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PRESS RELEASE

CLS Holdings plc (“CLS”, the “Company”, or the “Group”)

Preliminary financial results for the year ended 31 December 2008

FINANCIAL HIGHLIGHTS

- **Adjusted Net Asset Value per share* 647.2 pence**, down by 15.3 per cent from 764.2 pence at 31 December 2007 (Statutory NAV* per share 548.4 pence, down 7.8 per cent from 595.1 pence at 31 December 2007).
- **Pro-forma Adjusted Net Asset Value per share* after tender-offer completed in January 2009 732.1 pence**, down by 4.2 per cent from 764.2 pence at 31 December 2007 (Statutory NAV per share 605.0 pence, up 1.7 per cent from 595.1 pence at 31 December 2007). The number of shares in issue at 24 March 2009 is 48,024,256.
- **£58.9 million or 94.8 pence per share returned to shareholders via tender-offer including January 09 tender-offer** (December 2007: £22.6 million or 31.5 pence per share). In addition, market purchases of shares amounting to £12.9 million were made during the year.
- **Property portfolio valued at £798.8 million**, down 32.0 per cent from £1,175.3 million at December 2007 (primarily arising from disposals of £408.1 million, refurbishments of £17.2 million, downward revaluations of £103.4 million and foreign exchange gains of £118.8 million).
- **Net rental income £61.3 million**, down 7.5 per cent from £66.3 million for the year to 31 December 2007.
- **Year end cash £195.3 million** (December 2007: £122.0 million). £147.3 million after January 09 tender offer.
- **Loss before tax £142.2 million** after downward revaluations of £103.4 million on properties, £21.0 million on derivatives, and impairment of intangibles of £22.0 million (December 2007: loss £72.6 million after downward revaluations of £68.1 million on properties, £1.5 million on derivatives, and nil impairment of intangibles).
- **Loss after tax £78.1 million** after release of deferred tax liabilities of £67.7 million (December 2007: loss £32.9 million after release of deferred tax liabilities of £42.3 million).
- **Net foreign exchange gain recognised in reserves £40.5 million** (December 2007: £16.9 million).

* see glossary of terms on page 24

RESULTS AT A GLANCE

INCOME STATEMENT (non-statutory format - unaudited)	31-Dec-08 (unaudited) £m	31-Dec-07 (unaudited) £m	Up/ (down) %
Net Rental Income	61.3	66.3	(7.5%)
Other operating income and associate company results	(4.9)	7.1	-
Losses on sale of investment properties, subsidiaries & associates	(9.2)	(2.0)	(360.0%)
Overhead and net property expenses	(19.7)	(30.9)	(36.2%)
Operating profit (excluding losses on investment properties)	27.5	40.5	(32.1%)
Net finance cost excluding derivatives	(22.1)	(41.2)	(46.4%)
Underlying profit/(loss) (excluding losses on investment properties)	5.4	(0.7)	-
Fair value losses on investment properties	(103.4)	(68.1)	(51.8%)
Other fair value losses on financial instruments	(21.0)	(1.5)	-
Other non-recurring costs	(1.2)	-	-
Impairment of intangibles	(22.0)	-	-
Loss provisions on share sales (transferred from other reserves)	-	(2.3)	-
Loss before tax	(142.2)	(72.6)	(95.9%)
Tax – current	(3.6)	(2.6)	(38.5%)
Tax – deferred	67.7	42.3	60.0%
Loss for the year	(78.1)	(32.9)	(137.4%)

Adjusted (loss)/earnings per share*	(68.6) p	13.8 p
Loss per share	(120.7) p	(45.8) p
Recurring Interest Cover* (times)	1.3	1.3

BALANCE SHEET (non-statutory format)	31-Dec-08 (unaudited) £m	31-Dec-07 (unaudited) £m	Up/ (down) %
Property portfolio	798.8	1,175.3	(32.0%)
Borrowings	(601.6)	(798.7)	(24.7%)
Cash	195.3	122.0	60.1%
Other	7.1	19.1	(62.8%)
Adjusted net assets *	399.6	517.7	(22.8%)
Deferred tax	(61.0)	(114.6)	(46.8%)
Statutory net assets	338.6	403.1	(16.0%)
Share Capital	16.7	18.7	(10.7%)
Reserves	321.9	384.4	(16.3%)
Shareholders' funds	338.6	403.1	(16.0%)

Adjusted NAV per share *	647.2 p	764.2 p	(15.3%)
Pro-forma Adjusted NAV per share * after January tender-offer	732.1 p	764.2 p	(4.2%)
Statutory NAV per share *	548.4 p	595.1 p	(7.8%)
Distribution per share from tender offer buy-backs	94.8 p	31.5 p	201.0%
Adjusted gearing *	102.6 %	131.7 %	(29.1%)
Statutory gearing *	121.1 %	169.1 %	(48.0%)
Adjusted solidity *	37.7 %	37.5 %	0.2%
Statutory solidity *	31.5 %	29.1 %	2.4%
Shares in issue (000's) – excl. treasury shares	61,745	67,740	(8.9%)
Shares in issue (000's) – excl. treasury shares, after January tender offer	48,024	67,740	(29.1%)

* see glossary of terms on page 28

CHAIRMAN'S STATEMENT

In 2008 we have seen unprecedented turmoil in financial markets and the global economy as a whole. Governments have reacted with attempts to stabilise conditions and we wait to see whether these reforms and initiatives are successful.

The real estate market has been badly affected by unavailability of funding and its consequent effects in terms of substantially lower transactional volumes and valuations.

Valuations of properties are intended to indicate the price in an open market, and with low transactional volumes our valuers have indicated that greater subjectivity is required in arriving at the open market valuation. My personal view is that open market values generally are proving very difficult to establish with a reasonable level of accuracy.

The IPD UK index indicates that commercial property capital values have fallen by 27 per cent over the year, and whilst a number of companies in the UK listed real estate sector have reported full year falls across their portfolios in excess of 20 per cent, the CLS portfolio has performed comparatively well dropping in value by only 13.4 per cent on average. Our portfolio in France has performed particularly well relative to the local market, and the UK business has reported falls of below 16 per cent.

Our well-let portfolio offers protection against falling markets, and our strategic mix of low-vacancy, non-prime location buildings, with a high proportion of long-term leases to government tenants is now providing significant defensive benefits. I believe we have a resilient portfolio, with a relatively low risk of tenant default given our high proportion of government tenancies (39.8 per cent by rental income).

CLS's strategy of holding property for the medium to long-term and deriving value from active management means that valuation movements are of less significance to us than the fundamentals of secure rental income and effective treasury management.

CLS has always been a well-managed and defensively structured group, evidenced by our tight cash management, the spreading of risk across European markets and currencies, and our hands-on, active management of the portfolio.

One consequence of the global recession is that borrowing rates on existing floating rate debt have fallen. We have 42 per cent of debt on floating rates and therefore if levels remain at current rates this will increase our underlying profitability during 2009 and beyond as the interest burden is lessened substantially.

Companies that are successful over the medium to long term anticipate changing market conditions and react accordingly. During the second half of 2006, CLS embarked on a strategy of disposing of property assets, both to crystallise capital gains made during the preceding years of good market conditions, and also to free up cash reserves that we felt would be crucial as the downturn began to take effect.

This strategic decision has meant that over £700 million of property has been disposed of in the last 3 years, the 2008 disposals at a weighted average price nearly 5 per cent above 2007 year end valuations and significantly boosted our bank balances. We have returned £72 million in cash to shareholders in the last 12 months. This was by way of tender-offer buy-backs totalling £59 million in the latter part of the year and early 2009, and by buying back shares in the market for £13 million, whilst still maintaining strong cash reserves to see us through the current tightening of credit lines.

We are in discussions with our bankers and loan providers regarding loan-to-value clauses in loan agreements on several of our properties in London. We thank them for their continued support and willingness to negotiate on key terms during these difficult times. We have always maintained good relationships with our banks, and will work in partnership with them going forwards to ensure mutually acceptable terms for continued financing.

In France and Germany it is much more difficult for the lender to enforce a loan-to-value breach if interest, amortisation and agreed interest cover is in place. This is why in the UK many unnecessary repossessions are taking place, and a number of our peers based in the UK are genuinely concerned about this situation. It is hoped that the UK Government will seek to influence banks not to enforce loan-to-value breaches when all other covenants are being honoured.

We also believe that property yields are now moving towards a level where the gap between yields and returns on cash deposits are sufficiently wide that property will once again become a desirable investment alternative.

In common with many businesses, and as a result of the sale of around one third of the portfolio, the directors have been focussing on reducing the operating cost base and staffing levels. A cost-cutting programme has been implemented and this is expected to show a further £2 million of annualised cost savings in 2009 and beyond, compared with 2008. The results for 2008 show non-recurring costs in relation to this re-structuring.

There have been a number of changes to the Board of directors during 2008. I would like to thank James Dean, Per Sjöberg and Steven Board for their advice, hard work and contribution to the Group over many years.

In May 2008 I welcomed Henry Klotz as CEO, and in November 2008 Joe Crawley and Chris Jarvis joined the Group as non-executive directors to the Board. I look forward to working with them and I am sure that their knowledge, coupled with the Board's experience of previous downturns will steer CLS successfully through these turbulent times.

Finally, I would like to thank our lenders, customers, staff and suppliers for their continued support, enthusiasm and dedication to the business.

Sten Mortstedt
Executive Chairman
25 March 2009

BUSINESS REVIEW 2008

INTRODUCTION

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

In 2008 we sold properties for gross proceeds of £421.5 million. This has had the effect of reducing our adjusted gearing from 131.7 per cent at 31 December 2007 to 102.6 per cent whilst increasing our cash from £122.0 million at 31 December 2007 to £195.3 million at 31 December 2008, after redeeming the loans relating to the properties sold in addition to servicing the ongoing loans. We have now completed our strategy of selling selected properties to enable the Group to be strongly positioned to take advantage of purchasing opportunities as they arise in the future.

UK

At the beginning of the year the UK portfolio was valued at £485.8 million plus £112.8 million for the London Bridge Quarter (LBQ) and Fielden House joint ventures.

During the year, eleven investment properties were sold for gross proceeds of £113.3 million compared to a December 2007 carrying value of £105.2 million, a premium of 7.6 per cent. The buildings sold were Brent House, Conoco House, Coventry House, One Leicester Square, 22 Duke's Road, 275/281 and London House King Street, Satellite House and Vista Centre. The sale of our interest in LBQ was also completed for £30 million including associated debt. The property at 86 Bondway that was previously included as an investment property has now been transferred to property, plant and equipment from the date that we occupied it as our head office. This property will be held at market value within property, plant & equipment until such time that it is returned to the investment portfolio or sold.

2008 proved to be a difficult year as the markets continued to feel the effects of the global credit crisis, with a further fall in transaction activity across Central London. Yields continued to move out as lack of demand was driven by the reduction of available finance and opportunistic buying.

The occupational market during the year remained strong with a number of new lettings completed, reducing the vacancy rate from 5.8 per cent at 31 December 2007 to 4.4 per cent by rental income at 31 December 2008.

New lettings were achieved at Cambridge House with existing tenants Prostate Cancer Charity and Open Society Foundation taking 320 sq m and 325 sq m respectively. Our subsidiary, Instant Office Limited, acquired a further 988 sq m at Great West House, expanding the business centre to 1,956 sq m. At Westminster Tower, 288 sq m was let to Trustwave Limited and further lettings were completed at Quayside and Ingram House. 86 Bondway was let to our subsidiary CLSH Management as the UK Head Office, assigning the lease on 26th Floor, Portland House, Victoria for a consideration of £0.2 million to Akzo Nobel Coatings (BLD) Limited with a guarantee from Akzo Nobel NV.

At Spring Gardens we achieved a significant increase at the June 2008 annual RPI rent review on units 3 to 5 and units 5 to 6. The index based review resulted in an increase of 4.9 per cent from £2.9 million to £3.1 million per annum in total. We completed the construction of the new on-site gymnasium and restaurant, which were extended to 939 sq m. This is let to the existing Government tenant of Spring Gardens until February 2026, in line with the expiry of all the leases on the estate.

Another significant rent review during the year was with Flight Centre on the 2nd and 6th floors of CI Tower where the rent increased by 20 per cent to £0.1 million p.a. on the 2nd floor and 8 per cent on the 6th floor to £0.1 million p.a. At Ingram House, a rent review was settled with GE Capital Europe on the 3rd floor increasing the rent by 89 per cent to £0.1 million pa.

Prior to the sale of Coventry House we completed the lease renewal on the restaurant over the lower ground, ground and 1st floors for a term of 25 years at a rent of £0.8 million pa, representing an increase of £0.1 million pa.

During 2008 we have been pro-active in seeking lease renewals and extensions to secure tenants and to maintain the income stream across the portfolio. This will remain the focus for 2009, together with reducing the vacancy rate further.

At 31 December 2008 the UK portfolio comprised 27 properties valued at £323.2 million including £2.3 million in respect of CLS' share of the Fielden House joint venture. This reflects a decrease in the value of the current properties on a like for like basis of 15.8 per cent from December 2007.

We believe the biggest risks currently facing the property market is a deepening of the recession in the UK leading to increased vacancy and the lack of bank liquidity which will continue to affect the market. Since approximately 54 per cent of the portfolio is let to government or quasi-government tenants and the average lease period is 11.2 years, we anticipate that our UK property values will prove resilient compared to the wider market.

FRANCE

At 31 December 2007 the French portfolio was valued at £355.3 million (€482.2 million).

There was a significant portfolio sale of 29 companies owning 14 properties in May 2008. Consideration in respect of the properties was £110.3 million (€142.4 million) representing a 7.4 per cent premium on December 2007 valuations. Further to this sale, on 30 July the Group completed the corporate sale of three properties in a western suburb of Paris based on property values of £68.5 million (€87.0 million). These properties were valued at £69.5 million (€94.3 million) at 31 December 2007. As these were all corporate sales the purchasers also acquired the assets and liabilities of the companies, including certain loans secured on the properties which led to a book loss on disposals of £16.0 million (€19.7 million). Consequent to the sales however there was also a release of previously accrued potential deferred tax liabilities of £34.6 million (€43.6 million). The net result in the Income Statement for these disposals therefore was a gain of £18.6 million (€23.9 million - see Financial Review section).

A further property in Courbevoie was sold for £5.4 million (€7.0 million) compared to a December 2007 valuation of £5.0 million (€6.8 million). In addition, a deferred tax liability of £0.5 million (€0.6 million) relating to the property was released through the deferred tax line of the Income Statement.

We are pleased with the prices obtained for all of these properties, which have yielded good returns over our period of ownership.

In 2008, the French economy slowed down considerably, growing by only 0.9 percent with the collapse of business activity in secondary and tertiary sectors. Business investment began to plunge due to deflationary expectations, blocked inter-bank lending and tougher credit conditions and the slow down of cash flows. The volume of investment represented only 12.5 billion euros, equalling 2004.

The volume of take-up in the Paris region in the year totalled almost 2.4 million sq m (a 14 per cent drop compared to 2007), whilst the immediate supply of office space saw a 13 per cent rise to reach 2.7 million sq m. The average vacancy rate in the Paris region at the end of the year increased to 5.4 per cent.

New leases were completed in respect of 13,385 sq m representing approximately 17 per cent of the portfolio and revenue of €3.0 million. The major re-lettings were located in Lyon with 6,407 sq m at Le Forum and 1,296 sq m at Front de Parc as well as in La Garenne Colombes with 2,385 sq m at Sigma. Additionally we negotiated lease extensions and renewals for 7,630 sq m producing revenue of €1.7 million including a new firm 6 year lease with GRTgaz over 3,170 sq m in Gennevilliers and a new firm 6 year lease with CAMFIL over 1,072 sq m in La Garenne Colombes.

Rents subject to indexation grew in the first half with annualised increases of 4.7 per cent in the first quarter and 4.5 per cent in the second quarter. These uplifts made an annual rent roll increase of approximately €0.6 million.

We continued renovation and refreshment of our buildings in order to offer the best office specifications to our tenants. In 2008 we have spent over €2.8 million including €1.9 million for complete renovation of the vacant premises (mainly at Sigma, Quatuor and Forum), €0.6 million for up-grading of air cooling systems, and €0.3 million for various improvement works in common parts.

At 31 December 2008 the portfolio comprised 25 properties (including 1 in Luxembourg) with a value of £223.4 million (€233.7 million), reflecting a fall in value of 7.4 per cent on a like for like basis during 2008.

The vacancy rate has increased to 4.2 per cent by rental income at the year end from 4.0 per cent at 31 December 2007, however negotiations are at an advanced stage for re-letting part of the vacant areas and we have also launched renovation work for marketing purposes.

GERMANY

At 31 December 2007 the German portfolio was valued at £171.5 million (€233.2 million)

There were no acquisitions or disposals in the first half, but in December 2008 we completed the sale of the STEP 9 property for £11.4 million (€12.9 million) compared with a value at 31 December 2007 of £8.5 million (€11.6 million).

At 31 December 2008 the German portfolio comprised 17 properties with a value of £201.4 million (€210.7 million) reflecting a fall in value of 10.5 per cent on a like-for-like basis compared to 31 December 2007.

Our German operations have entered an exciting phase with approximately £24.6 million (€31 million) being spent on major re-developments at the Rathaus Centre in the city of Bochum, and two new buildings that will form part of our existing property in Landshut, Munich over the next six months. Both of these properties have strong tenancy agreements in place with Bochum being let on a 30 year indexed lease to the City of Bochum, commencing May 2009, and the Landshut buildings on 10 year leases to E.ON Bayern AG with no breaks.

The German economy grew by 2.5 per cent in 2008 and GDP is expected to decrease by close to 3.0 per cent in 2009, the unemployment rate decreased to 7.2 per cent in 2008 but is expected to increase again to 8.0 per cent by the end of 2009.

The commercial investment market activity decreased dramatically by nearly 65 per cent, from €75.0 billion in 2007 down to €20.7 billion in 2008, due to the lack of financing. Nevertheless this

is still 100 per cent above the 10-year-average transaction volume in Germany. Take-up in the office letting market decreased by 4 per cent in 2008 with 3.5 billion sq m which is the 3rd best result ever. We will keep looking for new development opportunities very selectively.

The vacancy rate across the German portfolio at the year end is 3.2 per cent by rental income compared with 2.4 per cent at December 2007.

SWEDEN

The Swedish portfolio remains unchanged with the Vänerparken property in Vänersborg, near Gothenburg. The value of £50.8 million (SEK 581 million) has increased in Sterling terms from its valuation at 31 December 2007 of £49.6 million (SEK 635 million), but this is due to the fall in value of Sterling over the year. In local currency the value has fallen by 8.5 per cent, mostly due to a tenant surrendering space in exchange for a reverse premium amounting to £1.0 million.

The total transaction volume was predicted to decrease dramatically in Sweden during 2008, however, this projection was not fulfilled due to a few exceptionally large transactions. Vasakronan, owned by the Swedish government, was bought by AP Fastigheter in July 2008 at a purchase price of £3.4 billion (SEK 41.1 billion), which is the largest property transaction ever in Sweden. Including this deal, the total volume in Sweden last year amounted to £11.1 billion (SEK 132.8 billion), compared to £12.2 billion (SEK 145.8 billion) in 2007. International investors accounted for 25 per cent of the transaction volume in 2008, a decrease of 34 per cent compared to 2007.

The financial crisis is starting to impact the Swedish economy fully. Sweden's GDP growth, which stagnated during the first half of 2008, is now expected to plunge into negative territory from the fourth quarter. The Swedish National Institute of Economic Research forecast in December that annual GDP growth will end at 0.8 per cent for 2008, compared to 2.5 per cent in 2007. Sweden's unemployment rate was 6.4 per cent in December of 2008 and is predicted to continue to rise.

After experiencing a few years of strong rental growth in Swedish property markets, rents now seem to be levelling out and are expected to start falling in 2009.

Vänerparken consists of approximately 45,415 sq m and has a vacancy rate of 12.73 per cent, since the university vacated 11,783 sq m as they centralised their campuses in four towns into one. We have now let 6,001 sq m of that area to the local authorities and we are in final negotiations of signing new lease agreements for most of the remaining area with the local authority. Around 90 per cent of the rented area is let to Swedish government related tenants offering services such as healthcare, education, a leisure water park and restaurant facilities.

The vacancy rate at 31 December 2008 is 8.2 per cent by rental income compared with 0.8 per cent at December 2007, reflecting the surrender of space mentioned above. Negotiations are currently in progress that if successful will see the vacancy rate reduced to 1.9 per cent.

WYATT MEDIA GROUP

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

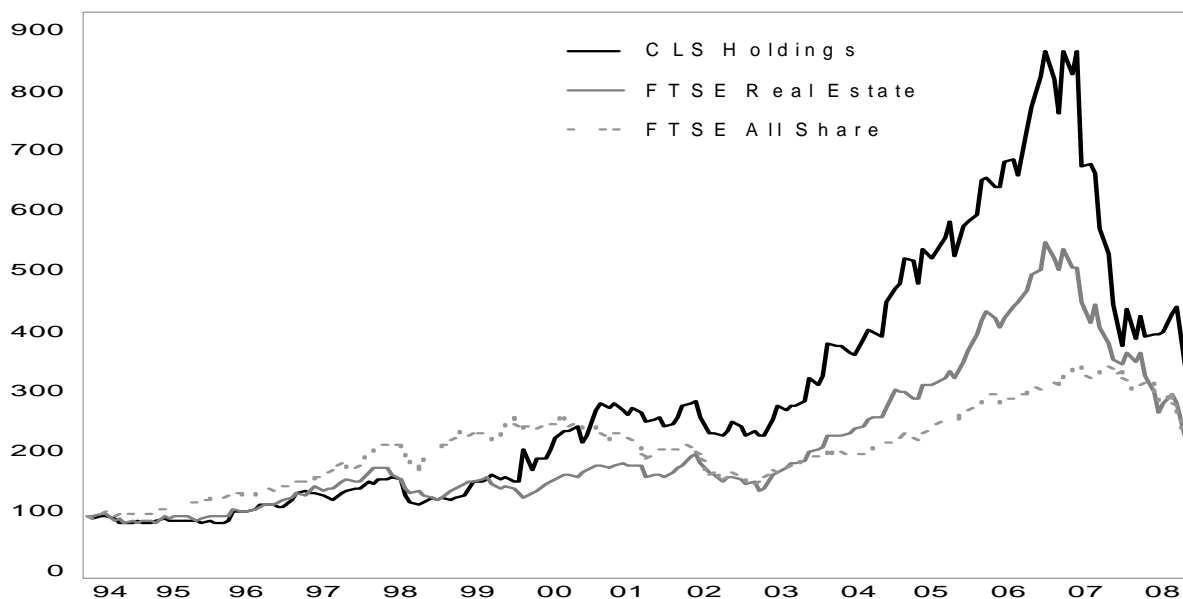
During the first half, the Wyatt Group exercised its option to acquire the remaining 60 per cent of Bilddagboken AB for consideration of SEK 25 million (£2.1 million) bringing its shareholding to 100 per cent. It also increased its shareholding in Internetami AB (Tyda) from 57 per cent to 82.3

per cent for consideration of SEK 5.4 million (£0.4 million) and acquired 40 per cent of blog collection site, Bloggkoll.com.

In May a new CEO joined Wyatt and a new strategy has been implemented that includes growth through both in-house development and acquisitions. As part of this, CLS Group has re-assessed the state of the market Wyatt operates in, the risks and uncertainties associated with that market and the business in its current state of development, the rate of growth that can be expected and the synergies that can be obtained from recent acquisitions within Wyatt. On the basis of this re-assessment the Board has decided to write off all goodwill on the acquisition of Wyatt of £22.0 million. The carrying amount of the Wyatt Group after this write-down is immaterial to the CLS group at 31 December 2008.

TOTAL RETURN TO SHAREHOLDERS

In the period from January 2001 to January 2008 the Group consistently outperformed both the FTSE all share and FTSE real estate indices, however in June 2007 share prices fell in anticipation of the downturn in the commercial property market which occurred in the second half of 2007. Since that time these indices have converged. The graph below, independently sourced by DataStream, includes conventional dividend payments but excludes the positive impact to CLS shareholders of substantial capital distributions through tender offer buy-backs.



Source: DataStream

DISTRIBUTIONS - In November 2008 and early January 2009 we distributed £58.9 million to shareholders by way of tender offer buy-backs of 16.3 million shares, equating to 94.8 pence per share.

PURCHASE OF OWN SHARES - 3.7 million of our own shares were bought back from the market for cancellation at an average cost of 344.7 pence compared to a closing adjusted NAV per share of 647.2 pence.

THE FUTURE - During 2009 we intend to focus all of our energy and creativity on our core property operations. Our sales programme has now come to an end although our cost-cutting efforts continue. We will also concentrate on our letting activities and ensure that we retain our existing tenants in order to increase our cash flow.

FINANCIAL REVIEW

INTRODUCTION

Due to the continued downturn in the global economy during 2008 causing further downward pressure on property values, the Group has suffered a loss before taxation of £142.2 million for the year (31 December 2007: loss of £72.6 million), and an after tax loss of £78.1 million (31 December 2007; loss of £32.5 million). Adjusted net assets reduced from £517.6 million at 31 December 2007 to £399.6 million, a reduction of £118.0 million or 22.8 per cent (statutory net assets from £403.1 million to £338.6 million).

LOSS BEFORE TAX - The loss before tax of £142.2 million was principally caused by a reduction in the valuation of the Group's property assets, which fell by £103.4 million. The majority of the fall was on yield shift due to volatile markets and low volume of transactions reducing property valuations. The average increase in yield was 90 basis points across the portfolio. On a like-for-like basis, this level of yield shift would indicate a devaluation of around £112 million, indicating that our letting progress during the year and selective disposal of properties on higher yields has had a positive effect.

TAX - The charge for current tax was £3.6 million, mainly incurred in respect of the French and German operating regions. The credit to deferred tax of £67.7 million reflected the disposal of a substantial proportion of the portfolio during the year combined with a reduction in property values for the remaining properties. This shows the benefit of our corporate structure of holding properties in individual entities.

NET ASSETS - Adjusted NAV of 647.2 pence per share (December 2007: 764.2 pence), reduced by 117.0 pence per share or 15.3 per cent during 2008 (Statutory NAV of 548.4 pence per share reduced by 46.7 pence per share or 7.8 per cent over the same period).

The second tender-offer, announced in November 2008, was concluded on 7 January 2009. The terms of this tender offer were to buy back 2 in every 9 shares at 350p per share, a total distribution of £48.0 million. If the results of this tender offer had been taken into account as at 31 December 2008, the adjusted NAV per share would have been 732.1 pence per share, an improvement of 84.9 pence from the year end and only 4.2 per cent down on 31 December 2007.

GOING CONCERN - The directors regularly stress-test the business model to ensure that we have adequate working capital. The results of these analyses indicate that it remains appropriate to treat the business as a going concern.

GEARING AND INTEREST COVER - Adjusted gearing at the year end was 102.3 per cent (December 2007: 131.7 per cent) and statutory gearing was 121.1 per cent (December 2007: 169.1 per cent). Had the second tender offer above been taken into account, adjusted gearing would have increased to 130.3 per cent (statutory gearing 157.6 per cent).

Recurring net interest payments and financial charges were covered by operating profit (excluding fair value adjustments) by 1.4 times (2007: 1.3 times).

DISTRIBUTIONS - During the year the Company distributed £10.9 million to shareholders by way of tender offer buy-back (17.0 pence per share). This compares to distributions of £22.6 million for the year to 31 December 2007 (31.5 pence per share). If the second tender offer were also taken into account, the total distribution to shareholders would have been £58.9 million or 94.8 pence per share. The number of shares purchased through the two tender offer buy-backs amounted to 16.3 million shares representing 24.1 per cent of shares in issue on 1 January 2008.

CASH - The Group held £195.3 million in cash and cash equivalents as at 31 December 2008 (December 2007: £122.0 million). The second tender offer, on 7 January 2009 reduced this figure by £48.0 million. Of the year end cash balance, £11.0 million is restricted by third party charge over funds (December 2007; £21.4 million).

REVIEW OF THE INCOME STATEMENT

FINANCIAL RESULTS BY LOCATION - The results of the Group analysed by location and main business activity are set out below:

(Unaudited)	Total	UK	France	Germany	Sweden	Wyatt	Equity Inv	2007
	£m	£m	£m	£m	£m	£m	£m	£m
Net rental income	61.3	25.9	19.3	12.2	3.9	-	-	66.3
Other income (incl associates)	(4.9)	1.2	1.1	-	(7.2)	3.6	(3.6)	7.1
Operating expenses	(19.7)	(5.7)	(3.2)	(3.0)	(1.4)	(6.4)	-	(30.9)
Net finance expense	(22.1)	(8.3)	(8.1)	(6.2)	(1.4)	(0.2)	2.1	(41.2)
Profit on sale of investment properties	6.8	6.5	-	0.6	(0.3)	-	-	-
Loss on sale of subsidiaries	(16.0)	-	(16.0)	-	-	-	-	(2.0)
Underlying profit/(loss)	5.4	19.6	(6.9)	3.6	(6.4)	(3.0)	(1.5)	(0.7)
Fair value losses on investment properties	(103.4)	(59.5)	(17.8)	(19.9)	(6.2)	-	-	(68.1)
Other fair value (losses)/gains	(21.0)	(17.4)	(1.0)	(2.6)	-	-	-	(1.5)
Impairment of intangibles	(22.0)	-	-	-	-	(22.0)	-	-
Non-recurring costs	(1.2)	(1.2)	-	-	-	-	-	(2.3)
Loss before tax	(142.2)	(58.5)	(25.7)	(18.9)	(12.6)	(25.0)	(1.5)	(72.6)
Tax - current	(3.6)	-	(3.4)	(0.3)	(0.4)	0.3	0.2	(2.6)
Tax - deferred	67.7	25.6	37.8	1.8	2.5	-	-	42.3
Loss for the year	(78.1)	(32.9)	8.7	(17.4)	(10.5)	(24.7)	(1.3)	(32.9)

NET RENTAL INCOME - of £61.3 million decreased by 7.5 per cent (December 2007: £66.3 million) primarily due to disposals of properties in the first half of the year.

OTHER INCOME - amounted to a net loss of £4.9 million (December 2007: income £7.1 million) and included a £3.6 million contribution from Wyatt Group (formerly Lunarworks).

Our associate companies Catena AB and Bulgarian Land Development Plc (BLD), in common with many listed real estate companies, suffered from downward valuation adjustments during 2008. Consequently our share of their results for the year amounted to a loss of £7.5 million compared to a net profit of £0.5 million in 2007. We have however received dividend income of £1.5 million from Catena during 2008, so this investment remains cash generating to the Group.

A net loss of £4.6 million arose on the mark-to-market of shares held as investments and other listed share trades, including a provision of £3.0 million on our investment in Note AB.

OPERATING EXPENSES - Operating expenses set out in the financial results table above comprised administrative expenditure of £16.1 million (December 2007: £27.7 million) and net property expenses of £3.6 million (December 2007: £3.2 million).

ADMINISTRATIVE EXPENDITURE – amounted to £16.1 million (December 2007: £27.7 million):

(Unaudited)	2008	2007	Difference
	£m	£m	£m
Core property group	9.6	12.5	(2.9)
London Bridge Quarter (LBQ)	-	8.7	(8.7)
Wyatt Media Group	6.5	6.5	-
Total	16.1	27.7	(11.6)

Our investment in London Bridge Quarter (LBQ), which included our share of the joint venture developing Southwark Towers and New London Bridge House, was disposed of in early January 2008 and therefore no costs were incurred on this project during the year. The substantial cost savings made on the core property business in 2008 relate principally to lower headcount and a slimmed down senior management team (£1.9 million), the re-location of the head office to a property held by the Group (£0.5 million) and tighter control over professional fees (£0.5 million).

NET PROPERTY EXPENSES - of £3.6 million (December 2007: £3.2 million) included legal, letting and other fees of £1.2 million, reflecting letting success across all regions, advertising and marketing costs of £0.1 million and void costs of £0.8 million. Repair and maintenance costs were £0.5 million, depreciation amounted to £ 0.1 million and bad debts were £0.2 million.

NET FINANCE EXPENSES - amounted to £22.1 million (December 2007: £41.2 million)

Analysis of net finance expense	2008	2007	Difference
(Unaudited)	£m	£m	£m
Interest receivable	8.6	5.9	2.7
Foreign exchange	11.9	0.7	11.2
Interest receivable and similar income	20.5	6.6	13.9
Interest payable and similar charges	(42.6)	(47.8)	5.2
Net finance expense	(22.1)	(41.2)	19.1

Finance costs (excluding fair value adjustments on financial instruments) of £42.6 million decreased by £5.2 million compared to the previous year of £47.8million, principally due to the disposals completed in the first half of 2008 and the resultant redemption of loans.

Interest receivable of £20.5 million is comprised of two main items ; £8.6 million was earned from average cash reserves during the year of £168 million, combined with an £11.9 million foreign exchange translation gain mostly from Euro cash balances held by the Group being re-translated at the exceptionally low GBP to Euro rate that arose at the end of December. This

category also includes a net gain on forward foreign currency exchange contracts entered into during the year of £2.4 million.

The average cost of borrowing for the Group at 31 December 2008, is set out below:

(Unaudited)	UK	France	Germany	Sweden	Total
December 2008					
Average interest rate on fixed rate debt	6.7%	4.9%	5.2%	-	6.2%
Average interest rate on variable rate debt	6.1%	5.4%	5.6%	4.5%	5.3%
Overall weighted average interest rate	6.7%	5.3%	5.3%	4.5%	5.8%
December 2007					
Average interest rate on fixed rate debt	6.8%	4.6%	5.1%	5.4%	6.2%
Average interest rate on variable rate debt	7.2%	5.4%	5.5%	5.7%	5.8%
Overall weighted average interest rate	7.0%	5.2%	5.2%	5.6%	6.1%

Financial instruments - The adverse impact of fair value movements in interest rate instruments was £21.0 million (2007: adverse £1.5 million). This amount is almost entirely relating to a floating to fixed rate swap transaction on one property, fixing below 5 per cent on a long-term basis over a principal sum of £106.0 million. At 31 December 2008, with global interest rates falling heavily and long-term yield curves relatively flat, this instrument was marked down accordingly. We believe that this swap transaction is an attractive long-term hedging instrument. It is important to note that if this swap is held to maturity, the net movements reported through the income statement over its life will be zero.

LOSS ON SALE OF SUBSIDIARIES - The loss of £16.0 million principally relates to the sale of French properties by way of corporate sale rather than the sale of the individual buildings. Such sales are accounted for by taking any deductions for latent tax and guarantees provided through the valuation line of the properties within the corporate vehicles. This resulted in the pre-tax loss on disposal of French subsidiaries. In conjunction with the disposals however is a reduction in the Group's potential liability for deferred tax, in this instance amounting to £34.6 million. This movement is shown within the deferred taxation line, thus the net effect on the Group of the French disposals is a profit after tax of £18.6 million.

PROFIT ON SALE OF INVESTMENT PROPERTIES - Disposals of properties in the UK and Germany were by conventional sale of the buildings, which released a profit on disposal of £6.5 million and £0.6 million respectively, and a further release of deferred tax of £7.0 million.

NON-RECURRING COSTS - As reported in the Chairman's statement at the 2007 year end, CLS was considering a number of options to re-structure the Group in order to release reserves for future distributions, to align the structure to the Group's pan-European operational focus and to enable the Group to compete more effectively with other UK property investors enjoying REIT status. Non-recurring costs of £1.2 million were incurred in the year in relation to this proposed change. The release of reserves was completed and the Group structure is being reviewed to rationalise the number of entities.

IMPAIRMENT OF INTANGIBLES - The Group's investment in the Wyatt Group of companies was re-assessed during the year as a result of operational and trading difficulties within the markets that Wyatt operates. The result of this re-assessment was the write-off of all goodwill relating to our investment in this business, a total of £22.0 million. We continue to closely monitor our investment in Wyatt, but the carrying value at 31 December 2008 is immaterial to the CLS Group.

TAXATION

Current tax - In 2008 the Group's current taxation charge has benefited from the utilisation of losses, significant capital allowances and amortisation deductions. Outside the UK and Sweden these factors will have less effect in the future as corporation tax losses are used against expected profits and as amortisation deductions decrease in existing subsidiaries.

Deferred tax -The results of the Group include full provision for deferred taxation relating to potential gains on the sale of properties at current valuations, as required by IAS 12. The amount provided represents the maximum potential tax liability on gains from property disposals.

The method of calculation for the estimate of deferred tax was revised in 2007 to include the effect of indexation allowance available if properties in the UK were to be sold, resulting in a credit to the income statement of £31.4 million in that year. The method was revised during the 2007 financial year as the Group considered that it was more appropriate to assume that it would recover the carrying amount of its investment properties through use followed by eventual disposal. This is evidenced by the decision taken in 2007 to dispose of a significant proportion of the portfolio, completed during 2008.

Prior to the 2007 financial year, the Group had been predominantly long-term investors in property with occasional disposals, and therefore it was more appropriate to determine the tax base as being that of returning value through continued collection of rental income.

For the year ended 31 December 2008 the IAS 12 deferred tax credit included in the Income Statement was £67.7 million. This is after, where appropriate, recognition of tax losses and the reversal of timing differences. The provision for deferred tax reduced net assets by £61.0 million (31 December 2007: credit of £42.3 million and reduction in net assets of £114.6 million respectively).

We consider it is unlikely that this full liability will crystallise because it takes no account of the way in which the Group would realise these gains. In particular the deferred tax provision takes no account of the way in which properties are expected to be sold, or of elections available to ensure that deductions claimed previously for capital allowances are not reversed.

REVIEW OF THE BALANCE SHEET

INVESTMENT PROPERTIES - The Group's property portfolio amounted to £798.8 million, showing a net decrease of £376.5 million over its value at 31 December 2007 of £1,175.3 million. The movement in the portfolio is set out below:

(Unaudited)	Group £m	UK £m	France £m	Germany £m	Sweden £m
Opening property assets	1,175.3	598.5	355.3	171.8	49.7
Purchases	-	-	-	-	-
Refurbishment	17.2	2.6	1.2	11.1	2.3
Disposals	(408.1)	(217.8)	(180.5)	(9.3)	(0.5)
Revaluation movements	(103.4)	(59.5)	(17.8)	(19.9)	(6.2)
Foreign exchange	118.8	-	65.7	47.5	5.6
Other	(1.0)	(0.6)	(0.5)	0.2	(0.1)
Closing property assets	798.8	323.2	223.4	201.4	50.8

PURCHASES - No properties were purchased during the year.

REFURBISHMENT – In the UK, expenditure on refurbishments amounted to £2.6 million, principally on upgrading our property at Spring Gardens to meet the tenant's requirements. Other improvements were made to Great West House and Cap Gemini House.

The bulk of refurbishment and development expenditure was carried out in Germany at our properties in Landshut (Munich) and Bochum (£11.1 million). Various smaller refurbishment works in France amounted to £1.2 million.

DISPOSALS – The detail of the disposals made during the year is covered in the Business Review, but the significant items were the disposal of our share in LBQ in the UK (£110.2 million), the sale of a portfolio of properties in France to LFPI (£97.7 million), Victor Hugo and the Pascal buildings in Paris (£40.4 million and £29.3 million respectively), the sale of 1 Leicester Square (£29.0 million) and Coventry House (£23.8 million).

FOREIGN EXCHANGE – The gross foreign exchange translation gains on properties was £118.8 million, of which £65.7 million related to France, £47.5 million was in respect of Germany and £5.6 million arose in Sweden. Taking into account the effect of foreign exchange translation on loans to finance these assets, the net effect was a gain in reserves of £40.9 million.

Based on the valuations at 31 December 2008 and annualised net contracted rent receivable at that date of £59.2 million, the portfolio shows a yield of 7.4 per cent, an increase of 90 basis points since 31 December 2007, reflecting the increased volatility in the markets, lower volume of comparable transactions and prudent valuations.

An analysis of the location of investment property assets and related loans is set out below:

(Unaudited)	Total £m	UK £m	%	France £m	%	Germany £m	%	Sweden £m	%	Equity Invest'ts £m	%
Investment Properties	798.8	323.2	40.5	223.4	28.0	201.4	25.2	50.8	6.3	-	-
Property loans [^]	(576.3)	(265.4)	46.1	(132.5)	23.0	(144.9)	25.1	(31.2)	5.4	(2.3)	0.4
Equity in Property Assets	222.5	57.8	26.0	90.9	40.9	56.5	25.4	19.6	8.8	(2.3)	(1.0)
Other	177.1	85.7		71.5		1.6		0.5		17.8	
Adjusted net assets	399.6	143.5	35.9	162.4	40.6	58.1	14.5	20.1	5.0	15.5	4.0
Equity in Property as a Percentage of Investment	27.9	17.9		40.7		28.1		38.6		-	
Opening Adjusted net assets	517.6	227.5	44.0	154.1	29.8	56.4	10.8	40.7	7.9	38.9	7.5
(Decrease)/increase	(118.0)	(84.0)	71.2	8.3	(7.0)	1.7	(1.4)	(20.6)	17.5	(23.4)	19.8
Closing Adjusted net assets	399.6	143.5	35.9	162.4	40.6	58.1	14.5	20.1	5.0	15.5	4.0

[^] Loans relating to the financing of our investment in Catena AB and other non-property assets were included within "other" and amounted to £25.3 million.

[#] The following exchange rates were used to translate assets and liabilities at the year end; Euro/GBP 1.0461 SEK/GBP 11.4474

Adjusted net assets are reconciled to statutory net assets in the 'Results at a glance' section

DEBT STRUCTURE - Borrowings are raised by the Group to finance holdings of investment properties. These are secured, in the main, on the individual properties to which they relate. All borrowings are taken up in the local currencies from specialist property lending institutions.

Financial instruments such as interest rate caps and swaps have been taken out with prime banks to manage interest and foreign exchange rate risk in respect of all of the Group's interest rate exposure and a significant proportion of its foreign exchange rate exposure.

Net Interest Bearing Debt

(Unaudited)	Total		UK*		France		Germany		Sweden		Equity invest	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
2008												
Fixed Rate Loans	(346.2)	57.5	(230.6)	86.9	(28.6)	21.6	(87.1)	60.0	-	-	-	-
Floating Rate Loans	(255.4)	42.5	(34.8)	13.1	(103.9)	78.4	(57.8)	40.0	(56.5)	100.0	(2.3)	100.0
	(601.6)	100.0	(265.4)	44.1	(132.5)	22.0	(144.9)	24.0	(56.5)	9.4	(2.3)	0.5
Bank and cash	195.3	100.0	97.6	50.0	79.2	40.6	6.7	3.4	10.5	5.4	1.3	0.6
Net Interest Bearing Debt	(406.3)	100.0	(167.8)	41.3	(53.3)	13.1	(138.2)	34.0	(46.0)	11.3	(1.0)	0.3
2007	(676.7)	100.0	(338.4)	50.0	(194.9)	28.8	(113.8)	16.8	(29.9)	4.4	0.3	-

Non interest bearing debt, represented by short-term creditors, amounted to £32.9 million (December 2007: £59.7 million). Borrowings, gross of arrangement fees, amounted to £605.2 million (December 2007: £803.7 million, including amounts owed in respect of Joint Ventures of £68.4 million).

Interest rate caps

(Unaudited)	Total %	UK %	France %	Germany %	Sweden %
2008					
Percentage of net floating rate loans capped	100.0	100.0	100.0	100.0	n/a
Average base interest rate at which loans are capped	4.5	3.8	4.8	4.6	n/a
Average tenure	2.1 years	1.7 years	2.3 years	2.4 years	n/a
2007					
Percentage of net floating rate loans capped	100.0	100.0	100.0	100.0	100.0
Average base interest rate at which loans are capped	4.8	5.5	4.8	4.6	4.5
Average tenure	3.3 years	2.0 years	3.3 years	3.4 years	0.8 years

At the end of 2008, 57.5 per cent of gross debt was fixed (December 2007: 62.8 per cent). This decrease in fixed rate funding is mainly due to the mix of loans redeemed as a result of sales of properties during the year.

New Printing House Square was financed in 1992 through a securitisation of its rental income by way of a fully amortising bond. This bond has a current outstanding balance of £35.9 million (December 2007: £36.7 million) at an interest rate of 10.7 per cent with a maturity date of 2025. In addition, there is a zero coupon bond, with a current outstanding balance of £7.6 million (December 2007: £6.9 million), with matching interest rate and maturity date. These debt instruments have a significant adverse effect on the average interest rate.

The net borrowings of the Group at 31 December 2008 were £406.3 million (December 2007: £676.7 million), the decrease being influenced by gross loan repayments and redemptions of £298.4 million, principally resultant from sales of properties. There was also an adverse translation effect in respect of loans held in Euros and SEK of £77.9 million.

The contracted cash flows from the properties securing the loans continue to cover all ongoing interest and loan amortisation obligations. Of the Group's total bank debt of £601.6 million £54.2 million (9.0 per cent) is repayable within the next 12 months, with £270.1 million (44.9 per cent) maturing after more than five years.

OTHER INVESTMENTS - Consists of equity investments amounting to £14.3 million (December 2007: £8.4 million). The majority by value are listed corporate and financial bonds, which are carried at market value of £10.8 million. The bonds were bought at a significant discount to the nominal value and have very attractive coupon rates and yields to maturity. The remaining £3.5 million consists mainly of listed investments.

INVESTMENT IN ASSOCIATE COMPANIES - The Group holds investments in two principal associate companies carried in our books at £39.3 million. The Group holds 29.1 per cent of Catena AB, a Swedish listed property group held at £25.1 million, being the Group's share of the adjusted net assets of Catena excluding any provision for deferred tax, which we believe is unlikely to ever crystallise. Although Catena made a loss for the year due to adverse fair value movements on its properties, our share of which was £3.2 million, it also included positive foreign exchange movement of £3.1 million, a write-off of goodwill amounting to £3.9 million and our share of their negative reserve movements of £0.2 million.

The second associate is Bulgarian Land Development Plc in which our holding of 35.8 per cent is carried at £14.1 million after our share of its losses in the year which amounted to £1.1 million, write-off of opening goodwill of £1.4 million, the recognition of negative goodwill of £2.1 million in respect of additional shares purchased in the year, and our share of their positive reserve movements of £2.2 million.

SHARE CAPITAL - The share capital of the Company amounted to £16.7 million at 31 December 2008, represented by 66,745,471 ordinary shares of 25 pence each, of which 5,000,000 shares were held as Treasury shares. At 31 December 2008 there were therefore 61,745,471 shares quoted on the main market of the London Stock Exchange.

The Treasury shares are not included for the purposes of any proposed tender offer buy-backs or for calculating earnings and NAV per share.

A capital distribution by way of tender offer buy-back was made in November 2008 resulting in the purchase and cancellation of 2,575,644 shares and the distribution of £10.9 million to shareholders.

A further tender offer of 2 in every 9 shares at 350 pence was proposed on 1 December 2008 and approved at an AGM held on 18 December 2008. The offer was settled on 7 January 2009 and resulted in the purchase and cancellation of a further 13,721,215 shares and the distribution of £48.0 million.

After the January 2009 tender offer buy-back there were 48,024,256 shares in issue, of which the Mortstedt family holds 57.7 per cent.

Market purchases during the year totalled 3,744,342 shares at an average price of 344.7 pence per share.

The weighted average number of shares in issue during the year was 64,783,048 (December 2007: 71,091,071).

An analysis of share movements during the year is set out below:

(Unaudited)	No of shares Million 2008	No of shares Million 2007
Opening shares for NAV purposes	67.7	72.6
Tender offer buy-back	(2.6)	(3.3)
Buy-backs in the market	(3.7)	(1.6)
Shares issued for the exercise of options	0.3	-
Closing shares for NAV purposes	61.7	67.7
Shares held in Treasury by the Company	5.0	7.1
Closing shares in issue	66.7	74.8

An analysis of the year end ownership structure is set out below:

(Unaudited)	Number of shares	Percentage of shares
Institutions	18.7	30.2%
Private investors	0.9	1.4%
The Mortstedt family	34.1	55.3%
Other	8.0	13.1%
Shares held in Treasury by the Company	61.7	100.0%
	5.0	
Total	66.7	

At 31 December 2008 there were no share options in existence.

REVIEW OF CASH FLOWS

Cash balances have increased from £122.0 million at the beginning of the year to £195.3 million at 31 December 2008. The principal movements are the sale of investment property generating £127.6 million, disposal of our interest in the LBQ joint venture for £28.1 million and disposal of subsidiaries owning property in France for £49.2 million.

Loan redemptions resulting from the sale of properties totalled £122.8 million and purchase of own shares through tender-offer buy-back and in the market amounted to £24.0 million. New loans, principally on our development properties in Germany raised cash balances by £21.3 million, mostly utilised on capital expenditure for those properties of £18.9 million.

PROPERTY PORTFOLIO

We continue to focus on our portfolio of low risk, high return properties and to actively manage our buildings to maximise long-term capital returns. Our core areas of operation are the UK, France, Germany and Sweden.

At 31 December 2008, the Group owned 70 properties with a total lettable area of 372,617 sq m (4,010,817 sq ft). 27 properties were in the UK, 24 in France, 17 in Germany, 1 in Sweden and 1 in Luxembourg. We had 356 commercial tenants and 15 residential tenants.

An analysis of contracted rent, book value and yields is set out on the following page.

(Unaudited)	Contracted Rent		Net rent		Book Value		Yield on net	Yield when fully let
	£m	%	£m	%	£m	%	rent %	let %
London South Bank	10.4	17.0%	10.4	17.5%	152.8	19.1%	6.8%	
London Mid town	6.7	10.8%	6.7	11.2%	81.3	10.2%	8.2%	
London West	4.3	7.0%	3.9	6.5%	49.0	6.1%	7.9%	
London West End	0.6	1.0%	0.6	1.0%	9.1	1.1%	6.5%	
London South Bank - JVs	0.1	0.3%	0.1	0.3%	2.3	0.3%	6.8%	
London North West	0.9	1.4%	0.8	1.4%	9.5	1.2%	9.0%	
London South West	1.7	2.8%	1.7	2.9%	17.6	2.2%	9.6%	
Outside London	-	-	-	-	1.6	0.2%	-	
Total UK	24.7	40.3%	24.2	40.9%	323.2	40.5%	7.5%	7.8%
France Paris	10.2	16.7%	10.0	17.0%	136.6	17.1%	7.3%	
France Lyon	4.4	7.1%	4.3	7.3%	54.8	6.9%	7.9%	
France Lille	0.7	1.1%	0.6	1.0%	10.3	1.3%	5.8%	
France Antibes	0.7	1.1%	0.6	1.1%	8.2	1.0%	7.7%	
Total France	16.0	26.0%	15.5	26.3%	209.9	26.3%	7.4%	7.9%
Luxembourg	1.2	2.0%	1.2	2.1%	13.5	1.7%	9.0%	
Total Luxembourg	1.2	2.0%	1.2	2.1%	13.5	1.7%	9.0%	9.0%
Germany Munich	6.2	10.1%	6.3	10.4%	85.0	10.6%	7.3%	
Germany Hamburg	3.3	5.4%	3.3	5.6%	43.7	5.5%	7.6%	
Germany Berlin	3.3	5.4%	3.2	5.4%	44.9	5.6%	7.1%	
Germany Bochum	1.2	1.9%	1.2	2.0%	25.3	3.2%	4.7%	
Germany Düsseldorf	0.3	0.5%	0.3	0.6%	2.5	0.3%	13.3%	
Total Germany	14.3	23.3%	14.2	23.9%	201.4	25.1%	7.1%	7.2%
Sweden Vänersborg	5.1	8.4%	4.1	6.9%	50.8	6.4%	8.1%	
Total Sweden	5.1	8.4%	4.1	6.9%	50.8	6.4%	8.1%	8.9%
Group Total	61.3	100.0%	59.2	100.0%	798.8	100.0%	7.4%	7.8%

Conversion rates: Euro/GBP 1.0461 SEK/GBP 11.4474. Yields on receivable rents and potential rents have been calculated on the assumption that book values at 31 December 2008 will increase by refurbishment expenditure of approximately £19.3 million in respect of projects in Germany and £2.7 million in the UK.

RENT ANALYSED BY LENGTH OF LEASE AND LOCATION - The table below shows rental income by category and the future potential income available from new lettings and refurbishments.

(Unaudited)			Contracted Aggregate Rental £m	Contracted but not Income producing £m	Unlet Space at ERV £m	Space under Refurbishment or with Planning consent £m	Total £m	Total %
	Sq. m (000)	Sq.ft (000)						
UK >10 yrs	52.7	567.6	13.1	-	-	-	13.1	50.5%
UK 5-10 yrs	28.4	305.3	5.0	-	-	-	5.0	19.3%
UK < 5 yrs	26.5	285.4	6.6	-	-	-	6.6	25.6%
Development Stock	1.1	12.1	-	-	-	-	-	0.1%
Vacant	7.0	74.7	-	-	1.1	-	1.1	4.4%
Total UK	115.7	1,245.1	24.7	-	1.1	-	25.8	100.0%
France > 10 yrs	2.8	30.1	0.7	-	-	-	0.7	4.2%
France 5-10 yrs	33.1	355.9	7.8	-	-	-	7.8	46.4%
France < 5 yrs	34.5	371.8	7.5	-	-	-	7.5	45.2%
Vacant	4.2	45.0	-	-	0.7	-	0.7	4.2%
Total France	74.6	802.8	16.0	-	0.7	-	16.7	100.0%
Luxembourg < 5 yrs	3.7	39.8	1.2	-	-	-	1.2	100.0%
Total Luxembourg	3.7	39.8	1.2	-	-	-	1.2	100.0%
Germany > 10 yrs	21.9	235.3	2.5	-	-	-	2.5	15.9%
Germany 5-10 yrs	35.5	382.5	4.4	-	-	-	4.4	27.6%
Germany < 5 yrs	58.0	623.9	7.3	-	-	-	7.3	45.9%
Development Stock	14.1	151.3	-	-	-	1.2	1.2	7.4%
Vacant	4.0	43.6	-	-	0.5	-	0.5	3.2%
Total Germany	133.5	1,436.6	14.2	-	0.5	1.2	15.9	100.0%
Sweden > 10 yrs	-	-	-	-	-	-	-	-
Sweden 5-10 yrs	34.1	367.2	4.7	-	-	-	4.7	83.6%
Sweden < 5 yrs	5.8	62.7	0.5	-	-	-	0.5	8.2%
Vacant	5.3	56.7	-	-	0.5	-	0.5	8.2%
Total Sweden	45.2	486.6	5.2	-	0.5	-	5.7	100.0%
Group > 10 yrs	77.4	833.0	16.3	-	-	-	16.3	25.0%
Group 5-10 yrs	131.1	1,410.9	21.9	-	-	-	21.9	33.4%
Group < 5 yrs	128.5	1,383.6	23.1	-	-	-	23.1	35.5%
Development Stock	15.2	163.4	-	-	-	1.2	1.2	1.8%
Vacant	20.5	220.0	-	-	2.8	-	2.8	4.3%
Group Total	372.7	4,010.9	61.3	-	2.8	1.2	65.3	100.0%

We estimate that open market rents are approximately 7.5 per cent lower than current contracted rents receivable, which represents a potential reduction of £4.6 million. An analysis of the net decrease is set out below:

(Unaudited)	Contracted Rent	Estimated Rental Value	Reversionary Element
	£ Million	£ Million	£ Million
UK	24.7	23.5	(1.2)
France and Luxembourg	17.2	16.1	(1.1)
Germany	14.2	13.6	(0.6)
Sweden	5.2	3.5	(1.7)
Total	61.3	56.7	(4.6)

The total potential gross rental income (comprising contracted rentals, and estimated rental value of un-let space) of the portfolio is £65.3 million p.a.

Unaudited Consolidated Income Statement

31 December 2008

	Year ended 31 December 2008 £000	Year ended 31 December 2007 £000
Continuing operations		
Revenue	77,994	87,992
Rental and similar revenue	63,062	70,042
Service charge and similar revenue	11,291	12,260
Service charge expense and similar charges	(13,055)	(16,007)
Net rental income	61,298	66,295
Net income from non-property activities	3,641	5,690
Other operating expense	(1,026)	(1,568)
Administrative expenses	(16,066)	(27,724)
Net property expenses	(3,649)	(3,161)
Operating profit before revaluation movements on investment properties, impairment of intangibles and goodwill and (loss)/profit on disposal of subsidiaries and investment properties	44,198	39,532
Net movements from fair value adjustment on investment properties	(103,393)	(68,077)
Impairment of intangible fixed assets and goodwill	(21,985)	-
Loss on disposal of subsidiaries	(16,161)	(1,974)
Profit from sale of investment properties	7,009	-
Operating loss	(90,332)	(30,519)
Finance income	20,572	6,557
Finance costs	(63,636)	(49,218)
Other non-recurring costs	(1,288)	--
Share of (loss)/profit of associates after tax	(7,470)	537
Loss before tax	(142,154)	(72,643)
Taxation - current	(3,610)	(2,610)
Taxation - deferred	67,717	42,342
Tax credit	64,107	39,732
Loss for the period	(78,047)	(32,911)
Attributable to equity holders of the parent	(78,175)	(32,549)
Attributable to minority interests	128	(362)
	(78,047)	(32,911)

Unaudited Consolidated Balance Sheet

31 December 2008

	As at 31 December 2008 £000	As at 31 December 2007 £000
Non-current assets		
Investment properties	798,761	1,175,291
Property, plant and equipment	2,756	1,832
Intangible assets	1,088	19,538
Investments in associates	39,327	42,305
Other investments	14,315	8,424
Derivative financial instruments	371	1,268
Deferred income tax	12,427	2,880
Trade and other receivables	45	49
	869,090	1,251,587
Current assets		
Trade and other receivables	10,597	9,070
Derivative financial instruments	-	1,208
Cash and cash equivalents	195,296	122,030
	205,893	132,308
Total assets	1,074,983	1,383,895
Non-current liabilities		
Deferred income tax	73,427	117,439
Borrowings, including finance leases	547,406	695,675
	620,833	813,114
Current liabilities		
Trade and other payables	32,853	59,667
Current income tax	5,937	2,690
Derivative financial instruments	22,575	2,307
Borrowings, including finance leases	54,200	103,025
	115,565	167,689
Total liabilities	736,398	980,803
Net assets	338,585	403,092
EQUITY		
Share capital	16,686	18,712
Share premium reserve	70,514	69,824
Other reserves	100,353	61,198
Retained earnings	152,215	254,432
	339,768	404,166
Minority interest	(1,183)	(1,074)
Total equity	338,585	403,092

Unaudited Consolidated Statement of Changes in Equity

31 December 2008

	Attributable to equity holders of the Company				Total £000
	Share capital £000	Other reserves £000	Retained earnings £000	Minority Interest £000	
Balance at 1 January 2007	20,021	112,174	316,840	(896)	448,139
Arising in the year:					
Fair value gains/(losses):					
- available-for-sale financial assets	-	1,716	-	-	1,716
- cash flow hedges	-	(1,206)	-	-	(1,206)
Currency translation differences on foreign currency net investments	-	16,917	-	-	16,917
Purchase of own shares expense	-	-	(190)	-	(190)
Purchase of own shares	(1,120)	1,120	(29,669)	-	(29,669)
Employee share option scheme	-	112	-	-	112
Treasury shares cancellation	(189)	189	-	-	-
Change in minority interest	-	-	-	184	184
Net amounts recognised directly in equity	(1,309)	18,848	(29,859)	184	(12,136)
Loss for the year	-	-	(32,549)	(362)	(32,911)
Total increase / (decrease) in equity for the year	(1,309)	18,848	(62,408)	(178)	(45,047)
Balance at 31 December 2007	18,712	131,022	254,432	(1,074)	403,092
Arising in the year:-					
Fair value gains/(losses):					
- available-for-sale financial assets		(3,299)			(3,299)
- cash flow hedges		(74)			(74)
Currency translation differences on foreign currency net investments		40,501			40,501
Purchase of own shares expense			(189)		(189)
Purchase of own shares	(1,497)	1,497	(23,853)		(23,853)
Issue of shares					-
Employee share option scheme		691			691
Treasury shares cancellation	(529)	529			-
Change in minority interest				(237)	(237)
Net amounts recognised directly in equity	(2,026)	39,845	(24,042)	(237)	13,540
Loss for the year	-	-	(78,175)	128	(78,047)
Total (decrease)/increase in equity for the year	(2,026)	39,845	(102,217)	(109)	(64,507)
Balance at 31 December 2008	16,686	170,867	152,215	(1,183)	338,585

Unaudited Consolidated Statement of Cash Flows

31 December 2008

	Year ended 31 December 2008 £000	Year ended 31 December 2007 £000
Cash flows from operating activities		
Cash generated from operations	48,032	54,141
Interest paid	(41,637)	(43,553)
Income tax paid	(720)	(739)
Net cash inflow from operating activities	5,675	9,849
Cash flows from investing activities		
Purchase of investment property	-	(36,706)
Capital expenditure on investment property	(18,947)	(19,974)
Proceeds from sale of investment property	127,648	-
Purchases of property, plant and equipment	(190)	(821)
Proceeds from sale of property, plant and equipment	159	31
Purchase of equity investments	(13,984)	(8,229)
Proceeds from sale of equity investments	1,194	10,825
Purchase of interests in associate/joint venture	(828)	(35,150)
Dividend received from associate undertaking	1,460	-
Proceeds on disposal of joint venture net of cash sold	28,107	(1,509)
Proceeds on foreign currency transactions	2,376	-
Proceeds on disposal of subsidiary undertakings net of cash sold	49,164	(12,305)
Interest received	8,680	5,820
Net cash inflow/(outflow) from investing activities	184,839	(98,018)
Cash flows from financing activities		
Issue of shares	691	112
Purchase of own shares	(24,040)	(29,861)
Non-recurring re-structuring costs	(1,288)	-
New loans	21,334	120,675
Issue costs of new bank loans	(2,232)	(1,416)
Purchase of financial instruments	(70)	(410)
Repayment of loans	(122,793)	(38,894)
Net cash (outflow)/inflow from financing activities	(128,398)	50,206
Net increase/(decrease) in cash and cash equivalents	62,116	(37,963)
Foreign exchange gain	11,150	2,422
Cash and cash equivalents at the beginning of the year	122,030	157,571
Cash and cash equivalents at the end of the year	195,296	122,030

GLOSSARY OF TERMS

Net rent

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

Yield

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

Contracted rent

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

Estimated rental value (ERV)

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

Underlying profit

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

Adjusted net assets	=	Net assets excluding deferred tax liabilities and deferred tax assets
Statutory net asset value (NAV) per share	=	$\frac{\text{Net assets}}{\text{Number of ordinary shares in free issue}}$
Adjusted NAV per share	=	$\frac{\text{Net assets} + \text{deferred tax liabilities} - \text{deferred tax assets}}{\text{Number of ordinary shares in free issue}}$
Statutory Gearing	=	$\frac{\text{Total gross borrowings} - \text{cash}}{\text{Net assets}}$
Adjusted Gearing	=	$\frac{\text{Total gross borrowings} - \text{cash}}{\text{Net assets} + \text{deferred tax liabilities} - \text{deferred tax assets}}$
Earnings per share (EPS)	=	$\frac{\text{Profit after tax attributable to ordinary shareholders}}{\text{Weighted average number of ordinary shares in free issue}}$
Adjusted EPS	=	$\frac{\text{Profit after tax attributable to ordinary shareholders excluding deferred tax and fair value gains on investment properties}}{\text{Weighted average number of ordinary shares in free issue}}$
Statutory Solidity	=	$\frac{\text{Total equity}}{\text{Total assets}}$
Adjusted Solidity	=	$\frac{\text{Total equity} + \text{deferred tax liabilities} - \text{deferred tax assets}}{\text{Total assets} - \text{deferred tax assets}}$
Annualised added value to shareholders	=	$\frac{\text{Pro-rated Movement in adjusted NAV} + \text{Distributions}}{\text{Opening adjusted NAV}}$
Underlying profit	=	Profit before tax before fair value gains on investment properties and non-recurring finance costs
Recurring interest cover*	=	$\frac{\text{*Profit before tax} - \text{*net gains from fair value adjustment on investment properties}}{\text{*Net interest payable} - \text{change in fair value of interest rate swap}}$

* excluding results of London

Bridge Quarter as shown below:

The following table sets out the calculation of recurring interest cover:

	Dec 2008	Dec 2007
	£m	£m
Net interest excluding fair value adjustment	22.1	41.2
Net interest relating to LBQ	(0.2)	(5.5)
Ongoing interest	<u>21.9</u>	<u>35.7</u>
Operating profit excluding deficits on investment properties	27.5	40.0
Adjust for impact of LBQ		
add back operating profit	-	6.8
less recurring expense	-	(1.7)
	<u>-</u>	<u>5.1</u>
Ongoing operating profit	<u>27.5</u>	<u>45.1</u>
Recurring interest cover	<u>1.3</u>	<u>1.3</u>

Other operating income and associate company results of (£4.9) million (2007: £7.1 million) comprises:

	2008	2007
	£m	£m
Net income from non property activities	3.6	5.7
Other operating (expense)/income	(1.0)*	0.8*
Share of (loss) /profit of associate	(7.5)	0.6
	(4.9)	7.1

	2008	2007
	£m	£m
Other operating income/(expense)	2.0	(1.6)
Recycled losses on available for sale investments	(3.0)	2.4
Other operating (expense)/income	(1.0)*	0.8*

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007. The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under s237(2) or (3) Companies Act 1985. The audit of the statutory accounts for the year ended 31 December 2008 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

DIRECTORS, OFFICERS AND ADVISERS

Directors

Sten A Mortstedt (Executive Chairman)
Henry Klotz (Chief Executive Officer)
Thomas J Thomson BA (Non-executive Vice Chairman)
Malcolm Cooper ♦Δ (Non-executive Director)
Joseph A Crawley * (Non-executive Director)
Christopher P Jarvis Δ (Non-executive Director)
H O Thomas Lundqvist * Δ (Non-executive Director)
Bengt F Mortstedt Juris Cand (Non-executive Director)

* = member of Remuneration Committee

Δ= member of Audit Committee

♦= senior independent director

Company Secretary

Thomas J Thomson BA

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Chartered Accountants
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