

APEX TOWER

# Delivering on our strategic priorities

CLS Holdings plc  
Half-Yearly Report 2024

# Chief Executive's statement

## Delivering on our strategic priorities with positive letting progress and achievement of greater sales

### OVERVIEW

In the first half of 2024, CLS made strong progress on its strategic priorities and delivered good underlying performance across the portfolio. Net rental income was up over 5% with new leases signed nearly 6% above ERV such that this positive leasing momentum resulted in a slight fall in underlying vacancy. Valuations were lower but the rate of decline slowed and we are seeing values start to bottom as the challenging conditions begin to ease. Following the investment in recent years to further improve the quality of our portfolio, we are expecting further letting progress in the second half of the year such as our first letting at Artesian. In the first half of the year, we completed on three disposals with a fourth completed this week for a total of £61 million. There will be further sales such as Spring Mews Student which is progressing well alongside ongoing refinancings to reduce net debt and loan-to-value.

We see considerable opportunities within the portfolio to drive rental growth and valuation increases in all three of our geographies. The largest being Spring Gardens in Vauxhall, for which the planning process for a mixed-use development is advancing well. Overall, there are encouraging signs in the market for quality offices in the right locations.

We secured 225,009 sq. ft (20,904 sqm) of lettings and renewals and lost 221,838 sq. ft (19,681 sqm) of space from expiries in the first half of 2024. Over the same period, vacancy increased to 13.2% (31 December 2023: 11.0%) as the remaining floors at Artesian, Prescott Street in London completed at the start of 2024 and the refurbishment of three floors at Front de Parc in Lyon were finished. On an underlying basis, excluding recently completed space, vacancy reduced slightly to 10.8% (31 December 2023: 11.0%). Following the significant investments made in 2022 and 2023 to improve the quality of our portfolio, capital expenditure has reduced to our more usual level with £8.8 million invested in the first half.

Over the six months to 30 June 2024, EPRA NTA decreased by 10.1% to 227.4p per share (31 December 2023: 253.0p) mainly from a reduction in property valuations and negative foreign exchange movements due to sterling strengthening. Total accounting return per share for the six months was -8.0% (30 June 2023: -9.9%).

We completed the disposals of three properties and exchanged on one other which completed this week for a total of £61.0 million. To reduce loan-to-value, we expect to make more disposals in the second half.

### RESULTS AND FINANCING

The loss after tax for the six months to 30 June 2024 was £61.1 million (30 June 2023: £104.1 million), equivalent to a statutory loss per share of 15.4p (30 June 2023: 26.2p). The decrease was as a result of: lower revaluation losses of £82.8 million (30 June 2023: £132.9 million); and higher net finance expense of £20.8 million (30 June 2023: £16.2 million), partly offset by higher net rental income of £58.9 million (30 June 2023: £55.6 million); flat expenses, other and tax of £15.0 million debit (30 June 2023: £13.4 million debit) and loss on disposal of £1.4 million (30 June 2023: £2.7 million profit). EPRA earnings per share were 4.8p (30 June 2023: 5.2p), 7.7% down on last year.

Shareholders' funds decreased in the six months by 9.9% to £836.9 million reflecting property valuation declines and the strengthening of sterling.

Our balance sheet liquidity remains strong with £68.5 million of cash and £50 million of undrawn facilities, and our loan book remains substantially at fixed rates with 82% fixed/capped (31 December 2023: 80%). Our weighted average cost of debt increased to 3.81% (31 December 2023: 3.61%) principally as a result of higher rates on our refinancings and loan extensions. Only four loans for £49.1 million remain to be refinanced in 2024. Net debt excluding leasehold liabilities was down by £40.0 million to £960.0 million (31 December 2023: £1,000.0 million) but loan-to-value rose to 50.3% (31 December 2023: 48.5%) reflecting valuation declines. Interest cover remained high at 2.0 times (30 June 2023: 2.5 times) demonstrating the Group's operating strength and ongoing ability to generate cash.

## PROPERTY PORTFOLIO

At 30 June 2024, the value of the property portfolio, including properties held for sale, was £1,910.4 million, £152.5 million lower than six months earlier. This decrease was as a result of: net valuation decreases of £82.3 million; disposals of £53.7 million; and foreign exchange losses of £25.2 million, partly offset by investment in the portfolio through capital expenditure of £8.8 million less depreciation of £0.1 million.

We completed the disposals of Quatour, Paris; Westminster Tower, London and Aqueous II, Birmingham and unconditionally exchanged Hansastrasse, Dortmund in May 2024 which completed at the start of August 2024. In aggregate, the four properties had a net initial yield of 3.3% and sold for a total of £61.0 million, which was in line with 2023 book values.

As previously announced, to reduce our loan-to-value, we are targeting a greater amount of disposals in 2024 and in addition to the disposals already completed, the sales process for Spring Mews Student is progressing well. It has generated significant interest with several bids received from experienced and well-funded PBSA owners.

In the six months to 30 June 2024, the like-for-like valuation of the property portfolio (which excludes acquisitions and disposals) fell by 4.1% in local currency. There were like-for-like valuation decreases of 4.4% in the UK (2.9% excluding Spring Gardens), 3.6% in Germany and 5.0% in France. In Sterling, the valuation decrease was 5.3% reflecting the strengthening of Sterling in the period. Across the Group, like-for-like ERVs were down 1.5% but up 0.7% if New Printing House Square is excluded as the valuation assumptions changed following our decision to delay a substantial redevelopment to the end of the decade. At 30 June 2024, the EPRA 'topped up' net initial yield of the portfolio was 5.7% (31 December 2023: 5.4%), 189 basis points above the Group's average cost of debt, demonstrating the Group's continuing ability to generate cash.

The EPRA vacancy rate as at 30 June 2024 was 13.2% (31 December 2023: 11.0%) as the remaining floors at Artesian, Prescot Street in London completed at the start of 2024. On an underlying basis, excluding recently completed space, vacancy reduced slightly to 10.8%. Post the half-year, Médecins Sans Frontières agreed a lease for one floor at Artesian with many other discussions ongoing on the remaining space and other vacancies.

## DIVIDENDS

In October 2024, the Group will pay an interim dividend for the current financial year of 2.60 pence per share, which is at the same level as the 2023 interim dividend, and in line with the revised dividend policy announced in May 2022 of 1.20x to 1.60x EPRA earnings dividend cover. The PID part of the dividend is 1.75 pence per share.

## ENVIRONMENT, SOCIAL AND GOVERNANCE

In 2024, across many ESG objectives, we are maintaining good momentum. Of primary focus, we are continuing to invest in our assets and work towards the targets in our Sustainability Strategy and Net Zero Carbon (NZC) Pathway.

So far in 2024, we have continued with the implementation of cost-effective NZC projects across all regions. During the first half of this year, 13 carbon reduction projects were completed with a further 57 projects due to be completed by the end of 2024. These projects will save an estimated 750 tonnes CO<sub>2</sub>e per annum, keeping us on track to achieve our 2030 NZC targets. The projects include LED lighting and heating control upgrades in all regions, Solar PV in Germany and smart water metering (including automatic leak detection) across our UK portfolio. Smart metering now covers over 80% of our utility supplies. For the first six months of 2024 this resulted in a 4.3% decrease in like-for-like energy usage across the managed portfolio which is ahead of our annual 3% energy reduction target.

Our focus this year is to ensure major future capital spending as part of the NZC Pathway is derisked and aligned with our leasing and refurbishment plans to achieve our 2030 targets. In particular, we continue the complex task of replacing gas heating systems with electric heat pumps or similar. Feasibility studies and designs are underway for many of the c.30 buildings needing heating replacements in the UK and Germany. This should ensure that we maintain a comprehensive picture of the costs and compliance risks which will be incorporated into the long-term asset management strategies for each property.

We are on track to meet future regulatory requirements, such as expected higher minimum EPC standards in the UK, and the 2030 Décret Tertiaire energy efficiency targets in France. Over half of our UK office buildings are already EPC A or B. Meeting tenant demand for refurbished "net zero carbon ready" office space can also be a differentiator versus competitors.

Work continues on biodiversity with action plans rolling out at key UK sites to support our rewilding and biodiversity net gain targets. Finally, as part of being a responsible company and long-term investor, we have continued to support local

and industry related charities, with our core focus being to support the issues of homelessness, food poverty, youth skills and environmental sustainability.

## OUTLOOK

There are signs of improvements in the real estate investment market and leasing activity continues to be positive as occupiers are increasingly prepared to commit to the right locations and buildings. The bifurcation seen in the last few years has carried on with stronger demand for centrally located and/or higher quality offices, like those core to our portfolio, while more peripheral office locations or lower quality buildings, which we are disposing of, continued to decline.

The investment market improved in the first half of 2024, albeit from historically low numbers, but an increase compared to the same period last year and certainly Q2 2024 was more active with buyers slowly returning to the market. Our strategic priorities remain clear and for the second half of this year we will continue to drive occupancy while executing on selective sales to reduce LTV.

We see considerable opportunities in the existing portfolio to drive long-term shareholder value and in the medium-term our focus is on: Bismarckstrasse, Berlin, a refurbishment and repositioning of an office building in central Berlin; The Brix, Essen, a refurbishment and ESG investment for a committed lease with the City of Essen; Debussy, Paris, an asset repositioning as serviced apartments; and progressing our mixed-use development of Citadel Place in Vauxhall.

As we have seen in past cycles, the UK entered the downturn earlier and is now ahead in its recovery while Germany and France are a bit further away. We remain confident that in responding to the market demands by having some of the best properties in our locations, alongside an expectation of more favourable monetary policies, CLS is well placed to capitalise on these trends and remain successful.

# Business review

## United Kingdom

Letting market is positive with expected interest rate falls to kickstart investments

	30 June 2024	31 December 2023
Value of properties	£839.7m	£919.9m
Percentage of Group's property interests	44%	45%
Number of properties	35	37
Number of tenants	217	221
EPRA vacancy rate	19.6%	15.8%
Lettable space	1.6m sq. ft	1.9m sq. ft
Government and large companies	74.7%	72.1%
Weighted average lease length to end	3.3 years	3.5 years
Leases subject to indexation	32.6%	32.7%

The value of the UK portfolio decreased by £80.2 million as a result of: two disposals for £43.9 million; and valuation decreases of £38.7 million or 4.4%, partly offset by capex of £2.5 million less depreciation of £0.1 million. The biggest valuation decrease was for our largest property, Spring Gardens, Vauxhall (also known as Citadel Place) as the lease to the NCA nears expiry in February 2026. Excluding Spring Gardens, the valuation decline was 2.9%. Encouragingly, there were valuation uplifts on our better let offices and hotel and student properties.

The occupational market in London and the South-East remains active. During the period, we secured our first letting at "The Coade", our 28,400 sq. ft (2,638 sqm) new office development at Vauxhall Walk, London. This was to a cyber security company, Cybanetix Limited, who moved from a nearby serviced office. We have also completed our first letting at our recently refurbished building, "Artesian", Prescott Street, London for the entire 5th floor of c.12,000 sq. ft. Similarly to our recent letting at The Coade, the tenant was drawn to the sustainability credentials of the fully electric building with an EPC A rating.

Overall, vacancy increased in the period from 15.8% at 31 December 2023 to 19.6% essentially due to completion of the refurbishment of the remaining three floors at Artesian. On an underlying basis, vacancy fell from 15.8% to 15.3%. Since 1 January 2024, we let or renewed leases on 54,288 sq. ft (5,044 sqm) and lost 45,699 sq. ft (4,246 sqm) from expiries. There were 31 lease extensions and new leases added £3.7 million of rent at an average of 5.6% above 31 December 2023 ERV. The most significant transactions were a lease re-gear with BAE Systems for the c.35,000 sq. ft (3,252 sqm) they occupy at Apex Tower in New Malden which extended the lease by 5 years and removed the 2025 break clause. We also secured a 5-year lease extension with Bindmans LLP at New Printing House Square for 13,864 sq. ft (1,288 sqm) and exchanged on an agreement for lease with E.S. Pipelines Limited for a 10-year lease of c.13,000 sq. ft (1,208 sqm) at Kings Court in Leatherhead. Across the portfolio, like-for-like ERVs were down 3.3% but up 1.5% if New Printing House Square is excluded as the valuation assumptions changed following our decision to delay a substantial redevelopment to the end of the decade.

In terms of disposals, we completed the sale of Westminster Tower to London Square Developments for £40.8 million. In addition, we completed the sale of Aqueous II in Birmingham for £3.0 million. As a result, the UK portfolio is now based entirely in London and the South-East of England. We have received significant interest in the sale of the student accommodation at Spring Mews in Vauxhall and are anticipating completion in H2 2024.

There are a number of opportunities in the portfolio and we have begun the public consultation process for the development of Citadel Place, Vauxhall which is aimed at bringing forward a vibrant mixed-use scheme on the 2½ acre site on the expected departure of the NCA in February 2026.

In terms of the UK property market, commercial investment volumes were c.£20.8 billion in the first half of 2024 an increase of 4.5% on same period in 2023 (c.£19.9 billion).

Leasing take-up in London in the first half of 2024 was 4.3 million sq. ft, which is roughly flat compared to the same period last year while take-up across the Southeast office market reached 1.3 million sq. ft, which was 45% above H1 2023 and in line with the five-year average. Market vacancy in London is now 9.2% and 12.6% in the South-East.

## Germany

Economic recovery has been slow but the property investment market is starting to revive

	30 June 2024	31 December 2023
Value of properties	£839.0m	£885.5m
Percentage of Group's property interests	44%	43%
Number of properties	32	32
Number of tenants	370	368
EPRA vacancy rate	7.2%	6.8%
Lettable space	3.5m sq. ft	3.8m sq. ft
Government and large companies	58.2%	55.6%
Weighted average lease length to end	4.7 years	4.9 years
Leases subject to indexation	57.2%	65.9%

The value of the German portfolio decreased by £46.5 million as a result of: a valuation decrease of £31.2 million or 3.6% in local currency; and foreign exchange loss of £19.8 million, partly offset by capex of £4.5 million. The valuation loss was as a result of yield expansion as ERVs remained stable across the portfolio.

Vacancy increased slightly to 7.2% compared with 6.8% at 31 December 2023 due to lease expiries. Since 1 January 2024, 120,972 sq. ft (11,239 sqm) was let or renewed but 135,782 sq. ft (12,615 sqm) of space expired. 17 lease extensions and new leases were signed adding £1.7 million of rent at an average of 7.6% above 31 December 2023 ERV. The most significant transaction was at Office Connect, Cologne with a new 6-year lease with Eviden, a technology transformation leader, for 15,220 sq. ft (1,414 sqm). Other notable transactions were a new 10-year lease at Fleethaus, Hamburg with the German Red Cross for 13,197 sq. ft (1,226 sqm) and a new 6-year lease at Flexion, Berlin with Pulsation IT, a leading software company, for 9,139 sq. ft (849 sqm). Across the portfolio, like-for-like ERVs grew by 0.5%. Vacancy in the second half of the year is expected to increase following the expiry of a large lease at our Gothic Haus property in Dortmund although we are in active discussions with potential new tenants.

In May 2024 we exchanged on the £7.7 million sale of Hansastrasse, Dortmund, a 42,902 sq. ft (3,986 sqm) office building originally constructed 1957 and completion took place post the half-year in early August 2024.

In terms of larger scale projects, we are about to commence our €20 million refurbishment at Kruppstrasse ("The Brix") in Essen. This will substantially improve the building where we have secured a 30-year lease with the City of Essen.

The outlook for the second half of the year is influenced by the delayed German economic recovery, which is impacting demand and sentiment as larger companies are still cautious to commit to new space while Government and Mittelstand companies are more active. However, there has been an improvement in sentiment in the investment markets with more sales as investors are becoming increasingly confident in both the current and future market environment. A moderate upward trend is evident, which we expect to accelerate somewhat in the second half of the year.

The German office markets recorded a take-up of 1.26 million sqm in the first half of 2024, similar to the same period in 2024 of 1.23 million sqm. Prime rents are increasing given that new and newly built offices are in short supply in the CBDs.

The commercial property market showed signs of growth compared with 2023. For the first half of 2024, investment volume totalled c.€11.9 billion, which is an encouraging increase compared with the same period in 2023 when c.€9.9 billion was invested.

Market vacancy rates in the Top 7 office markets is now 6.1%, ranging from 3.5% in Cologne to 10.0% in Dusseldorf.

## France

### Letting market remains resilient for small to medium sized floorplates

	30 June 2024	31 December 2023
Value of properties	£231.7m	£257.5m
Percentage of Group's property interests	12%	12%
Number of properties	16	17
Number of tenants	148	155
EPRA vacancy rate	7.1%	5.6%
Lettable space	0.7m sq. ft	0.8m sq. ft
Government and major corporates	54.4%	49.0%
Weighted average lease length to end	5.3 years	5.2 years
Leases subject to indexation	100.0%	100.0%

The value of the French portfolio decreased by £25.8 million as a result of: a valuation decrease of £12.4 million or 5.0% in local currency; disposals of £9.8 million; and a foreign exchange loss of £5.4 million, partly offset by capex of £1.8 million. The valuation loss was as a result of yield expansion.

Vacancy increased to 7.1% from 5.6% at 31 December 2023 mainly due to the completion of refurbishments. During the period, 49,749 sq. ft (4,622 sqm) was let or renewed but 30,359 sq. ft (2,820 sqm) of space expired. Since 1 January 2024, 10 lease extensions and new leases were signed adding £1.1 million of rent at an average of 4.6% above 31 December 2023 ERV. The most significant transaction was a lease extension at Cap G in Paris for 11,000 sq. ft (1,022 sqm) to IT company Pixid on a 3/6/9 year lease. We also let 8,393 sq. ft (780 sqm) of our newly refurbished space in Park Avenue, Lyon to Smile IT on a 3/6/9 year lease. Across the portfolio, like-for-like ERVs fell by 0.1%.

In May 2024, we completed the disposal of Quatuor, located in the Montrouge area in Paris. The 2,500 sqm office building was originally acquired for €4.6m in 2002 and is located in front of the future Grand Paris metro station. The City of Montrouge purchased the property for €11.3 million, which was in-line with the latest valuation.

During the first half of the year, we launched the redevelopment of two properties. The first of these is the 45,187 sq. ft (4,198 sqm) office building Debussy in the western crescent of Paris to be converted into serviced apartments. This will be let to Edgar Suites, a national operator in serviced apartments by way of a 12-year lease. The conversion will be executed by Nexity via a fixed-price redevelopment contract for c.€12 million. Completion is targeted for the end of 2026.

The second major project is at Petits Hotels, in Central Paris close to Gare du Nord. This is a refurbishment of one of the buildings including the facade, windows, roof, terraces and garden. The budgeted works of €1.7 million will improve the sustainability credentials of the building and are expected to complete in H1 2025.

Investment volume in commercial real estate over the first half of 2024 reached €5.8 billion, down 4.9% compared to first half 2023 but is still expected to reach €10 billion by the end of 2024. This is partly because yields appear to be stabilising while central Paris shows healthy rental growth.

Office take-up in the first half of 2024 in the Greater Paris Region reached 853 000 sqm, down 5% compared with the same period last year. Immediate office supply in the Greater Paris Region at 30 June 2024 was estimated to be 4.9 million sqm, up 11% compared with the same period last year. Market vacancy in Paris is at 9%.

Whilst the demand is relatively stable, supply is likely to be the key issue in France for the next 12-18 months, although, the stronger demand for smaller floorplates bodes well for our French portfolio.

# Key data

## Valuation Data

	Market Value of Property (£m)	H1 Valuation Movement		EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Reversion	Over-vented	Equivalent Yield
		Underlying (£m)	Foreign Exchange (£m)					
<b>UK</b>	695.8	(48.8)	-	5.6%	6.5%	3.7%	7.7%	7.0%
<b>Germany</b>	837.4	(31.2)	(19.7)	5.1%	5.2%	5.3%	10.8%	5.3%
<b>France</b>	230.0	(12.4)	(5.4)	5.0%	5.4%	4.5%	4.8%	6.1%
<b>Total Portfolio</b>	<b>1,763.2</b>	<b>(92.4)</b>	<b>(25.1)</b>	<b>5.3%</b>	<b>5.7%</b>	<b>4.6%</b>	<b>8.7%</b>	<b>6.0%</b>

## Rental Data

	Rental Income for the Period (£m)	Net Rental Income for the Period (£m)	Lettable Space (sqm)	Contracted Rent at 30 June 2024 (£m)	ERV at 30 June 2024 (£m)	Contracted Rent Subject to Indexation (%)	EPRA Vacancy rate at 30 June 2024
<b>UK</b>	23.3	25.8	172,837	50.2	59.8	32.6	19.6%
<b>Germany</b>	21.3	20.2	346,480	47.6	48.6	57.2	7.2%
<b>France</b>	6.5	6.3	68,213	13.9	14.8	100.0	7.1%
<b>Total Portfolio</b>	<b>51.1</b>	<b>52.3</b>	<b>587,530</b>	<b>111.7</b>	<b>123.2</b>	<b>51.4</b>	<b>13.2%</b>

## Lease Data

	Average Lease Length		Contracted Rent of Lease Expiring In:				ERV of Lease Expiring In:			
	To Break (Years)	To Expiry (Years)	Year 1 (£m)	Year 2 (£m)	Years 3 - 5 (£m)	After 5 Years (£m)	Year 1 (£m)	Year 2 (£m)	Years 3 - 5 (£m)	After 5 Years (£m)
<b>UK</b>	2.5	3.3	12.7	15.6	13.2	8.7	12.6	14.0	13.2	8.4
<b>Germany</b>	4.7	4.7	10.0	6.1	16.0	15.5	10.4	5.7	15.4	20.8
<b>France</b>	2.4	5.3	0.5	1.2	3.3	8.9	0.6	1.1	3.4	8.6
<b>Total Portfolio</b>	<b>3.4</b>	<b>4.2</b>	<b>23.2</b>	<b>22.9</b>	<b>32.5</b>	<b>33.1</b>	<b>23.6</b>	<b>20.8</b>	<b>32.0</b>	<b>37.8</b>

Note: The above tables comprise data for our offices in investment property and properties held for sale. They exclude owner-occupied, student accommodation and hotel.

Tenant Industries by Contracted Rent	
<b>Government</b>	22.2%
<b>Information Technology</b>	13.9%
<b>Commercial and Professional</b>	13.0%
<b>Communication Services</b>	8.0%
<b>Consumer Discretionary</b>	7.9%
<b>Health Care</b>	6.9%
<b>Industrials</b>	6.8%
<b>Financials</b>	6.7%
<b>Other</b>	5.8%
<b>Consumer Staples</b>	4.6%
<b>Real Estate</b>	4.2%

Property use by rent	
<b>Offices</b>	86.5%
<b>Student</b>	5.9%
<b>Hotel</b>	4.8%
<b>Food/Retail</b>	2.8%



# Our investor proposition

## Strong and consistent long-term shareholder returns

Set out below are the key tenets of our investment proposition. A fuller description can be found on the inside front cover and page 1 of CLS' 2023 Annual Report and Accounts:

Clear strategy	Active management
<ul style="list-style-type: none"><li>• Diversified approach</li><li>• The best offices in our locations</li><li>• Selected development schemes</li></ul>	<ul style="list-style-type: none"><li>• Experienced in-house capabilities</li><li>• Secure rents and high occupancy</li><li>• Interest rate management</li></ul>
Leading track record	Focus on sustainability
<ul style="list-style-type: none"><li>• Disciplined approach to investment</li><li>• Cash-backed progressive dividend</li><li>• Financing headroom</li></ul>	<ul style="list-style-type: none"><li>• Responsible profit</li><li>• Strong ESG performance</li><li>• Climate risk mitigation</li></ul>

### DIVIDEND POLICY

The Company expects to generate sufficient cash flow to be able to meet the growth requirements of the business, maintain an appropriate level of debt and provide cash returns to shareholders via a dividend.

As announced in May 2022, we updated our dividend policy following the conversion of our UK operations to a REIT. The company will maintain a progressive dividend policy, with a dividend cover of 1.2 to 1.6 times EPRA earnings (previously 1.5 to 2.0 times). Approximately one-third of the annual dividend is paid as an interim in September or October, with the balance paid as a final dividend in April.

### ANALYST COVERAGE

We are covered by three brokers which publish regular analyst research: Panmure Liberum; Berenberg and Peel Hunt. Contact details can be found on our website [www.clsholdings.com](http://www.clsholdings.com).

### 2024 INVESTOR ENGAGEMENT

Events which have taken place	Events which are due to take place
<b>March 2024</b> Annual Results presentation Annual Results investor calls and meetings	<b>August 2024</b> Half-Year Results presentation
<b>April 2024</b> Annual General Meeting	<b>August/September 2024</b> Half-Year Results investor calls and meetings
	<b>November 2024</b> Trading Update

# Financial review

## RESULTS FOR THE PERIOD

### HEADLINES

The loss after tax of £61.1 million (30 June 2023: £104.1 million) generated a basic statutory loss per share of 15.4 pence (30 June 2023: 26.2 pence). EPRA earnings per share, which exclude valuation movements, were 4.8 pence (30 June 2023: 5.2 pence), down 7.7% year on year. This was due to: higher net rental income more than offset by higher finance expenses from higher interest rates on our floating rate debt and recently refinanced loans. There was also a positive benefit from lower tax given lower profits and a review of inter-company interest charges. Gross property assets at 30 June 2024, including those in property, plant and equipment and those held for sale, decreased to £1,910.4 million (31 December 2023: £2,062.9 million) as a result of: a revaluation decrease of £82.3 million; disposals of £53.7 million and foreign exchange reductions of £25.2 million; partly offset by capital expenditure of £8.8 million less depreciation of £0.1 million. Net assets per share fell by 9.9% to 210.6 pence (31 December 2023: 233.8 pence) and EPRA NTA per share fell by 10.1% to 227.4 pence (31 December 2023: 253.0 pence). Total accounting return per share including dividends paid in the period was -8.0% (30 June 2023: -9.9%).

CLS uses a number of Alternative Performance Measures ('APMs') alongside statutory figures. We believe that these assist in providing stakeholders with additional useful information on the underlying trends, performance and position of the Group. Note 4 to these condensed set of Financial Statements gives a full description and reconciliation of our APMs, and sets out the full suite of EPRA measures.

### STATEMENT OF COMPREHENSIVE INCOME

Net rental income for the six months to 30 June 2024 of £58.9 million (30 June 2023: £55.6 million) was higher than last year by 5.9% as a result of higher income from indexation, stronger performance of our hotel and student operations, retention of part of the deposit from previous failed sale of Westminster Tower and higher other income, with some offset from disposals. Rent collection remained at the same, consistently high levels with 99% of first half rent collected and 97% of third quarter contracted rent due collected to date.

Operating loss of £43.9 million (30 June 2023: £90.5 million) was due primarily to the 4.1% revaluation decline in local currency equivalent to a loss of £82.8 million (30 June 2023: £132.9 million) which was only partially offset by higher operating profit before revaluation and disposals of £40.8 million (30 June 2023: £39.7 million) and loss on disposal of £1.4 million (30 June 2023: £2.7 million profit).

Net interest expense of £21.5 million (30 June 2023: £15.5 million), which was up £6.0 million, is comprised of three elements. Interest costs of £21.3 million (30 June 2023: £17.2 million) were up year-on-year as a result of higher interest rates on CLS' floating rate debt and recent refinancings. The movement in the fair value of derivatives was £0.7 million negative (30 June 2023: £0.7 million positive) as these are closer to expiry. Interest income was lower at £0.5 million (30 June 2023: £1.0 million) due to lower average cash balances.

The tax credit of £4.6 million (30 June 2023: tax credit £2.3 million) represented an effective rate of 7.0% (30 June 2023: 2.2%). The overall tax credit is primarily attributable to the release of deferred tax liabilities in France and Germany resulting from the reduction in property values.

### EPRA NET TANGIBLE ASSETS PER SHARE

EPRA NTA per share fell from 253.0p to 227.4p in the six months to 30 June 2024, a decrease of 25.6p per share or 10.1%. On a per share basis, the decrease comprised the decrease in property values of 20.7p, foreign exchange losses of 3.1p, other negative movements of 1.2p and the final 2023 dividend of 5.35p, partly offset by EPRA earnings of 4.8p.

## CASH FLOW, NET DEBT AND FINANCING

In the six months to 30 June 2024, gross borrowings decreased by £42.1 million to £1,028.5 million (31 December 2023: £1,070.6 million), principally due to a greater amount of loans being repaid due to disposals compared to loans being drawn.

As at 30 June 2024, the Group had cash of £68.5 million (31 December 2023: £70.6 million) and £50.0 million (31 December 2023: £50.0 million) of undrawn facilities. The cash balance decreased by £2.1 million from 31 December 2023 given net investment in our portfolio. During the period, we invested £9.4 million of capital expenditure including property, plant and equipment in our properties which was funded by net receipts from disposals of £30.9 million. Net proceeds from new financing were £26.3 million and £56.8 million of loans were repaid. Net cash flow from operating activities was £19.9 million (30 June 2023: £23.5 million) which was used to pay the 2023 final dividend of £20.3 million (net of withholding tax which was paid in July).

Net debt excluding leasehold liabilities at the half-year reduced to £960.0 million (31 December 2023: £1,000.0 million) but the Group's loan-to-value increased to 50.3% (31 December 2023: 48.5%) due to the valuation declines. LTV will reduce below 50% when the remaining £20.4 million Westminster Tower proceeds are received in September. We are forecasting to achieve c.45% LTV at year-end from further sales with more reduction targeted in future. CLS has no loan-to-value or interest cover covenants at a Group level.

The weighted average cost of debt increased to 3.81% (31 December 2023: 3.61%) principally as a result of higher rates on refinancings and loan extensions more than offsetting the reduction from loan repayments. Based on the current swap rate and expected refinancings and sales, we would expect the rate to stay flat or slightly decrease in the second half of 2024. Weighted average debt maturity was 3.3 years (31 December 2023: 3.3 years).

The proportions of fixed, capped and unhedged debt were 78%, 4% and 18% (31 December 2023: 76%, 4%, 20%) respectively. The proportion of fixed rate debt has increased in the first half of the year due to £21.8 million of loans at floating rate having been repaid due to disposals. The 4% of total debt subject to interest rate caps are all for French and German loans which are at a range of 0.5% to 1.5%, being on average 2.61% below the average 3-month EURIBOR of 3.81%.

CLS has 43 different loans secured by individual, or small portfolios of properties. The loans vary in terms of the number of covenants with the three main covenants being ratios relating to loan-to-value, interest cover and debt service cover. However, some loans only have one or two of these covenants, some have other covenants and some have none. The loans also vary in terms of the level of these covenants and the headroom to these covenants.

On average across the 43 loans, CLS has between 12% and 28% headroom for these three main covenants. In the event of an actual or forecast covenant breach, all of the loans have equity cure mechanisms to repair the breach which allow CLS to either repay part of the loan or deposit cash for the period the loan is in breach, after which the cash can be released.

In the first half of 2024, we extended or refinanced £137.1 million of debt at 5.64% for 1.7 years. Most financing was short-term extensions in advance of sale, such as Westminster Tower, or completion of reletting activity. Discussions are well advanced for the remaining four loan refinancings for £49.1 million, excluding amortisation, due in 2024.

CLS has a higher proportion of loans expiring in 2025 comprising 12 loans (four in each country) totalling £372.3 million. Discussions have already started on over three-quarters of the £372.3 million of refinancings, even though the majority are not due until Q4 2025.

## PRINCIPAL RISKS AND UNCERTAINTIES

A detailed explanation of the principal risks and uncertainties affecting the Group, and the steps it takes to mitigate these risks, can be found on pages 48 to 53 of the 2023 Annual Report and Accounts, which is available at [www.clsholdings.com/investors](http://www.clsholdings.com/investors).

The Group's principal risks and uncertainties are grouped into six categories: property; sustainability; business interruption; financing; political and economic; and people. These risks and uncertainties are expected to remain relevant for the remaining six months of the financial year, and these are discussed further below.

The Board has reviewed the risk status of each of the six risk categories, particularly with regard to the ongoing economic and geopolitical risks including higher but peaked interest rates given moderating inflation, election uncertainty and conflicts in Ukraine and the Middle East. The overall risk landscape remains heightened but with an increased likelihood of risk levels moderating in future although not yet sufficient to alter any of the risk ratings. Both property and financing risks remain as high risks and we continue to monitor the risks focused around; vacancy; disposals and loan-to-value; and refinancings, and mitigations vigilantly.

Work continues on implementing software to document, and help test, risks and internal controls with ongoing progress being made. In the second half of the year, end to end "walkthrough" tests of a number of processes and the associated controls will be performed as part of our ongoing controls testing programme.

Principal risk	Status at year end	Change since year end	Commentary
Property	High	No change	The office market remains bifurcated in two ways. The occupational market remains healthy with tenants seeking out, and paying more for, higher quality offices. CLS is responding by investing in its properties to provide the best offices in our locations. By contrast, the investment market is sluggish given higher interest rates, valuation uncertainty and lingering concerns about future office demand.
Sustainability	Medium	No change	We remain committed to, and are on track to deliver our 2030 Net Zero Carbon Pathway, which is a key part of our Sustainability (and wider ESG) Strategy. CLS believes that providing sustainable buildings, not only accords with regulatory demands but also meets changing office trends.
Business interruption	Low	No change	We prioritise investing in our IT and other equipment to give our employees the tools to perform their roles effectively, whilst taking on board comments from the staff survey. Ongoing penetration testing and other work has resulted in continued Cyber Essential Plus standard certification.
Financing	High	No change	Financing risk remains high despite inflation reducing and higher but peaked interest rates. This is reflected in higher interest costs for CLS with some increases in bank margins and lowering of Loan-To-Value ratios. Through ongoing selected disposals CLS is seeking to reduce Group LTV. In addition, CLS continues to maintain banking relationships, monitor covenants and engage early with upcoming refinancings. CLS has significant protection with c.80% of debt fixed and good covenant headroom. CLS also continues to monitor its compliance with the UK REIT rules.
Political and economic	Medium	No change	As noted, economic conditions remain challenging with higher interest costs and property valuation declines, and slower growth. These have been mitigated through CLS' high levels of inflation-indexed rent and higher replacement values for existing buildings. Geopolitical risks are heightened but CLS' diversified business model in Europe's three largest economies provides mitigation.
People	Medium	No change	CLS' staff turnover has reduced in 2024, partly in response to a loosening of the labour market. A new staff survey has recently been conducted which highlighted that the culture and our people were the best parts about CLS. However, to respond to staff needs and market trends more work is needed to improve communication, training and diversity.

## GOING CONCERN

The Directors' assessment of going concern uses the same methodology as for the preparation and validation of the year end going concern (and viability) statement(s) (see pages 54 to 57 of the 2023 Annual Report and Accounts). This assessment uses forecasts that have been adjusted for the impacts of the current economic, property and financing markets. A more detailed description of the approach is set out in note 2 to these condensed Group financial statements.

The Group is reliant in the Base case and Severe but plausible case upon its ability to both refinance the debt maturing and to complete a number of investment property disposals in the going concern period in more challenging market conditions.

Whilst the Directors remain confident that a combination of sufficient refinancings and property disposals will be achieved, the timing and value of both the planned refinancing of facilities falling due within the going concern review period, and planned property disposals, is outside of management's control and consequently a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this material uncertainty on the going concern assumption, given our track-record and reputation, and the progress made since 31 December 2023 in terms of refinancing, the Directors are confident that the debt falling due for repayment in the going concern period will be refinanced or settled in line with their plans for the reasons set out above, rather than requiring repayment on maturity, or will be extinguished as part of property disposals in the period. Therefore, the Directors continue to adopt the going concern basis in preparing these Group financial statements.

The financial statements do not contain the adjustments that would result if the Group were unable to continue as a going concern.

## RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

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

**Fredrik Widlund**  
Chief Executive Officer  
6 August 2024

**Andrew Kirkman**  
Chief Financial Officer

## Financial statements

### Condensed Group income statement for the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2024 £m (unaudited)	Year ended 31 December 2024 £m (audited)
Revenue	3	77.8	72.3	148.7
Costs	3	(18.9)	(16.7)	(35.7)
Net rental income		58.9	55.6	113.0
Administration expenses		(9.0)	(8.8)	(18.2)
Other property expenses		(9.1)	(7.1)	(15.6)
Operating profit before revaluation and disposals		40.8	39.7	79.2
Net revaluation movements on investment property	9, 11	(82.8)	(132.9)	(302.7)
Net revaluation movements on equity investments		(0.4)	–	(1.3)
(Loss)/profit on sale of investment property		(1.4)	2.7	1.4
Loss on sale of equity investments		(0.1)	–	–
<b>Operating loss</b>		<b>(43.9)</b>	<b>(90.5)</b>	<b>(223.4)</b>
Finance income	5	0.5	1.7	1.6
Finance costs	6	(22.0)	(17.2)	(41.3)
Foreign exchange loss		(0.3)	(0.4)	(0.3)
<b>Loss before tax</b>		<b>(65.7)</b>	<b>(106.4)</b>	<b>(263.4)</b>
Taxation	7	4.6	2.3	13.6
<b>Loss for the period attributable to equity shareholders</b>		<b>(61.1)</b>	<b>(104.1)</b>	<b>(249.8)</b>
<b>Basic and diluted earnings per share</b>	14	<b>(15.4p)</b>	<b>(26.2)p</b>	<b>(62.9)p</b>

**Condensed Group statement of comprehensive income**  
for the six months ended 30 June 2024

		Six months ended 30 June 2024 £m (unaudited)	Six months ended 30 June 2023 £m (unaudited)	Year ended 31 December 2023 £m (audited)
	Note			
<b>Loss for the period</b>		<b>(61.1)</b>	<b>(104.1)</b>	<b>(249.8)</b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified to profit or loss</b>				
Revaluation of property, plant and equipment	10	0.6	(0.1)	2.2
Foreign exchange differences		(10.7)	(16.8)	(12.3)
Deferred tax on revaluation of property, plant and equipment		(0.1)	–	(0.6)
<b>Total items that may be reclassified to profit or loss</b>		<b>(10.2)</b>	<b>(16.9)</b>	<b>10.7</b>
<b>Total other comprehensive (expense)/income</b>		<b>(10.2)</b>	<b>(16.9)</b>	<b>10.7</b>
<b>Total comprehensive expense for the period attributable to equity shareholders</b>		<b>(71.3)</b>	<b>(121.0)</b>	<b>(260.5)</b>

**Condensed Group balance sheet**  
at 30 June 2024

	Notes	30 June 2024 £m (unaudited)	30 June 2023 £m (unaudited)	31 December 2023 £m (audited)
<b>Non-current assets</b>				
Investment properties	9	1,737.5	1,992.7	1,850.5
Property, plant and equipment	10	42.2	39.6	41.8
Intangible assets		2.7	3.0	2.9
Equity investments		1.0	2.5	1.4
Deferred tax		–	3.1	–
Derivative financial instruments		3.3	7.2	3.6
		<b>1,786.7</b>	<b>2,048.1</b>	<b>1,900.2</b>
<b>Current assets</b>				
Trade and other receivables		32.5	14.2	16.7
Derivative financial instruments		0.7	1.9	0.7
Cash and cash equivalents	16	68.5	92.5	70.6
		<b>101.7</b>	<b>108.6</b>	<b>88.0</b>
Assets held for sale	11	132.7	180.6	172.7
<b>Total assets</b>		<b>2,021.1</b>	<b>2,337.3</b>	<b>2,160.9</b>
<b>Current liabilities</b>				
Trade and other payables		(70.7)	(63.0)	(68.6)
Current tax		(2.2)	(0.2)	(0.3)
Borrowings	12	(247.9)	(224.5)	(193.9)
		<b>(320.8)</b>	<b>(287.7)</b>	<b>(262.8)</b>
<b>Non-current liabilities</b>				
Deferred tax		(79.4)	(102.6)	(88.7)
Borrowings	12	(780.6)	(864.9)	(876.7)
Leasehold liabilities		(3.4)	(3.4)	(3.5)
		<b>(863.4)</b>	<b>(970.9)</b>	<b>(968.9)</b>
<b>Total liabilities</b>		<b>(1,184.2)</b>	<b>(1,258.6)</b>	<b>(1,231.7)</b>
<b>Net assets</b>		<b>836.9</b>	<b>1,078.7</b>	<b>929.2</b>
<b>Equity</b>				
Share capital	13	11.0	11.0	11.0
Share premium		83.1	83.1	83.1
Other reserves		96.8	98.7	106.7
Retained earnings		646.0	885.9	728.4
<b>Total equity</b>		<b>836.9</b>	<b>1,078.7</b>	<b>929.2</b>



**Condensed Group statement of changes in equity**  
for the six months ended 30 June 2024

Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>At 1 January 2024</b>	<b>11.0</b>	<b>83.1</b>	<b>106.7</b>	<b>728.4</b>	<b>929.2</b>
<b>Arising in the six months ended 30 June 2024:</b>					
<b>Total comprehensive expense for the period</b>	–	–	<b>(10.2)</b>	<b>(61.1)</b>	<b>(71.3)</b>
<b>Share-based payments</b>	–	–	<b>0.3</b>	–	<b>0.3</b>
<b>Dividends to shareholders</b>	–	–	–	<b>(21.3)</b>	<b>(21.3)</b>
<b>Total changes arising in the period</b>	–	–	<b>(9.9)</b>	<b>(82.4)</b>	<b>(92.3)</b>
<b>At 30 June 2024</b>	<b>11.0</b>	<b>83.1</b>	<b>96.8</b>	<b>646.0</b>	<b>836.9</b>

Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>At 1 January 2023</b>	<b>11.0</b>	<b>83.1</b>	<b>115.4</b>	<b>1,011.3</b>	<b>1,220.8</b>
<b>Arising in the six months ended 30 June 2023:</b>					
<b>Total comprehensive expense for the period</b>	–	–	<b>(16.9)</b>	<b>(104.1)</b>	<b>(121.0)</b>
<b>Share-based payments</b>	–	–	<b>0.2</b>	–	<b>0.2</b>
<b>Dividends to shareholders</b>	–	–	–	<b>(21.3)</b>	<b>(21.3)</b>
<b>Total changes arising in the period</b>	–	–	<b>(16.7)</b>	<b>(125.4)</b>	<b>(142.1)</b>
<b>At 30 June 2023</b>	<b>11.0</b>	<b>83.1</b>	<b>98.7</b>	<b>885.9</b>	<b>1,078.7</b>

Audited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>At 1 January 2023</b>	<b>11.0</b>	<b>83.1</b>	<b>115.4</b>	<b>1,011.3</b>	<b>1,220.8</b>
<b>Arising in the year ended 31 December 2023:</b>					
<b>Total comprehensive expense for the year</b>	–	–	<b>(10.7)</b>	<b>(249.8)</b>	<b>(260.5)</b>
<b>Share-based payments</b>	–	–	<b>0.5</b>	–	<b>0.5</b>
<b>Transfer of fair value of property, plant and equipment</b>	–	–	<b>1.5</b>	<b>(1.5)</b>	–
<b>Dividends to shareholders</b>	–	–	–	<b>(31.6)</b>	<b>(31.6)</b>
<b>Total changes arising in 2023</b>	–	–	<b>(8.7)</b>	<b>(282.9)</b>	<b>(291.6)</b>
<b>At 31 December 2023</b>	<b>11.0</b>	<b>83.1</b>	<b>106.7</b>	<b>728.4</b>	<b>929.2</b>

**Condensed Group statement of cash flows**  
for the six months ended 30 June 2024

		30 June 2024 £m (unaudited)	30 June 2023 £m (unaudited)	31 December 2023 £m (audited)
	Notes			
<b>Cash flows from operating activities</b>				
Cash generated from operations	15	40.8	40.6	83.2
Interest received		0.5	1.0	1.6
Interest paid		(20.6)	(15.4)	(35.1)
Income tax paid on operating activities		(0.8)	(2.7)	(3.8)
<b>Net cash inflow from operating activities</b>		<b>19.9</b>	<b>23.5</b>	<b>45.9</b>
<b>Cash flows from investing activities</b>				
Capital expenditure on investment properties		(9.3)	(30.9)	(46.4)
Proceeds from sale of properties		30.9	9.7	17.0
VAT timing difference on sale of property		8.2	–	–
Income tax paid on sale of properties		–	(1.8)	(1.8)
Purchases of property, plant and equipment		(0.1)	(0.7)	(0.8)
Purchase of intangibles		–	(0.1)	(0.3)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>29.7</b>	<b>(23.8)</b>	<b>(32.3)</b>
<b>Cash flows from financing activities</b>				
Dividends paid		(20.3)	(20.5)	(31.6)
Cash received on settlement of derivative instrument		0.7	–	–
Purchase of derivative financial instrument		(1.2)	–	–
New loans		26.9	83.9	129.1
Issue costs of new loans		(0.1)	(0.5)	(1.1)
Repayment of loans		(56.8)	(83.5)	(152.6)
<b>Net cash outflow from financing activities</b>		<b>(50.8)</b>	<b>(20.6)</b>	<b>(56.2)</b>
<b>Cash flow element of net decrease in cash and cash equivalents</b>		<b>(1.2)</b>	<b>(20.9)</b>	<b>(42.6)</b>
Foreign exchange loss		(0.9)	(0.5)	(0.7)
<b>Net decrease in cash and cash equivalents</b>		<b>(2.1)</b>	<b>(21.4)</b>	<b>(43.3)</b>
Cash and cash equivalents at the beginning of the period		70.6	113.9	113.9
<b>Cash and cash equivalents at the end of the period</b>		<b>68.5</b>	<b>92.5</b>	<b>70.6</b>

## Notes to the condensed Group financial statements 30 June 2024

### 1 BASIS OF PREPARATION

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results disclosed for the year ended 31 December 2023 are an abridged version of the full accounts for that year, which received an unqualified report from the Auditor, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 but did draw attention to material uncertainty related to going concern without qualifying the Auditor's report, and have been filed with the Registrar of Companies. The annual financial statements of CLS Holdings plc are prepared in accordance with United Kingdom adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). The condensed financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the United Kingdom.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements. A number of new standards and amendments to IFRSs have become effective for the financial year beginning on 1 January 2024. These new standards and amendments are listed below:

- Amendments to IAS 1 – Classification of liabilities as current or non-current
- Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier finance arrangements
- Amendments to IFRS 16 – Lease liability in a sale and leaseback

The adoption of these new standards and amendments to IFRSs did not materially impact the condensed Group financial statements for the six months ended 30 June 2024 and are not expected to materially impact the full year financial statements for the 12 months ended 31 December 2024.

### 2 GOING CONCERN – BASIS OF PREPARATION

#### Background

CLS' strategy and business model include regular secured loan refinancings, and capital deployment and recycling through acquisitions, capital expenditure and disposals. Over the last thirty years, the Group has successfully navigated several periods of economic uncertainty, including the recent economic stress resulting from the Covid-19 pandemic, Russia's invasion of Ukraine and the cost-of-living crisis.

The Group continues to have very high rent collection and low bad debts, and has a long-term track record in financing and refinancing debt including £137.1 million completed in 2024 and a further £45.2 million has been well advanced subsequent to half-year, whereby terms sheets have been obtained or we have reached a first stage credit review.

The Directors note that the Group financial statements for the year ended 31 December 2023 contained disclosure of a Material Uncertainty related to going concern due to the timing and amounts of the planned refinancing of debt and disposals of property being outside of Management's control. In this context the Directors set out their considerations and conclusions in respect of going concern for these financial statements below.

#### Going concern period and basis

The Group's going concern assessment covers the period to 30 September 2025 ("the going concern period"). The period chosen takes into consideration the maturity date of loans totalling £229.2 million that expire by September 2025. The going concern assessment uses the forecast approved by the Board at its May 2024 meeting as the Base case. The assessment also considers a Severe but plausible case.

#### Forecast cash flows – Base case

The forecast cash flows prepared for the Base case take account of the Group's principal risks and uncertainties, and reflect the challenging economic backdrop. The forecast cashflows have been updated using assumptions regarding forecast forward interest curves, inflation and foreign exchange, and includes revenue growth, principally from contractual increases in rent, and increasing cost levels in line with forecast inflation.

The Base case is focussed on the cash and working capital position of the Group throughout the going concern period. In this regard, the Base case assumes continued access to lending facilities in the UK, Germany and France, and specifically that debt facilities of £229.2 million with ten lenders expiring within the going concern period will be refinanced as expected (£177.1 million) or will be repaid (£52.1 million), some of which are linked to forecast property disposals. The Board acknowledges that these refinancings are not fully within its control; however, they remain confident that refinancings or extensions of these loans will be executed within the required timeframe, having taken into account:

- existing banking relationships and ongoing discussions with the lenders in relation to these refinancings;
- CLS' track record of prior refinancings, particularly in the six months to 30 June 2024 when £137.1 million was successfully refinanced or extended; and

- recent refinancings subsequent to 30 June 2024 that have reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £45.2 million of the £177.1 million noted above.

The Base case includes property disposals in the going concern period in line with the Group's business model and the forecast cash flows approved by the Board in May 2024. The Board acknowledges that property disposals are not fully within its control; however, they are confident these transactions will be completed within the going concern period, based on their history of achieving disposals (with disposals of £61.0 million achieved in the six months to 30 June 2024) and the progress made with the disposal of Spring Mews Student. The value of the properties available for disposal is significantly in excess of the value of the debt maturing during the going concern period.

The Group's financing arrangements, which utilise non-recourse property loans, contain Loan-to-Value ('LTV'), Interest Cover Ratio ('ICR') and Debt Service Coverage Ratio ('DSCR') covenants. In the Base case, minimal cure payments have been forecast given that the Group expects to maintain its compliance with the covenant requirements.

The near-term impacts of climate change risks within the going concern period have been considered in all scenarios modelled and are expected to be immaterial.

### **Forecast cash flows – Severe but plausible case**

A Severe but plausible case has been assessed which has been produced by flexing key assumptions further including: lower rents, increased service charges, higher property and administration expenses, falling property values, higher interest rates and reduced achievements of refinancings and disposals.

These flexed assumptions are more severe than CLS experienced during the 2007-2009 global financial crisis and other downturns such as that experienced in 2020-2022 during the Covid-19 pandemic. A key assumption in this scenario is a further reduction to the base case, in property values of 10% until September 2025, impacting forecast refinancings, sales and cash cures. This is in addition to the reduction experienced of 12.5% in 2023 and cumulative c. 22% decline from 30 June 2022 to 30 June 2024.

Assumptions around refinancing and investment property disposals remain the same in the base case; however a reduction in property values of 10% results in additional cure payments of £18.8 million being necessary for the Group to remain in compliance with its covenant requirements.

Due to the severity of the assumptions used in this scenario, which is severe but plausible and therefore not remote, the liquidity of the Group is exhausted even after putting in place controllable mitigating actions as set out below.

### **Mitigating actions**

In the Severe but plausible case, CLS is assumed to take mitigating actions in terms of depositing cash to equity cure some loans, scaling back uncommitted capital expenditure (without impacting revenue streams over the going concern period) and reducing the dividend to the Property Income Distribution required under the UK REIT rules as well as drawing its existing £50 million of currently unutilised revolving credit and overdraft facilities. If needed, further disposals could be considered as there are no sale restrictions on CLS' £1.9 billion of properties, albeit the timing and the amount of these potential disposals are not in the Group's control.

Additionally, the Directors note that the properties that require refinancing in the going concern period are on a non-recourse basis to the Group. Accordingly, in extremis, the lender could enforce their security on an individual property with no claim on the rest of the Group's assets.

### **Material Uncertainty related to going concern**

As described above, the Group is reliant in the Base case and Severe but plausible case upon its ability to both refinance the debt maturing and to complete a number of investment property disposals in the going concern period in more challenging market conditions.

Whilst the Directors remain confident that a combination of sufficient refinancings and property disposals will be achieved, the timing and value of both the planned refinancing of facilities falling due within the going concern period, and planned property disposals, is outside of management's control and consequently a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Notwithstanding this material uncertainty on the going concern assumption, given our track-record and reputation, the Directors are confident that the debt falling due for repayment in the going concern period will be refinanced or settled in line with their plans for the reasons set out above, rather than requiring repayment on maturity, or will be extinguished as part of property disposals in the period. In extremis, the loans requiring refinancing are provided

on a non-recourse basis. Therefore, the Directors continue to adopt the going concern basis in preparing these Group financial statements.

The financial statements do not contain the adjustments that would result if the Group and Company were unable to continue as a going concern.

### 3 SEGMENT INFORMATION

Each property represents an operating segment which the Group aggregates into two reporting segments with similar characteristics – investment properties and other investments. Other investments comprise the hotel at Spring Mews and other small corporate investments. Central administration relates to the operating costs of the Group's headquarters and are not allocated to any reporting segment. The Group manages the investment properties division on a geographical basis due to its size and geographical diversity. Consequently, the Group's principal operating segments are:

Investment properties:     United Kingdom  
                                       Germany  
                                       France

Other investments

The Group's results for the six months ended 30 June 2024 by operating segment were as follows:

	Investment properties			Other investments £m	Central administration £m	Total £m
	United Kingdom £m	Germany £m	France £m			
Rental income	23.3	21.3	6.5	–	–	51.1
Other property-related income	7.5	–	0.1	2.8	–	10.4
Service charge income	7.5	6.0	2.8	–	–	16.3
<b>Revenue</b>	<b>38.3</b>	<b>27.3</b>	<b>9.4</b>	<b>2.8</b>	<b>–</b>	<b>77.8</b>
Service charges and similar expenses	(8.7)	(7.1)	(3.1)	–	–	(18.9)
<b>Net rental income</b>	<b>29.6</b>	<b>20.2</b>	<b>6.3</b>	<b>2.8</b>	<b>–</b>	<b>58.9</b>
Administration expenses	(3.8)	(1.7)	(0.8)	(0.1)	(2.6)	(9.0)
Other property expenses	(5.1)	(2.0)	(0.3)	(1.7)	–	(9.1)
<b>Revenue less costs</b>	<b>20.7</b>	<b>16.5</b>	<b>5.2</b>	<b>1.0</b>	<b>(2.6)</b>	<b>40.8</b>
Net revaluation movements on investment property	(38.9)	(31.4)	(12.5)	–	–	(82.8)
Net revaluation movements on equity investments	–	–	–	(0.4)	–	(0.4)
Loss on sale of equity instruments	–	–	–	(0.1)	–	(0.1)
Loss on sale of investment property	(1.3)	(0.1)	–	–	–	(1.4)
<b>Segment operating (loss)/profit</b>	<b>(19.5)</b>	<b>(15.0)</b>	<b>(7.3)</b>	<b>0.5</b>	<b>(2.6)</b>	<b>(43.9)</b>
Finance income	0.2	–	–	0.3	–	0.5
Finance costs	(13.5)	(6.7)	(1.6)	–	(0.2)	(22.0)
Foreign exchange loss	–	–	–	(0.3)	–	(0.3)
<b>Segment (loss)/profit before tax</b>	<b>(32.8)</b>	<b>(21.7)</b>	<b>(8.9)</b>	<b>0.5</b>	<b>(2.8)</b>	<b>(65.7)</b>

### 3 SEGMENT INFORMATION (continued)

The Group's results for the six months ended 30 June 2023 by operating segment were as follows:

	Investment properties					Total £m
	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	
Rental income	22.7	21.7	6.6	–	–	51.0
Other property-related income	4.2	0.3	0.5	2.4	–	7.4
Service charge income	6.0	5.5	2.4	–	–	13.9
Revenue	32.9	27.5	9.5	2.4	–	72.3
Service charges and similar expenses	(7.3)	(6.6)	(2.8)	–	–	(16.7)
Net rental income	25.6	20.9	6.7	2.4	–	55.6
Administration expenses	(3.8)	(1.6)	(0.7)	(0.1)	(2.6)	(8.8)
Other property expenses	(3.6)	(2.1)	(0.3)	(1.1)	–	(7.1)
Revenue less costs	18.2	17.2	5.7	1.2	(2.6)	39.7
Net revaluation movements on investment property	(93.1)	(34.4)	(5.4)	–	–	(132.9)
Profit on sale of investment property	0.1	2.6 <sup>1</sup>	–	–	–	2.7
Segment operating (loss)/profit	(74.8)	(14.6)	0.3	1.2	(2.6)	(90.5)
Finance income	0.6	0.1	0.1	–	0.9	1.7
Finance costs	(10.0)	(5.3)	(1.8)	–	(0.1)	(17.2)
Foreign exchange loss	–	–	–	–	(0.4)	(0.4)
Segment (loss)/profit before tax	(84.2)	(19.8)	(1.4)	1.2	(2.2)	(106.4)

<sup>1</sup> This is the land disposal in Sweden

### 3 SEGMENT INFORMATION (continued)

The Group's results for the year ended 31 December 2023 were as follows:

	Investment properties						Total £m
	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m		
Rental income	46.4	43.2	13.2	–	–	102.8	
Other property-related income	8.9	0.6	0.9	5.5	–	15.9	
Service charge income	13.4	11.7	4.9	–	–	30.0	
Revenue	68.7	55.5	19.0	5.5	–	148.7	
Service charges and similar expenses	(16.3)	(14.0)	(5.4)	–	–	(35.7)	
Net rental income	52.4	41.5	13.6	5.5	–	113.0	
Administration expenses	(7.5)	(3.2)	(1.3)	(0.1)	(6.1)	(18.2)	
Other property expenses	(8.6)	(4.2)	(0.4)	(2.4)	–	(15.6)	
Revenue less costs	36.3	34.1	11.9	3.0	(6.1)	79.2	
Net revaluation movements on investment properties	(186.6)	(90.6)	(25.5)	–	–	(302.7)	
Net revaluation movements on equity investments	–	–	–	(1.3)	–	(1.3)	
Profit/(loss) on sale of investment property	0.4	(1.6) <sup>1</sup>	(0.1)	2.7	–	1.4	
Segment operating (loss)/profit	(149.9)	(58.1)	(13.7)	4.4	(6.1)	(223.4)	
Finance income	0.1	–	–	1.5	–	1.6	
Finance costs	(25.2)	(11.9)	(4.0)	–	(0.2)	(41.3)	
Foreign exchange gain/(loss)	–	–	0.1	(0.4)	–	(0.3)	
Segment loss before tax	(175.0)	(70.0)	(17.6)	5.5	(6.3)	(263.4)	

<sup>1</sup> This includes the land disposal in Sweden

### SEGMENT ASSETS AND LIABILITIES

	Assets			Liabilities			Capital expenditure		
	30 June 2024 £m	30 June 2023 £m	31 Dec 2023 £m	30 June 2024 £m	30 June 2023 £m	31 Dec 2023 £m	30 June 2024 £m	30 June 2023 £m	31 Dec 2023 £m
<i>Investment property segment</i>									
United Kingdom	<b>857.0</b>	1,009.5	930.0	<b>532.9</b>	556.5	548.2	<b>2.5</b>	25.5	37.2
Germany	<b>858.5</b>	968.3	908.1	<b>495.3</b>	529.3	510.8	<b>4.5</b>	4.8	9.3
France	<b>237.4</b>	280.7	265.0	<b>153.2</b>	167.4	164.3	<b>1.8</b>	1.3	3.1
<i>Other investments segment</i>									
	<b>68.2</b>	78.8	57.8	<b>2.8</b>	5.4	8.4	–	0.7	0.8
	<b>2,021.1</b>	2,337.3	2,160.9	<b>1,184.2</b>	1,258.6	1,231.7	<b>8.8</b>	32.3	50.4

## 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs')

Alternative performance measures ('APMs') should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

### Introduction

The Group has applied the October 2015 European Securities and Markets Authority ('ESMA') guidelines on APMs and the October 2021 Financial Reporting Council ('FRC') thematic review of APMs in these results, whilst noting the International Organization of Securities Commissions (IOSCO) 2016 guidance and ESMA's December 2019 report on the use of APMs. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

### Overview of our use of APMs

The Directors believe that APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs assist our stakeholder users of the accounts, particularly equity and debt investors, through the comparability of information. APMs are used by the Directors and management, both internally and externally, for performance analysis, strategic planning, reporting and incentive-setting purposes.

APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including peers in the real estate industry. There are two sets of APMs which we utilise, and which are reconciled where possible to statutory measures on the following pages.

#### 1. EPRA APMs

CLS monitors the Group's financial performance using APMs which are European Public Real Estate Association ('EPRA') measures as these are a set of standard disclosures for the property industry and thus aid comparability for our stakeholder users. CLS considers the two measures below to be the most relevant as we believe that these will continue to reflect the long-term nature of our property investments most accurately:

- EPRA earnings; and
- EPRA net tangible asset value (NTA).

Whilst CLS primarily uses the measures referred to above, we have also disclosed other EPRA metrics being:

- EPRA net realisable value (NRV);
- EPRA net development value (NDV);
- EPRA net initial yield;
- EPRA 'topped-up' net initial yield;
- EPRA vacancy;
- EPRA capital expenditure;
- EPRA cost ratio;
- EPRA LTV; and
- EPRA like-for-like gross rental income growth.

#### 2. Other APMs

CLS uses a number of other APMs, many of which are commonly used by industry peers:

- Total accounting return;
- Net borrowings and gearing;
- Loan-to-value;
- Administration cost ratio;
- Dividend cover; and
- Interest cover.

### Changes to APMs

There have been no changes to the Group's APMs in the year. The APMs utilised by the business are defined, calculated and used on a consistent basis.



#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

Set out below is a reconciliation of the APMs used in these results to the statutory measures.

##### 1) EPRA APMs

	30 June 2024 Number	30 June 2023 Number	31 December 2023 Number
<b>For use in earnings per share calculations</b>			
Weighted average number of ordinary shares in circulation	397,410,268	397,249,424	397,330,507
Diluted number of ordinary shares	402,916,907	401,145,840	400,942,040
<b>For use in net asset per share calculations</b>			
Number of ordinary shares in circulation	397,410,268	397,410,268	397,410,268

##### i) EPRA Earnings

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Loss for the period	(61.1)	(104.1)	(249.8)
Net revaluation movement on investment property	82.8	132.9	302.7
Deferred taxation on revaluations	(7.5)	(4.7)	(16.3)
Net movement on revaluation of equity investment	0.4	–	1.3
Loss on sale of equity investments	0.1	–	–
Loss/(profit) on sale of investment property	1.4	(2.7)	(1.4)
Current tax thereon	2.1	–	–
Movement in fair value of derivative financial instruments	0.7	(0.7)	4.2
Amortisation of intangible assets	0.2	–	0.2
<b>EPRA earnings</b>	<b>19.1</b>	<b>20.7</b>	<b>40.9</b>
<b>Basic and diluted earnings per share</b>	<b>(15.4)p</b>	<b>(26.2)p</b>	<b>(62.9)p</b>
<b>EPRA earnings per share</b>	<b>4.8p</b>	<b>5.2p</b>	<b>10.3p</b>

##### ii) Net asset value measures

30 June 2024	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	836.9	836.9	836.9	836.9
Other intangibles	–	(2.7)	–	–
Fair value of fixed interest debt	–	–	–	63.1
- tax thereon	–	–	–	(3.4)
Deferred tax on revaluation surplus	–	80.7	80.7	–
Adjustment for short-term disposals	–	(7.2)	–	–
Fair value of financial instruments	–	(4.0)	(4.0)	–
Purchasers' costs <sup>1</sup>	–	–	136.9	–
	836.9	903.7	1,050.5	896.6
<b>Per share</b>	<b>210.6p</b>	<b>227.4p</b>	<b>264.3p</b>	<b>225.6p</b>

<sup>1</sup> Purchasers costs have been calculated using the regional market rates

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

30 June 2023

	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	1,078.7	1,078.7	1,078.7	1,078.7
Other intangibles	–	(3.0)	–	–
Fair value of fixed interest debt	–	–	–	89.1
- tax thereon	–	–	–	(5.6)
Deferred tax on revaluation surplus	–	100.3	100.3	–
Adjustment for short-term disposals	–	(8.3)	–	–
Fair value of financial instruments	–	(9.1)	(9.1)	–
Purchasers' costs	–	–	145.7	–
	1,078.7	1,158.6	1,315.6	1,162.2
Per share	271.5p	291.6p	331.0p	292.4p

31 December 2023

	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	929.2	929.2	929.2	929.2
Other intangibles	–	(2.9)	–	–
Fair value of fixed interest debt	–	–	–	56.7
Tax thereon	–	–	–	(3.3)
Deferred tax on revaluation surplus	–	90.0	90.0	–
Adjustment for short-term disposals	–	(6.6)	–	–
Fair value of financial instruments	–	(4.3)	(4.3)	–
Purchasers' costs	–	–	147.7	–
	929.2	1,005.4	1,162.6	982.6
Per share	233.8p	253.0p	292.5p	247.2p

#### iii) Yield

##### *EPRA Net Initial Yield ('NIY')*

EPRA NIY is calculated as the annualised rental income based on the cash rents passing at the balance sheet date less non-recoverable property operating expenses, divided by the gross market value of the property (excluding those that are under development, held as PPE or occupied by CLS).

	Six months ended 30 June 2024			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	43.8	46.8	13.0	103.6
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(3.2)	(1.6)	(0.6)	(5.4)
<b>Annualised net rents (A)</b>	<b>40.6</b>	<b>45.2</b>	<b>12.4</b>	<b>98.2</b>
Property portfolio	695.8	837.4	230.0	1,763.2
Adjusted for development stock	(15.9)	(2.1)	–	(18.0)
Purchasers' costs	46.2	56.8	15.6	118.6
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>726.1</b>	<b>892.1</b>	<b>245.6</b>	<b>1,863.8</b>
<b>EPRA NIY (A/B)</b>	<b>5.6%</b>	<b>5.1%</b>	<b>5.0%</b>	<b>5.3%</b>

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

	Six months ended 30 June 2023			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	46.6	40.1	13.2	99.9
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(1.7)	(1.9)	(0.4)	(4.0)
<b>Annualised net rents (A)</b>	<b>44.9</b>	<b>38.2</b>	<b>12.8</b>	<b>95.9</b>
Property portfolio	866.5	934.4	271.8	2,072.7
Adjusted for development stock	(75.8)	(4.8)	–	(80.6)
Purchasers' costs	53.8	63.2	18.5	135.5
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>844.5</b>	<b>992.8</b>	<b>290.3</b>	<b>2,127.6</b>
<b>EPRA NIY (A/B)</b>	<b>5.3%</b>	<b>3.8%</b>	<b>4.4%</b>	<b>4.5%</b>

	Year ended 31 December 2023			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	45.5	46.4	13.2	105.1
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(3.7)	(2.0)	(0.5)	(6.2)
<b>Annualised net rents (A)</b>	<b>41.8</b>	<b>44.4</b>	<b>12.7</b>	<b>98.9</b>
Property portfolio	745.4	883.8	246.0	1,875.2
Adjusted for development stock	(15.7)	(2.8)	–	(18.5)
Purchasers' costs	49.6	59.9	16.7	126.2
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>779.3</b>	<b>940.8</b>	<b>262.7</b>	<b>1,982.9</b>
<b>EPRA NIY (A/B)</b>	<b>5.4%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>5.0%</b>

#### EPRA 'topped-up' NIY

EPRA 'topped-up' NIY is calculated by making an adjustment to EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

	Six months ended 30 June 2024			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	50.1	47.7	13.9	111.7
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(3.2)	(1.6)	(0.6)	(5.4)
<b>'Topped-up' annualised net rents (A)</b>	<b>46.9</b>	<b>46.1</b>	<b>13.3</b>	<b>106.3</b>
Property portfolio	695.8	837.4	230.0	1,763.2
Adjusted for development stock	(15.9)	(2.1)	–	(18.0)
Purchasers' costs	46.2	56.8	15.6	118.6
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>726.1</b>	<b>892.1</b>	<b>245.6</b>	<b>1,863.8</b>
<b>EPRA 'topped-up' NIY (A/B)</b>	<b>6.5%</b>	<b>5.2%</b>	<b>5.4%</b>	<b>5.7%</b>

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

	Six months ended 30 June 2023			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	49.3	45.2	14.2	108.7
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(1.7)	(1.9)	(0.4)	(4.0)
'Topped-up' annualised net rents (A)	47.6	43.3	13.8	104.7
Property portfolio	866.5	934.4	271.8	2,072.7
Adjusted for development stock	(75.8)	(4.8)	–	(80.6)
Purchasers' costs	53.8	63.2	18.5	135.5
Property portfolio valuation including purchasers' costs (B)	844.5	992.8	290.3	2,127.6
EPRA 'topped-up' NIY (A/B)	5.6%	4.4%	4.8%	4.9%

	Year ended 31 December 2023			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	50.9	47.5	14.2	112.6
Adjusted for development stock	–	–	–	–
Forecast non-recoverable service charge	(3.7)	(2.0)	(0.5)	(6.2)
Annualised net rents (A)	47.2	45.5	13.7	106.4
Property portfolio	745.4	883.8	246.0	1,875.2
Adjusted for development stock	(15.7)	(2.8)	–	(18.5)
Purchasers' costs	49.6	59.9	16.7	126.2
Property portfolio valuation including purchasers' costs (B)	779.3	940.9	262.7	1,982.9
EPRA NIY (A/B)	6.1%	4.8%	5.2%	5.4%

#### iv) EPRA vacancy

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
ERV of vacant space (A)	16.2	11.3	13.9
ERV of let space	107.0	111.4	112.4
ERV of lettable space (B)	123.2	122.7	126.3
<b>EPRA vacancy rate (A/B)</b>	<b>13.2%</b>	9.2%	11.0%

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

##### v) EPRA capital expenditure

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Acquisitions	–	–	–
Amounts spent on the completed investment property portfolio			
Creation of incremental space	–	1.9	2.1
Creation of no incremental space	<b>8.8</b>	29.7	47.5
EPRA capital expenditure	<b>8.8</b>	31.6	49.6
Conversion from accrual to cash basis	<b>0.5</b>	(0.8)	(3.2)
<b>EPRA capital expenditure on a cash basis</b>	<b>9.3</b>	30.8	46.4

##### vi) EPRA cost ratio

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Administration expenses - recurring	<b>9.0</b>	8.8	18.2
Other expenses	<b>9.1</b>	7.1	15.6
Less: investment segment and student operating costs	<b>(3.3)</b>	(2.3)	(5.2)
	<b>14.8</b>	13.6	28.6
Net service charge costs	<b>2.6</b>	2.8	5.7
Service charge costs recovered through rents but not separately invoiced	<b>(0.1)</b>	(0.1)	(0.1)
Dilapidations receipts	<b>(0.3)</b>	(1.1)	(2.3)
EPRA costs (including direct vacancy costs) (A)	<b>17.0</b>	15.2	31.9
Direct vacancy costs	<b>(3.9)</b>	(2.7)	(6.1)
EPRA costs (excluding direct vacancy costs) (B)	<b>13.1</b>	12.5	25.8
Gross rental income	<b>51.1</b>	51.0	102.8
Service charge components of rental income	<b>(0.1)</b>	(0.1)	(0.1)
Adjusted gross rental income (C)	<b>51.0</b>	50.9	102.7
<b>EPRA cost ratio (including direct vacancy costs) (A/C)</b>	<b>33.3%</b>	29.9%	31.1%
<b>EPRA cost ratio (excluding direct vacancy costs) (B/C)</b>	<b>25.7%</b>	24.6%	25.1%

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

##### vii) EPRA LTV

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Borrowings from financial institutions	1,028.5	1,089.4	1,070.6
Net payables	40.4	48.9	52.2
Cash and cash equivalents	(68.5)	(92.5)	(70.6)
<b>Net debt (A)</b>	<b>1,000.4</b>	<b>1,045.8</b>	<b>1,052.2</b>
Properties held as property, plant and equipment	40.2	37.2	39.7
Investment properties	1,737.5	1,992.7	1,850.5
Properties and land held for sale	132.7	180.6	172.7
Financial assets – equity investments	1.0	2.5	1.4
<b>Total property value (B)</b>	<b>1,911.4</b>	<b>2,213.0</b>	<b>2,064.3</b>
<b>EPRA LTV (A/B)</b>	<b>52.3%</b>	<b>47.3%</b>	<b>51.0%</b>

##### viii) EPRA like-for-like gross rental income growth

	Six months ended 30 June 2024 %	Six months ended 30 June 2023 %	Year ended 31 December 2023 %
<b>Increase in gross rental income (%)</b>	<b>0.3</b>	<b>4.8</b>	<b>3.5</b>

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
<b>Increase in gross rental income (£m)</b>	<b>0.2</b>	<b>2.3</b>	<b>3.4</b>

## 2. Other APMs

### i) Total accounting return per share

	Six months ended 30 June 2024 p	Six months ended 30 June 2023 p	Year ended 31 December 2023 p
EPRA closing net tangible assets	227.4	291.6	253.0
Add back: prior year final dividend paid	5.4	5.4	5.4
Add back: interim dividend paid	–	–	2.6
Less: EPRA opening net tangible assets (A)	(253.0)	(329.6)	(329.6)
Return before dividends (B)	(20.2)	(32.6)	(68.6)
<b>Total accounting return (B/A)</b>	<b>(8.0)%</b>	<b>(9.9)%</b>	<b>(20.8)%</b>

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

##### ii) Net borrowings and gearing

	Notes	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Borrowings short-term	12	247.9	224.5	193.9
Borrowings long-term	12	780.6	864.9	876.7
Add back: unamortised issue costs	12	4.4	4.9	5.0
Gross debt	12	1,032.9	1,094.3	1,075.6
Cash	16	(68.5)	(92.5)	(70.6)
<b>Net borrowings (A)</b>		<b>964.4</b>	<b>1,001.8</b>	<b>1,005.0</b>
Net assets (B)		836.9	1,078.7	929.2
<b>Net gearing (A/B)</b>		<b>115.2%</b>	<b>92.9%</b>	<b>108.2%</b>

##### iii) Balance sheet loan-to-value

	Notes	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Borrowings short-term	12	247.9	224.5	193.9
Borrowings long-term	12	780.6	864.9	876.7
Less: cash	16	(68.5)	(92.5)	(70.6)
<b>Net debt (A)</b>		<b>960.0</b>	<b>996.9</b>	<b>1,000.0</b>
Investment properties	9	1,737.5	1,992.7	1,850.5
Properties in PPE	8	40.2	37.2	39.7
Properties and land held for sale	11	132.7	180.6	172.7
<b>Total property portfolio (B)</b>		<b>1,910.4</b>	<b>2,210.5</b>	<b>2,062.9</b>
<b>Loan-to-value (A/B)</b>		<b>50.3%</b>	<b>45.1%</b>	<b>48.5%</b>

##### iv) Dividend cover

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interim dividend *	10.3	10.3	10.3
Final dividend	–	–	21.3
<b>Total dividend (A)</b>	<b>10.3</b>	<b>10.3</b>	<b>31.6</b>
<b>EPRA earnings (B)</b>	<b>19.1</b>	<b>20.7</b>	<b>40.9</b>
<b>Dividend cover (B/A)</b>	<b>1.85</b>	<b>2.00</b>	<b>1.30</b>

\* The 30 June 2024 amount represents the proposed interim 2024 dividend

#### 4 ALTERNATIVE PERFORMANCE MEASURES ('APMs') (continued)

##### v) Interest cover

	Notes	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Net rental income	3	58.9	55.6	113.0
Administration expenses	3	(9.0)	(8.8)	(18.2)
Other expenses	3	(9.1)	(7.1)	(15.6)
<b>Revenue less costs (A)</b>	3	<b>40.8</b>	39.7	79.2
Finance income (excluding dividends and derivatives)	5	0.5	1.0	1.6
Finance costs (excluding derivatives)	6	(21.3)	(17.2)	(37.1)
<b>Net interest (B)</b>		<b>20.8</b>	(16.2)	(35.5)
<b>Interest cover (A/B)</b>		<b>1.96</b>	2.45	2.23

##### vi) CLS administration cost ratio

		Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Administration expenses		9.0	8.8	18.2
Less: Other investment segment		(0.1)	(0.1)	(0.1)
Underlying administration expenses (A)		8.9	8.7	18.1
Net rental income (B)		58.9	55.6	113.0
<b>Administration cost ratio (A/B)</b>		<b>15.1%</b>	15.6%	16.0%

#### 5 FINANCE INCOME

		Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interest income				
Financial instruments carried at amortised cost		0.5	1.0	1.6
Movement in fair value of derivative financial instruments		–	0.7	–
		<b>0.5</b>	1.7	1.6



## 6 FINANCE COSTS

	<b>Six months ended 30 June 2024 £m</b>	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Interest expense			
Secured bank loans	<b>20.4</b>	16.3	35.5
Amortisation of loan issue costs	<b>0.9</b>	0.9	1.6
Total interest costs	<b>21.3</b>	17.2	37.1
Movement in fair value of derivative financial instruments	<b>0.7</b>	–	4.2
Total finance costs	<b>22.0</b>	17.2	41.3

## 7 TAXATION

	<b>Six months ended 30 June 2024 £m</b>	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Deferred tax			
Origination and reversal of temporary differences	<b>(7.5)</b>	(5.0)	(17.3)
	<b>(7.5)</b>	(5.0)	(17.3)
Current tax	<b>2.9</b>	2.7	3.7
<b>Tax credit</b>	<b>(4.6)</b>	(2.3)	(13.6)

Tax for the six months ended 30 June 2024 has been recorded at an effective rate of 7.0% (six months ended 30 June 2023: 2.2%; year ended 31 December 2023: 5.5%), representing the best estimate of the average annual effective tax rate expected for the full year adjusted for the tax effect of one-off items, applied to the pre-tax income of the six month period. The effective tax rate for the period of 7.0% is lower than the weighted average tax rate of 21.2%. This is primarily due to the revaluation loss arising from the UK property rental business which is exempt from UK Corporation Tax under the REIT regime.

The total tax credit for the period ended 30 June 2024 of £4.6 million is higher than the £2.3 million tax credit for the six months ended 30 June 2023 primarily due to lower current tax in the UK. The total tax credit for the period ended 30 June 2024 of £2.3 million is lower than the £13.6 million credit recognised for the year ended 31 December 2023 as a result of a release of deferred tax liabilities in Germany and France.

## 8 PROPERTY PORTFOLIO

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	699.7	807.8	230.0	1,737.5
Property held as property, plant and equipment	36.8	1.7	1.7	40.2
Properties held for sale	103.2	29.5	–	132.7
<b>Property portfolio at 30 June 2024</b>	<b>839.7</b>	<b>839.0</b>	<b>231.7</b>	<b>1,910.4</b>

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	915.4	814.9	262.4	1,992.7
Property held as property, plant and equipment	33.7	1.7	1.8	37.2
Properties held for sale	51.8	119.4	9.4	180.6
<b>Property portfolio at 30 June 2023</b>	<b>1,000.9</b>	<b>936.0</b>	<b>273.6</b>	<b>2,210.5</b>

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	836.3	768.2	246.0	1,850.5
Property held as property, plant and equipment	36.3	1.7	1.7	39.7
Properties held for sale	47.3	115.6	9.8	172.7
<b>Property portfolio at 31 December 2023</b>	<b>919.9</b>	<b>885.5</b>	<b>257.5</b>	<b>2,062.9</b>

The property portfolio which comprises investment properties detailed in note 9, the hotel and owner-occupied property detailed in note 10 and properties held for sale detailed in note 11 was revalued at 30 June 2024 to its fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by external independent valuers as follows:

	30 June 2024			30 June 2023			31 December 2023		
	Investment property £m	Other property £m	Property portfolio £m	Investment property £m	Other property £m	Property portfolio £m	Investment property £m	Other property £m	Property portfolio £m
Cushman and Wakefield	699.7	140.0	839.7	915.4	85.5	1,000.9	836.3	83.6	919.9
Jones Lang LaSalle	1,037.8	32.9	1,070.7	1,077.3	132.3	1,209.6	1,014.2	128.8	1,143.0
	<b>1,737.5</b>	<b>172.9</b>	<b>1,910.4</b>	<b>1,992.7</b>	<b>217.8</b>	<b>2,210.5</b>	<b>1,850.5</b>	<b>212.4</b>	<b>2,062.9</b>

The total fees, including the fees for this assignment, earned by each of the valuers from the Group is less than 5% of their total revenues in each jurisdiction. See note 9 and note 10 for details on valuation technique and fair value measurement.

## 9 INVESTMENT PROPERTIES

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2024	836.3	768.2	246.0	1,850.5
Capital expenditure	2.5	4.5	1.8	8.8
Disposals	(3.1)	–	–	(3.1)
Net revaluation movement	(38.9)	(30.9)	(12.5)	(82.3)
Lease incentives	(0.4)	0.2	0.1	(0.1)
Exchange rate variances	–	(18.0)	(5.4)	(23.4)
Transfer to property, plant and equipment	–	(0.1)	–	(0.1)
Transfer (to)/from properties held for sale	(96.7)	83.9	–	(12.8)
At 30 June 2024	699.7	807.8	230.0	1,737.5

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2023	1,030.0	990.5	274.5	2,295.0
Capital expenditure	25.5	4.8	1.3	31.6
Disposals	(1.8)	–	–	(1.8)
Net revaluation movement	(93.0)	(34.4)	(5.5)	(132.9)
Lease incentives	(0.5)	2.0	–	1.5
Exchange rate variances	–	(28.6)	(7.9)	(36.5)
Transfer to properties held for sale	(44.8)	(119.4)	–	(164.2)
At 30 June 2023	915.4	814.9	262.4	1,992.7

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2023	1,030.0	990.5	274.5	2,295.0
Acquisitions	–	–	–	–
Capital expenditure	37.2	9.3	3.1	49.6
Disposals	(3.7)	(6.6)	–	(10.3)
Net revaluation movement	(186.1)	(90.6)	(25.5)	(302.2)
Lease incentives	(0.3)	1.6	(0.2)	1.1
Exchange rate variances	–	(20.3)	(5.7)	(26.0)
Transfer to properties held for sale	(40.8)	(115.7)	(0.2)	(156.7)
At 31 December 2023	836.3	768.2	246.0	1,850.5

Investment properties include leasehold properties with a carrying value of £63.0 million (30 June 2023: £72.6 million; 31 December 2023: £65.1 million).

Interest capitalised within capital expenditure in the period amounted to £nil (30 June 2023: £0.6 million; 31 December 2023 £1.0 million)

### Valuation process

The Group's property portfolio was valued by external valuers on the basis of fair value using information provided to them by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's property management systems and is subject to the Group's overall control environment. The valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market related, such as yields and discount rates, and are based on professional judgement and market evidence of transactions for similar properties on arm's length terms. The valuations are prepared in accordance with RICS Valuation – Global standards.

## 9 INVESTMENT PROPERTIES continued

Each Country Head, who reports to the Chief Executive Officer, verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussions with the external valuers. When the process is complete, the valuation report is recommended to the Audit Committee and the Board, which considers it as part of its overall responsibilities.

### Valuation techniques

The fair value of the property portfolio (excluding ongoing developments, see below) has been determined using the following approaches in accordance with International Valuation Standards:

United Kingdom:	an income capitalisation approach whereby contracted and market rental values are capitalised with a market capitalisation rate
Germany:	a 10 year discounted cash flow model with an assumed exit thereafter
France:	both the market capitalisation approach and a 10 year discounted cash flow approach

The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms. Other factors taken into account in the valuations include the tenure of the property, tenancy details, and ground and structural conditions.

Ongoing developments are valued under the 'residual method' of valuation, which is the same method as the income capitalisation approach to valuation described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

All valuations have considered the environmental, social and governance credentials of the properties and the potential cost of improving them to local regulatory standards along with the broader potential impact of climate change.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

There were no transfers between any of the Levels in the fair value hierarchy during either 2024 or 2023. The Group determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorisation at the end of each reporting period.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of £82.8 million (30 June 2023: £132.9 million; 31 December 2023: £302.7 million) and are presented in the income statement in the line item 'Net movements on revaluation of investment properties'. The revaluation surplus for the property, plant and equipment of £0.6 million (30 June 2023: £0.1 million loss; 31 December 2023: surplus £2.2 million) was included within the revaluation reserve via other comprehensive income.

All gains and losses recorded in profit or loss in 2024 and 2023 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at 30 June 2024 and 30 June 2023, respectively.

**Quantitative information about fair value measurement using unobservable inputs (Level 3)**

	ERV					
	Average £ per sq. ft			Range £ per sq. ft		
	30-Jun-24	30-Jun-23	31-Dec-23	30-Jun-24	30-Jun-23	31-Dec-23
UK	<b>37.75</b>	35.62	34.76	<b>10.00 – 56.24</b>	10.00 – 55.85	10.00 – 56.05
Germany	<b>13.78</b>	14.07	14.40	<b>9.70 – 28.26</b>	9.84 – 24.53	9.93 – 29.70
France	<b>21.65</b>	21.19	21.96	<b>12.69 – 44.25</b>	12.87 – 40.20	12.99 – 43.53

	Equivalent yield					
	Average %			Range %		
	30-Jun-24	30-Jun-23	31-Dec-23	30-Jun-24	30-Jun-23	31-Dec-23
UK	<b>7.19</b>	6.09	6.08	<b>3.44 – 10.50</b>	2.93 – 9.27	2.98 – 13.23
Germany	<b>5.25</b>	5.01	5.24	<b>4.10 – 6.40</b>	4.00 – 6.00	4.40 – 6.20
France	<b>6.12</b>	5.41	6.00	<b>4.86 – 7.50</b>	4.30 – 6.90	4.79 – 7.40

**Sensitivity of measurement to variations in the significant unobservable inputs**

All other factors remaining constant, an increase in ERV would increase valuations, whilst an increase in the equivalent yield would result in a fall in value, and vice versa. There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in ERV and would mitigate its impact on the fair value measurement.

A decrease in the equivalent yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £81.6 million (30 June 2023: £93.5 million; 31 December 2023: £84.8 million) whilst a 25 basis point increase would reduce the fair value by £81.2 million (30 June 2023: £98.9 million; 31 December 2023: £85.4 million). A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by £74.8 million (30 June 2023: £87.9 million; 31 December 2023: £79.0 million) whilst an increase in the ERV by 5% would result in an increase in the fair value of the Group's investment property by £68.3 million (30 June 2023: £72.6 million; 31 December 2023: £70.7 million).

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

Although not a key valuation assumption, in the absence of a financial instruments note and disclosure on foreign exchange risk, the table below shows how the investment property values would be impacted by a 5% movement in the sterling/euro exchange rate at 30 June 2024.

	£m
5% increase in value of sterling against the euro	<b>(49.4)</b>
5% fall in value of sterling against the euro	<b>54.6</b>

**Sustainability, climate change, Net Zero Carbon Pathway and EPC compliance**

In August 2021, the Group published its Sustainability Strategy which includes a pathway to achieve Net Zero Carbon ("NZC") emissions by 2030 (see pages 37 to 38 of the 2023 Annual Report). Our NZC Pathway is underpinned by individual property energy audits, undertaken by technical experts, which identify energy and carbon saving opportunities. At today's costs, the investment required to upgrade all our assets to meet our SBTi-aligned NZC target amounts is an estimated £65 million over the 10-year period between 2021 and 2030, with over £15 million spent since 2021. We have integrated the energy audits into individual asset management plans to enable strategic decisions about the refurbishment, sale or full redevelopment of our assets to be made. Additional audits are undertaken as and when required (e.g. when a property enters the portfolio) to ensure the robust delivery of the pathway across the Group's portfolio. The UK portfolio is already compliant with the 2023 Minimum Energy Efficiency Standard (MEES) requirements, whilst further upgrades are scheduled to ensure our properties achieve the expected target of EPC B by 2030. In France, our asset management plans will ensure we meet the Décret Tertiaire requirements, whilst we continue to monitor the revised EU Energy Performance of Buildings Directive to ensure the alignment of our buildings in Germany and France. In addition, our NZC Pathway will see our alignment with the Carbon Risk Real Estate Monitor ("CRREM") energy and carbon intensity pathways, by 2030, across all three regions.

## 10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Hotel	30.8	27.1	30.2
Owner-occupied property	9.4	10.1	9.5
Fixtures and fittings	2.0	2.4	2.1
<b>Total</b>	<b>42.2</b>	<b>39.6</b>	<b>41.8</b>

	Hotel £m	Owner- occupied property £m	Fixtures and fittings £m	Total £m
At 1 January 2024	30.2	9.5	3.9	43.6
Additions	–	–	0.1	0.1
Disposals	–	–	(0.1)	(0.1)
Reclassification from investment property	–	0.1	–	0.1
Revaluation	0.6	(0.1)	–	0.5
Exchange rate variances	–	(0.1)	–	(0.1)
<b>At 30 June 2024</b>	<b>30.8</b>	<b>9.4</b>	<b>3.9</b>	<b>44.1</b>

### Comprising:

<b>At cost</b>	–	–	3.9	3.9
<b>At valuation</b>	<b>30.8</b>	<b>9.4</b>	–	<b>40.2</b>
	<b>30.8</b>	<b>9.4</b>	<b>3.9</b>	<b>44.1</b>

### Accumulated depreciation and impairment

At 1 January 2024	–	–	(1.8)	(1.8)
Depreciation charge	(0.1)	–	(0.2)	(0.3)
Disposals	–	–	0.1	0.1
Revaluation	0.1	–	–	0.1
<b>At 30 June 2024</b>	<b>–</b>	<b>–</b>	<b>(1.9)</b>	<b>(1.9)</b>

### Net book value

<b>At 30 June 2024</b>	<b>30.8</b>	<b>9.4</b>	<b>2.0</b>	<b>42.2</b>
At 31 December 2023	30.2	9.5	2.1	41.8

### Valuation techniques

The fair value of the hotel has been determined using the following approach in accordance with International Valuation Standards:

- Hotel: a 10 year discounted cash flow model with an assumed exit thereafter. The projected EBITDA in the 11th year is capitalised at a market yield before being brought back to present day values.
- Owner – occupied property: an income capitalisation approach whereby contracted and market rental values are capitalised with a market capitalisation rate.

This technique is consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of the hotel within the portfolio has been classified as Level 3 in the fair value hierarchy.

## 11 ASSETS HELD FOR SALE

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2024	47.3	115.6	9.8	172.7
Disposals	(40.8)	–	(9.8)	(50.6)
Transfer from/(to) investment property	96.7	(83.9)	–	12.8
Revaluation	–	(0.5)	–	(0.5)
Exchange rate variances	–	(1.7)	–	(1.7)
At 30 June 2024	103.2	29.5	–	132.7

The balance above comprises 3 properties (31 Dec 2023: 6 properties; 30 June 2023: 7 properties). The facts and circumstances of the disposals or expected disposals are commercially sensitive and therefore are not disclosed here however further detail may be obtained from the earlier part of this report. Management expect that properties transferred to held for sale during the year will be disposed of within 12 months, usually via an open market process.

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2023	7.0	3.6	9.7	20.3
Disposals	–	(3.6) <sup>1</sup>	–	(3.6)
Transfer from investment property	44.8	119.4	–	164.2
Exchange rate variances	–	–	(0.3)	(0.3)
At 30 June 2023	51.8	119.4	9.4	180.6

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2023	7.0	3.6	9.7	20.3
Disposals	–	(3.6) <sup>1</sup>	–	(3.6)
Transfer from investment property	40.8	115.6	0.3	156.7
Revaluation	(0.5)	–	–	(0.5)
Exchange rate variances	–	–	(0.2)	(0.2)
At 31 December 2023	47.3	115.6	9.8	172.7

<sup>1</sup> This is the disposal of our land holding in Sweden

## 12 BORROWINGS

### MATURITY PROFILE

	Secured bank loans £m
<b>At 30 June 2024</b>	
<b>Maturing in:</b>	
Within one year or on demand	249.4
One to two years	247.9
Two to five years	315.4
More than five years	220.2
	<b>1,032.9</b>
<b>Unamortised issue costs</b>	<b>(4.4)</b>
<b>Borrowings</b>	<b>1,028.5</b>
<b>Due within one year</b>	<b>(247.9)</b>
<b>Due after one year</b>	<b>780.6</b>

At the year ended 31 December 2023, £195.4 million of borrowings were due for repayment within one year and £327.0 million was due within one to two years including unamortised issue costs (see 2023 Annual Report and Accounts, note 19). During the six-month period, CLS has financed £137.1 million (of which £16.9 million was classified as new loans).

	Secured bank loans £m
<b>At 30 June 2023</b>	
<b>Maturing in:</b>	
Within one year or on demand	225.9
One to two years	176.8
Two to five years	424.3
More than five years	267.3
	<b>1,094.3</b>
<b>Unamortised issue costs</b>	<b>(4.9)</b>
<b>Borrowings</b>	<b>1,089.4</b>
<b>Due within one year</b>	<b>(224.5)</b>
<b>Due after one year</b>	<b>864.9</b>

	Secured bank loans £m
<b>At 31 December 2023</b>	
<b>Maturing in:</b>	
Within one year or on demand	195.4
One to two years	327.0
Two to five years	331.0
More than five years	222.2
	<b>1,075.6</b>
<b>Unamortised issue costs</b>	<b>(5.0)</b>
<b>Borrowings</b>	<b>1,070.6</b>
<b>Due within one year</b>	<b>(193.9)</b>
<b>Due after one year</b>	<b>876.7</b>



## 12 BORROWINGS continued

### FAIR VALUES

	Carrying amounts			Fair values		
	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m	30 June 2024 £m	30 June 2023 £m	31 December 2023 £m
Current borrowings	247.9	224.5	193.9	247.9	224.5	193.9
Non-current borrowings	780.6	864.9	876.7	719.3	777.3	820.0
	<b>1,028.5</b>	1,089.4	1,070.6	<b>967.2</b>	1,001.8	1,013.9

The valuation methods used to measure the fair values of the Group's fixed rate borrowings were derived from inputs which were either observable as prices or derived from prices taken from Bloomberg (Level 2).

### 13 SHARE CAPITAL

	Number of shares authorised, issued and fully paid					
	Ordinary shares in circulation Number	Treasury shares Number	Total ordinary shares Number	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2023	379,210,866	41,566,914	438,777,780	9.9	1.1	11.0
Issue of shares	199,402	(199,402)	–	–	–	–
At 30 June 2023 and 31 December 2023	397,410,268	41,367,512	438,777,780	9.9	1.1	11.0
<b>At 30 June 2024</b>	<b>397,410,268</b>	<b>41,367,512</b>	<b>438,777,780</b>	<b>9.9</b>	<b>1.1</b>	<b>11.0</b>

### 14 EARNINGS PER SHARE

The calculation of earnings per ordinary share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year.

	30 June 2024 Number	30 June 2023 Number	31 December 2023 Number
<b>Weighted average number of ordinary shares in circulation</b>	<b>397,410,268</b>	397,249,424	397,330,507
<b>Number of ordinary shares in circulation</b>	<b>397,410,268</b>	397,410,268	397,410,268

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share does not assume conversion of potential ordinary shares that would have an antidilutive effect on earnings per share.

The Group has three types of dilutive potential ordinary shares, being: unvested shares granted under the Long Term Incentive Plan for executive directors and senior management; unvested shares granted under the Element B plan for executive directors and senior management; and unvested shares granted under the Special Share Award plan to key management. The issue of all these unvested shares is contingent upon satisfying specified conditions such as length of service and company performance.

Employee share plan	30 June 2024 Number	30 June 2023 Number	31 December 2023 Number
Element B / Special Share Award	694,695	932,847	820,246
LTIP	4,811,944	2,963,569	2,880,054
<b>Total potential dilutive shares</b>	<b>5,506,639</b>	3,896,416	3,700,300

## 15 CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Operating loss	(43.9)	(90.5)	(223.4)
Adjustments for:			
Net movements on revaluation of investment properties	82.8	132.9	302.7
Net movements on revaluation of equity investments	0.4	–	1.3
Depreciation and amortisation	0.5	0.3	0.8
Lease incentive debtor adjustments	0.1	(1.5)	(1.1)
Share-based payment charge	0.3	0.2	0.5
Loss/(profit) on sale of investment properties	1.4	(2.7)	(1.4)
Changes in working capital:			
Decrease/(increase) in receivables	4.6	1.5	(0.9)
(Decrease)/increase in payables	(5.4)	0.4	4.7
<b>Cash generated from operations</b>	<b>40.8</b>	<b>40.6</b>	<b>83.2</b>

## 16 CASH AND CASH EQUIVALENTS

	Six months ended 30 June 2024 £m	Six months ended 30 June 2023 £m	Year ended 31 December 2023 £m
Cash at bank	68.5	92.5	70.6

At 30 June 2024, cash at bank included £24.7 million (31 Dec 2023: £26.1 million; 30 June 2023: £30.0 million) which was restricted by a third-party charge. £15.0 million of the restricted cash is deposited with banks in respect of borrowings (31 Dec 2023: £15.4 million; 30 June 2023: £19.9 million), £9.7 million is tenant deposits (31 Dec 2023: £10.7 million; 30 June 2023: £9.9 million) and £nil (31 Dec 2023: £nil; 30 June 2023: £0.2m) is from a terminated contract for the provision of property management services to a related party.

## 17 CONTINGENCIES

As outlined in note 28 of the 2023 Annual Report and Accounts, in April 2023, CLS Holdings plc dissolved 8 subsidiaries. Before the subsidiaries were dissolved, capital reductions and distributions of the net assets of the subsidiaries, primarily represented by inter-company receivables of £17.1 million, to CLS Holdings plc should have been executed. However, they were not. As a consequence of this, as a matter of Law, on dissolution of these subsidiaries the technical titles to the inter-company receivables were transferred from the Group to the Crown. A further review of subsidiary dissolutions was conducted during the six months ended 30 June 2024. This review identified a further three subsidiaries of CLS Holdings plc where capital reductions and distributions were not executed appropriately representing a further £4.6 million of inter-company receivables that were transferred to the Crown. The Directors have taken legal advice and started the process to restore the aforementioned subsidiaries. Thereafter, the Directors can execute the capital reductions and make appropriate distributions to CLS Holdings plc of these subsidiaries' assets. Also, based on that legal advice, the Directors consider that it is improbable that the Crown will pursue the CLS group for these assets of the subsidiaries prior to the process of the restoration of the subsidiaries being completed and the technical title to the receivables being returned to the Group. Therefore, the Directors consider that it is not probable that an outflow of cash or other economic resources of £21.7 million from the Group will occur, and therefore no provision is recognised at 30 June 2024, but has been disclosed as a contingent liability. Subsequent to 30 June 2024, notice was received that three subsidiaries have been successfully restored, reducing the contingent liability to £17.6 million at the date of this report.

## 18 RELATED PARTY TRANSACTIONS

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

## **19 POST BALANCE SHEET EVENTS**

The Group completed on the sale Hansastrasse, Dortmund on 5 August 2024 for a total of £7.7 million. At the balance sheet date the property was classified as held for sale on the balance sheet.

There were no other material events after 30 June 2024 which have a bearing on the understanding of the financial statements and require disclosure.

## GLOSSARY

### **Administration cost ratio**

Recurring administration expenses of the investment property operating segment expressed as a percentage of net rental income.

### **Balance sheet loan-to-value**

Net debt expressed as a percentage of property assets.

### **Building Research Establishment Environmental Assessment Method (BREEAM)**

An environmental impact assessment method for non-domestic buildings. Their standards cover new construction, In-Use as well as refurbishment and fit-out. BREEAM In-Use enables property investors, owners, managers and occupiers to determine and drive sustainable improvements in the operational performance of their buildings. It provides sustainability benchmarking and assurance for all building types and assesses performance in a number of areas; management, health & wellbeing, energy, transport, water, resources, resilience, land use & ecology, and pollution. Performance is measured across a series of ratings; Good, Very Good, Excellent and Outstanding.

### **Carbon emissions Scopes 1, 2 and 3**

Scope 1 – direct emissions;

Scope 2 – indirect emissions; and

Scope 3 – other indirect emissions.

### **CDP**

CDP, formerly known as the Carbon Disclosure Project, assesses the ESG performance of all major companies worldwide and aids comparability between organisations to allow the investor community to assess the carbon and climate change risk of each company.

### **Contracted rent**

Annual contracted rental income after any rent-free periods have expired.

### **Earnings per share**

Profit for the year attributable to the owners of the Company divided by the weighted average number of ordinary shares in issue in the period.

### **Energy Performance Certificate (EPC)**

An EPC is an asset rating detailing how energy efficient a building is, rated by carbon dioxide emission on a scale of A-G, where an A rating is the most energy efficient. They are legally required for any building that is to be put on the market for sale or rent.

### **European Public Real Estate Association (EPRA)**

A not-for-profit association with a membership of Europe's leading property companies, investors and consultants which strives to establish best practices in accounting, reporting and corporate governance and to provide high-quality information to investors. EPRA's Best Practices Recommendations includes guidelines for the calculation of the following performance measures which the Group has adopted.

### **EPRA capital expenditure**

Investment property acquisitions and expenditure split between amounts used for the creation of additional lettable area ('incremental lettable space') and enhancing existing space ('no incremental space') both on an accrual and cash basis.

### **EPRA cost ratio**

Administrative & operating costs (including & excluding costs of direct vacancy) divided by gross rental income. A measure to enable meaningful measurement of the changes in a company's operating costs.

### **EPRA earnings per share (EPS)**

Earnings from operational activities. A measure of a company's underlying operating results and an indication of the extent to which current dividend payments are supported by earnings.

### **EPRA like-for-like rental growth**

This measure shows the growth in gross rental income on properties owned throughout the current and previous year under review. This growth rate excludes properties held for development, acquired or disposed in either year.

### **EPRA net reinstatement value (NRV)**

NAV adjusted to reflect the value required to rebuild the entity and assuming that entities never sell assets. Assets and liabilities, such as fair value movements on financial derivatives are not expected to crystallise in normal circumstances and deferred taxes on property valuation surpluses are excluded.

### **EPRA net tangible assets (NTA)**

Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

### **EPRA net disposal value (NDV)**

Represent the shareholders' value under a disposal scenario, where deferred tax, financial instruments and certain other adjustments are calculated to the full extent of their liability, net of any resulting tax.

### **EPRA net initial yield (NIY)**

Annualised rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the EPRA property portfolio, increased by estimated purchasers' costs.

### **EPRA LTV**

The aim of EPRA LTV is to assess the gearing of the shareholder equity within a real estate company by adjusting IFRS reporting. The main overarching concepts are: any capital which is not equity is considered as debt irrespective of its IFRS classification; it is calculated on proportional consolidation; and assets are included at fair value and net debt at nominal value.

### **EPRA 'topped up' net initial yield**

This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and stepped rents).

### **EPRA vacancy rate**

Estimated rental value (ERV) of immediately available space divided by the ERV of the lettable portfolio.  
Estimated rental value (ERV) The market rental value of lettable space as estimated by the Group's valuers.

### **Estimated rental value (ERV)**

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

### **GRESB**

GRESB assesses and benchmarks the environmental, social and governance (ESG) performance of real assets, providing standardised and validated data to the capital markets.

### **Interest cover**

The aggregate of group revenue less costs, divided by the aggregate of interest expense and amortisation of loan issue costs, less interest income.

### **Key performance indicators (KPIs)**

Activities and behaviours, aligned to both business objectives and individual goals, against which the performance of the Group is annually assessed. Performance measured against them is referenced in the annual report.

### **Liquid resources**

Cash and short-term deposits.

### **Net assets per share or net asset value (NAV)**

Equity attributable to the owners of the Company divided by the diluted number of ordinary shares.

**Net debt**

Total borrowings less liquid resources.

**Net gearing**

Net debt expressed as a percentage of net assets attributable to the owners of the Company.

**Net initial yield**

Net rent on investment properties and properties held for sale expressed as a percentage of the valuation of those properties.

**Net rent**

Passing rent less net service charge costs.

**Occupancy rate**

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

**Over-rented**

The amount by which ERV falls short of the aggregate of contracted rent.

**Passing rent**

Contracted rent before any rent-free periods have expired.

**Property loan-to-value**

Property borrowings expressed as a percentage of the market value of the property portfolio.

**Real Estate Investment Trust (REIT)**

A Real Estate Investment Trust (REIT) is a vehicle that allows an investor to obtain broadly similar returns from their investment, as they would have, had they invested directly in property. In the UK a REIT is exempt from UK tax on the income and gains of its property rental business. A REIT in the UK is required to invest mainly in property (75% of total Group's assets and profits must be in the tax exempt business) and to pay out 90% of the profits from its property rental business as measured for tax purposes as dividends to shareholders (property income distributions). In the hands of the shareholder, property income distributions (PID) are taxable as profits of a UK property rental business. The PID is received net of withholding tax, unless it is to a recipient entitled to gross payment.

**Rent reviews**

Rent reviews take place at intervals agreed in the lease (typically every five years) and their purpose is usually to adjust the rent to the current market level at the review date. For upwards only rent reviews, the rent will either remain at the same level or increase (if market rents are higher) at the review date.

**Rent roll**

Contracted rent.

**Return on equity**

The aggregate of the change in equity attributable to the owners of the Company plus the amounts paid to the shareholders as dividends and the purchase of shares in the market, divided by the opening equity attributable to the owners of the Company.

**Reversion**

The amount by which ERV exceeds contracted rent.

**Streamlined energy and carbon reporting (SECR)**

The SECR regulations were introduced in April 2019 and require companies incorporated in the UK to undertake enhanced disclosures of their energy and carbon emissions in their financial reporting.

### **The Task Force on Climate-related Financial Disclosures (TCFD)**

Set up by the Financial Stability Board (FSB) in response to the G20 Finance Ministers and Central Bank Governors request for greater levels of decision-useful, climate-related information; the TCFD was asked to develop climate-related disclosures that could promote more informed investment, credit (or lending), and insurance underwriting decisions. In turn, this would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

### **Total Accounting Return – basic**

The change in IFRS net assets before the payment of dividends.

### **Total Accounting Return**

The change in EPRA NTA before the payment of dividends.

### **Total Shareholder Return (TSR)**

The growth in capital from purchasing a share, assuming that dividends are reinvested every time they are received.

### **True equivalent yield**

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

### **UN Sustainable Development Goals (SDGs)**

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries – developed and developing – in a global partnership. They recognize that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.