Creating Life Stories

CLS Holdings plc

Annual Report and Accounts 2024

Creating life stories

We deliver consistent, long-term value and steady shareholder growth by investing in modern spaces in central and urban locations.

Our success is based on a deep understanding of our customers' business ambitions; a quick-thinking, fast-responding culture; and a long-term, progressive attitude.

Inside this report

Strategic report

Corporate governance

Financial statements

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Our investment case

A clear strategy

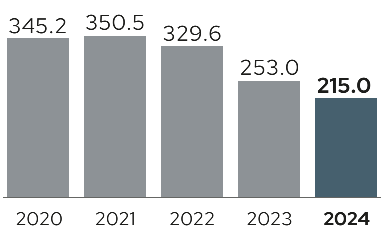
Key investment tenets

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.

Delivered outcomes
EPRA NTA pence per share



See also:

Climate Resilience Plan, Extended Sustainability Metrics and Sustainability Report

Active management

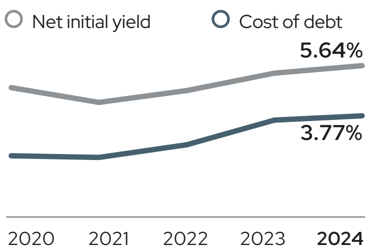
Key investment tenets

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.

Delivered outcomes
NIY vs cost of debt (%)



Strong 30 year track record

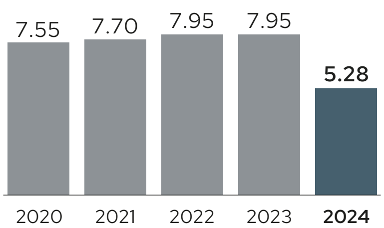
Key investment tenets

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.

Delivered outcomes
Distribution of this year's profit (pence per share)



A focus on sustainability

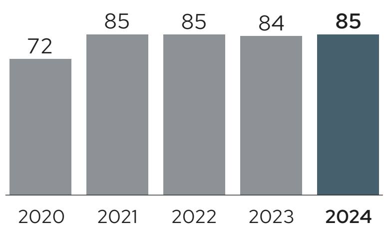
Key investment tenets

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.

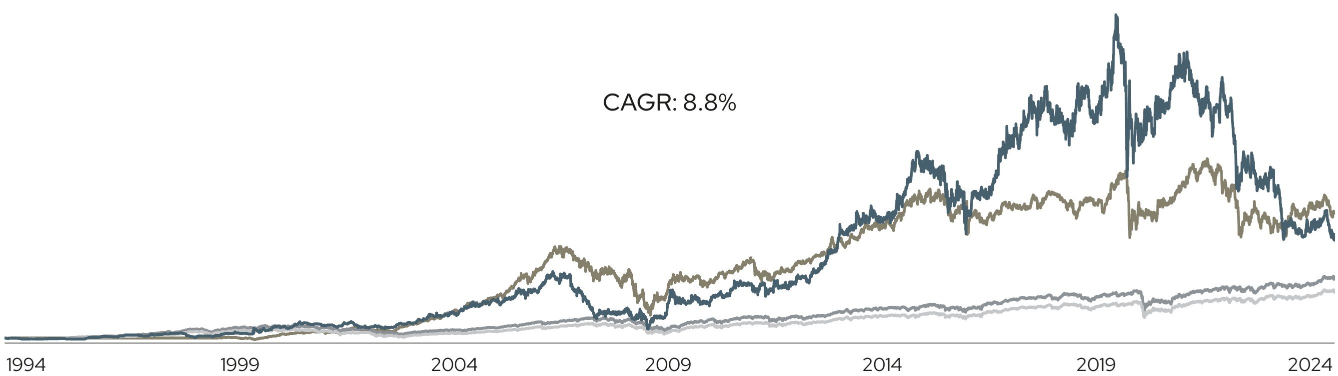
Strong ESG performance
We believe in full transparency and therefore continually measure our progress against global ESG benchmark schemes in our industry, such as GRESB. This also allows us to monitor our progress and gives our stakeholders confidence in our delivery against commitments.

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.

Delivered outcomes
GRESB (ESG) score/100



Total Returns to Shareholders (see page 17 for more recent performance)



Group highlights

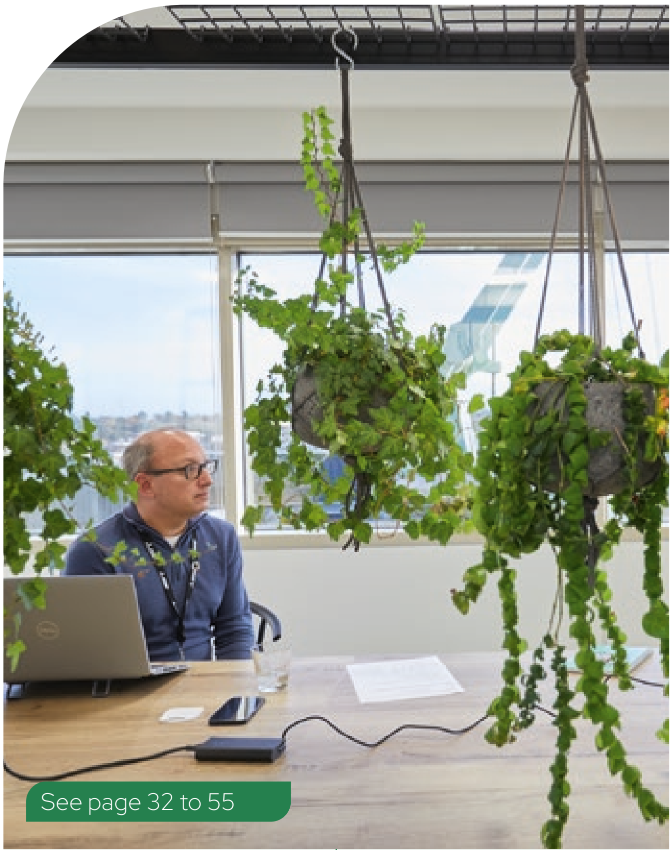
Strategic

See page 4 to 5

Contracted rent (secured in the year)	Contracted rent above ERV
£16.6m	6.8%
(2023: £15.5m)	(2023: 6.9%)

Contracted rent which is index-linked	EPRA Vacancy Rate
54.4%	12.7%
(2023: 55.2%)	(2023: 11.0%)

ESG



See page 32 to 55

GRESB	Like-for-like decrease in landlord energy usage
4 Stars	4.9%
(2023: 4 Stars)	(2023: 8%)

% UK portfolio EPC A OR B	Assets Excellent or Very Good (BREEAM In-use)
56%	53%
(2023:53%)	(2023: 35%)

Financial highlights

Actual Financial

EPRA EPS	Statutory EPS	Cost of debt	Balance sheet LTV
9.2p	(23.6)p	3.77%	50.7%
(2023: 10.3p)	(2023: (62.9)p)	(2023: 3.61%)	(2023: 48.5%)

EPRA NTA (per share)	Statutory NAV (per share)	Total Accounting Return	Dividend
215.0p	197.3p	(11.9)%	5.28p
(2023: 253.0p)	(2023: 233.8p)	(2023: (20.8)%)	(2023: 7.95p)

CLS Holdings

At a glance

About CLS Holdings

We are a London-based office and commercial property specialist with a property portfolio in the UK, Germany and France. Listed on the London Stock Exchange main market since 1994, we have over 700 tenants, including blue-chip organisations and government departments.

At CLS, our purpose is clear

We transform properties into sustainable, future-focused spaces that help businesses to grow and communities to thrive.

What we do

We continuously innovate, modernise and invest in our portfolio, creating viable, sustainability-driven buildings, inspiring workspaces and thriving cityscapes. We go beyond mere ownership of our properties, partnering with our customers to understand their own business ambitions, and actively shaping the future success stories across our cities.

3 countries

81 properties

719 tenants

£1.9bn property portfolio value

£109m contracted rent

87.3% occupancy rate

Top 15 Tenants by Contracted Rent (32%)

1. NCA National Crime Agency
2. Secretary of State
3. BOCHUM
4. KANTAR
5. HSPVNRW
6. Postbank
7. General Mills
8. Kaufland
9. COLT
10. EY
11. BOSCH
12. IHH Institut für Hämatopathologie Hamburg
13. HONDA
14. Freie und Hansestadt Hamburg
15. T Mobile

UK
Germany
France

Tenant Sector by Contracted Rent

1	Government	25.5%
2	Commercial & Professional Services	12.4%
3	Information Technology	11.5%
4	Communication Services	8.5%
5	Consumer Discretionary	7.7%
6	Health Care	7.3%
7	Industrials	6.8%
8	Other	6.1%
9	Financials	5.7%
10	Consumer Staples	4.3%
11	Real Estate	4.2%

Supported by our values

Our tenants, our focus

We pride ourselves in the way we build relationships with our tenants. We get to know them and understand their business needs, so they feel listened to and valued. We are responsive and flexible, ensuring they stay with us for the long term.

Agility unlocks opportunity

Our agile approach allows us to see potential and opportunities in ways others can not. It means we can respond to changing market conditions and make decisions quickly. We act with flexibility and speed to make the most of possibilities.

Openness creates closeness

We treasure our inclusive, close-knit and open culture. Everyone has visibility and a voice. Our open-door policy encourages everyone to share opinions, creating greater transparency, honesty and trust.

Collaboration gets the job done

We confidently take ownership of projects from beginning to end, making the critical decisions that get the job done. We get involved and collaborate across departments and markets, contributing ideas and creating new initiatives to drive us forward.

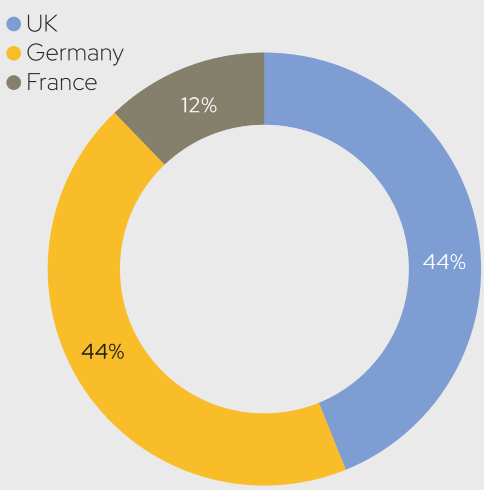
Valuation data[1]	Market value of property £m	Valuation movement in the year: Underlying £m	Valuation movement in the year: Foreign exchange £m	EPRA net initial yield	EPRA 'topped-up' net initial yield	Reversion	Over-rented	Equivalent yield
United Kingdom	668.4	(82.0)	–	6.1%	6.6%	4.1%	8.7%	7.4%
Germany	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%
Total office portfolio	**1,708.4**	**(124.8)**	**(50.3)**	**5.2%**	**5.6%**	**4.2%**	**8.7%**	**6.2%**

Lease data[1]	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
Total office portfolio	**3.9**	**4.7**	**18.9**	**19.4**	**34.3**	**36.3**	**20.1**	**17.4**	**32.6**	**33.8**

Rental data[1]	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	18.5%
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%
Total office portfolio	**100.2**	**100.5**	**572,920**	**108.9**	**119.0**	**54.4**	**12.7%**

1 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.

Total Portfolio Value (%)



Property Use by Revenue

Office Space	77.3%
Residential	6.2%
Hospitality	5.5%
Light Industrial	4.1%
Education	2.3%
Retail	1.8%
Laboratory	1.6%
Health Care	1.2%

Size by Contracted Rent

Government	25.5%
Large[1]	40.3%
Medium[1]	18.3%
Other	15.9%

1 Based on Companies House definitions.

Rent collection

99%

Chairman's review

Lennart Sten

Non-Executive Chairman

"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

Fredrik Widlund
Chief Executive Officer

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.

> *"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."*

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.

> *"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."*

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%.

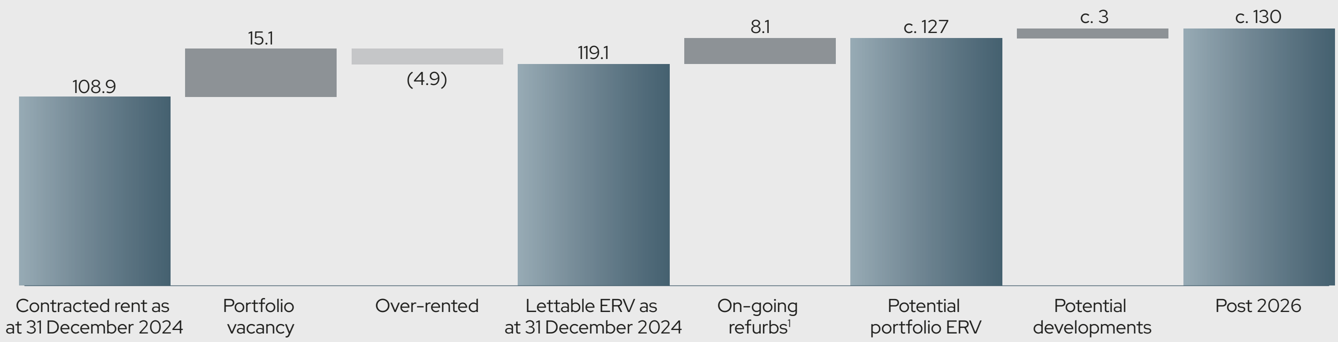
During the year some properties increased in value with the rate of valuation reduction down significantly in the second half, with the value of the properties in Germany and France essentially flat. In the UK, the shortening lease at Spring Gardens, one of the largest assets in the Group, leased by 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.

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).

ERV potential of the portfolio £m



1 In addition, there is a further £2.2m relating to Bismarckstrasse and Debussy for which other funding options are being explored.

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

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

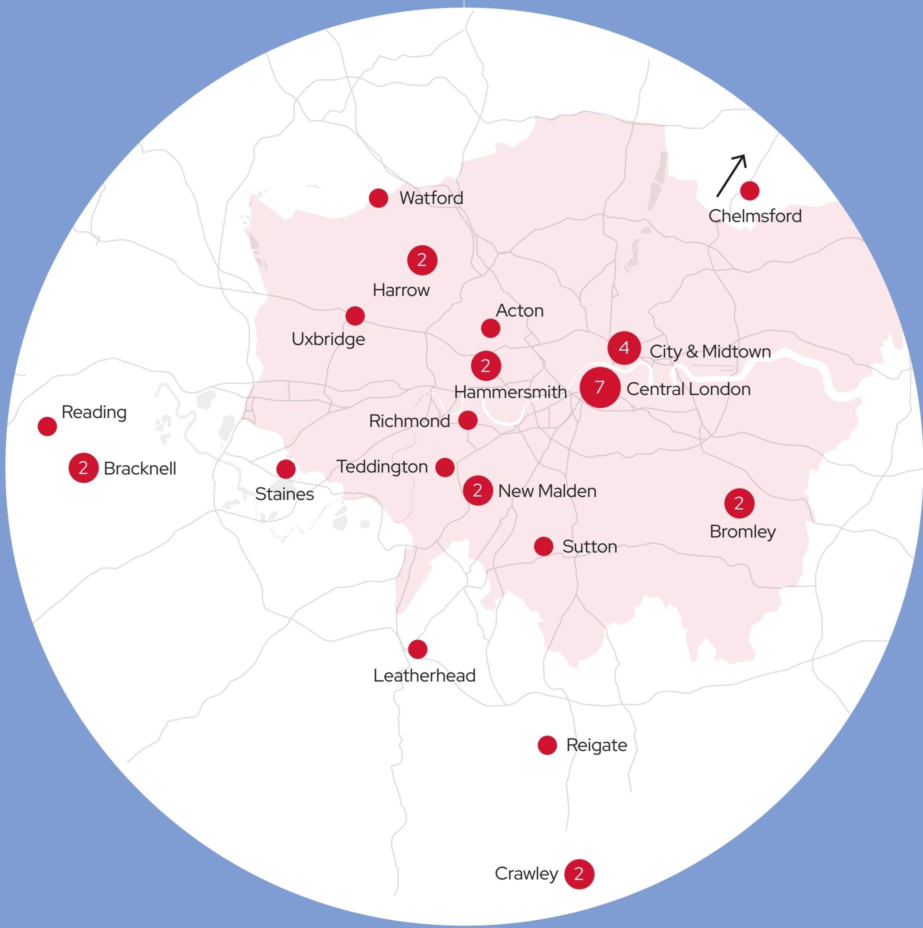
Lettable space (sq. ft)

1.8m

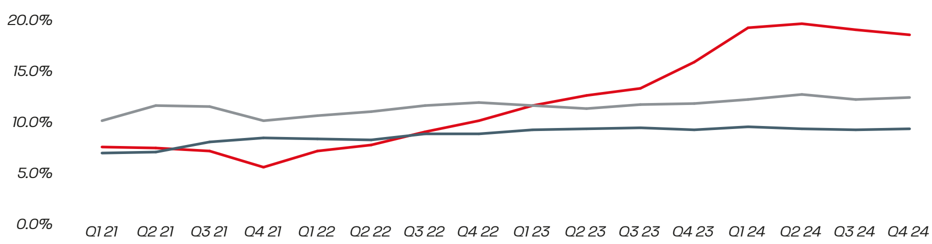
Leases subject to indexation

34.7%

London & South East



United Kingdom vacancy rate



Source: Cushman & Wakefield

Key: CLS London South East

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

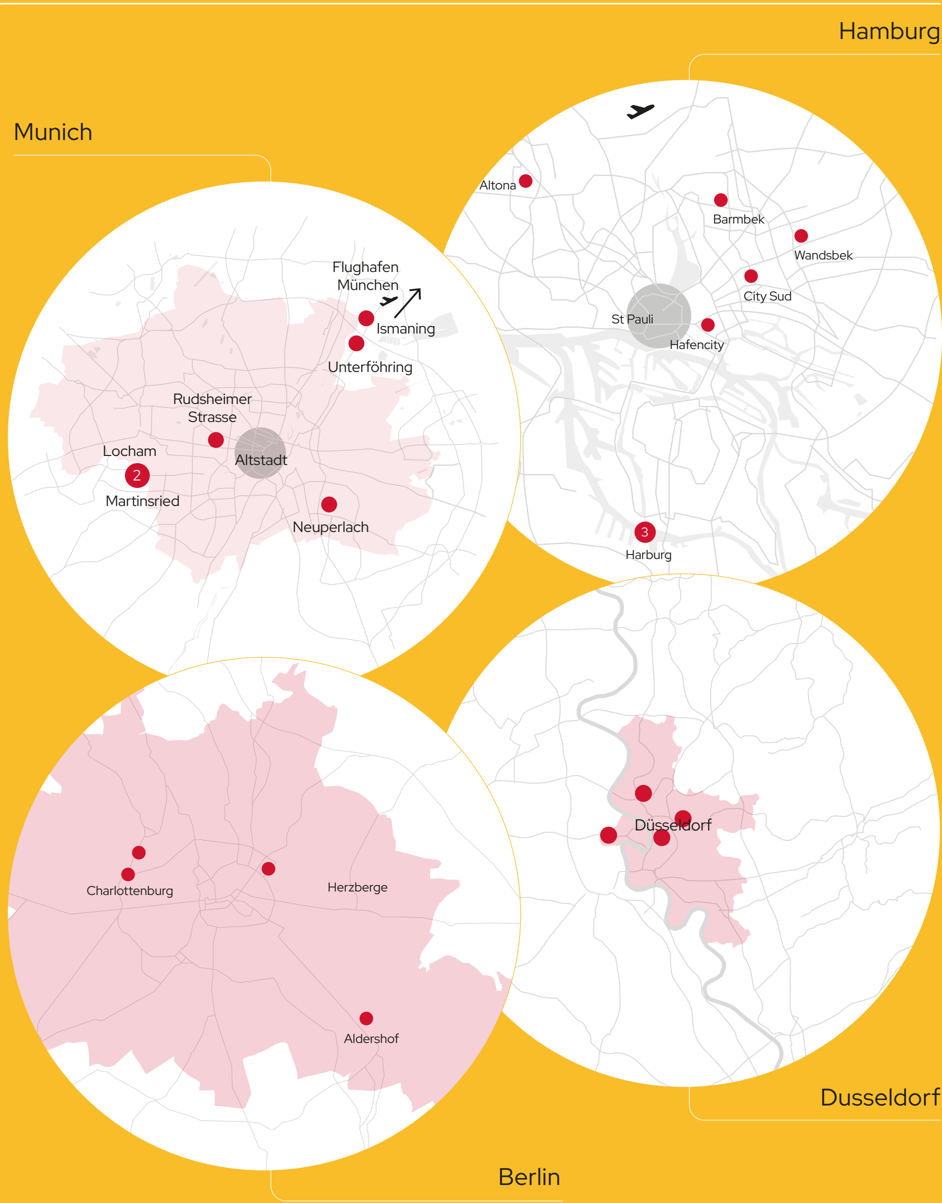
31

Lettable space (sq. ft)

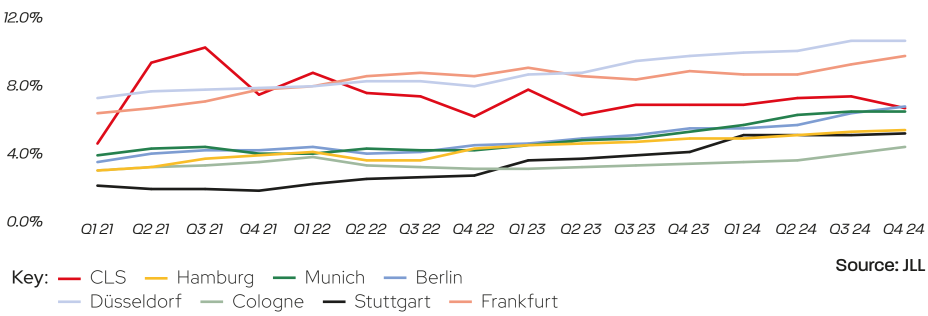
3.6m

Leases subject to indexation

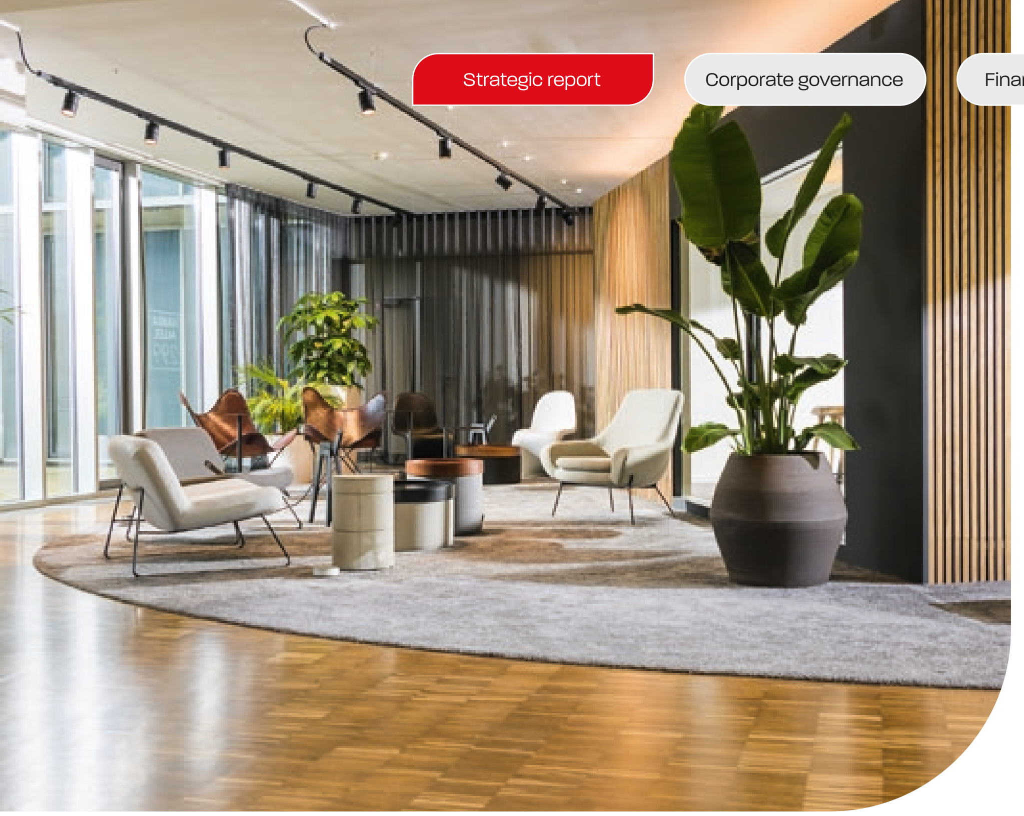
62.3%



Germany vacancy rate



Source: JLL



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. Further details are in the strategy in action case study on page 18.

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 Gotic 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%

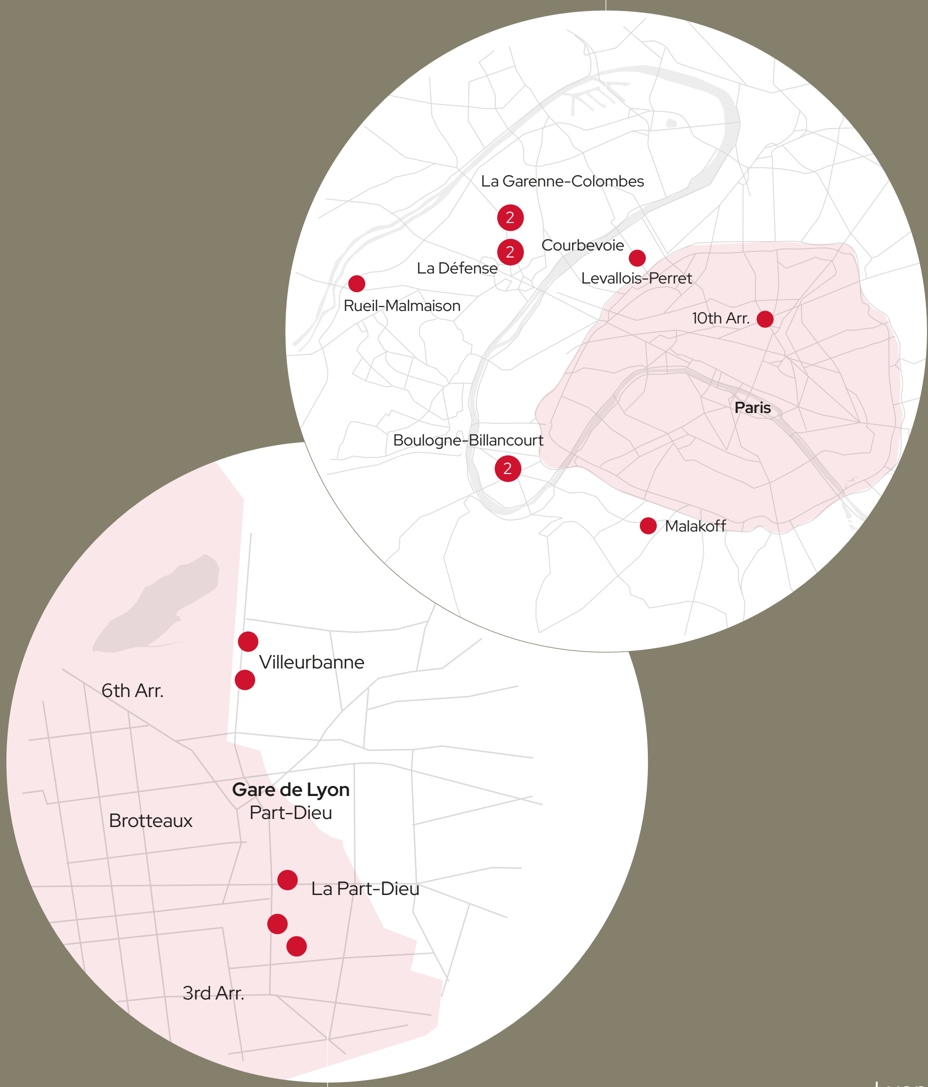
Years weighted average lease length to end
5.7

Number of properties
16

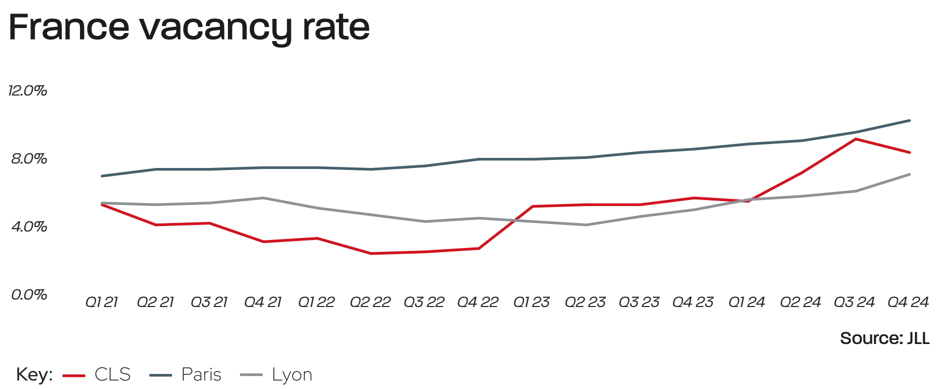
Lettable space (sq. ft)
0.8m

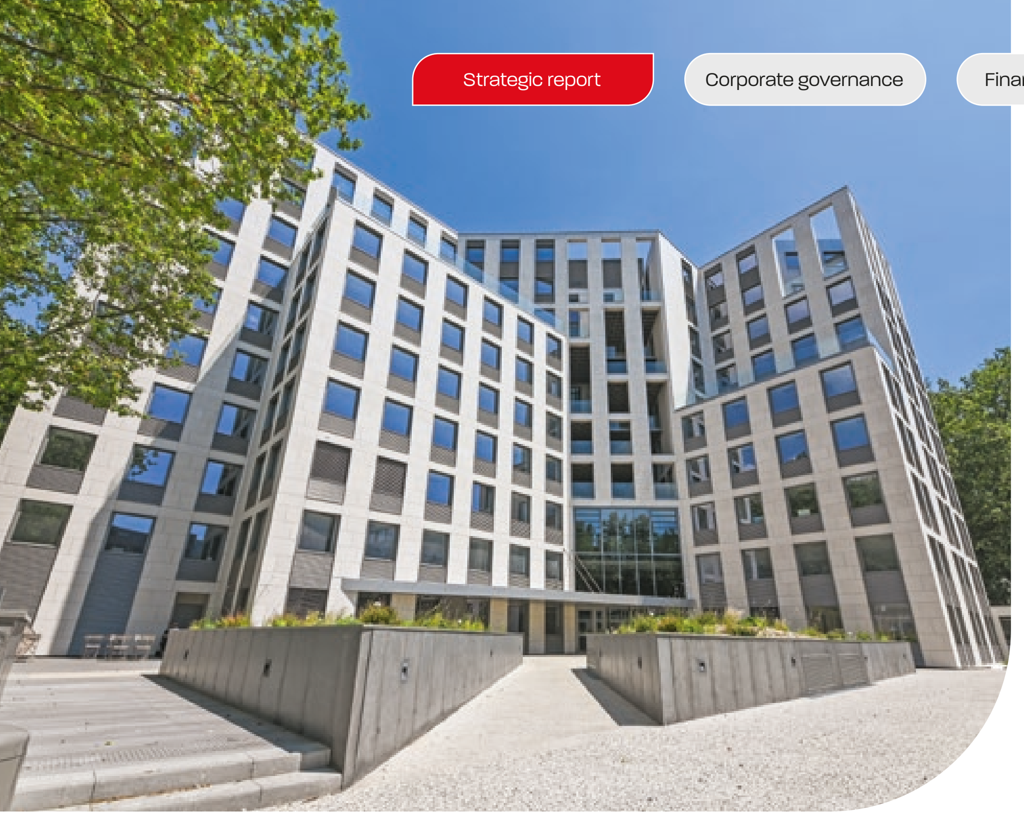
Leases subject to indexation
100%

Paris



Lyon





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.

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

→ Learn more here:
For more information go to page 18

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

→ Learn more here:
For more information go to page 19

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

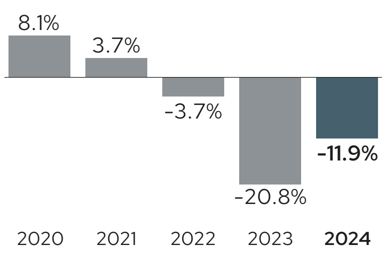
- Vacancy rate
- Administration cost ratios

Link to principal risks

- Sustainability risk
- Business interruption risk

→ Learn more here:
For more information go to page 20

Total Accounting Return (%)

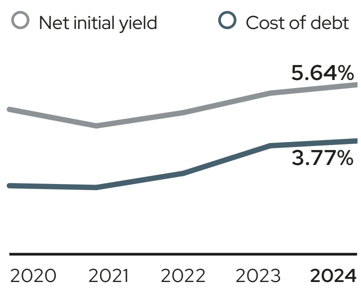


→ Learn more here:
CFO review on pages 22 to 25

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%.

Net initial yield vs cost of debt (%)

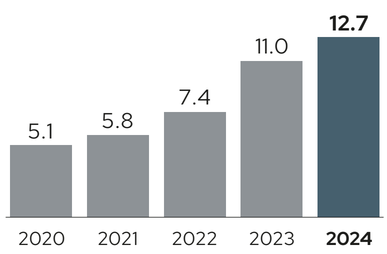


→ Learn more here:
CFO review on pages 22 to 25

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.

EPRA vacancy rate (%)



→ Learn more here:
Country reviews on pages 10 to 15

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.

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

Learn more here:
For more information go to page 21

We reward shareholders, customers and employees

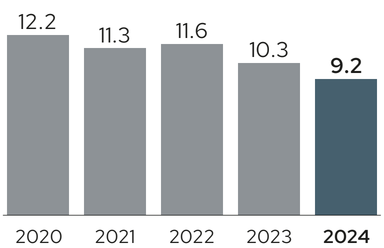
We pay dividends to our shareholders, with the balance reinvested in the business. Our occupiers are our customers. We pride ourselves in how we build relationships and align our strategic vision to their own business ambitions. We reward employees for their work and their loyalty, through salaries and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

KPIs/OPIs
- Dividend cover
- Staff turnover

Link to principal risks
- People risk
- Business interruption risk

Learn more here:
For more information go to pages 28 to 29

EPRA earnings per share (p)

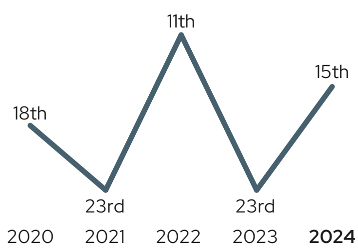


Learn more here:
CFO review on pages 22 to 25

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.

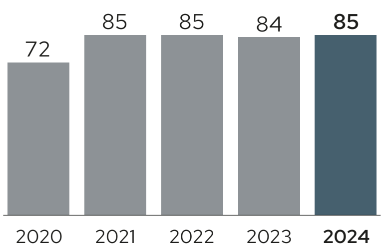
Total Shareholder Return – relative (%)



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 (2023: 23 companies) in the FTSE 350.

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

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.

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."

Einar Osterhage
Head of Asset Management

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 Gotic Haus, Germany

The two German properties, FleXion and Gotic 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 Gotic Haus vacated the property in July 2024 resulting in vacant space of c.70% in the building. The same financing strategy for Gotic 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."

Alain Millet
Group Treasurer

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."

Ly David
Asset Manager, France

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."

Helen Pilcher
Head of UK Development

CFO review

Andrew Kirkman

Chief Financial Officer

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, as set out in graph A, 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.

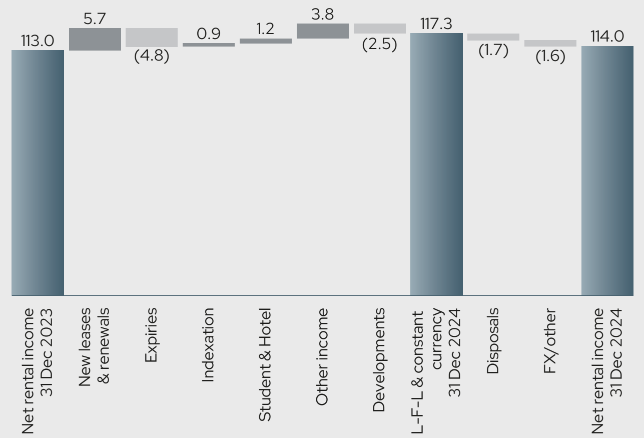
Overall administration and property expenses increased by £2.0 million to £35.8 million (2023: £33.8 million). Administration costs were lower by £0.5 million compared with 2023 due to tight control over personnel costs. Property expenses were £2.5 million higher as a result of one-off savings in 2023 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).

Graph A: Net rental income £m



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, as set out in graph B, 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. As set out in graph C, 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.

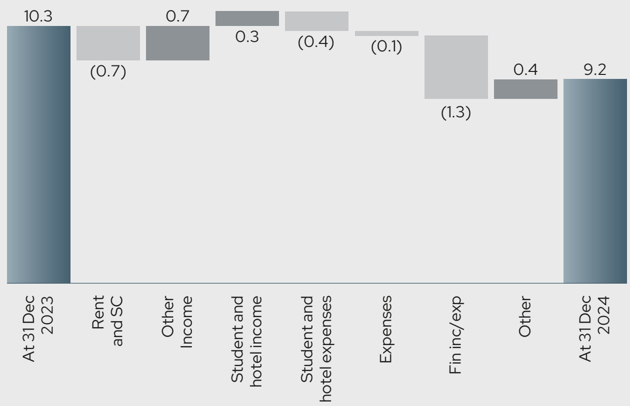
Balance sheet loan-to-value (net debt to property assets) at 31 December 2024 increased to 50.7% (2023: 48.5%) which was as a result of property valuation reductions as net debt fell by over £60 million. The value of properties not secured against debt decreased to £41.3 million (2023: £74.1 million). 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

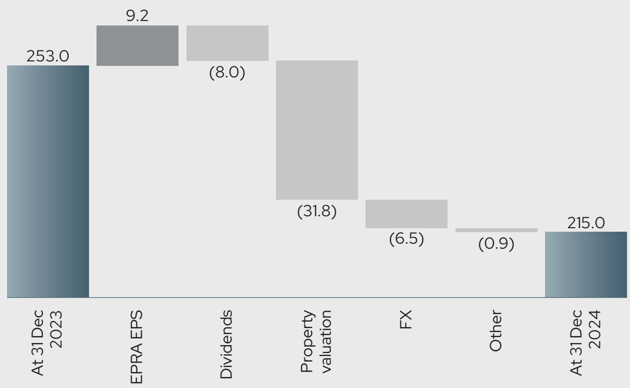
As at 31 December 2024, the Group's cash and cash equivalents balance was £60.5 million (2023: £70.6 million) as set out in graph D. Net cash flow from operating activities, after payment of £41.7 million for financing costs and tax, generated £29.5 million, a decrease of £16.4 million from 2023 reflecting 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.

Graph B: EPRA EPS movement pence per share



Graph C: EPRA NTA movement pence per share



> "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."

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.

Financing strategy and covenants

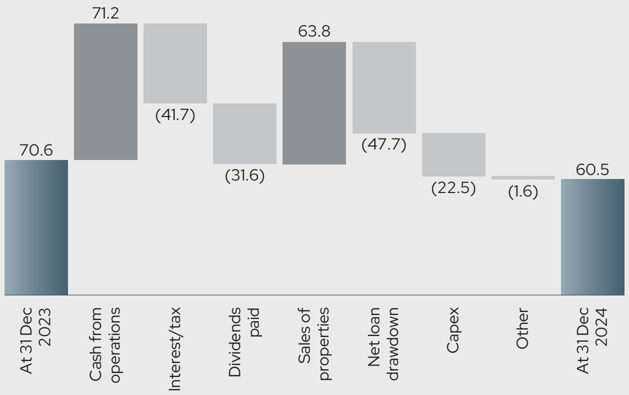
In 2024, we refinanced the remaining expiring loans for 2024 which had not already been refinanced in 2023. We have made significant headway with the refinancing activity for 2025 such that of the £373.7 million of debt (including £9.6 million of amortisation) across 11 loan facilities expiring in 2025 (£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.

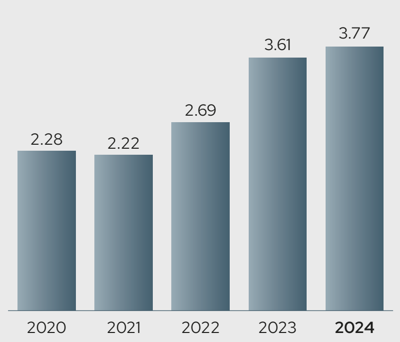
As noted, CLS' objective remains to keep a high proportion of fixed rate debt. However, in 2024 just as in 2022 and 2023 more floating rate loans and extensions than usual were executed given that: some properties are to be sold and thus CLS wants to avoid break costs; the letting profile for some properties 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). The Group's debt maturity at the start and end of 2024 is set out in graph F.

Graph D: Movement in liquid resources £m



Graph E: Cost of debt %



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

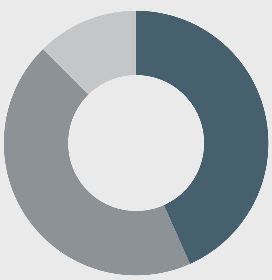
The final dividend for 2023 of 5.35 pence per share (£21.3 million) was paid in May 2024 and in October 2024, CLS paid an interim dividend for 2024 of 2.60 pence per share (£10.3 million).

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.

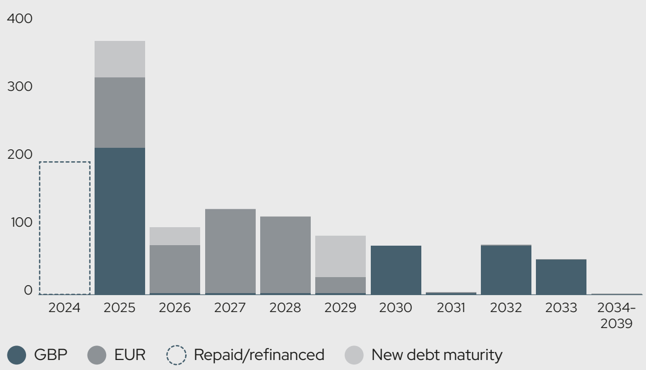
Andrew Kirkman
Chief Financial Officer
31 March 2025

Portfolio value by country



UK	£807m
Germany	£816m
France	£228m

Graph F: Debt maturity



Crafting legendary spaces:

How our tenant fit out created MSF's ideal office

At CLS, our commitment to our core values is evident in the work we do and the relationships we build. This was especially clear in our recent project creating a bespoke fit-out space for Mēdecins Sans Frontières (MSF), which ultimately led to them renting an entire floor with CLS. Here we take a closer look at how our values were brought to life during this project:

Our tenants, our focus

From the outset, our priority was ensuring the project's success and making sure the final space met MSF's vision and operational needs. We held fortnightly in-person meetings on-site with MSF's team, giving us the chance to collaborate closely and ensure that every detail was considered, from the look and feel of the space to the layout and logistics of their move. By keeping MSF at the forefront of the process, we were able to create a space that perfectly suited their needs.

Openness creates closeness

Building a strong, personal relationship with our tenants is key to understanding their specific requirements. After the initial viewings, we took the extra step to meet with MSF at Artesian, where we had more in-depth discussions. Dan Howson, Head of UK, visited their existing office and held staff workshops to better understand what aspects of their current setup were working and what could be improved. This open dialogue allowed us to build trust and ensured that the new fit-out would truly reflect their needs.

"We are delighted to welcome MSF as a new customer to our portfolio and are particularly pleased that our strategy of working closely with our occupiers has produced an attractive workspace for their employees. The fit-out works were specifically designed to promote collaboration and inclusivity in the office environment whilst taking full advantage of the attractive amenities and sustainability features at Artesian."

Dan Howson, Head of UK

Collaboration gets the job done

Collaboration was essential to this project's success. CLS' instructed agents, C&W and Comptons, played a vital role in introducing MSF to us. From there, we worked closely with MSF to develop the space on their behalf, giving us more control over the build based on our tenant's expectations. By selecting Morgan Lovell as our contractor, we were able to draw on our collective extensive experience with office fit outs, ensuring that the process was as seamless as possible. This collaboration extended beyond the construction phase. Once MSF moved in, we continued to assist with every detail, from offering pastries on their first days to providing ongoing support through our property management team and answering any queries they had. This hands-on approach created a smooth transition into their new office space at Artesian.

"Key to the success of this project was the unwavering commitment and collaboration between CLS, their dedicated professional team, PBC, and Morgan Lovell. Our unified approach ensured that tenant needs were not only met, but that their staff were involved and integral to the project's journey from day one."

Andrew Ledlie, Project Director, Morgan Lovell

Tenant Lifestyle

We are committed to delivering modern solutions that meet the needs of tenants, ensuring their experience is seamless and enjoyable. We teamed up with Foodles to provide affordable and balanced workplace meals via smart self-service fridges at CLS's Pacific House in Reading, improving the office experience for tenants. This initiative offered the ideal "farm to fridge" solution, enabling employees to enjoy healthy, convenient meals throughout the day. In today's world, having an in-house food provider that allows office workers to grab a quick bite without leaving the building has become a top priority for tenants. By introducing such tenant-centric initiatives, we continue to place a strong emphasis on the comfort and well-being of those working in our properties. This partnership not only enhances the daily work environment but also supports a healthier and more efficient workplace. With the addition of Foodles, we've taken another step toward making office life more convenient and accessible.

Efficiency for Tenants

We focused on working with our tenant to improve the Harburger Ring building in Germany by upgrading key elements to enhance energy efficiency and comfort. We replaced the existing lighting with energy-saving LED fixtures, fine-tuned the heating system for greater efficiency, and have made plans to swap out the windows this year to improve insulation. By reducing heat loss and making the building more energy-efficient, tenants experience lower heating costs in winter and a more stable indoor environment year-round. The upgrades to Harburger Ring not only lower operational costs for tenants but also contribute to a healthier, eco-conscious workplace, aligning with the growing demand for sustainability. Additionally, by investing in energy-efficient solutions, we have helped tenants create a positive environmental footprint, which is becoming increasingly important for businesses today. The overall result is a more pleasant and productive environment that supports the well-being of employees and reflects a commitment to long-term sustainability.

Tenant Security

In today's fast-paced work culture, the safety and well-being of tenants are top priorities. We've partnered with Safe Haven to enhance security across all our buildings with on-site security personnel. Safe Haven is a security-operated service that provides a safe place of refuge for anyone feeling vulnerable or in need of assistance. By signing up all of our UK properties with this service, we offer tenants a sense of comfort and safety, ensuring that help is readily available whenever needed. This initiative reinforces our commitment to creating secure and supportive environments for everyone in our buildings. Safe Haven gives employees peace of mind, knowing that they have access to immediate assistance if they ever feel unsafe or require support. This partnership not only strengthens the security of our properties but also provides an added layer of care and consideration for those who work in our spaces. With Safe Haven, our tenants can feel more secure, supported, and confident in their workplace, contributing to a safer, more positive work environment overall.

Stakeholder engagement

Our stakeholders

Why are they important?

We believe that engaging with our key stakeholders is fundamental to our ability to make well informed decisions which ultimately have a positive impact on the business, in the communities in which we invest and on the people with whom we do business. Positive engagement and collaboration with our stakeholders supports the implementation of our long-term strategy for growth.

We engage with our stakeholders through a variety of channels throughout the year. We have seen a positive impact on the decisions we have taken during the year as a result of the input from this stakeholder engagement.

Key to strategy

- We acquire the right properties
- We secure the right finance
- We deliver value through active management and cost control
- We continually assess whether to hold or sell properties
- We reward shareholders, customers and employees

	Tenants	Suppliers	Communities
Priorities in 2024	• Improvements to communal areas to meet tenants' needs • Input into tenants' refurbishments • Implementation of sustainability initiatives and data platform	• Support fair tendering processes with feedback from suppliers • Investigating updating our supplier portal	• Improvements in public realms • Financial and in-kind support for local charities and other organisations • Implementing CSR programme
How we engaged	• Regular feedback through tenant meetings • Tenant surveys	• Quarterly review meetings with principal suppliers • Fair tendering process to ensure we work in partnership with suppliers	• Supporting local organisations in the areas in which we invest • Working closely with communities and councils on refurbishment and development projects
Outcomes and opportunities	• Programme of refurbishments and modern design fit out • Active asset, property and facilities management to deal with issues quickly • Enhancing tenant communications on activities taking place on site • Appointment of new facilities management company in Germany	• Obtain commitments from relevant suppliers in line with requirements from the living wage foundation • Ensure communication of Group objectives to enable collaborative approach	• Increase in funding for local charities and organisations • Adapted refurbishments/ redevelopments in light of feedback • Commitment to the Group's policy of prompt payment of invoices
Link to business model and strategy			

	Employees	Investors	Financial institutions
Priorities in 2024	• Monitor staff engagement • Enhance CLS culture through wellbeing measures • Action outcomes of 2023 staff survey	• Highlight quality and future readiness of portfolio • Successfully execute refinancing strategy • Progress long-term growth strategy • Drive progress of sales pipeline	• Ongoing compliance with loan covenants • Economic and market research and trends • Sustainability initiatives
How we engaged	• Open door policy for raising issues • Town hall meetings with all employees • Operation of anonymous whistleblowing hotline	• Q&A session at analyst presentations • Regular meetings with investors • Feedback through our key advisors	• Frequent meetings with all lenders • Presentations to and from institutions • Property visits
Outcomes and opportunities	• More all staff meetings hosted by the CEO and SLT to maintain open lines of communication • CSR initiatives including group volunteering days and social events	• Continued review of portfolio • Additional sales programme • Launch of new website highlighting quality and future readiness of portfolio	• Communication of Group strategy at individual meetings • Regular updates on portfolio changes • Ensuring best practice in compliance reporting
Link to business model and strategy			

Section 172 statement

Overview

The Board recognises the importance of the views of key stakeholders in its decision-making process and the execution of its strategy. It believes these to be crucial in maintaining a reputation for high standards of business conduct, and a Group that people want to work for and to do business with.

Our key stakeholders are set out on pages 28 to 29 and illustrate how the Group has engaged and consulted with them. This approach is reflected in the Board's decision-making process and examples of key decisions are set out in this section.

To support the recording and reporting of our section 172 obligations, Board papers are written so that they include a specific section detailing how the decision the Board is being asked to make would affect key stakeholders. In some circumstances it has led to decisions being amended to reduce the impact on certain stakeholder groups.

Meeting tenants and employees (including those below senior management level) through our property tours and Board presentations together with individual meetings with members of staff and external advisors on specific topics, provides an excellent platform to understand the views of our key stakeholder groups.

The Board also receives regular reports and feedback from meetings with investors and analysts, which provide further insight and discussion on the views of investors.

The Board undertook two property tours in Munich and London in 2024, where Board members were able to interact with employees below Board level and external advisors. They were able to see the locations of our buildings and understand the changing needs of tenants through different styles of fit out and design. They also met with a number of tenants which enabled them to receive first hand feedback.

Relevant disclosures

The likely consequences of any decision in the long term	Page 4 Page 1 Pages 16-17 Pages 2-25 Page 32-55	Company Purpose Dividend Policy Our Business Model Performance Review Sustainability
The interests of the Company's employees	Page 51-52 and 74 Page 51-55 Page 52 and 73 Page 51-52 Pages 2-25 Page 55	Company Culture Diversity and Inclusion Employee Engagement Our People Performance Review Whistleblowing
The need to foster business relationships with suppliers, customers and others	Page 108 Pages 16-17 Pages 2-25 Page 41 Page 32-55 Page 55	Modern Slavery Our Business Model Performance Review Responsible Payment Practices Sustainability Whistleblowing
The impact of the Company's operations on the community and the environment	Page 4 Page 32-55 Page 42-50	Purpose and vision Sustainability TCFD
The desirability of the Company maintaining a reputation for high standards of business conduct	Page 85 Page 1 Page 32-55 Page 55	Internal Controls Purpose and vision Sustainability Whistleblowing
The need to act fairly as between members of the Company	Page 72 Page 1 Pages 28-31 Page 32-55	Annual General Meeting Dividend Policy Stakeholder Engagement Sustainability

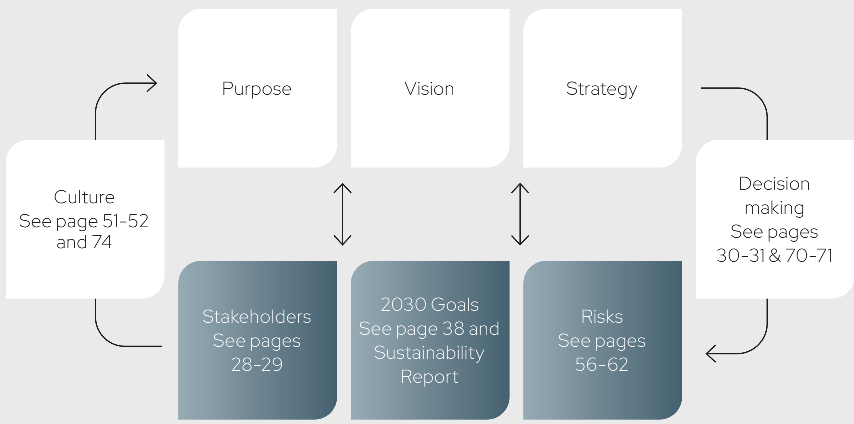
Purpose-led considerations

Our purpose is to transform office properties into sustainable, modern spaces that help businesses to grow. Our investments are based on long-term vision, continually modernising a our portfolio into viable, future focused and sustainable properties.

Our vision is to be a leading office space specialist and a supportive, progressive and sustainably focused landlord. We achieve this by aligning our strategic vision to our tenants' business ambition, reinforcing our diversification in our key markets and elevating the importance of sustainability across all aspects of our business.

Our four key values of: collaboration gets the job done; our tenants our focus; agility unlocks opportunity; and openness creates closeness, define our culture.

Together, these underpin the decisions made at every level across the Group.



Refinancing Agreements

Securing the right finance remains one of the key tenets of CLS' business model and strategy and has delivered significant value to our stakeholders. As the property and financing markets have been challenging post pandemic, we have prioritised building in greater flexibility to our financing agreements to mitigate against this. We refinanced and extended all of our 2024 maturity loans this year and initiated discussions on a number of 2025 loans. The execution of our financing strategy in 2024 was a significant achievement in the current economic climate, giving us greater flexibility and resilience.

Consideration of S172 impacts by the Board in its decision making

Investors

1 2

The execution of our financing strategy materially reduced the Group's liquidity and refinancing risks, enhancing our resilience in the current economic climate and giving our investors confidence that the company will continue to deliver on its strategy.

Financial institutions

1

The financing agreements we entered into this year have strengthened our relationship with our lenders and ensured that the terms remain favourable and beneficial to all parties. Our new agreements we are party to have also allowed us to build relationships with lenders and ultimately expand our network for financing options in the future.

Monitoring sustainability

This year we have carried out numerous projects in collaboration with the regional property teams aimed at improving the efficiency and sustainability of our portfolio, ensuring we have future ready, attractive properties. It was estimated that these projects would save approximately 300 tonnes CO_2e per annum and will put us on track to achieve further energy and carbon reduction savings next year. We also continued to monitor our sustainability reporting and benchmarking frameworks, which concluded that CLS is aligned with best practice in this area. We have implemented our sustainability data platform which now provides better data reporting and automation of energy consumption data, resulting in more accurate, timely and reliable data that enables easier third-party verification.

Consideration of S172 impacts by the Board in its decision making

Communities/environment

1 3 6

Oversight of our sustainability strategy incorporating our CSR initiatives ensures we deliver on our objectives for the communities in which we invest, promoting education, employment and our long-term strategic aims to become Net Zero by 2030. Further details on our initiatives can be found on page 32

Tenants

1 2

Our sustainability strategy is designed to support our purpose which is to provide sustainable office space that helps businesses grow. The Sustainability Committee is able to monitor and ensure that we are on track to meet our targets which in turn deliver cost savings for tenants through various energy efficiency and wellbeing measures.

Dividend Considerations

The Company's progressive dividend policy supports the long term strategic plan and provides an attractive return to shareholders.

Through the annual strategic plan, the Board monitors the Group's cash flow position as a result of our desire to reinvest and grow the portfolio, and support our vision to be a leading office space specialist and a supportive, progressive and sustainability-focused commercial landlord.

Consideration of S172 impacts by the Board in its decision making

Investors

5

The Board concluded that given the financial and operational performance of the Group against an uncertain macro-economic background, the 2024 interim dividend was paid at the same level as the previous year. The Board reviewed the financial and operational performance of the Group during 2024 and, given the significant opportunities within the portfolio to grow net asset value and retain funds to capture these opportunities, deemed it in the interests of the Company therefore its investors to reduce the final dividend by 50% to 2.68 pence per share.

Employees

4

The Board considered how this would benefit and reward employees. Our remuneration structure and annual outcomes reflect both Group and individual performance. Additionally, those employees who own shares in CLS through our Share Incentive Plan were equally rewarded. It concluded that there were significant benefits in rewarding employees through the performance of the Group.

Key – Section 172 criteria

1	The likely consequences of any decision in the long term	4	The interests of the Company's employees
2	The need to foster the Company's business relationships with suppliers, customers and others	5	The need to act fairly between shareholders
3	The desirability of the Company maintaining a reputation for high standards of business conduct	6	The impact of the Company's operations on the community and the environment

ESG overview
Sustainability Strategy to 2030

Our Sustainability Strategy maps the journey CLS will take up to 2030, with the key targets and milestones set appropriately to reflect the position we are starting from against each material element.

Our strategy is summarised below.

Environmental

A positive environmental impact
We will invest in our properties and collaborate with occupiers to sustainably manage natural resources, support local environments and build resilience to climate risks; delivering future-ready assets.

→ Net Zero Carbon Pathway
See page 38 for details

Social

Creating shared value
We will create and share value with our stakeholders by engaging collaboratively with our occupiers, supporting local communities and partnering with our supply chain.

→ Social Value Framework
See the Social section of the 2024 Sustainability Report for details

Governance

Being a responsible business
Strong governance and transparency will provide the basis for demonstrating our values, supporting people and working with our stakeholders to uphold high standards.

→ Monitoring and regulatory reporting
See the Governance section of the 2024 Sustainability Report for details

We believe that sustainable outcomes and shareholder returns are not a zero-sum game. Properly valuing and integrating sustainability risks and opportunities into our business strategy provides resilience to future disruption and unlocks potential future growth.

Our strategy takes steps to prepare and adapt our business before regulation requires it, or the environment and our customers demand it. A more sustainable operating model reduces material risks to our reputation and balance sheet. Crucial to this is our commitment to being a net zero carbon business by 2030.

The fundamentals remain the same. We are working in line with globally recognised sustainability frameworks and targets to have a positive environmental impact, create shared value with our stakeholders and be a responsible business with strong governance and transparency.

Explore deeper with our Sustainability Report
Our separate Sustainability Report, published alongside our Annual Report, provides a deeper dive on the data and work behind making CLS a more sustainable business and driving our ESG agenda.

This separate report is designed to match numerous relevant ESG and sustainability reporting frameworks. It provides a greater level of transparency, with substantial amounts of the specialist data and information these frameworks require and is useful for many of our varied stakeholders.

Metrics and Framework Alignment
We align to EPRA sBPR (Sustainability Best Practices Reporting), SASB (Sustainability Accounting Standards Board) and GRESB (Global Real Estate Sustainability Benchmark) frameworks and report in accordance with the SBTi (Science Based Targets initiative) and CRREM (Carbon Risk Real Estate Monitor).

Whilst not currently obligated, we remain well placed to align reporting (with minimal changes) to the ISSB (International Sustainability Standards Board) standards as well as the EU's CSRD (Corporate Sustainability Reporting Directive) standards.

The table overleaf shows a summary of key metrics for 2024. The full tables, with splits by country, can be found in the rear of the separate Sustainability Report. These include all the disclosures for updated EPRA sBPR guidelines, geographical splits of the data and the table of SASB indicators. We provide our annual sustainability data as a downloadable file from our website (in CSV format for easy use).

For more detail, please visit our website to read our Sustainability Strategy and 2024 Sustainability Report https://www.clsholdings.com/sustainability/reports/

2024 ESG highlights

Proportion of buildings with BREEAM In-use ratings of Very Good or above

53%

Proportion of total group electricity from renewable or carbon-free sources

99.5%

Equivalent social value generated (excluding supply chain)

£364,500

Employee volunteering hours given to community and charitable organisations

856 Hours

Net zero carbon pathway projects completed

27

Reduction in like-for-like Scope 1 and 2 GHG emissions from 2023

6.9%

2024 in review

We continue to show improvements with energy and GHG savings on a like-for-like basis, as well as measures to make our buildings more efficient and future-ready, demonstrated by improved EPCs and BREEAM ratings.

Our work on delivering improved social value in the communities we operate in continued with further significant growth and focus on skills for young people.

Notably, a key new tenant chose to occupy one of our refurbished assets partly because of its sustainability credentials.

Performance and Progress in 2024 Focus Areas

With a narrowed set of focus areas this year, we made good progress against the targets we set ourselves, fully achieving 9 out of 12 targets.

We again saw energy reductions generally in line with our Net Zero Carbon (NZC) Pathway. We were close to our energy and carbon reduction targets we set ourselves for the year.

The impact of our projects was manifested mainly in reduced electricity consumption. There has been a decrease in like-for-like landlord electricity consumption of 12% across the business. GHG (Greenhouse Gas) emission factors returned to their downward trend after the Ukraine war shock on European energy markets. Combined with our energy savings this meant our total Scope 1 and 2 GHG emissions, using location-based carbon factors, reduced by 6.9% like-for-like and 1.6% on an absolute basis. As a result, we were close to our NZC Pathway target (achieving closer alignment than in 2023), and in line with the target we set ourselves at the beginning of the year.

Scope 3 GHG emissions were significantly lower than last year due to reduced spending on construction and refurbishment projects as our major projects ended.

We have also worked on improving the accuracy of our Scope 3 data which has led to lower Scope 3 emissions reporting as a result of increased accuracy. This includes a new tenant energy use estimation method and use of DEFRA emissions factors for spend-based estimations for Scope 3 categories 1, 2 and 6. We have thus restated relevant 2023 GHG emissions figures using these factors to enable better comparison.

A further 27 energy projects were completed in 2024 saving an estimated 294 tonnes CO_2e (tCO_2e). This was less than planned, due to some projects running over and the scaling back of capital expenditure. We still increased the proportion of our UK properties rated EPC A or B to 56%.

We also completed feasibility studies on most of our fossil fuel heated buildings to allow heating system electrification projects to commence in operational buildings from 2025.

Whilst no more PV or EV chargers were installed this year, planning has advanced for installations in 2025/26 in Germany.

Water consumption decreased in line with more vacancy in some buildings whilst waste, across our managed buildings, increased; but interventions meant that recycling improved also. Our recycling proportion went from 49% to 58%.

We have maintained the social metrics which we report on and added the new EPRA metric on community engagement. Board and employee gender balance remained steady as well as employee turnover. See the People section (pages 51-52) for more commentary.

CSR and social value remain important. We held numerous volunteering events this year, with over 850 hours of employee time given and just over £203,000 of donations (cash and in-kind) to charities in our focus areas. We updated 31 BREEAM In-Use ratings this year across our UK, French and German portfolios. 53% of buildings are now rated Excellent or Very Good, showing our properties are on track to be fit for a sustainable future.

GRESB | SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

ESG overview continued

EPRA sBPR and SASB Summary data

GHG emissions metrics
(GHG-Dir-Abs, GHG Indir-Abs, GHG-Dir-LfL, GHG-Indir-LfL)

	Absolute			Like-for-like		
	2024 tCO_2e	2023 tCO_2e	Difference %	**2024 tCO_2e**	2023 tCO_2e	Difference %
Scope 1 GHG emissions (Direct)	**4,868[1]**	4,504[4]	8.1%	**4,201**	4,236[5]	(0.8)%
Gas	**4,259**	3,903[4]	(9.1)%	**3,655**	3,699[5]	(1.2)%
Gas oil	**18**	8	122.4%	**18**	8	(122.4)%
Diesel	**4**	5	(28.6)%	**4**	5	(19.9)%
Fugitive emissions	**588**	588[3]	0%	**524**	524[3]	0%
Scope 2 GHG emissions (Energy Indirect – Location-based)	**6,939[1]**	7,497[3]	(7.4)%	**5,994**	6,716[5]	(10.8)%
Electricity (location-based)	**3,722**	4,176[3]	(10.9)%	**3,267**	4,032[5]	(19)%
Purchased Heat (location-based)	**3,218**	3,321[3]	(3.1)%	**2,727**	2,684[5]	1.6%
Scope 2 GHG Emissions (Energy Indirect – Market-based)	**741[1]**	865[3]	(14.3)%	**487**	644[3]	(24.4)%
Electricity (market-based)	**1**	2[3]	(50.9)%	**1**	2[3]	(50.9)%
Purchased heat (market-based)	**740**	863	(14.2)%	**486**	642	(24.3)%
Total Scope 1 and 2 GHG emissions (Location-based)	**11,808[1]**	12,001[3]	(1.6)%	**10,195**	10,953[5]	(6.9)%[10]
Progress against NZC Pathway target	**11,5916**	–	**1.9%[1 9]**	**–**	–	–
Total Scope 3 GHG Emissions (Other Indirect)[2] – selected categories	**25,941**	37,472[4]	(30.8)%	**–**	–	–
Upstream emissions[2]	**13,750**	24,991[4]	(45)%	**–**	–	–
Downstream emissions[2]	**12,191**	12,481[4]	(2.3)%	**–**	–	–
Total Scope 1, 2 and 3 GHG emissions (Location-based)	**37,748**	49,474[4 3]	(23.7)%	**–**	–	–

Energy consumption metrics
(Elec-Abs, Elec-LfL, DH&C-Abs, DH&C-LfL, Fuels-Abs, Fuels-LfL, IF-RE-130a.2, IF-RE-130a.3)

	Absolute			Like-for-like		
	2024 MWh	2023 MWh	Difference %	**2024 MWh**	2023 MWh	Difference %
Electricity						
Total purchased electricity for landlord spaces	**17,629**	18,714[3]	(5.8)%	**15,651**	17,788[5]	(12)%
Total purchased electricity sub-metered to occupiers	**7,555**	7,463	1.2%	**6,442**	7,303	2.5%
Total electricity generated through on-site PV	**883**	979	(9.8)%	**883**	965[5]	(8.5)%
Total electricity generated through on-site CHP	**269**	386	(30.3)%	**269**	386	(30.3)%
Proportion of electricity obtained from renewable sources	**99.5%**	99.5%	0%	**99.9%**	99.9%	0%
Grid electricity consumed within head offices	**163**	163	0%	**–**	–	-
District Heating and Cooling						
Total landlord purchased district heating and cooling	**10,485**	11,213[4]	(6.5)%	**8,760**	8,696[5]	0.7%
Proportion of district heating and cooling obtained from renewable sources	**12%**	11%	9%	**14%**	13%	4.6%
Fuels						
Total direct fuel consumption for landlord spaces	**23,283**	21,339[4]	9.1%	**19,984**	20,224[5]	2%
Total direct fuel consumption sub-metered to occupiers	**16**	16	0%	**16**	16	0%
Total Group energy consumption in landlord spaces (net of onsite energy generation)				**44,395**	46,708[5]	(4.9)%[10]
Total Group energy consumption in landlord spaces	**52,549[1]**	52,630[4 3]	(0.2)%	**45,547**	48,059[5]	(5.2)%

Intensity metrics
(Energy-Int, GHG-Int, Water-Int)

	Absolute			Like-for-like		
	2024	2023	Difference %	**2024**	2023	Difference %
Total building energy intensity per floor area	**91.6 kWh/m² / yr**	104.4 kWh/m² / yr	(12.3)%	**100.6 kWh/m² /yr**	112.4 kWh/m² / yr	(10.5)%
Total building energy intensity per £ revenue	**0.53 kWh/£ revenue/yr**	–	–	**–**	–	–
Total Scope 1 and 2 GHG emissions intensity per floor area	**18.0 $kgCO_2e$/ m² /yr[1]**	20.8 $kgCO_2e$/ m² /yr	(13.7)%	**19.7 $kgCO_2e$/ m² /yr**	22.2 $kgCO_2e$/ m² /yr	(11.3)%
Total Scope 3 GHG emissions intensity per floor area[2]	**39.5 $kgCO_2e$/ m² /yr**	65.1 $kgCO_2e$/ m² /yr	(39.3)%	**–**	–	–
Total Scope 1, 2 and 3 GHG emissions intensity per floor area[2]	**57.5 $kgCO_2e$/ m² /yr**	85.9 $kgCO_2e$/ m² /yr	(33.1)%	**–**	–	–
Total Scope 1, 2 and 3 GHG emissions intensity per £ revenue[2]	**0.33 $kgCO_2e$/£ revenue/yr**	–	–	**–**	–	–
Total building water intensity per floor area	**0.29 m³ /m² / yr**	0.37 m³ /m² /yr	(21.2)%	**0.30 m³ /m² / yr**	0.35 m³ /m² /yr	(13.0)%
Total building water intensity per £ revenue	**1.68 litres /£ revenue/yr**	–	–	**–**	–	-

Water, waste and certificates metrics
(Water-Abs, Water-Lfl, Waste-Abs, Waste-LfL, IF-RE-140a.2)

	Absolute			Like-for-like		
	2024	2023	Difference %	**2024**	2023	Difference %
Water						
Total landlord-obtained water	**191,552 m³ [1]**	213,151 m³ [3]	(10.1)%	**157,074 m³**	172,045 m³ [5]	(8.7)%
% Total water withdrawn in regions with high or extremely high baseline water stress	**52%**	42%	23.8%	**–**	–	
Waste[6]	**tonnes**	tonnes		**tonnes**	tonnes	
Total waste collected	**1,383[1]**	1,251	10.6%	**1,249**	1,084	15.3%
Total non-hazardous waste	**1,383[1]**	1,251	10.6%	**1,249**	1,084	15.3%
Total hazardous waste	**0**	0	0%	**0**	0	0%
Total waste recycled	**802[1]**	619	29.6%	**698**	543	28.6%
Total waste incinerated with energy recovery	**581[1]**	632	(8.1)%	**552**	541	(2)%
Proportion of waste recycled	**58%[1]**	49%	17.2%	**56%**	50%	11.5%
Proportion of waste incinerated with energy recovery	**42%[1]**	51%	(16.9)%	**44%**	50%	(11.5)%

For data on mandatory and voluntary certifications across our portfolio (Cert-Tot) including measuring levels of certification attained in EPCs and BREEAM In-Use and percentage coverage by both portfolio value and floor area, see the Sustainability Report.

1 2024 figure Independently Assured by DNV.
2 CLS currently only reports absolute Scope 3 emissions, therefore no like-for-like breakdown has been provided.
3 Figure restated due to use of revised calculation method.
4 Figure restated due to replacement of estimated data or availability of new data.
5 Figure restated with revised set of buildings aligned with EPRA sBPR guidelines.
6 2024 NZC Pathway target total Scope 1 & 2 emissions (absolute).
7 This figure was likely under-reported due to new introduction of LEARN system, tracking employee training.
8 Excluding employees on maternity leave and fixed term contractors who are not subject to annual appraisals.
9 Percentage difference between NZC Pathway target and actual Scope 1 and 2 emissions.
10 Figure used for Group energy and carbon sustainability KPI.

ESG overview continued
EPRA sBPR and SASB Summary data continued

Social metrics
(Diversity-Emp, Emp-Training, Emp-Dev, Emp-Turnover, H&S-Emp, H&S-Asset, H&S-Comp, Comty-Eng)

	2024	2023	Difference %
Gender Diversity			
All employees – % of female employees	**49%**	48%	2%
Board of Directors – % of female employees	**38%**	40%	(5)%
Training			
Average hours of training – all employees	**19**	10	243%
Performance Appraisals			
Percentage of all employees who received performance appraisals[8]	**100%**	100%	0%
Turnover			
Total number of new employee hires	**21**	17	24%
Total rate of employee turnover	**25%**	25%	0%
Health and Safety			
Employee health and safety – Injury rate (UK only)/absentee rate (days/employee)	**36/5.2**	97/-	–
Percentage of assets with health and safety assessments	**100%**	100%	–
Incidents of non-compliance with asset health and safety regulations and standards	**0**	0	–
Community			
Percentage of assets with community engagement, impact assessments & development programmes	**83%**	–	

Governance metrics
(Gov-Board, Gov-Selec & Gov-COI measures)

Refer to Corporate Governance Section for data and information covering the composition of the Board and the process for nomination and selection as well as the process for managing conflicts of interest.

Regulated Reporting and Methodology
The disclosures included in this ESG section cover the following reporting requirements that we are subject to as a UK publicly listed company:

- Greenhouse gas ('GHG') reporting requirements defined within the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
- Energy reporting requirements under the Streamlined Energy and Carbon Reporting ('SECR') requirements in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.
- Climate-related financial disclosures consistent with recommendations from the Financial Stability Board's Task Force for Climate-Related Financial Disclosures (TCFD), as required under current UK Listing Rules.

The scope, boundary and methodology adopted for the calculation of the Scopes 1, 2 and 3 GHG emissions, SECR metrics, and other environmental and social indicators are set out in the Sustainability Metrics: Scope, Boundaries & Methodology section in the back of our detailed Sustainability Report.

Independent Assurance
For the fifth consecutive year we engaged DNV Business Assurance Services UK Ltd (DNV), an independent expert in assurance and risk management, to undertake limited independent assurance. The assurance scope covers water, waste, energy and Scope 1, 2 and selected Scope 3 GHG emissions, EPRA sBPR metrics as well as progress on our NZC Pathway.

The specific metrics that have been subject to assurance are identified in the relevant data tables.

ESG priorities for 2025

In the year ahead our key priority is to continue delivering future energy and carbon reductions to progress our NZC Pathway. This includes a focus on decarbonising heating systems, further roll out of energy efficiency measures, and commencing EV charging and PV installations in Germany.

We will continue our focus on engagement with our tenants and supply chain, key to improving Scope 3 GHG emissions (our largest emissions segment), social value and other environmental metrics. With our state-of-the-art online data platform operational, we now want to share insights and reporting with our occupiers and stakeholders in an improved way.

We will continue work on improvements in other environmental areas with a particular focus on biodiversity this year, alongside our continuing programme of green building certifications using BREEAM In-Use.

On social value, our goal is to focus our work better, broaden our measurement and maintain our social value particularly around helping young people develop their skills in the work place.

We will also continue to focus more heavily on compliance as we seek to address regulations in EU states including the French Décret Tertiaire regulations.

Finally, the team will review our Sustainability Strategy and Net Zero Carbon Pathway to ensure its ongoing relevance.

In the year ahead our key priority is to continue delivering future energy and carbon reductions to progress our Net Zero Carbon Pathway

Focus Areas

- Reduce GHG emissions 2% like-for-like
- Deliver on key building heating electrification projects
- Implement initiatives to rewild grassland
- Conduct a halfway review of the Sustainability Strategy and Net Zero Pathway including key targets and commitments (e.g. company and building sustainability certifications)
- Conduct tenant satisfaction surveys and review wellbeing
- Increase engagement with our tenants and supply chain, including data collection and reporting, to improve sustainability KPIs (e.g. Scope 3 GHG emissions, energy, waste, water and social value)
- Include supply chain in social value measurement and review measurement methods
- Ensure EPRA award and GRESB rating are maintained
- Achieve compliance with prompt payment code

Spotlight on Net Zero Carbon Progress

Spotlight on Net Zero Carbon Progress

Our Net Zero Carbon Pathway is built from asset-level energy audits creating a robust technical evidence base of the energy and carbon saving opportunities and costs for each property. These have been aggregated into a Group-wide model to calibrate our targets, strategy and capital expenditure plans. In addition, they have been incorporated into individual asset management plans to enable strategic decisions about the refurbishment, sale or full redevelopment of assets to be made.

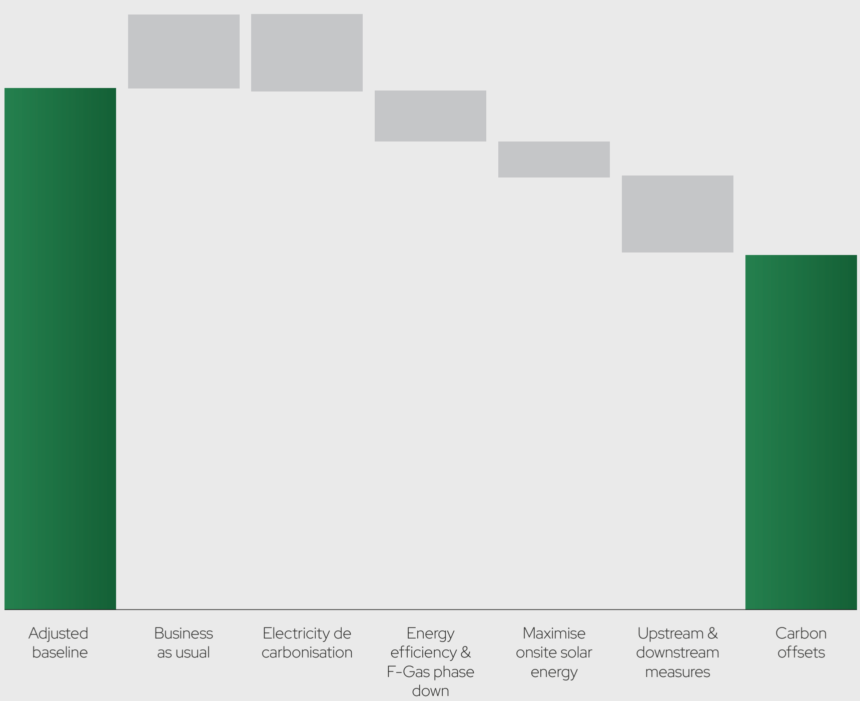
Where refurbishment is viable, the projects highlighted in the energy audit are incorporated into Net Zero Carbon Asset Management Plans for each building to ensure the optimal timing and allocation of capital over the course of the pathway, to achieve our carbon reduction targets. These plans have resulted in a timeline of carbon reduction through to 2030, which will be constantly updated as expenditure is incurred at each asset. These plans are reviewed each year to incorporate technology improvements as well as any acquisitions or disposals.

We have included the full portfolio of buildings in our NZC Pathway and report on progress against our targets, projects completed and delivery costs. The pathway includes a 65% reduction (giving a buffer on our 42% commitment) in Scope 1 and 2 GHG emissions and a 27% reduction in Scope 3 emissions by 2030 against a 2020 baseline. The plans are aligned to meet or exceed our SBTi target (42% reduction required) as well as the CRREM pathways for 2030.

Residual GHG emissions in 2030 will be addressed with appropriate and robust carbon offsets. We are continuing to monitor options for offsets and will provide more details once the regulatory environment is more certain.

We have verified that our NZC plans for each building align with anticipated regulatory changes (e.g. MEES in the UK and Décret Tertiare in France) and include appropriate costs to meet these. Our focus for this year was on feasibility studies, where fossil fuel heating needs to be replaced. This was to ensure NZC plan risks are well managed.

Net Zero Carbon Pathway to 2030 Summary chart



Energy Efficiency and Carbon Reduction Projects

During 2024, we delivered a variety of projects to improve energy efficiency and reduce energy costs in our buildings in the UK, Germany and France.

We completed 27 carbon reduction projects from the NZC Pathway at a cost of £0.8 million. The projects save an estimated 294 tCO_2e annually. Whilst a significant reduction compared to 2023, this was in line with our reduced capital spending on refurbishment. Similar to 2023, they included:

- Replacement of ventilation and cooling plant and equipment with higher efficiency units;
- Replacing old extractor fans and old motors in air handling units with speed-controlled EC equivalents;
- Improving ventilation fan controls in car parks and toilets (e.g. carbon monoxide and time controls);
- Replacing old light fittings in common areas and tenant areas, including emergency lighting and external and carpark lighting with LED lighting and automatic lighting controls; and
- Upgrades to controls including introducing Building Management Systems (BMS).

In addition, there were also simple operational changes to BMS and control systems adjustments where they were inefficiently deviating from optimum settings.

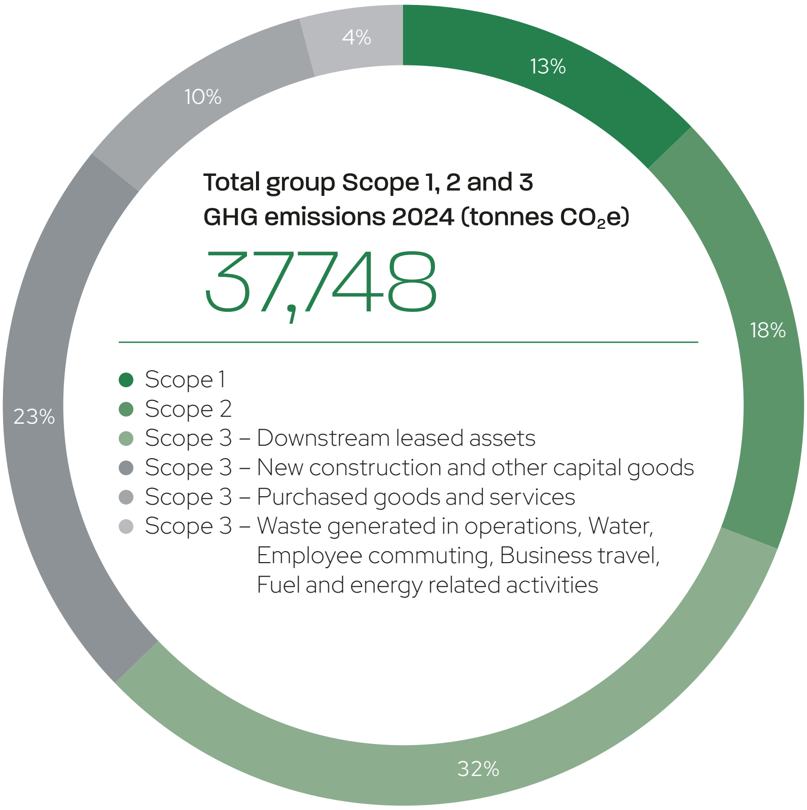
Spotlight on Net Zero Carbon Progress

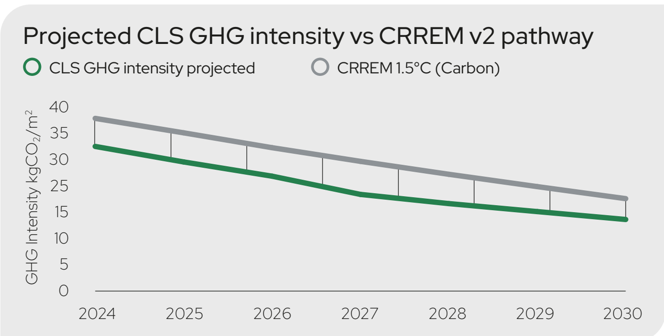
An example of a completed project is the installation of self-learning thermostats at Adlershofer Tor which is expected to achieve savings of c.122,400 kWh/year.

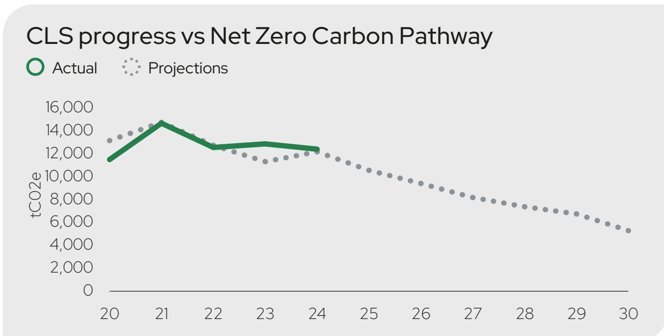
We continued to expand our coverage of Automatic Meter Reading ('AMR') technology across our utility supplies in 2024. 78% of our main utility meters in managed assets now have AMR and include the expansion of smart water leak detection in the UK.

Streamlined Energy and Carbon Reporting (SECR)

As a listed company, we are required to report in accordance with SECR regulations. The table below provides a summary of the required measurables (aligned to the EPRA sBPR performance measures on page 34). This, along with the previous section on Energy Efficiency Projects, forms our disclosure. More detailed figures are provided in the Sustainability Report in the Extended Sustainability Metrics section along with calculation details in the Scope, Boundaries & Methodology section.







SECR Measurables	2024	2023	% Change
Total Scope 1 & 2 GHG emissions (GHG-Indir-Abs-Scope 1 & Scope 2) tCO_2e	**11,808**[1]	12,001[2]	(1.6)%
GHG Emissions intensity ratio (GHGInt) – Scope 1 & 2 emissions per net lettable floor area ($kg CO_2e/m^2$)	**18.0**[1]	20.8	(13.7)%
Underlying global energy use (MWh) Total Energy-Abs	**52,549**[1]	52,630[2]	(0.2)%
UK energy use (MWh) Total Energy-Abs	**25,430**	23,195	9.6%
Offshore energy use (MWh) Total Energy-Abs	**27,119**	29,436[2]	(7.9)%

Scope 3 GHG Emissions Selected Categories	2024 (tCO_2e)	2023 (tCO_2e)	% Difference
Category 1: Purchased goods and services	**3,790**[1]	3,603[2]	5.2%
Category 2: New construction and other capital goods	**8,611**[1]	19,853[2]	(56.6)%
Category 3: T&D and WTT losses	**1,085**[1]	1,145	(5.2)%
Category 5: Water and waste treatment	**44**[1]	70	(37.1)%
Category 6: Business travel	**162**[1]	253	(36.0)%
Category 7: Employee commuting, including homeworking	**58**[1]	68	(14.7)%
Category 13: Sub-metered utilities, & occupier-controlled utilities	**12,191**[1]	12,481[2]	(2.3)%
Total Scope 3 GHG Emissions Selected Categories	**25,941**	37,472[2]	30.8%

1 2024 figure Independently Assured by DNV.
2 Figure restated due to use of revised calculation method or data.

Environmental Summary

2024 Focus Areas and Performance

Target	Performance	
Energy & Carbon Reduce carbon emissions and energy use in line with the NZC Pathway model (>3% like-for-like)	Achieved	• Scope 1 & 2 GHG emissions reduced by 6.9% like-for-like • Absolute GHG emissions are just 1.9% above our Net Zero Carbon Pathway target • Landlord energy use reduced by 4.9% like-for like, led by an electricity use reduction of 12%
Energy & Carbon Ensure completion of relevant planned NZC energy efficiency and PV projects for 2024 and capex plans set for key large NZC projects due prior to 2030	Achieved	• 27 NZC Pathway projects completed costing £0.8 million and saving an estimated 294 Tonnes of CO_2e per year • Feasibility studies completed on nearly all gas heated buildings to plan for heating electrification capex for 2025-2030
Data Review utilities metering and monitoring systems in each region and action any changes required to ensure they are providing accurate and timely data	Partially Achieved	• Sustainability data platform rolled out to undertake 2024 reporting • Utilities metering continued to improve with 78% smart metering

Key Environmental Highlights

Percentage of smart metering on main utilities

78%

Percentage of UK Properties rated EPC A or B

56%

Landlord energy use reduced by 4.9% like-for-like, led by an electricity use reduction of 12%

Social & Governance Summary

Social & Governance Summary
2024 Focus Areas and Performance

Target	Performance	
Stakeholder Engagement Increase engagement with our tenants and supply chain, including data collection and reporting, to improve sustainability KPIs (e.g. Scope 3 GHG emissions, energy, waste, water and social value)	Partially Achieved	• Waste reduction engagement commenced in the UK this year • Continued work on providing data for tenants sustainability reporting • Supply chain engagement work partially deferred until 2025
Supply Chain Implement key actions to improve compliance with prompt payment code	Achieved	• Accounting processes were revised and significant improvements achieved particularly in the UK • 95% of UK SMEs paid within 30 days and 99% of all suppliers paid within 60 days, ensuring compliance with prompt payment code
Social Value Further grow our social value focussing on measures under 'Improved employability of young people' outcome	Achieved	• Reached £364,500 social value generated by our own work • Continued youth work with National Literacy Trust and new partner Black Prince Trust
Regulation & Risk Ensure the business is working towards compliance with key future regulations (i.e. MEES, Decret Tertiare, Decret BACS, ISSB standards/TCFD and CSRD/EU taxonomy)	Achieved	• MEES (UK) and Decret Tertiaire (FR) compliance is on track. 56% of UK buildings now EPC A or B • Updated annual reporting output in line with new version of EPRA sBPR to better align with future regulations • Undertook preliminary EU Taxonomy assessments and data platform in place for future assessments
Reporting Improve the efficiency and effectiveness of sustainability/ESG data reporting internally and externally by rolling out a new sustainability data platform	Partially Achieved	• Sustainability data platform rolled out to undertake 2024 reporting • Tenant reporting delayed until 2025
Reputation & Ratings Build CLS' reputation externally on sustainability and ensure EPRA award and GRESB rating are maintained	Achieved	• GRESB 4 Stars • EPRA sBPR Gold Award • Head of Sustainability presented on CLS work at 3 major conferences

Key Social & Governance Highlights

Equivalent social value generated (excluding supply chain)
£364,500

Employee volunteering hours given
856

Maintained Living Wage Employer accreditation

EPRA SBPR Gold award achieved

Climate-related Financial Disclosure

We recognise that the impacts of climate change, such as higher average temperatures, alongside changes to technology, markets, policy, regulation and consumer sentiment, on the pathway to a net zero carbon economy, create risks and opportunities that could have material impacts on the value of the company and our assets.

CLS has made climate-related financial disclosures as required under UK Listing Rules. These are consistent with recommendations from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) which are now part of the IFRS Sustainability Disclosure Standards (i.e. IFRS S2) developed by the International Sustainability Standards Board (ISSB).

We are fully compliant with all 11 recommendations. This includes showing: how climate change considerations are integrated into our governance processes; the potential impacts on our strategy and financial planning; how they are incorporated in risk management; and the relevant climate-related metrics and targets that CLS uses to drive action.

The tables and sections below summarise our responses to the recommended disclosures of the TCFD framework and signposts the location of additional detail within our separate comprehensive 2024 Sustainability Report published concurrently.

We have documented the details of some disclosures elsewhere (e.g. the Sustainability Report) to meet the needs of our stakeholders to minimise the length of this Annual Report.

Governance

Reporting Requirements (as per regulations)		CLS Disclosure	Additional Information/ References
Description of the governance arrangements in relation to assessing and managing climate-related risks and opportunities	A) The Board's oversight of climate-related risks and opportunities	The Board has clear oversight of climate-related matters and is responsible for overseeing our approach to all material climate related risks and opportunities. The Board receives regular briefings on such issues and through CLS' governance framework, can effectively delegate to the appropriate sub-committees and individuals. Given the risks and opportunities arising from climate change impact various aspects of our operations, the Board's sub-committee includes representation from department heads. This ensures company-wide management of climate-related risks and opportunities using a "top down, bottom up" approach.	→ Division of Responsibilities page 75 → Our Risk Management Structure page 56
	B) Management's role in assessing and managing climate-related risks and opportunities	The CEO maintains the overall responsibility for the management of climate-related risks and opportunities, supported by the COO and Head of Sustainability. The CLS Sustainability Committee, which comprises key department leads (including the COO, Head of Sustainability and regional property heads), forms a key part of the management structure. As part of the Committee's quarterly meetings, the impacts of climate change on the business are reviewed. Performance against climate related KPIs (outlined in the KPIs and Targets section below) are assessed to determine if and what actions are required to manage risks and opportunities. Actions are assigned to the relevant department heads, ensuring robust management across all business operations. For further details on the division of responsibilities across the organisation and the process by which climate-related issues are communicated, including upwards to the Board, please see our Governance Framework. To embed a further level of accountability, we link climate-related performance measures into our Remuneration Policy for the Executive Directors' bonuses.	→ Division of Responsibilities page 75 → Remuneration Committee Report page 92

Risk Management

Reporting Requirements (as per regulations)		CLS Disclosure	Additional Information/ References
Description of how CLS identifies, assesses, and manages climate-related risks and opportunities	A) Description of CLS processes for identifying and assessing climate-related risks	Climate-related transition risks and opportunities are identified and assessed by the CLS Sustainability team and documented in the Sustainability Risk Register. The Register is reviewed by the Sustainability Committee on at least an annual basis and, where necessary, updated to reflect the ever-changing regulatory landscape, global socio-economic conditions and stakeholder demands, amongst other issues. Physical risks are identified and assessed on both an asset and portfolio level using the Jupiter Intelligence ClimateScore Global platform. Using the latest climate science, we identify risks and assess the level of exposure of our buildings to a range of acute and chronic climate hazards, over different time horizons, against different climate scenarios. Using the platform, we also quantify the level of risk from a financial perspective, providing oversight of the cost of action versus inaction. Like transitional risks/opportunities, all material physical risks are summarised, as applicable, in the Sustainability Risk Register which is reviewed and updated annually. Both physical and transition risks and opportunities are reviewed by the Sustainability Committee in accordance with TCFD guidance and Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. To align our assessment of CLS' key areas of risk and opportunity associated with climate change to future reporting frameworks (e.g. ISSB standards), we will look at updating our previous materiality assessment in our strategy review, and update the Sustainability Risk Register, if required.	→ Sustainability Report – Sustainability Risk Register Summary 2024 section → Sustainability Report – Climate-related Risks & Opportunities section
	B) Description of CLS processes for managing climate-related risks	Fundamentally, climate-related risks and opportunities are managed in accordance with CLS' group-wide approach to risk management. Once identified, physical and transitional risks and opportunities are managed using the mitigations and controls outlined within our Sustainability Report and Climate Resilience Plan. Day-to-day management is owned by the Sustainability team in conjunction with the Group's Sustainability Committee, which meets on a quarterly basis. The team has significant knowledge and experience of climate-related and sustainability matters. In addition, we utilise the services of expert third party consultants where necessary. Training and presentations are provided to the Board and management to maintain up-to-date industry knowledge. The Board has experience in advising both listed and non-listed organisations on their approach to ESG matters in the built environment and across corporate disciplines.	→ Sustainability Report – Climate-related Risks & Opportunities section → Climate Resilience Plan → Risk Management section pages 56-62

Climate-related Financial Disclosure continued

Reporting Requirements (as per regulations)		CLS Disclosure	Additional Information/ References
Description of how CLS identifies, assesses, and manages climate-related risks and opportunities	C) Description of how CLS processes for identifying, assessing and managing climate-related risks are integrated into CLS overall risk management	The Group risk management strategy involves the ongoing assessment and management of six principal risks, considered those that have the greatest impact on our business strategy. The principal risks act as a centralised risk repository involving an annual evaluation of risk profiles and an analysis of the impacts on the Group's business model. It also provides the structure to assign the appropriate controls. Sustainability is represented within the six principal risks as it is considered that climate-related transition and physical risks are "key risks" to the business. All transition and physical risks are included in the Sustainability Risk Register which is maintained by the Sustainability team and reviewed by the Sustainability Committee on at least an annual basis or when a material change in the risk landscape occurs. Climate-related risk profiles are reviewed and relevant controls are assigned based on the ongoing evaluation of the Sustainability Risk Register. Furthermore, climate risks, opportunities and any necessary responses are managed across the same time horizons used by the Group to establish any emerging risks (page 62) ensuring their inclusion in short, medium and long-term business planning.	→ Sustainability Report – Sustainability Risk Register Summary 2024 section → Risk Management section pages 59-62

Strategy: Principal Risks & Opportunities

This section sets out the principal physical and transitional climate-related risks and opportunities arising in connection with our operations and the scenarios, including timeframes, over which these risks and opportunities develop.

Only the material risks and opportunities to the business are outlined below. Further details and risk analysis are presented in the Sustainability Report including commentary on the updates to the ClimateScore Global platform data analysis methodology.

We have assessed the risks and opportunities presented to the business using two possible climate change scenarios; a 1.8°C global warming trajectory (aligned with Shared Socioeconomic Pathway (SSP) 1 and Representative Concentration Pathway (RCP) 2.6) and a 4.4°C trajectory (aligned with SSP 5 and RCP 8.5). Risks and opportunities are also considered against three different timeframes: short (< 1 year); medium (until 2030); and long-term (beyond 2030). The two climate change scenarios ensure we identify, assess and manage risks and opportunities across a full spectrum of global warming scenarios. The time frames against which we assess risks and opportunities have been selected to align with the Group's overall approach to risk management (please see pages 62) which establishes the time horizons the Group uses. The timeframes used mean we are able to capture climate-related risks and opportunities in an optimal way given the nature business and how it operates.

Time Horizon	Our Approach
Short term (< 1 year)	Our annual strategic budgeting process combined with the individual NZC Asset Management Plans (see page 38), ensures that the necessary resource and capital required to mitigate the impacts of climate change and maximise any opportunities, is identified and allocated to each property on a yearly basis.
Medium term (until 2030)	We are acting now, until 2030, to meet the targets set out within our NZC Pathway. Our NZC Asset Management Plans ensure we respond to both transitional and physical climate-related risks whilst decarbonising our operations in line with our science-based target timeframe.
Long term (beyond 2030)	Our assets typically have a lifespan of over 50 years. The identification of long-term risks (i.e. beyond 2030) is thus critical for our business model, especially investment allocation and development decisions. Consideration of long-term risks and opportunities is fundamental in ensuring our portfolio remains resilient in the decades to come.

Strategy: Climate-related Physical Risks Summary Table

We have used the Jupiter Intelligence ClimateScore Global platform to perform analysis and prioritisation of climate-related physical risks associated with well-known hazards. These are summarised in the table below. More details of the analysis from the ClimateScore Global platform is provided in the risk tables in the Sustainability Report including hazard likelihood and impact ratings. In the review of risks and opportunities by the Sustainability Committee, it was agreed there are currently no material opportunities associated with physical climate change related to our current business model over and above providing high quality buildings with strong sustainability credentials which meet regulatory standards.

Scenario	Short term (< 1 year)		Medium term (until 2030)	Long term (beyond 2030)	
SSP 1/RCP 2.6 Approximately 1.8°C warming by 2100. A scenario in line with the United Nations Climate Change Agreement of 2015. According to the IPCC, it requires that greenhouse gas emissions start declining immediately and reach zero by 2100. This relies on global implementation of stringent climate policies.	**Low risks** Across the portfolio, hazard levels are highest for Flooding and Drought. A 1 in 100-year flood event, with water depth exceeding 2m, would impact 8% of the portfolio. 48% of the portfolio could be exposed to drought which could impact building operations without appropriate mitigations and controls.	**Impacts** Disruption at buildings leading to reactive maintenance adding to operating costs and possible tenant dissatisfaction.	**No material change from the short term**	**Marginal increases in risks** No significant change to overall portfolio exposure. For example, slightly warmer summers are expected but these do not pose significant risk of heat stress.	**Impacts** Slightly increased disruption at buildings leading to increased reactive maintenance costs and possible tenant dissatisfaction.
SSP 5/RCP 8.5 Approximately 4.4°C warming by 2100. A 'business as usual' high-emissions scenario. This scenario is consistent with no major policy changes or industry moves to reduce emissions globally leading to high atmospheric GHG concentrations.	**Low risks** Flooding and Drought remain the most significant hazards in a high-emissions scenario. The change to the risk profile compared with SSP1 is immaterial (given the timeframe).	**Impacts** Impacts as per the SSP1 warming scenario.	**No material change from the short term**	**Material increases in risks** Portfolio impacted by hotter, drier summers; warmer, wetter winters and more frequent severe weather events. Sea level rise and increases in river peak flows put additional strain on the flood defences which may cause flood defence failures across the regions.	**Impacts** Increased disruption at buildings leading to significantly increased reactive maintenance costs and tenant dissatisfaction. Significantly increased insurance premiums. Increased capital allocation for building retrofit/ refurbishment projects to meet potentially higher insurance requirements/ buildings standards.

Climate-related Financial Disclosure continued

Strategy: Climate-related Transitional Risk & Opportunities Summary Table
Climate-related transitional risks were considered during the development of the NZC Pathway. These are reviewed at least annually by the Sustainability Committee to ensure that any material changes are captured. More detail is provided in the risk tables in the Sustainability Report including hazard likelihood and impact ratings. Note that we have blended the material opportunity of increased occupier demand for low-carbon buildings with the risk of failing to provide net zero aligned buildings, as it can be seen both ways and the resulting actions/mitigation is the same.

Scenario	Short term (< 1 year)		Medium term (until 2030)	Long term (beyond 2030)	
SSP 1/RCP 2.6 SSP 1/RCP 2.6 Approximately 1.8°C warming by 2100. A scenario in line with the United Nations Climate Change Agreement of 2015. According to the IPCC, it requires that greenhouse gas emissions start declining immediately and reach zero by 2100. This relies on global implementation of stringent climate policies.	**Medium risks** Associated with existing regulations, for example, MEES and Décret Tertiaire as well as local planning requirements favouring low embodied carbon development schemes. In addition, there is increasing occupier and investor demand for assets with high sustainability credentials.	**Impacts** Capital allocation for building retrofit/ refurbishment projects as per our NZC Pathway and Sustainability Strategy.	**No material change from the short term**	**High risks** Impact of regulations including MEES and Décret Tertiaire. Carbon tax – potential for the built environment to be included in UK Emissions Trading Scheme. Operational and embodied carbon obligations for development schemes. Continued increase in occupier and investor demand for ESG.	**Impacts** Capital allocation for building retrofit/ refurbishment projects as per our NZC Pathway and Sustainability Strategy. Increased operating costs e.g. cost of energy.
SSP 5/RCP 8.5 Approximately 4.4°C warming by 2100. A 'business as usual' high-emissions scenario. This scenario is consistent with no major policy changes or industry moves to reduce emissions globally leading to high atmospheric GHG concentrations.	**Medium risks** Risks remain consistent with the SSP 1 scenario.	**Impacts** Impacts remain consistent with the SSP 1 scenario.	**No material change from the short term**	**Material increases in risks** Like all other commercial landlords operating in Europe, as adaptation measures are adopted to cope with changes in climate and the associated physical risks.	**Impacts** Increased capital allocation for building retrofit / refurbishment projects outside of that captured in NZC Pathway and Sustainability Strategy. Increased operating costs e.g. cost of energy.

Strategy: Business Model & Strategy Resilience

The tables below outline the financial and strategic impacts of transitional and physical climate-related risks on CLS' operations and explains how our business strategy is designed to mitigate and respond to these impacts, ensuring our portfolio and business model remains resilient in the long-term. We only outline the impact of transitional risk under SSP 1/RCP 2.6 as this climate scenario requires the greatest level of transition and aligns with our financial and strategic planning. We outline physical risk in both climate scenarios.

Scenario 1 – SSP 1/RCP 2.6

Summary risk potential	Financial impact	Strategy impact potential	Financial plan impact potential
Physical	The capital allocated to deliver the targets set out in our NZC Pathway, Sustainability Strategy and Climate Resilience Plan, amounts to an estimated £65 million between 2021 and 2030. This investment will ensure the necessary adaptation measures and mitigating controls are implemented across our portfolio. Furthermore, our properties are insured against all weather hazards and critical incidents (e.g. flooding) and following discussions with our insurance brokers, there will be no material change to our insurance premiums in the medium term, including for buildings considered at higher risk of flooding, for example.	Our active asset management approach, in line with our Sustainability Strategy, NZC Pathway, Climate Resilience Plan and overall Group strategy, means our properties undergo a programme of upgrades and future proofing to address physical climate risks. This process is manageable within current planned capital allocations. As such, we are confident our business model will remain resilient in the long term.	As above, annual budgets factor in investment aligned with the NZC Pathway, Sustainability Strategy and Climate Resilience Plan meaning we expect no material impact on our future financial planning.
Transitional	The Group's NZC Pathway is underpinned by individual property energy audits which identify energy and carbon saving opportunities. As per the above, the investment allocated to deliver the NZC Pathway and audit findings (as well as our Sustainability Strategy and Climate Resilience Plan) amounts to an estimated £65 million. We have integrated the energy audits into individual Asset Management Plans to enable strategic decisions about the refurbishment, sale or full redevelopment of our assets to be made. In addition, we report against all relevant mandatory GHG, energy and ESG reporting frameworks as well as several voluntary disclosures (see page 32), ensuring we meet all current and future regulation.	Our Sustainability Strategy, NZC Pathway and Climate Resilience Plan align with our business model and overall strategy. Notably, our active asset management approach continuously upgrades our portfolio of buildings to meet energy and carbon targets and is manageable within current planned capital allocations. Given this, our analysis suggests our business model and strategy remain resilient in the short to medium term to climate-related transition risks in all scenarios by following the actions and targets in our Sustainability Strategy, NZC Pathway and Climate Resilience Plan.	In the short term, annual budgets already factor in investment aligned with the NZC Pathway and Sustainability Strategy. In the longer term, our strategic budgets and investment programme includes the estimated £65 million from 2021 to 2030 to prevent obsolescence (i.e. not meeting future climate standards) and creates a resilient portfolio. Relative to our peer group of commercial landlords with properties in UK, German & French cities, we see no major differences.

Scenario 2 – SSP5/RCP 8.5

Summary risk potential	Financial impact	Strategy impact potential	Financial plan impact potential
Physical	The £65 million investment allocated to deliver our NZC Pathway, Sustainability Strategy and Climate Resilience Plan, between 2021 and 2030, will ensure comprehensive and robust mitigation measures and controls are implemented across our portfolio. Our analysis of the short, medium and long-term hazard levels associated with climate change across the UK, Germany and France (see Climate-related Risks & Opportunities section of the Sustainability Report), highlight some adaptation measures will be necessary but this will be covered by the capex we have already identified and allocated in the medium-term. Furthermore, any physical modification costs (i.e. potential costs associated with introducing additional flood defences or overheating protection to properties) are considered non-material as project costs are likely to be relatively insignificant and only affect a small minority of our buildings.	Our analysis gives us confidence in the resilience of our strategy, as we are supporting the transition to a low-carbon world whilst managing the impact of climate-related risks to our portfolio. Although it does not undermine our overall model as a commercial landlord, we recognise our strategy and adaptation measures may need to evolve in the long term under a >4°C warming (i.e. SSP 5) scenario. This may involve measures including divestment of assets which are less resilient to extreme heat and rainfall (as part of a holistic asset assessment), or investment into additional building infrastructure to limit the impact of flooding, coastal surge and extreme heat. This scenario could also result in changes to our customers' and supply chain partners' businesses, including business failures, or supply chain disruption. Increased due diligence in supply chain selection may be required, particularly considering the sourcing of construction materials which may be processed or manufactured in countries where the effects of climate change are more extreme. We do not expect this to impact tenant demand for workspace.	In the medium to long-term, whilst our Sustainability Strategy, NZC Pathway and Climate Resilience Plan still apply, we note that capital allocations and operating costs (e.g. insurance premiums) may exceed current planning to meet future standards. However, we fully expect this will be in line with our peer group of commercial landlords with properties in UK, German and French cities.

Metrics & Targets

Metrics for tracking climate-related transition and physical risks are shown in the tables below. More details on the targets and calculations are in the referenced documents. Some metrics are independently assured as indicated in the tables.

Note that most targets and metrics used to manage climate related transitional risk are drawn from our Sustainability Strategy and NZC Pathway whilst targets for managing physical risks are taken from our Climate Resilience Plan. Interim focus areas and targets are established and reviewed year on year by the Sustainability Committee.

As per the Scope, Boundaries & Methodology 2024 section of the Sustainability Report, GHG emissions are calculated in line with the GHG Protocol guidance. Further detail on the interlinkage between our metrics and targets and risks and opportunities can be found in the Sustainability Report.

Climate-related Transition Risk & Opportunities – Metrics & Targets

KPI	EPRA/SASB Reference	**2024**	2023	2022	Targets & References
Scope 1 and 2 emissions (tCO_2e)	GHG-Dir-Abs, GHG-Indir-Abs Elec-Abs	**11,808**[1]	12,001	12,212	42% reduction in absolute Group Scope 1 and 2 emissions by 2030 (see NZC Pathway/ SBTi aligned target)
Total group energy consumption (MWh)	Total-Energy-Abs	**52,549**[1]	52,630	55,975	N/A
Proportion of electricity sourced from renewable sources (%)	Elec-Abs	**99.5%**	99.5%	99.9%	100%
Total fuel consumed on site (MWh)	Fuels-Abs	**23,283**	21,339	22,978	N/A
Building emissions intensity by floor area (kWh/m2/year)	Energy-Int	**91.6**	104.4	117	85 kWh/m2/year (aligned with 1.5 °C CRREM pathway)
Scope 3 emissions (tCO_2e) and selected Scope 3 categories split	GHG-Indir-Abs	**25,941**[1] **Selected Scope 3 categories as per P 39**	37,472	–	Physical intensity reduction by 20% per m2 NLA (See NZC Pathway/SBTi aligned target/ CRREM aligned target)
EPC (Energy Performance Certificate) split of UK portfolio	Cert-Tot	**56% EPC A or B 44% EPC C or below**	53% EPC A or B 47% EPC C or below	45% EPC A or B 55% EPC C or below	Fully MEES compliant in UK – regulation currently under review Fully Décret Tertiare compliant in France

1 KPI performance is independently assured in 2024.

Climate-related Financial Disclosure continued

Climate-related Physical Risk & Opportunities – Metrics & Targets

KPI	EPRA/SASB Reference	**2024**	2023	2022	Targets & References
Number and % by value of assets located in areas exposed to high or highest risk of inland, coastal and flash flooding – current & 2030 (SSP 5 Scenario)[1, 2]	N/A	**2024: 7** **8% by value (2024)** **2030 (SSP 5 Scenario): 7**	2023: 7 8% by value (2023) 2030 (SSP 5 Scenario): 7	2022: 9 (% by value not measured) 2030 (SSP 5 Scenario): 9	Less than 5% assets (by value) by 2035
% Assets with measures installed to mitigate flooding (highest risk areas)	N/A	**0%**	0%	Not measured	100% by 2035
% Total water withdrawn in regions with high or extremely high baseline water stress	SASB IF-RE-140a.2	**52%**	42%	–	To be revised
% Assets with adaptation measures to mitigate overheating	N/A	**Not yet measured**	–	–	100% by 2035

1 As per ClimateScore Global definitions.
2 Methodology for calculation included in the Sustainability Report.

People

CLS has just over 100 employees looking after our property portfolio across three countries.

Attracting, motivating and retaining a diverse and high-performing team is vital to our long-term success. This includes offering appropriate remuneration and benefits packages, providing learning and development opportunities, maintaining open and continuous employee dialogue and increasing engagement, as well as creating a supportive working environment that encourages diversity, promotes equity and fosters tolerance and teamwork.

Key aspects are summarised over with more detail and data included in our Sustainability Report.

A breakdown of our employee numbers and gender diversity statistics as required by the Companies Act 2026, can be found on page 81 and are incorporated into this strategic report by reference.

Recruitment
Our levels of voluntary turnover have reduced this year and we continue to attract, motivate and retain the right people to support the achievement of our goals.

Our policies and procedures ensure we run objective and inclusive recruitment processes and see a diverse range of candidates, including those with non-traditional routes into our sector.

All employees and applicants are treated consistently regardless of gender, gender reassignment, marital or civil partnership status, age, race (including: colour, ethnic or national origin), religion or belief, disability or sexual orientation. Conditions or requirements, including age limits, which cannot be justified objectively are not applied within our processes.

Entry and progression within the business is solely determined by the role requirements for skills, knowledge and experience as well as aptitude.

Training and Development
We run a comprehensive onboarding programme for new starters to ensure that they quickly understand our purpose, vision and our values, and can access the resources and people required to be successful in their roles.

We also ensure that our people managers have the support that they need to manage their teams effectively and promote the value of continuous development.

All employees are actively encouraged to undertake learning and development activities to develop both personally and professionally as well as ensure their knowledge remains current. This includes seminar or webinar attendance, e-learning, internal 'lunch & learns' or workshops to share knowledge and external networking events as well as more traditional classroom based courses on subjects such as interpersonal or software skills.

Each employee is allocated a personal training budget to use for professional development and annual training hours are monitored. Additionally, we support employees to attain professional qualifications in their specialist areas through sponsorship of their studies and time off for revision and examinations.

Remuneration
Our overall remuneration and benefits package is designed to attract, motivate and retain employees. Our remuneration structure is simple, combining salary and benefits with an annual bonus and a long-term retention bonus, based on the Group's medium-term performance. Packages are reviewed and benchmarked at least annually to ensure we remain competitive in each of our regional markets.

In addition, we encourage employee share ownership which aligns both performance and reward. The Group has a share incentive plan, which is open to all employees in the UK, Germany and Luxembourg. The scheme matches employee contributions in the ratio of 1:1.

We continue to ensure that all UK employees are paid at least the London Living Wage and we review this annually as part of our salary review process at year end, ahead of the April implementation date.

We also support equal pay for work of equal value and review this annually during the salary review and discretionary bonus process, although we do not disclose gender pay gap data due to the low employee sample size.

Engagement
Our transparent and non-hierarchical approach to management encourages everyone to share opinions and ideas and this creates greater trust and engagement.

We also have a very clear vision and values which are communicated to employees during onboarding and are used to assess performance during the annual review process. This aims to support our culture, ensure clarity of direction and encourage constructive behaviours which will support the achievement of our business objectives.

This year we reviewed the results of an independently-run anonymous 2023 employee survey. With a high response rate the data gathered represents the views of our workforce and demonstrates that employees are engaged in ensuring business success. Outcomes were used to inform areas for focus this year and in future years.

Additionally, our Senior Independent Director, Elizabeth Edwards, hosts "townhalls" twice each year for each office and all employees are invited to attend so that the Board can engage directly with employees, share information and hear their views. The summary output of these sessions is shared with the Board. More details on this are in Workforce Engagement on page 73.

With a predominantly flat management structure, all employees can be quickly and effectively informed of matters concerning their interests and the financial and economic factors affecting the business. This includes quarterly strategic updates to all employees from the CEO and senior leadership as well as dedicated intranet and an internal social media channel. These promote new policies, procedures, Group activities, employee social and volunteering events, and recognise individual or team achievements.

On an individual basis, employees receive a minimum of two appraisals/review conversations each year. All employees agree annual objectives with their manager which are tracked and adjusted as needed to ensure their continued motivation as well as alignment to, and achievement of, business goals.

Welfare
The health, safety, and wellbeing of our employees remains paramount. We continually strive to maintain our low workplace incident record and have implemented comprehensive health and safety protocols.

Employees have the opportunity to participate in schemes or activities designed to promote general health and well-being such as private healthcare, an employee assistance programme, sports club or gym contributions, health checks, financial wellbeing support, social events and volunteering, which are locally determined by region.

We also offer all employees flexible start and finish times, whilst maintaining core hours, in order to maintain a healthy balance between home and work commitments.

Health and safety

It is a core focus of the Board that CLS manages its activities so that the health and safety of its employees, customers, advisors and contractors, and the general public is not compromised.

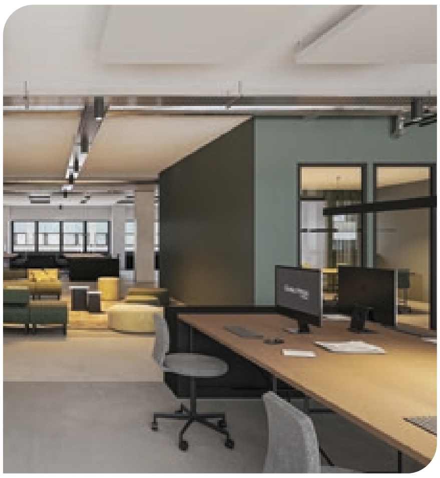
The Group sets health and safety objectives covering our workforce and portfolio which are monitored by the Health and Safety Committee.

All countries we operate in maintain and follow their own local health and safety policies in line with local regulations. They report issues, if they arise, to the Chief Executive Officer and Health and Safety Committee. We also employ accredited advisors in each country to advise on health and safety matters.

Separately, we engage specialists for management and reporting of health and safety for major refurbishment and development projects in line with best practice.

Our Health and Safety Committee covers issues related to CLS assets and employees. Chaired by the Chief Operating Officer, the Committee comprises Facilities Managers, Property Managers, employees and advisors. The Chief Executive Officer also attends Health and Safety Committee meetings to remain informed. The Committee reports quarterly to the Board and updates are provided at each scheduled board meeting.

This reporting process has worked effectively throughout the year and has ensured ongoing compliance with health and safety legislation in all operating countries.



UK

Each managed or occupied UK property undergoes an annual risk assessment against which our targets can be measured. Our targets address risk management and control; document compliance; and incidents.

Our retained external health and safety consultant attends the quarterly Health & Safety Committee meetings and presents a report on their findings from the UK portfolio and measures our performance against these targets. A summary of the report is provided to the Board.

This year, accident frequency remained well below the national rate and our external health and safety consultant considered our risks remain well managed and to a high standard.

Germany

CLS' buildings in Germany comply with building permits and are regularly reviewed by local authorities to ensure legal compliance.

Facilities governed by special regulations (e.g. laboratories) are reviewed more frequently by a certified specialist.

Services (such as fire safety, electricity supply, ventilation, lifts and heating) are reviewed as required by law or business standards and at least once a year by authorised personnel.

Reports and protocols are reviewed by the CLS operational team. They also ensure that all scheduled reviews are conducted in accordance with local laws. Facilities management contractors provide comprehensive reports on a monthly basis to the CLS operational team.

The CLS operational team reports on health and safety matters to the Health & Safety Committee, where it was noted that risks remain well managed and in compliance with local regulations.

France

All buildings must comply with the Code du travail (Labour Code), which defines our responsibilities.

Each tenant oversees their own security on their premises in accordance with the Code and security obligations of the building.

The building facilities (such as the electricity supply and building and mechanical safety checks) are reviewed once or twice a year by a statutory controller. These reports are reviewed and acted upon by our operational team. This process is audited externally twice a year and the results of those audits are discussed at the Health & Safety Committee. As at the date of this report, 100% of regulatory audit reports have been processed and the external audit confirmed that risk management was at a high level.

Facilities management contractors in France provide comprehensive reports on a monthly basis to the operational team.

As at the date of this report,

100%
of all identified risks were under control

95.1%
document compliance

zero
accident rate

Non-financial sustainability information statement

	Relevant policies and risk management processes	Additional information
Environmental matters	Our Sustainability Strategy incorporating our Net Zero Carbon Pathway sets out our commitment to our stakeholders of being a responsible commercial property investor, ensuring that our business model and strategy is future ready. Our climate related risks, opportunities, targets, KPIs and management processes are in line with the requirements of TCFD.	Environmental Performance Review, pages 32-50
Employees	Through our employee handbooks and policies, we set out the standards of behaviour we expect from our employees. This demonstrates our commitment to the highest standards of ethical behaviour in dealing with all of our stakeholders. Our training and development policy supports all employees in their development, and our people management policies ensures we have a meritocratic culture that allows employees to succeed. We are an accredited London Living Wage employer.	Social Performance Review, page 41 Our People, pages 51-52, and 73
Human rights	Our anti-slavery policy reflects our commitment to upholding human rights in the countries we operate. Our modern slavery statement is published on our website annually and is available at www.clsholdings.com and sets out the steps we have taken to prevent slavery and human trafficking in our supply chain. There have been no reports of modern slavery reported to the Company during the year.	Social Performance Review, page 41 Stakeholder Engagement, pages 28-29
Social and community matters, including consumers	Our Sustainability Strategy sets out our approach to supporting our employees, customers and suppliers. We have an active corporate social responsibility committee which sets our programme for investing in our communities. We ask that all employees commit at least one day to undertake a community support activity.	Social Performance Review, page 41 Our Stakeholder Engagement, pages 28-29
Anti-bribery and corruption	We have an anti-bribery and anti-corruption policy that sets out the responsibilities and expectations of our employees. The policy also contains our gifts and hospitality policy, which requires registration for all gifts and hospitality and prior line manager approval over certain limits. This is supported by a whistleblowing policy that enables employees to raise concerns through a dedicated hotline, website or through normal whistleblowing reporting procedures. All staff receive training on these policies as part of an employee's induction, with regular refreshers, and are required to confirm compliance annually. Our suppliers are asked to confirm whether they have their own policy and, if not, that they understand and comply with our policy.	
GHG Emissions information		Pages 34-35
Climate-related financial disclosures		Pages 42-50
Diversity information		Pages 80-81
Principal risks and impact of business activity		Pages 59-62
Description of business model		Pages 16-21
Non-financial key performance indicators		Page 17, 37-41, 49

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.

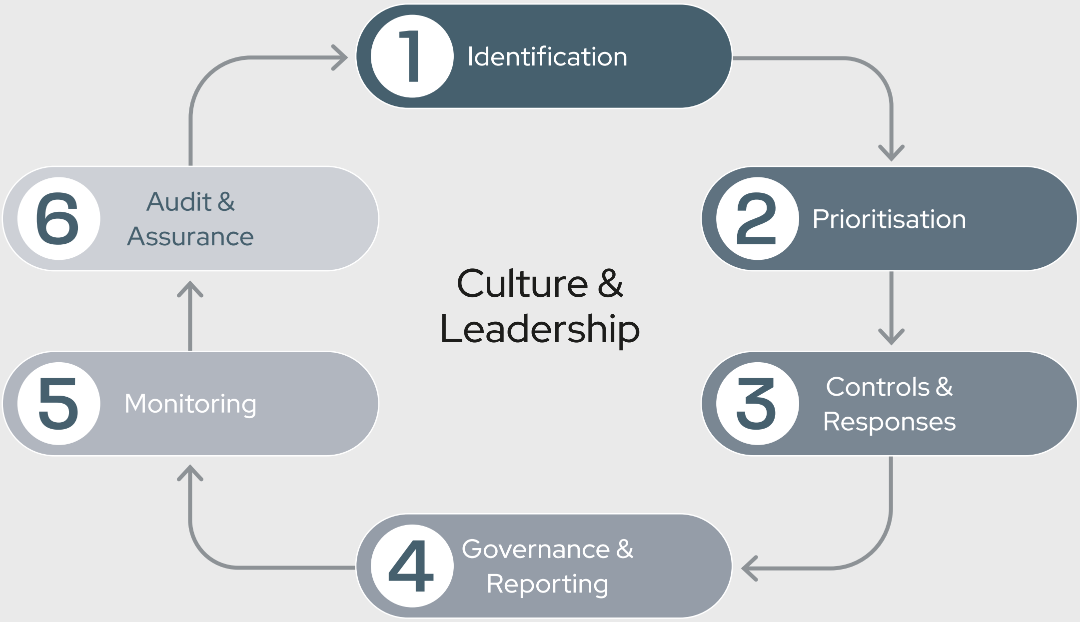
What we did in 2024

- 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.

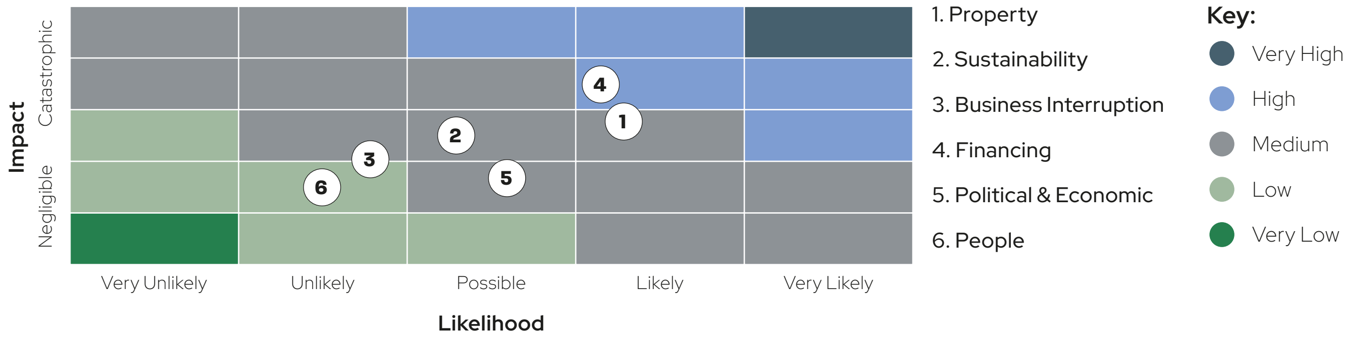
4. Governance and reporting
We have established a robust governance framework to oversee our risk management. Roles and responsibilities are clearly defined, and policies and procedures are set to ensure accountability. Regular reporting to senior management and the Board keeps them informed of the risk 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 59 to 61. 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.

Key to strategy:

- A We acquire the right properties
- B We secure the right finance
- C We deliver value through active management and cost control
- D We continually assess whether to hold or sell properties
- E We reward shareholders, customers and employees

Key to risk assessment:

- Increasing
- Decreasing
- No Change
- High
- Medium
- Low

Principal	Risk description	Mitigation
1 Property Strategy: A KPIs: TSR(R), TAR, EPS Risk assessment: High Change in risk profile in the year: No Change Direction of travel: Decreasing Learn more here: Country reviews on pages 10 to 15	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. Key risks • Cyclical downturn in the property market which may be indicated by an increase in yields • Changes in supply of space and/or demand (vacancy rate) • Poor property/facilities management • Inadequate due diligence and/or poor commercial assessment of acquisitions • Failure of tenants • Insufficient health and safety risk protection • Building obsolescence	2024 • Maintained strong relationships with our occupiers, agents and direct investors active in the market and actively monitored trends in our sectors • Asset management committees meet once a month to discuss each property • Continued investment of £21.1 million in our properties with refurbishments taking place in over 30 properties to meet tenant demands • Rigorous and established governance approval processes for capital and leasing decisions • Engagement with tenants to understand their needs and space requirements • Targeted capital expenditure with a focus on sustainability • Disposal of 5 properties with low yield, limited asset management potential or risk/reward ratio unfavourably balanced • Continued monitoring of covenant strength and health of tenants • High quality provision of property and facilities management services with our in-house team • Health and Safety Committee met 3 times to closely monitor activity and regulation, reporting to every Board meeting 2025 • Continue with our current controls and mitigating actions

Principal	Risk description	Mitigation
2 Sustainability Strategy: A C KPIs: TSR(R), TAR, VR Risk assessment: Change in risk profile in the year: Direction of travel: Learn more here: ESG on pages 32 to 55	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. **Key risks** Transition risks: These include regulatory changes, economic shifts, obsolescence, and the changing availability and price of resources. Physical risks: 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.	**2024** • Implemented new sustainability data platform • Continued monitoring and oversight by the Sustainability Committee over key ongoing projects • Implementation of our climate resilience plan • Detailed Sustainability risk registers maintained, reviewed and updated • Continued implementation and active monitoring of NZC Pathway projects • Completion of planned energy efficiency projects including all scheduled PV installations • Continued EPC upgrade programme • Recertification of relevant properties in the UK and France to BREEAM In-Use V6 • Independent assurance on EPRA sBPR KPI data • Renewal of Sustainable refurbishment and fit-out guide • Maintained living wage accreditation **2025** • Ongoing rollout of biodiversity net gain plan • Initiate a review of the NZC Pathway including the strategy and key targets • Continue with our current controls and mitigating actions
3 Business interruption Strategy: D KPIs: TSR(R), TAR Risk assessment: Change in risk profile in the year: Direction of travel:	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. **Key risks** • Cyber threat • Large scale terrorist attack • Environmental disaster, power shortage or pandemic	**2024** • Maintained a Centre of Internet Security 'A' rating • Maintained Cyber Essentials Plus certification • Conducted penetration testing on the Group's properties (e.g. simulate cyber-attacks on building management systems) • Continued implementation of shared property and finance system across the Group • Continued use of external partners for specialist cyber security activities and independent reviews • Transitioned to continuous and automated patching across all managed systems • New Email Gateway implemented • Identity management protection implemented • Continued to test and train employees on cyber security **2025** • Complete implementation of shared property and finance system across the Group • Start to drive greater cost and reporting efficiencies across the Group from using a common platform • Reassess business continuity and disaster recovery plans • Continue with our current controls and mitigating actions

Principal	Risk description	Mitigation
4 Financing Strategy: B KPIs: Cost of debt, EPS Risk assessment: Change in risk profile in the year: Direction of travel: Learn more here: CFO review on pages 22 to 25	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. Key risks • Inability to refinance debt at maturity due to lack of funding sources, market liquidity, etc. • Unavailability of financing at acceptable debt terms • Risk of rising interest rates on floating rate debt • Risk of breach of loan covenants • Foreign currency risk • Financial counterparty risk • Risk of not having sufficient liquid resources to meet payment obligations when they fall due • 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 as set out on page 24	2024 • Financed, refinanced or extended 9 loans to a value of £154.5 million • 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 • Weekly cash flow forecasts prepared and distributed to Senior Leadership Team • 79.7% of the Group's borrowings are fixed rate plus a further 3.8% of interest rate caps • Regularly monitored loan covenants • CLS borrows in local markets and in local currencies via individual SPVs to provide a 'natural' hedge • All loans have equity cure mechanisms to repair breaches • Maintained a wide number of banking relationship with 25 lenders across the Group to diversify funding sources • Maintained low weighted average cost of debt (3.77%) • Maintained average debt maturity of 3.2 years • Significant headroom across three main loan covenants of between 14% and 32% 2025 • Continue with our current controls and mitigating actions
5 Political & economic Strategy: C KPIs: EPS Risk assessment: Change in risk profile in the year: Direction of travel: Learn more here: Chief Executive's review on pages 7 to 9	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. Key risks • Ongoing transition of the UK from the EU • Global geopolitical and trade environments • Potential impact of US tariffs on inflation and interest rates	2024 • Monitored events and trends closely, making business responses if needed • Maintained membership of key industry bodies for example the British Property Federation, British Council of Offices and Better Buildings Partnership • Monitored tenants for sanction issues 2025 • Continue with our current controls and mitigating actions
6 People Strategy: E KPIs: TSR(R), TAR Risk assessment: Change in risk profile in the year: Direction of travel: Learn more here: ESG pages 32 to 55	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. Key risks • Failure to recruit senior management and key executives with the right skills • Excessive staff turnover levels • Lack of succession planning and development opportunities • Poor employee engagement levels	2024 • Bi-annual townhall meetings held by Senior Independent Board member to listen to employee concerns and suggestions and discuss with the Board • Employee compensation packages reviewed at least annually to ensure they remain competitive • Implementation of a calendar of wellbeing, social and diversity, equity, and inclusion activities • Implementation of feedback from Staff Engagement and Enablement Survey 2025 • Continue with our current controls and mitigating actions

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
Adoption of technology	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.	○	○	○
Artificial intelligence	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.	○	○	○
Regulation/ compliance	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.	○	○	○
Increasing energy and construction costs	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.	○	○	○
Changes in office occupation trends	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.	○	○	○
Climate change, natural resources and biodiversity risks	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.		○	○

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 (see note 2.1) 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.

Our 2024 strategic report, from the Inside Front Cover – page 65, has been reviewed and approved by the Board of Directors on 31 March 2025.

Approved and authorised on behalf of the Board

David Fuller
Company Secretary
31 March 2025

Chairman's introduction

Lennart Sten
Non-Executive Chairman

Board focus areas in 2024

- Reviewed and approved financial statements following recommendations from the Audit Committee
- Considered our sales strategy across the portfolio and monitored the sales pipeline
- Considered our financing strategy in light of the changing economic landscape
- Reviewed the implementation of our workforce engagement mechanisms
- Continued to monitor the implementation of our Sustainability policy

Priorities for 2025

- Focus on big trends within the commercial property market
- Oversee culture to provide assurance that the agreed values and culture are being embedded
- Continuous review of risk and uncertainties facing the Company and their implications for the business model
- Oversee implementation of the 2024 UK Corporate Governance Code
- Recruitment of two new independent non-executive Oversee the appointment and induction of two new independent non-executive directors

"Our purpose driven culture, supported by our core values and robust governance framework has proven to drive our performance."

Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2024. This report sets out our governance framework, the Board's key focus areas in the last year as well as our approach to monitoring company culture and aligning our strategy with our purpose, vision and values.

This report also outlines how we have complied with the principles set out in the 2018 UK Corporate Governance Code. Our code compliance statement can be found on page 67.

In 2025 we will be adopting the 2024 UK Corporate Governance Code and our focus during 2024 has been to work through our processes to ensure that they are aligned with the new requirements.

Living our purpose and culture

2024 continued to pose challenges, with interest rates remaining higher for longer than expected, general economic uncertainty and higher employment costs being key considerations for business decision making.

Our emphasis has therefore been on optimising our operations and focusing on what is within our control so as to execute our business model to the best of our abilities. This requires a strong culture and key core values, which in turn create a purpose driven, team-orientated organisation that works at its best.

During the year, one of our key considerations has been to ensure that our purpose, culture and values resonated throughout the organisation.

We recognised that to achieve our goals we needed our teams to work together, in-person, supporting each other and helping to make quick decisions for the benefit of our tenants and other key stakeholders, whilst understanding the need to balance individual flexibility. We understand that our in-person working may not be suitable for all, but we have been able to recruit and retain talented individuals that share our vision and drive the business forward.

Board Composition

In line with the principles of the 2018 UK Corporate Governance Code guidelines on Board composition, succession and evaluation, we carried out a robust review of the independence, diversity and composition of our Board members in 2024 and you can find further information on page 80 of the Nomination Committee's report.

Following recommendations from the Nomination Committee, the Board considered my independence and that of Elizabeth Edwards given that we have both served as directors for more than nine years. It was concluded that, taking into account both my and Elizabeth's time commitment, the nature of our other non-executive roles, and our continued leadership and challenge at meetings demonstrating our independence, we remained independent and should continue to serve. The Board also concluded that this in turn provided significant continuity and experience in a period of economic uncertainty.

Nevertheless, the Board recognise the need to refresh its composition and it was agreed that Elizabeth would step down from the Board at the end of 2025. We commissioned an external search consultancy, Sapphire Partners, to assist in the appointment of two new independent non-executive directors during 2025, with a specific focus on German real estate experience and audit committee experience.

We also appointed Eva Linqvist to the Nomination Committee to strengthen the balance of independence on the Committee and to assist in our search for two new independent non-executive directors.

As a founding member of CLS and after serving as a director for over 25 years (from 1992 until 2010 and again from 2017), Bengt Mortstedt decided to retire from the Board on 28 February 2025. On behalf of the Board, I would like to thank Bengt for his longstanding commitment to the Group; without whom CLS would not be what it is today. We all wish him the very best in his retirement.

Internal Board & Committee Effectiveness Review

This year we facilitated an internal Board & Committee effectiveness review, following an external review last year. We achieved a number of our objectives, which included more discussion of the resilience of the Group's business model in light of macro economic factors, further "deep dives" into specific areas of the business such as individual developments, and communication with employees below Board level.

Areas of focus for the year ahead will be centred around Board composition, where we have announced the search for two new independent non-executive directors, macro trends within the property sector and their impact on the execution of our strategy, as well as keeping abreast of the risks and uncertainties facing the business.

Looking forward

Ensuring we have the right culture and values enables us to create and build strong and successful relationships with our key stakeholders, which is vitally important in the current economic landscape. This in turn creates an environment where we are able to remain resilient and seize opportunities when they arise, supporting the delivery of our long-term strategy for the benefit of all stakeholders.

Lennart Sten
Non-Executive Chairman
31 March 2025

Board leadership and Company purpose

Our Board of Directors is responsible for setting the Group's strategy and ultimately ensuring the success of the Group. We aim to hold five Board meetings per year, including a strategy day. Our purpose is to transform office properties into sustainable, modern spaces, that help businesses to grow. This year we held eight Board meetings.

Division of responsibilities

This year we reviewed our division of responsibilities to ensure that they reflect our Board structure.

Composition, succession and evaluation

Our Board consists of an Independent Non-Executive Chairman, two Executive Directors, three independent Non-Executive Directors and two non-independent Non-Executive Directors. Succession planning is reviewed periodically by the Nomination Committee. The evaluation of the Board and Committees' performance is overseen by our Chairman.

Audit, risk and internal control

The Audit Committee has oversight of the financial accounts production process and audit, and reviews the effectiveness of our risk management and internal controls system and the need for an internal audit function annually.

Remuneration

The Remuneration Committee is responsible for the design, implementation and oversight of the Group's Remuneration Policy, which was approved by shareholders on 27 April 2023.

Principles and how the Company addresses them

The principal corporate governance rules which applied to the Company in the year were those set out in the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in April 2018 (the 'Code'), the UK Financial Conduct Authority ('FCA') Listing Rules and the FCA's Disclosure Guidance and Transparency Rules.

The Board fully supports the principles of good governance as set out in the Code, which is available on the FRC's website (www.frc.org.uk), and its application of the main principles are set out on pages 66 to 111.

Compliance with the Code

Save as identified below and explained in this report, the Board considers that throughout 2024 it complied with the provisions of the 2018 UK Corporate Governance Code.

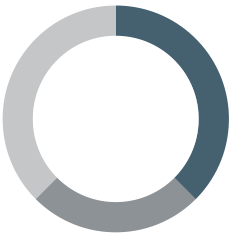
During the year the Board recognises that it did not comply with the following Code provisions:

11 – Board balance, explanation on page 77
17 – Nomination Committee membership, explanation on page 76

Board of Directors

The right team to deliver our strategy

Directors' tenure (years)



0 – 5	3
6 – 10	2
10+	3

Board independence

Executive	2
Independent	3*
Non-Independent	2

Board independence at 31 December 2024*

43%

Female representation as at 31 December 2024

38%

* Excluding the Chairman, in accordance with Code Provision 11.

Board members' range of experience

7 **Property** Wide ranging experience of the property sector including our European markets

4 **International markets** Experience and in-depth knowledge of dealing in, and the operation of, international markets

4 **Financial management** Substantial background of financial experience from wide ranging industries and markets

7 **Governance** Significant listed company governance experience and understanding of investor requirements

8 **Risk management** In-depth insight and experience of risk management within the property sector

8 **ESG** Knowledge of environmental, social and governance issues facing listed and non-listed organisations in the property sector and wider UK businesses and charities

Visit our website to view the full biographical information for the Directors: https://www.clsholdings.com/about-us/our-leadership

Joined:
1 August 2014

Lennart Sten
Independent Non-Executive Chairman

Former roles: CEO, GE Capital Real Estate Europe. President, GE Real Estate Nordic. CEO Fabege AB. General Counsel, GE Capital Equipment Finances AB. Partner, Baker & McKenzie, Stockholm. Founder and CEO of Svenska Handelsfastigheter

Qualifications: Degree in Law, Stockholm University

Experience: International property industry. Chairman, KlaraBo Sverige AB. Chairman, Samhällsbyggnadsbolaget i Norden AB. Board member, Interogo Holding AG.

Attendance: Board **8/8**, Remuneration Committee **5/5** Nomination Committee **1/1**, AGM **1/1**

Joined:
11 May 2015

Anna Seeley
Non-Executive Director and Vice Chair

Former roles: European Property Surveyor, General Electric Corporation and BT Group. Group Property Director, CLS Holdings plc. Chartered Surveyor, Chestertons

Qualifications: Degree in Property Valuation and Finance, City University and Chartered Surveyor

Experience: 20+ years of property industry and business experience

Attendance: Board **8/8**, Nomination Committee **1/1**, AGM **1/1**

Joined:
3 November 2014

Fredrik Widlund
Chief Executive Officer

Former roles: Global Commercial Leader and MD, GE trade finance business. Regional CEO, GE's European Leasing businesses. Managing Director, GE Capital Real Estate. CFO, GE Capital Equipment Finance. Various positions with Royal Dutch Shell

Qualifications: Degree in Business Administration, Stockholm University

Experience: Business leadership, property and finance experience in global organisations. Trustee of Morden College, a social and housing charity, Chair of Property Committee

Attendance: Board **8/8**, AGM **1/1**

Joined:
1 July 2019

Andrew Kirkman
Chief Financial Officer

Former roles: Finance Director, Harworth Group plc. Finance Director, Viridor. Chief Finance Officer, Balfour Beatty Capital. Global Head of Corporate Finance, Bovis Lend Lease

Qualifications: Masters in Politics, Philosophy and Economics, Oxford University. Fellow, Institute of Chartered Accountants

Experience: Extensive plc, property, finance and operational experience. NED, A2Dominion Housing Limited, a housing association. Oxford University Audit and Scrutiny Committee member.

Attendance: Board **8/8**, AGM **1/1**

Joined:
7 March 2017

Bengt Mortstedt*
Non-Executive Director

Former roles: Director, CLS Holdings plc (1992–2010). Former Junior District Court Judge in Sweden

Qualifications: Degree in Law, Stockholm University

Experience: European property market and CLS Holdings plc business. Developed and runs hotels in St Vincent & Grenadines, West Indies

Attendance: Board **8/8** AGM **1/1**

* Retired from the Board on 28 February 2025.

Joined:
20 November 2019

Bill Holland
Independent Non-Executive Director

Former roles: Senior Partner, KPMG real estate audit practice

Qualifications: Fellow, Institute of Chartered Accountants. Degree in Economics from Durham University

Experience: Real estate, finance and audit experience. NED, Urban&Civic plc, Chair of Audit Committee. NED, Ground Rents Income Fund plc, Chair Audit Committee. Governor, Winchester College

Attendance: Board **8/8**, Remuneration Committee **5/5** Audit Committee **4/4**, AGM **1/1**

Joined:
13 May 2014

Elizabeth Edwards
Senior Independent Director

Former roles: Managing Director, Landesbank Berlin London. Head of BerlinHyp London office. Senior positions with National Australia Bank, Westdeutsche Immobilien. Management Consultant, PwC. Trustee Refuge. Past Master, Worshipful Company of Chartered Surveyors, member Charity Committee. Past Warden,The St Olave's and St Saviour's Schools Foundation.

Qualifications: Fellow, Royal Institution of Chartered Surveyors. Honours Degree in Estate Management, South Bank University

Experience: Extensive commercial property investment and finance expertise in the UK and Europe (primarily Germany). Senior NED, Schroders European REIT plc, member of Audit, Valuation & Risk, Nomination, Remuneration and Management Engagement Committees. Trustee, Central School of Ballet, Chair of Audit Committee. The St Olave's and St Saviour's Schools Foundation Court trustee, member Finance & General Purposes Committee.

Attendance: Board **8/8**, Audit Committee **3/4** Nomination Committee **1/1**, AGM **1/1**

Joined:
22 September 2023

Eva Lindqvist
Independent Non-Executive Director

Former roles: Senior roles, Ericsson. Senior Vice President, Telia Sonera telecoms division. Chief Executive, Telia Sonera international carrier. CEO, Xelerated Holdings AB, NED, Keller Group plc

Qualifications: MSc, engineering degree in Applied Physics. Marketing Diploma. Master of Business Administration. Melbourne Graduate School of Management. Helen Schytt Fellowship

Experience: NED, Tele2AB. NED, Greencoat Renewables plc, member Audit, Management Engagement, Nomination and Remuneration Committees. NED, Vesuvius plc, Chair of Remuneration Committee, member Audit, Nomination Committees. Member of the Royal Swedish Academy of Engineering Sciences

Attendance: Board **7/8**, Remuneration Committee **5/5** Audit Committee **4/4** Nomination Committee **1/1**, AGM **0/1**

Key Board activities

Key announcements, decisions and Board approvals

January
- Board effectiveness review and discussion

February
- Business update

March
- Approval of the 2023 annual report and accounts
- Approval of the 2023 final dividend
- Launch of sale of Spring Mews Student Accommodation
- Agreement to convert Debussy, Paris to serviced apartments

April
- All shareholder resolutions passed
- Approval of sale of Westminster Tower for £40.8m

May
- Property tour in Munich
- Consideration of capital allocation

June
- Sale of Aqueous II, Birmingham, and Hansastrasse, Dortmund, totalling £10.7m

How governance supports our business model and strategy

Our governance structure enables the Board to provide the necessary oversight of the Company's long-term strategic plan and business model.

The Board and Executive Committees facilitate the implementation of the Group's strategy and business model with two way dialogue ensuring that the Group's Vision, Purpose and strategic goals are aligned.

Clear reporting lines and division of responsibilities ensure efficient and effective strategic decision making.

Read more: on page 75

	The Board Governance role
We acquire the right properties	The Board considers the Group's investment criteria and market conditions in the regions to ensure it supports its long-term strategy.
We secure the right finance	The Board considers the Group's financing strategy to ensure it remains appropriate, dynamic and diverse.
We deliver value through active management and cost control	The Board considers the Group's operational strategy to deliver on the Group's vision to be a supportive, progressive and sustainably focused commercial landlord.
We continually assess whether to hold or sell properties	The Board oversees management's assessments of the entire portfolio to ensure the Company focuses on holding properties with the potential to add value in line with the Group's investment strategy and sustainability goals. It also reviews and approves the active sales programme for capital recycling.
We reward shareholders, customers and employees	The Board aims to grow the dividend in line with the growth in the business and in line with its dividend policy. It also ensures the reward structures for its employees underpin our values and support the success of the business. Our tenants are our customers, and we provide sustainable office space that helps businesses grow.

July
- Approval of the appointment of BDO as external auditors, following an audit tender

August
- Approval of the 2024 half-yearly report and interim dividend
- Review of principal risks and uncertainties including emerging risks
- Approval of 10 year lease at Artesian to Médecins Sans Frontières

October
- Consideration of the Group strategy
- Financing Strategy discussion

November
- UK property tour
- Trading update
- Three significant new leases secured in Germany
- Reviewed the Group's principal risks and considered emerging risks which could potentially impact long-term strategy
- Review of composition of the Board and independence

December
- Business update
- Lease for 9,600 sqm at the Yellow, Dortmund
- Approval of the lease renewal at Fetter Lane and to progress discussions regarding a potential lease extension at Spring Gardens

What we considered for 2024	Relevant stakeholders	Find out more
• Received detailed updates on the markets in which we operate together with investments at each Board meeting • Received presentations from the UK, German and French Valuers on market conditions and key portfolio risks and opportunities • Considered acquisitions and disposals strategy in light of challenging market and ability to meet investment criteria	• Investors • Employees	Read more: on pages 16 and 18
• Received updates on the Group's debt position including covenant reports, cash flow and budgets • Received detailed updates on the Group's financing strategy • Considered the impact on the Group of higher LTV following property valuation falls	• Financial Institutions	Read more: on pages 16 and 19
• Received updates on asset, property and facilities management operations • Ensured appropriate resourcing levels to provide quality active in-house asset management • Monitored performance against budget and organisational structure as part of cost control measures • Reviewed and approved 2025 budget and forecasts	• Tenants • Suppliers	Read more: on pages 16 and 20
• Received updates on vacancy rates and rent collections • Received senior management recommendations for capital and operational expenditure in relation to building management • Received updates on the sustainability strategy including the Net Zero Carbon pathway • Reviewed the Group's strategy for the property portfolio at the Strategy Board meeting held in September	• Tenants • Communities • Suppliers	Read more: on pages 17 and 21
• Considered and approved interim and final dividend proposals, based on the financial performance of the Group • Considered appropriate reward structures for employees that reflect Group performance • Approved capital expenditure budgets, supported by our sustainability strategy, to deliver sustainable office space	• Investors • Employees	Read more: on pages 17 and 51-52

Relationship with stakeholders

The Company values its dialogue with both institutional and private investors

The Board's primary contact with existing and prospective institutional shareholders is through the Chief Executive Officer and the Chief Financial Officer, who have regular meetings with institutional shareholders. They also undertake analyst presentations following the Company's half-yearly and annual financial results. They are supported by a financial relations advisor and two corporate brokers, all of whom are in regular contact with institutional and retail shareholders, and with analysts.

A report of feedback from each institutional investor meeting is prepared by the broker who organised it and a report of unattributed feedback from analysts on analyst presentations is prepared by the financial relations advisor. All such reports and coverage of the Company by analysts are circulated to the Board. Consequently, all Directors develop an understanding of the views of institutional shareholders and commentators.

Analyst presentations, following the announcement of half-yearly and annual financial results, are webcast and available on the Company's website.

The Committee and Panel Chairs seek regular engagement with stakeholders on significant matters as they arise. Further detail can be found in each Committee report.

The Group issues its annual financial report to each of its shareholders. In accordance with the UK company disclosure regulations the Group does not distribute its half-yearly financial report to shareholders but makes it available on its website.

We aim to provide all shareholders at least 20 working days' notice of the Annual General Meeting at which all Directors who are available to attend are introduced and are available for questions. All shareholders are welcome to attend the Company's Annual General Meeting and to arrange individual meetings by appointment. The views received at such meetings are fed back to the Board.

Proxy voting

The proxy forms for the Annual General Meeting which was held in 2024 included a "vote withheld" box.

Details of the proxies lodged for this meeting were announced to the London Stock Exchange and are on the Company's website at www.clsholdings.com. Shareholders may also choose to register their vote by electronic proxy on the Company's website.

At the 2025 Annual General Meeting, the Company will comply with the Listing Rules in respect of the voting requirements for the re-election of independent Directors where a Company has a controlling shareholder.

Key shareholder events

January	• 6 institutional investor meetings
February	• 1 institutional investor meeting
March	• Analyst presentation • 33 institutional investor meetings • 3 sales presentations
April	• 1 Investor Meet webcast viewed by 174 retail investors
May	• 1 institutional investor meeting
June	• 1 institutional investor meeting
August	• Analyst presentation • 13 institutional investor meetings • 2 sales presentations
September	• 11 institutional investor meetings
November	• 6 institutional investor meetings

2024 AGM

At the 2024 AGM, all the resolutions as set out in the Notice of Meeting were unanimously passed on a poll.

All financial reports and press releases are also included on the Group's website at https://www.clsholdings.com/

Workforce engagement
Helping to enhance our working environment

Dear Shareholder,
As the director responsible for workforce engagement, I am pleased to report on the way in which we have engaged with our employees across the Group and acted upon the feedback we received.

Main activities during the year
As reported last year, this year we changed our approach to workforce engagement. The Board agreed that, given the different sub-cultures that exist in each region, a more bespoke approach should be adopted to gain specific detailed understanding of country specific workforce matters.

Our process is to have bi-annual meetings in each country, with one meeting in-person and the other via videoconference. We held meetings in April and October via a series of "town hall" meetings in the UK, Germany, France and Luxembourg. Given the smaller groups, it meant that all employees were able to be invited in each region. This met our aim to have a more diverse range of views taking into consideration different employment markets and working norms.

Following the town hall meetings I have reported our discussions to the Board, which in turn assists it in ensuring we consider these views when making key decisions.

Areas we discussed
We have now seen the benefits of in-person working, through better communication and collaboration, whilst maintaining flexibility for employees. There was a general feeling that the culture of the organisation as a whole, together with the cohesiveness of smaller teams meant that the delivery of the Group's values was as strong as ever. This can only be seen as a positive in a difficult macro-environment where we see our teams come together to focus on successfully delivering on our annual objectives.

There is always more we can achieve and our feedback from the first meeting included the need for more communication on the activities in other key areas of the business, whether that be internal or external messaging. We were able to meet this objective through the publication of our new website and implementation of a social media plan to raise the Group's profile and highlight several building specific projects and ESG measures. This plan is ongoing.

I noted the feedback on gender diversity at the senior leadership level, which I discussed with Fredrik Widlund and the Board. To reflect our organisation, promote wider discussion and have more representation from our property teams, we made four promotions to the Senior Leadership Team which resulted in better gender balance.

Another area we sought to address was feedback on creating long-term career journeys for employees. As explained in the Nomination Committee report, since we are a small company by headcount career longevity is always going to be a challenge, but we have reiterated our training and development programmes that are available to every employee to aid in retention and motivation.

Overall, I welcomed the opportunity to meet our teams and understand their challenges. What I most admired was that, despite the industry wide headwinds, we have a very dedicated, extremely motivated and forward thinking group of people that aspire to deliver for the business.

Looking forward
With our new process for seeking workforce engagement now in place, I believe this has offered a wider audience the ability to provide feedback on workforce policies and practices. The Board have also expressed their thanks to our employees for their open and honest feedback which they consider very useful in the decision making process and understanding the culture of the organisation. We will continue with this process and also implement suggestions received to improve the "town hall" meetings which I hope will deliver further benefits to our Board, senior leaders and the organisation.

Elizabeth Edwards
Chair, Workforce Advisory Panel
31 March 2025

Our focus for the year ahead
- Continue to oversee workforce engagement through employee "town hall" meetings
- Continue to facilitate communication between the Board and employees
- Continue to discuss the views of the employees and review CLS' workplace practices

Culture dashboard

Promoting an open, collaborative culture

Maintaining a healthy culture

The Board recognises the need to establish the correct culture, values and ethics to ensure good standards of behaviour are maintained throughout the Group.

Our culture is defined by our purpose, vision and values. More information on these can be found on page 4. Together, they promote an open and collaborative environment that enables our workforce to operate at its best through an efficient decision-making structure that facilitates ownership and enables a hands-on operating process.

How the Board assessed and monitors culture

To ensure that our culture through our values is upheld within the organisation, we engage with the business in a number of ways. We have regular updates from the Chief Executive Officer, we meet with senior managers across the business through Board presentations, formal and informal meetings, and property tours. We also receive feedback through Elizabeth Edwards, our designated non-executive director for workforce engagement, who chairs our "town hall" meetings that take place across all regions and which are designed to ensure the voice of the workforce is considered in our decision-making process and our values are being implemented and upheld.

At each of our meetings, the Board also receives information on human resourcing matters such as employee turnover, diversity statistics, feedback (and action plans) from staff surveys and an overview of matters discussed at exit interviews.

Through these feedback mechanisms the Board considers that the organisation has the right culture in place that supports its purpose and ability to deliver on its strategy.

The Board is also able to assess and monitor Group culture through a range of key sources which are shown below.

	Cultural priorities				
Cultural identifier	Promoting integrity and openness	Valuing diversity	Being responsive to the views of stakeholders	Culture aligned to purpose and values	Culture aligned to strategy
Staff surveys and regular meetings with staff	○	○	○	○	○
Regular feedback through the Town Hall meetings	○	○	○	○	○
Flexible Working Policy	○	○	○	○	○
Training budget per head		○	○	○	○
Whistleblowing Policy	○		○	○	○
Anti-bribery and Corruption Policy	○		○	○	○
Modern Slavery Policy	○		○	○	○
Anti-Tax Evasion Policy	○		○	○	○
Employee data (HR updates, turnover and exit interview feedback)	○	○	○	○	○

Division of responsibilities

The Board's role
The Board has ultimate responsibility for setting the Group's strategic direction, leading and overseeing culture, delivering value sustainably, understanding the risks the Group faces and ensuring that we uphold the highest standards of corporate governance.

Board and Committee structure
The Board is supported by the Audit, Remuneration, Nomination and Disclosure Committees who update Board members at each meeting. The Board discusses issues arising from Committee meetings which allows them to gain a wider understanding of the operation of the Group.

Chair leadership and effectiveness
As the Group's Independent Non-Executive Chairman, Lennart leads the Board in promoting a culture of openness and debate to ensure that the Board operates effectively. It is the Board's culture and accepted practice to give regular feedback, but once a year a more formal feedback session is undertaken with the Non-Executive Directors, led by the Senior Independent Director without the Chair present. This session reviews the Chair's overall performance, considering areas such as communication, effective leadership and oversight of the Board and company culture. The right "tone from the top" is key to support our purpose, vision and values. Lennart and the Board lead by example and the culture of openness and collaboration resonates throughout the Group.

Roles and responsibilities of the Directors
The Board's composition and responsibilities are set out in a formal schedule of matters specifically reserved to it for decisions. Matters reserved for Board decisions include identifying strategic long-term objectives, approving the annual Group budget, and approving substantial property transactions and investment decisions over £10 million.

The implementation of Board decisions and the day-to-day operations of the Group are delegated to the Executive Directors.

All Board members are required to notify the Company as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. At the beginning of each Board meeting the Chairman requires all Directors (including the representative of the majority shareholder) to confirm that they do not have a potential personal conflict regarding any item on the agenda. If a conflict arises, the Director is excluded from discussions and voting, unless the Board unanimously decides otherwise.

Division of responsibilities
The responsibilities of the Independent Non-Executive Chairman, who is responsible for the overall strategy of the Group, the Non-Executive Vice Chair who supports the Chairman, and the Chief Executive Officer, who is responsible for implementing the strategy and for the day-to-day running of the Group, are clearly divided. A written statement of the division of these responsibilities is reviewed and approved by the Board each year.

Board and committee structure
(as at 31 December 2024)

The Board
- Non-Executive Chairman (Independent upon appointment)
- Two Executive Directors
- Three independent Non-Executive Directors
- Two non-independent Non-Executive Directors
- Ensuring the Company's growth and shareholder value

Audit Committee
Three independent Non-Executive Directors

Monitors the arrangements for risk management, corporate reporting and internal controls. Maintains the relationship with the Auditor

Remuneration Committee
Three independent Non-Executive Directors

Develops the Company's policies on executive and senior management remuneration and sets the remuneration packages of individual Executive Directors and other senior management

Nomination Committee
One non-independent Non-Executive Director

Three independent Non-Executive Directors

Monitors and evaluates the Board's skills and experience to ensure full Board discussion

Executive Committee
Reviews the daily running of the Group's business

Disclosure Committee
Monitors inside information and close periods

Financial Investment Committee
Analyses financial investment opportunities and reviews investment portfolios

Senior Leadership Team
Reports on the day to day operation of the Group and implementation of strategy across each region and function

Asset Management Committee
Reviews the Group's property investments in each country

Health and Safety Committee
Reviews and moderates the Group's policy and best practices for Health and Safety

Sustainability Committee
Monitors and reviews performance against the sustainability strategy, and reports on best practice and legislative changes

CSR Committee
Assists in implementing the Group's ESG strategy in relation to creating shared value within the community

Group Restructuring Committee
Reviews and approves proposals for all subsidiary company restructuring projects

Treasury Committee
Reviews all financings, debt maturity, cashflow and other key treasury matters

Nomination Committee Report
Enhancing the skills and experience of the Board

Dear shareholder
On behalf of the Nomination Committee, I am pleased to present my report as Chair of the Committee for the year ended 31 December 2024. This report is intended to give an insight into the work of the Committee during the year.

The Nomination Committee is responsible for ensuring that the Board consists of members who have the relevant skills, experience and knowledge in order to set, and enable the executive directors to deliver, the Company's strategy.

Role of the Committee
The Committee makes recommendations to the Board with regard to the nomination, selection and succession of directors and senior executives. The Committee also focuses on ensuring that there is appropriate succession planning in place, having regard to the provisions of the UK Corporate Governance Code.

The Committee regularly evaluates the Board's performance and effectiveness both as a group and as individual directors, and reviews the annual Board effectiveness process to ensure it continues to operate in the best possible way.

Membership and attendance
The Committee met formally once during 2024 and held frequent discussions outside formal meetings.

To ensure further independent representation on the Committee, Eva Lindqvist became a member on 12 November 2024. At the year-end the Committee therefore comprised four Non-Executive Directors, three of whom are deemed independent. Given that the Group has a Controlling Shareholder, we recognise the need for independent oversight.

The Company Secretary acts as Secretary to the Committee and its Terms of Reference are available on the Company's website.

Main activities throughout the year
The Committee continued to fulfil its core responsibility, principally to:

- review the structure of the Board and its Committees and ensure it has the right skills and experience.
- lead the process for Board appointments.
- ensure plans are in place for orderly succession of Board and senior management positions.
- oversee the development of a diverse pipeline for succession.
- report on how the annual Board evaluation has been conducted

Set out below are the key areas of our work this year.

"Our succession planning will strengthen the skills experience of the Board."

Committee members' attendance during the year ended 31 December 2024

Anna Seeley	●
Lennart Sten	●
Elizabeth Edwards	●
Eva Lindqvist	●

Board composition and skills

At the year end, the Board consisted of a Non-Executive Chairman (who was independent on appointment), two Executive Directors, three independent Non-Executive Directors and two non-independent Non-Executive Directors.

Of the two non-independent Non-Executive Directors: I am a director of Creative Value Investment Group Limited (CVIG), the investment vehicle for The Sten and Karin Mortstedt Family & Charity Trust; and Bengt Mortstedt remains one of our largest shareholders.

The Committee notes that while Board composition has not complied with Provision 11 of the Code during the year, it believes that the composition reflects the skills required to meet the current needs of the Group to ensure it will support the delivery of its strategy.

We ensure that all Non-Executive Directors (both those deemed to be independent and non-independent by the Board) maintain their independent oversight of the Executive Directors so that there can be no perception of undue closeness. This is undertaken through our review of Board composition, in light of the criteria set out in Provision 10 of the Code, the Board effectiveness review process and the Chairman's annual review, which also considers the interaction between Board members during meetings. This continues to demonstrate that there is objective and independent judgement, and that constructive challenge exists amongst Board members.

Professional development at a glance

- Training and information sessions
- Site visits, Board dinners and breakfast meetings
- Briefing material on Board portal
- Deep dives on key topics
- Management and one-to-one meetings

As an additional process this year, because we recognise that during the year both the Chair, Lennart Sten, and Elizabeth Edwards, Senior Independent Director, have now served more than nine years, the Board considered their ongoing independence. We took into account their other roles outside of the Group, their time commitment and leadership and contribution to discussions at Board meetings and concluded that they remained independent.

We explained in last year's report that the Board strongly believes, during a prolonged period of economic uncertainty, that providing continuity is essential and therefore Lennart will remain in post-beyond nine years. We will keep this decision under regular review annually. Elizabeth Edwards has confirmed her retirement from the Board at the end of 2025, which will facilitate a handover period for our new Board appointments as explained below.

As one of our founding members, and after approximately 25 years service as a director, Bengt Mortstedt retired from the Board at the end of February 2025.

Appointments to the Board

As recommended by the UK Corporate Governance Code, the Committee leads the process for Board appointments and makes its recommendations to the Board for final approval.

Our process for Board appointments starts with the Committee's review of Board composition, taking into account the skills, experience and background that it needs to fulfil its objectives. If an appointment is recommended, it is the Committee's policy to use an open advert and/or an external search consultancy for the appointment of the Chair and Non-Executive Directors. In line with our diversity, equity and inclusion policy, we expect our external search consultancy to provide us with a diverse selection of candidates from which to short list.

A detailed role specification is reviewed with the Chairman and the Committee following which a final role specification is then approved.

The Committee then initiates a two stage interview process, with candidates first meeting members of the Committee, then other members of the senior leadership team.

Following these interviews, a shortlist of two candidates will be made based on their level of experience, commercial focus and broad skill sets, and a decision made.

Prior to making recommendations to the Board, the Committee also considers the time commitment expected of the proposed director in line with any other commitments they may already have.

Directors are also required to seek approval from the Chairman and the Chief Executive Officer prior to accepting additional commitments to ensure that they will be able to continue to devote a suitable amount of time to the Company.

This year, we again considered the mix of experience, tenure, background, industry knowledge and constructive challenge at Board meetings. It is the opinion of the Committee, and endorsed by the Board, that the Chairman and all the Non-Executive Directors bring independence of judgement and character, a wealth of experience and knowledge, and the appropriate balance of skills, which are appropriate to effect oversight and implementation of the Group's strategy.

Notwithstanding our review, we have also focussed on Board succession planning given that Elizabeth Edwards will retire from the Board at the end of 2025. In light of her skills and experience, especially in relation to the German real estate market we also confirmed that we would seek the appointment of two new independent non-executive directors, one of whom should have German real estate experience and the other listed company and audit committee experience.

In accordance with our policy on the appointment of new directors, we appointed an external search consultancy, Sapphire Partners, who specialise in championing a diverse range of candidates.

We are currently in the initial stages of the process and we hope to be able to announce new appointments during 2025.

Induction and ongoing development

It is important for all Directors, both Executive and Non-Executive, when joining the Company, to be provided with, and given an insight into, the Company's operations, culture and values.

I set out our induction programme, which has been designed to involve a full overview of the Group and how it operates:

- Individual meetings with the Non-Executive Chairman, Chief Executive Officer and the Chief Financial Officer.
- A programme of meetings with country leaders and senior managers across the Group to understand key operational matters.
- Bespoke tours of the Group's portfolio and offices in the UK, Germany and France.
- Meetings with other Non-Executive Directors.

As part of ongoing development, the Board aims to hold one Board meeting a year either in France or Germany, preceded by a property tour, so that it can gain first hand knowledge of the activities, challenges and opportunities across the portfolio.

Our individual portfolio tours and Board meetings allow Directors to engage directly with a range of employees below Board level, which we believe is important in relationship building and understanding our talent pipeline, people and culture. It also raises the profile and understanding of the role of the Board and its governance responsibilities. Meetings are also arranged with key advisors such as the external auditor, valuers and brokers on an ongoing basis both at Board level and individually.

Ongoing training and development beyond the induction process is encouraged, with updated schedules of events produced at each Board meeting.

This year, the Board was able to visit our portfolio in Munich where they also met with a number of our property team, allowing them to gain a greater understanding of our properties and meet more employees below Board level. We also undertook a UK property tour in November, visiting a number of our London properties and were able to meet with our property teams and tenants at each location.

We are fortunate to have a Board that has established relationships and I am pleased to see the strength of those relationships develop.

Succession planning

In considering succession planning for the Board, the Committee assesses its optimal composition in terms of skills and experience, and aligns it to medium and long-term time horizons primarily based on individual tenure and the need to refresh Board membership. Because of the composition of the Committee, on which I serve as the representative of the controlling shareholder, these plans are discussed with their input. As noted above, no appointments are made without full and open discussion through an independent search consultancy.

While identifying and developing talent across the Group remains primarily the responsibility of management, we have a duty to secure its long-term success.

Succession planning review process

1. Individual CEO meetings with Heads of Functions
2. Assessment of teams and high performers
3. Identification of individuals' development needs and timeline
4. Group-wide report compiled
5. CEO presents to the Nomination Committee
6. Nomination Committee presents key findings to the Board

The Committee received updates from the Chief Executive Officer in relation to succession planning, both at Board and senior management level, to ensure there is a good quality pipeline in place. This enabled the Committee to challenge those plans in order to understand the actions taken to enhance the pipeline, ensuring there is representation from a diverse range of employees.

During the year we have been able to monitor the Group succession plans noting where we have potential internal successors or where we have to undertake an independent external appointments process.

The Committee is acutely aware that retaining talent is key to the successful execution of our succession plans. We also appreciate that, as a relatively small and flat organisation, this can be challenging. Through monitoring, benchmarking and career development opportunities we aim to retain our best talent.

Training

In order to ensure that the Directors' knowledge and skills remain up-to-date, Directors are encouraged to attend regular training courses. We also provide for "deep dives" on different subjects at each Board meeting so that Directors can keep up to date with the latest developments in a wide range of topics. The Company Secretary also provides regular governance updates to the Board.

Diversity

The Board's policy is that the selection of new Board members should be based on the best individual for the role and that the Board's composition should have an appropriate balance of skills and diversity to meet the requirements of the business.

At the end of 2023, female Board representation stood at 44%, however this fell to 38% in 2024 following Denise Jagger's resignation. With our search for two new independent non-executive directors, we expect this percentage will change during 2025. We continue to have one senior board position, the Senior Independent Director, held by a woman.

On recruitment, our policy is that we expect our search consultants to ensure, where possible, there is a diverse selection of candidates. We ensure that this is not just for gender but also all diversity characteristics; a policy that we encourage throughout the Group when recruiting. To this end, we ask our search firms for all recruitment levels across the Group to aim for a long list of at least 50% women and appropriate diversity representation.

We recognise that there are significant benefits of diversity, including age, gender, ethnicity, core skills, experience, and educational and professional background, which we continue to evaluate whenever changes to the Board's composition are considered.

As reported last year, we had work to do in relation to gender diversity at senior management level. Following a review of the senior leadership team by Fredrik Widlund to ensure better representation from our property management functions across our regions, we were able to achieve at the same time greater gender diversity, which I very much welcome.

Our Diversity, Equity and Inclusion Policy underlines our commitment to attracting, promoting and developing talent no matter who they are.

Board effectiveness review

Following an external review in 2023, our 2024 board effectiveness review took place through an internal review undertaken by questionnaire and followed up by an indepth Board discussion at our November meeting. Further details on the outcome and actions from the review can be found on pages 82 and 83 of this report.

Performance of the Committee

The Committee undertakes a review of its performance each year. During 2024, this review was undertaken internally by way of a questionnaire and concluded that the Committee continued to perform effectively and had unfettered access to the information and advice it needed to make informed decisions on all matters related to remuneration.

Anna Seeley,
Chair, Nomination Committee
31 March 2025

Our focus for the year ahead

- Oversee the appointment of new Board members
- Annual review of our succession plans for the Board
- Annual review of succession plans and talent pipeline below Board level
- Ongoing Board development
- Implement findings from internal Board effectiveness process

Nomination Committee Report continued

Board Diversity Policy

Objectives

Policy objectives	Implementation
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to oversee and support the management of the Company effectively.	The Committee continues to monitor the composition of the Board and meets at least annually to review and discuss it. As explained above, an executive search firm, Sapphire Partners, has been appointed to search for two new Non-Executive Director during 2025 to replace the German real estate experience that will be lost when Elizabeth Edwards retires from the Board and enhance our governance and audit committee experience.
Ensure consideration is given to candidates for Non-Executive Director Board appointments from a wide pool, including those with no listed company Board experience.	The brief that is given to our independent executive search firms is to ensure that this Policy objective is met. When considering appointments to the Board, the Committee endeavours to consider candidates with a broad range of experience. No appointments were made in 2024. For our upcoming appointments, we will be using Sapphire Partners, a search firm specialising in ensuring diverse candidates.
Ensure Board appointment 'long lists' contain diverse candidates, including diversity of social and ethnic backgrounds, and cognitive and personal strengths.	The brief that is given to our independent executive search firms is to ensure that this Policy objective is met. When considering appointments to the Board, the Committee endeavours to consider candidates with a broad range of experience. Whilst no Board appointments were made in 2024, we will ensure that will be adhered to during our appointment process in 2025.

Targets

Policy targets	Progress against target
40% women representation on the Board.	38% female representation on our Board at 31 December 2024 (2023: 44%).
Minimum of one Board Director from an ethnic minority background.	When the Board seeks to appoint a Non-Executive Director, it will expect its independent consultants to ensure candidates come from a diverse range of backgrounds. Currently not met.
One senior Board position held by a woman.	Elizabeth Edwards is our Senior Independent Director and therefore this target has been met.

Data on diversity of the board and executive management (at 31 December 2024)

A) Table for reporting on gender identity or sex

	No of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62	3	7	64
Women	3	38	1	4	36
Other	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

B) Table for reporting on ethnic background

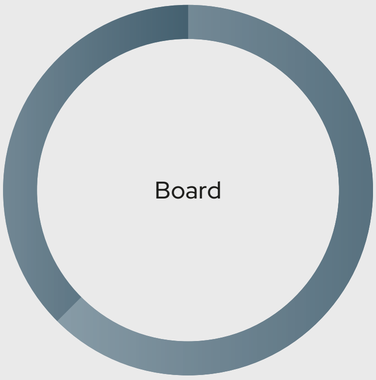
	No of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	8	100	4	10	91
Mixed/Multiple Ethnic Groups	–	–	–	1	9
Asian/Asian British	–	–	–	–	
Black/African/Caribbean/ Black British	–	–	–	–	
Other ethnic group, including Arab	–	–	–	–	
Not specified/prefer not to say	–	–	–	–	–

Snapshot of Company diversity

at 31 December 2024

* including the Chairman who was independent upon appointment and, together with Elizabeth Edwards, is deemed to be independent by the Board.

Gender diversity



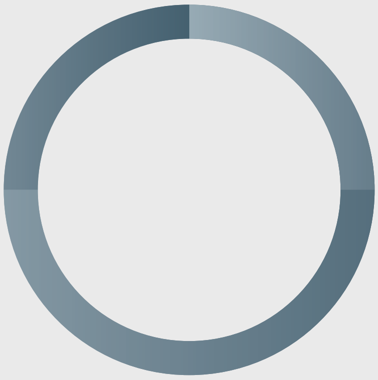
1.	Male = 5	62%
2.	Female = 3	38%

1.	Male = 7	64%
2.	Female = 4	36%

1.	Male = 2	100%
2.	Female = 0	0%

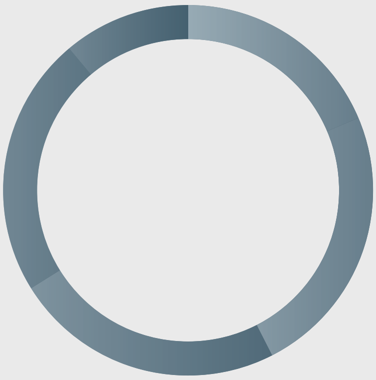
1.	Male = 64	52%
2.	Female = 59	48%

Composition of the Board



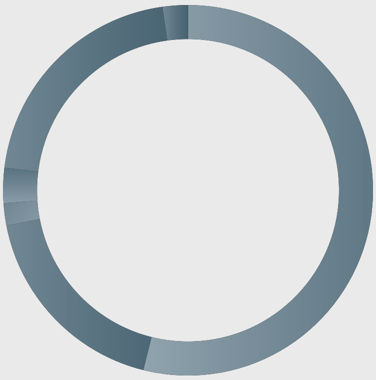
1.	Executive	2
2.	Independent	4*
3.	Non-Independent	2

Age ranges (total employees)



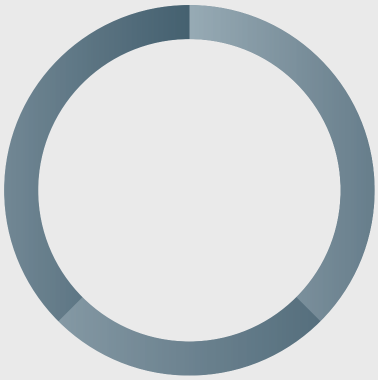
1.	19 – 29	19%
2.	30 – 39	24%
3.	40 – 49	24%
4.	50 – 59	23%
5.	60 – 79	11%

Ethnicity (UK employees)



1.	White	54%
2.	Asian	18%
3.	Black	2%
4.	Mixed	3%
5.	Did not respond	21%
6.	Preferred not to say	2%

Board tenure (years)



1.	0 – 5	3
2.	6 – 10	2
3.	10+	3

Review of Board effectiveness

Appointment of consultants

The last external Board effectiveness review was undertaken in 2023, by Independent Audit Limited using their online governance assessment service Thinking Board. They have no connection with CLS or any individual director.

Over the subsequent two years an internal questionnaire is used to assess Board effectiveness.

Each year, the results of the review together with those of the previous year, are discussed in detail and enable the Board to understand better whether there have been improvements in the operation of the Board and also where it can be enhanced.

Based on the results of the 2024 review, this approach met the Board's objective.

Evaluation process

Year 1

Externally facilitated questionnaire using Independent Audit's Thinking Board Software.

The process was divided into four stages: →

Year 2

Internal questionnaire and follow up on results of previous performance evaluations

Year 3

Internal questionnaire and follow up on results of previous performance evaluations.

1st Stage
Design and scope of questionnaire to address core areas and key themes, and facilitate the ability to provide confidential written responses to where improvements could be made.

2nd Stage
External questionnaire including follow up on results of previous performance evaluations.

3rd Stage
Review of the results of the questionnaire and benchmark findings against the 2023 externally facilitated review outcomes.

4th Stage
Presentation of report to the Board for discussion and to prepare a plan for achieving desired outcomes.

Board Effectiveness Framework

The process covered the key areas of: Board Leadership and Company Purpose; Division of Responsibilities; and Composition, Succession and Evaluation.

The primary purpose of the review was to direct the Board's attention to areas where there might be opportunities to improve its performance.

The report was broken down into themes, which corresponded to the groupings of questions covering the key topics highlighted in the chart.

After an introductory overview, each thematic section provided a chart of the responses, with commentary that summarised the findings, drew out key points, and contextualised the results based on the experiences of other review processes.

The review was presented to the Board for discussion at its November 2024 meeting.

Board Evaluation Framework

Board Leadership and Company Purpose	Engagement
	Strategy
	Leadership
	Governance
Division of Responsibilities	Succession
	Challenge
	Risk
	Engagement
Composition, succession and evaluation	Structure
	Role
	Dynamics
	Composition

2024 Internal Board effectiveness results and objectives for the forthcoming year

Three key areas within the internal Board Effectiveness Framework

		2025 objective
1. Leadership	There was unanimous agreement that members work together on a basis of trust and openness, that the right people are around the table and that Directors have a good understanding of their duties. There was a consistent view that the Chairman led and listened, and this was also true for the CEO. Members agreed that they kept abreast of changes to the regulatory and governance landscape, and concluded that as a result they were effective in discharging their duties.	Enhanced focus on Board succession planning to ensure skills and experience are enhanced following Elizabeth Edwards' retirement from the Board.
2. Accountability & Risk	The Board considered that sufficient time had been allocated to the strategic opportunities, risks, emerging technology and changes in the real estate industry, and that consideration of scenario planning had improved. The Board considered the additional focus on internal controls and risk/scenario planning had also improved during the year.	More monitoring of culture to provide assurance that the agreed values are being embedded. Ensure regular feedback on employee matters to ensure it is in line with values and long-term success of the business. Continue the programme of more contact with senior leaders below Board level and better interaction with employees at all levels.
3. Board & Committee operation	Members agreed that there was a good balance between operational and strategic matters, and that free discussion facilitated better oversight of the monitoring of organisational risks and controls. It was noted that there was appropriate challenge of the views of the Chair, and CEO, which had created a feeling of mutual respect and understanding between members. Whilst there was an agreement that the Board communicated well with key stakeholders, efficiencies could be gained from more streamlined presentations.	More time for deep dives on alternative strategic options. More concise presentations from valuers. More updates in between meetings and contact with other non-executive directors.
4. Board dynamics	Board dynamics are positive and information was considered to be of a high standard, clear and comprehensive. Meetings were well chaired and supported by the Secretariat. Additional informal conversations with the Chair would be welcomed in between meetings.	Continue with property tours which allows the Board to spend more time together to build relationships. Increase interaction with the Chair through dedicated one to one sessions. Facilitate opportunity to spend more time with executive and management teams to share experiences.

Objectives and outcomes arising from 2023 external board evaluation results

Objectives	Outcomes
Continue to have: more contact with senior leaders below Board level; and better interaction with employees at all levels.	Continuation of "Deep dive" presentations from senior leaders below Board level. Increased participation on property tours from key property managers.
Monitoring of culture to provide assurance that the agreed values are being imbedded.	Implemented enhanced reporting from HR, with more detail around exit interviews and statistical analysis. Town Hall meetings where all employees are invited to attend, facilitating an understanding of the Group's culture and values.
Enhanced focus on the "big trends" and resulting key risks to ensure resilience of the business model.	Key focus session at the Strategy Board meeting to understand challenges and opportunities in the real estate market.
Continue to consider the skills of the Board for future NED appointments, specifically in the European market.	Nomination Committee review of Board composition and succession planning undertaken. Appointment of external search firm for two independent non-executive directors; one with specific German real estate experience and the other with governance and audit committee experience.

Audit Committee Report

Ensuring oversight, risk management and integrity of financial reporting

Dear shareholder

On behalf of the Audit Committee, I am pleased to present the report of the Committee for the year ended 31 December 2024. This report is intended to provide an insight into the work of the Committee during the year.

Role of the Committee

The Committee's main roles and responsibilities are set out below and reflect the Code provisions. The Committee has Terms of Reference, which are reviewed annually and are available on the Company's website.

Membership and attendance

Our Committee is comprised entirely of independent non-executive directors.

My experience means I have recent and relevant financial experience, and my fellow Committee members all have significant experience of the real estate and other commercial sectors, including other audit committees on which they sit. Further details of our experience can be found on pages 68 and 69.

The Committee met four times during 2024.

This year the Committee has focussed on a number of significant areas.

Valuations

Whilst inflation has reduced to more normal levels, we now expect interest rates to remain higher for longer. This has impacted the Committee's key considerations when assessing the changing risk environment. This year, our focus was to ensure that, in light of the ongoing challenging market conditions, the assumptions made by the valuers underpinning the valuations were adequately robust. We received presentations from our valuers in each region and had the benefit of reviewing their reports in advance. This enabled the Committee to challenge the valuers where there was a significant valuation variance from prior period ends. The Committee is of the view that the valuations are appropriate. Further commentary on matters relating to valuations are set out below.

Going Concern

The Committee continued to monitor and review the Going Concern assessment.

At the half year and the year end, the Committee noted that in both the "Base Case" and the "Severe but plausible" scenario, the Group is reliant upon its ability to both refinance maturing debt and to complete a number of investment property disposals in the going concern period in challenging market conditions. Management remain confident that, whilst sufficient refinancing and property disposals would be achieved, the planned refinancings of facilities falling due within the going concern review period, and planned property disposals, were outside management's direct control. Consequently we reached the conclusion that a material uncertainty existed in both the "Base Case" and "Severe but plausible" scenario that could cast significant doubt on the Group's ability to continue as a going concern.

The Auditors reviewed Management's paper on the assessment of the Group's going concern and they also agreed that a material uncertainty existed.

"This year we have made good progress considering how we will comply with the new Code's requirements on internal controls."

Committee members' attendance during the year ended 31 December 2024

Bill Holland	●●●●
Elizabeth Edwards	●●●○
Eva Lindqvist	●●●●

During the year, Management executed all scheduled refinancings and negotiations have started on a significant proportion of 2025 loans.

Notwithstanding the material uncertainty, after due consideration, the Committee is satisfied that the assessment of the going concern basis and statements made in connection with it are appropriate. In addition, having taken into account the key judgements made in relation to the going concern period, and the current progress on both the refinancings and sales, the Committee agreed that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due and to continue as a going concern for the period to at least 31 July 2026.

Review of Internal Controls

During the year, Management undertook a comprehensive review of material internal controls covering the key risk areas. Material controls were also tested. The diagram below provides a general summary of these across the Group.

Key internal controls tested for effectiveness in 2024 include:

- Financial – authorisation procedures, financial monitoring and reporting controls
- Treasury & Tax – covenant compliance, bank reconciliations, REIT tax assessment controls
- Operational – approval of new leases and renewals, tenant credit checks, safety compliance, valuation information
- Governance & HR – policy adherence, whistleblowing, Group committee oversight
- IT – cyber security training, cyber penetration testing
- Sustainability – Net Zero Carbon pathway and ESG monitoring controls

The testing results were presented to the Committee throughout the year for review. It was noted that while there were no major control failings, minor process improvements had been made where appropriate.

Sustainability

This year, a new sustainability data platform was implemented which provides instant management information in relation to energy (and therefore carbon) consumption and our progress against the Net Zero Carbon Pathway, all of which will enable our property management teams to focus resources to achieve further energy and carbon savings.

The Committee remained satisfied with the current process for sustainability data assurance, which was provided by a suitably qualified external consultant.

Corporate Governance

We have aligned our key processes and procedures to position ourselves for compliance with the revised UK Corporate Governance Code and will report against these requirements in our next annual report.

The Board

Audit Committee

CoreStream Database

Material controls

Financial
The financial controls ensure robust oversight and accountability within the organisation. They provide a structured framework for approvals and segregation of duty controls, budgeting oversight, payroll approvals, monitoring financial performance and analysing variances.

Treasury & Tax
The treasury and tax controls ensure robust cash management and compliance. They provide a framework for monitoring loans, covenant compliance checks, and regular oversight over current and future financing decisions and REIT and tax compliance. This ensures effective oversight of financing and tax activities and adherence to regulatory requirements.

IT
The IT controls ensure the security and integrity of critical systems and data. They provide a framework for restricting access, enhancing cybersecurity awareness and regularly testing system defences. This ensures robust protection against cyber threats and unauthorised access.

Governance & HR
The governance and HR controls ensure organisational resilience and compliance. They provide a framework for business continuity, regulatory compliance and ethical conduct. This ensures legal compliance and a supportive environment for employees.

Operational
The operational controls ensure efficiency and compliance in daily activities. They provide a framework for leasing activities, procurement, tenant credit checks, maintenance audits, health and safety, and emergency preparedness. This ensures smooth operations, safety and effective property management.

Sustainability
The sustainability controls ensure the organisation's commitment to environmental goals. They provide a framework for tracking progress on the Net Zero Carbon Pathway and ESG KPIs. This ensures accountability, continuous improvement and alignment with sustainability objectives.

Cyber Risks

During the year, we received presentations from our Head of IT outlining the steps the Group had taken to reduce the potential for a cyber security incident. This included penetration testing, which showed that our security defences were sufficiently robust, and the IT training to assist employees in preventing risks entering our IT environment has been effective.

Performance of the Committee

The Committee undertakes a review of its performance each year. During 2024, this review was undertaken internally by way of a questionnaire and concluded that the Committee continued to perform effectively and had unfettered access to the information and advice it needed to make informed decisions on all matters related to remuneration.

Audit Tender

This year we also conducted an external audit tender in accordance with the FRC's guidance and statutory requirements. Of the three firms invited to tender, we recommended to the Board that BDO LLP should be appointed as external auditor, given that they had the requisite quality, skills and technical competence, including sector specific experience. Further details are set out below.

Bill Holland
Chair, Audit Committee
31 March 2025

Our focus for the year ahead

- Ensure valuations and assumptions underpinning the valuations are appropriate
- Monitor principal and emerging risks to ensure the risk register remains appropriate and mitigations are in place
- Review and monitor internal controls and receive regular updates on internal controls testing
- Receive regular reviews on the implementation of MRIx, a new property and finance software system, and CoreStream, our risk management software
- Foster a good working relationship with the external auditor, with a focus on the key issues outlined in each audit report during the year
- Monitor the impact of changes to accounting and governance laws and regulations
- Monitor sustainability data reporting and processes

Main activities during the year

Principal responsibilities of the Committee

Areas of responsibility	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
Monitoring the **integrity of the financial statements** and any formal announcements relating to financial performance, and reviewing significant financial reporting judgements contained in them	At our meetings in March 2025 and August 2024 we reviewed the full year and half-year results, respectively. This was in conjunction with the external audit report from BDO, our external auditor, on the year-end financial statements. We challenged management on the integrity of those financial statements and our discussions with them focused on the significant financial judgements which are explained in the next table.
Providing advice on whether the annual report and accounts, taken as a whole, is **fair, balanced and understandable**, and providing the information necessary for shareholders to assess CLS' position and performance, business model and strategy	We reviewed the 2024 annual report and accounts at our Committee meetings in February and March 2025, and reported our conclusions to the Board that it contained sufficient information for shareholders to assess the Group's performance and strategic operations. We also considered the Alternative Performance Measures ('APMs') that CLS uses alongside statutory figures and concluded that these should remain unchanged from last year and that these assist in providing stakeholders with additional useful information on the underlying trends, performance and position of the Group. Note 5 and the Supplementary disclosures to the financial statements give a full description and reconciliation of our APMs. Additionally, having considered how the report was formulated, reviewed internally and by the external Auditor, we considered that the 2024 annual report and accounts meets the criteria set out in Provision 25 of the Code and recommended them to the Board. The Board's statement is set out on page 111.

Areas of responsibility	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
Reviewing our **risks, risk management systems and internal financial controls**	The Committee assists the Board in undertaking a robust assessment of the Group's principal and emerging risks. It receives reports at its meetings which identify principal risks and any movements in them, which it then reviews and reports to the Board on its findings, for wider discussion and approval. The ways in which the Group's principal and emerging risks are identified and addressed are set out on pages 56 to 62. We reviewed the overall status of the principal risks and uncertainties, the changes in risk profile in 2024 and the current direction of travel for 2025. It was noted that in 2024, the risk profiles remained largely unchanged. In regard to the current direction of travel of the risks faced, our assessment deemed that there would be no material changes in the risk profiles. We will continue to monitor any changes to the Political & Economic risk profile and any adverse effects this may have in the market. As explained on page 56, during the year, in addition to reviewing the established framework for internal controls and risk management systems, the Committee received and discussed reports from management on the operation and testing of the Group's internal controls. We also continued to monitor the roll-out of the Group's new property and finance system, which is now live in the UK and France. German implementation was delayed due to software deficiencies and is now expected to be in Q1 2025. The system is now starting to provide the operational efficiencies expected, following a significant amount of testing and development.
Monitoring and reviewing annually whether there is a need for an **internal audit function**	In light of the size and complexity of the Group, and the regular updates the Committee receives on internal controls operation and testing, the Committee considers that there remains no requirement for an in-house internal audit function. How assurance on internal controls is achieved is set out on page 85 and pages 56 and 57.
Conducting the audit tender process and making recommendations to the Board, about the **appointment, reappointment and removal of the external auditor**, and approving the remuneration and terms of engagement of the external auditor	Our competitive tender process started in May 2024, in which the incumbent auditor and two challenger firms were invited to participate. The Committee assessed their skills, experience and relevant sector knowledge. Following the Committee's review of the two final possible audit firm options and its recommendation to the Board, BDO were appointed as the Group's external auditor on 8 September 2024. They will stand for appointment at the 2025 AGM. The Committee reviewed the fee for the 2024 audit at its meeting in November 2024 and confirmed that it was appropriate. In undertaking this tender, the Committee considers that it has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.
Reviewing and monitoring the external auditor's **independence and objectivity**	The Committee receives a report from the external auditor on their continued independence, contained in their report at the year end and at the planning meeting in November. Following consideration, the Committee considers BDO remains independent and objective in its external audit of the Group.

Areas of responsibility	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
Reviewing the effectiveness of the **external audit process**, taking into consideration relevant UK professional and regulatory requirements	We reviewed BDO's reports on the external audit strategy from the audit of the annual report and accounts. We found the reports to be comprehensive, sufficiently detailed and focused. We also met with the auditor prior to the Board's final approval of these financial statements in order to receive reports on the external audit process. The Committee is pleased to report that there were no issues of a material nature that needed to be brought to the Board's attention. After the external audit process has taken place the Committee meets with internal stakeholders to review the effectiveness of the external audit process. This is fed back to our external audit partner. We consider that BDO provided an effective audit and that key accounting and auditing judgements had been identified and reported in line with regulatory and professional requirements. This allowed us to recommend their reappointment to the Board. The Audit Committee also met with BDO during the audit process without management present to ascertain if there were any concerns, to discuss the audit reports and to ensure that the BDO received the support and information requested from management. No concerns were identified. The FRC undertook an inspection of Ernst & Young LLP's audit of CLS Holdings plc's financial statements for the year ended 31 December 2023. They assessed the audit as "Good" with no Key or Other Findings arising from the inspection.
Developing and implementing a policy on the engagement of the external auditor to **supply non-audit services**, ensuring there is prior approval of non-audit services, considering the impact this may have on **independence**, taking into account the relevant regulations and ethical guidance, and reporting to the Board on any improvement or action required	The Committee has developed a policy on the supply of non-audit services to safeguard auditor independence and objectivity. The policy reflects the requirements of the FRC's ethical standard. During the year non-audit services undertaken by the external auditor amounted to £nil (2023: £nil, £77,000 for the previous auditor in respect of an interim review and provision of a technical financial reporting database). The Committee considers that it has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Significant issues considered by the Committee relating to the financial statements	How these issues were addressed by the Committee
Property valuations	The Committee met with the Group's UK, German and French valuers during the year and extended an invitation to the whole Board to attend. During the meetings we discussed the methodology used for the six monthly valuations of the Group's properties and received in-depth reports on the local markets in which the properties were located. We discussed the risks and opportunities for the key properties in each location that were of significant value or had the largest changes in valuations to better understand our long-term plan for each property. Independently, the external auditor also met with the Group's valuers using real estate specialists and provided the Committee with a summary of their review contained within their report at year end. The Committee was satisfied with the explanations provided by the valuers in relation to the portfolio and that the methodology, assumptions and judgements used were appropriate. The Committee recommended to the Board that the valuations were suitable for inclusion in the financial statements and the work of the auditor was appropriate.
Going concern and viability statements	As described above, the Committee considered management's assessment of the Group's going concern and viability statements. In accordance with Provisions 30 and 31 of the UK Corporate Governance Code, our going concern and viability statements, and the methodology used in their preparation, can be found on pages 63 to 65.
Revenue recognition	The Committee considered the main areas of judgement exercised by management in accounting for revenue, including the treatment of rent, lease incentives and service charge income. The external auditor confirmed that they had audited the timing of revenue recognition, treatment of rents, service charge income, other property-related income and lease incentives, and assessed the risk of management override. Based on the audit procedures performed, they did not identify any matters to bring to the Committee's attention. The Committee, having consulted with the external auditor, concurred with the judgements applied by management and was satisfied that revenue is appropriately recognised and reported.
Significant transactions	The Committee considered there to be no significant transactions during the year that were outside the ordinary course of business.
Management override of controls	The Committee assessed the framework for financial controls, which are regularly updated by management and brought to the Committee for review and approval. The Committee found no concerns arising from its review. The external auditor performed planned audit procedures on the key areas which may be susceptible to management override. This included identifying fraud risks during the audit planning stages, making inquiries of management about risks of fraud and the associated controls, considering the effectiveness of management's controls designed to address the risk of fraud and performing specific procedures regardless of identified risks, including journal entry testing. The external auditor confirmed to the Committee that they did not identify any matters that suggested there had been instances of management override during the year.

Remuneration Committee Report

Balancing reward with performance

Dear shareholder

I am pleased to present the Report of the Remuneration Committee ("Report") for the year ended 31 December 2024. 2024 was my first full financial year as Chair of the Remuneration Committee (the 'Committee') having joined the Board in September 2023.

The 2023 Directors' Remuneration Policy, which received 99.17% shareholder support and can be found in the 2022 Annual Report and on the Company's website, is in its final year and as such we plan to undertake a review and bring a new or amended Policy forward for shareholder approval at the 2026 Annual General Meeting.

The sections contained in this Report are:

- this Annual Statement from the Chair of the Committee; and
- the Annual Report on Remuneration which explains how we have paid our Directors under the current Policy this year and how our framework aligns with our wider strategy and corporate governance best practice, as well as how we consider remuneration of the wider workforce in relation to executive pay.

As in previous years, the Report comprising the Annual Statement and the Annual Report on Remuneration are subject to a single advisory shareholder vote at the AGM, which will be held on 16 May 2025.

2024 Group performance and outcomes

The last few years have been challenging for the real estate industry as a whole and 2024 was no different.

The expectation of the extent to which interest rates would fall has impacted both the activity of investment markets and associated financing costs. The impact of impending higher employment costs for businesses from increased taxes in the UK has also impacted business confidence and therefore decision making. These macro economic factors have had an impact on the overall results of the Group and the achievement of KPIs.

As set out in the CEO report, the Board's focus for the executive team was to continue to drive lettings and complete the required refinancings. We have been highly successful at both, with record lettings, ahead of ERV, and delivering our programme of refinancings.

However, there were fundamental market conditions that were outside the control of the Directors and held back performance. The investment market continues to be subdued, causing delays in the sale of some properties and leading to opportunistic and unrealistic offers. We also continue to pause acquisitions. Valuation declines continued, although they have stabilised and we are hopeful that the macro economic position improves in the coming years.

Continuing to focus on our tenants' needs and developing effective working relationships has shown we are able to deploy our in-house resources quickly and effectively as our tenants' needs evolve.

"We have considered both operational and market performance when analysing outcomes and setting executive pay."

Committee members' attendance during the year ended 31 December 2024

Eva Lindqvist	●●●●●
Bill Holland	●●●●●
Lennart Sten	●●●●●

Our 2023 final dividend was payable in May 2024 and our 2024 interim dividend in October 2024. On both occasions, the Board carefully considered the overall performance of the Group and concluded that it was appropriate to pay the dividends in line with our existing dividend policy. Given the overall performance of the Group and the benefits of retaining funds to invest in opportunities in our property portfolio, the Board has decided to propose a 2.68 pence final 2024 dividend which, together with the interim dividend, results in a 5.28 pence full year dividend, which is 1.73x covered by EPRA earnings.

The Committee considered these efforts and achievements to ensure they were reflected in remuneration outcomes as set out below.

Annual Bonus key performance indicators

The 2024 annual bonus was based 40% on EPRA Earnings per share ("EPRA EPS"), 15% on Total Accounting Return, 25% on EPRA Vacancy rate and 20% on strategic objectives. Provisional targets were set prior to the start of the year and were finalised during the year to take into account internal forecasts and the external outlook.

EPRA EPS was 9.16 pence, which was below target but above threshold resulting in a bonus of 39.9% of the maximum for this element. This was driven by increased net rental income but offset by higher financing costs.

Total Accounting Return, based on EPRA NTA, was –11.9%, which was below threshold resulting in no bonus for this element. This fall in NTA from 253.0 to 215.0 pence per share was almost entirely as a result of revaluation declines, including the impact of sterling strengthening against the euro.

EPRA vacancy rate was 12.7%, which was below target but above the threshold resulting in a bonus of 44.2% of the maximum for this element of the bonus. Although we also saw strong lettings demand across the existing portfolio with significant lease deals in all three countries, there were a large number of refurbishments made available to let during the year, which resulted in the vacancy rate being higher than anticipated.

The Strategic Objectives were reviewed and, following discussion, the Committee agreed that the Executive Directors' performance had been excellent, such that it approved to award 100% of the maximum available bonus for this element. The overall bonus payout is, therefore, 47.0% of maximum.

The Committee determined that, taken as a whole, the slightly below target attainment against our annual bonus measures broadly reflected the performance of the Group in challenging market conditions. We also noted that some external factors (outside management's control) had impacted the ability to achieve the stretching targets which had been set at the start of the year. For example, the extent to which macro elements, such as the decline in property values during the year, impacted the NTA, and a change in government policy resulting in a shift in the anticipated rate of interest rate cuts during the year impacted our EPS performance. Despite these headwinds, the Committee concluded that no discretionary adjustment was warranted in relation to the formulaic outcome from the annual bonus scheme.

LTIPs

The 2021 LTIP Awards were granted on 10 March 2021 and performance was assessed over a 3 year period ending on 31 December 2023.

As reported last year, the relative TSR element was below median and therefore resulted in nil vesting under this element of the award. The EPRA NTA per share calculation was undertaken after last year's report was published and performance was also below the median. Therefore, the overall vesting for the 2021 LTIP was Nil.

The 2022 LTIP Awards were granted on 16 March 2022 and performance is assessed over the 3-year period ended 31 December 2024. CLS's TSR was below median and therefore has resulted in nil vesting under this element of the award. The final assessment against the relative TAR (EPRA NTA) per share performance condition will be considered when all comparator group companies have published their 2024 EPRA NTA per share figures. When available, the Committee will assess the achievement against the performance targets under both measures to determine the final vesting level. The 2022 LTIP's final vesting outcome will be reported in next year's report.

Discretion

The Committee did not exercise discretion in relation to the formulaic outcomes of the 2024 annual bonus, 2021 LTIP award or PIP Element A run off award.

Implementation of Policy for 2025

Salary increase

The Committee reviewed base salaries for the Executive Directors in the context of the current economic environment and increases awarded to our general employee population. As a result, a 3% uplift was awarded to both Fredrik Widlund and Andrew Kirkman from 1 January 2025, mirroring the percentage increase awarded to the wider workforce.

Variable pay

Bonus potential remain unchanged at 150% of salary and 125% of salary for the CEO and CFO respectively.

Our 2023 Policy includes the ability to grant LTIP awards with a face value of up to 200% of salary and recent practice has been to grant awards below this limit, at 150% of salary for the CEO and 120% of salary for the CFO.

Recent awards have vested at relatively low levels (2020 – 29.9%, 2021 – 0% and 2022 – 0% (estimated)) and inflight awards granted in 2023 and 2024 are likely to have little value based on current estimates. The Committee believes LTIP awards should be motivational and retentional, and the current lack of value delivered (and forecast to be delivered) has created retention and motivation issues internally. Reflecting this, the Committee has considered carefully the approach for the 2025 LTIP and has decided to make awards at 175% and 145% of salary for both the CEO and CFO, respectively, which remain well below the 200% limit contained in the Policy.

The Committee is fully aware of the fall in share price in recent years and the guidance around reducing award levels in such cases. However, given the personnel pressures facing the business and the desire to put in place a meaningful LTIP award to drive performance and retain key staff, the Committee believes the higher LTIP award level in 2025 is in the best interests of shareholders. Stretching performance targets based on achieving a recovery in the share price and closing the NTA to share price discount will apply. The Committee will review the vesting outcome and will adjust vesting if it is felt that there have been windfall gains.

Performance Measures

Annual Bonus

The Committee reviewed the 2025 performance measures for the annual bonus and LTIP, and proposed the annual bonus metrics as set out below:

- EPRA EPS – 30% weighting (previously 40%)
- EPRA vacancy rate – 25% weighting (no change)
- Group Loan To Value – 15% weighting (new KPI)
- Strategic objectives (including ESG) – 30% weighting (previously 20%)

The Board is focused on reducing LTV and has therefore included this as a bonus measure for 2025. There are a number of key operational and strategic projects that we consider require significant focus to achieve, such as the significant quantum of refinancings, hence an increase in the strategic objectives weighting. The Committee will review the balance of measures again for 2026 as part of the review of the Directors' Remuneration Policy during 2025.

The strategic performance element includes ESG objectives which both reflects broader investor views and ensures that the Executive Directors are rewarded for effective delivery against the company's ESG strategy.

LTIP

In conjunction with the decision to increase the award level for 2025, the Committee has considered the appropriateness of the LTIP performance measures in light of the medium-term strategic objectives of the Group. The following measures will apply:

- 35% Absolute Total Shareholder Return (Share price and dividends)
- 35% Absolute Total Accounting Return (NTA plus dividends)
- 30% Relative Total Accounting Return (NTA plus dividends)

We have removed relative TSR this year given the lack of comparable UK-listed real estate businesses focused on European offices which reduces its effectiveness as a metric. Instead, absolute TSR measure will be included. Driving growth and value through the existing portfolio is a key objective for CLS and therefore TAR will account for 65% of the LTIP. Further details on the targets are set out on page 106.

Concluding remarks

The Group has continued to face headwinds as a result of the current economic climate and in this context the Committee believes that Executive Director bonus and LTIP outcomes for 2024 are reflective of the results contained in this annual report. The Committee wishes to motivate and retain the current executive team and, in this context, has decided to increase the 2025 LTIP grant level contained in the shareholder-approved Policy, but remain below policy limits. We believe our approach to pay aligns with the Company's strategy of growing profitability and delivering appropriate returns. We trust that this report will answer any questions you may have in respect of remuneration, and we would be glad to receive your support at the 2025 AGM in respect of the advisory vote on the Annual Report on Remuneration.

As this is the final year of our current Policy, we will be undertaking a comprehensive review of remuneration and will be seeking input and feedback from our leading shareholders, before putting forward a new or amended Policy for approval in 2026.

Finally, I want to recognise that the Company's performance would not be possible without the hard work shown by our employees during these challenging times. To all staff – thank you for your dedication and commitment to making CLS the strong business it remains today.

Eva Lindqvist
Chair, Remuneration Committee
31 March 2025

Our focus for the year ahead

- Oversee the implementation of the Remuneration Policy in relation to the Executive Directors and the workforce generally
- Monitor performance against KPIs
- Continue to ensure consistency of approach and fair pay conditions across the Group and seek expert advice and market data to inform decisions
- Ensure Company performance is appropriately reflected in any performance-related pay element of remuneration
- Initiate shareholder consultation in preparation for a new or amended Remuneration Policy in 2026

Linking our Remuneration Policy to our Strategy

Company Strategy

We acquire the right properties
- Invest in high-yielding properties, predominantly offices, with a focus on cash returns
- Diversify market risk by investing in geographical areas with differing characteristics

We secure the right finance
- Target a low cost of debt
- Utilise diversified sources of finance to reduce risk
- Maintain an appropriate level of liquid resources

We deliver value through active management and cost control
- Maintain high occupancy rates
- Maintain a diversified customer base underpinned by a strong core income stream
- Maintain strict cost control

We reward shareholders, customers and employees
- Grow dividend in line with growth of the business
- Provide cost effective accommodation by investing profits back into the business
- Reward employees for their work and loyalty

We continually assess whether to hold or sell properties
- Focus on holding those properties with the potential to add value through active asset management
- Sell those properties which are low yielding or where the risk/reward ratio is unfavourably balanced

Remuneration Principles

Our Group strategy informs our Remuneration principles and our structure supports these objectives

Competitive	• Salaries are targeted to be at a conservative level and variable pay is targeted at above median so that combined, total remuneration should be competitive when compared with companies of similar size and scale, i.e. peers in the FTSE 350/Small Cap real estate sector. • LTIP ensures more competitive market positioning, provided that the executive team delivers long-term sustainable performance.	Link to Code Provision 40 factors: • Alignment to culture. • Proportionality.
Performance	• A significant part of the Executive Directors' reward is determined by the Company's success in delivering its strategy. • Failure to achieve threshold levels of annual and long-term performance may result in no bonus and/or no vesting of the LTIP. • The fixed element of the Policy remains conservative against industry and sector peers. • The Committee retains discretion to adjust pay outcomes if they do not reflect wider business performance in line with best practice.	Link to Code Provision 40 factors: • Predictability. • Alignment to culture.
Shareholder aligned	• A considerable part of the reward is paid in shares combined with significant shareholding requirements. • Annual bonus over 100% of salary will be deferred in shares and vest after 3 years subject to continued employment. • In the case of the LTIP, deferral applies over a period of 5 years from grant. This allows the build up and retention of meaningful shareholdings by the Executive Directors. • Post-employment shareholding requirement increases lock-in over longer term and incentivises effective long-term decision making.	Link to Code Provision 40 factors: • Risk. • Alignment to culture. • Clarity.
Simple and transparent	• All aspects of the remuneration structure are clear to participants and openly communicated. • The annual bonus is aligned to market practice. • The LTIP is also aligned to standard market practice and is simple to understand. • The overall framework for remuneration is therefore aligned with good governance.	Link to Code Provision 40 factors: • Simplicity. • Clarity.

Our chosen incentive plan measures clearly support the Company strategy

Annual Bonus (2024)	EPRA Earnings Per Share (40%)	Total Accounting Return (15%)	EPRA Vacancy rate (25%)	Strategic Objective (20%)

LTIP (2024)	Relative Total Shareholder Return (35%)	Relative EPRA NTA growth per share (65%)

Our chosen incentive plan measures clearly support the Company strategy and culture, whilst being market consistent

Annual Report on Remuneration

Single total figure for Executive Directors' remuneration (Audited)

The following table shows an analysis of remuneration in respect of qualifying services for the 2023 and 2024 financial years for each Executive Director:

2024

Executive Director	Salary £000	Taxable benefits £000[5]	Pension £000	Annual Bonus £000[3]	LTIP £000[4]	Other fees £000[6]	Total rem £000	Total fixed £000[7]	Total variable £000[8]
Fredrik Widlund[1]	**507**	**7**	**51**	**360**	**31**	**1**	**957**	**565**	**392**
Andrew Kirkman[2]	**325**	**9**	**33**	**192**	**13**	**1**	**573**	**367**	**206**

2023

Executive Director	Salary £000	Taxable benefits £000[5]	Pension £000	Annual Bonus £000[3]	LTIP £000[4]	Other fees £000[6]	Total rem £000	Total fixed £000[7]	Total variable £000[8]
Fredrik Widlund[1]	492	5	49	349	35	22	952	546	406
Andrew Kirkman[2]	315	7	32	186	14	7	561	354	207

1 Mr Widlund received total pension contributions of £50,659 (2023: £49,183). In accordance with the Policy, the entire amount was paid as cash in lieu (this element of salary is not bonusable or pensionable). The 2023 Salary column has been restated to separate pension contributions paid as salary, which is now contained in the Pension column for comparison.
2 Mr Kirkman received total pension contribution of £32,507 (2023: £31,560). In accordance with the Policy, £22,507 (2023: £24,610) was paid as cash in lieu and £10,000 (2023: £7,499) was paid to his SIPP (this element of salary is not bonusable or pensionable). The 2023 Salary column has been restated to separate pension contributions paid as salary, which is now contained in the Pension column for comparison.
3 The Annual Bonus column total for 2024 includes bonus earned for 2024, which is paid in cash up to 100% of salary, with any additional bonus deferred into shares for 3 years: Mr Widlund £357,075; Mr Kirkman £190,941. Includes the dividends attributable to deferred shares during the year under PIP A Account: Mr Widlund £3,034 (2023: 2,087); Mr Kirkman £1,239 (2023: £1,146).
4 The 2024 LTIP column consists of the entire final value of deferred notional share balance under PIP A Account to be paid in March 2025. No value has been attributed to the 2022 LTIP. The 2023 LTIP column consists of 50% of the value of the opening balance of deferred notional shares under PIP A Account. The value of the notional shares under Element A has been based on the average market value of a share for the 30-day period to 31 December 2024 of £0.808 (2023: £0.981) in accordance with the rules of the PIP. There are no further payments to be made under the PIP.
5 Taxable benefits column relate to the provision of private medical insurance.
6 Other fees relate to: the Matching Shares that vested during the year under the All Employee Share Incentive Plan. Mr Widlund: £627 (2023: £1,076) Mr Kirkman: £628 (2023: £1,371). Based on the average market value of a share for the 30-day period to 31 December 2024 of £0.808 (2023: £0.981). There were no further vestings of Element B Awards and therefore no further dividend equivalents were paid to Mr Widlund (2023: £21,160) or Mr Kirkman (2023: £6,036).
7 Total fixed column is the total of salary, pension and benefits.
8 Total variable column is the total of bonus cash and deferred shares, LTIP and Other fees.

Annual Bonus Plan (audited)

The table below sets out the annual opportunity and outcomes for the Executive Directors.

	CEO	CFO
Maximum Bonus opportunity (% salary) in 2024	150%	125%
Maximum Bonus opportunity (£) in 2024	£759,890	£406,341
KPIs achievement as % of maximum	47.0%	47.0%
Bonus as a % of 2024 salary	70.5%	58.7%
Total Bonus based on achievement above	£357,075	£190,941
Bonus payable in cash (maximum 100% of salary)	£357,075	£190,941
Bonus deferred into shares (where bonus is over 100% of salary)	Nil	Nil

A breakdown of the KPI achievements are set out below:

2024 KPI	Weighting	Threshold performance (25% payout)	On Target Performance (50% payout)	Maximum Performance (100% payout)	2024 Achievement	% of maximum earned	CEO	CFO
EPRA EPS	40%	8.00p	9.95p	11.00p	9.16p	39.9%	£121,193	£64,806
Total Accounting Return*	15%	(8.00)%	(2.80)%	9.00%	(11.88)%	0%	£0	£0
EPRA Vacancy rate	25%	15.00%	12.00%	10.00%	12.70%	44.2%	£83,904	£44,867
Strategic Objective	20%	Assessed by Remuneration Committee (see details below)				100%	£151,978	£81,268
Total	100%						£357,075	£190,941

* Based on EPRA NTA.

Assessment of strategic objectives

The strategic objectives were reviewed and performance assessed by the Committee as set out below.

ESG specific performance To achieve a reduction in carbon emissions and energy use in line with the Net Zero Carbon pathway model (3% like for like) and completion of relevant planned NZC energy efficiency projects.	The Group met this objective by achieving a 6.9% reduction in carbon emissions and 4.9% reduction in energy usage, and completed its planned energy efficiency projects for 2024.
Operational • Implement the strategy for Bismarckstrasse and Spring Gardens by November 2024. • Successfully execute the key Treasury priorities including the delivery of 2024 refinancings and progress with 2025 refinancings.	• The Group implemented a refurbishment strategy for Bismarckstrasse and the development strategy for Spring Gardens by November 2024. • All 2024 refinancings were delivered and 80% of the 2025 refinancings had been initiated.
Digitisation To complete the delivery of MRI and the implementation of the new website in 2024	In 2024, we have continued to make improvements to MRI. In September, we delivered significant enhancements to the UK and French operations and provided the foundations for the German transition. Due to the supplier's failure to deliver a bug free product and all the necessary enhancements for Germany, it was decided not to go live in Germany/ Luxembourg in September due to operational risks. Implementation is now targeted to be in H1 2025 post year-end processes and the delivery of necessary system enhancements. The Committee noted that this delay was outside of management's control and that the decision to delay implementation was sensible, and the correct decision in the circumstances. The new Website was delivered in December 2024.

Performance Incentive Plan (PIP) – 2024 Element A (run off)

The schematic below illustrates the final operation of PIP Element A:

Year	2021	2022	2023	2024
Cycle 4	1st year	2nd year	3rd year	4th year

As set out in the Policy, with the introduction of the Annual Bonus Plan, no further contributions were made to the PIP Element A. In line with the rules of the scheme, the remaining balance was to be released at the end of 2024.

The following table sets out for cycle 4, the PIP Element A Accounts for the participants and shows the number of deferred notional shares which formed the opening balance at 1 January 2024 and their opening value, the value of the notional shares as at 31 December 2024 and the final payments from the accounts in respect of 2024.

PIP Plan Element A Accounts (cycle 4)	CEO	CFO
Number of deferred notional shares in Account at the start of Year 3	38,168	15,582
Value of deferred notional shares at the start of year 3[1]	£37,458	£15,292
Change in value of deferred notional shares	£(6,618)	£(2,702)
Value of deferred notional shares at end of year 3[2]	£30,840	£12,591
Plus dividends attributable to deferred notional shares during year 4	£3,034	£1,239
Cumulative Account	£33,874	£13,829
Less: Final 2024 payment out of the Account	£(33,874)	£(13,829)
Value of Final Account[3]	£nil	£nil

1 The price used to calculate the opening value of shares was the average mid-market value of a share for the 30-day period to 31 December 2023,which was £0.981 per share.
2 The price used to calculate the closing value of shares was the average mid-market value of a share for the 30-day period to 31 December 2024, which was £0.808 per share.
3 In the context of the operation of the PIP Element A, the deferred notional shares is a mechanism that allows the deferred cash element of the award to be linked to the share price. The Committee confirms that no actual shares were issued.

Long-Term Incentive Plan (LTIP)

Vesting outcome for 2021 LTIP award (audited)

The 2021 LTIP Awards were granted on 10 March 2021 with targets based on CLS' performance versus the constituent companies of the FTSE 350 Supersector Real Estate Index under two equally weighted measures: Relative Total Shareholder Return growth ("TSR") and Relative EPRA Net Tangible Asset growth per share ("EPRA NTA per share") both assessed over 3 years ending on 31 December 2023.

As explained in the 2023 Annual Report, the final assessment against the relative EPRA NTA per share performance condition was pending as it could only be considered when all comparator group companies had published their 2023 EPRA NTA per share figures. This assessment was undertaken by the Committee during the year and the final outcomes against both performance targets were as follows:

- The relative TSR performance was below median and therefore resulted in nil vesting under this element of the award.
- The relative EPRA NTA per share performance was below median and therefore resulted in nil vesting under this element of the award. Full details are set out below:

		Performance target		Actual performance		
Measure	Weighting	Median (25% vesting)	Upper quartile (100% vesting)	CLS performance	LTIP vesting outcome of element	LTIP vesting outcome after weighting
Relative TSR growth	50%	(0.3)%	6.8%	(48.5)%	nil	nil
Relative EPRA NTA per share growth	50%	(6.8)%	11.7%	(26.7)%	nil	nil
Vesting of LTIP (as a % of maximum)	100%	–	–	–	–	nil%

The Committee considered that the formulaic nil vesting outcome reflected the underlying performance of the Company. The LTIP value in the directors' remuneration table for 2023 was reported as nil and did not therefore have to be restated.

Vesting outcome for 2022 LTIP award (audited)

The 2022 LTIP Awards were granted on 16 March 2022. CLS' performance is measured against the constituent companies of the FTSE 350 Supersector Real Estate Index under the same two equally weighted measures as the 2021 awards: Relative TSR and Relative EPRA NTA per share.

The relative TSR element was assessed over a 3 year performance period ending on 31 December 2024. CLS' TSR growth was below median and therefore this resulted in nil vesting for this element, as set out in the table below.

The final assessment against the relative EPRA NTA per share performance condition is pending as this can only be considered when all comparator group companies have published their 2024 EPRA NTA per share figures. When available, the Committee will assess the achievement against the performance targets under both measures to determine the final vesting level of the 2022 awards. In line with the Company's shareholder approved remuneration policy, the Committee will also consider whether the formulaic 2022 LTIP vesting outcome fairly reflected the underlying performance of the Company, including the consideration of windfall gains having arisen, before determining final vesting.

As explained above, the vesting outcomes in the tables below only relate to the relative TSR element. The final vesting outcome will be presented in the 2025 annual report on remuneration:

		Performance target		Actual performance		
Measure	Weighting	Median (25% vesting)	Upper quartile (100% vesting)	CLS performance	LTIP vesting outcome of element	LTIP vesting outcome after weighting
Relative TSR growth	50%	(22.2)%	(15.0)%	(53.8)%	nil	nil
Relative EPRA NTA per share growth	50%	tbc	tbc	tbc	tbc	tbc
Vesting of LTIP (as a % of maximum)	100%		n/a			tbc

Executive Director	Date of Grant	Shares awarded	Estimated Vesting percentage	Estimated Number of shares vesting	Estimated value of shares vesting	Estimated value attributable	Vesting date	End of holding period
Fredrik Widlund	16 March 2022	349,416	tbc	tbc	tbc	tbc	16 March 2025	16 March 2027
Andrew Kirkman	16 March 2022	170,830	tbc	tbc	tbc	tbc	16 March 2025	16 March 2027

Reconciliation of LTIP with single figure table for 2024

	CEO	CFO
LTIP in single figure table		
Comprising the final payment from the PIP Element A accounts (cycle 4)	£37,458	£15,292
Value of LTIP due to share price increase/(decrease)	£(6,618)	£(2,701)
Estimated Value of 2022 LTIP Award[1]	nil	nil
Total LTIP	**£30,840**	**£12,591**

1 Estimated value of the 2022 LTIP awards only includes the Relative TSR element as the Relative EPRA Net Asset per share target has not yet been assessed.

LTIP awards granted in 2024

LTIP awards were granted on 13 March 2024 in the form of nil-cost options. The awards had a face value of 150% of base salary for the CEO and 120% for the CFO. The normal vesting date of the LTIP Awards will be 13 March 2026, being the third anniversary of the award date. Dividend equivalents will be payable on vested shares. On completion of the vesting period, any awards that vest will be subject to a further two-year holding period.

The award levels were significantly below the maximum level that is permissible under the Policy (200% of salary), recognising the reduction in share price since the 2023 LTIP grant. In addition, the outcome will be reviewed at vesting to ensure no windfall gains have occurred as a result of changes in the share price between the grant and vesting.

As set out in the table below, the number of shares granted under the award was calculated using a share price of £0.923, being the quoted closing price of the Company's Ordinary Share on 12 March 2024.

Scheme interests awarded under the LTIP (audited)

Name	Role	Base salary at date of grant	Face value of 2024 LTIP award (% of base salary)	Face value of 2024 LTIP award	Value at vesting (threshold vesting of 25%	Number of shares granted	Vesting date	End of holding period
Fredrik Widlund	CEO	£506,594	150%	£759,891	£189,973	823,283	13 March 2027	13 March 2029
Andrew Kirkman	CFO	£325,074	120%	£390,089	£97,522	422,631	13 March 2027	13 March 2029

The LTIP awards will vest based on the satisfaction of the following performance conditions which are each measured over a three year period ending on 31 December 2026:

	Threshold	Maximum
Award vesting[2] (% of relevant part of award vesting)	25%	100%
Total Shareholder Return relative to selected[1] FTSE 350 Real Estate Super Sector Constituents (35%)	Median	Upper Quartile
EPRA NTA growth per share relative to selected[1] FTSE 350 Real Estate Super Constituents (65%)	Median	Upper Quartile

1 The Committee refined its approach to the peer group for both metrics, such that it continues to be based on the FTSE350 Supersector Real Estate Index but now excludes certain companies that are deemed to be less relevant for comparison. The comparator group for 2024 constitutes 19 companies.
2 Straight-line interpolation between threshold and maximum performance levels.

Total pension entitlements
The Executive Directors are entitled to participate in a defined contribution pension scheme, into which the Company contributes up to 10% of base salary. No Directors were participants in the scheme as at 31 December 2024 (2023: none). As a result of the applicable HMRC limits, Fredrik Widlund instead received the full 10% contribution as a salary supplement and Andrew Kirkman received part of his 10% contribution as a salary supplement and the balance as a contribution to his Self Invested Personal Pension Plan (see Note 2, Single Total Figure for Executive Directors' Remuneration (Audited)).

Overall 2024 remuneration
The Committee is satisfied that the current Policy operated as intended and that the overall 2024 remuneration paid to Executive Directors set out above was appropriate.

External appointments
Mr Widlund was appointed as a Trustee of Morden College, a social and housing charity, on 31 August 2018, for which no remuneration is paid. On 1 January 2021, Mr Kirkman was appointed as a non-executive director of A2Dominion Housing Group Limited, a housing association, for which he is paid £13,855 per annum. In February 2024, Mr Kirkman was appointed to the Oxford University Audit and Scrutiny Committee, for which no payment is received.

Single total figure for Non-Executive Directors' remuneration (audited)
Non-Executive Directors do not participate in any of the Company's incentive arrangements nor do they receive any benefits other than reimbursement for reasonable travel expenses for attending Board meetings.

The following table sets out the fees received for 2024 and 2023:

	Base membership fees		Other committee fees		Additional fees		Taxable benefits[7]		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Elizabeth Edwards[1]	**60**	55	**10**	10	**4**	1	**1**	–	**75**	66
Bill Holland[2]	**50**	45	**15**	15	**–**	–	**2**	2	**67**	62
Eva Lindqvist[3]	**50**	11	**16**	3	**–**	–	**3**	2	**69**	16
Bengt Mortstedt[4]	**50**	45	**–**	–	**–**	–	**21**	30	**71**	75
Anna Seeley[5]	**128**	120	**–**	–	**–**	–	**–**	–	**128**	120
Lennart Sten[6]	**235**	220	**–**	–	**–**	–	**1**	–	**236**	220

1 Ms Edwards received the following annual fees: Board membership £50,000; Senior Independent Director £10,000 (included in base membership fee); Audit Committee membership £5,000; Nomination Committee Membership £5,000; and Workforce advisory fees £4,250 (included in Additional Fees).
2 Mr Holland received the following fees: Board membership £50,000; Audit Committee Chair £10,000; Remuneration Committee membership £5,000.
3 Eva Lindqvist received the following fees: Board membership £50,000; Remuneration Committee Chair £10,000; Audit Committee membership £5,000 and following her appointment to the Nomination Committee on 12 November 2024 a prorated membership fee of £666.
4 Mr Mortstedt retired from the Board on 28 February 2025.
5 Ms Seeley received the annual following fees: Non-Executive Vice-Chair fee of £128,000 (inclusive of all Committee fees).
6 Mr Sten received the following annual fees: Non-Executive Chairman fee of £235,000 (inclusive of all Committee fees).
7 In accordance with the Company's expenses policy, Non-Executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where those costs are treated by HMRC as taxable benefits, the Company also meets the associated tax cost to the Non-Executive Directors through PAYE.

Payments to past directors (audited)
There were no payments made to past directors in 2024.

Payments for loss of office (audited)
No payments for loss of office were made in 2024.

Directors' interests in shares (audited)

The Executive Directors' interests against the shareholding requirement under the Policy is provided below, with an indication of whether the requirement has been met. Under the Policy the Committee has implemented minimum shareholdings for the Executive Directors, which requires that the Chief Executive Officer should build a holding with a value of at least 250% of salary and the Chief Financial Officer at least 200% of salary within 5 years of the Policy being approved. At 31 December 2024, the interests of the Directors in the ordinary shares of 2.5 pence each of the Company were:

Director	Unconditional shares	Vested but unexercised LTIP awards	SIP shares (partnership)	SIP shares (matching)	Total interests[3]	Shareholding (%) salary[3]	Shareholding requirement[4]	LTIP unvested awards
Fredrik Widlund[1]	710,054	–	8,119	8,119	726,292	116	N	1,709,640
Andrew Kirkman[2]	466,237	–	6,581	6,581	477,399	119	N	869,098
Elizabeth Edwards	9,809	–	–	–	–	n/a	n/a	–
Bill Holland	18,931	–	–	–	–	n/a	n/a	–
Eva Lindqvist	–	–	–	–	–	n/a	n/a	–
Bengt Mortstedt[6]	26,063,140	–	–	–	–	n/a	n/a	–
Anna Seeley	12,273	–	–	–	–	n/a	n/a	–
Lennart Sten	111,350	–	–	–	–	n/a	n/a	–

1 As at the date of this report: the SIP balance for Mr Widlund consists of: 8,720 Partnership Shares and 8,720 Matching Shares.
2 As at the date of this report: the SIP balance for Mr Kirkman consists of: 7,182 Partnership Shares and 7,182 Matching Shares.
3 Shares counting towards total interests and therefore shareholding requirement include beneficially owned and all SIP shares, but excludes unvested LTIP awards. Shareholding values based on 30-day average share price up to 31 December 2024, £0.808.
4 Mr Widlund met the shareholding requirement of 250% of salary in 2021 and it is noted that his total interests increased during the year by 60,851 shares but the overall value decreased by £65,954 (2023: decrease £249,387). Mr Kirkman met the shareholding requirement of 200% of salary in 2022 and it is noted that his total interests increased by 1,382 shares but the overall value decreased by £81,234 (2023: decrease of £223,516).
5 As set out on page 98, 50% of the 2022 LTIP award did not meet the performance conditions and therefore lapsed. As at the date of this report, unvested LTIP awards: Mr Widlund 1,534,932 shares and Mr Kirkman 783,683 shares.
6 Mr Mortstedt retired from the Board on 28 February 2025.

As part of Policy, a post-cessation of employment shareholding requirement has been implemented for the Executive Directors requiring the minimum shareholding requirement or actual shareholding on cessation if lower to be retained for two years. The Committee has determined that to ensure enforcement of this requirement, approval must be sought by the Company for any sales during this period. These restrictions would be set out in an agreement with the individual at the appropriate time.

Other than as set out in the notes above, there have been no movements in interests held by Directors between 31 December 2024 and the date of this report.

Total returns to shareholders 2015–2024

To comply with the remuneration regulations, the Company's TSR performance is compared to the TSR performance of the FTSE 350 and the FTSE 350 Supersector Real Estate indices over the last 10 years (see total return shareholders graph on page 1). The Committee believes that these are the most appropriate indices.

Executive Director service contracts and Non-Executive Director letters of appointment

Each of the Executive Directors has a service contract of no fixed term. There is no provision in the contracts of Mr Widlund or Mr. Kirkman for contractual termination payments, save for those payments normally due under employment law.

Each Non-Executive Director has a letter of appointment but, in accordance with best practice, none has a service contract. All of the Non-Executive Directors are appointed until such time as they are not re-elected. In compliance with the Code, all Company Directors will face annual re-election at the Company's AGM. If a director fails to be re-elected the terms of their appointment will cease. It is the Company's policy not to offer notice periods of more that 12 months exercisable by either party.

Details of the service contracts for those who served as Executive Directors during the year are as follows:

	Date of current service contact	Notice period
Fredrik Widlund	3 November 2014	12 months
Andrew Kirkman	30 March 2019	12 months

The table below sets out the dates that each Non-Executive Director was first appointed and the notice period by which their appointment may be terminated early by either party.

Director	Date of appointment	Date of resignation	Notice period
Elizabeth Edwards	13 May 2014	–	3 months
Bengt Mortstedt	7 March 2017	28 February 2025	3 months
Bill Holland	20 November 2019	–	3 months
Anna Seeley	11 May 2015	–	3 months
Lennart Sten	1 August 2014	–	3 months
Eva Lindqvist	22 September 2023	–	3 months

Historical CEO remuneration

The table below sets out total CEO remuneration for 2024 and prior years, together with the percentage of maximum awarded under the annual or long-term incentive elements of the Policy at that time. 2024 includes the annual bonus awarded and the 2022 LTIP TSR element which completed its performance period on 31 December 2024.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
CEO total remuneration (£000)	656	828	1,062	1,117	1,078	830	944	835	952	957
Element A of PIP – % of maximum	81.0%	76.0%	93.3%	62.7%	87.3%	43.3%	31.1%	18.4%	n/a	n/a
Annual Bonus Plan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	46.9%	47.0%
Element B of PIP – % of maximum	n/a	76.0%	93.3%	62.7%	87.3%	n/a	n/a	n/a	n/a	n/a
LTIP – % of maximum	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29.9%	nil	nil*

n/a is shown in years where the Company did not operate either the PIP Element A, B or LTIP.

* the vesting outcome relates to the relative TSR element only. The final vesting outcome will be presented in the 2025 annual report on remuneration.

Annual Percentage change in Directors' and employee remuneration

The table below shows how the annual percentage change in each Directors' salary/fees, benefits and bonus between 2020, 2021, 2022, 2023 and 2024 compared with the percentage in each of those components of pay for employees. Only the executive directors are employees of CLS Holdings plc. All other employees are employed by wholly owned CLS Holdings plc subsidiaries.

	Percentage change 2024/23			Percentage change 2023/22			Percentage change 2021/22			Percentage change 2020/21		
	Salary/ fees %	**Taxable benefits %**	**Bonus %**	Salary/ fees %	Taxable benefits %	Bonus %	Salary/ fees %	Taxable benefits %	Bonus %	Salary/ fees %	Taxable benefits %	Bonus %
Fredrik Widlund	**3**	**40**	**3**	3	–	406	3.2	(46.3)	(37.0)	1.0	12.5	(27.3)
Andrew Kirkman	**3**	**29**	**3**	3	–	492	3.4	–	(36.3)	1.6	16.7	(27.9)
Elizabeth Edwards	**12**	**100**	**–**	–	(201)	–	–	100.0	–	4.8	–	–
Bengt Mortstedt[1]	**11**	**(30)**	**–**	–	4	–	–	75.0	–	0.0	128.6	–
Bill Holland	**8**	**0**	**–**	–	46	–	–	(50)	–	0.0	–	–
Anna Seeley	**7**	**0**	**–**	–	–	–	–	–	–	–	(40.0)	–
Lennart Sten	**7**	**100**	**–**	–	–	–	–	–	–	1.7	100.0	–
Eva Lindqvist	**371**	**50**	**–**	100	100	–	n/a	n/a	n/a	n/a	n/a	n/a
Employees	**(7.7)**	**(0.4)**	**64**	(3)	2	(36)	(1.5)	12.6	(25.8)	1.4	(5)	2.7

1 Mr Mortstedt retired from the Board on 28 February 2025.

As a result of the Board and Committee changes during 2020, Ms Edwards and Mr Holland received additional remuneration for their new responsibilities. There were no changes to the Board/Committee fees for the years ended 2021, 2022 and 2023.

As set out in last year's annual report, a review of non-executive fees was undertaken in 2024, having last been reviewed in 2019, and the base fee was increased from 1 January 2024 by £5,000. (See page 99, single total figure for Non-Executive Directors Table Notes).

Eva Lindqvist served a full year and received additional remuneration following her membership of the Nomination Committee in November 2024.

The Group's pay review, taking effect from 1 January 2025 for UK employees, awarded a standard percentage increase in wages and salaries of 3% to all employees (including the Executive Directors).

The nature and level of benefits to employees in the year ended 31 December 2024 was broadly similar to those of the previous year.

CEO pay ratio

CLS Holdings plc has less than 250 UK employees as at 31 December 2024 and is therefore not required to disclose the CEO pay ratio information under the regulations.

Relative importance of the spend on pay

	2024 (£'000)	2023 (£'000)	Percentage change Increase/ (decrease)
Remuneration paid to employees of the Group	**8,177**	8,865	(7.8)
Distributions to shareholders	**31,594**	31,583	0.0
Share buyback	**Nil**	Nil	Nil
Group revenue	**151,879**	148,787	2.1

Wider workforce considerations cascade of pay through the organisation

The Group aims to provide a remuneration package for all employees which is market competitive and operates the same core structure as for Executive Directors. The Company's remuneration philosophy for all senior management from the Executive Directors downwards is that all employees should have a significant annual element of performance-based pay.

For all employees, the Group operates a performance-based annual bonus scheme. The Company also has a Share Incentive Plan (SIP) in order to increase levels of share-ownership throughout the Company and to allow employees to share in the success of the Company. Additionally, the Group's pension contributions to an employee's pension scheme are determined by their length of service from a minimum of 5% of salary up to a maximum of 10%.

Executive Directors and senior management are participants in the LTIP, with the number of employees eligible to participate being 18. For the wider workforce, the LTIP is replaced by a time-based, company growth related loyalty bonus. This ensures a focus on long-term sustainable value creation to align experience with those of shareholders.

The table below summarises the cascade of pay elements through the organisation below Executive Directors.

	Number of employees	Fixed Remuneration (including pension)	Annual bonus	Loyalty bonus	Bonus deferral	LTIP	Share Incentive Plan	Shareholding guidelines
Executive Directors	2	Y	Y	–	Y	Y	Y	Y
Senior Leadership (excl. Executive Directors)	9	Y	Y	–	–	Y	Y	–
Senior Management (excl. Senior Leadership Team)	7	Y	Y	–	–	Y	Y	–
Wider Workforce	88	Y	Y	Y	–	–	Y	–

Employee engagement

We regularly communicate with our employees on a range of issues, including executive pay, through a variety of channels including all employee meetings, employee surveys, managers' meetings and through our dedicated Intranet. Additionally, in 2019, Elizabeth Edwards was designated the Non-Executive Director responsible for overseeing employee engagement and chairs the "town hall" meetings in each of our regions. This provided the opportunity for an open discussion between employees and the Board. The annual report from Elizabeth Edwards, as the designated Non-Executive Director responsible for employee engagement, can be found on page 73. During the year, the Board reviewed the effectiveness of the current mechanism for seeking wider workforce views. The revised mechanism to seek the views of the workforce has been effective in enabling us to gain a deeper level of understanding and insight into the issues on a country by country basis, which in turn assists us to address any issues locally and with the appropriate nuance.

Fairness and diversity

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, to performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued. The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective. The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

Gender pay reporting

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 requires companies with over 250 UK employees to disclose their gender pay gap annually. CLS Holdings plc has under 250 UK employees as at 31 December 2024 and is therefore not required to disclose the Gender Pay Gap information under the regulations.

The Committee notes that results based on a relatively small sample of employees would not be meaningful and therefore has decided not to disclose the Company gender pay gap. Overall the Committee feels assured that the quality of processes behind individual pay decisions are effective in delivering an equal pay environment (like pay for like work) for the wider workforce.

Role of the Committee

The Committee's main purpose is to assist the Board in discharging its responsibilities for:

- reviewing the overall remuneration policy for executive directors and senior management;
- recommending and monitoring the level and structure of remuneration for executive directors and senior management;
- governing all share schemes; and
- reviewing any major changes in employee compensation and benefit structures throughout the Group.

The Committee's Terms of Reference, which are reviewed annually, are available on the Company's website.

Membership and attendance

At the year end, the Committee comprised three independent Directors including the Chair of the Board, who was independent on appointment. The Committee therefore complies with the provisions of the UK Corporate Governance Code (the "Code").

During 2024, the Committee met five times and held a number of informal discussions with the Executive Directors and the full Board. We believe it is important that during the year the Committee keeps up-to-date to enable timely discussions where business decisions may affect remuneration.

The Company Secretary acts as secretary to the Committee.

Performance of the Committee

The Committee undertakes a review of its performance each year. During 2024, this review was undertaken internally by way of a questionnaire and concluded that the Committee continued to perform effectively and had unfettered access to the information and advice it needed to make informed decisions on all matters related to remuneration.

Advisors to the Remuneration Committee

To ensure that the Group's remuneration practices are in line with best practice, the Committee has appointed an independent external remuneration advisor.

During the year, the Committee held a competitive tender for the position of remuneration advisor to the Committee. As a result of that tender, FIT Remuneration Consultants LLP (FIT) were appointed in November 2024, replacing PwC.

During the year, the Committee sought advice from PwC and FIT in relation to emerging issues and development of best practice as well as specifically on the application of our own policies related to remuneration. On occasion, the CEO and COO were invited to parts of Remuneration Committee meetings to hear from PwC and FIT about the broader landscape and trends in executive pay and emerging practices, and respond to questions from the Committee.

Such attendances excluded any matter concerning their own remuneration.

FIT adheres to the Remuneration Consultants Group Code of Conduct in its dealings with the Committee. The Committee reviews the objectivity and independence of the advice it receives from FIT at a private meeting each year. It is satisfied that FIT is providing independent, robust and professional advice.

The fees for the advice provided in 2024 by PwC were £51,863 excluding VAT (2023: £131,250). There were no costs included from FIT in 2024.

Statement of implementation of policy in following financial year

The table below sets out the intended implementation of our Policy for 2025. The full Policy, as approved at our 2023 AGM, can be found on our website together with a summary of the changes from the previous policy.

Element of remuneration	CEO	CFO
Salary	3% increase for 2025, which is the average workforce increase (3%) 2025 salary: £ 521,792 (2024: £506,594)	3% increase for 2025, which is the average workforce increase (3%) 2025 salary: £334,826 (2024: £325,074)
Pension	10% of salary employer contribution in line with Policy and maximum wider workforce contribution rate.	
Benefits	Standard benefits in line with Policy	
Annual bonus – Quantum	Maximum opportunity of 150% of salary (no change)	Maximum opportunity of 125% of salary (no change)
Annual bonus – Structure	• Payment will be in cash up to 100% of salary subject to the satisfaction of performance criteria. • Any balance over 100% of salary will be deferred (at that point) into shares and vest after 3 years, subject to continued employment. • 25% of maximum paid for threshold performance. • Malus and clawback provisions apply.	
Annual bonus – Performance measures	Reweighting of existing metrics and addition of new metric as set out below: • EPRA EPS – 30% weighting (previously 40%) • EPRA vacancy rate – 25% weighting (no change) • Group Loan To Value – 15% weighting (new performance measure, replacing Total Accounting Return, which is now contained in the LTIP performance measure) • Strategic objectives (including ESG) – 30% weighting (previously 20%) In line with market practice for traditional annual bonus arrangements and with the bonus increasingly being driven by commercially sensitive targets, the Committee has not disclosed detailed annual bonus targets for 2024. However, full and transparent disclosure of the targets and performance outcomes will continue to be set out on a retrospective basis in next year's Directors' Remuneration Report.	
LTIP – Quantum	175% of salary (policy maximum is 200% of salary)	145% of salary (policy maximum is 200% of salary)
LTIP – Structure	• Awarded in nil cost options or conditional awards with performance measured over 3 years. • Vested awards will be subject to a further 2 year holding period post-vesting. • Malus and clawback will operate over the full 5 year lock-in period.	
LTIP – Performance measures	• Absolute Total Shareholder Return – 35% weighting • Absolute Total Accounting Return – 35% weighting • Relative Total Accounting Return – 30% weighting • The peer group for Relative Total Accounting Return is based on the FTSE350 Supersector Real Estate Index and excludes certain companies that are deemed to be less relevant for comparison. The comparator group constitutes around 20 companies. 25% of awards vest for threshold performance rising on a straight-line basis to 100% for maximum performance. See page 92 for further details.	
Non-Executive Directors (Including Non-Executive Chairman and Non-Executive Vice Chair)		
Fees	Non-Executive Directors are paid a base fee and are eligible to receive Committee Chair and membership fees, SID fee and designated workforce advisory daily fee. Non-Executive Directors do not participate in any variable remuneration. See the section below for further details on fee levels and changes for 2024.	

The Committee does not expect to deviate from Policy during the year.

Non-Executive Directors (Including Non-Executive Chairman and Non-Executive Vice Chair) (audited)

The current fee levels, and those for the future financial year, are set out in the table below.

	Fees 2025 £000	Fees 2024 £000	Change %
Chairman fees	**235**	235	0
Non-Executive Vice Chair	**128**	128	0
NED Base Membership fee	**50**	50	0
Senior Independent Director	**10**	10	0
Audit Committee Chair	**10**	10	0
Remuneration Committee Chair	**10**	10	0
Committee membership	**5**	5	0
Designated workforce NED	**£850**	£850 p/d	0

No additional fees are paid to the Chair of the Nomination Committee as the role is currently carried out by the Vice Chair.

Fees were last reviewed in 2024.

See page 99 for total fees received in 2024 by each of the Non-Executive Directors based on their respective responsibilities.

Long-Term Incentive Awards to be granted in 2025

The table below sets out the 2025 LTIP measures and targets.

The CEO's award will be 175% of salary (2024: 150%) and the CFO's award will be 145% of salary (2024: 120%), which are in accordance with the Policy limits and relative benchmark data.

	Weighting	Threshold	Maximum
Award vesting for performance (% maximum)		25%	100%
Absolute Total Shareholder Return	35%	5%p.a.	14%p.a.
Absolute Total Accounting Return	35%	4% p.a.	8% p.a.
Relative Total Accounting Return	30%	Median	Upper Quartile

Straight line interpolation between performance levels.

The recalibration of the performance measures represents the key focus for the Group in the medium term as it enters the next phase of the property cycle and the desire to grow organically with the opportunities that are available within the existing portfolio. The move from relative to absolute targets reflects the limited number of comparable pan-European listed companies, but more stretching targets have been applied.

As set out above, the comparator group for Relative Total Accounting Return will still constitute around 20 companies that are constituents from the FTSE350 Supersector Real Estate Index.

Shareholder voting

The following table represents the voting outcome for the Directors' Remuneration Report at the 2024 Annual General Meeting and the current Policy that was approved at the 2023 Annual General Meeting.

	Directors Remuneration Report (2024 AGM)		**Directors Remuneration Policy (2023 AGM)**	
	Number of votes	**% of votes cast**	**Number of votes**	**% of votes cast**
For	**315,413,480**	**99.26**	**349,550,240**	**99.17**
Against	**2,345,420**	**0.74**	**2,931,226**	**0.83**
Total votes cast	**317,758,900**		**352,481,466**	
Votes withheld	**3,249,934**		**101,878**	

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2024.

The Chairman's letter, strategic report and corporate governance report form part of this report and should be read in conjunction with it.

Review of business

- The Group income statement for the year is set out on page 122.
- The Group objectives, business model, strategy and KPIs are set out on pages 16 and 17.
- Important events (including post-balance sheet events) affecting the Company are set out on pages 2 to 111.
- The principal and emerging risks and uncertainties are set out on pages 59 to 62.
- The use of financial instruments are set out on page 23, and in note 21 to the Group financial statements.
- The risk management objectives are detailed in note 21 to the Group financial statements. See also pages 56 to 62.
- The Group's likely future developments are set out on pages Inside Front Cover to 9.

Directors

Biographical details and experience of the current Directors of the Company are set out on pages 68 and 69.

The provisions concerning the appointment and replacement of directors are contained in the Company's Articles of Association and Companies Act 2006. The Articles may be amended by special resolution of the shareholders. All Directors will be subject to annual re-election at the 2025 Annual General Meeting in accordance with the UK Corporate Governance Code. In his role as independent Non-Executive Chairman, Lennart Sten recommends the re-election of the retiring Directors at the 2025 Annual General Meeting, given their experience, performance and continued important contribution to the long-term success of the Company. The Senior Independent Non-Executive Director recommends the re-election of Mr Sten.

Directors' remuneration and interests in shares are set out on pages 90 to 106. Related party transactions are set out in note 32 to the Group financial statements.

Dividends

An interim dividend of 2.60 pence per share was paid on 2 October 2024. The Directors are proposing a final dividend of 2.68 pence per share making a total dividend for the year ended 31 December 2024 of 5.28 pence per share. The final dividend will be paid on 23 May 2025 to shareholders who are on the register of members on 11 April 2025.

Purchase of the Company's shares

There were no purchases of the Company's own shares during the year. A resolution will be proposed at the 2025 Annual General Meeting to seek authority for the Company to make market purchases of up to 10% of the current issued share capital.

Share capital

Changes in share capital are shown in note 23 to the Group financial statements. As at 31 December 2024, the Company's issued share capital consisted of 438,777,780 ordinary shares of 2.5 pence each, of which 397,410,268 shares held voting rights and 41,367,512 shares were held as treasury shares, and all of which ranked pari passu. On 14 January 2025 the Company transferred 700,474 shares out of treasury to satisfy awards under the Company's share plans. Following this transaction, the Company's issued share capital consisted of 438,777,780 shares, of which 398,110,742 shares held voting rights and 40,667,038 shares were held as treasury shares, and all of which ranked pari passu. The rights (including full details relating to voting), obligations and any restrictions on transfer relating to the Company's shares, and the powers of the Directors in that regard, are set out in the Company's Articles of Association.

Major interests in the Company's shares

No major shareholding notifications were disclosed to the Company in accordance with DTR 5 during the year ended 31 December 2024 and no such disclosures have been made between the year end and the date of this report. As at the date of this report, so far as the Company is aware and based on the Company's register of interests disclosed pursuant to s793 of the Companies Act 2006, the interests of the top 10 shareholders (directly or indirectly) in the Company's issued share capital are:

	No. of shares	%
The Trustee of The Sten and Karin Mortstedt Family & Charity Trust	219,917,524	55.24%
Bengt Mortstedt	26,063,140	6.55%
Allianz Global Investors	13,756,871	3.46%
Janus Henderson Investors	12,023,336	3.02%
Amati Global Investors	7,010,169	1.76%
Invesco	6,499,106	1.63%
Vanguard Group	6,387,933	1.60%
Dowgate Capital	5,701,129	1.43%
BlackRock Investment Management	5,605,594	1.41%
Hargreaves Lansdown, stockbrokers (EO)	5,411,459	1.36%

Details of the Directors' interests in shares are shown in the Remuneration Committee Report on page 100. There are no shareholders who carry special rights with regard to control of the Company and there are no restrictions on voting rights. The Company knows of no agreements between holders of securities which would result in restrictions on the transfer of securities or on voting rights.

Significant agreements – change of control
A change of control of the Company may cause a number of agreements to which the Company or its active subsidiaries is party, such as commercial trading contracts, banking arrangements, property leases and licence agreements, to alter or terminate or provisions in those agreements to take effect. In the context of the Group as a whole, only the banking arrangements are considered to be significant. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occur because of a change of control.

Relationship agreement – controlling shareholder
As at 31 December 2024, Creative Value Investment Group Limited ('CVIG'), the investment vehicle for The Sten and Karin Mortstedt Family & Charity Trust, held through its wholly owned subsidiaries 55.24% of the Company's shares in issue and was therefore seen as a controlling shareholder under the Listing Rules.

Pursuant to UKLR 6.6.1R (13), the Company confirms that it continues to comply with the requirement of UKLR 6.2.3R that it is able to carry on the business of its main activity independently from its controlling shareholder. The Company confirms that it has in place and will have in place at all times a constitution that allows the election and re-election of independent directors to be conducted in accordance with UKLR 6.2.8R and UKLR 6.2.9R.

Property portfolio
A valuation of all the investment properties, properties held for sale and hotel in plant, property and equipment in the Group at 31 December 2024 was carried out by Cushman & Wakefield for the UK, and JLL in Germany and France, which produced an aggregate market value of £1,850.2 million (2023 £2,062.9 million).

Corporate governance
The Corporate Governance Statement, prepared in accordance with rule 7.2 of the FCA's Disclosure Guidance and Transparency Rules, is set out on pages 66 to 111 and forms part of this report. It applies to the Company and its subsidiaries. It does not include associates. The Group has no joint ventures.

Employees, environmental and social issues
The Group's policies on employment, environmental and social issues (including the information required by the Companies Act 2006 (strategic report and Directors' report) Regulations 2013), including charitable donations, are summarised in the Environmental, Social and Governance Review on pages 32 to 50. GHG emissions can be found on page 34. No political donations to any parties, organisations or candidates, or political expenditure were made during 2024. The Group has also published Sustainability Strategy and Net Zero Carbon pathway documents which are available on line at www.clsholdings.com.

Charitable donations during the year totalled £203,329 (2023: £85,559). As part of the Group's ESG strategy, it sponsors charitable events and organisations relating to the real estate industry and, more specifically, assists charities and organisations with donations and staff involvement initiatives in the areas where our properties are located. Further details can be found on page 33.

Engagement with suppliers, customers and others in a UK business relationship with the Company
The statement in respect of the Company's engagement with suppliers, customers and others throughout the year is set out in the stakeholder engagement sections on pages 28 and 29 and our Prompt Payment Code is detailed in the environmental, social and governance review on page 41.

Human rights
The Board ensures the Group upholds and promotes respect for human rights in all its current operating locations and aims to prevent any negative human rights impact. As the Group operates in the UK, Germany and France it is subject to the European Convention on Human Rights and the UK Human Rights Act 1998. The Group respects all human rights and in conducting its business regards those rights relating to non-discrimination and fair treatment to be the most relevant and to have the greatest potential impact on its key stakeholders, which are deemed to be customers, employees and suppliers. The Board has also noted its moral and legal obligations under the Modern Slavery Act 2015 (the "Act"). The Board has a zero tolerance approach towards modern slavery, and throughout the year the Company has contacted its first tier contractors and suppliers to ensure their compliance with the Act. Our full statement on Modern Slavery can be found on our website at www.clsholdings.com. The Group's policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice. The Group's policies are formulated and kept up to date and communicated to all employees through the Group Intranet and, where appropriate, individual presentations. In the year to 31 December 2024, the Group was not aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

Insurance of directors and indemnities
The Company has arranged insurance cover in respect of legal action against its Directors and Officers. The Company has granted indemnities to each of the Directors and other senior management, uncapped in amount but subject to applicable law, in relation to certain losses and liabilities which they may incur in the course of acting as Directors or employees of the Company or one or more of its subsidiaries or associates. These indemnities are categorised as a 'qualifying third-party indemnities' for the purposes of the Companies Act 2006.

Auditor
A resolution to confirm the appointment of BDO LLP as Auditor to the Company will be proposed at the forthcoming Annual General Meeting.

2025 Annual General Meeting
The 2025 Annual General Meeting will be held on Thursday, 16 May 2025. The notice of meeting, including explanatory notes for the resolutions to be proposed, will be posted to shareholders.

Disclosure of information to the Auditor

Each Director has confirmed at the date of this report that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

Notwithstanding the material uncertainty the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and further details of this analysis are set out together with the viability statement on pages 63 to 65.

Therefore, the Directors continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosures under UKLR 6.6R

The table below is included to comply with the disclosure requirements under UKLR 6.6.1R. The information required by the Listing Rules can be found in the annual report at the location stated below.

UKLR	Information required	Disclosure
6.6.1(1)	Interest capitalised by the Group	Not applicable
6.6.1(2)	Publication of unaudited financial information	Page 168
6.6.1(3)	Long-term incentive schemes disclosure required by UKLR 9.3.3R	None
6.6.1(4)	Director's waiver of emoluments	None
6.6.1(5)	Director's waiver of future emoluments	None
6.6.1(6)	Non-pro-rata allotments for cash (issuer)	None
6.6.1(7)	Non-pro-rata allotments for cash (major subsidiaries)	None
6.6.1(8)	Listed company is subsidiary of another company	None
6.6.1(9)	Contracts of significance with a director	None
6.6.1(10)	Contracts of significance with Controlling Shareholder	None
6.6.1(11)	Dividend waiver	Not applicable
6.6.1(12)	Waiver of future dividends	Not applicable
6.6.1(13)	Compliance with UKLR 6.2.3R in relation to controlling shareholder	Page 108

The following table is included to comply with the additional disclosure requirements under the UKLR 6.6.6R

UKLR	Information required	Disclosure
6.6.6(1)	Directors· (and Connected Persons') interests in CLS shares at year end and at not more than one month prior to the date of the AGM notice	Page 100
6.6.6(2)	Interests in CLS shares disclosed under DTR5 at year end and not more than one month prior to the date of AGM notice	Page 107
6.6.6(3)	The going concern statement	Page 63-64
6.6.6(4)(a)	Amount of authority to purchase own shares available at year end	39,741,026 shares
6.6.6(4)(b)	Off-market purchases of own shares during the year	None
6.6.6(4)(c)	Off-market purchases of own shares since year end	None
6.6.6(4)(d)	Non-pro-rata sales of treasury shares during the year	None
6.6.6(5)	Compliance with the Main Principles of the UK Corporate Governance Code	Page 67
6.6.6(6)(b)	Details of non-compliance with the UK Corporate Governance Code	Pages 67, 68 and 76
6.6.6(7)	Directors proposed for re-election: the unexpired term of any director's service contract and a statement about directors with no service contracts	Page 101
6.6.6(8)	Climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures	Pages 42-50

Employee Benefit Trust

Altum Trustees Limited (the "Trustee") continues as Trustee of CLS Holdings plc's Employee Benefit Trust (the "EBT"). The EBT is used to purchase the Company's shares in the market from time to time for the benefit of employees, including to satisfy outstanding awards under Company's various share plans.

During the year, the EBT made market purchases of 127,661 shares (2023: 341,340 shares) and released these shares on 14 March 2024 to satisfy vested share plan awards. As at 31 December 2024, the EBT did not hold any shares. On 14 January 2025, 700,474 shares were transferred from treasury to the EBT to satisfy future share plan awards in 2025.

A dividend waiver is in place from the Trustee in respect of all dividends payable by the Company's on shares which the EBT may hold. Further details regarding the EBT and of treasury shares issued pursuant to CLS Holdings plc employee share plans during the year are set out in note 23 to the financial statements.

Approved by the Board and signed on its behalf by:

David Fuller BA FCG
Company Secretary
31 March 2025

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

Independent Auditor's Report to the members of CLS Holdings Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CLS Holdings Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, Group statement of cash flows and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Directors on 6 September 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is less than 1 year, covering the year ended 31 December 2024. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Material Uncertainty related to going concern

We draw attention to Note 2 – Going Concern in the financial statements, which indicates that the going concern assumption is dependent both upon the timing and value of the refinancing of the debt maturing and upon investment property disposals, during the going concern period to 31 July 2026. The Group and Company acknowledge that these refinancings and disposals are dependent on circumstances outside their control. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern. Consequently, we determined Going Concern to be a key audit matter.

Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report on page 65, which indicates that an assumption made by the statement of viability is for the Group to be able to refinance its existing debt that is maturing, and to achieve the planned disposals of property assets. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the Group should these events not complete.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the appropriateness of the going concern period to 31 July 2026 ("the going concern period"), which takes into consideration the maturity of loans maturing (amounting to £426m) and the planned disposals (of £359m) in that period;
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;

- Using our knowledge of the Group and its market sector together with the current economic environment to assess the Directors' identification of the inherent risks to the Group's business and how these might impact the Group's ability to remain a going concern for the going concern period, being the period to 31 July 2026, which is at least 12 months from when the financial statements are authorised for issue;
- We have reviewed the forecasts that support the Directors' going concern assessment and:
  - obtained an understanding of how management prepared the forecasts and the two separate scenarios: the Base case, which is based on the Group's forecast cash flows approved by the Board at its November 2024 meeting, updated for actual results to date. The Severe but plausible case starts from the Base case and then flexes its key assumptions further; it applies more severe assumptions including; lower rents; increased service charge costs, and higher property and administration expenses; falling property values; higher interest rates; and the impact of these on planned sales and refinancings;
  - challenged forecast assumptions through comparison with those that would be expected in the current economic and financial environment, including forecast inflation levels and interest rates, together with other macro-economic factors which may adversely affect future occupancy and income and cost levels, and the impact of a further fall in property valuations on compliance with loan covenants;
  - challenged the appropriateness of each of the key assumptions in the two scenarios by testing them to supporting evidence and searching for contradictory evidence. We did this using our understanding of the Group's business, evidence gained during the audit, knowledge of the wider real estate market and input from our real estate valuation and debt specialists. We assessed historical forecasting accuracy as an input into determining the ability of management to forecast for the going concern period;
  - challenged forecast assumptions in comparison to the current performance of the Group; and
  - confirmed whether the terms and conditions of the Group's loan agreements had been appropriately incorporated into the going concern scenarios and modelling, including the maturity profile of the Group's borrowings and the requirements in relation to covenant compliance.

- We performed testing to evaluate whether the covenant requirements of the debt facilities would be breached under the Base case and the Severe but plausible case prepared by management, and applied additional stress tests to observe their impact on liquidity;
- We challenged the mitigations used by management in both the Base case and the Severe but plausible case, including certain refinancing and repayment of debt, property disposals, dividend distribution and capital expenditure, by comparing to actual cash flows in 2024, obtaining supporting evidence from management and searching for contrary evidence. We also challenged to what extent these mitigations are within management's control;
- We considered the ability of management to execute the refinancings of the debt maturing in the going concern period within the timescale required, which covered £426m of debt falling due within the going concern period. Our audit procedures included considering evidence of the progress of ongoing refinancing and management's refinancing track record. We also obtained the perspective of our debt advisory specialists in the UK and Germany on the market appetite for refinancing such loans;
- We also challenged management as to whether the Group would be able to complete the planned property disposals (£359m) included in their going concern assessment within the timescale required. Our audit procedures included considering evidence of the progress to date of planned disposals; and
- We read the disclosures in the Annual Report and Financial Statements in relation to going concern to assess whether they appropriately disclose the risks, the impact on the Group's operations and results and the availability of mitigating actions to be taken.

The results of the Severe but plausible downside scenario modelled by management indicate that a material uncertainty exists that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Key audit matters	**2024** • Valuation of the Property portfolio • Going Concern
Materiality	• Group financial statements as a whole – £19.3m based on 1% of Total Assets

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the Group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the Group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components in scope

The Group operates across two operating segments being other investments and investment property, with the investment property segment being managed across three separate geographic regions, the UK, Germany and France. The other investments segment comprises the Group's UK hotel operation and other small corporate investments based in Sweden. The head office is located in the UK where the other investments operating segment and UK investment property operating segment are managed. Both the Germany and France operating segments have separate local management and accounting functions.

For components in scope, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included:

- procedures on the entire financial information of the component, including performing substantive procedures;
- procedures on one or more classes of transactions, account balances or disclosures; and
- specific audit procedures.

Based on our risk assessment, we identified that the UK Component (including the Group's UK hotel operation) and Germany component required audits of their entire financial information due to the extent to which these components contribute to the identified Group risks of material misstatement.

We identified that the France component required audit procedures over specific financial statement areas due to extent to which certain financial statement areas within this component contribute to the identified Group risks of material misstatement.

The audit work performed over the UK component was performed by the UK firm and the audit work in respect of the German and French components was performed by local BDO Network firms in Luxembourg and France respectively. Certain additional procedures were performed at Group level by the Group audit team in respect of the key Audit matters, together with audit procedures over the Group consolidation which gave us the evidence we needed to form our opinion on the Group financial statements as a whole.

The remainder of the other investments segment, comprising small corporate investments based in Sweden was not identified as contributing to the identified Group risks of material misstatement and the financial information related to this component was principally subject to analytical review procedures performed by the Group audit team.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting processes in relation to Borrowings, Finance Costs and Going Concern. We therefore designed and performed procedures centrally in these areas.

The Group operates a centralised IT function that supports IT processes for certain components. This IT function is subject to specified risk-focused audit procedures, predominantly the testing of the relevant IT general controls and IT application controls.

Working with other auditors

As Group auditor, we determined the components at which audit work was performed, together with the resources needed to perform this work. These resources included component auditors, who formed part of the group engagement team as reported above. As Group auditor we are solely responsible for expressing an opinion on the financial statements.

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- As part of our audit planning, we issued Group audit instructions to the German and French component teams and held remote planning meetings via video conference to discuss the Group and local risks identified and to agree the testing approach and audit timelines. The planning documentation was reviewed by senior members of the Group audit team;
- A visit to Luxembourg (Germany component) and France (France component) was conducted by senior members of the Group audit team to perform a review of the complete audit files for the German component and to review the relevant audit work in relation to the specific financial statement area identified for the France component based on the extent to which certain financial statement areas within this component contribute to the identified Group risks of material misstatement. Following the review, any further work required by the Group audit team was performed by the component auditors and reviewed by the Group audit team via remote access to the audit files; and
- At the completion stage, the Group audit team attended closing meetings with the local audit team via video conference and reviewed their reporting, addressing risks and specific procedures raised. Discussions were held with Group management on the findings from our audit, including adjustments raised.

Climate change

Our work on the assessment of potential impacts on climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management and the Group's independent property valuers to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the annual report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector and property asset class;
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's risk assessment as set out in the ESG: climate related Financial Disclosure may affect the financial statements and our audit; and
- Involvement of climate-related experts in evaluating management's risk assessment.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments, have been reflected where appropriate in management's going concern assessment and viability assessment.

We also assessed the consistency of management's disclosures included as 'Statutory Other Information' within the Strategic Report with our knowledge obtained from the audit.

Based on our risk assessment procedures, we considered the following key audit matter to be materially impacted by climate-related risks and related commitments; Valuation of the Property portfolio. The explanation of, and our audit response to, this climate-related risk is included in the related key audit matter below.

Key audit matters

In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matter below to be the key audit matter to be communicated in our report.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation of the Property portfolio: £1,850.2m (2023: £2,062.9m) *Refer to the Audit Committee Report (page 84); Material accounting policies (pages 127 – 133); and Notes 11, 12, 13 and 14 of the Consolidated Financial Statements.*	The Group has engaged Cushman & Wakefield (UK Properties) and Jones Lang LaSalle (German and French Properties) to undertake a full year end valuation of all the properties in accordance with RICS Valuation – Global Standards. The valuation of the property portfolio requires significant judgement and use of estimates by management and the external valuers. Any input inaccuracies or unreasonable bases used in these estimates (such as in respect of market rental income and yields applied) could result in a material misstatement of the income statement and balance sheet. There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets, through intentionally misstating property or lease data provided to external valuers.	*Our audit work included, but was not restricted to, the following:* **Group's controls relating to the valuation of investment properties** • We reviewed and evaluated the design, implementation and appropriateness of the Group's controls relating to the valuation of investment properties, including the processes by which the Group ensures that accurate data is provided to the external valuers. In doing so, we performed a walkthrough of the relevant controls by obtaining support for the design and implementation of the controls. **Experience of the valuers and relevance of their work** • We assessed the competency, qualifications, independence and objectivity of the independent external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements, limitations in the scope of their work or evidence of management bias. • Together with our internal UK auditor's experts we read the valuation reports and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and were therefore appropriate for determining the carrying value in the Group's financial statements. **Data provided to the valuer** • We validated the underlying data provided to the valuer by management which included key observable inputs such as current rent and lease term by agreeing a sample to the executed lease agreements as part of our audit work. **Assumptions and estimates used by the valuer** With respect to the German and French investment properties, our internal real estate valuation specialists for each jurisdiction performed the following procedures: • Developed yield expectations for each property using available independent industry data, reports and comparable transactions in the market around the period end. • Evaluated the other key valuation assumptions, being the market rental values, taking into account the location and specifics of each property. • We tested the mathematical accuracy of the valuation calculations through reperformance based on the inputs used by the external valuer. • Attended meetings with our Group German and French property valuers, together with senior members of the Group audit team, and discussed the assumptions used and the valuation movement in the period with the independent valuers. • Where the valuation yield, market rental value or recalculated valuation was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields and/or market rents applied and corroborated their explanations where relevant, including agreeing to third-party documentation and market comparisons. With respect to the UK property valuations, the work performed was consistent with the above and included the following areas: • developing yield expectations for each property using available independent industry data, reports and comparable transactions in the market around the period end. • attending the meetings with the Group's UK property valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge. **Related disclosures in the financial statements** • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation assumptions and valuation sensitivity by checking that these adhere to the disclosure requirements of the reporting framework used. **Key observations:** Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation were not reasonable or that the methodology applied was inappropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements 2024 £m	Parent company financial statements 2024 £m
Materiality	£19.3m	£5.1m
Basis for determining materiality	Materiality for the Group and Parent Company's financial statements was set at 1% of total assets (2023: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.	
Rationale for the benchmark applied	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal considerations for the users of the financial statements in assessing the financial performance of the Group.	
Performance materiality	£11.5m	£3.1m
Basis for determining performance materiality	Performance materiality is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 60% of materiality. We determined that the same measure as the Group was appropriate for the Parent Company.	
Rationale for the percentage applied for performance materiality	We determined that 60% of materiality would be appropriate based on our risk assessment, together with our assessment of the Group's and Parent Company's overall control environment, the low number of components, the low value of brought forward adjustments impacting the current year and the acknowledgement that as it is our first year auditing the Group and thus our understanding of the Group is likely to be less than it would be otherwise.	

Specific materiality

We also determined that for other account balances and classes of transactions that impact the calculation of EPRA Earnings, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users.

As a result, we determined that specific materiality for these items should be £1.8 million, being 5% of EPRA Earnings. EPRA Earnings excludes the impact of the net loss on revaluation of investment properties and related deferred tax movements, changes in fair value of interest rate derivatives, changes in the fair value of equity investments, profits/(losses) on the sale of investment property and equity investments and the amortisation of intangible assets. We further applied a performance materiality level of 60% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated. We consider that the EPRA Earnings benchmark is comparable with other market participants.

Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Parent Company whose materiality and performance materiality are set out above, based on a percentage of between 30% and 60% of Group performance materiality dependent on a number of factors including the size and our assessment of the risk of material misstatement of that component. Component performance materiality ranged from £3.5m to £7.2m (Specific component performance materiality: £330k to £741k).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £965k (Specific materiality £90k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The UK Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 63 to 64; and • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 65.
Other Code provisions	• Directors' statement on fair, balanced and understandable set out on page 111; • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 59 to 62; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 56 to 62; and • The section describing the work of the audit committee set out on pages 84 to 89.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Directors' remuneration	In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
Corporate governance statement	In our opinion, based on the work undertaken in the course of the audit, the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information. In our opinion, based on the work undertaken in the course of the audit the information about the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules. We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company.

Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management, those charged with governance and legal counsel; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be UK adopted international accounting standards, the Companies Act 2006, UK Listing Rules and applicable tax regulations (including compliance with the UK REIT Regime).

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be VAT Regulations, employment law, Health and Safety Act and environmental regulations.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax experts and specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.

- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be inputs to the valuation of the property portfolio and management override of controls.

Our procedures in respect of the above included:

- To address the risk arising in relation to the inputs into the valuation of the property portfolio, we agreed the key observable inputs provided by management to those used by the external valuer, which consists of the current rent and lease term. We agreed these inputs to a sample of executed lease agreements as part of our audit work;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation;
- Involvement of forensic specialists in the audit to assist in the identification and assessment of potential fraud risks relevant to the Group; and
- Assessing significant estimates made by management for bias within the valuation of the property portfolio as mentioned under the key audit matters heading.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including component engagement teams who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. For component engagement teams, we also reviewed the results of their work performed in this regard.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Edward Goodworth
(Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
31 March 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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)**	–
Operating loss		**(52.5)**	(223.4)
Finance income	8	**1.4**	1.6
Finance costs	9	**(45.7)**	(41.3)
Foreign exchange loss		**(0.6)**	(0.3)
Loss before tax		**(97.4)**	(263.4)
Taxation	10	**3.8**	13.6
Loss for the year attributable to equity shareholders		**(93.6)**	(249.8)
Basic and diluted earnings per share	5/24	**(23.6)p**	(62.9)p

The notes on pages 127 to 160 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
Loss for the year		**(93.6)**	(249.8)
Other comprehensive income:			
Items that may be reclassified to profit or loss			
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)
Total items that may be reclassified to profit or loss		**(20.4)**	(10.7)
Total other comprehensive expense		**(20.4)**	(10.7)
Total comprehensive expense for the year attributable to equity shareholders		**(114.0)**	(260.5)

The notes on pages 127 to 160 are an integral part of these Group financial statements.

Group balance sheet

at 31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
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
		1,723.0	1,900.2
Current assets			
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
		75.8	88.0
Assets held for sale	14	**133.0**	172.7
Total assets		**1,931.8**	2,160.9
Current liabilities			
Trade and other payables	17	**(65.7)**	(68.6)
Current tax		**(0.9)**	(0.3)
Borrowings	19	**(372.4)**	(193.9)
		(439.0)	(262.8)
Non-current liabilities			
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)**	–
		(708.6)	(968.9)
Total liabilities		**(1,147.6)**	(1,231.7)
Net assets		**784.2**	929.2
Equity			
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
Total equity		**784.2**	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 on pages 127 to 160 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		
Arising in 2024:					
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)**
Total changes arising in 2024	**–**	**–**	**(19.8)**	**(125.2)**	**(145.0)**
At 1 January 2024	**11.0**	**83.1**	**106.7**	**728.4**	**929.2**
At 31 December 2024	**11.0**	**83.1**	**86.9**	**603.2**	**784.2**

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
	Note 23		Note 26		
Arising in 2023:					
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)	–
Total changes arising in 2023	–	–	(8.7)	(282.9)	(291.6)
At 1 January 2023	11.0	83.1	115.4	1,011.3	1,220.8
At 31 December 2023	11.0	83.1	106.7	728.4	929.2

The notes on pages 127 to 160 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
Cash flows from operating activities			
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)
Net cash inflow from operating activities		**29.5**	45.9
Cash flows from investing activities			
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)
Net cash inflow/(outflow) from investing activities		**41.1**	(32.3)
Cash flows from financing activities			
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 [1]		**8.8**	72.5
Transaction costs related to borrowings		**(1.0)**	(1.1)
Repayment of borrowings [1]		**(55.5)**	(96.0)
Net cash outflow from financing activities		**(79.8)**	(56.2)
Cash flow element of net decrease in cash and cash equivalents		**(9.2)**	(42.6)
Foreign exchange loss		**(0.9)**	(0.7)
Net decrease in cash and cash equivalents		**(10.1)**	(43.3)
Cash and cash equivalents at the beginning of the year		**70.6**	113.9
Cash and cash equivalents at the end of the year	16	**60.5**	70.6

1 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 on pages 127 to 160 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. Material accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs).

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.

2. Material accounting policies continued

2.1 Basis of preparation – continued

Going concern continued

Forecast cash flows – Base case continued

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.

2. Material accounting policies continued

2.1 Basis of preparation – continued

Going concern continued

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

Historical cost and fair value

The financial statements have been prepared on the historical cost basis, except for investment and other properties and financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

Presentational and functional currency

The consolidated financial statements, including the results and financial position, are presented in pounds Sterling (GBP, £), the functional and presentational currency of CLS Holdings plc.

The amounts presented in the financial statements are rounded to the nearest £0.1 million.

New standards and interpretations

In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These new standards and amendments are listed below:

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current
- Amendments to IAS 1 – Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 – Disclosures: Supplier Finance Arrangements
- Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IAS 21 – Lack of exchangeability
- Amendments to IFRS 9 – Classification and Measurement of Financial Instruments
- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, however, the presentation of the Group income statement may change on adoption of IFRS 18.

2.2 Business combinations

Where property is acquired, via corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets/liabilities include an input and a substantive process that, together, significantly contribute to the ability to create outputs i.e. rental income and capital appreciation. The acquired process is considered substantive if it is critical to the ability to continue to earn rental income and drive capital appreciation, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing rental income and drive capital appreciation and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing rental income and capital appreciation.

Where such acquisitions are not determined to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity or assets and liabilities is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date.

(I) Subsidiary undertakings

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2. Material accounting policies continued

2.2 Business combinations – continued

(II) Goodwill

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

2.3 Assets held for sale

Assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, except for investment properties held for sale which are measured at fair value.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available-for-sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after sale.

2.4 Foreign currency

(I) Foreign currency transactions

Transactions in foreign currencies are translated into Sterling using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Sterling at the exchange rate ruling at that date, and differences arising on translation are recognised in the income statement.

For financial assets measured at fair value through profit and loss, exchange differences are recognised in the income statement in the 'finance costs or finance income' line item.

(II) Consolidation of foreign entities

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

(a) assets and liabilities are translated at the closing rate at the date of the balance sheet;
(b) income and expenses for each income statement are translated at the average exchange rates; and
(c) all resulting exchange differences are recognised directly in equity in the cumulative translation reserve.

2.5 Investment properties

Investment property comprises principally offices that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and for capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment properties are measured initially at cost, including directly attributable transaction costs. Transaction costs include transfer taxes and professional fees for legal and other services. Additions to investment properties comprise costs of a capital nature; in the case of investment properties under development, these include capitalised interest and certain staff costs directly attributable to the management of the development. Capitalised interest is calculated at the rate on associated borrowings applied to expenditure on the development between the date of gaining planning consent and the date of practical completion.

The Group recognises sales and purchases of investment property when control passes on completion of the contract. Gains or losses on the sale of properties are calculated with reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure. Income from deposits forfeited in circumstances where potential purchasers have failed to complete in accordance with sale and purchase agreements are recognised upon rescission of the agreement.

Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Investment properties being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be classified as investment properties and measured at fair value. Changes in fair values are recognised in the income statement.

Transfers are made to (or from) investment property only when there is evidence of a change in use.

Lease incentives are not held as separate assets or liabilities on the balance sheet but are instead included within the investment property balance. Net revaluation movement of investment properties is increased or decreased by the movement of lease incentive balances during the period.

2. Material accounting policies continued

2.6 Property, plant and equipment

Property, plant and equipment is measured initially at cost, being the consideration paid, including related transaction costs. Property is subsequently measured at fair value, based on market value as determined by professional external valuers at the balance sheet date. Fixtures and fittings and head office fit-out are stated at historical cost less accumulated depreciation and any impairment loss.

Any increase arising on the revaluation of land and buildings held as property, plant and equipment is credited to the fair value reserve via other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase in value is credited to the income statement to the extent the decrease was previously expensed. On disposal of an asset the revaluation reserve relating to that asset becomes realised and is transferred in equity to retained earnings.

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

Fixtures and fittings	4–5 years
Head Office fit-out	10 years
Hotel	250 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

2.7 Financial instruments

(I) Derivative financial instruments

The Group uses derivative financial instruments, including swaps and interest rate caps, to help manage its interest rate and foreign exchange rate risks. Derivative financial instruments are initially recorded at, and subsequently revalued to, fair value. Revaluation gains and losses are recognised in finance income or finance costs in the income statement.

(II) Financial assets at fair value through profit and loss (FVTPL)

Financial assets at FVTPL are measured at fair value. Revaluation gains and losses are recognised in the income statement.

(III) Cash and cash equivalents

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

(IV) Trade and other receivables/Trade and other payables

Trade and other receivables are recognised initially at their transaction price if they do not contain any significant financing components. Subsequently they are measured at amortised cost with a recognised loss allowance for expected credit losses which is measured at an amount equal to the lifetime expected credit loss. Trade and other payables are stated at transaction price which is approximate to their fair value and subsequently measured at amortised cost.

(V) Borrowings

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

Where the Group has sustainability linked loans, consideration is given to whether an embedded derivative exists. Our assessment is that there are no embedded derivatives associated with our sustainability linked loans.

When debt refinancing occurs, existing liabilities are treated as being extinguished when the new liability is substantially different from the existing liability. To determine if a liability is substantially different, the Group considers the transaction as a whole, taking into account both qualitative and quantitative characteristics.

Borrowing costs attributable to the construction of a qualifying asset are capitalised at the weighted average borrowing rate for the applicable region on direct expenditure incurred between the date of gaining planning consent and the date of practical completion.

2. Material accounting policies continued

2.8 Revenue

The Group's revenue includes rental income, service charge income and other property-related income.

(I) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. Direct costs associated with securing the rental income are also recognised on a straight-line basis over the lease term. Rents and service charges received in advance for the period following the reporting date are considered deferred income.

Fixed or contractually defined rental increases, which can take the form of actual amounts or agreed percentages, are recognised on a straight-line basis over the term. Rental increases related to a price index are recognised when the increase takes place.

Lease incentives being offered to tenants to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs, are part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis.

Where the total consideration due under a lease is modified, for example to remove a break or extend the term, the revised remaining consideration due is recognised on a straight-line basis over the remaining term of the lease. Lease modifications are accounted for from the effective date of modification. Initial direct costs associated with the original lease continue to be recognised and amortised over the remaining term of the modified lease.

(II) Service charge income

Service charge income relates to expenditure for services including, but not limited to, cleaning, security, repairs and maintenance which is directly recoverable from tenants and is recognised in the period in which it is earned as tenants benefit from the services based on actual service charge costs incurred. The Group has determined that it acts as agent, as it does not take control of these services which are predominantly provided by third parties.

(III) Other property income

Other property income relates to income from the Group's student accommodation and hotel in addition to dilapidations receipts and surrender premiums.

Income from the Group's student accommodation relates to rents received from tenants for the provision of student accommodation. Income is recognised on a straight-line basis over the lease term. See rental income policy for more detail.

Hotel revenue is recognised as the rooms are occupied and services rendered. Where the supply of service has only been partially completed at the balance sheet date, turnover represents the value of the service provided to date based on a portion of the contract value.

Dilapidations income is payable by tenants when the Group agrees with the tenant to perform required remedial works to fulfil the contractual obligations of the lease. Dilapidation income is recognised when the amounts become contractually due, usually at the time an agreement between parties is reached. Surrender premiums are payable when a lease is terminated prior to expiry. Surrender premiums for the early termination of a lease are recognised as revenue when the amounts become contractually due.

2.9 Taxation

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is calculated using rates that are expected to apply in the period when the liability is settled or the asset is realised, in the tax jurisdiction in which the temporary differences arise.

2. Material accounting policies continued

2.9 Taxation – continued

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

Current and deferred tax are recognised in the income statement except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or equity respectively.

The Group has applied the exemption in IAS 12 Income Taxes to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

2.10 Leases

The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

The Group as a lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets for all leases, except for short-term leases and leases of low-value assets.

(I) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term which, if in respect of investment property, forms part of the cost of that property on initial recognition. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses either the borrowing rate of the loan attached to the property at the lease commencement date or, if the property is not financed, then the operating segment's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(II) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The Group leases properties that meet the definition of investment property. These right-of-use assets are presented as part of the line item 'Investment property' in the balance sheet.

(III) Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

3. Accounting judgements and key sources of estimation uncertainty

Accounting judgements

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Group's accounting policies, which are described in note 2, and which of those judgements have the most significant effect on amounts recognised in the financial statements.

Going concern

For the purposes of the going concern assessment, the Group makes judgements in determining future cash flows which are based on assumptions. The most significant judgements relate to the terms and ability to refinance loan facilities and recycle capital. These judgements are made by management based on recent performance, external factors and management's knowledge and expertise of cash flow drivers. See note 2 for more details.

Key sources of estimation uncertainty

Valuation of properties

The Group uses the valuations performed by its independent external valuers as the fair value of its investment properties and those properties held at valuation and classified as property, plant and equipment. The valuations are based upon assumptions including market rentals ('ERV'), future development costs and an appropriate equivalent yield and capitalisation rates as appropriate (see notes 12 and 13 for more detail). The valuers also make reference to market evidence of transaction prices for similar properties.

Other estimates

Climate change

In preparing the financial statements, the Group has considered the impact of climate change, taking into account the relevant disclosures in the Strategic report, including those made in accordance with the recommendations of the Taskforce on Climate Related Financial Disclosure (see pages 42 to 50). These considerations included the limited exposure in terms of our properties to potential physical climate risks along with a commitment to invest £65 million in our Net Zero Carbon Pathway. On this basis, the Group has concluded that climate change did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that this is not expected to have a significant impact on the Group's going concern or viability assessment. The Group considers that this will remain the case until approximately 2030 after which the differing climate scenarios diverge, resulting in different risk profiles, the impact and mitigations of which will be captured in the Climate Resilience strategy being developed (see page 32 for more detail).

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

	2024					
	Investment properties					
Year ended 31 December 2024	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	Total £m
Rental income	47.1	40.3	12.8	–	–	100.2
Other property-related income[1]	13.2	0.3	0.3	6.0	0.1	19.9
Service charge income	15.8	11.0	5.0	–	–	31.8
Revenue	76.1	51.6	18.1	6.0	0.1	151.9
Service charges and similar expenses	(18.6)	(13.6)	(5.7)	–	–	(37.9)
Net rental income	57.5	38.0	12.4	6.0	0.1	114.0
Administration expenses	(7.4)	(3.2)	(1.4)	(0.1)	(5.6)	(17.7)
Other property expenses	(9.7)	(4.1)	(0.8)	(3.5)	–	(18.1)
Revenue less costs	40.4	30.7	10.2	2.4	(5.5)	78.2
Net revaluation movements on investment property	(73.7)	(41.5)	(12.5)	–	–	(127.7)
Net revaluation movements on equity investments	–	–	–	(0.6)	–	(0.6)
(Loss)/profit on sale of investment property	(1.6)	(0.8)	–	–	0.1	(2.3)
Loss on sale of other equity investments	–	–	–	(0.1)	–	(0.1)
Segment operating (loss)/profit	(34.9)	(11.6)	(2.3)	1.7	(5.4)	(52.5)
Finance income	1.0	–	–	0.4	–	1.4
Finance costs	(26.9)	(14.2)	(4.3)	–	(0.3)	(45.7)
Foreign exchange loss	–	–	–	(0.6)	–	(0.6)
Segment (loss)/profit before tax	(60.8)	(25.8)	(6.6)	1.5	(5.7)	(97.4)

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.

4. Segment information continued

Year ended 31 December 2023	2023 Investment properties United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	Total £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 2024 £m	Assets 2023 £m	Liabilities 2024 £m	Liabilities 2023 £m	Capital expenditure 2024 £m	Capital expenditure 2023 £m
Investment properties						
United Kingdom	**825.1**	930.0	**510.5**	548.2	**9.4**	37.2
Germany	**828.8**	908.1	**477.4**	510.8	**8.3**	9.3
France	**233.2**	265.0	**158.4**	164.3	**3.4**	3.1
Other investments	**44.7**	57.8	**1.3**	8.4	**–**	0.8
	1,931.8	2,160.9	**1,147.6**	1,231.7	**21.1**	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

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

i) Earnings – EPRA earnings

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

5. Alternative Performance Measures continued

ii) Net asset value measures

	2024				2023			
2024	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
IFRS Net assets	784.2	784.2	784.2	784.2	929.2	929.2	929.2	929.2
Other intangibles	–	(2.7)	–	–	–	(2.9)	–	–
Fair value of fixed interest debt	–	–	–	50.4	–	–	–	56.7
Tax thereon	–	–	–	(1.7)	–	–	–	(3.3)
Deferred tax on revaluation surplus	–	79.8	79.8	–	–	90.0	90.0	–
Adjustment for short-term disposals	–	(5.5)	–	–	–	(6.6)	–	–
Fair value of financial instruments	–	(1.4)	(1.4)	–	–	(4.3)	(4.3)	–
Purchasers' costs[1]	–	–	132.6	–	–	–	147.7	–
	784.2	854.4	995.2	832.9	929.2	1,005.4	1,162.6	982.6
Per share	197.3p	215.0p	250.4p	209.6p	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		0.7	0.5
Audit of the Company's subsidiaries pursuant to legislation		0.1	0.2
Audit overrun fee for prior year[1]		0.2	–
Depreciation of property, plant and equipment	13	0.6	0.6
Amortisation of intangible assets		0.4	0.2
Employee benefits expense	7	11.6	12.1
Foreign exchange loss		0.6	0.3
Provision against trade and other receivables	15	0.1	–

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
	11.6	12.1

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 on pages 90 to 106.

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
	102	21	123	98	20	118

8. Finance income

	2024 £m	2023 £m
Interest income		
Financial instruments carried at amortised cost	1.4	1.6
	1.4	1.6

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	42.3	37.1
Movement in fair value of derivative financial instruments	3.4	4.2
Total finance costs	45.7	41.3

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)
	3.1	3.7
Deferred tax (see note 18)		
Origination and reversal of temporary differences	(6.9)	(17.3)
	(6.9)	(17.3)
Tax credit for the year	**(3.8)**	(13.6)

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
Loss before tax	**(97.4)**	(263.4)
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)
Tax credit for the year	**(3.8)**	(13.6)

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
Investment property	12	**657.0**	**793.6**	**225.9**	**1,676.5**
Property held as property, plant and equipment	13	**37.5**	**1.6**	**1.6**	**40.7**
Properties held for sale	14	**112.5**	**20.5**	**–**	**133.0**
Property portfolio at 31 December 2024		**807.0**	**815.7**	**227.5**	**1,850.2**

	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[1]	**(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

1 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).

12. Investment property continued

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.

12. Investment property continued

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	**38.08**	34.76	**10.00-56.41**	10.00–56.05	**7.39**	6.08	**6.21-10.03**	2.98–13.23
Germany	**13.41**	14.40	**9.19-27.59**	9.93–29.70	**5.23**	5.24	**4.30-6.40**	4.40–6.20
France	**21.42**	21.96	**12.40-45.25**	12.99–43.53	**6.13**	6.00	**4.82-7.50**	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
Cost or valuation				
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)
At 31 December 2023	**30.2**	**9.5**	**3.9**	**43.6**
Additions	**–**	**–**	**0.2**	**0.2**
Disposals	**–**	**–**	**(0.1)**	**(0.1)**
Reclassification from investment properties	**–**	**0.1**	**–**	**0.1**
Revaluation	**1.2**	**(0.1)**	**–**	**1.1**
Exchange rate variances	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2024	**31.4**	**9.3**	**4.0**	**44.7**
Comprising:				
At cost	**–**	**–**	**4.0**	**4.0**
At valuation	**31.4**	**9.3**	**–**	**40.7**
	31.4	**9.3**	**4.0**	**44.7**
Accumulated depreciation and impairment				
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
At 31 December 2023	**–**	**–**	**(1.8)**	**(1.8)**
Depreciation charge	**(0.1)**	**(0.1)**	**(0.4)**	**(0.6)**
Revaluation	**0.1**	**0.1**	**–**	**0.2**
At 31 December 2024	**–**	**–**	**(2.2)**	**(2.2)**
Net book value				
At 31 December 2024[1]	**31.4**	**9.3**	**1.8**	**42.5**
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.

13. Property, plant and equipment continued

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
Current		
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

15. Trade and other receivables continued

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
Current		
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
	65.7	68.6

18. Deferred tax

	Liabilities				Assets				
	UK capital allowances £m	Fair value adjustments to properties £m	Other £m	Total £m	UK capital allowances £m	Losses £m	Other £m	Total £m	Total deferred tax £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[1]	–	0.6	–	0.6	–	–	–	–	0.6
Exchange rate variances	–	(2.3)	–	(2.3)	–	–	–	–	(2.3)
At 31 December 2023	**0.7**	**89.9**	**1.5**	**92.1**	**–**	**(3.3)**	**(0.1)**	**(3.4)**	**88.7**
Charged/(credited)									
to income statement	**0.2**	**(7.6)**	**(0.2)**	**(7.6)**	**–**	**1.0**	**(0.3)**	**0.7**	**(6.9)**
to OCI[1]	**–**	**0.1**	**–**	**0.1**	**–**	**–**	**–**	**–**	**0.1**
Exchange rate variances	**–**	**(3.8)**	**–**	**(3.8)**	**–**	**–**	**–**	**–**	**(3.8)**
At 31 December 2024	**0.9**	**78.6**	**1.3**	**80.8**	**–**	**(2.3)**	**(0.4)**	**(2.7)**	**78.1**

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.

19. Borrowings continued

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:

At 31 December 2024	**Secured bank loans £m**
Maturing in:	
Within one year or on demand	**373.7**
One to two years	**98.9**
Two to five years	**326.8**
More than five years	**204.1**
	1,003.5
Unamortised issue costs	**(4.3)**
Borrowings	**999.2**
Due within one year	**(372.4)**
Due after one year	**626.8**

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.

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

19. Borrowings continued

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
Fixed rate financial liabilities	**236.1**	**439.6**	**675.7**	238.9	462.4	701.3
Floating rate financial liabilities – swaps	**107.7**	**16.1**	**123.8**	115.3	–	115.3
Total fixed rate	**343.8**	**455.7**	**799.5**	354.2	462.4	816.6
Floating rate financial liabilities – capped	**–**	**37.8**	**37.8**	–	40.6	40.6
Floating rate financial liabilities	**131.1**	**35.1**	**166.2**	159.9	58.5	218.4
Total floating rate	**131.1**	**72.9**	**204.0**	159.9	99.1	259.0
	474.9	**528.6**	**1,003.5**	514.1	561.5	1,075.6
Unamortised issue costs	**(2.4)**	**(1.9)**	**(4.3)**	(3.3)	(1.7)	(5.0)
Borrowings	**472.5**	**526.7**	**999.2**	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[1]			Weighted average life		
At 31 December 2024	Sterling %	Euro %	Total %	Sterling Years	Euro Years	Total Years
Fixed rate financial liabilities	**2.7**	**3.0**	**2.9**	**6.4**	**2.5**	**3.8**
Floating rate financial liabilities – swaps	**5.4**	**4.9**	**5.3**	**0.5**	**4.5**	**1.1**
	3.5	**3.1**	**3.3**	**4.5**	**2.5**	**3.4**
Floating rate financial liabilities – capped	**–**	**2.6**	**2.6**	**–**	**2.8**	**2.8**
Floating rate financial liabilities	**7.1**	**4.4**	**6.5**	**0.9**	**7.1**	**2.2**
	7.1	**3.4**	**5.8**	**0.9**	**4.9**	**2.3**
Gross borrowings	**4.5**	**3.1**	**3.8**	**3.5**	**2.9**	**3.2**

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

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

19. Borrowings continued

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[1]	**30.0**	50.0
	50.0	50.0

1 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.

At 31 December 2024	**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**
Secured bank loans	**373.7**	**98.9**	**125.8**	**115.6**	**85.4**	**204.1**	**1,003.5**
Interest payments on borrowings[1]	**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**

At 31 December 2023	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
Secured bank loans	195.3	327.0	75.5	135.7	119.8	222.2	1,075.5
Interest payments on borrowings[1]	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

1 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
Non-current:				
Interest rate caps and swaps	**0.7**	**(0.4)**	3.6	–
Current:				
Interest rate caps and swaps	**1.1**	**–**	0.7	–
	1.8	**(0.4)**	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	**–**	**–**	–	–
	2.1	**(0.4)**	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.

21. Financial instruments continued

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.

21. Financial instruments continued

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
Financial assets:			
Cash and cash equivalents	**–**	**60.5**	**60.5**
Derivative financial assets	**1.8**	**–**	**1.8**
Other assets – current[1]	**–**	**11.5**	**11.5**
	1.8	**72.0**	**73.8**
Financial liabilities:			
Secured bank loans	**–**	**(999.2)**	**(999.2)**
Derivative financial liabilities	**(0.4)**	**–**	**(0.4)**
Other liabilities – current[2]	**–**	**(49.5)**	**(49.5)**
	(0.4)	**(1,048.7)**	**(1,049.1)**
At 31 December 2024	**1.4**	**(976.7)**	**(975.3)**

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

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	Treasury shares	Total ordinary shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2024 and 31 December 2024	**397,410,268**	**41,367,512**	**438,777,780**	**9.9**	**1.1**	**11.0**

23. Share capital continued

	Number of shares authorised, issued and fully paid					
	Ordinary shares in circulation	Treasury shares	Total ordinary shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
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	**397,410,268**	397,330,507
Number of ordinary shares in circulation at the year-end	**397,410,268**	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.

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

25. Dividend

	Payment date	Dividend per share p	**2024 £m**	2023 £m
Current year				
2024 final dividend[1]	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

1 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

Cash generated from operations	2024 £m	2023 £m
Operating loss	**(52.5)**	(223.4)
Adjustments for:		
Net movements on revaluation of investment properties	**127.7**	302.7
Net movements on revaluation of equity investments	**0.6**	1.3
Depreciation and amortisation	**1.0**	0.8
Loss/(profit) on sale of investment property	**2.3**	(1.4)
Lease incentive debtor adjustments	**(10.4)**	(1.1)
Share-based payments	**0.6**	0.5
Loss on sale of other equity investments	**0.1**	–
Changes in working capital:		
Decrease/(increase) in receivables	**2.5**	(0.9)
(Decrease)/increase in payables	**(0.7)**	4.7
Cash generated from operations	**71.2**	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**
Borrowings	19	**1,070.6**	**(47.7)**	**1.7**	**–**	**(25.4)**	**999.2**
Derivative financial instruments	20	**(4.3)**	**(0.5)**	**–**	**3.4**	**–**	**(1.4)**
Lease liabilities		**3.5**	**–**	**–**	**–**	**(0.2)**	**3.3**
		1,069.8	**(48.2)**	**1.7**	**3.4**	**(25.6)**	**1,001.1**

				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
Borrowings	19	1,105.9	(24.6)	1.6	–	(12.3)	1,070.6
Derivative financial instruments	20	(8.5)	–	–	4.2	–	(4.3)
Lease liabilities		3.6	–	–	–	(0.1)	3.5
		1,101.0	(24.6)	1.6	4.2	(12.4)	1,069.8

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:

Operating lease commitments – where the Group is lessor	2024 £m	2023 £m
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
	468.6	484.4

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.

31. Subsidiaries

The Group financial statements include the financial statements of CLS Holdings plc and all of its subsidiaries, which are listed below. All are 100% owned unless otherwise stated. Those marked with a * were dissolved during 2024.

United Kingdom

Registered Office: 16 Tinworth Street, London SE11 5AL

16 Tinworth Street (Residential) Limited
401 King Street Limited
Apex Tower Limited
Base Offices Limited
Brent House Limited
Cassini Pascal Limited
Centenary Court Limited
Central London Securities Limited
Chancel House Limited
CI Tower Investments Limited
Citadel Finance Limited
Citadel Holdings plc
CLS Aberdeen Limited
CLS Capital Partners Limited
CLS Chancery House Limited
CLS Church Road Limited
CLS Cliffords Inn Limited
CLS Clockwork Limited
CLS Crawley Limited
CLS England and Wales Limited
CLS Gateway House Limited
CLS Germany Limited
CLS Gresham Limited
CLS Harrow Limited
CLS Holdings UK Limited
CLS Kings Court Limited
CLS Lloyds Avenue Limited
CLS London Limited
CLS London Properties Limited
CLS Northern Properties Limited
CLS One Limited
CLS Pacific House Limited
CLS Prescot Limited
CLS Priory Place Limited
CLS Residential Investments Limited
CLS Scotland Limited*
CLS South London Limited
CLS Spring Gardens Limited
CLS Staines Limited
CLS UK Properties Limited
CLS UK Property Finance Limited
CLS UK Property Finance 2 Limited
CLS UK Property Finance 3 Limited
CLS Watford Limited
CLSH Management Limited
Columbia Bracknell Limited
Coventry House Limited
Dukes Road Limited
Elmfield Road Limited
Falcon Quest Limited
Fetter Lane Apartments Limited
Fetter Lane Leasehold Limited
Harman House Limited
Hygeia Harrow Limited
Ingrove Limited
Instant Office Limited
Kennington Road Limited
Ladywell House Limited*
Larkhall Lane Limited
Maidenhead Cloud Gate Limited
Mirenwest Limited
New Printing House Square Limited
NYK Investments Limited
One Elmfield Park Limited
Quayside Lodge Limited
Rayman Finance Limited
Reflex Bracknell Limited
Sentinel House Limited
Shard of Glass Limited
Sidlaw House Limited*
Southern House Limited
Spring Gardens III Limited
Spring Mews (Block D) Limited
Spring Mews (Hotel) Limited
Spring Mews (Student) Limited
Spring Mews Limited
Three Albert Embankment Limited
Vauxhall Square Limited
Vauxhall Square One Limited
Vauxhall Square (Student) Limited
Wandsworth Road Limited

31. Subsidiaries continued

Jersey

Registered Office: 1st Floor Liberation House, Castle Street, St Helier, Jersey JE1 1GL

CLS Holdings plc Employee Benefit Trust

France

Registered Office: 36 Rue Jules Verne, 92300 Levallois-Perret, Paris

120 Jean Jaures Sàrl
235 Lyon Sarl
Avenue du Park SCI
BV France Sàrl
Capitaine Guynemer Sàrl
CLS France Sàrl
CLS Management Sàrl
Debussy SCI
De Musset Sàrl
Forum France SCI
Georges Clemenceau Sàrl
Immobilière 6 Sàrl
Immobilière 8 Sàrl
Immobilière 10 Sàrl
Immobilière V SA
Jean Walter Sàrl
Le D'Aubigny SCI
Le Quatuor SCI
Le Sigma Sàrl
Leclerc SCI*
Mission Marchand Sàrl
Parc SCI
Petits Hotels Sàrl
Rhone Alpes Sàrl
Scala Sàrl
SCI Frères Peugeot
SCI Pierre Valette
Sego Sàrl
Solferino SCI

Germany

Registered Office: Nagelsweg 37, 20097 Hamburg

CLS Germany GmbH
CLS Green Energy GmbH
Jarrestrasse Immobilien GmbH

Luxembourg

Registered Office: 33 Avenue de la Liberte, 1931 Luxembourg

Aldershofer Sarl
Albertina Sarl
Cavernet Sarl
Chronotron Sarl
CLS Dortmund Hiltropwall Sarl
CLS Hansaalee Sarl
CLS Immobilien Stuttgart Sarl
CLS Investments Sarl
CLS Investments 2 Sarl
CLS Luxembourg Sarl
CLS Metropolis Sarl
CLS Palisade Sarl
CLS Storkower Strasse Sarl
CLS Tangentis Sarl
CLS Wendenstrasse Sarl
Freepost Sarl
Garivet Sarl
Gotic Haus Sarl
Grossglockner Sarl
Hermalux Sarl
Kapellen Sarl
Landstrasse Sarl
Naropere Sarl
Network Perlach Sarl
Prater Sarl
Salisbury Hill Sarl
Satimood Sarl
Schonbrunn Sarl
Zillertal Sarl

Netherlands

Registered Office: Burgemeester van Reenensingel 101, 2803 DA Gouda

CLS Management BV
Portapert Properties UK BV

Sweden

Registered Office: Skönabäck 122, 274 91 Skurup

Rasstaf Sweden AB
Museion Förvaltning AB

32. Related party transactions

Transactions with Directors

Distributions totalling £2,176,534 (2023: £2,161,582) were made through dividend payments in the year in respect of ordinary shares held by the Directors and £17,483,443 (2023: £16,653,658) to the controlling shareholder.

During the year the following transactions occurred with companies associated to the controlling shareholder:

- The Group recharged salary costs in relation to providing administration services. CLS Holdings plc invoiced costs totalling £64,436 (2023: £60,450). At the balance sheet date £nil was outstanding (2023: £60,450).
- A Group company, CLS Holdings plc has a £20 million revolving credit facility with Creative Value Investment Group Limited, the investment vehicle of The Sten and Karin Mortstedt Family and Charity Trust. As at balance sheet date the amount drawn on this facility was £nil (2023: £nil).

During the year, or previous year, the following transactions associated with the Directors occurred:

- During the year, the Group invoiced rental related charges of £60,268 (2023: £179,790) to IKEA Limited, a company in a group of companies with a common Director. At the balance sheet date £78,086 was outstanding as payable (2023: £5,946 as receivable).

Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2024 £000	2023 £000
Short-term employee benefits	**1,473**	1,428
Post-employment benefits	**44**	49
Other long-term benefits	**10**	7
Other fees	**2**	–
	1,529	1,484

Company balance sheet

at 31 December 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Investment in subsidiary undertakings	7	**498.2**	534.5
Intangible assets		**2.7**	2.9
Current assets			
Trade and other receivables	8	**9.3**	77.5
Cash and cash equivalents		**0.1**	–
Total assets		**510.3**	614.9
Current liabilities			
Trade and other payables	9	**(222.5)**	(241.3)
Total liabilities		**(222.5)**	(241.3)
Net assets		**287.8**	373.6
Equity			
Share capital	10	**11.0**	11.0
Share premium	11	**83.1**	83.1
Other reserves	11	**29.4**	28.8
Retained earnings	11	**164.3**	250.7
Shareholders' funds	12	**287.8**	373.6

The Company reported a loss for the financial year ended 31 December 2024 of £54.8 million (2023: £17.4 million profit).

The notes on pages 163 to 167 are an integral part of these Company financial statements.

These 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

Company statement of changes in equity

for the year ended 31 December 2024

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Arising in 2024:						
Loss for the year	5	**–**	**–**	**–**	**(54.8)**	**(54.8)**
Share-based payments	11	**–**	**–**	**0.6**	**–**	**0.6**
Dividends to shareholders	6	**–**	**–**	**–**	**(31.6)**	**(31.6)**
Total changes arising in 2024		**–**	**–**	**0.6**	**(86.4)**	**(85.8)**
At 1 January 2024		**11.0**	**83.1**	**28.8**	**250.7**	**373.6**
At 31 December 2024		**11.0**	**83.1**	**29.4**	**164.3**	**287.8**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Arising in 2023:						
Profit for the year	5	–	–	–	17.4	17.4
Share-based payments	11	–	–	0.5	–	0.5
Dividends to shareholders	6	–	–	–	(31.6)	(31.6)
Total changes arising in 2023		–	–	0.5	(14.2)	(13.7)
At 1 January 2023		11.0	83.1	28.3	264.9	387.3
At 31 December 2023		11.0	83.1	28.8	250.7	373.6

The notes on pages 163 to 167 are an integral part of these Company financial statements.

Notes to the Company financial statements

for the year ended 31 December 2024

1. General information

These separate Company financial statements are presented as required by the Companies Act 2006 and prepared on the historical cost basis. The Company has applied UK GAAP Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). CLS Holdings plc is the ultimate Parent Company of the CLS Holdings Group registered and incorporated in the United Kingdom under Companies Act 2006. Its primary activity (which occurs exclusively within the United Kingdom) is to hold shares in subsidiary companies.

2. Basis of accounting

As permitted by FRS 101, the Company has taken advantage of all the disclosure exemptions including the following:

- IAS 1 – exemption from capital management disclosures requirements
- IAS 7 – cash flow statement
- IAS 8 – IFRSs issued but not yet effective
- IAS 24 – related party disclosures
- IFRS 2 – share based payments
- IFRS 7 – financial instruments
- IFRS 13 – fair value measurement

Where required, equivalent disclosures are given in the Group financial statements.

Going concern

The Group and Company's going concern assessment covers the period to 31 July 2026. The going concern assessment uses the business plan approved by the Board at its November 2024 meeting as the Base case (see note 2.1 of the Group financial statements). Whilst the Directors consider that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern (see note 2 to the Consolidated financial statements for more details) the financial statements are prepared on a going concern basis. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

3. Material accounting policies

The principal accounting policies are summarised below.

3.1 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less provisions for impairment. Dividend income is recognised when received.

3.2 Impairment

Investments are reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. Recoverability of investments are measured by comparison of the carrying amount of the investment and fair value less costs to sell. If such assets are considered to be impaired, the impairment to be recognised is the amount by which the carrying amount exceeds the fair value of the investments.

3.3 Pension costs

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the balance sheet.

3.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax. Where a Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

3.5 Foreign currencies

The financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates, known as its functional currency. Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in other currencies are translated into Sterling at the rates prevailing at that date.

4. Accounting judgements and key sources of estimation uncertainty

Accounting judgements

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Company's accounting policies, which are described in note 3, and which of those judgements have the most significant effect on the amounts recognised in the financial statements.

Going concern

For the purposes of the going concern assessment, the Group and Company makes judgements in determining future cash flows which are based on assumptions. The most significant judgements relate to the terms and ability to refinance loan facilities and recycle capital. These judgements are made by management based on recent performance, external factors and management's knowledge and expertise of cash flow drivers. See note 2 to the Consolidated financial statements for more details.

In the opinion of the Directors, they consider the following to be ongoing judgements.

- Impairments to investment in subsidiaries – the recoverable amount is considered to be best estimated by the net asset value at the subsidiaries.

Key sources of estimation uncertainty

The key sources of estimation uncertainty in the preparation of the Company's financial statements is the net asset value at the subsidiaries that is primarily determined by the property values therein (see note 3 in the consolidated financial statements).

5. Profit for financial year

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements. The Company's loss for the financial year was £54.8 million (2023: £17.4 million profit).

Audit fees for the Company were £0.2 million (2023: £0.1 million).

Details of the Directors employed during the year and of their remuneration is included in the Remuneration Committee Report on pages 90 to 106.

6. Dividend

	Payment date	Dividend per share p	2024 £m	2023 £m
Current year				
2024 final dividend[1]	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 current year profit		7.95	21.3	10.3
2022 final dividend	2 May 2023	5.35	–	21.3
Dividend as reported in the Group statement of changes in equity			31.6	31.6

1 Subject to shareholder approval at the AGM on 16 May 2025. Total cost of proposed dividend is £10.7 million.

7. Investment in subsidiary undertakings

	2024 £m	2023 £m
At 1 January	534.5	440.4
Additions	190.0	208.3
Disposals	–	(62.1)
Provision for impairment	(226.3)	(52.1)
At 31 December	498.2	534.5

Certain indicators of impairment were identified by the Company as at 31 December 2024. A determination of the recoverable amount of the investments in subsidiaries were made using the net asset value at the subsidiaries, resulting in an impairment of £226.3 million (2023: £52.1 million). The recoverable amount remains sensitive to the financial performance and financial position of both the Company and its subsidiaries, including the valuation of investment properties of its subsidiaries (see note 12 of Group financial statements).

During the year, the Group performed a recapitalisation of existing subsidiaries of £187.1 million, which is included in the additions of £190.0 million.

8. Trade and other receivables

	2024 £m	2023 £m
Amounts owed by subsidiary undertakings	3.1	74.8
Social security and other taxes	0.7	0.2
Other receivables	5.3	2.3
Prepayments and accrued income	0.2	0.2
	9.3	77.5

9. Trade and other payables

	2024 £m	2023 £m
Trade payables	0.2	0.1
Amounts owed to subsidiary undertakings	219.2	239.0
Accruals	3.1	2.2
	222.5	241.3

10. Share capital

	Number of shares authorised, issued and fully paid					
	Ordinary shares in circulation	Treasury shares	Total ordinary shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2024 and 31 December 2024	**397,410,268**	**41,367,512**	**438,777,780**	**9.9**	**1.1**	**11.0**

	Number of shares authorised, issued and fully paid					
	Ordinary shares in circulation	Treasury shares	Total ordinary shares	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
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.

11. Reserves

		Other reserves				
	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Other £m	Total £m	Retained earnings £m
At 1 January 2024	83.1	22.7	1.5	4.6	28.8	250.7
Share-based payments	–	–	0.6	–	0.6	–
Loss for the year	–	–	–	–	–	(54.8)
Dividends to shareholders	–	–	–	–	–	(31.6)
At 31 December 2024	83.1	22.7	2.1	4.6	29.4	164.3

11. Reserves continued

	Share premium £m	Other reserves: Capital redemption reserve £m	Other reserves: Share-based payment reserve £m	Other reserves: Other £m	Other reserves: Total £m	Retained earnings £m
At 1 January 2023	83.1	22.7	1.0	4.6	28.3	264.9
Share-based payments	–	–	0.5	–	0.5	–
Profit for the year	–	–	–	–	–	17.4
Dividends to shareholders	–	–	–	–	–	(31.6)
At 31 December 2023	83.1	22.7	1.5	4.6	28.8	250.7

12. Reconciliation of movements in shareholders' funds

	2024 £m	2023 £m
At 1 January	**373.6**	387.3
(Loss)/profit for the year	**(54.8)**	17.4
Dividends to shareholders	**(31.6)**	(31.6)
Share-based payments	**0.6**	0.5
At 31 December	**287.8**	373.6

13. Contingencies

Guarantees

At 31 December 2024 and 31 December 2023 CLS Holdings plc had guaranteed certain liabilities of Group companies. These were primarily in relation to Group borrowings and covered interest and amortisation payments. The principal amount of a secured loan from an external lender to a Group company was covered by a guarantee totalling £20.0 million at 31 December 2024 provided by CLS Holdings plc (£39.50 million at 31 December 2023). CLS Holdings plc guarantees a £30 million revolving credit facility with RBS. As at 31 December 2024 the amount drawn on this facility was £nil (31 December 2023: £nil). Since the possibility of payment by the Company under any of these guarantees and warranties is considered remote, no provisions in relation to these have been made in the Company's financial statements and no reportable contingent liability exists.

Other

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.

14. Commitments

At 31 December 2024, the Company had no contracted capital expenditure (2023: £nil) and no authorised financial commitments which were yet to be contracted with third parties (2023: £nil).

Five-year financial summary (unaudited)

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Continuing operations					
Revenue	**151.9**	148.7	139.7	139.8	139.4
Net rental income	**114.0**	113.0	107.8	108.0	109.8
Administration expenses	**(17.7)**	(18.2)	(15.7)	(16.2)	(18.5)
Other property expenses	**(18.1)**	(15.6)	(16.2)	(14.4)	(15.1)
Operating profit before revaluation and disposals	**78.2**	79.2	75.9	77.4	76.2
Net revaluation movements on investment property	**(127.7)**	(302.7)	(136.5)	28.5	31.5
(Loss)/profit on sale of investment property	**(2.3)**	1.4	0.5	(0.1)	11.6
Loss on sale of other equity investments	**(0.1)**	–	–	–	–
Net revaluation movements on equity investments	**(0.6)**	(1.3)	(3.8)	7.5	–
Operating (loss)/profit	**(52.5)**	(223.4)	(63.9)	113.3	119.3
Finance income	**1.4**	1.6	10.1	5.9	3.2
Finance costs	**(46.3)**	(41.6)	(27.1)	(27.7)	(26.0)
Impairment of goodwill	**–**	–	(1.1)	–	–
(Loss)/profit before tax	**(97.4)**	(263.4)	(82.0)	91.5	96.5
Taxation	**3.8**	13.6	0.1	28.0	(19.1)
(Loss)/profit for the year	**(93.6)**	(249.8)	(81.9)	119.5	77.4
Dividends paid	**31.6**	31.6	32.4	30.8	30.1
Distribution of current year's profit	**21.0**	31.6	31.9	31.4	30.8
Net assets employed					
Non-current assets	**1,723.0**	1,900.2	2,351.4	2,301.1	2,181.4
Current assets	**208.8**	260.7	150.0	237.4	279.6
	1,931.8	2,160.9	2,501.4	2,538.5	2,461.0
Current liabilities	**(439.0)**	(262.8)	(234.0)	(229.8)	(158.2)
Non-current liabilities	**(708.6)**	(968.9)	(1,046.6)	(978.0)	(1,032.2)
Net assets	**784.2**	929.2	1,220.8	1,330.7	1,270.6

Ratios	**2024**	2023	2022	2021	2020
Net assets per share (pence)	**197.3**	233.8	307.3	326.6	311.9
EPRA NTA per share (pence)	**215.0**	253.0	329.6	350.5	345.2
Earnings per share (pence)	**(23.6)**	(62.9)	(20.2)	29.3	19.0
EPRA earnings per share (pence)	**9.2**	10.3	11.6	11.3	12.2
Total Accounting Return – basic (%)	**(12.2)**	(21.3)	(3.5)	7.1	8.2
Total Accounting Return – EPRA NTA (%)	**(11.9)**	(20.8)	(3.7)	3.7	8.1
Net gearing (%)	**120.2**	108.2	81.7	65.4	58.3
Balance sheet loan-to-value (%)	**50.7**	48.5	42.2	37.1	33.7
Interest cover (times)	**1.91**	2.23	2.98	3.16	3.26

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)
Annualised net rents (A)	42.6	39.1	12.1	93.8	41.8	44.4	12.7	98.9
Property portfolio[1]	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
Property portfolio valuation including purchasers' costs (B)	701.7	867.3	232.4	1,801.4	779.3	940.8	262.7	1,982.9
EPRA NIY (A/B)	6.1%	4.5%	5.2%	5.2%	5.4%	4.7%	4.8%	5.0%

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

Alternative Performance Measures continued

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)
'Topped-up' annualised net rents (A)	**46.1**	**42.4**	**13.1**	**101.6**	47.2	45.5	13.7	106.4
Property portfolio[1]	**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
Property portfolio valuation including purchasers' costs (B)	**701.7**	**867.3**	**232.4**	**1,801.4**	779.3	940.9	262.7	1,982.9
EPRA 'topped-up' NIY (A/B)	**6.6%**	**4.9%**	**5.6%**	**5.6%**	6.1%	4.8%	5.2%	5.4%

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
EPRA vacancy rate (A/B)	**12.7%**	11.0%

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
EPRA capital expenditure		**21.1**	49.6
Conversion from accrual to cash basis		**1.2**	(3.2)
EPRA capital expenditure on a cash basis	CF[1]	**22.3**	46.4

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 as outlined in note 2.5 of the Notes to the Group financial statements.

	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
EPRA cost ratio (including direct vacancy costs) (A/C)		**33.6%**	31.1%
EPRA cost ratio (excluding direct vacancy costs) (B/C)		**25.4%**	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)
Net debt (A)		**991.1**	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
Total property value (B)		**1,850.8**	2,064.3
EPRA LTV (A/B)		**53.5%**	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

Alternative Performance Measures continued

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[1]	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)
Total Accounting Return (NTA) (B/A)		**(11.9)%**	(20.8)%

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)
Net debt (A)		**943.0**	1,005.0
Net assets (B)		**784.2**	929.2
Net gearing (A/B)		**120.2%**	108.2%

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)
Net debt (A)		**938.7**	1,000.0
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
Total property portfolio (B)		**1,850.2**	2,062.9
Balance sheet loan-to-value (A/B)		**50.7%**	48.5%

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
Administration cost ratio (A/B)		**15.4%**	16.0%

v) Dividend cover

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

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)
Group revenue less costs (A)		**78.2**	79.2
Finance income (excluding derivatives and dividend income)	8	**1.4**	1.6
Finance costs (excluding derivatives)	9	**(42.3)**	(37.1)
Net interest (B)		**(40.9)**	(35.5)
Interest cover (-A/B)		**1.91**	2.23

Glossary

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

Balance sheet loan-to-value
Net debt expressed as a percentage of property assets.

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

Carbon emissions Scopes 1, 2 and 3
Scope 1 – direct emissions;
Scope 2 – indirect emissions; and
Scope 3 – other indirect emissions.

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

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

Dividend cover
The ratio of EPRA earnings over the dividend paid to shareholders.

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

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

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

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

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

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

EPRA like-for-like rental growth
Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described.

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

EPRA net tangible assets (NTA)
Assumes that entities buy and sell assets, thereby crystallising certain levels of unavoidable deferred tax.

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

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

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

EPRA 'topped-up' net initial yield
This measure incorporates an adjustment to the EPRA NIY in respect of the expiration of rent-free periods (or other unexpired lease incentives such as discounted rent periods and step rents).

EPRA vacancy rate
Estimated rental value (ERV) of immediately available space divided by the ERV of the lettable portfolio.

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

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

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

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

Liquid resources
Cash and short-term deposits.

Net assets per share or net asset value (NAV)
Equity attributable to the owners of the Company divided by the number of ordinary shares.

Net debt
Total borrowings less liquid resources.

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

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

Net rent
Passing rent less net service charge costs.

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

Passing rent
Contracted rent before any rent-free periods have expired.

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

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

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

Rent roll
Contracted rent.

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

Reversion
The amount by which ERV exceeds contracted rent.

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

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

Total Accounting Return – basic
The change in IFRS net assets before the payment of dividends.

Total Accounting Return
The change in EPRA NTA before the payment of dividends.

Total Shareholder Return (TSR)
The growth in capital from purchasing a share, assuming that dividends are reinvested every time they are received.

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

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

Directors, officers and advisors

Directors

Lennart Sten*◊	(Non-Executive Chairman)
Anna Seeley◊	(Non-Executive Vice Chair)
Fredrik Widlund	(Chief Executive Officer)
Andrew Kirkman	(Chief Financial Officer)
Elizabeth Edwards‡†◊	(Non-Executive Director)
Bill Holland*†	(Non-Executive Director)
Eva Lindqvist*†	(Non-Executive Director)

‡ Senior Independent Director
* Member of Remuneration Committee
† Member of Audit Committee
◊ Member of Nomination Committee

Chief Operating Officer & Company Secretary
David Fuller BA, FCG

Registered Office
16 Tinworth Street, London, SE11 5AL

Registered Number
02714781

Website
www.clsholdings.com

Email
enquiries@clsholdings.com

Telephone
+44 (0)20 7582 7766

Registrars and Transfer Office
Computershare Investor Services Plc
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Shareholder Helpline: 0870 889 3286

Germany
CLS Germany GmbH
Hamburg Office:
Nagelsweg 37
20097 Hamburg

Düsseldorf Office:
Roßstraße 96
40476 Düsseldorf
Tel: +49 (0)40 29 81 39 0

France
CLS France Sarl
36 rue Jules Verne
92300 Levallois-Perret
Tel: +33 (0)1 86 26 48 50

Luxembourg
CLS Luxembourg Sarl
33 Avenue de la Liberte
1931 Luxembourg
Tel: +352 (0)27 861 217

Clearing Bank
Royal Bank of Scotland Plc
24 Grosvenor Place
London
SW1X 7HP

Joint Corporate Brokers
Panmure Liberum Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Joh. Berenberg, Gossler & Co. KG
London Branch
60 Threadneedle Street
London
EC2R 8HP

Registered Auditor
BDO LLP
Chartered Accountants
55 Baker Street
W1U 7EU

Financial and Corporate Public Relations
Daniel J. Edelman Limited
Southside
105 Victoria Street
London
SW1E 6QT

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CLS Holdings plc
16 Tinworth Street
London
SE11 5AL

Tel: +44 (0)20 7582 7766
Fax: +44 (0)20 7735 2779

www.clsholdings.com

enquiries@clsholdings.com