110.2
Trade and other receivables	0.6	0.6
Cash and cash equivalents	1.9	1.9
Trade and other payables	(16.5)	(16.5)
Borrowings, including finance leases	(66.2)	(66.2)
	<u>30.0</u>	<u>30.0</u>
Gain on disposal	–	
Costs of disposal (see below)	–	
Total consideration	<u>30.0</u>	
Satisfied by:		
Cash	30.0	
Net cash inflow arising on disposal:		
Cash consideration	30.0	
Cash and cash equivalents disposed of	(1.9)	
	<u>28.1</u>	

All of the costs in relation to the disposal of LBQ, comprising £4.9 million in aggregate, were incurred and expensed in 2007. At 31 December 2007 the investment in LBQ was written down to its recoverable amount, so there was no gain or loss on disposal recognised in 2008.

At 31 December 2007 the joint venture borrowing facility was in breach of its loan to value covenant. All obligations potentially arising from the breach were discharged on sale.

Solna and Lövgärdet

On 31 January 2006, the Group disposed of its interests in Lövgärdet Business AB, Lövgärdet Residential AB and Lövgärdet Capital Partners AB, the holding companies of properties at Lövgärdet, Gothenburg, Sweden. In addition, on 21 August 2006, the Group disposed of its interest in Solna Business Holdings AB and Sliparen Ett AB, the holding companies of the properties at Solna Business Park, Stockholm, Sweden. The combined loss on these disposals in 2006 was £1.8 million and in 2007 was £2.0 million which was recognised in profit before tax in the relevant years. During the year ended 31 December 2009 there were no further costs incurred relating to commitments made on the disposal of Solna Business Park (2008: £0.3 million). In 2009, cash payments of £0.9 million (2008: £3.0 million) were made in relation to deferred consideration agreed on sale.

Summary of business disposals

	2009 £m	2008 £m
Loss on disposal of subsidiaries		
LFPI Portfolio	–	6.2
Belin	–	9.7
Solna and Lövgärdet (sold in 2006)	–	0.3
	–	16.2

31 Related party transactions

A Group company, Förvaltnings AB Klio, rents office space from a company owned by Sten Mortstedt, Executive Chairman of CLS Holdings plc. The total payable in the year was £34,000 (2008: £33,000; 2007: £29,000). A company owned by Sten Mortstedt purchased accountancy services from Förvaltnings AB Klio during the year amounting to £8,000 (2008: £8,000; 2007: £7,000). In relation to these transactions £3,000 was payable at the balance sheet date (2008: £53,000; 2007: £37,000).

32 Principal subsidiaries

The group financial statements include the financial statements of CLS Holdings plc and all of its subsidiaries, the principal ones of which are listed below.

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those wholly-owned subsidiary companies whose results or financial position, in the opinion of the Directors, principally affected those of the Group.

Adlershofer Sàrl*	Grossglockner Sàrl*	New Printing House Square Limited
Coventry House Limited	Ingrove Limited	Spring Gardens Limited
Frères Peugeot SCI†	Kapellen Sàrl*	Vänerparken Property Investment KB**
Great West House Limited	Naropere Sàrl*	Vauxhall Cross Limited

* Incorporated in Luxembourg

† Incorporated in France

** Incorporated in Sweden

The principal activity of each of these subsidiaries is property investment, apart from Coventry House Limited whose principal activity is to act as an investment company. All of the above subsidiary undertakings are incorporated in the United Kingdom unless stated above. To comply with the Companies Act 2006, a full list of subsidiaries will be filed with the Company's next annual return.

GLOSSARY OF TERMS

ADJUSTED NET ASSETS

Net assets excluding deferred tax assets and deferred tax liabilities

ADJUSTED TOTAL ASSETS

Total assets excluding deferred tax assets

CONTRACTED RENT

Annual contracted rental income

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 and foreign exchange variances.

EARNINGS PER SHARE

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

ADJUSTED EARNINGS PER SHARE

Profit after tax, but excluding deferred tax and net gains or losses from fair value adjustments on investment properties, divided by the weighted average number of ordinary shares in issue in the period

ESTIMATED RENTAL VALUE (ERV)

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

LOAN TO VALUE (LTV)

Borrowings expressed as a percentage of the market value of the property portfolio

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

ADJUSTED NET ASSETS PER SHARE or ADJUSTED NET ASSET VALUE

Adjusted net assets divided by the number of ordinary shares in circulation at the balance sheet date

NET DEBT

Total borrowings less cash and short-term deposits

NET GEARING

Net debt expressed as a percentage of net assets

ADJUSTED NET GEARING

Net debt expressed as a percentage of adjusted net assets

NET INITIAL YIELD

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

NET RENT

Contracted rent less net service charge costs occupancy rate

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

OVER-RENTED

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

PASSING RENT

Contracted rent after any rent-free periods have expired

RECURRING INTEREST COVER

The aggregate of group revenue less costs plus share of results of associates, divided by net finance costs

RENT ROLL

Contracted rent

RETURN ON SHAREHOLDERS' EQUITY

The movement in the adjusted net assets in the period plus distributions as a percentage of the adjusted net assets at the beginning of the period

SOLIDITY

Equity shareholders' funds expressed as a percentage of total assets

ADJUSTED SOLIDITY

Adjusted net assets expressed as a percentage of adjusted total assets

TOTAL SHAREHOLDER RETURN

For a given number of shares, the aggregate of the proceeds from tender offer buy-backs and the change in 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