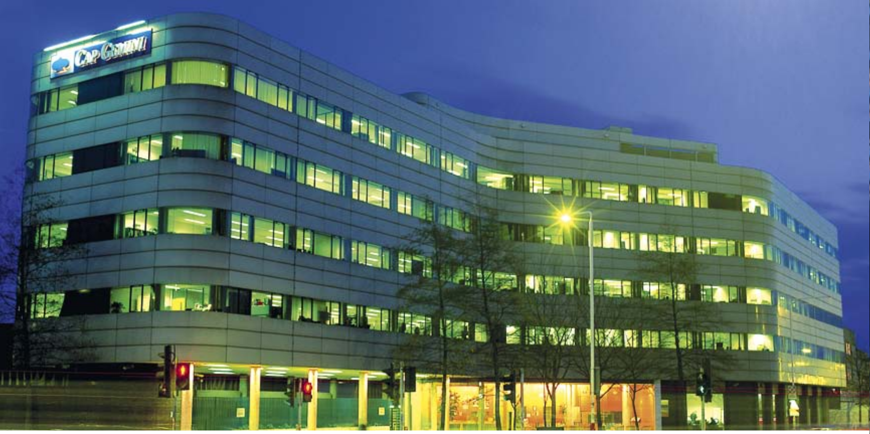
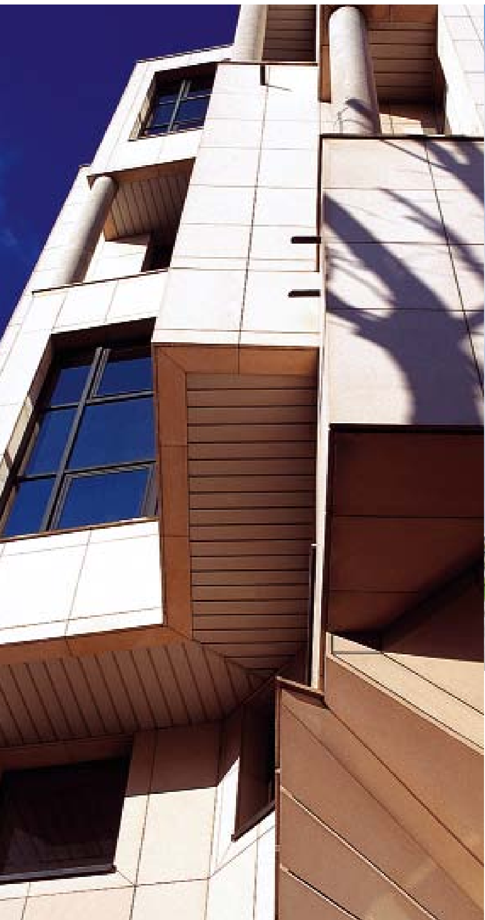
CLS Holdings plc
Half-yearly Financial Report

2009

CLS

→ QUALITY IN EVERYTHING WE DO...





1 Cap Gemini, London
2 Spring Gardens, London
3 General Leclerc, Paris
4 BrainLAB, Munich

INVESTORS IN EUROPEAN COMMERCIAL PROPERTY

→ CLS is a commercial property investment company that has been listed on the London Stock Exchange since 1994.

→ We own and manage a diverse portfolio of £0.8 billion of modern, well-let office and commercial properties in the UK, France, Germany and Sweden.

→ Our properties have been selected for their potential to add value and generate high returns on capital investment.

Our goal is to create long-term shareholder value

We aim to achieve this by continuing to:

→ Purchase modern, high quality, well-let office properties in good locations in selected European Cities

→ Use our in-house development teams to refurbish or redevelop appropriate properties

→ Focus on minimising vacant space within the portfolio

→ Provide our tenants with high quality accommodation at competitive rates

→ Develop long-term relationships with our tenants

→ Maintain strong links with a wide variety of banks and other sources of finance

→ Respond quickly to new opportunities

→ Carefully assess and manage our business risks

HIGHLIGHTS

- **Adjusted Net Asset Value per share* 719.2 pence,** up 11.1 per cent from 647.2 pence at 31 December 2008 (Statutory NAV per share 603.2 pence, up 10.0 per cent from 548.4 pence at 31 December 2008).
- **Property portfolio valued at £767.1 million,** down 4.0 per cent from £798.8 million at December after taking into account a revaluation uplift of £5.1 million, redevelopment expenditure of £15.2 million and negative foreign exchange movements of £51.6 million.
- **Borrowings £562.1 million** down by 6.6 per cent from £601.6 million at 31 December 2008 following amortisations and repayments of £17.4 million, foreign exchange gains of £36.7 million and new loans drawn down of £14.0 million.
- **Foreign currency net translation losses of £16.4 million** (31 December 2008: net gains of £40.5 million) recognised in reserves.
- **Period end cash £105.2 million** down by 46.1 per cent from £195.3 million at 31 December 2008 after returning £48.0 million to shareholders in January by way of tender offer buy-back, loan repayments, purchase of corporate bonds and negative foreign exchange movements.
- **Available for sale assets £34.6 million** including corporate bonds valued at £31.0 million and other assets of £3.6 million (31 December 2008: £14.3 million including corporate bonds £10.8 million and other assets £3.5 million).
- **Adjusted gearing* 133.1 per cent** compared to 102.6 per cent at 31 December 2008 (Statutory gearing was 158.7 per cent compared to 121.1 per cent at year end).
- **Net rental income £27.8 million,** down 18.7 per cent from £34.2 million for six months to 30 June 2008, following disposals made in the first half of 2008.
- **Overheads £5.8 million,** down 38.1 per cent from £9.4 million for the six months ended 30 June 2008 following extensive cost-cutting programme and reduced headcount.
- **Underlying profit* £15.3 million** up 25.4 per cent from £12.2 million for the six months ended 30 June 2008.
- **Profit before tax £13.2 million** (six months to 30 June 2008: loss £24.6 million).
- **Profit after tax attributable to equity shareholders £10.4 million** (six months to 30 June 2008: £1.0 million).
- **Interest cover (including foreign exchange losses) 1.4 times** down from 1.7 times at 30 June 2008.
- **Interest cover (excluding foreign exchange losses) 2.8 times** up from 1.5 times at 30 June 2008.

* see glossary of terms on page 21.

RESULTS AT A GLANCE

	30 Jun 09 6 months £m	30 Jun 08 6 months £m	Up / (Down)
INCOME STATEMENT (NON STATUTORY FORMAT)			
Net rental income	**27.8**	34.2	(18.7%)
Other income	**2.0**	2.5	(20.0%)
Operating expenses	**(7.6)**	(11.0)	(30.9%)
Net finance costs	**(9.9)**	(19.6)	(49.5%)
Fair value gains on financial instruments	**5.4**	6.2	(12.9%)
Share of loss of associates	**(2.4)**	(0.1)	–
Underlying profit*	**15.3**	12.2	25.4%
Fair value gain/(loss) on investment properties	**5.1**	(26.6)	–
Foreign exchange (losses)/gains	**(10.0)**	1.4	–
Negative goodwill on acquisitions of associates	**2.8**	–	–
Gains on sale of investment properties and subsidiaries	**–**	0.5	–
Non-recurring finance costs incurred on sales	**–**	(0.3)	–
Non-recurring costs	**–**	(1.8)	–
Impairment of intangibles	**–**	(10.0)	–
Profit/(loss) before tax	**13.2**	(24.6)	–
Tax – current	**(2.5)**	(2.0)	25.0%
Tax – deferred	**(0.3)**	27.7	–
Profit for the period	**10.4**	1.1	845.5%
Minority interest	**–**	(0.1)	–
Profit for the period attributable to equity holders	**10.4**	1.0	–
Adjusted earnings per share*	**11.4p**	0.0p	
Earnings per share*	**21.5p**	1.6p	
Interest cover* (including foreign exchange losses)	**1.4 times**	1.7 times	
Interest cover* (excluding foreign exchange losses)	**2.8 times**	1.5 times	

	30 Jun 09 £m	31 Dec 08 £m	Up / (Down)
BALANCE SHEET (NON STATUTORY FORMAT)			
Investment properties	**767.1**	798.8	(4.0%)
Borrowings	**(562.1)**	(601.6)	(6.6%)
Cash	**105.2**	195.3	(46.1%)
Corporate bonds	**31.0**	10.8	187.0%
Other net assets (including associates)	**4.2**	(3.7)	213.5%
Adjusted net assets	**345.4**	399.6	(13.6%)
Deferred tax	**(55.7)**	(61.0)	(8.7%)
Statutory net assets	**289.7**	338.6	(14.4%)
Share capital	**13.3**	16.7	(20.4%)
Reserves	**276.4**	321.9	(14.1%)
Shareholders' funds	**289.7**	338.6	(14.4%)
Adjusted NAV per share*	**719.2p**	647.2p	11.1%
Statutory NAV per share*	**603.2p**	548.4p	10.0%
Adjusted gearing*	**133.1%**	102.6%	30.5%
Statutory gearing*	**158.7%**	121.1%	37.6%
Adjusted solidity*	**36.0%**	37.6%	(1.6%)
Statutory solidity*	**29.8%**	31.5%	(1.7%)
Shares in issue (000's) – excl. treasury shares	**48,024**	61,745	(22.2%)
Weighted average shares in issue (000's)	**48,482**	67,265	(27.9%)

* see glossary of terms on page 21.

INTERIM MANAGEMENT REPORT

INTRODUCTION

With our strategy of selling properties largely completed at 31 December 2008, the first half of 2009 has been one of consolidation of the existing business and concentration on the core elements of good property management and cash collection.

We are pleased to report that our adjusted net asset value per share has risen by 11.1 per cent to 719.2 pence per share, against the backdrop of a continuing depressed property market. This is partly a reflection of some of our properties being re-valued upwards in the UK, particularly those with long government leases.

With transaction volumes remaining low, open market values continue to be difficult to establish with a reasonable level of accuracy, as we previously commented on in the 2008 Chairman's statement. Subjectivity in valuation reports is therefore still evident but is reduced in severity from year end as stability appears to be returning to some areas of the real estate market.

We are also pleased to report a profit before tax of £13.2 million. In particular, we have worked hard to maximise the return on our cash resources which remain at over £100 million at the period end. In order to secure an acceptable return on surplus cash, the Company has also invested in corporate bonds, details about which are set out on page 7.

Real estate investment markets remain suppressed, but encouragingly they are most active in the smaller lot sizes under £35 million or €40 million, where funding is becoming more readily available; this is the market which has always been important for CLS, and within which most of our properties by number reside. We have yet to see the introduction to the market of distress or fire-sale assets, but with tentative signs of stabilisation in areas of the market, we expect that opportunities will become more widespread in the first half of 2010.

Although downward pressure on rents is evident, letting negotiations across all our areas of operation remain active, and leases over notable floor areas of the portfolio have been reviewed, extended or renewed in the first half of 2009. We remain committed to very active management of the portfolio to encourage new lettings, retain our existing tenant base and ensure cash collection is robust and timely.

Negotiations with our funding providers to agree terms going forwards are now largely complete, and we are pleased to confirm that, at the date of this report, all significant potential breaches of loan to value (LTV) covenant have been rectified. In one case the LTV covenant has been removed altogether until expiry of the loan. The total cash placed on deposit or repaid in connection with these agreements was less than £15.0 million, a small proportion of the Group's available cash reserves. Although some re-pricing has been agreed, we continue to benefit from low interest rates across all the markets we operate in, contributing to underlying profit.

The cost-cutting process which began in 2008 has been very successful and our focus on this area is continuing. The total overheads for the first half of 2009 are £3.6 million lower (38.1 per cent) than the comparable period for 2008, and those relating to the core property business amount to £2.3 million of this saving.

During these very difficult times, almost all of our peers have returned to the market to raise additional funds from shareholders to rectify working capital shortfalls. Due to the strategic management of our business, we are pleased that the Company has not had to call on shareholders for capital, and we do not expect to have to do so for the foreseeable future.

INTERIM MANAGEMENT REPORT (continued)

BUSINESS OVERVIEW

UK

The investment market in central London doubled in Q2 compared with Q1 2009 with a transaction level of £1.6 billion, the main increase being in the City and the majority of transactions coming from overseas buyers. This increase in demand coupled with lack of supply has meant that yields are starting to harden and agents are now expecting an improvement in activity in Q4 09, continuing into 2010.

Take-up levels also improved in Q2 compared to Q1, some 158,000sq.m (1.7 million sq.ft) being let in the quarter. Overall vacancy rates have increased to 7.7 per cent in central London, equating to 2.0 million sq.m (21.1 million sq.ft). Landlords have to be more inventive to secure tenants, and careful asset management and good tenant relationships are proving key to retaining the existing customer base.

At 30 June the CLS UK investment property portfolio comprised 27 properties valued at £344.7 million. This reflects an increase in the value of properties of 6.6 per cent (£20.8 million) after taking account of refurbishment expenditure, primarily driven by decreasing yields on our government-let stock.

Although this might initially appear surprising, given that the IPD index has fallen 13.2 per cent over the first six months of the year, it reflects the view of our year end valuers that we had probably seen the bottom of the market for government-let, long-lease properties, which represent over 50 per cent by value of the Company's UK portfolio. The definition of what constitutes a 'prime property' in the real estate market has shifted from one of location to surety of income, the reported 'flight to quality'.

The largest falls in value across the wider office market have been driven by less well managed properties with significant vacancies. The vacant space for the CLS portfolio however is relatively minor. In addition, the values of our properties located in the West End and Southbank have increased, caused by prime yields falling by 30 basis points in these areas in Q2, reflecting growing investor interest.

As reported at the year end, we believed that open market values were proving difficult to establish with a reasonable level of accuracy given the low transactional volumes. These conditions continue to persist with more willing buyers but few willing sellers in the market at present. However we also reported in December that we anticipated our UK property values would prove resilient compared to the wider market, and it is pleasing to show that this has been borne out.

The Company changed its valuers during the period for the majority of the UK portfolio from Allsops to Lambert Smith Hampton, a national firm of surveyors. Allsops had been the valuers for the UK portfolio since flotation in 1994 and we believe that it is good practice to rotate valuers periodically.

Subsequent to the period end the sale of 2 Deanery Street was completed on 5 August at a sales value of £2.2 million, a 17.4 per cent premium to the December year end value. This property is shown in the 30 June 2009 accounts at its sales value.

Letting progress has been steady with £4.0 million of rental income being subject to review, indexation, renewal or extension during the period, resulting in an overall increase in those rents of 5 per cent.

Cash collection also remains extremely strong, with over 99 per cent of rents for Q1 and Q2 2009 collected within 3 weeks of the quarter date.

Vacant space by rental income at 30 June was 5.0 per cent compared with 4.4 per cent at the end of 2008.

FRANCE

Investment markets continue to be slow in France with only £2.1 billion (€2.3 billion) transacted in the first half of 2009 compared with £6.3 billion (€7.1 billion) in the equivalent period of 2008. Lending conditions appear to be improving for smaller lot sizes (>£35 million (€40 million)) but remain difficult for larger single assets.

The letting market has also shrunk considerably with only 0.4 million sq.m (4.3 million sq.ft) being taken up in Q2, the total for the first half year being some 27 per cent down on 2008. The market for smaller lets of between 500 and 1,000 sq.m (5,500 to 10,500 sq.ft) appears more active than for lettings above this size.

INTERIM MANAGEMENT REPORT (continued)

FRANCE (continued)

Overall vacancy rates in the Paris region are 6.1 per cent, but of this some 80 per cent are from units of 1,000 sq.m or more. Supply of new office space continues to rise, but the rate of supply is falling as building activity has been decreasing for some time.

At 30 June the CLS French portfolio comprised 25 properties with a value of £193.0 million (€226.8 million), reflecting a fall in value of 3.6 per cent (£7.5 million) during the first six months of 2009 allowing for capital additions of £1.3 million and negative currency movements of £24.2 million.

The vacancy rate has increased to 6.1 per cent by rental income from 4.2 per cent at the year end, but letting activity has also been steady in France with 17 new leases being transacted so far this year covering 5,553 sq.m (59,300 sq.ft), and a further 3,673 sq.m (39,200 sq.ft) subject to lease renewal or extension. The leases transacted were at a reduction from the passing rent, which have been subject to indexation, but were over the existing ERV for those properties.

Rental indexation grew in the first half with annualised increases of 0.4 per cent in the first quarter and 5.1 per cent in the second quarter.

GERMANY

Investment activity in Germany in the first half of 2009 is still low but in line with the 10 year average for the market. Transaction volumes were 70 per cent down on the first half of 2008 at £3.3 billion (€3.7 billion) and as in France, funding is really only available to lot sizes of under £35 million or €40 million and the market appearing to be most active is the native, private investor group.

At 30 June the CLS German portfolio comprised 17 properties with a value of £184.1 million (€216.3 million) reflecting a fall in value of 3.8 per cent (£7.1 million) compared to £201.4 million (€210.7 million) at 31 December 2008 allowing for capital additions of £12.1 million and negative currency movements of £22.3 million. On a like-for like basis, excluding the uplifts on the recently completed developments, the value fall was 3.9 per cent.

The development of the two new buildings that will form part of our existing property in Landshut, Munich were all completed and handed over during the period, on time and on budget. The Landshut buildings are on ten year leases to E.ON Bayern AG with no breaks. The re-development of the Rathaus Centre in the city of Bochum will be finally completed by the end of 2009. Most of the premises have been handed over to the City and the lease has already commenced. The Bochum property is let on a 30 year indexed lease.

The vacancy rate by rental income at 30 June is 4.3 per cent compared with 3.2 per cent at December 2008 largely as a result of one tenant vacating their space early but with payment of a break premium which covers the period until expiry.

SWEDEN

In common with Germany, the Swedish investment market in the first half of 2009 was primarily driven by local investors in smaller lot sizes. Rents have stagnated and are starting to fall in the major cities largely as a result of very low rental demand.

The Swedish portfolio remains unchanged with four properties comprising the Vänerparken portfolio in Vänersborg near Gothenburg. The value of £45.3 million (SEK576 million) is 3.0 per cent lower than its valuation at 31 December 2008 allowing for capital additions and currency movements.

The vacancy rate by rental income at 30 June is 8.3 per cent compared with 8.2 per cent at December 2008. We have just concluded a further lease agreement with the City of Vänersborg over 4,135 sq.m (44,510 sq.ft) on a 10 year lease with an option to extend by a further 10 years, with a penalty to be received if the lease is not extended. Concurrently we have extended the lease over 6,431 sq.m (69,225 sq.ft) by one year. At the date of this report the lease has been signed but is subject to ratification by the City Council. Final negotiations are in progress over the letting of a further 2,400 sq.m (25,834 sq.ft), which would reduce the vacancy rate to below 2.5 per cent.

INTERIM MANAGEMENT REPORT (continued)

WYATT MEDIA GROUP

Following the significant re-structuring, re-branding and focus on cutting operational costs during 2008, the Wyatt group posted positive EBITDA for the first half of 2009 and reported higher levels of income and traffic. For the full year, we expect the business will continue to be self-sufficient in terms of its working capital requirements.

CORPORATE BOND PORTFOLIO

As short-term interest rates have reached record lows, the return from traditional money market investments such as bank deposits, commercial paper or money market funds is close to nil. Starting at the end of 2008, the Group has invested some of its available cash resources in corporate bonds, which offer a higher return on the Group's surplus cash with a manageable element of additional risk. The portfolio of bond investments held is offering a return in excess of 10 per cent (coupon yield), and the bond market is liquid so that these instruments can be sold at short notice at their then market price.

CLS has purchased a variety of bonds issued by reputable blue-chip corporates in the financial, insurance and industrial sectors Since the beginning of 2009, whilst the price of corporate bonds remain below their pre-credit crunch levels, the corporate bond market has experienced a strong revival, as investors have regained some confidence in the economy. The result is that the group's initial cash investment in bonds of £26.8 million has shown an increase in value of £5.7 million in the period to 30 June 2009, which has been recognised in reserves. At the balance sheet date, the carrying value of these investments, which equates to their market value, is £31.0 million.

ASSOCIATES

Our share in Catena, a Swedish listed property group, has not changed during the period and the company itself showed good increases in rental income, property valuations and retained profit during the 6 months to 30 June 2009. CLS booked £0.9 million of net income from Catena for the period (30 June 2008: £0.5 million), and in addition the Company paid a dividend during the period of which CLS's share was £1.5 million (30 June 2008: £1.5 million). The share price of Catena has increased by 35 per cent from 60 SEK per share at 31 December 2008 to 81 SEK per share at 30 June 2009. This is a reflection of market confidence returning and particular investor confidence in the structural and funding improvements made by the Company towards the end of 2008 and the early part of 2009. The carrying value of this investment at 30 June 2009 is £22.4 million (31 December 2008: £25.1 million).

We have increased our holding in Bulgarian Land Developments (BLD) to 47.7 per cent (£13.6 million) in the period, from 35.8 per cent at 31 December 2008 (£14.1 million), representing a further cash investment of £1.2 million. As the price paid for the shares purchased was substantially below the underlying NAV, the Group has recorded negative goodwill of £2.8 million on acquisition, which is shown as a credit to the Income Statement.

Although the Group's share of BLD's result for the period was a loss of £3.3 million (30 June 2008: loss of £0.6 million), the majority of this loss was driven by foreign exchange falls on the Company's development portfolio. We have confidence in the management of BLD, their strong local presence and excellent contacts within the Bulgarian property market. CLS is investing for the longer term and anticipates recovery of the valuations and increased sales activity, once the global economy begins to stabilise, bringing confidence back to the residential market. The developments are well situated in historically prime holiday locations.

GOING CONCERN

As detailed in note 2 to the condensed accounts below, the Directors have concluded that it remains appropriate to treat the business as a going concern.

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL REVIEW

INCOME STATEMENT (NON-STATUTORY FORMAT)

Results by location 6 months to June 2009	Total £m	UK £m	France £m	Germany £m	Sweden £m	Wyatt Group £m	Other £m	June 2008 £m
Net rental income	**27.8**	11.6	7.6	6.6	2.0	–	–	34.2
Other income/(expense)	**2.0**	(0.7)	0.2	0.3	0.1	1.9	0.2	2.5
Operating expenses	**(7.6)**	(2.6)	(1.0)	(1.3)	(0.4)	(2.0)	(0.3)	(11.0)
Net finance costs	**(9.9)**	(6.8)	(2.2)	(3.2)	(0.7)	–	3.0	(19.6)
Fair value gains/(losses) on financial instruments	**5.4**	6.1	(0.1)	(0.6)	–	–	–	6.2
Share of (loss)/profit of associates	**(2.4)**	–	–	–	0.9	–	(3.3)	(0.1)
Underlying profit*	**15.3**	7.6	4.5	1.8	1.9	(0.1)	(0.4)	12.2
Fair value gain/(loss) on investment properties	**5.1**	20.8	(7.5)	(6.6)	(1.6)	–	–	(26.6)
Foreign exchange (losses)/gains	**(10.0)**	(5.6)	(2.6)	–	–	–	(1.8)	1.4
Negative goodwill on acquisition of associates	**2.8**	–	–	–	–	–	2.8	–
Gain on sale of investment properties, subsidiaries and joint venture	**–**	–	–	–	–	–	–	0.5
Non-recurring finance costs on sales	**–**	–	–	–	–	–	–	(0.3)
Non-recurring costs	**–**	–	–	–	–	–	–	(1.8)
Impairment of intangibles	**–**	–	–	–	–	–	–	(10.0)
Profit/(loss) before tax	**13.2**	22.8	(5.6)	(4.8)	0.3	(0.1)	0.6	(24.6)
Tax – current	**(2.5)**	(0.3)	(1.6)	–	(0.3)	(0.3)	–	(2.0)
Tax – deferred	**(0.3)**	(3.4)	1.0	0.3	1.8	–	–	27.7
Profit/(loss) for the period	**10.4**	19.1	(6.2)	(4.5)	1.8	(0.4)	0.6	1.1

Underlying profit

Underlying profit for the six months to 30 June is £15.3 million compared to £12.2 million for the six months to 30 June 2008, an increase of £3.1 million. Net rent has decreased in the period by £6.4 million as a result of disposals made during 2008, mostly in France which has reduced by £4.1 million. Net finance costs are down by £9.7 million, or nearly 50 per cent due to two main factors; lower average loan balances in the current period following the disposals during 2008 resulted in a reduction of around £4.6 million, coupled with the write-off of unexpired arrangement fees in 2008 of £1.5 million. In addition, the collapse of interest rates across Europe towards the end of 2008 when the credit crunch took hold has meant that on average our floating rate loans were 350 basis points lower than the equivalent period last year, resulting in a further reduction in interest expense of around £3.6 million.

The gain on derivatives of £5.4 million (30 June 2008: £6.2 million), used to hedge the Groups exposure to variable interest rates, arising during the first half of 2009 was as a result of 15-year interest rates increasing significantly, especially at the shorter end of the yield curve, a consequence of the financial markets turmoil.

The current tax charge for the period relates to taxable profits earned in France, whilst the deferred tax charge is mostly derived from the valuation increases in the UK property portfolio, offset by falls elsewhere across the European portfolio and losses agreed during the period.

INTERIM MANAGEMENT REPORT (continued)

BALANCE SHEET (NON-STATUTORY FORMAT)

June 2009	Total £m	UK £m	France £m	Germany £m	Sweden £m	Wyatt Group £m	Other* £m
Investment properties	**767.1**	344.7	193.0	184.1	45.3	–	–
Property-related debt	**(544.5)**	(261.9)	(114.9)	(141.1)	(26.6)	–	–
Equity in property assets	**222.6**	**82.8**	**78.1**	**43.0**	**18.7**	**–**	**–**
Equity in Property as % of Valuation	**29%**	**24%**	**40%**	**23%**	**41%**	**–**	**–**
Cash	**105.2**	73.6	16.6	6.4	8.9	0.1	(0.4)
Corporate bonds	**31.0**	–	–	–	–	–	31.0
Other assets (including associates)	**55.0**	5.6	4.4	2.4	1.2	1.0	40.4
Other liabilities	**(68.4)**	(21.4)	(9.2)	(8.3)	(6.9)	(1.2)	(21.4)
Adjusted net assets/(liabilities)	**345.4**	**140.6**	**89.9**	**43.5**	**21.9**	**(0.1)**	**49.6**
Deferred tax liabilities	**(55.7)**	(11.8)	(42.0)	(0.1)	(1.8)	–	–
Statutory net assets/liabilities)	**289.7**	**128.8**	**47.9**	**43.4**	**20.1**	**(0.1)**	**49.6**

*'Other' comprises non-property investments including investment in associates, corporate bonds and equity investments. Debt of £17.6 million on these investments is included in other liabilities.

Investment Property

The value of our portfolio at 30 June 2009 is £767.1 million compared to £798.8 million at 31 December 2008. The analysis of the net decrease is shown below:

	Group £m	UK £m	France £m	Germany £m	Sweden £m
Opening assets	**798.8**	323.2	223.4	201.4	50.8
Redevelopment	**15.2**	0.7	1.3	12.1	1.1
Revaluation movements	**5.1**	20.8	(7.5)	(6.6)	(1.6)
Rent free period adjustment	**(0.4)**	–	–	(0.5)	0.1
Foreign exchange movements	**(51.6)**	–	(24.2)	(22.3)	(5.1)
Closing assets	**767.1**	**344.7**	**193.0**	**184.1**	**45.3**
	100%	**45%**	**25%**	**24%**	**6%**

The majority of redevelopment costs were incurred in Germany in respect of the Bochum and Landshut developments, both of which have been completed on time and on budget. Costs in the UK, France and Sweden were fit out costs for new tenants.

Debt Structure

Net debt amounted to £456.9 million (31 December 2008: £406.3 million) comprising:

	June 2009 £m	Dec 2008 £m
Fixed rate debt	**297.3**	346.3
Floating rate debt	**264.8**	255.3
	562.1	601.6
Cash	**(105.2)**	(195.3)
Net debt	**456.9**	**406.3**

INTERIM MANAGEMENT REPORT (continued)

The debt maturity is set out below:

	June 2009 £m	Dec 2008 £m
Under 1 year	**74.6**	73.3
1 to 5 years	**283.2**	261.8
Over 5 years	**207.2**	270.1
Gross interest-bearing debt	**565.0**	605.2
Arrangement fees	**(2.9)**	(3.6)
Total	**562.1**	**601.6**

The strengthening of GBP against the Euro and SEK during the period resulted in a £36.7 million reduction in the GBP value of our foreign denominated debt. Amortisations and scheduled repayments reduced debt by a further £15.4 million and a further £2.0 million was repaid in relation to agreed potential LTV covenant breaches. New loans drawn down to finance our development programme in Bochum and Landshut in Germany amounted to £14.0 million.

Cash and cash equivalents are £105.2 million compared with £195.3 million at 31 December 2008, reflecting the January tender offer buy-back of £48.0 million, loan repayments as detailed above of £17.4 million, and net corporate bond purchases of £17.2 million. Foreign exchange translation losses on our Euro and SEK denominated cash balances further reduced the Sterling equivalent by £11.0 million, reversing the substantial gains made to December 2008. The Group remains cash positive at the operating level.

Interest-bearing debt amounted to £565.0 million at 30 June 2009 (31 December 2008: £605.2 million).

We regard the corporate bonds, purchased primarily to increase investment returns on deposits, as relatively liquid and readily tradeable on the relevant bond markets. The carrying value of these investments, which is also the market value, is £31.0 million, and if these were taken into account for the purposes of calculating net debt and adjusted gearing, we would be showing figures of £425.9 million and 124.2 per cent respectively. Statutory gearing would show 148.0 per cent, a 10.7 percentage point decrease on the announced figure.

Purchase of own shares

At the 2009 Annual General Meeting, the Company was authorised to make market purchases of up to 4,802,425 ordinary shares. The Company did not purchase any of its own shares during the period, other than those previously reported in our Annual Report and Accounts for the year ended 31 December 2008. The tender offer buy-back made by way of a Circular dated 1 December 2008, for the purchase of every 2 in 9 shares at 350 pence per share was completed in January 2009, and 13,721,215 ordinary shares were purchased by the Company, all of which were subsequently cancelled. The total amount distributed was £48,024,253.

At 30 June 2009 there were 48,024,256 ordinary shares in circulation (31 December 2008: 61,745,471) and 5,000,000 held as treasury shares (31 December 2008: 5,000,000). There were no options outstanding at 30 June 2009 (31 December 2008: nil).

Due to the tender offer buy-back completed in January 2009, and in order to retain the positive cash position of the Company, there is no current intention to make further distributions by way of Tender Offer buy-backs during the current financial year.

Related party transactions

No related party transactions have taken place in the first half of 2009 that have materially affected the financial position or the performance of the Group during the period.

INTERIM MANAGEMENT REPORT (continued)

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. Management and mitigation of these risks is the responsibility of the Board.

Risk:	Mitigation:
Property investment risks	
Underperformance of investment portfolio impacting on financial performance due to: – cyclical downturn in property market and/or inappropriate buy/sell/hold decisions	The senior management team has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in the capital allocation decision.
– changes in supply and/or tenant demand affecting rents and vacancies	The Group's property portfolio is diversified across four countries. Average time remaining on current leases is 8.5 years (31 Dec 08: 8.1 years), and the Group's largest tenant concentration is with the Government sector, comprising 38.6 per cent (31 Dec 08: 39.8 per cent). The largest single non-government tenant represents 5.3 per cent (31 Dec 08: 3.1 per cent) of gross rent and is a major international bank.
– poor asset management	Property teams review the current status of all properties bi-weekly and provide a written report to senior management on KPIs including vacancies, lease expiry profiles and progress on rent reviews which are actively managed to mitigate risk.
Funding risks	
The risk that financing or re-financing will not be obtained at an acceptable price	The Group has a dedicated Treasury department and relationships are maintained with approximately 20 banks across the countries in which we operate, reducing credit risk and increasing opportunities to obtain the best deal. The Group's exposure to changes in prevailing market rates is largely hedged on existing debt, but there is an exposure on re-financing of existing debt, mitigated by the lack of concentration in maturities. For new property acquisitions the current and expected future cost of debt is considered in the initial decision to buy.
Foreign currency exposure	Property investments are financed in matching currency. The difference between the value of the property and the amount of the financing is generally un-hedged, but is monitored on an ongoing basis.
Taxation risks	
The risk that there will be increases in tax rates and changes to the basis of taxation including corporation tax, VAT and stamp duty land tax.	The Group monitors legislative proposals and both retains and consults external advisors as required to understand and if possible mitigate the effects of any such changes.

BOARD CHANGES

It was announced in our Annual Report and Accounts for the year ended 31 December 2008 that the Board would seek to appoint a further independent Non-Executive Director. The Board continues its search for such a suitable candidate.

INTERIM MANAGEMENT REPORT (continued)

CONCLUSION

We consider that the value of our London properties have now bottomed out and that the cash flow from these will remain stable. In France and Germany values could continue to fall in the second half of 2009, but we believe that the strong cash flow in those countries will again prove resilient to market conditions. In Sweden, the new lettings should stabilise the valuations and cash flow will be substantially improved.

There are also encouraging signs that Wyatt Media Group will continue to increase revenues and its contribution to the Group's profitability.

With regard to our bond portfolio, the evidence to date suggests that none of the companies within which we have invested will default on either coupon payments or principal sums. Although most of the short-term value appreciation has probably now been realised, we are hopeful that further increases in value will be evident over the medium term. Regardless of capital appreciation, these investments generate a very attractive return on the cash invested.

As we have seen over the course of the last 12 months, it remains difficult to predict the future with any certainty, but with careful management, focus on the fundamental business principles of tight cash management and careful control of costs, allied to the ability to move quickly when good opportunities present themselves, the risks and uncertainties can be mitigated to a large extent. However, until real stabilisation of the global economy is evident, the outlook can change rapidly and in ways that are difficult to foresee.

Sten Mortstedt
Executive Chairman
25 August 2009

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board

Sten Mortstedt
Executive Chairman

Henry Klotz
Chief Executive Officer

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2009

	6 months ended 30-Jun-09 £000 (un-audited)	6 months ended 30-Jun-08 £000 (un-audited)	Year ended 31-Dec-08 £000 (audited)
Continuing operations:			
Revenue	**35,219**	43,034	77,994
Rental and similar revenue	**29,067**	35,235	63,062
Service charge and similar revenue	**4,286**	6,105	11,291
Service charge expense and similar charges	**(5,525)**	(7,171)	(13,055)
Net rental income	**27,828**	34,169	61,298
Net income from non-property activities	**1,866**	1,694	3,641
Other operating income/(expense)	**117**	836	(1,026)
Administrative expenses	**(5,834)**	(9,432)	(16,066)
Net property expenses	**(1,846)**	(1,639)	(3,649)
Operating profit before revaluation movements on investment properties, impairment of intangibles and goodwill and (loss)/profit on disposal of subsidiaries and investment properties	**22,131**	25,628	44,198
Net movements from fair value adjustment on investment property	**5,158**	(26,618)	(103,393)
Impairment of intangible fixed assets and goodwill	**–**	(10,000)	(21,985)
Loss on disposal of subsidiaries	**(21)**	(5,923)	(16,161)
Profit from sale of investment properties	**–**	6,399	7,009
Operating profit/(loss)	**27,268**	(514)	(90,332)
Finance income	**3,012**	5,413	20,572
Finance costs	**(17,513)**	(17,602)	(63,636)
Other non-recurring costs	**–**	(1,800)	(1,288)
Share of profit/(loss) of associates after tax	**425**	(57)	(7,470)
Profit/(loss) before tax	**13,192**	(24,560)	(142,154)
Taxation – current	**(2,517)**	(2,021)	(3,610)
Taxation – deferred	**(296)**	27,658	67,717
Tax (charge)/credit	**(2,813)**	25,637	64,107
Profit/(loss) for the period	**10,379**	1,077	(78,047)
Attributable to equity holders of the parent	**10,379**	1,147	(78,175)
Attributable to minority interests	**–**	(70)	128
	10,379	1,077	(78,047)
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in pence per share)			
Basic	**21.4p**	1.6p	(120.7)p
Diluted	**21.4p**	1.6p	(120.7)p

There were no discontinued operations in any of the periods shown above.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2009

	6 months ended 30-Jun-09 £000 (un-audited)	6 months ended 30-Jun-08 £000 (un-audited)	Year ended 31-Dec-08 £000 (audited)
Profit/(loss) for the period	**10,379**	1,077	(78,047)
Foreign exchange translation differences	**(16,356)**	15,190	40,501
Fair value gains/(losses) on corporate bonds and other investments	**6,028**	(2,024)	(3,299)
Fair value (losses)/gains on cash-flow hedges	**(14)**	84	(74)
Net (loss)/gain recognised directly in equity	**(10,342)**	13,250	37,128
Total comprehensive income/(loss) for the period	**37**	**14,327**	**(40,919)**
Attributable to:			
Equity shareholders	**37**	14,397	(41,047)
Minority interests	**–**	(70)	128
Total comprehensive income/(loss) for the period	**37**	**14,327**	**(40,919)**

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30 June 2009

	30-Jun-09 £000 (un-audited)	30-Jun-08 £000 (un-audited)	31-Dec-08 £000 (audited)
ASSETS			
Non-current assets			
Investment property	**767,070**	876,014	798,761
Property, plant and equipment	**2,559**	3,607	2,756
Intangible assets	**1,055**	12,297	1,088
Investment in associates	**36,050**	42,416	39,327
Corporate bonds	**31,035**	–	10,784
Other investments	**3,541**	6,430	3,531
Derivative financial instruments	**58**	2,699	371
Deferred income tax	**14,393**	1,708	12,427
Trade and other receivables	**45**	47	45
	855,806	945,218	869,090
Current assets			
Trade and other receivables	**11,711**	11,196	10,597
Derivative financial instruments	**–**	2,796	–
Cash and cash equivalents	**105,195**	176,917	195,296
	116,906	190,909	205,893
Total assets	**972,712**	1,136,127	1,074,983
LIABILITIES			
Non-current liabilities			
Deferred income tax	**70,099**	94,600	73,427
Borrowings, including finance leases	**489,754**	560,951	529,048
	559,853	655,551	602,475
Current liabilities			
Trade and other payables	**27,523**	36,190	32,853
Current income tax	**6,203**	3,799	5,937
Derivative financial instruments	**17,115**	–	22,575
Borrowings, including finance leases	**72,347**	32,229	72,558
	123,188	72,218	133,923
Total liabilities	**683,041**	727,769	736,398
NET ASSETS	**289,671**	408,358	338,585
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	**13,256**	18,142	16,686
Share premium reserve	**70,515**	70,515	70,515
Other reserves	**92,471**	74,455	100,352
Retained earnings	**114,570**	246,445	152,215
	290,813	409,557	339,768
Minority interest	**(1,142)**	(1,199)	(1,183)
TOTAL EQUITY	**289,671**	408,358	338,585

UN-AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					
	Share capital £000	**Share premium £000**	**Other reserves £000**	**Retained earnings £000**	**Minority Interest £000**	**Total £000**
Balance at 1 January 2009	**16,686**	**70,515**	**100,352**	**152,215**	**(1,183)**	**338,585**
Arising in the period:						
Fair value gains/(losses)						
– available-for-sale financial assets	**–**	**–**	**6,028**	**–**	**–**	**6,028**
– cash flow hedges	**–**	**–**	**(14)**	**–**	**–**	**(14)**
Currency translation differences on foreign currency net investments	**–**	**–**	**(16,356)**	**–**	**–**	**(16,356)**
Purchase of own shares	**(3,430)**	**–**	**3,430**	**(48,024)**	**–**	**(48,024)**
Change in associates reserves	**–**	**–**	**(968)**	**–**	**–**	**(968)**
Change in minority interest	**–**	**–**	**–**	**–**	**41**	**41**
Net amounts recognised directly in equity	**(3,430)**	**–**	**(7,880)**	**(48,024)**	**41**	**(59,293)**
Profit for the period	**–**	**–**	**–**	**10,379**	**–**	**10,379**
Total (decrease)/increase in equity for the period	**(3,430)**	**–**	**(7,880)**	**(37,645)**	**41**	**(48,914)**
Balance at 30 June 2009	**13,256**	**70,515**	**92,472**	**114,570**	**(1,142)**	**289,671**

	Attributable to equity holders of the Company					
	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Minority Interest £000	Total £000
Balance at 1 January 2008	18,712	69,824	61,198	254,432	(1,074)	403,092
Arising in the period:						
Fair value gains/(losses)						
– available-for-sale financial assets	–	–	(2,024)	–	–	(2,024)
– cash flow hedges	–	–	84	–	–	84
Currency translation differences on foreign currency net investments	–	–	15,190	–	–	15,190
Expenses of share issue/purchase of own shares	–	–	–	(85)	–	(85)
Purchase of own shares	(570)	–	570	(9,048)	–	(9,048)
Exercise share options	–	691	–	–	–	691
Change in associates reserves	–	–	(563)	–	–	(563)
Change in minority interest	–	–	–	–	(55)	(55)
Net (expense)/income recognised directly in equity	(570)	691	13,257	(9,133)	(55)	4,190
Profit for the period	–	–	–	1,146	(70)	1,076
Total (decrease)/increase in equity for the period	(570)	691	13,257	(7,987)	(125)	5,266
Balance at 30 June 2008	18,142	70,515	74,455	246,445	(1,199)	408,358

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009

	30-Jun-09 £000 (un-audited)	30-Jun-08 £000 (un-audited)	31-Dec-08 £000 (audited)
Cash flows from operating activities			
Cash generated from operations	**20,869**	21,489	49,918
Interest paid	**(15,709)**	(22,440)	(41,637)
Income tax paid	**(1,894)**	(912)	(720)
Net cash inflow/(outflow) from operating activities	**3,266**	(1,863)	7,561
Cash flows from investing activities			
Capital expenditure on investment property	**(15,368)**	(6,763)	(18,947)
Proceeds from sale of investment property	**–**	110,608	127,648
Exceptional finance costs on disposal in investment properties	**–**	(265)	–
Purchase of property, plant and equipment	**(34)**	(473)	(190)
Proceeds from sale of property, plant and equipment	**–**	290	159
Purchase of corporate bonds	**(20,089)**	–	(10,662)
Proceeds from disposal of corporate bonds	**3,420**	–	–
Purchase of equity investments	**–**	(2,273)	(3,322)
Proceeds from disposal of equity investments	**–**	424	1,194
Purchase of interests in joint venture/associate net of cash acquired	**(1,244)**	–	(828)
Proceeds from disposal of interests in joint venture/associate net of cash sold	**–**	28,107	28,107
Proceeds on disposal of subsidiary undertakings net of cash sold	**–**	34,857	49,164
(Costs)/proceeds from foreign exchange transactions	**(1,593)**	1,051	2,376
Dividend received from associate undertaking	**1,451**	1,479	1,460
Amount expended in relation to corporate disposals in prior periods	**(368)**	–	(3,002)
Interest received	**3,012**	4,048	8,680
Net cash (outflow)/inflow from investing activities	**(30,813)**	171,090	181,837
Cash flows from financing activities			
Purchase of own shares	**(48,024)**	(9,134)	(24,040)
Proceeds from exercise of options	**–**	691	691
Proceeds from new loans	**13,966**	317	21,334
Issue costs of new loans	**(63)**	(651)	(2,232)
Amortisation and repayment of loans	**(17,424)**	(108,039)	(122,793)
Sale/(purchase) of financial instruments	**–**	(111)	(70)
Non-recurring restructuring costs	**–**	(528)	(1,288)
Net cash outflow from financing activities	**(51,545)**	(117,455)	(128,398)
Net (decrease)/increase in cash and cash equivalents	**(79,092)**	51,772	61,000
Foreign exchange (loss)/gain	**(11,009)**	3,115	12,266
Cash and cash equivalents at beginning of period	**195,296**	122,030	122,030
Cash and cash equivalents at end of period	**105,195**	176,917	195,296

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (continued)

For the six months ended 30 June 2009

Cash generated from operations

	30-Jun-09 £000	30-Jun-08 £000	31-Dec-08 £000
Operating profit/(loss) from continuing operations	**27,267**	(514)	(90,332)
Loss on discontinued operations			
Adjustments for:			
– revaluation (gain)/loss on investment properties	**(5,158)**	26,618	103,393
– depreciation and amortisation	**263**	790	1,428
– profit on disposal of investment properties	**–**	(6,399)	(7,009)
– loss on disposal of subsidiaries	**21**	5,923	16,161
– loss on disposal/write-down of equity investments	**649**	400	4,084
– impairment of goodwill	**–**	–	21,985
Changes in working capital:			
Increase in debtors	**(602)**	(6,016)	(4,840)
(Decrease)/increase in creditors	**(1,571)**	687	5,048
Cash generated from operations	**20,869**	21,489	49,918

NOTE 1 – BASIS OF PREPARATION

The annual financial statements of CLS Holdings plc are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in the condensed financial statements as were applied in the Group's latest annual audited financial statements, except for the IAS1 "Presentation of Financial Statements" (revised 2007). The Group has adopted IFRS 8 "Operating Segments" but the Standard has no significant impact on these financial statements.

The information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

This half-yearly financial report incorporates the financial review section.

NOTE 2 – GOING CONCERN

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 position of the Group, taking into account the repayment profile of the Group's loan portfolio, and making reasonable assumptions about future trading performance. After making detailed enquiries, and based upon current information available to them, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly financial report.

REPORT ON REVIEW OF CONDENSED SET OF FINANCIAL STATEMENTS OF CLS HOLDINGS PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 and 2. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

DIRECTORS' RESPONSIBILITIES

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

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

OUR RESPONSIBILITY

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
25 August 2009
London, UK

GLOSSARY OF TERMS

CONTRACTED RENT

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

NET RENT

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

YIELD

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

ESTIMATED RENTAL VALUE (ERV)

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

UNDERLYING PROFIT

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

GAAP MEASURES

Earnings per share (EPS)	=	Profit after tax attributable to ordinary shareholders / Weighted average number of ordinary shares in free issue

NON-GAAP MEASURES

Adjusted net assets	=	Net assets excluding deferred tax liabilities and deferred tax assets
Statutory net asset value (NAV) per share	=	Net assets / Number of ordinary shares in free issue
Adjusted NAV per share	=	Net assets + deferred tax liabilities – deferred tax assets / Number of ordinary shares in free issue
Statutory Gearing	=	Total gross borrowings – cash / Net assets
Adjusted Gearing	=	Total gross borrowings – cash / Net assets + deferred tax liabilities – deferred tax assets
Statutory Solidity	=	Total equity / Total assets
Adjusted Solidity	=	Total equity + deferred tax liabilities – deferred tax assets / Total assets – deferred tax assets
Adjusted EPS	=	Profit after tax attributable to ordinary shareholders excluding deferred tax and fair value gains on investment properties / Weighted average number of ordinary shares in free issue
Interest cover	=	EBIT – net gains from fair value adjustments in investment properties – impairment loss / Net finance costs excluding change in fair value of financial instruments

GLOSSARY OF TERMS (continued)

RECONCILIATION OF CONDENSED CONSOLIDATED INCOME STATEMENT TO NON-STATUTORY INCOME STATEMENT

	2009 £m	2008 £m
Rental income	**29.1**	35.2
Service charge income	**4.3**	6.1
Income from non-property activities	**1.8**	1.7
Revenue	**35.2**	43.0
Rental income	**29.1**	35.2
Service charge income	**4.3**	6.1
Service charge expense	**(5.6)**	(7.2)
Net rental income	**27.8**	34.1
Income from non-property activities	**1.8**	1.7
Other operating income/(expense)	**0.2**	0.8
Other income	**2.0**	2.5
Admin expenses	**(5.8)**	(9.4)
Net property expenses	**(1.8)**	(1.6)
Operating expenses	**(7.6)**	(11.0)
Operating profit (before gains on investment properties)	**22.2**	25.6
Finance income	**3.0**	5.4
Finance costs	**(17.5)**	(17.6)
Add back: Non-recurring finance costs on sales – shown below	**–**	0.3
Add back: Other fair value gains – shown below	**(5.4)**	(6.2)
Add back: foreign exchange losses/(gains) – shown below	**10.0**	(1.4)
Net finance expense	**(9.9)**	(19.5)
Share of profit of associates	**0.4**	(0.1)
Less: negative goodwill on acquisitions of associates	**(2.8)**	–
Net share of loss of associates	**(2.4)**	(0.1)
Other fair value gains – shown above	**5.4**	6.2
Underlying profit/(loss)	**15.3**	12.2
Fair value gains on investment properties	**5.1**	(26.6)
Foreign exchange (losses)/gains	**(10.0)**	1.4
Less: negative goodwill on acquisitions of associates	**2.8**	–
Gain on sale of investment properties	**–**	0.5
Non-recurring finance costs on sales	**–**	(0.3)
Other non-recurring costs	**–**	(1.8)
Impairment of intangibles	**–**	(10.0)
Profit before tax	**13.2**	(24.6)

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 † ‡ (Non-Executive Director)
Joseph A Crawley * (Non-Executive Director)
Christopher P Jarvis † (Non-Executive Director)
H O Thomas Lundqvist * † (Non-Executive Director)
Bengt F Mörtstedt Juris Cand (Non-Executive Director)

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

Company Secretary

Thomas J Thomson BA

Registered Office

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Registered Number

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Registered Auditors

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Chartered Accountants
London

Registrars and Transfer Office

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Shareholder helpline: 0870 889 3286

Clearing Bank

Royal Bank of Scotland Plc
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Financial Advisers and Stockbrokers

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