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**CLS HOLDINGS PLC  
("CLS", the "Company" or the "Group")  
ANNOUNCES ITS ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

**Delivering on our strategic priorities**

CLS' vision is to be a leading pan-European office and commercial property specialist and a supportive, progressive and sustainably focused property investment company. We aim to deliver long-term value through the active management of high-yielding properties.

For the year ended 31 December 2024, the Group has delivered the following results:

	31 December		Change
	2024	2023	
EPRA Net Tangible Assets ("NTA") Per Share (pence) <sup>1</sup>	215.0	253.0	(15.0)%
Statutory NAV per share (pence) <sup>1</sup>	197.3	233.8	(15.6)%
Contracted rents (£'million)	108.9	112.6	(3.3)%
Loss before tax (£'million)	(97.4)	(263.4)	63.0%
EPRA Earnings Per Share ("EPS") (pence) <sup>1</sup>	9.2	10.3	(10.7)%
Statutory EPS from continuing operations (pence) <sup>1</sup>	(23.6)	(62.9)	62.5%
Dividend per share (pence)	5.28	7.95	(33.6)%

<sup>1</sup>A reconciliation of statutory to alternative performance measures is set out in Note 5 to the financial statements

Fredrik Widlund, Chief Executive Officer of CLS, commented:

*"In 2024, CLS made significant progress in executing our strategic objectives, despite a demanding economic backdrop. Our strong leasing performance highlights the quality and resilience of our portfolio, while completed property sales and refinancing efforts have strengthened our balance sheet and positioned the business for future growth."*

*"Looking ahead, we believe the commercial property market is at or near the bottom of the current cycle across the UK, Germany, and France. Over the past year, the real estate sector has entered a period of cautious optimism, with signs of gradual recovery and stabilising investment activity. While economic uncertainties remain, improving market fundamentals, such as strong leasing take-up, a limited pipeline of new office supply, and moderating interest rates, are creating new opportunities. With a 30-year track record of successfully navigating market cycles, CLS is well-placed to capitalise on this improving landscape."*

*"By resetting our dividend and increasing our asset disposal programme, we will unlock funds to invest in capturing the upside potential embedded in our portfolio in the years ahead, while maintaining or reducing our LTV."*

**OPERATIONAL HIGHLIGHTS**

- Net rental income increased by 3.8% to £117.3 million on a like-for-like and constant currency basis (0.9% to £114.0 million (2023: £113.0 million) on a statutory basis) as a result of: new leases and renewals, other income including the buyer's forfeited deposit on the failed sale of Westminster Tower, increased student and hotel revenue and indexation (54.4% of contracted rent is index-linked)
- Strong leasing performance securing contracted annual rent of £16.6 million (2023: £15.5 million) with 112 new lettings and renewals in 2024 (2023: 130). The leases were 6.8% above 31 December 2023 estimated rental values
- Underlying vacancy decreased by 0.4% to 10.6% but overall vacancy increased to 12.7% (2023: 11.0%), due to the completion of developments in the year, adding c.14,200 sqm (153,000 sq. ft) of high-quality and refurbished space to our portfolio

- Rent collection has continued to be strong with 99% collected (2023: 99%) and 99% of Q1 2025 contracted rent due collected to date
- High occupancy levels continue in our Student and Hotel assets in Vauxhall, with the student accommodation fully let for the current academic year and the hotel achieving record revenue
- Completed the disposal of five properties for a total of £66.1 million, which was in line with presale valuations
- In 2025, we exchanged on the disposal of the student accommodation asset at Spring Mews, for £101.1 million, in-line with book value. CLS has also agreed the disposal of one property in Germany and one property in the UK for a combined £24.2 million, in-line with the latest valuation. All three sales are targeted to complete in the first half of 2025
- CLS intends to complete the remaining £78.6 million of its £270 million targeted sales program this year. In due course, CLS is also considering additional sales of up to £130 million to help fund the pipeline of refurbishment and redevelopment opportunities in the portfolio whilst maintaining or reducing LTV

## FINANCIAL HIGHLIGHTS

- Portfolio valuation down 5.8% in local currency (UK -8.3%, Germany -3.5% and France -5.1%), with estimated rental value decline of -0.8% (1.8% growth excluding New Printing House Square which was impacted by a change in valuation assumption) as well as equivalent yield expansion of 24 basis points on a like-for-like basis. The pace of these valuation declines reduced in 2024, and in the second half of the year valuations were flat in Germany and France with a small decrease in the UK
- EPRA NTA per share down 15.0% primarily as a result of property valuation falls. Total accounting return for the year of -11.9% (2023: -20.8%)
- EPRA EPS down 10.7% to 9.2 pence per share due to higher financing costs and non-recoverable costs related to vacancy
- Loss before tax of £97.4 million (2023: £263.4 million loss) from net valuation declines on investment properties of £127.7 million (2023: £302.7 million loss). Statutory EPS was a loss of 23.6p
- A proposed final dividend of 2.68 pence per share, so as to retain cash to invest in the significant opportunities within our portfolio, resulting in a full-year dividend of 5.28 pence per share (2023: 7.95 pence per share). Dividend cover of 1.73 times, in line with the Group's revised dividend policy of the dividend being covered 1.50 to 3.00 times by EPRA earnings

## FINANCING HIGHLIGHTS

- Balance sheet remains resilient with total liquidity of £120.5 million comprising cash and cash equivalents of £60.5 million, two undrawn revolving credit facilities totalling £50 million and a £10 million overdraft facility
- Balance sheet loan-to-value at 50.7% (2023: 48.5%) reflecting valuation declines with net debt down by over £60 million to £938.7 million (2023: £1,000.0 million). Weighted average debt maturity of 3.2 years (2023: 3.5 years) with 80% at fixed rates and 4% subject to interest rate caps (2023: 76% fixed and 4% caps)
- Weighted average cost of debt at 31 December 2024 up 16 basis points to 3.77% (2023: 3.61%) resulting from higher interest rates on completed refinancings and new debt, less a decrease in the reference rates on floating rate loans and repayments of higher-cost loans
- Refinanced or extended nine loans totalling £154.5 million in 2024 at an average of 5.13%, including £137.7 million fixed at 4.99%
- Significant progress made with the refinancing activity for 2025 such that of the £373.7 million expiring in 2025 (including £9.6 million of amortisation), progress has been made with £342.1 million: £42.1 million has been refinanced; £85.8 million that will be refinanced or repaid alongside the completion of the Spring Mews Student sale and £189.1 million has been credit approved or is well progressed

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Our sustainability progress was again recognised by maintaining our Gold award in the EPRA Sustainability Best Practices Recommendations as well as maintaining our GRESB award of 4 green stars
- Progress continues with implementing our ambitious, but achievable, long-term sustainability targets including our 2030 Net Zero Carbon Pathway. We achieved landlord energy savings of 4.9% for the year on a like-for-like basis and maintained over 99% Group purchased electricity being carbon-free
- In 2024, we spent a further £0.8 million towards our estimated total programme cost of £65 million such that we have now invested over £17 million since launching our Net Zero Carbon Pathway
- Over 50% of our UK properties are now rated A or B, and we are fully compliant with 2024 minimum EPC regulations in the UK

## DIVIDEND TIMETABLE

The Board has recommended a final dividend of 2.68 pence per ordinary share with the following dividend timetable:

Announcement date	1 April 2025
Ex-Dividend date	10 April 2025
Record date	11 April 2025
Payment date	23 May 2025

– ends –

### Results presentation

A presentation for analysts and investors will be held in-person at Panmure Liberum, by webcast on Tuesday 1 April 2025 at 8:30am followed by Q&A. Questions can be submitted online via the webcast.

- Panmure Liberum: Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY
- Webcast: The live webcast will be available to access here:  
<https://sparklive.lseg.com/CLSHoldings/events/5ba5e123-5ed2-42e9-8521-06b1e2f0cb75/cls-holdings-plc-full-year-results-2024>

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### Forward-looking statements

This document may contain certain 'forward-looking statements'. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual outcomes and results may differ materially from those expressed or implied by such forward-looking statements. Any forward-looking statements made by or on behalf of CLS speak only as of the date they are made and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Except as required by its legal or statutory obligations, the Company does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. Information contained in this document relating to the Company or its share price, or the yield on its shares, should not be relied upon as an indicator of future performance.

# Chairman's review

"2024 was another demanding year for CLS but, with interest rates reducing and valuations bottoming, we believe that 2025 will see CLS return to growth. Regardless, we remain focused on operational delivery to reduce vacancy and increase net asset value by continuing to provide high-quality office space for our customers."

Dear Shareholder,

After two years, market fundamentals are again moving in CLS' favour with reducing interest rates and employers increasingly promoting greater office time to improve their operations. Operationally, CLS continues to stay close to our occupiers and respond to their quality requirements. Our delivery of the best offices in our locations has been particularly demonstrated in 2024 through some notable lettings in Germany and the UK, and we continue to see strong demand for well-located and efficient properties from government and mid-sized companies that value high quality and cost-effective offices.

## Performance and our property portfolio

CLS again delivered resilient performance with valuations now bottoming. Good underlying rental growth was achieved through the signing of new leases, increased other income, record student and hotel results, and indexation, although this was offset by increased interest expense from higher rates leading to overall lower earnings.

Our property portfolio fell by 10.3% to £1.85 billion (2023: £2.06 billion) with the portfolio now split 44% in the UK, 44% in Germany and 12% in France. The movement in the property portfolio was a result of £116.0 million from a net valuation decrease of 5.8% in local currencies, £50.5 million from the strengthening of Sterling by 4.8%, and £67.1 million of disposals partly offset by £21.1 million of capital expenditure.

The property valuation decreases resulted in EPRA NTA per share declining by 15.0% to 215.0 pence per share (2023: 253.0 pence per share) and the Total Accounting Return, including the dividends paid in the year, was -11.9% (2023: -20.8%).

## Strategic outlook

Throughout several property cycles, CLS has pursued a long-term, successful strategy focused on high-quality, well-located offices in Europe's three largest economies. The Board has considered various possible funding options and strategies and has concluded that its existing financing methods and strategy remain appropriate. In the near term, the Board intends to expand its disposal programme, recycling the net cash proceeds from asset sales into continuing to develop and refurbish its existing properties and further reducing leverage across the Group. With the market bottoming, we are finding increasing opportunities within our portfolio, to reduce vacancy and increase value by investment.

In order to fund this investment, but also to ensure our leverage is within our target range of 35% to 45% LTV, we will continue to sell those properties, at appropriate values, for which we see less growth potential and/or we have completed the business plan. This investment will support our vision of being a sustainably focused property investment company. A large part of which will be achieved through executing our 2030 Net Zero Carbon Pathway and meeting our other Sustainability Strategy targets although, with the ever-changing sustainability landscape and being half way to 2030, we will also initiate a review of the strategy, pathway and key targets.

## Dividends

As highlighted throughout this report, there are significant opportunities within the portfolio to grow net asset value, which is in-line with CLS' strategy as a total return share focused on growth and income. Consequently, we are reducing the dividend by 50% to retain funds to capture these opportunities and we are revising the dividend policy such that the dividend is covered 1.5x to 3.0x by EPRA earnings (previously 1.2x to 1.6x).

## Our staff and our culture

In 2024, CLS celebrated 30 years on the London Stock Exchange. During these three decades, the Company has enjoyed great success but also weathered several downturns, particularly over the last four years with Covid-19 followed by a challenging economy. Although this period has been demanding for CLS, our team has performed very well throughout helped by, but also reinforcing, CLS' positive culture and, on behalf of the Board, I again extend our thanks for all their efforts.

CLS cannot control economic market fluctuations but we can, and will, continue to drive operational improvements to ensure that CLS takes advantage of opportunities to deliver for shareholders.

## Lennart Sten

Non-Executive Chairman

31 March 2025

# Chief Executive's review

“Our strong leasing performance and stable rent collection highlight the quality and resilience of our portfolio, while targeted disposals and refinancing efforts have strengthened our balance sheet. We successfully completed property sales and loan refinancings, reducing debt and positioning the business for future growth.”

## Creating life stories

2024 was a significant year for CLS in terms of economic and market activity. For the first time in two years, the central banks in England and Europe cut interest rates. We did not expect, and have yet to see, a sudden turn-around in property investment activity but there are certainly green shoots emerging. Moreover, and more importantly, we have seen property valuations start to bottom. For while UK property valuations initially fell more quickly than in Germany and France, our properties in all three markets have seen valuation falls of more than 20% since 2022. However, in the second half of 2024 the values of our properties in Germany and France were flat and the reduction in UK property values also lessened, particularly when property specific factors are excluded.

2024 also witnessed a further acceleration in the return to the office, and whilst working patterns continue to evolve, we have seen employees now returning to offices in force and employers increasingly mandating greater office attendance. As we have consistently said, we do not expect a complete return to pre-pandemic working with hybrid patterns here to stay. However, with occupiers mandating more three, four or five office days, this bodes well for future office letting demand.

2024 was also a significant year for CLS as we celebrated 30 years as a publicly listed company on the London Stock Exchange. To reflect this milestone, we updated our website and links to our digital marketing to showcase the quality of our properties and that we are “Creating Life Stories” for our occupiers. As an illustration of how the Company is Creating Life Stories, in 2024 we signed the highest value of letting contracts in recent times, either with new or existing long-term customers.

## Delivering on our strategy

As a long-term business, CLS has benefited from, and weathered, many property cycles and we recognise that it is important for CLS to ensure that its strategy and business model remains resilient. In these more demanding conditions, our focus has been on delivering our strategic priorities and making operational improvements. Our priorities have been, and continue to be, the letting of recent refurbishments and executing our refinancing and sales programme.

In 2024, we made good progress in all these areas and have made more advances in 2025.

Underlying vacancy, excluding completed refurbishments and disposals, dropped in 2024 from 11.0% to 10.6% with particularly strong letting activity in the UK and Germany. We have strong relationships with occupiers and expect further progress in 2025 as we are seeing continued interest from government departments and mid-sized companies, sectors that fit well with CLS' portfolio of well-located and efficient office properties.

We sold £66.1 million of properties in-line with book values out of our targeted £270 million sale programme. Progress was slower than hoped due to a sluggish investment market and because we remained disciplined on sales prices. Significant further progress has been made at the start of 2025 as we have exchanged on Spring Mews Student, for £101.1 million, again in-line with book value. We have also agreed the disposal of one property in Germany and one property in the UK for a combined £24.2 million, in-line with the latest valuation. These disposals are due to be completed in the first half of the year. Over the rest of the year, CLS intends to complete the remaining c.£70 million of its targeted sales programme. In due course, CLS may also consider additional sales of assets to help fund the pipeline of refurbishment and redevelopment opportunities in the portfolio.

Finally, we completed all of the refinancing of debt maturing in 2024. Furthermore, we have made good progress on £342.1 million of the £373.7 million debt which matures in 2025. As evidence of this, we have refinanced £42.1 million and £85.8 million will be refinanced or repaid alongside the completion of the Spring Mews Student sale.

## Asset and property management

The significant capital expenditure investment that CLS made in 2022 and 2023 to increase the quality of its portfolio started to pay off in 2024. CLS enjoyed the best leasing performance in the UK and Germany since 2015. In total, CLS secured contracted annual rent of £16.6 million which was 7% more than in 2023 (2023: £15.5 million) as we signed bigger leases across the 112 new lettings and renewals (2023: 130). The leases were 6.8% above 31 December 2023 ERVs.

While underlying vacancy dropped in 2024, total EPRA vacancy increased to 12.7% (31 December 2023: 11.0%) as more high-quality refurbishments were completed in 2024 in the UK and France, which are now available for occupation.

The combination of the strong letting performance and the completion of refurbishments, resulted in the vacancy position again being mixed across the Group. In the UK, vacancy increased from 15.8% at the end of 2023 to 18.5% at the end of 2024 from the completion of the remaining floors at Artesian, Prescot Street in London. Although the vacancy in the UK did reduce from 19.6% in the first half mainly due to the letting of one floor at Artesian to Médecins Sans Frontières for over 12,000 sq. ft (1,100

sqm). In Germany, a strong letting performance offset expiries and vacancy dropped from 6.8% in 2023 to 6.7% at the end of 2024. In France, vacancy increased from 5.6% at the end of 2023 to 8.3% at the end of 2024 from refurbishments completed in Lyon. We expect vacancy in Lyon to reduce in 2025 given tight planning restrictions, market vacancy of 7% and good demand for the smaller units CLS offers.

2025 has started positively with the 7-month extension of the lease with the National Crime Agency at Spring Gardens, which fits well with our redevelopment timeline as commented on below. We have larger lease expiries in 2025 at New Printing House Square in London, where all leases were due to expire in June 2025, although we expect to renew over half of the existing leases and have positive discussions for further space. We also have one larger lease expiry at Inside in Paris for which we expect the occupier to vacate or downsize.

Overall, our properties are multi-let with over 700 tenants, of which 25.5% are government agencies, 40.3% are large corporations and 18.3% are medium-sized companies. Reflecting the strength of our tenant base, CLS' rent collection has remained consistently in excess of 99% for at least the last five years.

In 2024, the value of the portfolio was down by 5.8% in local currencies with the UK down 8.3%, Germany down 3.5% and France down 5.1%.

During the year some properties increased in value with the rate of valuation reduction down significantly in the second half, with the value of the properties in Germany and France essentially flat. In the UK, the shortening lease at Spring Gardens, one of the largest assets in the Group, leased by the National Crime Agency, contributed to roughly half of the UK reduction as the site is valued as an office investment with a shortening lease and not yet as a development site. The ERV of the Group declined 0.8% but excluding the ERV decline at New Printing House Square for which the major refurbishment (and thus ERV increase) was delayed, then Group ERV was up 1.8% with increases in all three countries. However, this ERV increase was not sufficient to offset the 12-basis point increase in equivalent yields to 5.93% (2023: 5.81%), or a 24 basis point increase on a like-for-like basis.

“Looking ahead, we believe the commercial property market is at or near the bottom of the current cycle across the UK, Germany, and France. Over the past year, the real estate sector has entered a period of cautious optimism, with signs of gradual recovery and stabilising investment activity.”

### **Financial results**

In 2024, CLS' focus remained on delivery of its strategic objectives as the economic backdrop continued to be demanding. Property valuations were down, but outperformed relative to the market and started to bottom in the second half of the year, and whilst net rental income grew by 3.8%, on a like-for-like and constant currency basis, finance costs rose more rapidly such that EPRA earnings were lower.

EPRA earnings per share fell 10.7% from 10.3 pence in 2023 to 9.2 pence in 2024 (IFRS loss per share 2024: (23.6) pence, 2023: (62.9) pence) as increased rental income from new leases and renewals, other income including the forfeited Westminster Tower deposit and another record year for our student and hotel operations less lease expiries was more than offset by increased finance costs that increased from 3.61% to 3.77% due to higher rates on refinanced debt. The operating loss for the year was £52.5 million (2023: £223.4 million loss).

EPRA NTA decreased by 15.0% (2023: 23.2% decrease) to 215.0 pence per share (IFRS net assets 2024: £784.2 million, 2023: £929.2 million), reflecting revaluation reductions of 5.8% in local currency, foreign exchange losses of £25.8 million from the 4.8% strengthening of Sterling against the Euro (2023: £26.3 million loss) and dividend payments, which was partly offset by EPRA earnings.

At the year-end, we had cash and cash equivalents of £60.5 million (2023: £70.6 million), which was lower than in 2023 due to the repayment of debt and continued investment in the portfolio, as well as £50.0 million of committed credit facilities (2023: £50.0 million) and a £10 million overdraft facility (2023: £nil) and have significantly progressed the 2025 refinancings that are going to become due.

### **Sustainability**

This year we maintained progress on our Net Zero Carbon Pathway, with year-on-year reductions of 4.9% in landlord energy consumption and 6.9% in Scope 1 and 2 greenhouse gas emissions, on a like-for-like basis. Additionally, our focus was to ensure the complex task of replacing the remaining gas heating systems with electric heat pumps was derisked and aligned with our leasing and refurbishment plans over coming years. We completed the majority of this feasibility work, which has adjusted our forward works programme resulting in a planned reduction in projects implemented this year to 27 and a reduced capital investment of £0.8 million.

Alongside maintaining compliance for key energy and sustainability regulations in all countries, CLS continues to report under many different sustainability frameworks that go beyond compliance. We maintained our 4 star rating in GRESB, as well as our EPRA SBPR Gold award for reporting and improved our BREEAM In-Use ratings at 8 buildings.

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 youth homelessness and youth skills.

## **2025 and beyond**

Our long-term strategy remains unchanged, and our focus remains on operational delivery and securing capital for investment. Operationally the highest priority for 2025 is to reduce vacancy.

Included again is our rent progression waterfall chart which has been updated to show the changes and progress made in the year. In summary, it shows the more than 20% rental upside that exists within the portfolio, with a large proportion of it able to be captured quickly. We are confident that vacancy will reduce in 2025 given that two-thirds of our vacancy is EPC A or B (or equivalent), with almost all the remainder being EPC C. Securing these rental increases is critical to drive rental growth in excess of higher financing costs and thus achieve higher profits.

What has been increasingly evident in the last year is that a greater number of value-creating opportunities to invest and grow the business have emerged within the portfolio.

These opportunities include: The Brix in Essen and The Yellow in Dortmund, both related to the new long-term government leases recently signed; Debussy in Paris, a conversion of an existing office building into serviced apartments; and a comprehensive upgrade of Bismarckstrasse in Berlin that will drive significantly higher rents. Each of these projects have the potential to deliver an estimated profit on cost between 15-25% in the near term.

In the UK, we are also progressing our plans for both Citadel Place (currently known as Spring Gardens), to secure planning for a residential development of 500 new homes, as well as several UK office properties that are suitable for residential conversion.

In terms of capital and the balance sheet, the focus is on executing upcoming refinancings and reducing LTV through selective disposals to give the firepower to execute these opportunities. For CLS to remain successful we need to invest in these opportunities, at what appears to be a particularly favourable point in the cycle, to meet customer needs and deliver asset value growth.

By delivering on the opportunities within our existing property portfolio, together with more favourable monetary policies and an improving macro-economic environment, CLS is well placed to deliver long-term value for shareholders.

## **Fredrik Widlund**

Chief Executive Officer

31 March 2025

# CFO review

## Summary

Given valuation declines, EPRA net tangible assets ('NTA') per share fell by 15.0% to 215.0 pence (2023: 253.0 pence) and basic net assets per share by 15.6% to 197.3 pence (2023: 233.8 pence). EPRA earnings per share were 9.2 pence (2023: 10.3 pence) whilst the loss after tax of £93.6 million (2023: £249.8 million loss) generated basic earnings per share of -23.6 pence (2023: negative 62.9 pence). EPRA EPS covered the full year dividend of 5.28 pence per share 1.73 times.

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 5 and our Supplementary disclosures give a full description and reconciliation of our APMs.

## Income statement

Net rental income in 2024 of £114.0 million, was up 0.9% from 2023 (£113.0 million). On a like-for-like and constant currency basis, net rental income was up 3.8% to £117.3 million. The increase arose from four areas: new leases and renewals of £5.7 million; other income of £3.8 million including the forfeited deposit less costs of £2.9 million on the buyer's failed completion of the Westminster Tower sale; another record year for our student and hotel operations up £1.2 million; and rental indexation increases of £0.9 million. This increase was offset by lease expiries and movement of properties to development stock which reduced rental income by £4.8 million and £2.5 million respectively. Overlaying the impact of lost rental income from property disposals of £1.7 million and the impact of foreign exchange from Sterling strengthening in 2024 of £1.6 million resulted in reported net rental income of £114.0 million.

CLS' tenant relationships remain strong and the quality and diversity of our tenant base has continued to be reflected in our rent collection, and, as in previous years, we collected over 99% of rent. Rent collection for the first quarter of 2025 is 99% as is customary at this point in time.

Overall administration and property expenses increased by £2.0 million to £35.8 million (2023: £33.8 million). Administration costs were lower by £0.5 million compared with 2023 due to tight control over personnel costs. Property expenses were £2.5 million higher as a result of one-off savings in 2023 such as recovery of long outstanding bad debt, increased costs associated with higher vacancy and the variable costs from hotel and student operations were higher as a result of higher occupancy. The proportion of index-linked rent was 54.4% (2023: 55.2%) of the total contracted rent of the portfolio. This high level of indexation continues to be a benefit in a time of higher inflation and interest rates.

Due to lower personnel costs, CLS' administration cost ratio decreased to 15.4% (2023: 16.0%) whereas our EPRA cost ratio increased to 25.4% (2023: 25.1%) as a result of higher property expenses.

Given market weakness from higher interest rates and economic uncertainty, the valuation of CLS' properties fell, although the reduction was lower than wider market movements and reduced significantly in the second half as values began to bottom. The reduction in the value of investment properties, excluding lease incentive movements, was £127.7 million (2023: £302.7 million fall) with falls in the UK of 8.3%, Germany 3.5% and France 5.1% in local currencies.

Five properties were sold in 2024 for an aggregate consideration of £66.1 million. This consideration was in-line with the pre-sale book values but, after costs, resulted in a loss on sale of investment properties before tax of £2.3 million (2023: £1.4 million profit). Since the year-end, we have exchanged on or agreed the sale of three properties for £125.3 million, in-line with book value, which are due to complete in the first half of 2025. Operating loss for the year was £52.5 million (2023: loss £223.4 million).

Finance income of £1.4 million (2023: £1.6 million) reduced given lower cash deposit balances and lower interest rates on cash deposits. Derivative financial instruments fell in value by £3.4 million (2023: £4.2 million reduction) as they are now close to maturity. Finance costs, excluding the movement on derivative financial instruments, increased to £42.3 million (2023: £37.1 million) as a result of higher interest costs on floating rate, and recently refinanced, loans given wider market interest rate increases particularly since these loans were last financed.



Approximately 54% of the Group's sales are conducted in the reporting currency of Sterling and 46% in Euros. The year-end Sterling rate against the Euro strengthened by 4.8% and the average Sterling rate strengthened by 2.7%, both more than in 2023, resulting in a higher level of foreign exchange losses of £0.6 million in the income statement compared to last year (2023: £0.3 million).

Exchange rates to the £	EUR
At 31 December 2022	1.1295
2023 average rate	1.1500
At 31 December 2023	1.1535
2024 average rate	1.1814
At 31 December 2024	1.2085

The effective tax rate of 3.9% (2023: 5.2%) was below the weighted average rate of the countries in which we operate principally as a result of the conversion of CLS' UK operations to a REIT at the start of 2022 and the consequent lower UK effective tax rate.

Overall, EPRA earnings were lower than last year at £36.4 million (2023: £40.9 million) and generated EPRA earnings per share of 9.2 pence (2023: 10.3 pence). The decrease of 1.1 pence in EPRA EPS was primarily due to: the increase in finance expenses of 1.3 pence; and a decrease in rental income and net service charge of 0.7 pence, which were only partly offset by: increases in other income of 0.7 pence which mostly consisted of the Westminster Tower deposit; and a net increase of 0.2 pence from the increase in Other of 0.4 pence due to lower tax, less higher property (0.1 pence) and hotel and student operating costs (0.1 pence).

#### EPRA net tangible assets and gearing

At 31 December 2024, EPRA net tangible assets per share were 215.0 pence (2023: 253.0 pence), a fall of 15.0%, or 38.0 pence per share. The main reasons for the decrease were: property valuation decreases of 5.8% in local currency or 31.8 pence per share; dividends of 7.95 pence per share paid in the year; foreign exchange declines on our European business of 6.5 pence per share; and other movements of 0.9 pence per share, partly offset by EPRA earnings per share of 9.2 pence per share.

Balance sheet loan-to-value (net debt to property assets) at 31 December 2024 increased to 50.7% (2023: 48.5%) which was as a result of property valuation reductions as net debt fell by over £60 million. The value of properties not secured against debt decreased to £41.3 million (2023: £74.1 million). In 2025, CLS is intending to remain a net disposer of property to reduce LTV below 45% in the short-term and 40% in the medium-term.

#### Cash flow and net debt

As at 31 December 2024, the Group's cash and cash equivalents balance was £60.5 million (2023: £70.6 million). Net cash flow from operating activities, after payment of £41.7 million for financing costs and tax, generated £29.5 million, a decrease of £16.4 million from 2023 reflecting higher debt and tenant fit-out costs. Dividends of £31.6 million were paid. Capital expenditure of £22.5 million was funded by proceeds after tax from property disposals of £63.8 million. In addition, there was a net repayment of loans of £47.7 million and foreign exchange reductions and other of £1.6 million. The net result of property and financing transactions, being the investment of £10.1 million in the business to reduce net debt and grow net tangible assets.

Gross debt decreased by £71.4 million to £999.2 million (2023: £1,070.6 million) due to: the net repayment of loans of £47.7 million; and the decrease of £25.3 million due to the strengthening of Sterling against the Euro, less the amortisation of loan issue costs of £1.5 million. In the year, £74.4 million (£73.4 million net of capitalised fees) of new or replacement loans were taken out, loans of £102.4 million were repaid and £18.7 million of contractual periodic or partial repayments were made. Year-end net debt fell to £938.7 million (2023: £1,000.0 million). At the year-end, CLS' additional facilities remained unchanged comprising two undrawn revolving credit facilities totalling £50.0 million, both of which are committed, and a £10 million overdraft.

#### Secured rent above ERV for new leases

**+6.8%**

The weighted average cost of debt at 31 December 2024 was 3.77%, 16 basis points ('bps') higher than 12 months earlier but 4 bps lower than at the half-year. The full-year movement was as a result of: new higher cost debt drawn for completed refinancings and new debt (28 bps increase); and the strengthening of Sterling against the Euro (1 bps increase), less a decrease in the reference rates on floating rate loans (8 bps decrease); and repayments of higher cost loans (5 bps decrease). In 2024, interest cover at 1.9 times (2023: 2.2 times) gave comfortable covenant headroom although it has limited relevance as there are no Group interest cover or LTV covenants.

**“We have made significant headway with the refinancing activity for 2025 such that of the £373.7 million expiring in 2025, progress has been made with £342.1 million of debt.”**

### **Financing strategy and covenants**

In 2024, we refinanced the remaining expiring loans for 2024 which had not already been refinanced in 2023. We have made significant headway with the refinancing activity for 2025 such that of the £373.7 million of debt (including £9.6 million of amortisation) across 11 loan facilities expiring in 2025 (£377.7 million at the start of 2024), progress has been made with £342.1 million. This progress comprises the following: £42.1 million has been refinanced; £85.8 million will be refinanced or repaid alongside the completion of the Spring Mews Student sale; and £189.1 million has been credit approved or we have received heads of terms. The remaining £47.1 million of debt maturing in 2025 comprises four loans, one in Germany for £12.7 million and three in France for £34.4 million. We have made good progress with £25.1 million of this amount and expect to refinance these two loans in the second quarter of 2025. The remaining two loans for £22.0 million do not mature until the fourth quarter of 2025.

The Group's strategic financing priorities remain to keep the cost of debt low whilst: keeping an appropriate LTV; maintaining a high proportion of fixed debt; increasing the amount of green loans; and seeking to match the Group's weighted average debt maturity against the Group's WAULT. At a tactical level, the priorities for this year are to complete the remaining refinancings for 2025 and progress refinancings due in 2026, albeit there is a much lower amount maturing in 2026 than 2025. We are also investigating financing properties in the UK using Euro-denominated loans given the significant swap rate differential between Sterling- and Euro-denominated loans and CLS' existing unhedged Euro exposure on the equity invested in our properties in Germany and France.

As noted, CLS' objective remains to keep a high proportion of fixed rate debt. However, in 2024 just as in 2022 and 2023 more floating rate loans and extensions than usual were executed given that: some properties are to be sold and thus CLS wants to avoid break costs; the letting profile for some properties needs to be improved in advance of securing a longer-term fixed rate loan; and a belief that lower rates could be secured in the future once the floating rate loan expired. As a good example, CLS secured short-term intra-year extensions for three loans for £39.9 million. Two of these loans were subsequently financed for five years and one was repaid after the property was sold.

In 2024, the Group refinanced, financed or extended, by more than one year, 9 loans to a value of £154.5 million for a weighted average duration of 3.7 years and at a weighted average all-in rate of 5.13%. Of these £137.7 million were fixed at a weighted average all-in rate of 4.99%. Consequently, at 31 December 2024, 79.7% of the Group's borrowings were at fixed rates or subject to interest rate swaps, 3.8% were subject to caps which had been hit and 16.6% of loans were unhedged. The fixed rate debt had a weighted average maturity of 3.4 years and the floating rate 2.3 years. The overall weighted average unexpired term of the Group's debt was 3.2 years (2023: 3.5 years).

### **Rent collection**

# 99%

The Group's financial derivatives, predominantly interest rate swaps, are marked to market at each balance sheet date. At 31 December 2024 they represented a net asset of £1.4 million (2023: £4.3 million asset), with the asset declining in value as the swaps reach maturity.

At 31 December 2024, the Group had 44 loans (33 through SPVs, eight portfolios and three facilities) from 25 different lenders. The loans vary in terms of the number of covenants with the three main financial 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 44 loans, CLS has between 14% and 32% 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, substitute property or deposit cash, for the period the loan is in breach after which the cash can be released.

### **Distributions to shareholders and Total Accounting Return**

The final dividend for 2023 of 5.35 pence per share (£21.3 million) was paid in May 2024 and in October 2024, CLS paid an interim dividend for 2024 of 2.60 pence per share (£10.3 million).

Given the significant opportunities within the portfolio to grow net asset value and thus the desire to retain funds to capture these opportunities, we are reducing the proposed final dividend for 2024 by 50% to 2.68 pence per share equating to £10.7 million (2023: 5.35 pence per share equating to £21.3 million). This would result in a full year distribution of 5.28 pence per share (£21.0 million), covered 1.73 times by EPRA earnings per share. The revised dividend policy going forward is for the dividend to be covered 1.5 to 3.0 times by EPRA earnings. This investment focus and dividend policy is consistent with CLS' strategy as a total return share concentrated on growth and income. The Total Accounting Return, being the reduction in EPRA NTA plus the dividends paid in the year, was -11.9% (2023: -20.8%).

As a result of the conversion of our UK operations to a REIT in 2022, shareholders receive dividends comprising two elements. The dividends comprise a Property Income Distribution ('PID') from the UK REIT operations and a second element from CLS' remaining operations. For the 2024 interim dividend of 2.60 pence per share, the PID was 1.75 pence per share and for the proposed final dividend of 2.68 pence per share, the PID will be 1.50 pence per share giving a full year dividend of 5.28 pence per share of which 3.25 pence per share is the PID. The split between the PID and the dividend from our remaining operations is likely to fluctuate over time and will depend on the level of capital allowances and inter-company interest, amongst other things.

**Andrew Kirkman**

Chief Financial Officer

31 March 2025

# United Kingdom

Value of property portfolio

**£807.0m**

Number of tenants

**210**

Government and large companies

**75.2%**

Percentage of Group's property interests

**44%**

EPRA vacancy rate

**18.5%**

Years weighted average lease length to end

**3.5**

Number of properties

**34**

Lettable space (sq. ft)

**1.8m**

Leases subject to indexation

**34.7%**

## Market overview

The UK economy experienced a mixed year with stronger GDP growth in the first half of 2024 offset by stagnation in the second half, leading to overall GDP growth of 0.8%. Business uncertainty grew following tax increases announced in the Autumn budget, but inflation fell to 2.5% in 2024 from over 7% in 2023.

The commercial property investment market achieved a volume of c.£43 billion, up 21% compared to 2023, with the strongest improvement in the fourth quarter of 2024. Leasing take-up in London for the year was just below the 10-year average at c.11 million sq. ft and in line with the previous year. The wider South East/M25 office market was up close to 5% with c.3.6 million sq. ft of take-up.

Year-end vacancy in London was up marginally to 9.2% from 9.1% at the end of 2023 while the South East/M25 market was up to 12.3% from 11.8% in 2023.

## Portfolio movement and valuation summary

In 2024, the value of the UK portfolio decreased by £112.9 million as a result of a revaluation decline of £73.3 million or 8.3%, and disposals of £49.0 million, partly offset by capital expenditure of £9.4 million. The 8.3% valuation decline was a result of equivalent yields expanding by 41 basis points on a like-for-like basis and increased vacancy from refurbishments completed in the year, and ERVs decreasing by 2.4% on a like-for-like basis. The decline in like-for-like ERVs is due to a change in valuation assumption for New Printing House Square, following our decision to delay redevelopment to the end of the decade. Excluding this results in like-for-like ERV growth of 3.0% for the portfolio.

CLS' valuation decline was in line with the UK office market. However, excluding the valuation of Spring Gardens, which was significantly impacted by the shortening office lease and the development potential not considered, CLS' valuation decline was better than the market at 5.1% for the other 33 properties.

## **Asset management**

Underlying vacancy, excluding completed refurbishments and disposals, fell from 15.8% to 15.0% as a result of improved leasing activity during the year across both new lettings and renewals.

The EPRA vacancy rate increased to 18.5% as of 31 December 2024 (2023: 15.8%) due to the completion of the refurbishment of the remaining three floors at Artesian at the start of 2024.

In 2024, we let or renewed leases for 205,503 sq. ft and lost 226,145 sq. ft of space from expiries, showing minimal movement in underlying vacancy. Newly refurbished space of 65,232 sq. ft became lettable during 2024, mainly at Artesian, The Portland Building and Kings Court, increasing our vacancy rate. Excluding rent reviews, 55 lease extensions and new leases secured £7.6 million of rent at an average of 3.0% above 31 December 2023 ERVs.

The most significant new leasing transaction in 2024 was the letting of the 5th floor (12,052 sq. ft) at Artesian to Médecins Sans Frontières (UK). In terms of existing tenants, we completed a new lease with Signature Litigation for a total of 29,816 sq. ft of office space over four floors at 138 Fetter Lane in central London.

Once again, our student and hotel operations achieved a record breaking year. The student accommodation is fully let for the 2024/25 academic year, with sales for 2025/26 in line with expectations. The hotel occupancy averaged 93% for 2024 (2023: 87%) and average daily room rates also grew by 2% which led to a further increase in profitability.

## **Developments and refurbishments**

Total capital expenditure in 2024 was £9.4 million, which was reduced from the £37.7 million spent in 2023 due to the completion of major projects at The Coade and Artesian. In-line with current market trends the focus in 2024 was to undertake a select number of CAT A plus refurbishments to capitalise on tenant demand for high quality fitted spaces.

At Spring Gardens, let to the National Crime Agency, we plan to submit a planning application in Q2 this year for Citadel Place, a major residential scheme. We have also agreed, subject to contract, to extend the leases with the National Crime Agency to September 2026, aligning with our proposed development programme.

## **Disposals**

During 2024 we continued with our strategy of disposing of some of our smaller assets and assets which have a higher value for an alternative use.

We completed the sale of Aqueous II which is a 35,922 sq. ft office building in Birmingham and the sale of Cassini Court and Pascal Place which are two buildings totalling 26,739 sq. ft located in Leatherhead.

As for buildings with higher value alternative uses, following the failure of the original buyer to complete the sale of Westminster Tower by the prescribed date in Q4 2023, the sale contract was rescinded and the deposit retained. The building was subsequently sold to an alternative buyer in June 2024 at the same price of £40.8 million.

Overall, these sales realised a total of £48.9m which were in line with book value.

## **Outlook**

The consensus forecast for the UK economy indicates a rebound, with GDP growth projected at 1.1% for 2025.

Whilst uncertainty persists regarding the trajectory of UK interest rates, the outlook for UK real estate investment has become more positive compared to twelve months ago, with increasingly larger transactions in the office sector.

With a concentrated development pipeline and limited speculative activity, best-in-class office space remains highly sought after, as supply is not currently keeping pace with lease events. Office-first work policies are gaining momentum among businesses of all sizes, leading to companies upgrading their corporate accommodations. Our flexible and customer-centric approach will enable us to capitalise on this positive structural shift.

# Germany

Value of property portfolio

**£815.7m**

Number of tenants

**360**

Government and large companies

**56.1%**

Percentage of Group's property interests

**44%**

EPRA vacancy rate

**6.7%**

Years weighted average lease length to end

**5.6**

Number of properties

**31**

Lettable space (sq. ft)

**3.6m**

Leases subject to indexation

**62.3%**

## Market review

The German economy had a challenging year due to lower business confidence and political uncertainty, and GDP contracted by 0.2% as global demand for industrial goods weakened. The annual inflation rate fell to 2.5% from 6.1% in 2023.

The commercial property investment market achieved a volume of c.€25 billion, up 10% compared to 2023. Investment markets are likely to have bottomed out and should benefit from improved investor sentiment due to attractive yields compared to long-term swap rates. Leasing take-up in the larger cities in Germany was still below the 10-year average but at c.2.7 million sqm take-up, showed a small increase to the previous year.

Year-end vacancy for the seven largest cities increased to 6.8% from 5.7% at the end of 2023 with significant differences between Cologne and Hamburg at 4.3% and 5.3% respectively to over 10% in Dusseldorf.

## Portfolio movement and valuation summary

In 2024, the value of the German portfolio decreased by £69.8 million as a result of a revaluation decline of £30.3 million or 3.5% in local currency, a foreign exchange decrease of £39.4 million, disposals of £8.3 million, and depreciation of £0.1 million partly offset by capital expenditure of £8.3 million. The 3.5% valuation decline resulted from equivalent yields expanding by 12 basis points on a like-for-like basis with some offset from ERVs increasing by 0.9% on a like-for-like basis, the majority of leases being indexed and improvement in vacancy.

According to the Association of German Pfandbrief Banks, office property values in Germany fell by 5.6% in 2024 which compares to the fall in CLS' property values of 3.5%. This outperformance of CLS' German properties was a result of valuation uplifts for those properties where we have secured long-term leases with public bodies or institutions.

## **Asset management**

Underlying vacancy, excluding completed refurbishments and disposals, fell from 6.8% to 6.0% as a result of improved leasing activity with several government and mid-sized companies secured during the year.

The EPRA vacancy rate decreased to 6.7% as of 31 December 2024 (2023: 6.8%) as a result of strong leasing activity during the year across new leases and renewals, offset by the expected departure of some large tenants.

In 2024, we let or renewed leases for 50,551 sqm and lost 41,669 sqm of space from expiries. Excluding those arising from contractual indexation uplifts, 36 lease extensions and new leases secured £7.1 million of rent at an average of 12.2% above ERV. The rent secured surpassed 2023 levels by nearly 40%. Leases subject to indexation increased by an average of 3.7%.

The largest transaction in 2024 was a 20-year lease signed with the City of Dortmund for 9,634 sqm at The Yellow in Dortmund. The property, acquired by CLS in 2021, is now fully let with a WAULT of nine years.

## **Developments and refurbishments**

Several ongoing development projects within our German portfolio will significantly grow ERVs and are already driving valuation uplifts.

Works associated with our 30-year lease with the City of Essen at The Brix are progressing well and construction has been under way since the summer of 2024. The first stage handover is scheduled for April with the second stage later in 2025.

Smaller refurbishments also continued with £8.3 million spent across our portfolio, enhancing sustainability credentials and meeting the demands of the occupier market. For example, at Hansaallee, Düsseldorf, we refurbished the entrance area to include a new co-working space for tenants and their clients.

We are also commencing work at The Yellow in Dortmund as part of the new 20-year lease with the City of Dortmund, to tailor the space to their needs. In 2025, we will also be starting works at Gothic Haus, Dortmund, following the departure of the main tenant. The building will be divided into similarly sized rental units so it can be gradually let and fully configured to meet occupiers' needs, including private entrances.

## **Disposals**

In 2024, we disposed of Hansastrasse, Dortmund, a 3,986 sqm office building, for £7.7 million, which was c.3% discount to book value.

## **Outlook**

The consensus forecast for the German economy indicates a gradual but muted recovery, with GDP growth projected at 0.3% for the year. The recent result of the federal election is expected to shift Germany's economic policy towards a more growth-oriented path, likely resulting in an increase in office take-up and stronger confidence in Germany as an investment location.

The gap between well-connected, sustainable, quality assets and non-energy-efficient older assets in out-of-town business park locations will continue to widen. The latter are at risk of obsolescence thereby reducing supply in the longer term, which will support CLS' portfolio. With continued strong demand from government and medium-sized businesses, we expect our lettings pace to continue and vacancy to reduce in 2025.

# France

Value of property portfolio

**£227.5m**

Number of tenants

**149**

Government and large companies

**62.7%**

Percentage of Group's property interests

**12%**

EPRA vacancy rate

**8.3%**

Years weighted average lease length to end

**5.7**

Number of properties

**16**

Lettable space (sq. ft)

**0.8m**

Leases subject to indexation

**100%**

## Market review

The French economy experienced a comparably strong year with GDP growth of 1.1% despite a precarious political situation following the snap election in June 2024. The annual inflation rate fell to 2.3% from 5.7% in 2023.

The commercial property investment market achieved a volume of c.€12.5 billion, up 2% compared to the previous year, also with the strongest performance in the fourth quarter of 2024. Leasing take-up in Paris for the year was 1.75 million sqm, 11% below 2023 and close to 20% below the 10-year average. Take-up in Lyon reached 249,000 sqm, which was stable to last year.

Year-end vacancy in Paris increased to 10.2% from 8.5% at the end of 2023 while the Lyon market was up to 7.0% from 4.9% in 2023.

## Portfolio movement and valuation summary

In 2024, the value of the French portfolio decreased by £30.0 million as a result of a revaluation decline of £12.5 million or 5.1% in local currency, a foreign exchange decrease of £11.1 million, and disposals of £9.8 million, partly offset by capital expenditure of £3.4 million. The 5.1% valuation decline was a result of equivalent yields expanding by 16 basis points on a like-for-like basis and increased vacancy, with some offset from ERVs increasing by 0.6% on a like-for-like basis and all leases being indexed.

According to market data, office property values in France fell by 3.3% in 2024 which compares to the fall in CLS' property values of 5.1%. This was driven by higher yield shifts in the Western Crescent of Paris, where the majority of our Paris properties are located, compared with Paris CBD.

## Asset management

Underlying vacancy, excluding completed refurbishments and disposals, increased from 5.6% to 7.1% primarily as a result of lease expiries at Front de Parc in Lyon.



The EPRA vacancy rate increased to 8.3% as of 31 December 2024 (2023: 5.6%) resulting from a marked difference in vacancy in our portfolio with 3.8% in Paris but 16.3% in Lyon, which we are confident of reducing given the tighter market conditions in the city.

In 2024, we let or renewed leases for 8,229 sqm and lost 7,545 sqm of space due to expiries, however, 2,525 sqm of refurbished space came back into the portfolio, mainly at Park Avenue in Lyon. Excluding contractual indexation uplifts, 21 lease extensions and new leases secured £1.9 million in rent, averaging 3.9% above ERV. Leases subject to indexation increased by an average of 5.2% in 2024.

The most significant transaction in Paris was with the software company Pixid at Cap G, a modern building located east of La Défense. The lease for 1,022 sqm, which was signed at 9% above ERV, means that Cap G is now fully let. In Lyon, the largest transaction was a nine-year lease renewal for 1,274 sqm with a consultancy, Wavestone, at Park Avenue. The newly refurbished building now boasts an energy-efficient façade, with panoramic views over Parc de la Tête d'Or, and has received increased levels of interest from occupiers in the second half of 2024. Post year-end we also completed a further lease for the 5th floor at Park Avenue.

### **Developments and refurbishments**

Following the successful completion of works at Park Avenue last year, we continued to invest in our properties throughout 2024. This includes the 4,198 sqm office building Debussy in Paris, which is set to be converted into 57 serviced apartments. These apartments are pre-let to Edgar Suites, a leading national operator, under a 12-year agreement. Nexity will manage the conversion through a fixed-price redevelopment contract, valued at c.€12 million, with completion targeted for the beginning of 2027.

We have also embarked on a significant project at Petits Hôtels, a 2,079 sqm office in central Paris. We commenced a €1.7 million, 8-month transformation to create contemporary workspaces, with a strong focus on sustainability to meet France's Décret Tertiaire standards. As a result, we secured a pre-let for the entire renovated building B with the new rent c.70% higher than the previous rate. The project is scheduled for completion in Spring 2025.

### **Disposals**

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 €4.6 million 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.

### **Outlook**

France currently faces political uncertainty due to the lack of a clear parliamentary majority and the consensus forecast for the French economy indicates a reduction in GDP growth to 0.7% for 2025.

In 2025, the French real estate market is expected to maintain similar investment volume levels to 2024, although this remains highly correlated to the trajectory of interest rate reductions. The supply and demand balance remains challenging in parts of Paris, while the CBD faces constraints with low vacancies. Lyon is expected to lease well due to restrictive policies for new developments that support existing office properties.

Valuation data <sup>1</sup>	Market value of property £m	Valuation movement in the year		EPRA net initial yield	EPRA 'topped-up' net initial yield	Reversion	Over- rented	Equivalent yield
		Underlying £m	Foreign exchange £m					
United Kingdom	668.4	(82.0)	–	6.1%	6.6%	4.1%	8.7%	7.4%
Germany	814.1	(30.3)	(39.3)	4.5%	4.9%	4.6%	9.9%	5.2%
France	225.9	(12.5)	(11.0)	5.2%	5.6%	3.6%	5.0%	6.1%
<b>Total office portfolio</b>	<b>1,708.4</b>	<b>(124.8)</b>	<b>(50.3)</b>	<b>5.2%</b>	<b>5.6%</b>	<b>4.2%</b>	<b>8.7%</b>	<b>6.2%</b>

Lease data <sup>1</sup>	Average lease length		Contracted rent of leases expiring in:				ERV of leases expiring in:			
	To break years	To expiry years	Year 1 £m	Year 2 £m	3 to 5 years £m	After 5 years £m	Year 1 £m	Year 2 £m	3 to 5 years £m	After 5 years £m
United Kingdom	2.6	3.5	11.1	15.1	13.7	10.2	10.9	13.3	13.4	10.2
Germany	5.6	5.6	7.1	3.8	16.6	17.4	8.6	3.7	15.3	14.9
France	2.7	5.7	0.7	0.5	4.0	8.7	0.6	0.4	3.9	8.7
<b>Total office portfolio</b>	<b>3.9</b>	<b>4.7</b>	<b>18.9</b>	<b>19.4</b>	<b>34.3</b>	<b>36.3</b>	<b>20.1</b>	<b>17.4</b>	<b>32.6</b>	<b>33.8</b>

Rental data <sup>1</sup>	Rental income for the year £m	Net rental income for the year £m	Lettable space sqm	Contracted rent at year-end £m	ERV of lettable space at year-end £m	Contracted rent subject to indexation %	EPRA vacancy rate at year-end
	United Kingdom	47.1	50.1	169,338	50.1	58.6	34.7
Germany	40.3	38.0	331,770	44.9	45.5	62.3	6.7%
France	12.8	12.4	71,812	13.9	14.9	100.0	8.3%
<b>Total office portfolio</b>	<b>100.2</b>	<b>100.5</b>	<b>572,920</b>	<b>108.9</b>	<b>119.0</b>	<b>54.4</b>	<b>12.7%</b>

<sup>1</sup> The above tables comprise data for our offices in investment properties and held for sale (see note 12 and 14). They exclude owner-occupied space, student accommodation and hotel.

# Strategy and business model and KPIs

## Realising value and reinvesting for the future

### We acquire the right properties

At CLS, we invest in commercial real estate across the UK, Germany, and France, with the majority of our properties being offices situated in key European cities, carefully chosen in central or urban locations, close to excellent transport networks. Most of our properties are multi-let to a wide variety of occupiers, giving us the opportunity to add value whilst spreading our risk.

#### KPIs/OPIs

- TSR – Relative
- Total Accounting Return

#### Link to principal risks

- Property risk
- Sustainability risk

### We secure the right finance

Most of our properties are held in their own legal entity and are financed with bank loans borrowed on an asset specific, ring-fenced basis to the rest of the Group. We also have some portfolio loans. We have the flexibility to borrow at fixed or floating rates of interest and, by borrowing against each asset, we are able to use a level of gearing suitable to the specific property.

#### KPIs/OPIs

- Cost of debt
- EPRA earnings per share

#### Link to principal risks

- Financing risk
- Property risk

### We deliver value through active management and cost control

The key to active management is to perform it in-house. By using our own employees, we harness greater motivation, response times and attention to detail than if tasks were to be outsourced. By performing in-house, not only do we have a hands-on relationship with our occupiers, but we are able to control costs.

#### KPIs/OPIs

- Vacancy rate
- Administration cost ratios

#### Link to principal risks

- Sustainability risk
- Business interruption risk

### We continually assess whether to hold or sell properties

Our active management approach is applied at a portfolio level, continually assessing whether properties meet return criteria and/or we can continue to add value. Each property in our portfolio has its own asset management plan, which we flex depending upon our occupiers' requirements and leasing activity.

#### KPIs/OPIs

- TSR – Relative
- Total Accounting Return

#### Link to principal risks

- Property risk
- Financing Risk

## **We reward shareholders, customers and employees**

We pay dividends to our shareholders, with the balance reinvested in the business. Our occupiers are our customers. We pride ourselves in how we build relationships and align our strategic vision to their own business ambitions. We reward employees for their work and their loyalty, through salaries and bonus schemes which reflect the success of the business.

### **KPIs/OPIs**

- Dividend cover
- Staff turnover

### **Link to principal risks**

- People risk
- Business interruption risk

## **Total Accounting Return (%)**

### **Why this is important to CLS**

This KPI measures the change in EPRA NTA per share of the Company before the payment of dividends and so represents the value added to the Company in the year.

### **Our target**

Our target Total Accounting Return is over 8%.

### **Progress**

In 2024 the Total Accounting Return was -11.9%.

## **Net initial yield vs cost of debt (%)**

### **Why this is important to CLS**

This KPI compares the return from our properties with reference to the cost of debt financing them.

### **Our target**

We seek to maintain a cost of debt at least 200 bps below the Group's net initial yield.

### **Progress**

At 31 December 2024 the cost of debt of 3.77% was 187 bps below the net initial yield of 5.64%.

## **EPRA vacancy rate (%)**

### **Why this is important to CLS**

This KPI measures the potential rental income of unlet space and, therefore, the cash flow which the Company would seek to capture.

### **Our target**

We target a vacancy rate of between 3% and 5%; if the rate exceeds 5%, other than through recent acquisitions or refurbishments, we may be setting our rental aspirations too high in the current market; if it is below 3% we may be letting space too cheaply.

### **Progress**

At 31 December 2024 the EPRA vacancy rate was 12.7%

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

### **Why this is important to CLS**

This KPI gives relevant information to investors on the income generation of the Group's underlying property investment business and an indication of the extent to which current dividend payments are supported by earnings.

### **Our target**

We will seek to grow the earnings of the business alongside net asset value.

**Progress**

EPRA earnings per share for 2024 were 9.2 pence.

**Total Shareholder Return – relative (%)****Why this is important to CLS**

This KPI measures the change in the wealth of a CLS shareholder over the year, against the change in the wealth of the shareholders of a peer group of 20 companies in the FTSE 350.

**Our target**

Our target Total Shareholder Return (relative) is between the median and upper quartile.

**Progress**

CLS ranked 15th within its peer group of 20 companies.

**GRESB (ESG) score/100****Why this is important to CLS**

This KPI is our main sustainability indicator which is an industry standard measure which helps gauge the sustainability credentials of our portfolio.

**Our target**

We aim to maintain or exceed our previous year's GRESB Score.

**Progress**

In 2024 CLS increased its GRESB score by 1 point to 85.

# Our investment case

## A clear strategy

### Key investment tenets

#### *Diversified approach*

This approach is across countries (we invest in major cities in Europe's three largest economies), customers (over 700 customers spread across most sectors), and financing (loans with 25 different lenders).

#### *Focus on multi-let offices*

Long-term investment in high yielding, multi-let offices in London and the South East of the UK, and the larger cities in Germany and France.

#### *Selected development schemes*

Opportunities arise in the portfolio to carry out development projects to capture rental and capital growth; the amount of development is kept below 10% of the portfolio value at any one time. Opportunities to secure alternative uses are pursued usually until planning permission is secured and then the property is sold to a developer.

## Active management

### Key investment tenets

#### *Experienced in-house capabilities*

In-house asset, property and facilities management teams result in better cost control, closer asset knowledge and synergies across the property portfolio.

#### *Secure rents and high occupancy*

Targeted occupancy levels above 95% with affordable rents and flexible lease terms to meet customer demand and so create opportunities to capture above market rental growth. On average over 125 lettings executed each year over the past six years.

#### *Interest rate management*

Financing facilities, which are arranged in-house, seek to balance flexibility, diversity and maturity of funding whilst ensuring a low cost of debt which is targeted to be at least 200 basis points below the Group's net initial yield.

## Strong 30 year track record

### Key investment tenets

#### *Disciplined approach to investment*

Acquisitions are assessed against strict return and strategic fit criteria but are pursued on an opportunistic and property by property basis with no set capital allocation across countries. Low yielding assets with limited potential are sold. Our TSR has outperformed the FTSE 350 Index over a 30 year period.

#### *Cash-backed progressive dividend*

CLS is a total return business using cash flow generated to pay a progressive dividend and also to reinvest in the business to generate further net asset growth. We aim to grow the dividend in line with the growth of the business, targeting the dividend to be covered 1.5 to 3.0 times by EPRA earnings.

#### *Financing headroom*

Our aim is to keep at least £100 million of cash and cash equivalents and undrawn facilities. This approach gives the ability to move quickly to complete acquisition opportunities as well as the flexibility to secure the optimal financing solution.

## A focus on sustainability

### Key investment tenets

#### *Responsible profit*

Across our business model, in everything we do, we seek to generate responsible profit through employing sustainable long-term decisions with the environment in mind.

***Strong ESG performance***

We believe in full transparency and therefore continually measure our progress against global ESG benchmark schemes in our industry, such as GRESB. This also allows us to monitor our progress and gives our stakeholders confidence in our delivery against commitments.

***Climate risk mitigation***

Our in-house sustainability programme is focused on mitigating our impact on environmental climate risks and energy security whilst maximising the benefits we deliver to the communities in which we are involved.

# Strategy in action

## Maximising value, reinvesting for growth

### We acquire the right properties

#### Strategy

We invest in high-yielding properties, predominantly offices, with a focus on cash returns. We diversify market risk by investing in geographical areas with differing characteristics and also seek to diversify the tenant base.

#### Strategy implementation

We target modern, high quality properties with good asset management opportunities in larger cities in the UK, Germany and France. In addition to geographic diversity, we have a wide variety of tenants in many different sectors and we invest in Sterling and Euros.

#### Our performance in 2024

- Since mid-2022 whilst property values have been falling, CLS has not made any acquisitions. Instead, our focus has been on reducing LTV through disposals
- We did, and do, continue to invest in our portfolio to improve its quality and meet tenant needs. This has allowed us to attract tenants at higher rents and reduce vacancy
- In 2024, we spent £21.1 million of capital expenditure which included £7.1 million on our most significant repositionings at Artesian, The Brix, Bismarckstrasse and the advancement of planning permission for Citadel Place

#### Priorities for 2025

- Our focus will be on the many opportunities within the portfolio to upgrade or reposition existing properties to capture higher rents and values. We will reduce our LTV to within our target range of 35% to 45% before considering acquisitions
- We will continue to improve the quality of our property portfolio including sustainability enhancements as per our Net Zero Carbon Pathway. Capital expenditure is expected to be higher in 2025, utilising around £30 million of internal funding

#### Case study

### Latest acquisition to be 100% full

#### The Yellow, Dortmund, Germany

In July 2022, CLS completed our latest acquisition which was The Yellow, a 23,982 sqm (258,140 sq. ft) office in the CBD of Dortmund for €66.25 million with significant repositioning opportunities and 12% vacancy.

In December 2024, we announced a 20-year lease with the City of Dortmund for 9,634 sqm (103,700 sq. ft). Occupancy is scheduled in two phases, with space handed over in Summer 2025 and early 2026.

The lease will increase the Weighted Unexpired Average Lease Term (WAULT) from 2.5 years to 9 years and the property will become fully let.

By filling existing and upcoming vacancy, total rental income will increase from €3.9 million to €4.8 million in 2026 as well as driving an increase in valuation.

“This significant lease agreement with the City of Dortmund reflects our commitment to providing high-quality, sustainable office space, especially to government tenants.”

### We secure the right finance

#### Strategy

Whilst CLS has several financing strategic objectives, the key ones are to: target a low cost of debt whilst maintaining an appropriate LTV; maintain a high proportion of fixed rate debt; utilise diversified sources of finance to reduce risk; and maintain a high level of liquid resources.



## Strategy implementation

To meet CLS' strategic objectives, we: aim to keep cost of debt at least 200 basis points below net initial yield albeit this depends on market conditions; execute fixed rate debt loans or use interest rate caps and hedges; have strong relationships with over 25 lending institutions which each have less than 20% of our total loan exposure; own properties in special purpose vehicles financed individually or in small portfolios by ring-fenced debt in the currency used to purchase the asset; and keep at least £100 million in cash and cash equivalents and undrawn facilities. As noted in the Going concern assessment on page 63, CLS' business model relies upon the refinancing of loans annually, as well as disposals, for which we have a successful track record.

## Our performance in 2024

Financed, refinanced or extended by more than one year, nine loans to a value of £154.5 million.

These loans were at a weighted average duration of 3.7 years and at a weighted all-in rate of 5.13%.

These loans encompassed all of the financings expiring in 2024 and one new loan.

## Priorities for 2025

We have made significant headway with the refinancing activity for 2025 such that of the £373.7 million of debt (including £9.6 million of amortisation) across 11 loan facilities expiring in 2025 (£377.7 million at the start of 2024), progress has been made with £342.1 million. This progress comprises the following: £42.1 million has been refinanced; £85.8 million will be refinanced or repaid alongside the completion of the Spring Mews Student sale; and £189.1 million has been credit approved or we have received heads of terms. The remaining £47.1 million of debt maturing in 2025 comprises four loans, one in Germany for £12.7 million and three in France for £34.4 million. We have made good progress with £25.1 million of this amount and expect to refinance these two loans in the second quarter of 2025. The remaining two loans for £22.0 million do not mature until the fourth quarter of 2025.

Four capex facilities for significant property refurbishments or repositionings for a total of c.£40 million to be completed.

### Case study

## Successful linked refinancings

### FleXion and Gothic Haus, Germany

The two German properties, FleXion and Gothic Haus had loans with Berlin Hyp expiring in 2024, being 30 March 2024 and 31 October 2024 respectively, for a total of €38.37 million.

The loan for FleXion had been agreed when the property had vacancy of 72% but on the basis of a business plan to reduce this. The loan was initially extended until the end of September 2024, by when the vacancy had reduced to 23%, so both loans could be considered together.

The largest tenant at Gothic Haus vacated the property in July 2024 resulting in vacant space of c.70% in the building. The same financing strategy for Gothic Haus, alongside executing its business plan to reduce vacancy, was agreed with the bank as had been executed for FleXion.

Ultimately, both loans were refinanced on a cross secured basis for a period of 5 years at the same amount of €38.37 million and at a blended rate of 4.81%.

“2024 was another busy and successful year in terms of financing activity. 2025 is expected to be no different and we have already made great progress with the refinancing of loans expiring this year as well as new capex facilities.”

## We deliver value through active management and cost control

### Strategy

Our overall objective is to maintain a high occupancy for our properties alongside a diversified customer base which is underpinned by a strong core income stream. In conjunction with driving letting performance, we maintain strict cost control.

### Strategy implementation

In order to deliver on high occupancy and cost control, we use in-house staff wherever appropriate. Consequently, we use in-house local asset and property managers who maintain close links with occupiers to understand their needs. Our focus is on the

quality of service and accommodation for our customers. On the cost side, we perform as many back-office functions as possible in-house and monitor our performance against our peer group.

## Our performance in 2024

- Completed 112 lease events securing £16.6 million of annual rent at 6.8% above ERV with like-for-like contracted rent increasing by 3.7%
- Underlying vacancy was down at 10.6% but the overall vacancy rate increased to 12.7%. The increase was due to completion of redevelopments currently being marketed to prospective tenants
- The bad debt provision remained low at £1.7 million and rent collection remained at the same, consistently high level of 99%

## Priorities for 2025

- Our priorities remain unchanged from last year with the focus on increasing letting activity, particularly in the UK
- Reduce vacancy levels below 11.0% and over time bring down to our historic target level of 5.0%
- Maintain rent collection levels and actively manage bad debts as well as continue cost control measures

### Case study

## Pre-let proves value of refurbishment

### Petits Hôtels, Paris, France

Petits Hôtels is a 2,079 sqm (22,378 sq. ft) office in central Paris. In February 2024, following lease expiry, the smaller of the two buildings at 465 sqm (5,005 sq. ft) became vacant.

After securing planning permission, CLS embarked on a €1.7 million 8-month transformation of this 4-floor courtyard building. Whilst retaining the exterior of a typical Parisian building, the interior is being completely redesigned to provide contemporary workspaces suited to the current occupiers' needs.

The project has a strong sustainability focus to meet energy efficiency objectives under France's Décret Tertiaire by installing exterior insulation and the latest HVAC and BMS system, amongst other things. The project is scheduled to complete in spring 2025.

In December 2024, CLS secured a pre-let for the whole of the renovated building to a travel company under a 4/6/9-year lease starting in April 2025. The new rent is 56% above the previous rent and the uplift in the value of the property is estimated at €2.5 million. The whole office is now fully let.

"This complete refurbishment has resulted in CLS offering premium office spaces whilst retaining the character of a very sought-after Parisian building. This sustainably-focused upgrade has attracted a great occupier and delivered long-term value for Petits Hôtels."

## We continually assess whether to hold or sell properties

### Strategy

Our focus is to hold those properties with the potential to add value through active asset management. We dispose of those properties; which are too small or too low yielding; for which the risk/reward balance is unfavourable; or for which the acquisition business plan has been executed and there is limited active asset management potential.

### Strategy implementation

We have an asset management plan for every property which we flex to capture rental and capital growth via leasing and refurbishment activity. We will also assess whether greater value can be captured through a change of use. If a decision to dispose of a property is made, we will seek to optimise the timing of sales depending on market conditions, the characteristics of the property and the overall portfolio composition.

## Our performance in 2024

- Disposed of five properties across all of our geographies for £66.1 million, in-line with the pre-sale valuations
- After the original buyer failed to complete, the sale of Westminster Tower was completed in September 2024 at the same consideration of £40.8 million, its book value. We recognised £2.9 million, net of costs, in respect of the retained deposit as the original buyer failed to complete

## **Priorities for 2025**

- Since the start of 2025, we have exchanged on or agreed the sale of three properties in the UK and Germany for £125.3 million, in-line with book values, to reduce LTV. These sales leave £78.6 million of disposals left to be executed in 2025 of the originally targeted 2024 disposal amount of c.£270 million
- In addition, we are exploring the disposal of a further c.£130 million to reduce LTV to be comfortably within our targeted range of 35% to 45% and help fund opportunities within our property portfolio

### *Case study*

## **Successful sale of CLS' Student Accommodation**

### **Spring Mews Student, Vauxhall, UK**

In 2014, CLS constructed its student accommodation as part of the mixed-use Spring Mews development, comprising student, hotel and offices. Since the early years, it has always been fully occupied (apart from the Covid pandemic) and in 2024, following a minor upgrade, it achieved record results with little further upside potential remaining.

The decision to sell the property was taken in the first half of 2024 and marketing commenced shortly thereafter. Unfortunately, enactment of the Building Safety Act, with regulations relating to residential buildings over 18 metres, added complexity to the sale and delayed the process.

In March 2025, the sale of Spring Mews Student was unconditionally exchanged with Rosethorn and Barings for £101.1 million, in-line with the 2024 year-end valuation and 8.1% ahead of the 2023 year-end valuation.

The sale will complete in May 2025 when the remaining 90% consideration will be paid. At the same time, CLS will restructure the financing associated with Spring Mews student such that other properties will be substituted into the Aviva portfolio financing so as to retain the 2.54% debt and repay more expensive debt.

“CLS has achieved excellent financial returns from the development and ownership of Spring Mews Student. The sale allows this value to be realised and reinvested into other portfolio opportunities.”

# Risk management

## Our Risk Management Structure

Risk management is a critical component of the operation of our business, allowing us to take advantage of opportunities whilst ensuring that we do not expose the business to excessive risk, thereby generating shareholder value over the long term in a sustainable and compliant manner.

### 3rd Line of Defence

#### The Board

- Sets our overarching risk appetite and ensures that we manage risks appropriately across the Group within a robust internal control framework. The Board delegates oversight of risk management activities to the Audit Committee.
- Annual assessment of principal and emerging risks.

#### The Audit Committee

- Key oversight function for risk management, internal controls and viability.
- Receives updates on risks and the control environment including the results of any internal control review procedures and other assessments undertaken in the period at each Audit Committee meeting.
- Reports to the Board on the effectiveness of the external auditors, risk management and internal controls.

### 2nd Line of Defence

#### Management Committees

- Several management committees have the responsibility for overseeing and mitigating risks associated with safety, sustainability, treasury and energy procurement amongst other things.
- Responsible for the day-to-day operational oversight of risk management.
- Major business-wide decisions such as property acquisitions, disposals, significant strategy changes and the wider changing geopolitical landscape are discussed. These decisions are assessed with reference to risk appetite.

#### The Senior Leadership Team

- Comprised of the CEO, the CFO, the COO and senior members of the property operations, finance and human resources teams.
- Reviews and monitors the Group's principal and emerging risks taking into account the appetite for, and impact of, risk in all areas of the business. These are presented to the Audit Committee every six months for further discussion.

#### Risk and Assurance Manager

- Responsible for the management of the Group's risk and internal control system, CoreStream. Conducts regular testing and monitoring of material controls.
- Responsible for following up and tracking any process or control improvements.
- The Group has policies set by the Board that govern key risks across the business. These are regularly reviewed to ensure they are up to date and comply with laws and regulations.

### 1st Line of Defence

#### Business units

- Risk management embedded in day-to-day operations including identifying, evaluating and reviewing within these units.
- Executes strategic actions in compliance with the Group's objectives and policies.

## What we did in 2024

- Established an initial list of material controls. This included performing testing cycles over a number of these controls.
- Targeted capital expenditure to ensure properties remain appealing to tenants in terms of their amenities and sustainability credentials to mitigate identified property and sustainability risks.
- Retained our Cyber Essentials Plus ranking.
- Achieved milestone targets on the Net Zero Carbon Pathway.
- Addressed 2023 internal control recommendations as outlined by our external auditor.
- Engaged external consultants who performed an in-depth analysis of our buildings' climate related resilience.
- Competency checks were undertaken for the consultants and contractors we engage and regular safety tours of our assets were undertaken by the property management team.
- Successful sales of targeted properties in our portfolio to align with our principal strategies to put the Group in a strong position going forward.
- Effectively managed our financing strategies to ensure sustainable growth and financial stability, positioning us for continued success in the future.

## Our priorities for 2025

- Continue to deliver on our roadmap of readiness activities for the UK Government's proposed corporate reforms. This includes:
  - agreeing upon a target level of confidence required for each material control;
  - agreeing the cadence for monitoring material controls, including what is presented to the Board. Developing an internal control testing framework and approach to testing our material controls;
  - agreeing the Board's appetite for disclosing any material control's ineffectiveness and actions required to address weaknesses;
  - preparing a draft of the material controls declaration including any ineffectiveness explanations; and
  - assigning ownership and oversight for each material control.
- Finance remaining 2025 maturing debt and advance refinancings of 2026 loans.
- Ensure Cyber Essentials Plus ranking retained.
- Enhance our crisis response capabilities to reflect the dynamic nature of the global risk landscape.
- Digitally enable employees and tenants, and continue to build digital literacy, awareness and capability.
- Minimise financial risk in relation to securing future gas and electricity supply for the portfolio through adherence to risk limits with guidance from our external energy procurement partners.
- Closely monitor and support the business through risks arising from the changing geopolitical environment.

# Management of risk throughout the Group

## **1. Identification**

We proactively identify potential risks across all processes and the wider environment that could impact our organisation.

## **2. Prioritisation**

We evaluate and rank risks based on their potential impact and likelihood of occurrence. Using risk matrices and scoring systems, we focus our resources on the most critical risks. This prioritisation process allows us to address the most significant threats first, ensuring that our risk management efforts are both effective and efficient.

## **3. Controls and responses**

We develop and implement strategies to mitigate or manage risks. We design controls to prevent or reduce the impact of risks and plan responses for when risks materialise. Our controls include preventive, detective, and corrective measures.

## **4. Governance and reporting**

We have established a robust governance framework to oversee our risk management. Roles and responsibilities are clearly defined, and policies and procedures are set to ensure accountability. Regular reporting to senior management and the Board keeps them informed of the risk landscape and the effectiveness of our risk management activities, ensuring transparency and oversight.

## **5. Monitoring**

Continuous monitoring is a key part of our risk management process. We track identified risks, assess the performance of controls, and detect new risks. Regular reviews and updates to our risk management plan help us adapt to changes in the internal and external environment, ensuring that our risk management practices remain effective and relevant.

## **6. Audit and assurance**

We conduct independent reviews and audits to provide assurance that our risk management process is functioning as intended. Reviews both internally and by our external auditors help evaluate the effectiveness of our controls and compliance with policies. These assurance activities help us identify gaps and areas for improvement, ensuring that we maintain a robust risk management framework.

Based on the size of its balance sheet and market capitalisation, CLS is a large business, but it is relatively small based on the number of people working directly in the business. The small number of employees and our internal control structures allow the Group to safeguard its assets, prevent and detect material fraud and errors and ensure accuracy and completeness of the accounting records used to produce reliable financial information, while still allowing the flexibility to take advantage of opportunities to further the business strategies of the Group.

# Our Assessment and Appetite for Risk

## Risk assessment

As part of annual business planning, the Board undertakes an assessment of the risks that could threaten the Group's strategic objectives, future performance, solvency or liquidity. Risks are reviewed in detail with their respective owners, typically a member of the Senior Leadership Team or key business leader.

We use a risk scoring matrix to consider the likelihood and impact of each risk at regular points throughout the year. We evaluate risks on an inherent (before mitigating actions) and residual (after mitigating actions and controls) basis. To do so, we identify principal risks (current risks with relatively high impact and certainty) and emerging risks (risks where the extent and implications are not yet fully understood).

The chart above illustrates the relative positioning of the potential impact and likelihood of the principal risks on the Group's strategic objectives, financial position or reputation after mitigation. Internal or external forces, or a combination of both, will continue to have the potential to alter this positioning and therefore these risks are closely monitored on a continual basis.

Throughout the year, the Board monitored the changing economic and market situation and considered its effect on the business, as it will continue to do so going forward. The impact of the macro-economic factors is discussed in the CEO review and the individual country property reviews.

Our principal risks are set out on the following pages. In evaluating these risks, any potential impact as a result of market uncertainties has been considered.

## Risk appetite

The Board reviews our risk appetite at least annually. The risk appetite of the Group is assessed with reference to changes both that have occurred, or trends that are beginning to emerge in the external environment, and changes in the principal risks and their mitigation. These will guide the actions we take in executing our strategy. Whilst our appetite for risk will vary over time, in general we maintain a balanced approach to risk. The Group uses five risk categories to allocate its risk appetite:

**Very low:** Avoid risk and uncertainty

**Low:** Keep risk as low as reasonably practical with very limited, if any, reward

**Medium:** Consider options and accept a mix of low and medium risk options with moderate rewards

**High:** Accept a mix of medium and high-risk options with better rewards

**Very high:** Choose high risk options with potential for high returns

On reviewing our risk appetite, the Board recognised that there are factors outside of the Group's control, for example the market that influences their appetite in any one year.

## Risk appetite vs risk assessment

The Board's risk appetite in relation to the Group's principal risk assessment is broadly aligned. As shown in the table there is divergence of risk appetite and risk status in relation to the financing and people risks. The Board accepts that there are factors in relation to these risks that are outside the Group's control and are likely to change over time. Mitigating actions have been put in place to ensure financing risk is adequately managed and monitored to reduce the potential impact on the Group. We expect the people risk appetite and assessment to align in the medium term. The Board recognises that not all risks can be fully mitigated and that they need to be balanced alongside commercial, and political and economic, considerations.

	Property	Sustainability	Business Interruption	Financing	Political & Economic	People
Risk assessment	High	Med	Low	High	Med	Low
Risk appetite	High	Med	Low	Med	Med	Med

## Our principal risks

Our principal risks and risk assessments are discussed over the following pages along with: any change in their risk profile since the last year end; the current direction of travel; and our risk mitigation actions and plans. Whilst we do not consider that there has been any material change to the nature of the Group's principal risks over the last 12 months, several risks remain elevated as a result of the challenging external environment and significant ongoing uncertainty.

The following pages are only focused on our principal risks being those that have the greatest impact on our strategy and/or business model. In addition, there are many lower level operational and financial risks which are managed on a day-to-day basis through the effective operation of a comprehensive system of internal controls.



Principal risk	Risk description	Mitigation
<p><b>1. Property</b></p> <p>Strategy: We acquire the right properties</p> <p>KPIs: TSR(R), TAR, EPS</p> <p>Risk assessment: High</p> <p>Change in risk profile in the year: No change</p> <p>Direction of travel: Decreasing</p>	<p>Market fundamentals and/or internal behaviours lead to adverse changes to capital values of the property portfolio or ability to sustain and improve income generation from these assets.</p> <p><b>Key risks</b></p> <ul style="list-style-type: none"> <li>• Cyclical downturn in the property market which may be indicated by an increase in yields</li> <li>• Changes in supply of space and/or demand (vacancy rate)</li> <li>• Poor property/facilities management</li> <li>• Inadequate due diligence and/or poor commercial assessment of acquisitions</li> <li>• Failure of tenants</li> <li>• Insufficient health and safety risk protection</li> <li>• Building obsolescence</li> </ul>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Maintained strong relationships with our occupiers, agents and direct investors active in the market and actively monitored trends in our sectors</li> <li>• Asset management committees meet once a month to discuss each property</li> <li>• Continued investment of £21.1 million in our properties with refurbishments taking place in over 30 properties to meet tenant demands</li> <li>• Rigorous and established governance approval processes for capital and leasing decisions</li> <li>• Engagement with tenants to understand their needs and space requirements</li> <li>• Targeted capital expenditure with a focus on sustainability</li> <li>• Disposal of 5 properties with low yield, limited asset management potential or risk/reward ratio unfavourably balanced</li> <li>• Continued monitoring of covenant strength and health of tenants</li> <li>• High quality provision of property and facilities management services with our in-house team</li> <li>• Health and Safety Committee met 3 times to closely monitor activity and regulation, reporting to every Board meeting</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Continue with our current controls and mitigating actions</li> </ul>

Principal risk	Risk description	Mitigation
<p><b>2. Sustainability</b></p> <p>Strategy: We acquire the right properties, we deliver value through active management and cost control</p> <p>KPIs: TSR(R), TAR, VR</p> <p>Risk assessment: Medium</p> <p>Change in risk profile in the year: No change</p> <p>Direction of travel: No change</p>	<p>As a result of a failure to plan properly for, and act upon, the potential environmental and social impact of our activities, changing societal attitudes, and/or a breach of any legislation, this could lead to damage to our reputation and customer relationships, loss of income and/or property value, and erosion of shareholder confidence in the Group.</p> <p><b>Key risks</b></p> <p><b>Transition risks:</b> These include regulatory changes, economic shifts, obsolescence, and the changing availability and price of resources.</p> <p><b>Physical risks:</b> These are climate-related events that affect our supply chain as well as the buildings' physical form and operation; they include extreme weather events, pollution and changing weather patterns.</p>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Implemented new sustainability data platform</li> <li>• Continued monitoring and oversight by the Sustainability Committee over key ongoing projects</li> <li>• Implementation of our climate resilience plan</li> <li>• Detailed Sustainability risk registers maintained, reviewed and updated</li> <li>• Continued implementation and active monitoring of NZC Pathway projects</li> <li>• Completion of planned energy efficiency projects including all scheduled PV installations</li> <li>• Continued EPC upgrade programme</li> <li>• Recertification of relevant properties in the UK and France to BREEAM In-Use V6</li> <li>• Independent assurance on EPRA sBPR KPI data</li> <li>• Renewal of Sustainable refurbishment and fit-out guide</li> <li>• Maintained living wage accreditation</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Ongoing rollout of biodiversity net gain plan</li> <li>• Initiate a review of the NZC Pathway including the strategy and key targets</li> <li>• Continue with our current controls and mitigating actions</li> </ul>

Principal risk	Risk description	Mitigation
<p><b>3. Business interruption</b></p> <p>Strategy: We continually assess whether to hold or sell properties</p> <p>KPIs: TSR(R), TAR</p> <p>Risk assessment: Low</p> <p>Change in risk profile in the year: No change</p> <p>Direction of travel: No change</p>	<p>Data loss; or disruption to corporate or building management systems; or catastrophic external attack; or disaster; may limit the ability of the business to operate resulting in negative reputational, financial and regulatory implications for long-term shareholder value.</p> <p><b>Key risks</b></p> <ul style="list-style-type: none"> <li>• Cyber threat</li> <li>• Large scale terrorist attack</li> <li>• Environmental disaster, power shortage or pandemic</li> </ul>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Maintained a Centre of Internet Security 'A' rating</li> <li>• Maintained Cyber Essentials Plus certification</li> <li>• Conducted penetration testing on the Group's properties (e.g. simulate cyber-attacks on building management systems)</li> <li>• Continued implementation of shared property and finance system across the Group</li> <li>• Continued use of external partners for specialist cyber security activities and independent reviews</li> <li>• Transitioned to continuous and automated patching across all managed systems</li> <li>• New Email Gateway implemented</li> <li>• Identity management protection implemented</li> <li>• Continued to test and train employees on cyber security</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Complete implementation of shared property and finance system across the Group</li> <li>• Start to drive greater cost and reporting efficiencies across the Group from using a common platform</li> <li>• Reassess business continuity and disaster recovery plans</li> <li>• Continue with our current controls and mitigating actions</li> </ul>

Principal risk	Risk description	Mitigation
<p><b>4. Financing</b></p> <p>Strategy: We secure the right finance</p> <p>KPIs: Cost of debt, EPS</p> <p>Risk assessment: High</p> <p>Change in risk profile in the year: Increasing</p> <p>Direction of travel: No change</p>	<p>The risk of not being able to source funding in cost-effective forms will negatively impact the ability of the Group to meet its business plans or satisfy its financial obligations.</p> <p><b>Key risks</b></p> <ul style="list-style-type: none"> <li>• Inability to refinance debt at maturity due to lack of funding sources, market liquidity, etc.</li> <li>• Unavailability of financing at acceptable debt terms</li> <li>• Risk of rising interest rates on floating rate debt</li> <li>• Risk of breach of loan covenants</li> <li>• Foreign currency risk</li> <li>• Financial counterparty risk</li> <li>• Risk of not having sufficient liquid resources to meet payment obligations when they fall due</li> <li>• In 2024, the financing markets remained open and supportive for CLS but with greater amounts of loans maturing in 2025 the risk has increased. Notwithstanding this, CLS has made significant progress with 2025 debt maturities</li> </ul>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Financed, refinanced or extended 9 loans to a value of £154.5 million</li> <li>• Weekly treasury meetings took place with the CEO and CFO including discussion of financing, rolling 12-month cash flow forecasts, FX requirements and hedging, amongst other items</li> <li>• Weekly cash flow forecasts prepared and distributed to Senior Leadership Team</li> <li>• 79.7% of the Group's borrowings are fixed rate plus a further 3.8% of interest rate caps</li> <li>• Regularly monitored loan covenants</li> <li>• CLS borrows in local markets and in local currencies via individual SPVs to provide a 'natural' hedge</li> <li>• All loans have equity cure mechanisms to repair breaches</li> <li>• Maintained a wide number of banking relationship with 25 lenders across the Group to diversify funding sources</li> <li>• Maintained low weighted average cost of debt (3.77%)</li> <li>• Maintained average debt maturity of 3.2 years</li> <li>• Significant headroom across three main loan covenants of between 14% and 32%</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Continue with our current controls and mitigating actions</li> </ul>
<p><b>5. Political &amp; economic</b></p> <p>Strategy: We deliver value through active management and cost control</p> <p>KPIs: EPS</p> <p>Risk assessment: Medium</p> <p>Change in risk profile in the year: No change</p> <p>Direction of travel: No change</p>	<p>Significant events or changes in the Global and/or European political and/or economic landscape may increase the reluctance of investors and customers to make timely decisions and thereby impact the ability of the Group to plan and deliver its strategic priorities in accordance with its core business model.</p> <p><b>Key risks</b></p> <ul style="list-style-type: none"> <li>• Ongoing transition of the UK from the EU</li> <li>• Global geopolitical and trade environments</li> <li>• Potential impact of US tariffs on inflation and interest rates</li> </ul>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Monitored events and trends closely, making business responses if needed</li> <li>• Maintained membership of key industry bodies for example the British Property Federation, British Council of Offices and Better Buildings Partnership</li> <li>• Monitored tenants for sanction issues</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Continue with our current controls and mitigating actions</li> </ul>

Principal risk	Risk description	Mitigation
<p><b>6. People</b></p> <p>Strategy: We reward shareholders, customers and employees</p> <p>KPIs: TSR(R), TAR</p> <p>Risk assessment: Low</p> <p>Change in risk profile in the year: No change</p> <p>Direction of travel: No change</p>	<p>The failure to attract, develop and retain the right people with the required skills, and in an environment where employees can thrive, will inhibit the ability of the Group to deliver its business plans in order to create long-term sustainable value.</p> <p><b>Key risks</b></p> <ul style="list-style-type: none"> <li>• Failure to recruit senior management and key executives with the right skills</li> <li>• Excessive staff turnover levels</li> <li>• Lack of succession planning and development opportunities</li> <li>• Poor employee engagement levels</li> </ul>	<p><b>2024</b></p> <ul style="list-style-type: none"> <li>• Bi-annual townhall meetings held by Senior Independent Board member to listen to employee concerns and suggestions and discuss with the Board</li> <li>• Employee compensation packages reviewed at least annually to ensure they remain competitive</li> <li>• Implementation of a calendar of wellbeing, social and diversity, equity, and inclusion activities</li> <li>• Implementation of feedback from Staff Engagement and Enablement Survey</li> </ul> <p><b>2025</b></p> <ul style="list-style-type: none"> <li>• Continue with our current controls and mitigating actions</li> </ul>

## Emerging risks

We define emerging risks to be those that may either materialise or impact over a longer timeframe. They may be a new risk, a changing risk or a combination of risks for which the broad impacts, likelihoods and costs are not yet well understood, and which could have a material effect on CLS' business strategy.

Emerging risks may also be superseded by other risks or cease to be relevant as the internal and external environment in which we operate evolves. The Senior Leadership Team, which has representatives from each area of the business, is tasked with identifying emerging risks for the business and discussing what impact these risks may have on the business and what steps we should be taking to mitigate these risks. The Board reviews these assessments on an annual basis.

Emerging risk	Potential impact	Mitigation	Short <2yrs	Medium 2-5yrs	Long >5yrs
<b>Adoption of technology</b>	Failure to embrace technology could result in the Group falling behind its competitors in efficiency, thereby risking a loss of competitive edge. As buildings evolve to incorporate smart features, tenants may prefer such technologically advanced spaces over those lacking similar amenities. Neglecting occupant preferences for technology could diminish the attractiveness of the Group's office properties, potentially leading to vacancies and a decline in rental revenue.	We thoroughly examine emerging technologies to ensure that we extract the utmost value from any new system or service we opt to incorporate into our comprehensive digital and technological framework.	X	X	X
<b>Artificial intelligence</b>	The automation of certain tasks through AI may lead to job displacement for those whose roles are automated but it will also create jobs. This could have implications on our current tenant base which may impact office space requirements.	Active monitoring of the changing landscape through attendance at AI industry talks and regular discussion/awareness at the executive committee level.	X	X	X
<b>Regulation/ compliance</b>	Increased capital cost of maintaining our property portfolio. Increased administration costs to ensure resources sufficient to deliver corporate compliance.	Continued ongoing assessment of all properties against emerging regulatory changes and benchmarking of fit-out and refurbishment projects against third-party schemes.	X	X	X
<b>Increasing energy and construction costs</b>	Increased cost of operating properties will reduce attractiveness of tenancies to existing and potential customers. Increased costs of refurbishments and developments leading to reduced investment returns.	Ongoing consideration of, and investment in, energy efficient plant and building-mounted renewable energy systems. Continued monitoring of materials, investment in key skills for staff and viability assessments of buildings.	X	X	X
<b>Changes in office occupation trends</b>	Changes in societal attitudes to agile and flexible working practices may reduce demand for space compared to historical trends.	In-house asset management model provides the means for the property team to: proactively manage customers; and gain real-time insight and transparency on changes in needs and trends allowing us to adapt our properties to meet these.	X	X	X
<b>Climate change, natural resources and biodiversity risks</b>	Increased risk of weather-related damage to property portfolio and reputational impact of not evolving sustainability goals in line with global benchmarks and/or public expectations. Inability to obtain sufficient carbon credits at suitable price to offset residual carbon emissions in order to achieve net zero carbon.	Our sustainability strategy continues to evolve and has been developed in alignment with Global Real Estate Sustainability Benchmarks (GRESB), consideration of the UN Sustainable Development Goals (SDGs) and climate risk modelling. We are investigating various solutions to achieve sufficient offsets by 2030.		X	X

# Going concern statement

## 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 £154.5 million completed in 2024, £42.1 million already completed in 2025 and a further £174.1 million has been well advanced subsequent to year-end, whereby term sheets have been obtained, we have reached a first stage credit review or short term extensions between 3 to 12 months have been agreed in anticipation of the planned refinancings of these facilities.

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 31 July 2026 ('the going concern period'). The period chosen takes into consideration the maturity date of loans totalling £426.0 million that expire by July 2026. The going concern assessment uses the forecast approved by the Board at its November 2024 meeting as the Base case. The assessment also considers a Severe but plausible case. The Directors have considered the period between the date of Board approval and the date of signing the accounts. Based on a review of events since Board approval in November 2024, the Directors conclude that there have been no significant changes since the forecast was approved.

## 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 cash flows 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 focused 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 £426.0 million with 11 lenders expiring within the going concern period will be refinanced as expected (£303.0 million) or will be repaid (£123.0 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 12 months to 31 December 2024 when £154.5 million was successfully refinanced or extended; and
- recent refinancings subsequent to 31 December 2024 that have completed, reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £216.2 million (£66.2 million of which short term extensions between 3 to 12 months have been agreed in anticipation of the planned refinancings of these facilities) of the £303.0 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 November 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 £66.1 million achieved in the 12 months to 31 December 2024) and the progress made with the disposal of Spring Mews Student which has been unconditionally exchanged. 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 ring-fenced 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 are expected to be immaterial following an assessment of potential significant inflation resulting from climate change, in the context of increased property and administrative costs, as part of the reverse stress testing performed by CLS. Furthermore, the forecast cash flows prepared for the Base case include all necessary capital expenditure to meet the minimum energy efficiency standards required in the countries where CLS operates.

### **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 July 2026, impacting forecast refinancings, sales and cash cures. This is in addition to the reduction experienced of 12.5% in 2023 and cumulative c.24% decline from 30 June 2022 to 31 December 2024.

Assumptions around refinancing and investment property disposals are adjusted to incorporate the higher interest rates and lower property values noted above. A reduction in property values of 10% results in additional cure payments of £11.8 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 the currently available £42.9 million of its existing £60.0 million 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 loans that require refinancing in the going concern period are all through ring-fenced SPV borrower structures. Accordingly, in extremis, the lender could enforce their security on an individual property with no claim on the rest of the Group's assets apart from certain limited guarantees and limited recourse security granted by the Company and certain Group companies.

### **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 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, 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 all through ring-fenced SPV borrower structures, save for certain limited guarantees and limited recourse security granted by the Company and certain other Group companies. 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.



# Viability statement

The Group's viability assessment follows a similar methodology to the going concern assessment in terms of analysing the Base case financial forecasts and a Severe but plausible case but makes the assessment of the viability of the Company to continue in operation and meet its liabilities as they fall due over a considerably longer period.

The viability assessment covers the period to 31 December 2028 ('the viability period'), a period chosen as it is coincident with the period of the forecasts approved by the Board at its November 2024 Board meeting. These forecasts comprise the Base case but they have been updated for the actual results for 2024 and any changed assumptions. The period of 4 years was also chosen as this is similar to the Group's WAULT and weighted average debt maturity, and so aligns with the period over which the Group has good visibility.

In performing this assessment, the Board notes that the financial information for the year ended 31 December 2024 contained disclosure of a Material Uncertainty related to going concern because the timing and amounts of the planned refinancing of debt and disposals of property at the time were outside of Management's control. In this context the Directors set out their considerations and conclusions in respect of their Viability statement for these financial statements below.

## Viability assessment

As with the Going concern assessment, the financial forecast prepared for the Base case takes account of the Group's principal risks and uncertainties, and reflects the current challenging economic backdrop. The forecast uses forward interest rate curves, inflation and foreign exchange.

The Base case is focused on the cash, liquid resources and working capital position of the Group including forecast covenant compliance. The forecast also assumes continued access to lending facilities but given the longer time period than the going concern period the amounts requiring to be refinanced are consequentially greater. Within the viability period, it is assumed debt facilities of £703.1 million expiring will be refinanced (£557.4 million) as expected or repaid (£145.8 million), which is linked to forecast property sales) taking into account:

- existing banking relationships;
- CLS' track record of prior refinancings, particularly in 12 months to 31 December 2024 when £154.5 million was successfully refinanced or extended;
- refinancings subsequent to year-end that have completed, or where terms have been agreed, or where negotiations are very advanced totalling £216.2 million (£66.2 million of which short term extensions between 3 to 12 months have been agreed in anticipation of the planned refinancing of these facilities) of the £703.1 million expiring before 31 December 2028; and
- other ongoing discussions with lenders.

A Severe but plausible case was also produced by flexing key assumptions 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 derived by considering the negative market and economic impacts 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 in property values of 10% until 31 December 2026 which is in addition to the fall in value already experienced in 2022, 2023 and 2024 but no subsequent bounce back in valuation has been assumed.

Assumptions around refinancing and property disposals are adjusted to only include those agreed or considered significantly advanced by management. In addition, a reduction in property values of 10% results in additional cure payments of £11.8 million being necessary for the Group to remain in compliance with its covenant requirements.

The impacts of climate change risks within the viability period have been considered in the Severe but plausible case and are expected to be immaterial.

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.

In the Severe but plausible case, CLS would need to take mitigating actions in terms of depositing cash to equity cure some loans as envisaged under the facilities, scaling back uncommitted capital expenditure and reducing the dividend to the Property Income Distribution required under the UK REIT rules as well as drawing the currently available £42.9 million of its existing £60.0 million revolving credit and overdraft facilities, of which £30 million is committed until October 2026 with the option to extend a further two years and £20 million is committed until November 2025 with an option to extend a further year.

Additionally, the Board note that the properties that require refinancing in the going concern period are all through ring-fenced SPV borrower structures. Accordingly, in extremis, the lender could enforce their security on an individual property with no claim on the rest of the Group's assets apart from certain limited guarantees and limited recourse security granted by the Company and certain other Group companies.

**Material uncertainty**

The Directors highlighted in their going concern assessment that whilst they remain confident in the future prospects for the Group and its ability to continue as a going concern, the Group is reliant upon its ability to both refinance the debt maturing and to complete a number of property disposals in the going concern period in challenging market conditions. The same material uncertainty may also cast significant doubt over the future viability of the Group.

# Directors' responsibility statement

## Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with the Companies Act 2006 and United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs) and have elected to prepare the Parent Company financial statements in accordance with FRS101 of United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This statement of responsibilities was approved by the Board on 31 March 2025.

Approved and authorised on behalf of the Board

**David Fuller BA FCG**

Company Secretary

31 March 2025

# Group income statement

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
Revenue	4	151.9	148.7
Service charges and similar expenses	4	(37.9)	(35.7)
Net rental income	4	114.0	113.0
Administration expenses		(17.7)	(18.2)
Other property expenses		(18.1)	(15.6)
Operating profit before revaluation and disposals		78.2	79.2
Net revaluation movements on investment property	12/14	(127.7)	(302.7)
Net revaluation movements on equity investments		(0.6)	(1.3)
(Loss)/profit on sale of investment property		(2.3)	1.4
Loss on sale of other equity investments		(0.1)	–
<b>Operating loss</b>		<b>(52.5)</b>	<b>(223.4)</b>
Finance income	8	1.4	1.6
Finance costs	9	(45.7)	(41.3)
Foreign exchange loss		(0.6)	(0.3)
<b>Loss before tax</b>		<b>(97.4)</b>	<b>(263.4)</b>
Taxation	10	3.8	13.6
<b>Loss for the year attributable to equity shareholders</b>		<b>(93.6)</b>	<b>(249.8)</b>
Basic and diluted earnings per share	5/24	<b>(23.6)p</b>	<b>(62.9)p</b>

The notes are an integral part of these Group financial statements.

# Group statement of comprehensive income

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
<b>Loss for the year</b>		<b>(93.6)</b>	(249.8)
Other comprehensive income:			
<b>Items that may be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment	26	1.3	2.2
Foreign exchange differences	26	(21.6)	(12.3)
Deferred tax on revaluation of property, plant and equipment	18	(0.1)	(0.6)
<b>Total items that may be reclassified to profit or loss</b>		<b>(20.4)</b>	(10.7)
<b>Total other comprehensive expense</b>		<b>(20.4)</b>	(10.7)
<b>Total comprehensive expense for the year attributable to equity shareholders</b>		<b>(114.0)</b>	(260.5)

The notes are an integral part of these Group financial statements.

# Group balance sheet

at 31 December 2024

	Notes	2024 £m	2023 £m
<b>Non-current assets</b>			
Investment properties	12	1,676.5	1,850.5
Property, plant and equipment	13	42.5	41.8
Intangible assets		2.7	2.9
Equity investments		0.6	1.4
Derivative financial instruments	20	0.7	3.6
		<b>1,723.0</b>	1,900.2
<b>Current assets</b>			
Trade and other receivables	15	14.2	16.7
Derivative financial instruments	20	1.1	0.7
Cash and cash equivalents	16	60.5	70.6
		<b>75.8</b>	88.0
Assets held for sale	14	133.0	172.7
<b>Total assets</b>		<b>1,931.8</b>	2,160.9
<b>Current liabilities</b>			
Trade and other payables	17	(65.7)	(68.6)
Current tax		(0.9)	(0.3)
Borrowings	19	(372.4)	(193.9)
		<b>(439.0)</b>	(262.8)
<b>Non-current liabilities</b>			
Deferred tax	18	(78.1)	(88.7)
Borrowings	19	(626.8)	(876.7)
Leasehold liabilities		(3.3)	(3.5)
Derivative financial instruments	20	(0.4)	–
		<b>(708.6)</b>	(968.9)
<b>Total liabilities</b>		<b>(1,147.6)</b>	(1,231.7)
<b>Net assets</b>		<b>784.2</b>	929.2
<b>Equity</b>			
Share capital	23	11.0	11.0
Share premium		83.1	83.1
Other reserves	26	86.9	106.7
Retained earnings		603.2	728.4
<b>Total equity</b>		<b>784.2</b>	929.2

The financial statements of CLS Holdings plc (registered number: 02714781) were approved by the Board of Directors and authorised for issue on 31 March 2025 and were signed on its behalf by:

**Mr F Widlund**  
Chief Executive Officer

**Mr A Kirkman**  
Chief Financial Officer

The notes are an integral part of these Group financial statements.

# Group statement of changes in equity

for the year ended 31 December 2024

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
	Note 23		Note 26		
<b>Arising in 2024:</b>					
Total comprehensive expense for the year	–	–	(20.4)	(93.6)	(114.0)
Share-based payments	–	–	0.6	–	0.6
Dividends to shareholders	–	–	–	(31.6)	(31.6)
<b>Total changes arising in 2024</b>	<b>–</b>	<b>–</b>	<b>(19.8)</b>	<b>(125.2)</b>	<b>(145.0)</b>
<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>At 31 December 2024</b>	<b>11.0</b>	<b>83.1</b>	<b>86.9</b>	<b>603.2</b>	<b>784.2</b>

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
	Note 23		Note 26		
<b>Arising in 2023:</b>					
Total comprehensive expense for the year	–	–	(10.7)	(249.8)	(260.5)
Share-based payments	–	–	0.5	–	0.5
Dividends to shareholders	–	–	–	(31.6)	(31.6)
Transfer of fair value on property, plant and equipment	–	–	1.5	(1.5)	–
<b>Total changes arising in 2023</b>	<b>–</b>	<b>–</b>	<b>(8.7)</b>	<b>(282.9)</b>	<b>(291.6)</b>
<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>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>

The notes are an integral part of these Group financial statements.

# Group statement of cash flows

for the year ended 31 December 2024

	Notes	2024 £m	2023 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	71.2	83.2
Interest received		1.4	1.6
Interest paid		(40.6)	(35.1)
Income tax paid on operating activities		(2.5)	(3.8)
<b>Net cash inflow from operating activities</b>		<b>29.5</b>	<b>45.9</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		(22.3)	(46.4)
Proceeds from sale of properties		63.8	17.0
Income tax paid on sale of properties		–	(1.8)
Purchases of property, plant and equipment		(0.2)	(0.8)
Purchase of intangibles		(0.2)	(0.3)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>41.1</b>	<b>(32.3)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	25	(31.6)	(31.6)
Cash received on settlement of derivative financial instrument		0.7	–
Purchase of derivative financial instrument		(1.2)	–
Proceeds from borrowings <sup>1</sup>		8.8	72.5
Transaction costs related to borrowings		(1.0)	(1.1)
Repayment of borrowings <sup>1</sup>		(55.5)	(96.0)
<b>Net cash outflow from financing activities</b>		<b>(79.8)</b>	<b>(56.2)</b>
<b>Cash flow element of net decrease in cash and cash equivalents</b>		<b>(9.2)</b>	<b>(42.6)</b>
Foreign exchange loss		(0.9)	(0.7)
<b>Net decrease in cash and cash equivalents</b>		<b>(10.1)</b>	<b>(43.3)</b>
Cash and cash equivalents at the beginning of the year		70.6	113.9
<b>Cash and cash equivalents at the end of the year</b>	16	<b>60.5</b>	70.6

<sup>1</sup> Proceeds from borrowings and repayment of borrowings for the year ended 31 December 2023 have been restated. Details of these restatements are included at note 27.

The notes are an integral part of these Group financial statements.



# Notes to the Group financial statements

for the year ended 31 December 2024

## 1. General information

CLS Holdings plc (the 'Company' or 'Ultimate Parent') and its subsidiaries (together 'CLS Holdings' or the 'Group') is an investment property group which is principally involved in the investment, management and development of commercial properties. The Group's principal operations are carried out in the United Kingdom, Germany and France.

The Company is an incorporated public limited company and is registered and incorporated in the United Kingdom. Its registration number is 02714781, with its registered address at 16 Tinworth Street, London SE11 5AL. The Company is listed on the London Stock Exchange and domiciled in the United Kingdom.

## 2. Annual financial report

This financial information has been prepared in accordance with the Companies Act 2006 and United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs). The Company prepares its Parent Company financial statements in accordance with FRS 101.

The financial information set out in this announcement is unaudited and does not constitute the Group's financial statements for the year ended 31 December 2024 or 31 December 2023 as defined by Section 434 of the Companies Act 2006. Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered following the Company's Annual General Meeting.

The Group's full financial statements for the year ended 31 December 2024 were approved by the Board of Directors and reported on by the auditors, BDO LLP, on 31 March 2025. The independent auditor's report is unqualified, does not contain statements under section 498 (2) or (3) of the Companies Act 2006, however does include reference to a material uncertainty related to going concern.

The 2023 accounts were audited Ernst & Young LLP and their report was unqualified, did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006, however did include reference to a material uncertainty related to going concern.

The financial statements have been prepared on the historical cost basis, except for the revaluation properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies. The consolidated financial statements, including the results and financial position, are presented in pounds sterling, which is the functional and presentational currency of CLS Holdings plc. The amounts presented in the financial statements are rounded to the nearest £0.1 million.

The annual financial report (produced in accordance with the Disclosure and Transparency Rules) can be found on the Company's website [www.clsholdings.com](http://www.clsholdings.com). The 2024 Annual Report and Accounts is expected to be posted to shareholders on 14 April 2025 and will also be available on the Company's website.

## 3. Going concern

### **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 £154.5 million completed in 2024, £42.1 million already completed in 2025 and a further £174.1 million has been well advanced subsequent to year-end, whereby term sheets have been obtained, we have reached a first stage credit review or short term extensions between 3 to 12 months have been agreed in anticipation of the planned refinancing of these facilities.

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 31 July 2026 ('the going concern period'). The period chosen takes into consideration the maturity date of loans totalling £426.0 million that expire by July 2026. The going concern assessment uses the forecast approved by the Board at its November 2024 meeting as the Base case. The assessment also considers a

Severe but plausible case. The Directors have considered the period between the date of Board approval and the date of signing the accounts. Based on a review of events since Board approval in November 2024, the Directors conclude that there have been no significant changes since the forecast was approved.

### **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 cash flows 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 focused 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 £426.0 million with 11 lenders expiring within the going concern period will be refinanced as expected (£303.0 million) or will be repaid (£123.0 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 12 months to 31 December 2024 when £154.5 million was successfully refinanced or extended; and
- recent refinancings subsequent to 31 December 2024 that have completed, reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £216.2 million (£66.2 million of which short term extensions between 3 to 12 months have been agreed in anticipation of the planned refinancing of these facilities) of the £303.0 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 November 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 £66.1 million achieved in the 12 months to 31 December 2024) and the progress made with the disposal of Spring Mews Student which has been unconditionally exchanged. 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 ring-fenced 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 are expected to be immaterial following an assessment of potential significant inflation resulting from climate change, in the context of increased property and administrative costs, as part of the reverse stress testing performed by CLS. Furthermore, the forecast cash flows prepared for the Base case include all necessary capital expenditure to meet the minimum energy efficiency standards required in the countries where CLS operates.

### **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 July 2026, impacting forecast refinancings, sales and cash cures. This is in addition to the reduction experienced of 12.5% in 2023 and cumulative c.24% decline from 30 June 2022 to 31 December 2024.

Assumptions around refinancing and investment property disposals are adjusted to incorporate the higher interest rates and lower property values noted above. A reduction in property values of 10% results in additional cure payments of £11.8 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 the currently available £42.9 million of its existing £60.0 million 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 loans that require refinancing in the going concern period are all through ring-fenced SPV borrower structures. Accordingly, in extremis, the lender could enforce their security on an individual property with no claim on the rest of the Group's assets apart from certain limited guarantees and limited recourse security granted by the Company and certain Group companies.

#### **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 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, 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 all through ring-fenced SPV borrower structures, save for certain limited guarantees and limited recourse security granted by the Company and certain other Group companies.

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.

## 4. 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 reporting segments are:

**Investment properties:**           United Kingdom  
   Germany  
   France

#### **Other investments**

Year ended 31 December 2024	2024						Total £m
	Investment properties			Other investments £m	Central administration £m		
	United Kingdom £m	Germany £m	France £m				
<b>Rental income</b>	47.1	40.3	12.8	–	–	<b>100.2</b>	
<b>Other property-related income<sup>1</sup></b>	13.2	0.3	0.3	6.0	0.1	<b>19.9</b>	
<b>Service charge income</b>	15.8	11.0	5.0	–	–	<b>31.8</b>	
<b>Revenue</b>	<b>76.1</b>	<b>51.6</b>	<b>18.1</b>	<b>6.0</b>	<b>0.1</b>	<b>151.9</b>	
<b>Service charges and similar expenses</b>	<b>(18.6)</b>	<b>(13.6)</b>	<b>(5.7)</b>	–	–	<b>(37.9)</b>	
<b>Net rental income</b>	<b>57.5</b>	<b>38.0</b>	<b>12.4</b>	<b>6.0</b>	<b>0.1</b>	<b>114.0</b>	
<b>Administration expenses</b>	<b>(7.4)</b>	<b>(3.2)</b>	<b>(1.4)</b>	<b>(0.1)</b>	<b>(5.6)</b>	<b>(17.7)</b>	
<b>Other property expenses</b>	<b>(9.7)</b>	<b>(4.1)</b>	<b>(0.8)</b>	<b>(3.5)</b>	–	<b>(18.1)</b>	
<b>Revenue less costs</b>	<b>40.4</b>	<b>30.7</b>	<b>10.2</b>	<b>2.4</b>	<b>(5.5)</b>	<b>78.2</b>	
<b>Net revaluation movements on investment property</b>	<b>(73.7)</b>	<b>(41.5)</b>	<b>(12.5)</b>	–	–	<b>(127.7)</b>	
<b>Net revaluation movements on equity investments</b>	–	–	–	<b>(0.6)</b>	–	<b>(0.6)</b>	
<b>(Loss)/profit on sale of investment property</b>	<b>(1.6)</b>	<b>(0.8)</b>	–	–	<b>0.1</b>	<b>(2.3)</b>	
<b>Loss on sale of other equity investments</b>	–	–	–	<b>(0.1)</b>	–	<b>(0.1)</b>	

<b>Segment operating (loss)/profit</b>	<b>(34.9)</b>	<b>(11.6)</b>	<b>(2.3)</b>	<b>1.7</b>	<b>(5.4)</b>	<b>(52.5)</b>
<b>Finance income</b>	<b>1.0</b>	<b>–</b>	<b>–</b>	<b>0.4</b>	<b>–</b>	<b>1.4</b>
<b>Finance costs</b>	<b>(26.9)</b>	<b>(14.2)</b>	<b>(4.3)</b>	<b>–</b>	<b>(0.3)</b>	<b>(45.7)</b>
<b>Foreign exchange loss</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.6)</b>	<b>–</b>	<b>(0.6)</b>
<b>Segment (loss)/profit before tax</b>	<b>(60.8)</b>	<b>(25.8)</b>	<b>(6.6)</b>	<b>1.5</b>	<b>(5.7)</b>	<b>(97.4)</b>

1 Other property-related income includes an amount of £2.9 million in the United Kingdom segment which is the forfeited deposit, net of costs, from the original purchaser upon their failure to complete on the sale of Westminster Tower.

2023

Year ended 31 December 2023	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 property	(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)	(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)/profit before tax	(175.0)	(70.0)	(17.6)	5.5	(6.3)	(263.4)

#### Other segment information

	Assets		Liabilities		Capital expenditure	
	2024 £m	2023 £m	2024 £m	2023 £m	2024 £m	2023 £m
Investment properties						
United Kingdom	<b>825.1</b>	930.0	<b>510.5</b>	548.2	<b>9.4</b>	37.2
Germany	<b>828.8</b>	908.1	<b>477.4</b>	510.8	<b>8.3</b>	9.3
France	<b>233.2</b>	265.0	<b>158.4</b>	164.3	<b>3.4</b>	3.1
Other investments	<b>44.7</b>	57.8	<b>1.3</b>	8.4	<b>–</b>	0.8
	<b>1,931.8</b>	2,160.9	<b>1,147.6</b>	1,231.7	<b>21.1</b>	50.4

## 5. Alternative Performance Measures

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 across the European real estate sector. 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 (European Public Real Estate Association ('EPRA') APMs and similar CLS APMs) which are reconciled where possible to statutory measures on the following pages.

CLS monitors the Group's financial performance using APMs which are 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').

The Group adopted the EPRA Best Practice Recommendations ('BPRs') September 2024 in the current reporting period. This has not had a material impact on the Group's reported EPRA earnings and there has been no change to the Group's APMs in the year with the same APMs utilised by the business being defined, calculated and used on a consistent basis. All other EPRA measures are shown within the supplementary unaudited disclosures to the financial statements.

### 1. EPRA APMs

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

## i) Earnings – EPRA earnings

	Notes	2024 £m	2023 £m
Loss for the year		<b>(93.6)</b>	(249.8)
Net revaluation movement on investment property	12/14	<b>127.7</b>	302.7
Deferred tax on revaluations		<b>(6.6)</b>	(16.3)
Net revaluation movement on equity investments		<b>0.6</b>	1.3
Loss/(profit) on sale of investment property		<b>2.3</b>	(1.4)
Current tax thereon		<b>2.1</b>	–
Movement in fair value of derivative financial instruments	9	<b>3.4</b>	4.2
Loss from sale of equity investments		<b>0.1</b>	–
Amortisation of intangible assets		<b>0.4</b>	0.2
<b>EPRA earnings</b>		<b>36.4</b>	40.9
<b>Basic and diluted loss per share</b>		<b>(23.6)p</b>	(62.9)p
<b>EPRA earnings per share</b>		<b>9.2p</b>	10.3p

## ii) Net asset value measures

	2024				2023			
	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
<b>2024</b>								
<b>IFRS Net assets</b>	<b>784.2</b>	<b>784.2</b>	<b>784.2</b>	<b>784.2</b>	929.2	929.2	929.2	929.2
<b>Other intangibles</b>	–	<b>(2.7)</b>	–	–	–	(2.9)	–	–
<b>Fair value of fixed interest debt</b>	–	–	–	<b>50.4</b>	–	–	–	56.7
<b>Tax thereon</b>	–	–	–	<b>(1.7)</b>	–	–	–	(3.3)
<b>Deferred tax on revaluation surplus</b>	–	<b>79.8</b>	<b>79.8</b>	–	–	90.0	90.0	–
<b>Adjustment for short-term disposals</b>	–	<b>(5.5)</b>	–	–	–	(6.6)	–	–
<b>Fair value of financial instruments</b>	–	<b>(1.4)</b>	<b>(1.4)</b>	–	–	(4.3)	(4.3)	–
<b>Purchasers' costs<sup>1</sup></b>	–	–	<b>132.6</b>	–	–	–	147.7	–
	<b>784.2</b>	<b>854.4</b>	<b>995.2</b>	<b>832.9</b>	929.2	1,005.4	1,162.6	982.6
<b>Per share</b>	<b>197.3p</b>	<b>215.0p</b>	<b>250.4p</b>	<b>209.6p</b>	233.8p	253.0p	292.5p	247.2p

1 EPRA NTA and EPRA NDV reflect IFRS values which are net of purchasers' costs. Purchasers' costs are added back when calculating EPRA NRV.

## 6. Loss for the year

Loss for the year has been arrived at after charging:

	Notes	2024 £m	2023 £m
Auditor's remuneration: Fees payable to the Company's Auditor for:			
Audit of the Parent Company and Group accounts		<b>0.7</b>	0.5
Audit of the Company's subsidiaries pursuant to legislation		<b>0.1</b>	0.2
Audit overrun fee for prior year <sup>1</sup>		<b>0.2</b>	–
Depreciation of property, plant and equipment	13	<b>0.6</b>	0.6
Amortisation of intangible assets		<b>0.4</b>	0.2
Employee benefits expense	7	<b>11.6</b>	12.1
Foreign exchange loss		<b>0.6</b>	0.3
Provision against trade and other receivables	15	<b>0.1</b>	–

1 The fee was paid to the previous auditor for overruns relating to the 2023 audit.

Other services provided to the Group by the Company's Auditor consisted of the 2024 interim review of £nil (2023: £76k for the previous auditor) and the provision of access to a technical financial reporting database of £nil (2023: £1k for the previous auditor).

## 7. Employee benefits expense

	2024 £m	2023 £m
Wages and salaries	7.4	7.6
Social security costs	1.4	1.4
Pension costs – defined contribution plans	0.4	0.3
Performance incentive plan	0.8	1.2
Other employee-related expenses	1.6	1.6
	<b>11.6</b>	<b>12.1</b>

The Directors are considered to be the only key management of the Group. Information on Directors' emoluments, share options and interests in the Company's shares is given in the Remuneration Committee Report.

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

	2024			2023		
	Property Number	Hotel Number	Total Number	Property Number	Hotel Number	Total Number
Male	53	11	64	50	11	61
Female	49	10	59	48	9	57
	<b>102</b>	<b>21</b>	<b>123</b>	98	20	118

## 8. Finance income

	2024 £m	2023 £m
Interest income		
Financial instruments carried at amortised cost	1.4	1.6
	<b>1.4</b>	<b>1.6</b>

## 9. Finance costs

	2024 £m	2023 £m
Interest expense		
Secured bank loans	40.6	35.5
Amortisation of loan issue costs	1.7	1.6
Total interest costs	<b>42.3</b>	<b>37.1</b>
Movement in fair value of derivative financial instruments	3.4	4.2
Total finance costs	<b>45.7</b>	<b>41.3</b>

## 10. Taxation

	2024 £m	2023 £m
Corporation tax		
Current year charge	3.0	5.6
Adjustments in respect of prior years	0.1	(1.9)
	<b>3.1</b>	<b>3.7</b>
Deferred tax (see note 18)		
Origination and reversal of temporary differences	(6.9)	(17.3)
	<b>(6.9)</b>	<b>(17.3)</b>
<b>Tax credit for the year</b>	<b>(3.8)</b>	<b>(13.6)</b>

A deferred tax charge of £0.1 million (2023: £0.6 million) was recognised directly in equity (note 18). The (credit)/charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits of Group companies as follows:

	2024 £m	2023 £m
<b>Loss before tax</b>	<b>(97.4)</b>	<b>(263.4)</b>
Expected tax credit at applicable tax rate	(21.2)	(56.3)
Expenses not deductible for tax purposes	0.3	0.3
Non-deductible loss from REIT	13.4	42.9
Deferred tax on losses not recognised	3.8	3.7
Adjustments in respect of prior years	0.2	(3.8)
Other	(0.3)	(0.4)
<b>Tax credit for the year</b>	<b>(3.8)</b>	<b>(13.6)</b>

The weighted average applicable tax rate of 21.8% (2023: 21.4%) was derived by applying to their relevant profits and losses the rates in the jurisdictions in which the Group operated. The standard UK rate of corporation tax applied to profits is 25.0% (2023: 23.5%).

## 11. Property portfolio

	Notes	United Kingdom £m	Germany £m	France £m	Total £m
<b>Investment property</b>	<b>12</b>	<b>657.0</b>	<b>793.6</b>	<b>225.9</b>	<b>1,676.5</b>
<b>Property held as property, plant and equipment</b>	<b>13</b>	<b>37.5</b>	<b>1.6</b>	<b>1.6</b>	<b>40.7</b>
<b>Properties held for sale</b>	<b>14</b>	<b>112.5</b>	<b>20.5</b>	<b>–</b>	<b>133.0</b>
<b>Property portfolio at 31 December 2024</b>		<b>807.0</b>	<b>815.7</b>	<b>227.5</b>	<b>1,850.2</b>

	Notes	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	12	836.3	768.2	246.0	1,850.5
Property held as property, plant and equipment	13	36.3	1.7	1.7	39.7
Properties held for sale	14	47.3	115.6	9.8	172.7
Property portfolio at 31 December 2023		919.9	885.5	257.5	2,062.9



## 12. Investment property

	United Kingdom £m	Germany £m	France £m	Total investment properties £m
At 1 January 2024	836.3	768.2	246.0	1,850.5
Acquisitions	–	–	–	–
Capital expenditure	9.4	8.3	3.4	21.1
Disposals	(8.2)	–	–	(8.2)
Net revaluation movement	(73.7)	(41.5)	(12.5)	(127.7)
Lease incentive adjustments <sup>1</sup>	(0.8)	11.2	–	10.4
Exchange rate variances	–	(36.8)	(11.0)	(47.8)
Reclassification to property, plant and equipment	–	(0.1)	–	(0.1)
Transfer (to)/from properties held for sale	(106.0)	84.3	–	(21.7)
At 31 December 2024	657.0	793.6	225.9	1,676.5

	United Kingdom £m	Germany £m	France £m	Total investment properties £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 incentive adjustments	(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

<sup>1</sup> Increase in the lease incentive adjustments in Germany primarily relates to the tenant incentive works conducted at the Brix, Essen in advance of a 30 year lease with the City of Essen.

Investment properties included leasehold properties with a carrying amount of £62.4 million (2023: £65.1 million).

Interest capitalised within capital expenditure in the year amounted to £nil (2023: £1.0 million).

The property portfolio, which comprises investment properties, properties held for sale (note 14), and hotel and other, detailed in note 13, was revalued at 31 December 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 independent external valuers as follows:

	Investment property 2024 £m	Other property 2024 £m	Property portfolio 2024 £m	Investment property 2023 £m	Other property 2023 £m	Property portfolio 2023 £m
Cushman and Wakefield	657.0	150.0	807.0	836.3	83.6	919.9
Jones Lang LaSalle	1,019.5	23.7	1,043.2	1,014.2	128.8	1,143.0
	1,676.5	173.7	1,850.2	1,850.5	212.4	2,062.9

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.

## Valuation process

The Group's property portfolio was valued by independent 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.

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, which are consistent with valuation methodologies in their respective countries, and are in accordance with RICS Valuation – Global 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 reassessing 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 £127.7 million (2023: a loss of £302.7 million) and are presented in the income statement in the line item 'Net revaluation movements on investment property'. The revaluation gain for the property, plant and equipment of £1.3 million (2023: gain of £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 or 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 31 December 2024 and 31 December 2023, respectively.

### Quantitative information about investment property fair value measurement using unobservable inputs (Level 3)

	ERV				Equivalent yield			
	Average		Range		Average		Range	
	2024 £ per sq. ft	2023 £ per sq. ft	2024 £ per sq. ft	2023 £ per sq. ft	2024 %	2023 %	2024 %	2023 %
UK	<b>38.08</b>	34.76	<b>10.00-56.41</b>	10.00–56.05	<b>7.39</b>	6.08	<b>6.21-10.03</b>	2.98–13.23
Germany	<b>13.41</b>	14.40	<b>9.19-27.59</b>	9.93–29.70	<b>5.23</b>	5.24	<b>4.30-6.40</b>	4.40–6.20
France	<b>21.42</b>	21.96	<b>12.40-45.25</b>	12.99–43.53	<b>6.13</b>	6.00	<b>4.82-7.50</b>	4.79–7.40

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

All other factors remaining constant, an increase in estimated rental value '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 £79.3 million (2023: £84.8 million) whilst a 25 basis point increase would reduce the fair value by £79.2 million (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 £70.7 million (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 £64.4 million (2023: £70.7 million).

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

## 13. Property, plant and equipment

	Hotel £m	Owner- occupied property £m	Fixtures and fittings £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2023	26.7	10.8	3.5	41.0
Additions	0.5	–	0.3	0.8
Reclassification (to)/from fixtures and fittings	(0.2)	–	0.2	–
Revaluation	3.2	(1.2)	–	2.0
Exchange rate variances	–	(0.1)	(0.1)	(0.2)
<b>At 31 December 2023</b>	<b>30.2</b>	<b>9.5</b>	<b>3.9</b>	<b>43.6</b>
<b>Additions</b>	<b>–</b>	<b>–</b>	<b>0.2</b>	<b>0.2</b>
<b>Disposals</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Reclassification from investment properties</b>	<b>–</b>	<b>0.1</b>	<b>–</b>	<b>0.1</b>
<b>Revaluation</b>	<b>1.2</b>	<b>(0.1)</b>	<b>–</b>	<b>1.1</b>
<b>Exchange rate variances</b>	<b>–</b>	<b>(0.2)</b>	<b>–</b>	<b>(0.2)</b>
<b>At 31 December 2024</b>	<b>31.4</b>	<b>9.3</b>	<b>4.0</b>	<b>44.7</b>
<b>Comprising:</b>				
<b>At cost</b>	<b>–</b>	<b>–</b>	<b>4.0</b>	<b>4.0</b>
<b>At valuation</b>	<b>31.4</b>	<b>9.3</b>	<b>–</b>	<b>40.7</b>
	<b>31.4</b>	<b>9.3</b>	<b>4.0</b>	<b>44.7</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2023	–	–	(1.4)	(1.4)
Depreciation charge	(0.1)	(0.1)	(0.4)	(0.6)
Revaluation	0.1	0.1	–	0.2
<b>At 31 December 2023</b>	<b>–</b>	<b>–</b>	<b>(1.8)</b>	<b>(1.8)</b>
<b>Depreciation charge</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.4)</b>	<b>(0.6)</b>
<b>Revaluation</b>	<b>0.1</b>	<b>0.1</b>	<b>–</b>	<b>0.2</b>
<b>At 31 December 2024</b>	<b>–</b>	<b>–</b>	<b>(2.2)</b>	<b>(2.2)</b>
<b>Net book value</b>				
<b>At 31 December 2024<sup>1</sup></b>	<b>31.4</b>	<b>9.3</b>	<b>1.8</b>	<b>42.5</b>
At 31 December 2023	30.2	9.5	2.1	41.8

1 If the assets were held at cost, the carrying amount at 31 December 2024 would be £20.2 million for Hotel and £6.8 million for Owner-occupied property.

## Valuation techniques

The fair value of the hotel and owner-occupied property 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 uses 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.

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

All other factors remaining constant, an increase in EBITDA would increase the valuation, whilst an increase in exit capitalised yield would result in a fall in value, and vice versa. A decrease in the exit capitalisation yield by 100 basis points would result in an increase in the fair value of the hotel by £5.5 million, whilst a 100 basis point increase would reduce the fair value by £4.1 million. A decrease in EBITDA by 5% would result in a decrease in the fair value of the hotel by £1.6 million whilst an increase in the EBITDA by 5% would result in an increase in the fair value of the hotel by £1.6 million.

## 14. Assets held for sale

	2024				2023			
	UK £m	Germany £m	France £m	Total £m	UK £m	Germany £m	France £m	Total £m
At 1 January	47.3	115.6	9.8	172.7	7.0	3.6	9.7	20.3
Disposals	(40.8)	(8.3)	(9.8)	(58.9)	–	(3.6)	–	(3.6)
Transfer from/(to) investment property	106.0	(84.3)	–	21.7	40.8	115.6	0.3	156.7
Revaluation	–	–	–	–	(0.5)	–	–	(0.5)
Exchange rate variances	–	(2.5)	–	(2.5)	–	–	(0.2)	(0.2)
At 31 December	112.5	20.5	–	133.0	47.3	115.6	9.8	172.7

The balance above comprises 4 properties (2023: 6 properties) that at the year-end were being marketed for sale and are expected to be disposed of within 12 months via an open market process. The properties are situated in the UK and Germany. The Directors expect that the sale proceeds achieved to be similar to their carrying amounts.

Three properties classified as held for sale at 31 December 2023 were transferred back into investment property during the period. Despite the Directors determining these properties met the threshold of held for sale as at 31 December 2023, a suitable purchaser was not identified for these properties and they are no longer classified as held for sale, as they were not being actively marketed at 31 December 2024. As held for sale properties are held at fair value, the change in classification has no material impact on the financial statements.

## 15. Trade and other receivables

	2024 £m	2023 £m
<b>Current</b>		
Trade receivables	4.2	8.8
Other receivables	5.3	4.4
Prepayments	2.7	1.4
Accrued income	2.0	2.1
	14.2	16.7

Trade receivables are shown after deducting a provision of £1.7 million (2023: £1.9 million) which is calculated as an expected credit loss. The movements in this provision were as follows:

	2024 £m	2023 £m
At 1 January	1.9	2.8
Debt write-offs	(0.3)	(0.9)
Charge to the income statement	0.1	–
At 31 December	1.7	1.9

The Group uses a provision matrix to calculate the expected credit loss for trade receivables. The provision rates are based on the Group's historical observed aging of debt and the probability of default. At every reporting date, the provision rates are updated to incorporate the previous 12 months' data and forward-looking information such as actual and potential impacts of political and economic uncertainty, if applicable. In addition, on a tenant-by-tenant basis, the Group takes into account any recent payment behaviours and future expectations of likely default events. Specific provisions are made in excess of the expected credit loss where information is available to suggest a higher provision is required, for example individual customer credit ratings, actual or expected insolvency filings or company voluntary arrangements, likely deferrals of payments due, agreed rent concessions and market expectations and trends in the wider macro-economic environment in which our customers operate. An additional review of tenant debtors was undertaken to assess recoverability in light of the political and economic uncertainty.

The Directors consider that the carrying amount of trade and other receivables is approximate to their fair value. There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers who are paying their rent in advance. Further details about the Group's credit risk management practices are disclosed in note 21.

## 16. Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank	60.5	70.6

At 31 December 2024, cash at bank included £41.4 million (2023: £26.1 million) which was restricted by a third-party charge. £10.1 million of the restricted cash related to tenant deposits (2023: £10.7 million).

## 17. Trade and other payables

	2024 £m	2023 £m
<b>Current</b>		
Trade payables	5.2	4.1
Social security and other taxes	1.7	2.2
Tenant deposits	10.1	10.7
Other payables	4.6	5.7
Deferred income	14.5	20.5
Accruals	29.6	25.4
	<b>65.7</b>	<b>68.6</b>

## 18. Deferred tax

	Liabilities					Assets			Total deferred tax £m
	UK capital allowances £m	Fair value adjustments to properties £m	Other £m	Total £m	UK capital allowances £m	Losses £m	Other £m	Total £m	
At 1 January 2023	0.3	108.6	1.6	110.5	–	(2.6)	(0.2)	(2.8)	107.7
Charged/(credited)									
to income statement	0.4	(17.0)	(0.1)	(16.7)	–	(0.7)	0.1	(0.6)	(17.3)
to OCI <sup>1</sup>	–	0.6	–	0.6	–	–	–	–	0.6
Exchange rate variances	–	(2.3)	–	(2.3)	–	–	–	–	(2.3)
<b>At 31 December 2023</b>	<b>0.7</b>	<b>89.9</b>	<b>1.5</b>	<b>92.1</b>	<b>–</b>	<b>(3.3)</b>	<b>(0.1)</b>	<b>(3.4)</b>	<b>88.7</b>
Charged/(credited)									
to income statement	0.2	(7.6)	(0.2)	(7.6)	–	1.0	(0.3)	0.7	(6.9)
to OCI <sup>1</sup>	–	0.1	–	0.1	–	–	–	–	0.1
Exchange rate variances	–	(3.8)	–	(3.8)	–	–	–	–	(3.8)
<b>At 31 December 2024</b>	<b>0.9</b>	<b>78.6</b>	<b>1.3</b>	<b>80.8</b>	<b>–</b>	<b>(2.3)</b>	<b>(0.4)</b>	<b>(2.7)</b>	<b>78.1</b>

1 Other Comprehensive Income.

Deferred tax has been calculated based on local rates applicable under local legislation substantively enacted at the balance sheet date.

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2024 the Group offset tax losses valued at the applicable local tax rate of £13.3 million (2023: £12.8 million) against the deferred tax liability arising on the fair value adjustments to properties. At 31 December 2024 the Group did not recognise deferred tax assets of £13.6 million (2023: £13.2 million) in respect of losses amounting to £78.8 million (2023: £76.1 million) which may be carried forward and utilised against future taxable income or gains. There is no expiry period for the carried forward tax losses.

## 19. Borrowings

	At 31 December 2024			At 31 December 2023		
	Current £m	Non-current £m	Total borrowings £m	Current £m	Non-current £m	Total borrowings £m
Secured bank loans	372.4	626.8	999.2	193.9	876.7	1,070.6

Issue costs of £4.3 million (2023: £5.0 million) have been offset in arriving at the balances in the above tables.

### Secured bank loans

Interest on bank loans is charged at fixed rates ranging between 0.8% and 5.6% including margin (2023: 0.8% and 5.1%) and at floating rates of typically SONIA or EURIBOR plus a margin. Floating rate margins range between 1.1% and 2.8% (2023: 1.1% and 2.8%). The bank loans are secured by legal charges over £1,808.9 million (2023: £1,988.8 million) of the Group's properties, and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

## Secured green loans

The Group's debt portfolio includes two sustainability linked loans:

- £149.5 million maturing between 2030 and 2032
- £58.5 million maturing in 2033

These loans have a basis point margin incentive for meeting annual sustainability targets which align with our Net Zero Carbon Pathway for the properties which are securing them. The targets have been independently verified to be aligned with the Loan Market Association (LMA) Sustainability-Linked loan principles. The targets set for any given year are based on actual ESG data/milestones achieved in the prior year. Each of the 2024 targets (tested on 31 December 2023 actual results) have been met resulting in lower interest rates being applied to these loans. The reduction in interest rate margin is not considered to be a substantial modification of the loan terms.

## Capitalised interest

Interest capitalised within investment property capital expenditure during the year was £nil (2023: £1.0 million).

The Group has complied with all externally imposed capital requirements to which it was subject.

The maturity profile of the carrying amount of the Group's borrowings was as follows:

	Secured bank loans £m
<b>At 31 December 2024</b>	
<b>Maturing in:</b>	
<b>Within one year or on demand</b>	<b>373.7</b>
<b>One to two years</b>	<b>98.9</b>
<b>Two to five years</b>	<b>326.8</b>
<b>More than five years</b>	<b>204.1</b>
	<b>1,003.5</b>
<b>Unamortised issue costs</b>	<b>(4.3)</b>
<b>Borrowings</b>	<b>999.2</b>
<b>Due within one year</b>	<b>(372.4)</b>
<b>Due after one year</b>	<b>626.8</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 excluding unamortised issue costs. During 2024, CLS refinanced £154.5 million of which £74.4 million was classified as new loans.

	Secured bank loans £m
<b>At 31 December 2023</b>	
<b>Maturing in:</b>	
<b>Within one year or on demand</b>	<b>195.4</b>
<b>One to two years</b>	<b>327.0</b>
<b>Two to five years</b>	<b>331.0</b>
<b>More than five years</b>	<b>222.2</b>
	<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>



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

	At 31 December 2024			At 31 December 2023		
	Sterling £m	Euro £m	Total £m	Sterling £m	Euro £m	Total £m
<b>Fixed rate financial liabilities</b>	<b>236.1</b>	<b>439.6</b>	<b>675.7</b>	238.9	462.4	701.3
<b>Floating rate financial liabilities – swaps</b>	<b>107.7</b>	<b>16.1</b>	<b>123.8</b>	115.3	–	115.3
<b>Total fixed rate</b>	<b>343.8</b>	<b>455.7</b>	<b>799.5</b>	354.2	462.4	816.6
<b>Floating rate financial liabilities – capped</b>	–	<b>37.8</b>	<b>37.8</b>	–	40.6	40.6
<b>Floating rate financial liabilities</b>	<b>131.1</b>	<b>35.1</b>	<b>166.2</b>	159.9	58.5	218.4
<b>Total floating rate</b>	<b>131.1</b>	<b>72.9</b>	<b>204.0</b>	159.9	99.1	259.0
	<b>474.9</b>	<b>528.6</b>	<b>1,003.5</b>	514.1	561.5	1,075.6
<b>Unamortised issue costs</b>	<b>(2.4)</b>	<b>(1.9)</b>	<b>(4.3)</b>	(3.3)	(1.7)	(5.0)
<b>Borrowings</b>	<b>472.5</b>	<b>526.7</b>	<b>999.2</b>	510.8	559.8	1,070.6

Of the Group's total borrowings, 80% (2023: 76%) are considered fixed rate borrowings.

At 31 December 2024, the Group had interest rate swap agreements in place with an aggregate notional amount of £123.8 million (2023: £115.3 million) whereby the Group pays an average fixed rate of interest of 2.72% and receives interest at a daily variable rate. The swap is being used to hedge the exposure to changes in the variable rate of Sterling and Euro denominated loans.

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

	Weighted average interest rate <sup>1</sup>			Weighted average life		
	Sterling %	Euro %	Total %	Sterling Years	Euro Years	Total Years
<b>At 31 December 2024</b>						
<b>Fixed rate financial liabilities</b>	<b>2.7</b>	<b>3.0</b>	<b>2.9</b>	<b>6.4</b>	<b>2.5</b>	<b>3.8</b>
<b>Floating rate financial liabilities – swaps</b>	<b>5.4</b>	<b>4.9</b>	<b>5.3</b>	<b>0.5</b>	<b>4.5</b>	<b>1.1</b>
	<b>3.5</b>	<b>3.1</b>	<b>3.3</b>	<b>4.5</b>	<b>2.5</b>	<b>3.4</b>
<b>Floating rate financial liabilities – capped</b>	–	<b>2.6</b>	<b>2.6</b>	–	<b>2.8</b>	<b>2.8</b>
<b>Floating rate financial liabilities</b>	<b>7.1</b>	<b>4.4</b>	<b>6.5</b>	<b>0.9</b>	<b>7.1</b>	<b>2.2</b>
	<b>7.1</b>	<b>3.4</b>	<b>5.8</b>	<b>0.9</b>	<b>4.9</b>	<b>2.3</b>
<b>Gross borrowings</b>	<b>4.5</b>	<b>3.1</b>	<b>3.8</b>	<b>3.5</b>	<b>2.9</b>	<b>3.2</b>

	Weighted average interest rate <sup>1</sup>			Weighted average life		
	Sterling %	Euro %	Total %	Sterling Years	Euro Years	Total Years
<b>At 31 December 2023</b>						
<b>Fixed rate financial liabilities</b>	<b>2.7</b>	<b>2.5</b>	<b>2.5</b>	<b>7.4</b>	<b>2.8</b>	<b>4.4</b>
<b>Floating rate financial liabilities – swaps</b>	<b>4.7</b>	–	<b>4.7</b>	–	–	<b>1.0</b>
	<b>3.3</b>	<b>2.5</b>	<b>2.8</b>	<b>5.3</b>	<b>2.8</b>	<b>3.9</b>
<b>Floating rate financial liabilities – capped</b>	–	<b>2.6</b>	<b>2.6</b>	–	<b>3.8</b>	<b>3.8</b>
<b>Floating rate financial liabilities</b>	<b>7.1</b>	<b>5.2</b>	<b>6.6</b>	<b>1.6</b>	<b>2.9</b>	<b>1.9</b>
	<b>7.1</b>	<b>4.2</b>	<b>6.0</b>	<b>1.6</b>	<b>3.3</b>	<b>2.2</b>
<b>Gross borrowings</b>	<b>4.5</b>	<b>2.8</b>	<b>3.6</b>	<b>4.1</b>	<b>2.9</b>	<b>3.5</b>

<sup>1</sup> The weighted average interest rates are based on the nominal value of the debt facilities.

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

	Carrying amounts		Fair values	
	2024 £m	2023 £m	2024 £m	2023 £m
Current borrowings	372.4	193.9	372.4	193.9
Non-current borrowings	626.8	876.7	629.8	820.0
	999.2	1,070.6	1,002.2	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).

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

	2024 £m	2023 £m
Floating rate:		
– expiring within one year	20.0	–
– expiring after one year <sup>1</sup>	30.0	50.0
	50.0	50.0

<sup>1</sup> This facility is secured by selected UK properties.

In addition to the above committed facilities, at 31 December 2024, the Group has £10.0 million of uncommitted facilities available (2023: £nil).

## Contractual undiscounted cash outflows

The tables below show the contractual undiscounted cash outflows arising from the Group's gross debt.

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Over 5 years £m	Total £m
At 31 December 2024							
Secured bank loans	373.7	98.9	125.8	115.6	85.4	204.1	1,003.5
Interest payments on borrowings <sup>1</sup>	36.0	17.7	14.8	11.1	8.2	13.8	101.6
Effect of interest rate swaps	(1.3)	0.1	0.1	0.1	–	–	(1.0)
Effect of interest rate caps	(0.4)	(0.2)	(0.1)	–	–	–	(0.7)
Gross loan commitments	408.0	116.5	140.6	126.8	93.6	217.9	1,103.4

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Over 5 years £m	Total £m
At 31 December 2023							
Secured bank loans	195.3	327.0	75.5	135.7	119.8	222.2	1,075.5
Interest payments on borrowings <sup>1</sup>	39.4	32.8	14.9	12.3	8.2	17.6	125.2
Effect of interest rate swaps	(2.8)	(0.6)	–	–	–	–	(3.4)
Effect of interest rate caps	(0.8)	(0.4)	(0.3)	(0.1)	–	–	(1.6)
Gross loan commitments	231.1	358.8	90.1	147.9	128.0	239.8	1,195.8

<sup>1</sup> Interest payments on borrowings are calculated without taking into account future events. Floating rate interest is estimated using a future interest rate curve as at 31 December.

## 20. Derivative financial instruments

	2024 Assets £m	2024 Liabilities £m	2023 Assets £m	2023 Liabilities £m
<b>Non-current:</b>				
Interest rate caps and swaps	0.7	(0.4)	3.6	–
<b>Current:</b>				
Interest rate caps and swaps	1.1	–	0.7	–
	<b>1.8</b>	<b>(0.4)</b>	4.3	–

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

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

### Interest rate caps

The aggregate notional principal of interest rate caps at 31 December 2024 was £37.8 million (2023: £40.8 million). The average period to maturity of these interest rate caps was 1.7 years (2023: 2.7 years).

### Interest rate swaps

The aggregate notional principal of interest rate swap contracts at 31 December 2024 was £123.8 million (2023: £115.3 million). The average period to maturity of these interest rate swaps was 2.5 years (2023: 0.9 years).

### Forward foreign exchange contracts

The Group uses forward foreign exchange contracts from time to time to add certainty to, and to minimise the impact of foreign exchange movements on, committed cash flows. At 31 December 2024, the Group had no outstanding foreign exchange contracts (2023: none).

### Derivative financial instruments cash flows

The following table provides an analysis of the anticipated contractual cash flows for the derivative financial instruments using undiscounted cash flows. These amounts represent the gross cash flows of the derivative financial instruments and are settled as either a net payment or receipt.

	2024 Assets £m	2024 Liabilities £m	2023 Assets £m	2023 Liabilities £m
Maturing in:				
Less than 1 year	1.8	–	3.8	–
1 to 2 years	0.2	(0.1)	1.0	–
2 to 3 years	0.1	(0.1)	0.3	–
3 to 4 years	–	(0.1)	0.1	–
4 to 5 years	–	(0.1)	–	–
Over 5 years	–	–	–	–
	<b>2.1</b>	<b>(0.4)</b>	5.2	–

## 21. Financial instruments

### Categories of financial instruments

Financial assets of the Group comprise: interest rate caps; foreign currency forward contracts; financial assets at fair value through other comprehensive income or fair value through profit and loss; trade and other receivables; and cash and cash equivalents.

Financial liabilities of the Group comprise: interest rate swaps; forward foreign currency contracts; bank loans; secured notes; and trade and other payables.

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

- (a) Interest rate swaps and caps are measured at the present value of future cash flows based on applicable yield curves derived from quoted interest rates;
- (b) Foreign currency options and forward contracts are measured using quoted forward exchange rates discounted to their present value based on applicable yield curves derived from quoted interest rates;
- (c) The fair values of non-derivative financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Financial assets in this category include financial assets at fair value through other comprehensive income or fair value through profit and loss such as equity investments;
- (d) In more illiquid conditions, non-derivative financial assets are valued using multiple quotes obtained from market makers and from pricing specialists. Where the spread of prices is tightly clustered the consensus price is deemed to be fair value. Where prices become more dispersed or there is a lack of available quoted data, further procedures are undertaken such as evidence from the last non-forced trade; and
- (e) The fair values of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis, using prices from observable current market transactions and dealer quotes for similar instruments.

Except for fixed rate loans, the carrying amounts of financial assets and liabilities recorded at amortised cost approximate to their fair value.

### Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform 'stress tests' of the Group's business model to ensure that the Group's objectives can be met and these objectives were met during 2024 and 2023.

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

The gearing ratio at the year-end was as follows:

	Notes	2024 £m	2023 £m
Debt	19	1,003.5	1,075.6
Liquid resources	16	(60.5)	(70.6)
Net debt (A)		943.0	1,005.0
Equity (B)		784.2	929.2
Net debt to equity ratio (A/B)		120.2%	108.2%

Debt is defined as long-term and short-term borrowings before unamortised issue costs as detailed in note 19. Liquid resources are cash and short-term deposits. Equity includes all capital and reserves of the Group attributable to the owners of the Company.

## Externally imposed capital requirement

The Group was subject to externally imposed capital requirements to the extent that debt covenants may require Group companies to maintain ratios such as debt to equity (or similar) below certain levels.

## Risk management objectives

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

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

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

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

### (a) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates, and to a lesser extent other price risk such as inflation. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk and also uses natural hedging strategies such as matching the duration, interest payments and currency of assets and liabilities. There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

### (i) Interest rate risk

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

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

Scenario	2024 Income statement & equity £m	2023 Income statement & equity £m
Cash +50 basis points	0.3	0.4
Variable borrowings (including swaps and caps) +50 basis points	(1.8)	(2.6)
Cash -50 basis points	(0.3)	(0.4)
Variable borrowings (including swaps and caps) -50 basis points	1.0	1.3

An increase or decrease of 100 basis points on the cash balance would result in a gain/(loss) of £0.6 million/(£0.6 million) from cash and cash equivalents. An increase of 100 basis points on variable borrowings would result in a loss of £1.3 million and a decrease of 100 basis points on variable borrowings would result in a gain of £2.0 million.

### (ii) Foreign exchange risk

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

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

The Group's principal currency exposure is in respect of the Euro. If the value of Sterling were to increase or decrease in strength, the Group's net assets and profit for the year would be affected. The impact of a reasonably likely movement in exchange rates is set out below:

Scenario	2024 Net assets £m	2024 Profit before tax £m	2023 Net assets £m	2023 Profit before tax £m
1% increase in value of Sterling against the Euro	(3.9)	0.2	(5.1)	0.9
1% fall in value of Sterling against the Euro	4.0	(0.2)	5.2	(0.9)

A 10% increase in the value of the Sterling against the Euro would result in a decrease in net assets of £36.1 million and reduction of profit before tax of £1.7 million. A 10% decrease in the value of the Sterling against the Euro would result in an increase in net assets of £44.2 million and an increase of profit before tax of £2.1 million. The sensitivity disclosed related to the foreign operations, as the sensitivity related to financial instruments is not considered significant.

### (b) Credit risk

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

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

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Credit risk to customers is assessed by a process of internal and external credit review, and is reduced by obtaining bank guarantees from the customer or its parent, and cash rental deposits. At 31 December 2024, the Group held £10.1 million in rent deposits (2023: £10.7 million) against £4.2 million of trade receivables (2023: £8.8 million). The overall credit risk in relation to customers is monitored on an ongoing basis. Moreover, a significant proportion of the Group portfolio is let to Government occupiers which can be considered financially secure.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of investment grade are accepted.

At 31 December 2024 the Group held £1.8 million (2023: £4.3 million) of financial assets at fair value through profit and loss. Management considers the credit risk associated with individual transactions and monitors the risk on a continuing basis. Information is gathered from external credit rating agencies and other market sources to allow management to react to any perceived change in the underlying credit risk of the instruments in which the Group invests. This allows the Group to minimise its credit exposure to such items and at the same time to maximise returns for shareholders.

### (c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash, other liquid assets and the availability of funding to meet short, medium and long-term requirements. The Group maintains adequate levels of liquid assets to fund operations and to allow the Group to react quickly to potential risks and opportunities. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows so that future requirements can be managed effectively.

The majority of the Group's debt is arranged on an asset-specific, ring-fenced basis (mortgage type loans in SPVs), which is designed to ensure that the Group's exposure in relation to each loan is restricted to the assets of the relevant SPV borrower(s) and its/their subsidiaries with such assets being a property or number of properties in a portfolio, save for certain limited guarantees and limited recourse security granted by the Company and certain other Group companies. This allows the Group a higher degree of flexibility in dealing with potential covenant defaults than if the debt was arranged under a Group-wide borrowing facility. Portfolio loans secured by multiple properties are also used when circumstances require it or to obtain better terms.

Banking covenants vary according to each loan agreement, but typically include loan-to-value and income related covenants. In addition, the Group has two 'green' loans, each of which have a 10-basis point incentive for achieving certain sustainability targets. The Group targets a loan-to-value in the range of 35% to 45%. Balance sheet loan-to-value at 31 December 2024 was 50.7% (2023: 48.5%).

Loan covenant compliance is closely monitored by the treasury department. Potential covenant breaches can ordinarily be avoided by placing additional security or a cash deposit with the lender, or by partial repayment to cure an event of default.

The Group's loan facilities and other borrowings are spread across a range of 25 banks and financial institutions so as to minimise any potential concentration of risk.

## 22. Financial assets and liabilities

	Fair value through profit and loss £m	Amortised cost £m	Total carrying value £m
<b>Financial assets:</b>			
Cash and cash equivalents	–	60.5	60.5
Derivative financial assets	1.8	–	1.8
Other assets – current <sup>1</sup>	–	11.5	11.5
	1.8	72.0	73.8
<b>Financial liabilities:</b>			
Secured bank loans	–	(999.2)	(999.2)
Derivative financial liabilities	(0.4)	–	(0.4)
Other liabilities – current <sup>2</sup>	–	(49.5)	(49.5)
	(0.4)	(1,048.7)	(1,049.1)
<b>At 31 December 2024</b>	<b>1.4</b>	<b>(976.7)</b>	<b>(975.3)</b>

	Fair value through profit and loss £m	Amortised cost £m	Total carrying value £m
<b>Financial assets:</b>			
Cash and cash equivalents	–	70.6	70.6
Derivative financial assets	4.3	–	4.3
Other assets – current <sup>1</sup>	–	15.3	15.3
	4.3	85.9	90.2
<b>Financial liabilities:</b>			
Secured bank loans	–	(1,070.6)	(1,070.6)
Other liabilities – current <sup>2</sup>	–	(45.9)	(45.9)
	–	(1,116.5)	(1,116.5)
<b>At 31 December 2023</b>	<b>4.3</b>	<b>(1,030.6)</b>	<b>(1,026.3)</b>

1 Other assets included all amounts shown as trade and other receivables in note 15 except prepayments of £2.7 million (2023: £1.4 million). All current amounts are non-interest bearing and receivable within one year.

2 Other liabilities included all amounts shown as trade and other payables in note 17 except deferred income and sales and social security taxes of £16.2 million (2023: £22.7 million). All amounts are non-interest bearing and are due within one year.

### Reconciliation of net financial assets and liabilities to borrowings and derivative financial instruments

	2024 £m	2023 £m
Net financial assets and liabilities:	975.3	1,026.3
Other assets – current	11.5	15.3
Other liabilities – current	(49.5)	(45.9)
Cash and cash equivalents	60.5	70.6
Borrowings and derivative financial instruments	997.8	1,066.3

## 23. Share capital

	Number of shares authorised, issued and fully paid			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation	Treasury shares	Total ordinary shares			
<b>At 1 January 2024 and 31 December 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>

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

The Board is authorised, by shareholder resolution, to allot shares or grant such subscription rights (as are contemplated by sections 551(1) (a) and (b) respectively of the Companies Act 2006) up to a maximum aggregate nominal value of £3,311,752 representing one-third of the issued share capital of the Company excluding treasury shares.

## 24. 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.

	2024 Number	2023 Number
Weighted average number of ordinary shares in circulation	<b>397,410,268</b>	397,330,507
Number of ordinary shares in circulation at the year-end	<b>397,410,268</b>	397,410,268

For diluted earnings per share, the weighted average number of ordinary shares in issues 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 diluted loss per share for the period to 31 December 2024 was restricted to a loss of 23.6 pence per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33 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.

<b>Employee share plan</b>	2024 Number	2023 Number
Element B/Special Award	<b>694,695</b>	820,246
LTIP	<b>4,811,944</b>	2,880,054
<b>Total potential dilutive shares</b>	<b>5,506,639</b>	3,700,300



## 25. Dividend

	Payment date	Dividend per share p	2024 £m	2023 £m
Current year				
2024 final dividend <sup>1</sup>	23 May 2025	2.68	–	–
2024 interim dividend	2 October 2024	2.60	10.3	–
Distribution of current year profit		5.28	10.3	–
Prior year				
2023 final dividend	2 May 2024	5.35	21.3	–
2023 interim dividend	3 October 2023	2.60	–	10.3
Distribution of prior year profit		7.95	21.3	10.3
2022 final dividend	2 May 2023	5.35	–	21.3
Dividends as reported in the Group statement of changes in equity			31.6	31.6

<sup>1</sup> Subject to shareholder approval at the AGM on 16 May 2025. Total cost of proposed dividend is £10.7 million. The proposed dividend is not recognised as a liability at the balance sheet date.

## 26. Other reserves

	Notes	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Share-based payment reserve £m	Other reserves £m	Total £m
At 1 January 2024		22.7	47.4	6.1	2.4	28.1	106.7
Exchange rate variances		–	(21.6)	–	–	–	(21.6)
Property, plant and equipment:							
– net fair value gains in the year	13	–	–	1.3	–	–	1.3
– deferred tax thereon	18	–	–	(0.1)	–	–	(0.1)
Share-based payments		–	–	–	0.6	–	0.6
At 31 December 2024		22.7	25.8	7.3	3.0	28.1	86.9

	Notes	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Share-based payment reserve £m	Other reserves £m	Total £m
At 1 January 2023		22.7	59.7	3.0	1.9	28.1	115.4
Exchange rate variances		–	(12.3)	–	–	–	(12.3)
Property, plant and equipment:							
– net fair value gains in the year	13	–	–	2.2	–	–	2.2
– deferred tax thereon	18	–	–	(0.6)	–	–	(0.6)
– reserve transfer on disposal of PPE		–	–	1.5	–	–	1.5
Share-based payments		–	–	–	0.5	–	0.5
At 31 December 2023		22.7	47.4	6.1	2.4	28.1	106.7

The capital redemption reserve comprises of the nominal value of the Company's own shares acquired as a result of share buyback programmes.

The cumulative translation reserve comprises the aggregate effect of translating net assets of overseas subsidiaries into Sterling since acquisition.

The fair value reserve comprises the aggregate movement in the value of financial assets classified as fair value through comprehensive income, owner-occupied property and hotel since acquisition, net of deferred tax.

The amount classified as other reserves was created prior to listing in 1994 on a Group reconstruction and is considered to be non-distributable.

Share options exercised have been settled using the treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess of the cash received from employees over the reduction in treasury shares is recorded in share premium. In 2024, there were no treasury shares transferred to the EBT (2023: 199,402) to satisfy future awards under employee share plans. At 31 December 2024, the Group held 41,367,512 ordinary shares (2023: 41,367,512) with a nominal value of £1.1 million (2023: £1.1 million) in treasury. The Company's voting rights and dividends in respect of the treasury shares, including those own shares which the EBT holds, continue to be waived.

## 27. Notes to the cash flow

	2024 £m	2023 £m
<b>Cash generated from operations</b>		
Operating loss	<b>(52.5)</b>	(223.4)
Adjustments for:		
Net movements on revaluation of investment properties	<b>127.7</b>	302.7
Net movements on revaluation of equity investments	<b>0.6</b>	1.3
Depreciation and amortisation	<b>1.0</b>	0.8
Loss/(profit) on sale of investment property	<b>2.3</b>	(1.4)
Lease incentive debtor adjustments	<b>(10.4)</b>	(1.1)
Share-based payments	<b>0.6</b>	0.5
Loss on sale of other equity investments	<b>0.1</b>	–
Changes in working capital:		
Decrease/(increase) in receivables	<b>2.5</b>	(0.9)
(Decrease)/increase in payables	<b>(0.7)</b>	4.7
<b>Cash generated from operations</b>	<b>71.2</b>	83.2

**Non-cash movements  
2024**

Changes in liabilities arising from financing activities	Notes	1 January 2024 £m	Financing cash flows £m	Amortisation of borrowing issue costs £m	Fair value adjustments £m	Foreign exchange £m	31 December 2024 £m
<b>Borrowings</b>	<b>19</b>	<b>1,070.6</b>	<b>(47.7)</b>	<b>1.7</b>	<b>–</b>	<b>(25.4)</b>	<b>999.2</b>
<b>Derivative financial instruments</b>	<b>20</b>	<b>(4.3)</b>	<b>(0.5)</b>	<b>–</b>	<b>3.4</b>	<b>–</b>	<b>(1.4)</b>
<b>Lease liabilities</b>		<b>3.5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.2)</b>	<b>3.3</b>
		<b>1,069.8</b>	<b>(48.2)</b>	<b>1.7</b>	<b>3.4</b>	<b>(25.6)</b>	<b>1,001.1</b>

**Non-cash movements  
2023**

Changes in liabilities arising from financing activities	Notes	1 January 2023 £m	Financing cash flows £m	Amortisation of borrowing issue costs £m	Fair value adjustments £m	Foreign exchange £m	31 December 2023 £m
<b>Borrowings</b>	<b>19</b>	<b>1,105.9</b>	<b>(24.6)</b>	<b>1.6</b>	<b>–</b>	<b>(12.3)</b>	<b>1,070.6</b>
<b>Derivative financial instruments</b>	<b>20</b>	<b>(8.5)</b>	<b>–</b>	<b>–</b>	<b>4.2</b>	<b>–</b>	<b>(4.3)</b>
<b>Lease liabilities</b>		<b>3.6</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>	<b>3.5</b>
		<b>1,101.0</b>	<b>(24.6)</b>	<b>1.6</b>	<b>4.2</b>	<b>(12.4)</b>	<b>1,069.8</b>

## Prior period restatement

Proceeds from borrowings and repayment of borrowings for the year ended 31 December 2023 have been restated on the Group statement of cash flows to exclude any loans that were refinanced with the same lender where cash did not transfer between the Group and the lender upon refinancing. As a result, in the prior year proceeds from borrowings decreases from £129.1 million to £72.5 million and repayment of borrowings decreases from £152.6 million to £96.0 million.

## 28. Contingencies

In 2021 and 2023, CLS Holdings plc dissolved 2 subsidiaries (the 'Companies'). Before the Companies were dissolved, capital reductions and distributions of the net assets of the subsidiaries, primarily represented by intercompany receivables of £0.8 million, to the Parent should have been executed. However, they were not. As a consequence of this, as a matter of Law, on dissolution of these Companies the technical titles to the intercompany receivables were transferred from the Group to the Crown. The Directors have taken legal advice and started the process to restore these Companies. Thereafter, the Directors can execute the capital reductions and make appropriate distributions to the Parent of these Companies 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 Companies prior to the process of the restoration of the Companies 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 £0.8 million from the Group will occur, and therefore no provision is recognised at year-end, but has been disclosed as a contingent liability. Subsequent to 31 December 2024, notice was received that the Companies had been successfully restored, reducing the contingent liability to £nil at the date of this report.

## 29. Commitments

At the balance sheet date the Group had contracted with customers under non-cancellable operating leases for the following minimum lease payments:

	2024 £m	2023 £m
Operating lease commitments – where the Group is lessor		
Within one year	94.2	100.9
Between one and two years	71.3	84.0
Between two and three years	59.4	61.0
Between three and four years	47.6	48.6
Between four and five years	37.3	36.7
More than five years	158.8	153.2
	<b>468.6</b>	<b>484.4</b>

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

### Other commitments

At 31 December 2024 the Group had contracted capital expenditure of £10.3 million (2023: £6.9 million). At the balance sheet date, the Group had not exchanged contracts to acquire any investment properties (2023: £nil). There were no authorised financial commitments which were yet to be contracted with third parties (2023: £nil).

## 30. Post-balance sheet events

On 26 March 2025, the Group unconditionally exchanged on the disposal of Spring Mews Student for £101.1 million. Completion is scheduled for May 2025.

# Supplementary disclosures (unaudited)

Unaudited unless otherwise stated

## Alternative Performance Measures

CLS uses all the EPRA metrics but we have also disclosed the measures that CLS used to prefer for certain of these categories. The notes below highlight where the measures that we monitor differ and our previous rationale for using them.

The measures we disclose are:

- 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.

## Other APMs

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

- Total Accounting Return;
- Net debt and gearing;
- Balance sheet loan-to-value;
- Administration cost ratio;
- Dividend cover; and
- Interest cover.

## 1. EPRA APMs

### i) 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, student accommodation, held as PPE or occupied by CLS).

	2024				2023			
	United Kingdom £m	Germany £m	France £m	Total £m	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	46.6	41.6	12.9	101.1	45.5	46.4	13.2	105.1
Adjusted for properties in development	(0.1)	–	(0.3)	(0.4)	–	–	–	–
Forecast non-recoverable service charge	(3.9)	(2.5)	(0.5)	(6.9)	(3.7)	(2.0)	(0.5)	(6.2)
<b>Annualised net rents (A)</b>	<b>42.6</b>	<b>39.1</b>	<b>12.1</b>	<b>93.8</b>	<b>41.8</b>	<b>44.4</b>	<b>12.7</b>	<b>98.9</b>
Property portfolio <sup>1</sup>	668.4	814.1	225.9	1,708.4	745.4	883.8	246.0	1,875.2
Adjusted for properties in development	(11.4)	(2.0)	(8.3)	(21.7)	(15.7)	(2.9)	–	(18.5)
Purchasers' costs at 6.8%	44.7	55.2	14.8	114.7	49.6	59.9	16.7	126.2
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>701.7</b>	<b>867.3</b>	<b>232.4</b>	<b>1,801.4</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>6.1%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>5.4%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>5.0%</b>

1 The above table comprise data of the investment properties and properties held for sale. They exclude owner-occupied, student accommodation and hotel.

### 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 step rents).

	2024				2023			
	United Kingdom £m	Germany £m	France £m	Total £m	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	50.1	44.9	13.9	108.9	50.9	47.5	14.2	112.6
Adjusted for properties in development	(0.1)	–	(0.3)	(0.4)	–	–	–	–
Forecast non-recoverable service charge	(3.9)	(2.5)	(0.5)	(6.9)	(3.7)	(2.0)	(0.5)	(6.2)
<b>'Topped-up' annualised net rents (A)</b>	<b>46.1</b>	<b>42.4</b>	<b>13.1</b>	<b>101.6</b>	<b>47.2</b>	<b>45.5</b>	<b>13.7</b>	<b>106.4</b>
Property portfolio <sup>1</sup>	668.4	814.1	225.9	1,708.4	745.4	883.8	246.0	1,875.2
Adjusted for properties in development	(11.4)	(2.0)	(8.3)	(21.7)	(15.7)	(2.8)	–	(18.5)
Purchasers' costs (6.8%)	44.7	55.2	14.8	114.7	49.6	59.9	16.7	126.2
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>701.7</b>	<b>867.3</b>	<b>232.4</b>	<b>1,801.4</b>	<b>779.3</b>	<b>940.9</b>	<b>262.7</b>	<b>1,982.9</b>
<b>EPRA 'topped-up' NIY (A/B)</b>	<b>6.6%</b>	<b>4.9%</b>	<b>5.6%</b>	<b>5.6%</b>	<b>6.1%</b>	<b>4.8%</b>	<b>5.2%</b>	<b>5.4%</b>

1 The above table comprise data of the investment properties and properties held for sale. They exclude owner-occupied, student accommodation and hotel.

### ii) Vacancy

The EPRA vacancy rate calculates vacancy as a proportion of the ERV of the total portfolio.

#### EPRA vacancy

	2024 £m	2023 £m
ERV of vacant space (A)	15.1	13.9
ERV of let space	103.9	112.4
ERV of total portfolio (B)	119.0	126.3
<b>EPRA vacancy rate (A/B)</b>	<b>12.7%</b>	<b>11.0%</b>

### iii) Capital expenditure

#### EPRA capital expenditure

This measure shows the total amounts spent on the Group's investment properties on an accrual and cash basis with a split between expenditure used for the creation of incremental space and enhancing space ('no incremental space'). The sum of these expenditures is included in Capital expenditure in Note 12 of the Notes to the Group financial statements. The Group is not party to any joint venture arrangements, therefore this measure is not disclosed.

	Notes	2024 £m	2023 £m
Acquisitions	12	–	–
Amounts spent on the completed investment property portfolio	12		
Creation of incremental space		–	2.1
Creation of no incremental space		21.1	47.5
<b>EPRA capital expenditure</b>		<b>21.1</b>	<b>49.6</b>
Conversion from accrual to cash basis		1.2	(3.2)
<b>EPRA capital expenditure on a cash basis</b>	CF <sup>1</sup>	<b>22.3</b>	<b>46.4</b>

1 Group statement of cash flows.

**iv) Cost ratios****EPRA cost ratio**

The Group has a policy of capitalising certain staff costs directly attributable to the management of the development of investment properties.

	Notes	2024 £m	2023 £m
Administration expenses		17.7	18.2
Other property expenses	4	18.1	15.6
Less: Other investments segment and student accommodation operating costs		(6.8)	(5.2)
		29.0	28.6
Net service charge costs	4	6.1	5.7
Service charge costs recovered through rents but not separately invoiced		(0.3)	(0.1)
Dilapidations receipts		(1.2)	(2.3)
EPRA costs (including direct vacancy costs) (A)		33.6	31.9
Direct vacancy costs		(8.2)	(6.1)
EPRA costs (excluding direct vacancy costs) (B)		25.4	25.8
Gross rental income	4	100.2	102.8
Service charge components of gross rental income		(0.3)	(0.1)
EPRA gross rental income (C)		99.9	102.7
<b>EPRA cost ratio (including direct vacancy costs) (A/C)</b>		<b>33.6%</b>	31.1%
<b>EPRA cost ratio (excluding direct vacancy costs) (B/C)</b>		<b>25.4%</b>	25.1%

**v) EPRA LTV**

	Notes	2024 £m	2023 £m
Borrowings from financial institutions	19	999.2	1,070.6
Net payables		52.4	52.2
Cash and cash equivalents	16	(60.5)	(70.6)
<b>Net debt (A)</b>		<b>991.1</b>	1,052.2
Properties held as property, plant and equipment	13	40.7	39.7
Investment properties	12	1,676.5	1,850.5
Properties held for sale	14	133.0	172.7
Financial assets – equity investments		0.6	1.4
<b>Total property value (B)</b>		<b>1,850.8</b>	2,064.3
<b>EPRA LTV (A/B)</b>		<b>53.5%</b>	51.0%

**vi) EPRA like-for-like gross rental income growth**

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

	Notes	2024 %	2023 %
Increase in gross rental income (%)		1.2	3.5
		2024 £m	2023 £m
Increase in gross rental income (£m)		1.1	3.4

## 2. Other APMs

### i) Total Accounting Return per share

	Notes	2024 pence	2023 pence
EPRA NTA at 31 December	5	215.0	253.0
Distribution – prior year final <sup>1</sup>	25	5.4	5.4
Distribution – current year interim	25	2.6	2.6
Less: EPRA NTA at 1 January (A)	5	(253.0)	(329.6)
Return before dividends (B)		(30.0)	(68.6)
<b>Total Accounting Return (NTA) (B/A)</b>		<b>(11.9)%</b>	<b>(20.8)%</b>

1 The 2023 and 2022 final dividend was 5.35 pence but has been rounded to 5.4 pence for the purpose of this note.

### ii) Net debt and gearing

	Notes	2024 £m	2023 £m
Borrowings short-term	19	372.4	193.9
Borrowings long-term	19	626.8	876.7
Add back: unamortised issue costs	19	4.3	5.0
Gross debt	19	1,003.5	1,075.6
Cash	16	(60.5)	(70.6)
<b>Net debt (A)</b>		<b>943.0</b>	<b>1,005.0</b>
<b>Net assets (B)</b>		<b>784.2</b>	<b>929.2</b>
<b>Net gearing (A/B)</b>		<b>120.2%</b>	<b>108.2%</b>



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

	Notes	2024 £m	2023 £m
Borrowings short-term	19	372.4	193.9
Borrowings long-term	19	626.8	876.7
Less: cash	16	(60.5)	(70.6)
<b>Net debt (A)</b>		<b>938.7</b>	<b>1,000.0</b>
Investment properties	12	1,676.5	1,850.5
Properties in plant, property and equipment	13	40.7	39.7
Properties and land held for sale	14	133.0	172.7
<b>Total property portfolio (B)</b>		<b>1,850.2</b>	<b>2,062.9</b>
<b>Balance sheet loan-to-value (A/B)</b>		<b>50.7%</b>	<b>48.5%</b>

**iv) CLS administration cost ratio**

CLS' administration cost ratio represents the cost of running the property portfolio relative to its net income. CLS uses this measure to monitor the efficiency of the business as it focuses on the administrative cost of active asset management across three countries.

	Notes	2024 £m	2023 £m
Administration expenses		17.7	18.2
Less: Other investment segment	4	(0.1)	(0.1)
Underlying administration expenses (A)		17.6	18.1
Net rental income (B)	4	114.0	113.0
<b>Administration cost ratio (A/B)</b>		<b>15.4%</b>	<b>16.0%</b>

**v) Dividend cover**

	Notes	2024 £m	2023 £m
Interim dividend	25	10.3	10.3
Final dividend	25	10.7	21.3
<b>Total dividend (A)</b>		<b>21.0</b>	<b>31.6</b>
<b>EPRA earnings (B)</b>	5	<b>36.4</b>	<b>40.9</b>
<b>Dividend cover (B/A)</b>		<b>1.73</b>	<b>1.30</b>

**vi) Interest cover**

	Notes	2024 £m	2023 £m
Net rental income	4	114.0	113.0
Administration expenses	4	(17.7)	(18.2)
Other property expenses	4	(18.1)	(15.6)
<b>Group revenue less costs (A)</b>		<b>78.2</b>	79.2
Finance income (excluding derivatives and dividend income)	8	1.4	1.6
Finance costs (excluding derivatives)	9	(42.3)	(37.1)
<b>Net interest (B)</b>		<b>(40.9)</b>	(35.5)
<b>Interest cover (-A/B)</b>		<b>1.91</b>	2.23