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PRESS RELEASE

Release date: 11 August 2021
Embargoed until: 07:00

CLS HOLDINGS PLC
("CLS", the "Company" or the "Group")
ANNOUNCES ITS HALF-YEARLY FINANCIAL REPORT
FOR THE 6 MONTHS TO 30 JUNE 2021

Well placed to grow through delivering operational improvements

CLS is a leading FTSE 250 office space specialist and a supportive, progressive and sustainably focused commercial landlord, with a £2.3 billion portfolio in the UK, Germany and France, offering geographical diversification with local presence and knowledge. For the half year ended 30 June 2021, the Group has delivered the following results:

	30 June 2021	31 December 2020	Change (%)
EPRA NTA per share (pence) ¹	337.2	345.2	(2.3)
EPRA NAV per share (pence) ¹	343.4	350.1	(1.9)
Statutory NAV per share (pence) ¹	303.0	311.9	(2.9)
Contracted rents (£'million)	109.9	107.9	1.9

	30 June 2021	30 June 2020	Change (%)
Profit before tax (£'million)	24.7	31.5	(21.6)
EPRA Earnings per share ('EPS') (pence) ¹	5.4	7.0	(22.9)
Statutory EPS from continuing operations (pence) ¹	2.2	5.3	(58.5)
Dividend per share (pence)	2.35	2.35	–

¹ A reconciliation of statutory to alternative performance measures is set out in Note 4 to the financial statements

Fredrik Widlund, Chief Executive Officer of CLS, commented:

“Over the course of 2019 and 2020, we undertook a significant reshaping of the portfolio, disposing of non-core assets while making acquisitions in strategic growth markets, particularly Germany, with the opportunity for active asset management. Equally significant, today we announce our new sustainability strategy which includes an ambitious set of long-term targets, including becoming net zero carbon by 2030. This fully costed plan is a critical aspect of how we will deliver space which meets our tenants’ requirements including the increasing emphasis placed on environmental sustainability.”

“Our first half 2021 performance has naturally been shaped by the pandemic with higher vacancy and stable property valuations. This was compounded by a strengthening of sterling which has resulted in lower NTA and earnings. We are hopeful we will see some improvements in the second half of the year as people continue to return to the office and our recent increased level of enquiries translates into letting deals. Our focus remains on delivering our value enhancement opportunities to ensure continued growth over the long-term.”

FINANCIAL HIGHLIGHTS

- EPRA NTA down 2.3% and EPRA NAV down 1.9% primarily as a result of foreign exchange reductions from strengthening sterling with the portfolio valuation flat in local currency
- Like-for-like portfolio valuation up 0.2% in local currency with an increase in Germany of 1.5%, offset by declines in France of 0.1% and the UK of 0.5%
- Profit before tax down 21.6% to £24.7 million (30 June 2020: £31.5 million) from investment property valuation decline of £2.8 million (30 June 2020: £2.7 million uplift) and FX reductions of £1.9 million (30 June 2020: £3.1 million gain) partly offset by cost savings
- EPRA EPS down 22.9% from foreign exchange reductions, lower income from our hotel and student operations and lower dilapidations income. Statutory EPS down 58.5% due to increased deferred tax liabilities following the enactment of the change in future UK corporation tax rate from 19% to 25%
- Interim dividend maintained at 2.35 pence per share (30 June 2020: 2.35 pence per share) to be paid on 24 September 2021.
- Total accounting return of (0.8)% (30 June 2020: 4.6%)

OPERATIONAL HIGHLIGHTS

- Rent collection remained high with 99% of first half rent collected and 97% of third quarter contracted rent due collected to date. Continued high rent collection has led to a slight reduction in bad debt provisions
- Net rental income decreased by 7.4% to £52.3 million (30 June 2020: £56.5 million) as a result of foreign exchange reductions, lower income from our hotel and student operations and lower dilapidations income
- Acquired six properties for £164.8 million, three of which had exchanged in 2020. The five properties in Germany and one in the UK were bought for their asset management opportunities at a combined net initial yield of 3.9% and a reversionary yield of 6.1%
- Completed the disposal of four properties for £15.5 million, two of which had exchanged in 2020. Exchanged on a further two disposals for £10.9 million which have both completed following the period end
- Completed 53 lease events (30 June 2020: 52) securing £5.2 million (30 June 2020: £7.8 million) of annual rent. Excluding the Veolia lease in France, the lettings were at 1.2% above 31 December 2020 Estimated Rental Value
- Vacancy rate increased to 7.7% (31 December 2020: 5.1%). Most of this increase was due to the vacancy acquired with the recent German acquisitions with some increase from expiries running ahead of lettings

FINANCING

- Weighted average cost of debt at 30 June 2021 down six basis points to 2.22% (31 December 2020: 2.28%)
- Loan-to-value at 38.1% (31 December 2020: 33.7%) reflecting net acquisitions in the period. Gross debt of £1,058.7 million (31 December 2020: £977.0 million) with cash of £168.7 million (31 December 2020: £235.7 million) and £50.0 million (31 December 2020: £50.0 million) of undrawn facilities
- Second long-term, 'green' loan secured for £61.7 million with Scottish Widows at 2.65% fixed interest rate for 12 years – c.20% of CLS' loan portfolio is now 'green'. Weighted average debt maturity of 4.6 years (31 December 2020: 4.6 years)
- In the first half of 2021, financing of c.£145 million at 1.76% for 6.9 years secured across five German SPV loans and one UK portfolio loan. Discussions advanced for the remaining £52.4 million financing due in 2021
- The loan portfolio as at 30 June 2021 had 86% at fixed rates (31 December 2020: 84%)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Today published a new sustainability strategy and calibrated a set of ambitious but achievable long-term targets following asset level reviews. These carbon reduction targets, which include our Net Zero Carbon Pathway and CLS' commitment to become Net Zero Carbon by 2030, have been verified by the Science Based Targets Initiative
- Increased CLS' solar electricity generation capacity by 48% through the installation of a new UK solar array. Completed asset-level climate change risk assessments for all our French assets with the UK and Germany to be completed shortly. On course to achieve margin reduction targets for Aviva and Scottish Widows' loans
- Worked in partnership with the Social Value Portal to calibrate a Social Value Framework that CLS will adopt to start measuring the social value we produce as a business beyond shareholder value

Interim Dividend Timetable

Further to this announcement, in which the Board declared an interim dividend of 2.35 pence per ordinary share, the Company confirmed its dividend timetable as follows:

Announcement date	11 August 2021
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Ex-Dividend date	19 August 2021
Record date	20 August 2021
Payment date	24 September 2021

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Results presentation

A presentation for analysts and investors will be held by webcast and conference call on Wednesday 11 August 2021 at 9.00am followed by Q&A. Questions can be submitted either online via the webcast or to the operator on the conference call.

Webcast: The live webcast will be available here:

<https://secure.emincote.com/client/cls/cls003>

Conference call: In order to dial in to the presentation via phone, please register at the following link and you will be provided with dial-in details and a unique access code:

https://secure.emincote.com/client/cls/cls003/vip_connect

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Forward-looking statements

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

Chief Executive's statement

Well placed to grow through delivering operational improvements

OVERVIEW

CLS continues to perform well in a market that remains challenging due to the ongoing impacts of Covid-19. Investment, and especially letting, markets have yet to return to pre-pandemic levels although we are seeing increasing levels of activity. Our focus on our tenants remains absolute and that investment in relationships is reaping rewards.

As with 2020, rent collection remained high with 99% of first half rent and 97% of third quarter contracted rent due collected as of the date of this report. Of the 785 tenants across our three countries, approximately 23.7% of rents are paid by governments and 26.5% by major corporations with 50.2% of rents subject to indexation. The benefits of a diverse tenant base with strong credit ratings and a limited exposure to those sectors that have been most affected by the pandemic is reflected in the strong rent collection performance.

Over the six months, EPRA NTA decreased by 2.3% to 337.2p per share (31 December 2020: 345.2p) mainly as a result of foreign exchange movements due to sterling strengthening whilst property valuations were flat with continued growth in Germany offset by weakness in the UK. Total accounting return for the six months was (0.8)% (2020: 4.6%).

The first few months were busy with six acquisitions completed for £164.8 million before costs and four small disposals for £15.5 million. We delivered 347,355 sq. ft (32,270 sqm) of lettings and renewals and the financing of c.£145 million of bank loans. This activity together with a greater focus on operational activity leaves CLS well-placed.

Our portfolio also remains well-placed in terms of: great locations; the potential to capture the reversionary uplifts from vacancy, under renting and selected refurbishment and development; and the ability to provide tenants with modern, flexible, high-quality space. Come the autumn as workers return, the attractions of the office will again be proved.

RESULTS AND FINANCING

Profit after tax for the six months to 30 June 2021 was £8.8 million (2020: £21.6 million), equivalent to earnings per share of 2.2p (2020: 5.3p). The reduction was as a result of a property valuation decline of £2.8 million (30 June 2020: £2.7 million uplift), FX reductions of £1.9 million (30 June 2020: £3.1 million gain) and increased deferred tax of £10.2 million from the enactment of the 2023 UK corporation tax rise from 19% to 25% partly offset by cost savings. EPRA earnings per share were 5.4p (2020: 7.0p), 22.9% down on last year.

Shareholders' funds fell in the six months by 2.8% to £1,234.6 million reflecting the strengthening of sterling and the payment of the final dividend in April.

Our balance sheet liquidity remains strong with £168.7 million (31 December 2020: £235.7 million) of cash and £50.0 million (31 December 2020: £50.0 million) of undrawn facilities. We were pleased to execute our second 'green' loan with Scottish Widows with the remaining financing activity for 2021 well advanced. Our weighted average cost of debt fell to 2.22% (31 December 2020 2.28%) reflecting the increased proportion of lower cost Euro-dominated debt. Net debt excluding leasehold liabilities rose to £882.1 million (31 December 2020: £735.0 million) and loan-to-value rose to 38.1% (31 December 2020: 33.7%) reflecting net acquisitions in the period. Interest cover remained high at 3.2 times (30 June 2020: 3.5 times) demonstrating the Group's ongoing ability to generate cash.

PROPERTY PORTFOLIO

At 30 June 2021, the value of the property portfolio, including those within property, plant and equipment and properties held for sale, was £2,317.6 million, £134.6 million higher than six months earlier, driven by acquisitions of £177.2 million including costs and capital expenditure of £18.9 million offset by foreign exchange reductions of £45.6 million, disposals of £15.1 million and a small revaluation loss of £0.8 million.

As previously highlighted, it was a busy start to the year in terms of acquisition activity, and the associated financing, with the completion of the six acquisitions, five in Germany and one in the UK, which had exchanged at the turn of the year, for c.£165 million. The acquisitions were bought for their asset management opportunities at a net initial yield of 3.9% and a reversionary yield of 6.1%. We are already starting to execute new lettings to capture this reversionary potential through rent increases and vacancy reduction.

Selective disposal activity is also taking place targeting smaller properties with higher alternative use values and/or less growth potential. Four properties, two in the UK, one in Germany and one in France, were sold for £15.5 million, two of which had exchanged in 2020. In the first half we also exchanged on a further two disposals for £10.9 million (one in Hounslow, UK and one in Wiesbaden, Germany) which completed following the period end. In total, the six properties were sold for a net initial yield of 4.4%.

In the second-half, we expect to continue with selective disposals of smaller properties to drive higher growth from the portfolio. All of this transactional activity is part of a repositioning of the portfolio to allow us to deliver value through active asset management.

In the six months to June, the like-for-like valuation of the property portfolio, which excludes acquisitions, rose by 0.2% in local currency with a continued strong performance in Germany up 1.5% offsetting a decline in the UK of 0.5% and a virtually flat performance in France at (0.1)%. Including acquisition costs, the portfolio valuation was flat. At 30 June 2021, the net initial yield of the portfolio was 4.3% (31 December 2020: 4.6%), 206 basis points above the Group's cost of debt, underpinning the Group's ability to generate cash.

The EPRA vacancy rate as at 30 June 2021 was 7.7% (31 December 2020: 5.1%) primarily driven by the vacancy acquired with the German acquisitions and, to a lesser extent, by lease expiries being ahead of lettings as pandemic restrictions limited tenant viewing opportunities. We expect letting activity to pick up in the second-half, particularly in Germany, as we are seeing increased tenant enquiries following the lifting of lockdown.

DIVIDENDS

In September, the Group will pay an interim dividend for 2021 of 2.35 pence per share, which is at the same level as the 2020 interim dividend.

ENVIRONMENT, SOCIAL AND GOVERNANCE

With the importance of sustainability reporting growing and the introduction of TCFD this year, we have decided to replace our annual sustainability report with an enhanced sustainability section within our annual company report and accounts starting with the 2021 report. Today we are publishing our new sustainability strategy and Net Zero Carbon Pathway, which outlines our plan for CLS to navigate a decade that will be defined by the impacts of climate change.

Our biggest sustainability achievement so far in 2021 has been the completion of our Net Zero Carbon Pathway, for which we took an evidence-based approach through undertaking a program of asset-level energy audits to obtain the technical and cost data for each property to achieve energy and carbon savings. We also employed a specialist consultant to compile our Scope 3 emissions baseline to ensure we had a full picture of the carbon footprint of our business. Our technical assessments have provided us with an estimated total capital expenditure spend of up to £58 million until 2030 to deliver the full programme. We are currently in the process of refining our model to scrutinise the technical and commercial feasibility of each opportunity, and determine the optimal time to deliver each project over the coming years. This will confirm the year-on-year capital expenditure investment and estimated carbon performance split between the amounts which will be recoverable through service charges, which are part of our normal annual capital expenditure programmes of c.£20 million and which amounts are additional.

Incorporated within our Net Zero Carbon model are the regulatory criteria relating to energy efficiency and/or carbon reductions for office properties as relevant to the UK, France and Germany by 2030. These include the new EPC-B requirements in the UK, the Decret Tertiaire energy efficiency targets in France, and the new energy efficiency targets and carbon costs recently announced in Germany. By incorporating these details into our

model we now have a comprehensive picture of the costs and compliance risks for each property that we will incorporate into the long-term asset management strategies for each property.

As part of being a responsible corporate citizen and long-term investor, we have continued to support local and industry related charities during this crisis, with our core focus being to support the issues of homelessness, food poverty, and youth unemployment. In March, a CLS team participated in the SleepOut for LandAid event to raise money for, and awareness of, youth homelessness. In addition, we have supported local food banks in Vauxhall and Hamburg, and sponsored the Levallois Young Readers prize in Paris for the third consecutive year.

OUTLOOK

The benefits of being active in the three largest economies in Europe, our focused strategy and business model, and our long-term commitment to driving shareholder value continue to be demonstrated. With the easing of the majority of lockdown measures in our three country markets, we expect activity to see a pronounced pick-up in the rest of the year. Our balance sheet remains resilient which supports our transactional activity. These transactions will remain opportunistic with some selective disposals likely in the second-half.

Whilst we expect the return to offices will support increased activity, we also recognise that the market has become more discerning in terms of the space that is sought after. CLS is continuing to focus on its tenants by providing modern, quality space with great amenities and facilities and, as announced today, sustainability improvements continue to be made. We also recognise that space and leases need to remain flexible all while providing well-located buildings at affordable rents.

The second half of the year will see a greater emphasis on driving operational improvements through reduced vacancy in our portfolio and increased occupancy at our Spring Mews student and hotel operations. In addition, the delivery of major refurbishments and progress on our developments provides the opportunity to capture additional ERV of £11.5 million in the portfolio over the next two years. In the first half, we made some cost rationalisations to improve the efficiency of the business and also made a number of well deserved, internal promotions thereby allowing us to strengthen our senior leadership team further. We will be holding a Capital Markets Day in November at which these leaders, among others, will be presenting to our investors and analysts. We are looking forward to improved operating performance in the second half of the year and going into 2022.

Our investor proposition

Strong and consistent long-term shareholder returns

Set out below are the key tenets of our investment proposition. A full description can be found on pages 10 and 11 of CLS' 2020 Annual Report and Accounts:

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

DIVIDEND POLICY

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

It is our policy to pay a progressive dividend, fully covered by EPRA earnings. Approximately one-third of the annual dividend is paid as an interim in September, with the balance paid as a final dividend in April.

ANALYST COVERAGE

We are covered by four brokers which publish regular analyst research: Liberum Capital; Panmure Gordon; Peel Hunt; and Berenberg. Contact details can be found on our website www.clsholdings.com.

2021 INVESTOR ENGAGEMENT

Events which have taken place	Events which are due to take place
March 2021 Annual Results presentation Annual Results investor calls	August 2021 Half-Year Results presentation
April 2021 Trading update Annual General Meeting	August/September 2021 Half-Year Results investor calls
	November 2021 Trading Update and Capital Markets Day in London

Business review

United Kingdom

Confidence and deal activity returning as vaccine roll-out progresses

	30 June 2021	31 December 2020
Value of properties	£1,143.1m	£1,125.7m
Percentage of Group's property interests	49%	52%
Number of properties	45	47
Number of tenants	243	256
EPRA vacancy rate	7.3%	5.9%
Lettable space	2.1m sq. ft	2.2m sq. ft
Government and major corporates	63.1%	62.8%
Weighted average lease length to end	4.6 years	4.7 years

The value of the UK portfolio increased by £17.4 million as a result of: net additions of £23.8 million (one acquisition for £17.9 million including costs and capital expenditure of £11.8 million partly offset by two disposals for £5.9 million) and a valuation loss of £6.4 million or 0.6% in local currency. The like-for-like valuation decrease, which excludes the acquisition costs, was 0.5%. The valuation decline was as a result of increased vacancy more than offsetting a marginal increase in ERVs and a slight decline in net initial yields.

The acquisition of Radius House, Watford, which had exchanged in December 2020, completed in January 2021 for £17.9 million. The building is fully let to four tenants with a WAULT of 8.1 years and a net initial yield of 5.6%. Half of the rent is contracted to a UK Government department until 2030 without break, offering secure long-term income.

In July, construction started on the 28,500 sq. ft new office development at Vauxhall Walk. The 10-storey building, which is targeting a minimum 20% profit on cost, is forecast to complete in the first quarter of 2023. At St. Cloud Gate, Maidenhead, final detailed designs are being worked up alongside gauging occupier interest. We are also in the midst of a major refurbishment at 9 Prescott Street, Aldgate with clear out completing before commencing the construction and fit-out works for the BREEAM Excellent space we will be creating here. In addition, refurbishments are ongoing to create attractive, contemporary and flexible office space at Apex Tower, Hygeia and Reigate (which completed in July). Where flexible space is additive to our existing offerings, we are rolling out further Base Office floors on a selective basis.

Two disposals, which had exchanged in 2020, completed in the period for £5.9 million. The disposals at Atholl House in Aberdeen and Quest House in Hounslow were at book value. In the second half of the year we expect further disposals of properties which have limited growth potential for CLS as they are small and/or have more valuable alternative uses. In July, we completed the sale of Falcon House, Hounslow for £6.1 million being a 22% profit on sale compared to the 2020 year-end valuation.

Vacancy increased within the period from 5.9% to 7.3% largely as a result of weak letting conditions at the start of the year which gradually improved throughout the period. As a result, 165,784 sq. ft (15,402 sqm) of expired or vacated space was ahead of 62,521 sq. ft (5,808 sqm) of space which was let or renewed at values ahead of year-end ERVs. The most significant transactions were a new 10-year lease with RSM Management at Priory Place, Chelmsford for 5,637 sq. ft (524 sqm) and a 10-year lease extension for 5,693 sq. ft (529 sqm) renewal at Hygeia, Harrow with Coyle Personnel.

The UK economy experienced an unprecedented drop in GDP in 2020 of c.9%. However, the success of the furlough scheme, which limited unemployment, and the vaccine roll-out means that GDP growth is forecast at 7% in 2021 with the economy to return to its pre-pandemic size in early 2022.

In 2021, the UK property market started the year sluggishly but activity started to increase with the gradual easing of lockdown and increased vaccinations. While the commercial investment market at £23 billion was up 15% year on year and the South-East market volume at £1.5 billion was up on the 5 and 10-year averages, both were distorted by some exceptionally large transactions, without which volumes were more in-line with recent levels of activity. Volumes though are forecast to increase in the second half. The letting market was more subdued and whilst Greater London and the South East office letting volume of c.1.8 million sq. ft in H1 2021 was up 67% year on year, this was still down on the 10-year average.

Germany

Markets supported by favourable supply and demand dynamics

	30 June 2021	31 December 2020
Value of properties	£880.2m	£747.7m
Percentage of Group's property interests	38%	34%
Number of properties	33	29
Number of tenants	369	311
EPRA vacancy rate	9.3%	3.6%
Lettable space	3.6m sq. ft	3.0m sq. ft
Government and major corporates	33.4%	32.4%
Weighted average lease length to end	4.9 years	5.2 years

The value of the German portfolio increased by £132.5 million as a result of: net additions of £159.3 million (five acquisitions for £159.3 million (including costs) and capital expenditure of £4.1 million partly offset by one disposal for £4.1 million); foreign exchange valuation decline of £32.7 million; and a valuation gain of £5.9 million or 0.7% in local currency. The like-for-like valuation increase was 1.5%, which excludes the acquisition costs but also the valuation uplifts on these acquisitions which increased by 2.8% since purchase. The portfolio valuation increased as a result of a slight decrease in net initial yields with ERVs flat.

The first half was a particularly busy period for acquisitions with the completion of five purchases in Berlin, Hamburg, Dusseldorf and Essen for £159.3 million (two of which for £70.2 million had exchanged in December last year). The net initial yield was 3.8% with a reversionary yield of 5.9%. This considerable upside is as a result of acquiring vacancy in three of the buildings as well under renting which CLS intends to capture through our active asset management model.

We are progressing our development at Vor dem Lauch, Stuttgart (now renamed Lichthof Stuttgart) by seeking a substantial pre-let and negotiating a construction contract conditional on the pre-let.

While expanding the portfolio through acquisitions, on a selective basis we are also selling smaller properties. In the first half, we sold Frohbosestrasse in Hamburg for £4.1 million. The sale of Kreuzberger Ring in Wiesbaden exchanged in the first half and completed in July for £4.8 million. Combined, the sales were at a 4.1% net initial yield.

Vacancy increased significantly within the period from 4.0% to 9.3% largely as a result of acquired vacancy which added 4.0% on a pro forma basis at the point of acquisition but as a result of letting activity since purchase, this fell to 3.8%. In addition in the period, 220,953 sq. ft (20,527 sqm) of space expired or was vacated and 189,585 sq. ft (17,613 sqm) was let or renewed at values slightly ahead of year-end ERVs. The most significant transactions were a new seven-year letting for 12,766 sq. ft (1,186 sqm) to Landersverband at Connect, Cologne and a three-year lease extension to 2028 for 36,447 sq. ft (3,386 sqm) with Naturstrom at Parsevalstrasse, Dusseldorf. The letting pipeline is looking promising with advanced discussions taking place for around half of the vacancy.

Most of the pandemic restrictions have been lifted since the end of June and Germany has made accelerating progress on the vaccination campaign with over half of the adult population now having received two jabs. The IFO-business climate is showing greater confidence with German industry now back to pre-Covid levels, and services and retail are picking up as well. GDP growth of c.3.5% is expected for 2021 and unemployment has started to decrease and is expected to drop further in the second half.

Investment transactions in commercial properties in the first-half totalled €22 billion, close to the levels seen in record years and showing increased momentum. However, there was considerable variability between the cities in the second quarter with volumes down 46% in Hamburg but up 97% in Munich. Overall, 2021 investment volumes are expected to be above the 10-year average at c.€55 billion.

In the first half of 2021 take-up of office space in the top seven cities was 1.2 million sqm, which was marginally up on last year but below the 10-year average. Larger lettings are still scarce and hesitation remains amongst the larger corporations hence the vacancy rate has increased to 4.2% from 3.8% at the end of 2020. Again, there is a mixed picture across the major cities with considerable variability in activity which is also reflected in vacancy rates which are above 7% in Frankfurt and 6% in Dusseldorf but at or below 4% in the other five major cities. Take-up is likely to revive with forecasters estimating a busy second half of the year.

France

Engaged in selective capital expenditure works to upgrade our existing portfolio

	30 June 2021	31 December 2020
Value of properties	£294.3m	£309.6m
Percentage of Group's property interests	13%	14%
Number of properties	20	21
Number of tenants	173	176
EPRA vacancy rate	4.0%	5.1%
Lettable space	0.8m sq. ft	0.9m sq. ft
Government and major corporates	46.4%	45.1%
Weighted average lease length to end	5.0 years	4.9 years

The value of the French portfolio decreased by £15.3 million as a result of: net reductions of £2.1 million (one disposal for £5.1 million offset by capital expenditure of £3.0 million); foreign exchange valuation decline of £12.9 million; and a valuation loss of £0.3 million or 0.1% in local currency. Overall, there was little valuation movement for the French portfolio with a reduction in ERVs mostly offset by a slight decline in net initial yield.

There were few attractive acquisition opportunities in the first half and consequently we continued to focus on our ambitious redevelopments and important refurbishments as highlighted in our reporting last year. The most significant capital expenditure in the first half was at Park Avenue, Lyon, where a renovation of internal accommodation areas followed by the refurbishment of the façade and common areas is taking place over this year and the next. Across the portfolio, additional works are taking place to upgrade facilities and amenities, and we expect similar or greater levels of capital expenditure in the second half.

Continuing with our strategy of disposing of properties which are too small to have a meaningful impact and/or have little asset management potential to drive growth, we sold Gennevilliers in Paris for £6.0 million, of which £5.5 million was received in June and £0.5 million to be received in the second half of the year. The disposal represented a profit on sale of £0.3 million or 6.3% increase compared to the 2020 year-end valuation. We expect further limited disposals in the second half.

Letting activity picked up in the first half from previously subdued levels and while 80,718 sq. ft (7,499 sqm) of space expired or was vacated, 95,250 sq. ft (8,849 sqm) was let or renewed. As a consequence, the vacancy rate fell to 4.0% by the end of June (31 December 2020: 5.1%). The most significant transaction was a lease renewal at Inside, Paris to Veolia for at least 4.5 years. Veolia has taken additional space under the renewal and now occupies over half of the property, which has resulted in the building being fully let. Excluding this deal, lettings were in line with year-end ERVs. A major new 3/6/9-year letting of 6,988 sq. ft (649 sqm) was also made to Apside-Advance, at Sigma in Paris.

In May, most pandemic restrictions were released with around half of the adult population now fully vaccinated. Since the end of the lockdown, the economy has been recovering quite strongly especially in the industrial sector. GDP growth for 2021 has consequently been revised upwards and should be in the region of 5.8% in 2021 although unemployment is expected to peak this year before falling next.

The performance of the property market is varying across France with regions such as Lyon and central Paris performing more strongly whereas the Parisian suburbs are weaker particularly the Western Crescent with significant vacancy. Small to medium size companies are more active but government institutions seem to be waiting for the outcome of elections next year.

In the first half of 2021, letting activity in the Greater Paris region reached 0.8 million sqm which was up by 14% year on year but down on its long-term average. Commercial real estate investment volumes in France reached €8 billion which was a decline of 11% compared to 2020. Most forecasters consider that the second half of 2021 should be active both in terms of letting and investment.

Key data

Rental Data

	Rental Income for the Period (£m)	Net Rental Income for the Period (£m)	Lettable Space (sqm)	Contracted Rent At 30 June 2021 (£m)	ERV at 30 June 2021 (£m)	Contracted Rent Subject to Indexation (£m)	EPRA Vacancy rate at 30 June 2021
UK	26.8	28.8	196,765	55.8	62.3	14.2	7.3%
Germany	16.4	16.2	336,298	39.7	46.2	26.6	9.3%
France	7.4	7.3	78,632	14.4	15.2	14.4	4.0%
Total Portfolio	50.6	52.3	611,695	109.9	123.7	55.2	7.7%

Valuation Data

	Market Value of Property (£m)	H1 Valuation Movement		EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Reversion	Over-rented	Equivalent Yield
		Underlying (£m)	Foreign Exchange (£m)					
UK	1,020.0	(7.6)	-	4.7%	5.0%	6.6%	3.2%	5.7%
Germany	876.0	5.9	(32.5)	3.9%	4.2%	11.7%	6.1%	4.4%
France	292.4	(0.3)	(12.8)	3.8%	4.5%	5.7%	4.4%	5.1%
Total Portfolio	2,188.4	(2.0)	(45.3)	4.3%	4.6%	9.0%	4.4%	5.1%

Lease Data

	Average Lease Length		Contracted Rent of Lease Expiring In:				ERV of Lease Expiring In:			
	To Break (Years)	To Expiry (Years)	Year 1 (£m)	Year 2 (£m)	Years 3 - 5 (£m)	After 5 Years (£m)	Year 1 (£m)	Year 2 (£m)	Years 3 - 5 (£m)	After 5 Years (£m)
UK	3.4	4.6	3.8	5.1	32.4	14.5	4.0	5.3	33.8	14.6
Germany	4.7	4.9	8.3	4.8	14.1	12.5	8.4	6.0	14.5	13.0
France	2.6	5.0	0.5	1.7	4.9	7.3	0.6	1.6	5.1	7.3
Total Portfolio	3.8	4.7	12.6	11.6	51.4	34.3	13.0	12.9	53.4	34.9

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

Tenant Industries by Contracted Rent	
Government	23.7%
Commercial and Professional Services	12.2%
Information Technology	11.3%
Consumer Discretionary	10.0%
Industrials	8.9%
Communication Services	8.5%
Other	8.2%
Health Care	6.1%
Real Estate	6.1%
Financials	5.0%

Property use by rent	
Offices	93.0%
Student	3.0%
Hotel	2.0%
Food Retail	2.0%

Financial review

RESULTS FOR THE PERIOD

HEADLINES

Profit after tax of £8.8 million (2020: £21.6 million) generated statutory earnings per share of 2.2 pence (2020: 5.3 pence) and EPRA earnings per share of 5.4 pence (2020: 7.0 pence), which was down 22.9% year on year resulting from foreign exchange reductions and lower net rental income partly offset by lower administration and other expenses. Gross property assets at 30 June 2021, including those in property, plant and equipment and those held for sale, increased to £2,317.6 million (31 December 2020: £2,183.0 million) through net additions and capital expenditure of £181.0 million reduced by foreign exchange reductions of £45.6 million and a small revaluation decline of £0.8 million. Net assets per share fell by 2.9% to 303.0 pence (31 December 2020: 311.9 pence) and EPRA NTA per share by 2.3% to 337.2 pence (31 December 2020: 345.2 pence). Total accounting return including dividends paid in the period was (0.8)% (30 June 2020: 4.6%).

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

STATEMENT OF COMPREHENSIVE INCOME

Net rental income for the six months to 30 June 2021 of £52.3 million (2020: £56.5 million) was lower than last year by a net £4.2 million, or 7.4%, as a result of lower hotel and student revenue due to Covid-19 and lower dilapidations income. The table below sets out our rent collection across our countries and the Group in the first half and the third quarter of 2021 as at the date of this report:

Business segment	First half 2021	Third quarter 2021	
	Headline	Adjusted	Headline
UK	98%	96%	93%
Germany	99%	99%	99%
France	98%	99%	95%
Group	99%	97%	94%

Note: Adjusted Q3 2021 rent includes agreed quarterly to monthly changes which have been agreed for c.7% of our tenant base

Operating profit of £36.3 million (2020: £41.9 million) was down year on year due to the shortfall in net rental income described above and the revaluation losses on investment properties of £2.8 million (2020: Gain £2.7 million) offset by reductions in administration and other expenses which was down to £13.5 million (2020: £17.1 million). Part of this expense reduction was from the release of a proportion of the bad debt provision as a result of continuing high rent collection.

The increase in net interest expense to £11.6 million (2020: £10.4 million) contained £1.9 million of negative foreign exchange variances (2020: £3.1 million positive) from translating monetary assets into sterling at the balance sheet date offsetting the positive movement on financial instruments of £2.6 million (2020: £2.3 million negative).

The tax charge of £15.9 million (2020: £9.9 million), which represented an effective rate of 79.1% (2020: 31.3%) was distorted in 2021 by the enactment of an increase in UK corporation tax from 19% to 25% from 2023 onwards which increased deferred tax by £10.2 million. Without this, the estimated effective tax rate of the Group in 2021 would have been 28.4%.

EPRA NET TANGIBLE ASSETS PER SHARE

EPRA NTA per share fell from 345.2p to 337.2p in the six months to 30 June 2021, a decrease of 8.0p per share or 2.3% (EPRA NAV fell by 1.9%). On a per share basis, the decrease comprised EPRA earnings of 5.4p from which a dividend of 5.2p was paid together with foreign exchange reductions of 6.4p, the reduction in property values of 0.4p and other net negative movements of 1.4p.

CASH FLOW, NET DEBT AND FINANCING

As at 30 June 2021, the Group had cash of £168.7 million (31 December 2020: £235.7 million) and £50.0 million (31 December 2020: £50.0 million) of undrawn facilities. The cash balance decreased by £67.0 million from 31 December 2020 given net investment in our portfolio. During the period, £163.9 million was paid for property acquisitions (including costs) and we invested £19.7 million of capital expenditure in our properties offset by net receipts from disposals of £17.7 million. Net proceeds from new financing were £143.5 million and £44.7 million of loans were repaid. Net cash flow from operating activities was £21.9 million (2020: £21.6 million) which was used to pay the 2020 final dividend of £21.2 million.

In the six months to 30 June 2021, borrowings rose by £80.1 million to £1,050.8 million (31 December 2020: £970.7 million), principally due to net loans drawn for new acquisitions. The most notable financing in the first half was CLS' second long-term, 'green' loan secured for £61.7 million with Scottish Widows at 2.65% fixed interest rate for 12 years including a 10 basis point sustainability margin incentive. As a result, approximately 20% of CLS' loan portfolio is now 'green' and we are on target to achieve the first-year margin reduction targets under the Aviva and Scottish Widows' loans.

Net debt excluding leasehold liabilities at the half-year was £882.1 million and the Group's loan-to-value was 38.1% (31 December 2020: 33.7%). The weighted average cost of debt decreased to 2.22% (31 December 2020: 2.28%) as a result of the greater proportion of lower cost Euro denominated loans. Weighted average debt maturity was 4.6 years (31 December 2020: 4.6 years) and the proportion of fixed debt to floating rate debt was 86%:14% (31 December 2020: 84%:16%).

CLS has 48 different loans either secured by individual, or portfolios of, properties. The loans vary in terms of the number of covenants with the three main covenants being ratios relating to loan-to-value, interest cover and debt service cover. However, some loans only have one or two of these covenants, some have other covenants and some have none. The loans also vary in terms of the level of these covenants and the headroom to these covenants.

On average across the 48 loans, CLS has between 27% and 49% headroom for these three main covenants. In the event of an actual or forecast covenant breach, all of the loans have equity cure mechanisms to repair the breach which allow CLS to either repay part of the loan or deposit cash for the period the loan is in breach, after which the cash can be released.

CLS has started to engage with its finance providers regarding the transition away from LIBOR by the end of 2021. At this stage we do not expect any issues or overall change in pricing.

PRINCIPAL RISKS AND UNCERTAINTIES

A detailed explanation of the principal risks and uncertainties affecting the Group, and the steps it takes to mitigate these risks, can be found on pages 54 to 62 of the annual report and financial statements for the year ended 31 December 2020, which is available at www.clsholdings.com/investors.

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

The Board has reviewed the risk status of each of the six risk categories, particularly with regard to the ongoing direct and indirect effects of Covid-19. Particularly noteworthy is the progress being made with the vaccination programmes in each of our operating countries which, taken together with a general easing of lockdown restrictions, is resulting in a pick-up in economic activity. However, we believe that it is still too early to be sufficiently clear as to some of the long-term impacts as well as ongoing concerns regarding Covid-19 variants and consequently we have left the status of our six risks as unchanged from those at the 2020 year end.

It is hoped that the risk level for some of the risk categories will be reduced by the year end. However, as noted below, the focus on some of the risks (especially property and sustainability) remains heightened and thus increased mitigating actions are being taken. The status of all risks will be reassessed at the 2021 year end when further clarity is expected.

Principal risk	Status at year end	Change since year end	Commentary
Property	High	No change	Whilst the hybrid occupation market is now accepted, it is as yet not fully clear what this means in practice. To ensure that we can meet changing needs, CLS continues its focus on tenants by providing modern, flexible, quality and affordable space with good amenities.
Sustainability	Medium	No change	There is continuing increased global focus in this area. CLS remains committed to improving the sustainability of our properties and has today published its enhanced Sustainability Strategy including its Net Zero Carbon Pathway which can be found on the Group's website.
Business interruption	Medium	No change	Our robust IT infrastructure meant that we responded well to the changes necessitated by Covid-19, especially home working. Overall these changes resulted in little impact to the Group's productivity and performance.
Financing	Medium	No change	In our markets, the appetite and support of lenders remains good but continues to depend on the quality of the property, letting history and covenant strength. Maintaining our strong lending relationships across multiple, diversified finance providers remains a key strength of the Group particularly if markets are more volatile.
Political and economic	High	No change	Strong levels of government spending and monetary measures from central banks together with the roll-out of vaccines have helped mitigate some of the impact of Covid-19, leading to improved GDP forecasts for 2021 and 2022. However, Covid-19 variants still pose a threat and the level of future fiscal corrective measures needed to return to a post pandemic "normal" is unclear.
People	Medium	No change	There has been little change in our people risk. The positive results from our 2020 employee survey (discussed in the 2020 annual report) have been discussed with staff and the recommendations have been progressed in conjunction with our Workforce Advisory Panel.

GOING CONCERN

The Directors' assessment of going concern uses the same methodology as for the preparation and validation of the year end viability statement (see page 63 of the annual report and financial statements for the year ended 31 December 2020). This assessment uses forecasts that have been adjusted for the impacts of Covid-19. A more detailed description of the approach is set out in note 2 to these condensed Group financial statements.

The Directors consider that in their assessment there are no material uncertainties that would cast significant doubt on the ability of the Group to continue as a going concern and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this interim report. Accordingly, they continue to adopt the going concern basis in preparing the condensed Group financial statements.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- a) the condensed set of financial statements, which has been prepared in accordance with IAS 34 'Interim Financial Reporting', gives a true and fair view of the assets, liabilities, financial position and profit of the Group, as required by DTR 4.2.4R;
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the financial year); and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board

Fredrik Widlund
Chief Executive Officer
11 August 2021

Andrew Kirkman
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO CLS HOLDINGS PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group statement of cash flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

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

Deloitte LLP

Statutory Auditor
London, United Kingdom
11 August, 2021

Financial statements

Condensed Group income statement for the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Revenue	3	67.7	71.1	139.4
Net rental income	3	52.3	56.5	109.8
Administration expenses		(8.8)	(9.9)	(18.5)
Recurring		(7.6)	(9.9)	(18.5)
Non-recurring	5	(1.2)	-	-
Other expenses		(5.9)	(7.2)	(15.1)
Revenue less costs		37.6	39.4	76.2
Net movements on revaluation of investment property	9	(2.8)	2.7	31.5
Movement on revaluation of equity investment		0.1	-	-
(Loss)/profit on sale of investment property		-	(0.2)	11.6
Profit on sale of associate – non-recurring	5	1.4	-	-
Operating profit		36.3	41.9	119.3
Finance income	6	2.9	3.8	3.2
Finance costs	7	(14.5)	(14.2)	(26.0)
Profit before tax		24.7	31.5	96.5
Recurring		24.5	31.5	96.5
Non-recurring	5	0.2	-	-
Taxation	8	(15.9)	(9.9)	(19.1)
Profit for the period		8.8	21.6	77.4
Attributable to:				
Owners of the Company		8.8	21.6	77.4
Basic and diluted earnings per share	4	2.2p	5.3p	19.0p

Condensed Group statement of comprehensive income
for the six months ended 30 June 2021

	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Profit for the period	8.8	21.6	77.4
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange differences	(21.5)	30.3	24.2
Items that may be reclassified to profit or loss			
Revaluation of property, plant and equipment	1.3	(4.9)	(3.6)
Deferred tax on fair value movements	(3.2)	0.7	0.5
Total items that may be reclassified to profit or loss	(1.9)	(4.2)	(3.1)
Total other comprehensive (expense)/income	(23.4)	26.1	21.1
Total comprehensive (expense)/income for the period	(14.6)	47.7	98.5
Attributable to:			
Owners of the Company	(14.6)	47.7	98.5

Condensed Group balance sheet
at 30 June 2021

		30 June 2021 £m (unaudited)	30 June 2020 £m (unaudited)	31 December 2020 £m (audited)
	Notes			
Non-current assets				
Investment properties	9	2,141.5	2,053.9	2,032.8
Property, plant and equipment	10	131.2	38.4	130.5
Goodwill and intangible assets		2.5	1.7	2.2
Investments		0.9	–	–
Deferred tax		11.6	7.3	7.7
Other receivables		7.9	–	8.2
		2,295.6	2,101.3	2,181.4
Current assets				
Trade and other receivables		11.3	20.3	22.0
Properties held for sale		46.9	39.9	21.9
Cash and cash equivalents		168.7	195.4	235.7
		226.9	255.6	279.6
Total assets		2,522.5	2,356.9	2,461.0
Current liabilities				
Trade and other payables		(59.2)	(51.9)	(54.3)
Current tax		–	0.7	(0.3)
Borrowings	11	(147.4)	(128.0)	(103.6)
		(206.6)	(179.2)	(158.2)
Non-current liabilities				
Deferred tax		(173.4)	(156.1)	(159.5)
Borrowings	11	(903.4)	(785.9)	(867.1)
Leasehold liabilities	11	(1.5)	–	–
Derivative financial instruments	11	(3.0)	(6.4)	(5.6)
		(1,081.3)	(948.4)	(1,032.2)
Total liabilities		(1,287.9)	(1,127.6)	(1,190.4)
Net assets		1,234.6	1,229.3	1,270.6
Equity				
Share capital	12	11.0	11.0	11.0
Share premium		83.1	83.1	83.1
Other reserves		93.7	122.3	117.3
Retained earnings		1,046.8	1,012.9	1,059.2
Total equity		1,234.6	1,229.3	1,270.6

Condensed Group statement of changes in equity
for the six months ended 30 June 2021

Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2021	11.0	83.1	117.3	1,059.2	1,270.6
Arising in the six months ended 30 June 2021:					
Total comprehensive (expense)/income for the period	–	–	(23.4)	8.8	(14.6)
Share-based payment credit	–	–	(0.2)	–	(0.2)
Dividends to shareholders	–	–	–	(21.2)	(21.2)
Total changes arising in the period	–	–	(23.6)	(12.4)	(36.0)
At 30 June 2021	11.0	83.1	93.7	1,046.8	1,234.6

Unaudited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2020	11.0	83.1	96.4	1,011.9	1,202.4
Arising in the six months ended 30 June 2020:					
Total comprehensive income for the period	–	–	26.1	21.6	47.7
Share-based payment credit	–	–	(0.2)	–	(0.2)
Dividends to shareholders	–	–	–	(20.6)	(20.6)
Total changes arising in the period	–	–	25.9	1.0	26.9
At 30 June 2020	11.0	83.1	122.3	1,012.9	1,229.3

Audited	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2020	11.0	83.1	96.4	1,011.9	1,202.4
Arising in the year ended 31 December 2020:					
Total comprehensive income for the year	–	–	21.1	77.4	98.5
Share-based payment credit	–	–	(0.2)	–	(0.2)
Dividends to shareholders	–	–	–	(30.1)	(30.1)
Total changes arising in 2020	–	–	20.9	47.3	68.2
At 31 December 2020	11.0	83.1	117.3	1,059.2	1,270.6

Condensed Group statement of cash flows
for the six months ended 30 June 2021

	Notes	Six months ended 30 June 2021 £m (unaudited)	Six months ended 30 June 2020 £m (unaudited)	Year ended 31 December 2020 £m (audited)
Cash flows from operating activities				
Cash generated from operations	13	38.6	39.0	76.9
Interest received		0.3	0.6	1.0
Interest paid		(12.3)	(11.0)	(22.1)
Income tax paid on operating activities		(4.7)	(7.0)	(11.5)
Net cash inflow from operating activities		21.9	21.6	44.3
Cash flows from investing activities				
Purchase of investment properties		(163.9)	(49.1)	(124.6)
Capital expenditure on investment properties		(19.5)	(9.5)	(18.9)
Proceeds from sale of properties		19.1	10.1	62.2
Income tax paid on sale of properties		(1.4)	(9.0)	(9.0)
Purchases of property, plant and equipment		(0.2)	(0.1)	(0.3)
Distributions received from associate and investment undertakings		–	0.1	0.1
Proceeds from sale of associate		0.6	–	–
Net cash flow from sale of subsidiaries		–	–	(1.4)
Purchase of intangibles		(0.3)	(0.3)	(0.8)
Net cash flow on foreign currency transactions		–	0.3	0.3
Net cash outflow from investing activities		(165.6)	(57.5)	(92.4)
Cash flows from financing activities				
Dividends paid		(21.2)	(20.6)	(30.1)
New loans		144.6	11.1	182.5
Issue costs of new loans		(1.1)	–	(2.5)
Repayment of loans		(44.7)	(21.9)	(128.3)
Net cash inflow/(outflow) from financing activities		77.6	(31.4)	21.6
Cash flow element of net decrease in cash and cash equivalents				
Foreign exchange (loss)/gain		(0.9)	3.3	2.8
Net decrease in cash and cash equivalents		(67.0)	(64.0)	(23.7)
Cash and cash equivalents at the beginning of the period		235.7	259.4	259.4
Cash and cash equivalents at the end of the period		168.7	195.4	235.7

Notes to the condensed Group financial statements

30 June 2021

1 BASIS OF PREPARATION

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results disclosed for the year ended 31 December 2020 are an abridged version of the full accounts for that year, which received an unqualified report from the Auditor, did not contain a statement under section 498(2) or (3) of the Companies Act 2006 or include a reference to any matter to which the Auditor drew attention by way of emphasis without qualifying the Auditor's report, and have been filed with the Registrar of Companies. The annual financial statements of CLS Holdings plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the United Kingdom.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements. A number of new standards and amendments to IFRSs have become effective for the financial year beginning on 1 January 2021. These new standards and amendments are listed below:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Covid-19-Related Rent Concessions – Amendment to IFRS 16

The adoption of these new standards and amendments to IFRSs did not materially impact the condensed set of financial statements for the six months ended 30 June 2021.

Transition from LIBOR to SONIA

The London Interbank Offered Rate (LIBOR) is a measure of the average rate at which banks are willing to borrow wholesale unsecured funds. It is administered by ICE Benchmark Administration and is calculated based on submissions from selected panel banks. It is published in five currencies and a range of tenors and underpins financial contracts including derivatives, bonds and loans. As a result of past market manipulation, LIBOR is being abolished from the end of 2021 and will be replaced by SONIA (Sterling Overnight Indexed Average).

SONIA has been administered and published by the Bank of England since April 2018. It is robust and sustainable given the volume of transactions underpinning it and does not include a term bank credit risk component so is a better measure of the general level of interest rates than LIBOR. SONIA can be compounded to be used in term contracts and the compounded rates tend to be relatively predictable. Referencing alternatives such as SONIA is the most effective way of avoiding risks related to LIBOR discontinuation.

Discussions in relation to the transition from LIBOR to SONIA have been taking place since the beginning of the year with our relationship banks and are ongoing. We do not expect any financial impact on our results as a result of the transition.

2 GOING CONCERN

Covid-19, and the associated responses, are having a profound impact on the global economy and it is currently the single biggest negative influence on the Group leading to both current and forecast impacts as well as far greater levels of uncertainty. CLS is weathering these impacts well with high rent collection, low bad debts and a continuing ability to meet its financing and refinancing needs.

The Board reviews a going concern assessment every six-months alongside the approval of the financial statements. For the half-year assessment, a new 4-year forecast was reviewed and approved by the Board at its August 2021 meeting. The forecast and the going concern assessment apply the same methodology that was used for the 2020 year-end viability statement.

The latest forecast reflects current negative expectations arising as a result of Covid-19, in terms of some lower property valuations, reduced rent and increased bad debts whilst also incorporating mitigating cash preservation measures in terms of cost savings, and reduced and delayed capital expenditure and acquisitions.

This forecast is used as the base case for our going concern and viability assessment which has focused on the cash, liquid resources and working capital position of the Group. The Directors are confident that loans expiring

within at least the next 12 months will be refinanced as expected given existing banking relationships and ongoing discussions.

Two downside scenarios, being mid and severe cases, have also been prepared. The key potential property risks have been incorporated in the modelling by assuming: lower rents; increased service charges and property expenses; falling property values; and reduced loan to value covenants on refinancing reflecting expected greater risk aversion by banks. More general economic factors such as higher interest and tax rates, and foreign exchange changes through a strengthened sterling have also been assumed.

The downside scenarios modelled are based off the negative market and economic impacts experienced during the 2007-2009 global financial crisis with the mid case being somewhat less extreme and the severe case being somewhat more extreme (for example property falls of 35% over four years and 40% over two years respectively). It is worth noting that these scenarios are potentially overly harsh as: it is unlikely all the changes would occur at the same time; the assumptions have been applied equally to all regions and thus there is no benefit given for the geographic and tenant diversity benefits of the Group; and the base case already reflects current expectations of the impact of Covid-19.

The modelling has focused on the cash position of the Group and potential covenant breaches. On average across its 48 loans, CLS has between 27% and 49% headroom for the three main covenant ratios of loan to value, interest cover and debt service cover. In addition, our loan agreements have equity cure mechanisms and in the downside scenarios it is assumed that sufficient, available cash is used to avoid covenant breaches. It has also been assumed that acquisitions, capital expenditure and dividends are either reduced or cancelled. Finally, property sales at the reduced modelled values are assumed.

In the downside scenarios, a minimum cash balance of £100 million has been maintained and no use has been made of the current £50 million of undrawn facilities. In the severe case, only 15% of the property portfolio, at the assumed lower valuations, would need to be sold to maintain this £100 million cash buffer. In a downside scenario, the £50 million of facilities could be withdrawn but if they were not withdrawn and were used, less than 1% of properties would need to be sold.

The longer term operational and financial implications of Covid-19 are hard to forecast accurately. However, based on flexing the key financial assumptions impacting core drivers of CLS' cash flows, it appears that the potential negative outcomes can be mitigated without risking the going concern and longer-term viability of the Group.

Taking the foregoing into account, the Directors consider that in their assessment there are no material uncertainties that would cast significant doubt on the ability of the Group to continue as a going concern and therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this interim report and therefore, the Directors continue to adopt the going concern basis in preparing these accounts.

3 SEGMENT INFORMATION

The Group has two operating divisions – investment properties and other investments. Other investments comprise the hotel, the student accommodation and other small corporate investments for the six months ended 30 June 2021. The Group manages the investment properties division on a geographical basis due to its size and geographical diversity. Consequently, the Group's principal operating segments are:

Investment properties:	United Kingdom
	Germany
	France

Other investments

3 SEGMENT INFORMATION (continued)

The Group's results for the six months ended 30 June 2021 by operating segment were as follows:

	Investment properties			Other investments £m	Central administration £m	Total £m
	United Kingdom £m	Germany £m	France £m			
Rental income	26.8	16.4	7.4	–	–	50.6
Other property-related income	0.4	–	0.1	2.4	–	2.9
Service charge income	5.7	5.5	3.0	–	–	14.2
Revenue	32.9	21.9	10.5	2.4	–	67.7
Service charges and similar expenses	(6.5)	(5.7)	(3.2)	–	–	(15.4)
Net rental income	26.4	16.2	7.3	2.4	–	52.3
Administration expenses	(3.8)	(1.3)	(1.0)	–	(2.7)	(8.8)
Recurring	(3.3)	(1.3)	(1.0)	–	(2.0)	(7.6)
Non-recurring	(0.5)	–	–	–	(0.7)	(1.2)
Other expenses	(2.1)	(1.4)	(0.3)	(2.1)	–	(5.9)
Revenue less costs	20.5	13.5	6.0	0.3	(2.7)	37.6
Net movements on revaluation of investment property	(7.5)	5.4	(0.7)	–	–	(2.8)
Movement on revaluation of equity investment	–	–	–	0.1	–	0.1
(Loss)/profit on sale of investment property	(0.1)	0.1	–	–	–	–
Profit of sale of associate – non-recurring	–	–	–	1.4	–	1.4
Operating profit/(loss)	12.9	19.0	5.3	1.8	(2.7)	36.3
Recurring	13.4	19.0	5.3	0.4	(2.0)	36.1
Non-recurring	(0.5)	–	–	1.4	(0.7)	0.2
Finance income	1.9	0.1	–	0.9	–	2.9
Finance costs	(7.9)	(2.5)	(1.3)	(2.6)	(0.2)	(14.5)
Profit/(loss) before tax	6.9	16.6	4.0	0.1	(2.9)	24.7

3 SEGMENT INFORMATION (continued)

The Group's results for the six months ended 30 June 2020 by operating segment were as follows:

	Investment properties			Other investments £m	Central administration £m	Total £m
	United Kingdom £m	Germany £m	France £m			
Rental income	29.4	16.4	7.6	–	–	53.4
Other property-related income	3.2	–	0.1	1.0	–	4.3
Service charge income	5.5	5.0	2.9	–	–	13.4
Revenue	38.1	21.4	10.6	1.0	–	71.1
Service charges and similar expenses	(6.3)	(5.4)	(2.9)	–	–	(14.6)
Net rental income	31.8	16.0	7.7	1.0	–	56.5
Administration expenses	(3.8)	(1.3)	(0.9)	(0.2)	(3.7)	(9.9)
Other expenses	(3.8)	(1.1)	(0.6)	(1.0)	(0.7)	(7.2)
Revenue less costs	24.2	13.6	6.2	(0.2)	(4.4)	39.4
Net movements on revaluation of investment property	(18.0)	19.5	1.2	–	–	2.7
Loss on sale of investment property	(0.2)	–	–	–	–	(0.2)
Operating profit/(loss)	6.0	33.1	7.4	(0.2)	(4.4)	41.9
Finance income	–	–	–	3.8	–	3.8
Finance costs	(10.0)	(2.5)	(1.3)	(0.2)	(0.2)	(14.2)
(Loss)/profit before tax	(4.0)	30.6	6.1	3.4	(4.6)	31.5

3 SEGMENT INFORMATION (continued)

The Group's results for the year ended 31 December 2020 were as follows:

	Investment properties			Other investments	Central administration	Total
	United Kingdom £m	Germany £m	France £m			
Rental income	58.2	33.3	15.0	–	–	106.5
Other property-related income	3.8	–	0.2	1.9	–	5.9
Service charge income	11.2	10.3	5.5	–	–	27.0
Revenue	73.2	43.6	20.7	1.9	–	139.4
Service charges and similar expenses	(12.8)	(10.9)	(5.9)	–	–	(29.6)
Net rental income	60.4	32.7	14.8	1.9	–	109.8
Administration expenses	(7.5)	(2.9)	(1.8)	(0.2)	(6.1)	(18.5)
Other expenses	(8.9)	(2.8)	(1.4)	(2.0)	–	(15.1)
Revenue less costs	44.0	27.0	11.6	(0.3)	(6.1)	76.2
Net movements on revaluation of investment property	(29.1)	60.1	0.5	–	–	31.5
(Loss)/profit on sale of investment property	(0.1)	11.7	–	–	–	11.6
Operating profit/(loss)	14.8	98.8	12.1	(0.3)	(6.1)	119.3
Finance income	–	–	–	3.2	–	3.2
Finance costs	(17.3)	(5.1)	(2.7)	(0.9)	–	(26.0)
(Loss)/profit before tax	(2.5)	93.7	9.4	2.0	(6.1)	96.5

SEGMENT ASSETS AND LIABILITIES

	Assets			Liabilities			Capital expenditure		
	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
<i>Investment property</i>									
United Kingdom	1,054.5	1,068.5	1,044.8	629.3	522.3	605.2	11.8	3.8	7.3
Germany	893.4	761.2	767.2	451.9	393.4	373.3	4.1	3.9	6.3
France	300.5	314.1	314.9	195.0	206.6	207.2	3.0	1.7	4.2
<i>Other investments</i>	274.1	213.1	334.1	16.3	5.3	4.7	–	–	0.1
	2,522.5	2,356.9	2,461.0	1,292.5	1,127.6	1,190.4	18.9	9.4	17.9

4 ALTERNATIVE PERFORMANCE MEASURES ('APMs')

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

Introduction

The Group has applied the October 2015 European Securities and Markets Authority ('ESMA') guidelines on APMs and the November 2017 Financial Reporting Council ('FRC') corporate thematic review of APMs in these results, whilst noting ESMA's December 2019 report on the use of APMs. An APM is a financial measure of historical or future financial performance, position or cash flows of the Group which is not a measure defined or specified in IFRS.

Overview of our use of APMs

The Directors believe that APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs assist our stakeholder users of the accounts, particularly equity and debt investors, through the comparability of information. APMs are used by the Directors and management, both internally and externally, for performance analysis, strategic planning, reporting and incentive-setting purposes. APMs are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, including peers in the real estate industry. There are two sets of APMs which we utilise, and which are reconciled where possible to statutory measures on the following pages.

1. EPRA APMs

CLS monitors the Group's financial performance using APMs which are European Public Real Estate Association ('EPRA') measures as these are a set of standard disclosures for the property industry and thus aid comparability for our stakeholder users. Prior to last year end, the two key APMs for CLS, which were in accordance with the November 2016 EPRA guidelines, were:

- EPRA earnings, which gives relevant information to investors on the long-term performance of the Group's underlying property investment business and an indication of the extent to which current dividend payments are supported by earnings; and
- EPRA net asset value (NAV), which excludes certain items not expected to crystallise in a long-term investment property business model, such as CLS'.

The latest edition of the EPRA guidelines were issued in October 2019 and replaced EPRA NAV and EPRA NNNAV with three other balance sheet reporting measures, which are defined in the glossary:

- EPRA net tangible assets (NTA);
- EPRA net realisable value (NRV); and
- EPRA net development value (NDV).

CLS considers EPRA NTA to be the most relevant of these new measures as we believe that this will continue to reflect the long-term nature of our property investments most accurately. However, all the new measures have been disclosed along with the previous measures for comparative purposes. EPRA Earnings remains the same.

Whilst CLS primarily uses the measures referred to above, we have also disclosed all other EPRA metrics as well as disclosing the measures that CLS used to prefer for certain of these categories.

- EPRA net initial yield;
- EPRA 'topped-up' net initial yield;
- EPRA vacancy;
- EPRA capital expenditure; and
- EPRA cost ratio.

2. Other APMs

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

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

Changes to APMs

Except for the removal of the CLS specific performance measures mentioned above, there have been no changes to the Group's APMs in the period with the same APMs utilised by the business being defined, calculated and used on a consistent basis.

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

1) EPRA APMs

Number of shares for use in EPRA calculations:

	30 June 2021 Number	30 June 2020 Number	31 December 2020 Number
Weighted average number of ordinary shares in circulation	407,395,760	407,395,760	407,395,760
Number of ordinary shares in circulation	407,395,760	407,395,760	407,395,760

i) EPRA Earnings

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Profit for the period	8.8	21.6	77.4
Non-recurring items after tax	5 (0.4)	–	–
Profit for the period before non-recurring items	8.4	21.6	77.4
Net movement on revaluation of investment property	2.8	(2.7)	(31.5)
Movement on revaluation of equity investment	(0.1)	–	–
Loss/(profit) from sale of investment property	–	0.2	(11.6)
Current tax on disposals	1.0	0.2	2.7
Movement in fair value of derivative financial instruments	(2.6)	2.3	1.6
Deferred taxation	12.4	6.8	10.9
EPRA earnings	21.9	28.4	49.5
Basic and diluted earnings per share from continuing operations	2.2p	5.3p	19.0p
EPRA earnings per share	5.4p	7.0p	12.2p

ii) Net asset value measures

30 June 2021	IFRS NAV £m	EPRA NNAV £m	EPRA NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	1,234.6	1,234.6	1,234.6	1,234.6	1,234.6	1,234.6
Goodwill as a result of deferred tax on acquisitions	–	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Other intangibles	–	–	–	(1.4)	–	–
Fair value of fixed interest debt	–	(8.6)	–	–	–	(8.6)
- tax thereon	–	1.6	–	–	–	1.6
Deferred tax on revaluation surplus	–	–	162.3	162.3	162.3	–
Capital allowances	–	–	–	(15.6)	(15.6)	–
Adjustment for short-term disposals	–	–	–	(8.2)	–	–
Fair value of financial instruments	–	–	3.0	3.0	3.0	–
Purchasers' costs	–	–	–	–	148.4	–
	1,234.6	1,226.5	1,398.8	1,373.6	1,531.6	1,226.5
Per share	303.0p	301.1p	343.4p	337.2p	375.9p	301.1p
30 June 2020						
Net assets	1,229.3	1,229.3	1,229.3	1,229.3	1,229.3	1,229.3
Goodwill as a result of deferred tax on acquisitions	–	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Other intangibles	–	–	–	(0.6)	–	–
Fair value of fixed interest debt	–	(12.6)	–	–	–	(12.6)
- tax thereon	–	2.4	–	–	–	2.4
Deferred tax on revaluation surplus	–	–	148.8	148.8	148.8	–
Capital allowances	–	–	–	(11.5)	(11.5)	–
Adjustment for short-term disposals	–	–	–	(0.8)	–	–
Fair value of financial instruments	–	–	6.4	6.4	6.4	–
Purchasers' costs	–	–	–	–	137.3	–
	1,229.3	1,218.0	1,383.4	1,370.5	1,509.2	1,218.0
Per share	301.7p	299.0p	339.6p	336.4p	370.5p	299.0p
31 December 2020						
Net assets	1,270.6	1,270.6	1,270.6	1,270.6	1,270.6	1,270.6
Goodwill as a result of deferred tax on acquisitions	–	(1.1)	(1.1)	(1.1)	(1.1)	(1.1)
Other intangibles	–	–	–	(1.1)	–	–
Fair value of fixed interest debt	–	(13.2)	–	–	–	(13.2)
- tax thereon	–	2.5	–	–	–	2.5
Deferred tax on revaluation surplus	–	–	151.3	151.3	151.3	–
Capital allowances	–	–	–	(12.0)	(12.0)	–
Adjustment for short-term disposals	–	–	–	(6.9)	–	–
Fair value of financial instruments	–	–	5.6	5.6	5.6	–
Purchasers' costs	–	–	–	–	140.9	–
	1,270.6	1,258.8	1,426.4	1,406.4	1,555.3	1,258.8
Per share	311.9p	309.0p	350.1p	345.2p	381.8p	309.0p

iii) Yield

EPRA Net Initial Yield ('NIY')

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

	Six months ended 30 June 2021			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	52.4	37.6	12.4	102.4
Adjusted for development stock	(1.1)	–	–	(1.1)
Forecast non-recoverable service charge	(2.5)	(1.1)	(0.5)	(4.1)
Annualised net rents (A)	48.8	36.5	11.9	97.2
Property portfolio	1,020.0	876.0	292.4	2,188.4
Adjusted for development stock	(50.3)	(7.0)	–	(57.3)
Purchasers' costs	65.9	59.1	19.9	144.9
Property portfolio valuation including purchasers' costs (B)	1,035.6	928.1	312.3	2,276.0
EPRA NIY (A/B)	4.7%	3.9%	3.8%	4.3%

	Six months ended 30 June 2020			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	55.8	34.1	14.9	104.8
Adjusted for development stock	(1.3)	–	–	(1.3)
Forecast non-recoverable service charge	(2.5)	(1.0)	(0.1)	(3.6)
Annualised net rents (A)	52.0	33.1	14.8	99.9
Property portfolio	1,036.7	751.3	305.8	2,093.8
Adjusted for development stock	(45.3)	(28.5)	–	(73.8)
Purchasers' costs	67.3	49.2	20.8	137.3
Property portfolio valuation including purchasers' costs (B)	1,058.7	772.0	326.6	2,157.3
EPRA NIY (A/B)	4.9%	4.3%	4.5%	4.6%

	Year ended 31 December 2020			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	54.4	33.2	13.7	101.3
Adjusted for development stock	(1.1)	–	–	(1.1)
Forecast non-recoverable service charge	(2.5)	(0.8)	(0.5)	(3.8)
Annualised net rents (A)	50.8	32.4	13.2	96.4
Property portfolio	1,003.8	743.3	307.6	2,054.7
Adjusted for development stock	(49.5)	(7.5)	–	(57.0)
Purchasers' costs	64.6	50.0	20.9	135.5
Property portfolio valuation including purchasers' costs (B)	1,018.9	785.8	328.5	2,133.2
EPRA NIY (A/B)	5.0%	4.1%	4.0%	4.5%

EPRA 'topped-up' NIY

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

	Six months ended 30 June 2021			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	55.8	39.7	14.4	109.9
Adjusted for development stock	(1.1)	–	–	(1.1)
Forecast non-recoverable service charge	(2.5)	(1.1)	(0.5)	(4.1)
'Topped-up' annualised net rents (A)	52.2	38.6	13.9	104.7
Property portfolio	1,020.0	876.0	292.4	2,188.4
Adjusted for development stock	(50.3)	(7.0)	–	(57.3)
Purchasers' costs	65.9	59.1	19.9	144.9
Property portfolio valuation including purchasers' costs (B)	1,035.6	928.1	312.3	2,276.0
EPRA 'topped-up' NIY (A/B)	5.0%	4.2%	4.5%	4.6%

	Six months ended 30 June 2020			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	59.6	37.4	16.5	113.5
Adjusted for development stock	(1.5)	–	–	(1.5)
Forecast non-recoverable service charge	(2.5)	(1.0)	(0.1)	(3.6)
'Topped-up' annualised net rents (A)	55.6	36.4	16.4	108.4
Property portfolio	1,036.7	751.3	305.8	2,093.8
Adjusted for development stock	(45.3)	(28.5)	–	(73.8)
Purchasers' costs	67.3	49.2	20.8	137.3
Property portfolio valuation including purchasers' costs (B)	1,058.7	772.0	326.6	2,157.3
EPRA 'topped-up' NIY (A/B)	5.3%	4.7%	5.0%	5.0%

	Year ended 31 December 2020			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	57.2	34.7	16.0	107.9
Adjusted for development stock	(1.2)	–	–	(1.2)
Forecast non-recoverable service charge	(2.5)	(0.8)	(0.5)	(3.8)
'Topped-up' annualised net rents (A)	53.5	33.9	15.5	102.9
Property portfolio	1,003.8	743.3	307.6	2,054.7
Adjusted for development stock	(49.5)	(7.5)	–	(57.0)
Purchasers' costs	64.6	50.0	20.9	135.5
Property portfolio valuation including purchasers' costs (B)	1,018.9	785.8	328.5	2,133.2
EPRA 'topped-up' NIY (A/B)	5.2%	4.3%	4.7%	4.8%

iv) EPRA vacancy

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
ERV of vacant space (A)	9.5	6.2	6.1
ERV of let space	114.2	119.9	113.9
ERV of lettable space (B)	123.7	126.1	120.0
EPRA vacancy rate (A/B)	7.7%	4.9%	5.1%

v) EPRA capital expenditure

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Acquisitions	177.2	51.6	119.1
Amounts spent on the completed investment property portfolio			
Creation of incremental space	1.7	0.8	1.9
Creation of no incremental space	17.2	8.5	15.9
EPRA capital expenditure	196.1	60.9	136.9
Conversion from accrual to cash basis	(12.7)	(2.3)	6.6
EPRA capital expenditure on a cash basis	183.4	58.6	143.5

vi) EPRA cost ratio

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Administration expenses - recurring	7.6	9.9	18.5
Other expenses	5.9	7.2	15.1
Less: investment segment	(2.0)	(1.2)	(2.2)
	11.5	15.9	31.4
Net service charge costs	1.2	1.2	2.6
Service charge costs recovered through rents but not separately invoiced	(0.2)	(0.2)	(0.3)
Dilapidations receipts	(0.4)	(2.2)	(2.6)
EPRA costs (including direct vacancy costs) (A)	12.1	14.7	31.1
Direct vacancy costs	(2.2)	(1.2)	(2.9)
EPRA costs (excluding direct vacancy costs) (B)	9.9	13.5	28.2
Gross rental income	50.6	53.4	106.5
Service charge components of rental income	(0.3)	(0.3)	(0.3)
Adjusted gross rental income (C)	50.3	53.1	106.2
EPRA cost ratio (including direct vacancy costs) (A/C)	24.1%	27.7%	29.3%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	19.7%	25.4%	26.6%

2. Other APMs

i) Total accounting return

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
EPRA closing net tangible assets	1,373.6	1,370.5	1,406.4
Add back: prior year final dividend paid	21.2	20.6	20.5
Add back: interim dividend paid	–	–	9.6
Less: EPRA opening net tangible assets (A)	(1,406.4)	(1,329.3)	(1,329.3)
Return before dividends (B)	(11.6)	61.8	107.2
Total accounting return (B/A)	(0.8)%	4.6%	8.1%

ii) Net borrowings and gearing

	Notes	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Borrowings short-term	11	147.4	128.0	103.6
Borrowings long-term	11	903.4	785.9	867.1
Add back: unamortised issue costs	11	6.4	4.8	6.3
Leasehold liabilities	11	1.5	–	–
Gross debt	11	1,058.7	918.7	977.0
Leasehold liabilities		(1.5)	–	–
Cash		(168.7)	(195.4)	(235.7)
Net borrowings		888.5	723.3	741.3
Net assets		1,234.6	1,229.3	1,270.6
Net gearing		72.0%	58.8%	58.3%

iii) Loan-to-value

	Notes	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Borrowings short-term	11	147.4	128.0	103.6
Borrowings long-term	11	903.4	785.9	867.1
Leasehold liabilities	11	1.5	–	–
Less: cash		(168.7)	(195.4)	(235.7)
Net debt		883.6	718.5	735.0
Leasehold liabilities		(1.5)	–	–
Net debt excluding leasehold liabilities (A)		882.1	718.5	735.0

Investment properties		2,141.5	2,053.9	2,032.8
Properties in PPE		129.2	36.2	128.3
Held for sale		46.9	39.9	21.9
Total property portfolio (B)		2,317.6	2,130.0	2,183.0
Loan-to-value (A/B)		38.1%	33.7%	33.7%

iv) Dividend cover	Notes	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Interim dividend *		9.6	9.6	9.6
Final dividend		–	–	21.2
Total dividend (A)		9.6	9.6	30.8

EPRA earnings (B)		21.9	28.4	49.5
Dividend cover (B/A)		2.28	2.96	1.61

*Proposed interim 2021 dividend

v) Interest cover	Notes	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Net rental income	3	52.3	56.5	109.8
Administration expenses	3	(7.6)	(9.9)	(18.5)
Other expenses	3	(5.9)	(7.2)	(15.1)
Revenue less costs (A)	3	38.8	39.4	76.2
Finance income (excluding dividend income)	6	0.3	0.6	1.0
Finance costs (excluding derivatives)	7	(12.6)	(11.9)	(24.4)
Net interest (B)		(12.3)	(11.3)	(23.4)
Interest cover (A/B)		3.15	3.49	3.26

5 NON-RECURRING ITEMS

		Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Profit on sale of associate		1.4	–	–
Restructuring costs		(1.2)	–	–
		0.2	–	–

6 FINANCE INCOME

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Interest income			
Financial instruments carried at amortised cost	0.3	0.6	1.0
Foreign exchange gain	–	3.1	2.1
Movement in fair value of derivative financial instruments	2.6	–	–
Other finance income	–	0.1	0.1
	2.9	3.8	3.2

7 FINANCE COSTS

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Interest expense			
Secured bank loans	10.5	9.9	20.0
Secured notes	1.1	1.1	2.3
Amortisation of loan issue costs	1.0	0.9	2.1
Total interest costs	12.6	11.9	24.4
Foreign exchange loss	1.9	–	–
Movement in fair value of derivative financial instruments	–	2.3	1.6
	14.5	14.2	26.0

8 TAXATION

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Deferred tax			
Underlying	1.2	6.6	10.7
Due to increase in UK corporation tax rate	10.2	–	–
	11.4	6.6	10.7
Current tax	4.5	3.3	8.4
	15.9	9.9	19.1

Tax for the six months ended 30 June 2021 has been charged at an effective rate of 79.1 % (six months ended 30 June 2020: 31.3%; year ended 31 December 2020: 16.9%), representing the best estimate of the average annual effective tax rate expected for the full year adjusted for the tax effect of one-off items, applied to the pretax income of the six month period. The effective tax rate for the period of 79.1% is higher than the weighted average tax rate of 19.0%. This is predominantly due to a deferred tax charge resulting from the substantive enactment of the future increase in the UK corporation tax rate from 19% to 25% in the period.

9 PROPERTY PORTFOLIO

	United Kingdom £m	Germany £m	France £m	Total investment properties £m	Property held in PPE ¹ £m	Assets held for sale £m	Total property portfolio £m
At 1 January 2021	997.9	733.2	301.7	2,032.8	128.3	21.9	2,183.0
Acquisitions	17.9	159.3	–	177.2	–	–	177.2
Capital expenditure	11.8	4.1	3.0	18.9	–	–	18.9
Disposals	–	–	–	–	–	(15.1)	(15.1)
Net revaluation movement	(7.5)	6.4	(0.7)	(1.8)	1.3	(1.0)	(1.5)
Lease incentive debtor adjustments	(0.1)	0.5	0.4	0.8	–	–	0.8
Depreciation	–	–	–	–	(0.1)	–	(0.1)
Exchange rate variances	–	(32.4)	(12.5)	(44.9)	(0.3)	(0.4)	(45.6)
Transfer to held for sale	(30.9)	–	(10.6)	(41.5)	–	41.5	–
At 30 June 2021	989.1	871.1	281.3	2,141.5	129.2	46.9	2,317.6

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	989.1	871.1	281.3	2,141.5
Property held in PPE¹	123.1	4.2	1.9	129.2
Held for sale	30.9	4.9	11.1	46.9
At 30 June 2021	1,143.1	880.2	294.3	2,317.6
At 30 June 2020	1,067.7	754.6	307.7	2,130.0
At 31 December 2020	1,125.7	747.7	309.6	2,183.0

¹ PPE: Property, plant and equipment (see note 10)

Investment properties include leasehold properties with a carrying value of £50.0 million (30 June 2020: £31.5 million; 31 December 2020: £32.8 million).

The property portfolio which comprises investment properties, properties held for sale, and the student accommodation, hotel and landholding detailed in note 10 was revalued at 30 June 2021 to its fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by external independent valuers as follows:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Cushman and Wakefield	1,437.3	1,375.4	1,435.3
Jones Lang LaSalle	877.3	752.4	744.6
L Fällström AB	3.0	2.2	3.1
	2,317.6	2,130.0	2,183.0

Valuation process

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

Each region's Head of Property 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 has been determined using an income capitalisation approach (excluding ongoing developments), whereby contracted and market rental values are capitalised with a market capitalisation rate. 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 of the method of 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.

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 2021 or 2020.

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 £2.8 million (30 June 2020: £2.7 million gain; 31 December 2020: £31.5 million gain) and are presented in the income statement in the line item 'Net movements on revaluation of investment property'. The revaluation surplus for the property, plant and equipment of £1.3 million (30 June 2020: £4.9 million deficit; 31 December 2020: £3.6 million deficit) was included within the revaluation reserve.

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

	ERV			Equivalent yield		
	Average	Range per sq ft		Average %	Range %	
	£ per sq ft	Min	Max		Min	Max
UK	36.16	10.00	66.18	5.69	2.36	8.75
Germany	13.45	9.05	24.05	4.43	3.00	5.50
France	19.39	11.17	36.50	5.13	4.38	6.00

Sensitivity of measurement to variations in the significant unobservable inputs

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

A decrease in the equivalent yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £119.3 million (31 December 2020: £115.2 million) whilst a 25 basis point increase would reduce the fair value by £119.8 million (31 December 2020: £103.7 million). A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by £76.3 million (31 December 2020: £75.8 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 £79.1 million (31 December 2020: £75.6 million).

Although not a key valuation assumption, in the absence of a financial instruments note and disclosure on foreign exchange risk, the table below shows how the investment property values would be impacted by a 5% movement in the sterling/euro exchange rate at 30 June 2021.

	£m
5% increase in value of sterling against the euro	(54.9)
5% fall in value of sterling against the euro	60.6

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

Substantially all investment properties (and the hotel and student accommodation detailed in note 10 are provided as security against debt.

10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Student accommodation	92.0	–	90.8
Hotel	23.8	23.6	23.8
Land and buildings	3.0	2.2	3.1
Owner-occupied property	10.4	10.4	10.6
Fixtures and fittings	2.0	2.2	2.2
Total	131.2	38.4	130.5

	Student accommodation £m	Hotel £m	Land and buildings £m	Owner- occupied property £m	Fixtures and fittings £m	Total £m
At 1 January 2021	90.8	25.0	3.1	10.6	6.3	135.8
Reclassification	–	(1.2)	–	–	–	(1.2)
Additions	–	–	–	–	0.2	0.2
Disposals	–	–	–	–	(3.4)	(3.4)
Exchange rate variances	–	–	(0.1)	(0.2)	–	(0.3)
Revaluation	1.2	–	–	–	–	1.2
At 30 June 2021	92.0	23.8	3.0	10.4	3.1	132.3

Comprising:

At cost	–	–	–	–	3.1	3.1
At valuation	92.0	23.8	3.0	10.4	–	129.2
	92.0	23.8	3.0	10.4	3.1	132.3

Accumulated depreciation and impairment

At 1 January 2021	–	(1.2)	–	–	(4.1)	(5.3)
Reclassification	–	1.2	–	–	–	1.2
Disposals	–	–	–	–	3.3	3.3
Depreciation charge	(0.1)	–	–	–	(0.3)	(0.4)
Revaluation	0.1	–	–	–	–	0.1
At 30 June 2021	–	–	–	–	(1.1)	(1.1)

Net book value

At 30 June 2021	92.0	23.8	3.0	10.4	2.0	131.2
At 31 December 2020	90.8	23.8	3.1	10.6	2.2	130.5

11 BORROWINGS

MATURITY PROFILE

	Bank loans £m	Secured notes £m	Total £m
At 30 June 2021			
Maturing in:			
Within one year or on demand	144.9	4.2	149.1
One to two years	85.4	44.4	129.8
Two to five years	472.8	–	472.8
More than five years	305.5	–	305.5
	1,008.6	48.6	1,057.2
Unamortised issue costs	(6.3)	(0.1)	(6.4)
Borrowings	1,002.3	48.5	1,050.8
Due within one year	(143.3)	(4.1)	(147.4)
Due after one year	859.0	44.4	903.4

At 30 June 2020			
Maturing in:			
Within one year or on demand	125.4	4.2	129.6
One to two years	170.5	4.2	174.7
Two to five years	481.7	44.4	526.1
More than five years	88.3	–	88.3
	865.9	52.8	918.7
Unamortised issue costs	(4.6)	(0.2)	(4.8)
Borrowings	861.3	52.6	913.9
Due within one year	(123.9)	(4.1)	(128.0)
Due after one year	737.4	48.5	785.9

At 31 December 2020			
Maturing in:			
Within one year or on demand	101.2	4.2	105.4
One to two years	116.1	46.5	162.6
Two to five years	432.0	–	432.0
More than five years	277.0	–	277.0
	926.3	50.7	977.0
Unamortised issue costs	(6.1)	(0.2)	(6.3)
Borrowings	920.2	50.5	970.7
Due within one year	(99.5)	(4.1)	(103.6)
Due after one year	820.7	46.4	867.1

FAIR VALUES

	Carrying amounts			Fair values		
	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Current borrowings	147.4	128.0	103.6	148.1	128.0	103.6
Non-current borrowings	903.4	785.9	867.1	911.3	798.5	880.3
Derivative financial instruments	3.0	6.4	5.6	3.0	6.4	5.6
	1,053.8	920.3	976.3	1,062.4	932.9	989.5

The fair value of borrowings represents the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, discounted at the prevailing market rate, and excludes accrued interest.

Reconciliation to net debt

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Borrowings and derivative financial instruments	1,053.8	920.3	976.3
Adjustments for:			
Leasehold liabilities	1.5	–	–
Derivative financial instruments	(3.0)	(6.4)	(5.6)
Cash and cash equivalents	(168.7)	(195.4)	(235.7)
Net debt	883.6	718.5	735.0

12 SHARE CAPITAL

	Ordinary shares in circulation Number	Treasury shares Number	Total ordinary shares Number	Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
At 1 January 2021 and 30 June 2021	407,395,760	31,382,020	438,777,780	10.2	0.8	11.0

13 CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2021 £m	Six months ended 30 June 2020 £m	Year ended 31 December 2020 £m
Operating profit	36.3	41.9	119.3
Adjustments for:			
Net movements on revaluation of investment properties	2.8	(2.7)	(31.5)
Net movements on revaluation of equity investments	(0.1)	–	–
Depreciation and amortisation	0.4	0.3	0.7
Non-cash rental income	(0.8)	(0.3)	(1.9)
Share-based payments	(0.2)	(0.2)	(0.2)
(Profit)/loss on sale of investment properties	–	0.2	(11.6)
Profit on sale of associate	(1.4)	–	–
Changes in working capital:			
Decrease/(increase) in receivables	5.0	1.7	(0.8)
(Decrease)/increase in payables	(3.4)	(1.9)	2.9
Cash generated from operations	38.6	39.0	76.9

14 RELATED PARTY TRANSACTIONS

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

15 POST BALANCE SHEET EVENTS

Since the period end, we have completed the sale of two properties for a total of £10.9 million before costs. Both these properties were presented within assets held for sale at the balance sheet date.

There were no other material events after 30 June 2021 which have a bearing on the understanding of the financial statements and require disclosure.

Glossary of terms

Administration cost ratio

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

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.

CLS vacancy rate

The ERV of vacant lettable space, divided by the aggregate of the contracted rent of let space and the ERV of vacant lettable space.

Contracted rent

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

Diluted earnings per share

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

Diluted number of ordinary shares

Number of ordinary shares in circulation at the balance sheet date adjusted to include the effect of potential dilutive shares issuable under employee share schemes.

Diluted weighted average number of ordinary shares

Weighted average number of ordinary shares in issue during the period adjusted to include the

effect of potential weighted average dilutive shares issuable under employee share schemes.

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 net asset value (NAV)

NAV adjusted to include trading properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business model.

EPRA triple net asset value (NNNAV)

EPRA NAV adjusted to include the fair values of (i) financial instruments, (ii) debt and (iii) deferred taxes on revaluations, where applicable.

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)

Represents 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 'topped up' net initial yield

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

EPRA vacancy rate

Estimated rental value (ERV) of immediately available space divided by the ERV of the EPRA portfolio.

Estimated rental value (ERV)

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

LIBOR

The London Interbank Offered Rate (LIBOR) is a measure of the average rate at which banks are willing to borrow wholesale unsecured funds. It is calculated based on submissions from selected panel banks, published in five currencies and a range of tenors and underpins financial contracts including derivatives, bonds and loans.

Liquid resources

Cash and short-term deposits and listed corporate bonds.

Loan-to-value

Net debt (excluding leasehold liabilities) expressed as a percentage of the market value of the property portfolio.

Net assets per share or net asset value (NAV)

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

Net debt

Total borrowings less liquid resources.

Net gearing

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

Net initial yield

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

Net rent

Passing rent less net service charge costs.

Occupancy rate

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

Over-rented

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

Passing rent

Contracted rent before any rent-free periods have expired.

Passive infrared sensor (PIR)

A PIR sensor will turn the lights on automatically when someone walks into a room or space and off when it becomes empty resulting in significant energy savings.

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.

SKA rating

SKA rating is an environmental assessment method, benchmark and standard for non-domestic fit-outs, led and owned by RICS. Performance is measured across the ratings; Bronze, Silver and Gold.

SONIA

SONIA (Sterling Overnight Indexed Average) has been administered and published by the Bank of England since April 2018 and is the replacement for LIBOR.

Task Force on Climate-related Financial Disclosures (TCFD)

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, 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 – NAV

The change in EPRA NAV before the payment of dividends.

Total accounting return – NTA

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.

Variable refrigerant flow (VRF)

The modular design of VRF results in energy savings by giving occupants the choice to air condition or heat only the zones in use.