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PRESS RELEASE

The announcement contains inside information for the purposes of UK MAR.

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CLS HOLDINGS PLC
("CLS", the "Company" or the "Group")
ANNOUNCES ITS HALF-YEARLY FINANCIAL REPORT
FOR THE 6 MONTHS TO 30 JUNE 2022

Sound portfolio, index-linking and majority fixed debt provide protection against economic headwinds

CLS is a leading FTSE250 office space specialist and a supportive, progressive and sustainably focused commercial landlord, with a c.£2.4 billion portfolio in the UK, Germany and France, offering geographical diversification with local presence and knowledge. For the half year ended 30 June 2022, the Group has delivered the following results:

	30 June 2022	31 December 2021	Change (%)
EPRA Net Tangible Assets ("NTA") per share (pence)[1]	352.8	350.5	0.7
Statutory NAV per share (pence)[1]	329.2	326.6	0.8
Contracted rents (£'million)	107.9	107.6	0.3

	30 June 2022	30 June 2021	Change (%)
Profit before tax (£'million)	20.3	24.7	(17.8)
EPRA Earnings per share ("EPS") (pence)[1]	5.8	5.4	7.4
Statutory EPS from continuing operations (pence)[1]	4.2	2.2	90.1
Dividend per share (pence)	2.60	2.35	10.6

[1] *A reconciliation of statutory to alternative performance measures is set out in Note 4 to the condensed Group financial statements*

Fredrik Widlund, Chief Executive Officer of CLS, commented:
"CLS delivered a robust set of results in the first half of 2022, with EPRA NTA growing by 0.7%, EPRA EPS up 7.4% and the interim dividend up 10.6%. We remain focused on actively managing our portfolio to drive long-term value and continue to invest where we see opportunities.

"We are well placed to navigate the challenging economic and trading conditions with our high-quality portfolio, a significant portion of index-linked leases and strong balance sheet.

"We continue to believe the share price discount is unjustified and today are announcing an initial £25.5 million tender offer share buyback to address the issue. If the share price discount persists, we will consider further buybacks in tandem with disposals demonstrating the Board's commitment to delivering shareholder value whilst maintaining the Group's gearing at appropriate levels."

FINANCIAL HIGHLIGHTS

- EPRA NTA up 0.7% primarily as a result of foreign exchange gains from weakening sterling with the portfolio valuation slightly up in local currency before lease incentives
- Portfolio valuation up 0.1% in local currency with increases in the UK of 0.5% and Germany of 0.3%, partly offset by declines in France of 2.1%
- Profit before tax down 17.8% to £20.3 million (30 June 2021: £24.7 million) from lower fair value movements on investment properties due to lease incentives (£3.1 million) and a one-off profit on disposal of equity investments in 2021 (£1.4 million)
- EPRA EPS up 7.4% to 5.8 pence per share from lower foreign exchange losses, lower tax following REIT conversion, and higher income from our hotel and student operations, partly offset by higher expenses as 2021 included the release of pandemic bad debt provisions. Statutory EPS up 90.1% due to lower UK tax charges after the conversion to a UK REIT
- Interim dividend up 10.6% to 2.60 pence per share (30 June 2021: 2.35 pence per share) to be paid on 3 October 2022. Increased dividend reflects the adoption of our updated dividend policy announced in May
- Total accounting return of 2.2% (30 June 2021: (0.8%))

OPERATIONAL HIGHLIGHTS

- Net rental income increased by 0.9% to £52.8 million (30 June 2021: £52.3 million) as a result of higher income from our hotel and student operations and higher dilapidations income
- Acquired two properties for £76.9 million, which completed in April and July respectively. These properties were bought for their asset management opportunities at a combined net initial yield of 5.1% and a reversionary yield of 5.6%
- Completed the disposal of two smaller properties for £10.1 million, one of which had exchanged in 2021, at book value. Post period end, completed on a further three disposals for £39.8 million at an average 3.7% above book value
- Completed 60 lease events (30 June 2021: 53) securing £4.4 million (30 June 2021: £5.2 million) of annual rent at 4.5% above ERV with like-for-like contracted rent increasing by 0.4%
- Vacancy rate increased to 6.9% (31 December 2021: 5.8%; 31 March 2022: 7.2%). Most of this increase was due to lease expiries and completion of developments currently being marketed to prospective tenants
- Rent collection remained at the same, consistently high levels with 99% of first half rent collected and 98% of third quarter contracted rent due collected to date

FINANCING

- Weighted average cost of debt at 30 June 2022 up 4 basis points to 2.26% (31 December 2021: 2.22%) due to increases in SONIA on UK floating rate debt
- Loan-to-value at 38.9% (31 December 2021: 37.1%) reflecting net investments in the period. Gross debt of £1,043.2 million (31 December 2021: £1,031.6 million) with cash of £110.4 million (31 December 2021: £167.4 million) and £50 million (31 December 2021: £50 million) of undrawn facilities
- In the first half of 2022, financed or refinanced £92.3 million of debt at 1.81% for 1.9 years. Discussions well advanced for the remaining £93.6 million refinancings, excluding amortisation, due in 2022
- The loan portfolio as at 30 June 2022 had 80% at fixed rates (31 December 2021: 85%) with the reduction as a result of short-term floating rate extensions in advance of longer-term loans once the letting of the buildings has been improved or to give flexibility for potential sales

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- Progress continues with implementing our ambitious but achievable long-term sustainability targets including our 2030 Net Zero Carbon Pathway. We have completed 35 carbon reduction projects with another 76 projects in progress totalling £11 million estimated spend by the end of 2022 which will save an estimated 1,300 tonnes CO_2e per annum and puts us on track to achieve our targets
- A 23% net increase in CLS' solar electricity generation and a further 347kWp increase in capacity in progress from the installation of new solar arrays in the UK. We are also installing more electric vehicle charging points in the UK and Germany
- Taking action on social challenges including supporting refugees from the Ukraine war, donating to local food banks tackling the cost-of-living crisis for the poorest and volunteering to support local community projects

Tender Offer Share Buyback and Interim Dividend Timetable
Further to this announcement, in which the Board announced a £25.5 million tender offer share buyback and declared an interim dividend of 2.60 pence per ordinary share, the expected key timetable dates are as follows:

	Tender Offer	Dividend Timetable
Announcement Date for the Tender Offer and Dividend	10 August 2022	10 August 2022
Posting of Tender Offer Circular / Tender Offer opens	15 August 2022	
Ex-Dividend Date		8 September 2022
Record Date for the Tender Offer and Dividend	9 September 2022	9 September 2022
General Meeting / Tender Offer Closes	9 September 2022	
Outcome of Tender Offer announced by	12 September 2022	
Cheques despatched / CREST accounts credited	By 16 September 2022	
Dividend Payment Date		3 October 2022

-ends-

Results presentation

A presentation for analysts and investors will be held in-person at Liberum Capital, by webcast and by conference call on Wednesday 10 August 2022 at 8:30am followed by Q&A. Questions can be submitted either online via the webcast or to the operator on the conference call.

- Liberum Capital: Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY
- Webcast: The live webcast will be available here: https://secure.emincote.com/client/cls/cls005
- 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/cls005/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

Sound portfolio, index-linking and majority fixed debt provide protection against economic headwinds

OVERVIEW

CLS delivered a robust set of results in the first half with increases in net assets, profits and dividends. Our focus remains on our diverse and strong set of tenants with continued high rent collection and excellent results from our one hotel and student operation. CLS remains well-placed with significant financial strength despite the slowdown in market activity that we have seen since the end of the first quarter.

We secured 331,668 sq. ft (30,813 sqm) of lettings and renewals but vacancy increased to 6.9% (31 December 2021: 5.8%) due to lease expiries and completion of refurbishments, which are currently being marketed to prospective tenants. We invested £24.5 million of capital expenditure in an increased number of refurbishments and a limited amount of developments so as to improve the quality of our space to meet market needs.

Over the six months, EPRA NTA increased by 0.7% to 352.8p per share (31 December 2021: 350.5p) mainly as a result of positive foreign exchange movements due to sterling weakening and a slight overall uptick in property valuations before lease incentives. Total accounting return for the six months was 2.2% (30 June 2021: (0.8%)).

Given market uncertainty, we have chosen to reduce our acquisition activity with just two acquisitions made in Germany for £76.9 million. The properties, which exchanged in the first quarter, completed in April and July. Each had a Net Initial Yield ("NIY") of 5.1% but both have good asset management opportunities and a combined reversionary yield of 5.6%. Two disposals were completed in the first half for £10.1 million at book value with a NIY of 6.0%. Since the half-year, three further disposals have completed for £39.8 million at an average of 3.7% above 31 December 2021 book values with a NIY of 4.9%. We are targeting further disposals in the second half, focussing on smaller properties with less growth potential, to release funds to invest in the portfolio whilst maintaining gearing at appropriate levels.

We announced in May an intention to initiate a tender buyback if the share price discount to book value remained at unjustified levels. Consequently, today we have announced a £25.5 million tender buyback for 1 in every 40 ordinary shares at £2.50 per share. The tender offer document containing further details will be sent out shortly. If the share price discount persists, we will consider further buybacks in tandem with disposals so as to maintain gearing at appropriate levels.

RESULTS AND FINANCING

Profit after tax for the six months to 30 June 2022 was £17.3 million (30 June 2021: £8.8 million), equivalent to earnings per share of 4.2p (30 June 2021: 2.2p). The increase was as a result of: higher net rental income of £52.8 million (30 June 2021: £52.3 million); smaller FX losses of £0.2 million (30 June 2021: £1.9 million loss); lower current tax charge of £1.2 million (30 June 2021: £4.5 million) and lower deferred tax charge of £1.8 million (30 June 2021: £11.4 million) following the conversion of CLS' UK operations to a REIT. EPRA earnings per share were 5.8p (30 June 2021: 5.4p), 7.4% up on last year.

Shareholders' funds increased in the six months by 0.8% to £1,341.3 million reflecting the weakening of sterling partly offset by the payment of the final dividend in April.

Our balance sheet liquidity remains strong with £110.4 million of cash and £50 million of undrawn facilities. Whilst our loan book remains substantially at fixed rates with 80% secured (31 December 2021: 85%), our weighted average cost of debt increased marginally to 2.26% (31 December 2021 2.22%) reflecting the increase in the UK bank base rate impacting UK floating rate debt. All of the remaining 2022 refinancings of £93.6 million are well advanced. Net debt excluding leasehold liabilities rose to £932.8 million (31 December 2021: £864.2 million) and loan-to-value rose to 38.9% (31 December 2021: 37.1%) reflecting net investment in the period. Interest cover remained high at 3.1 times (30 June 2021: 3.2 times) demonstrating the Group's ongoing ability to generate cash.

PROPERTY PORTFOLIO

At 30 June 2022, the value of the property portfolio, including properties held for sale, was £2,399.7 million, £68.4 million higher than six months earlier. This increase was as a result of: investments in the portfolio through capital expenditure of £24.5 million and acquisitions of £22.5 million (including costs); net valuation increases of £3.4 million; and foreign exchange gains of £28.3 million, offset by depreciation of £0.2 million and disposals of £10.1 million.

Given market conditions, we took a cautious approach to acquisitions with just two purchases both of which exchanged in the first quarter of the year. Kanzlerstrasse, Dusseldorf completed at the end of April 2022 for £20.9 million and had a WAULT of c.8 years, an initial yield of 5.1% and a reversionary yield of 5.7%. The Yellow, Dortmund completed at the start of July 2022 for £56.0 million and had a WAULT of 5.2 years, an initial yield of 5.1% and a reversionary yield of 5.6%. We are already actively asset managing the properties to secure market rents and lease the small amount of vacant space.

As in prior years, selective disposal activity targeting smaller properties with higher alternative use values and/or less growth potential continued. Two properties in Bromley and Wallington in the UK, which had exchanged before the start of the year, completed for a total of £10.1 million in the first quarter of 2022. Since the half-year we have sold two properties in Staines and Brentford in the UK and one property in Lille for a total of £39.8 million on average 3.7% ahead of book value.

In the second half of 2022, we do not expect to make any further acquisitions and will continue to explore selected disposals. The intention is to use the disposal proceeds to: reduce CLS' loan-to value ratio and potentially fund a further tender buyback; focus the portfolio on better growth prospects; and continue to invest to improve the quality of the existing portfolio.

In the six months to June, the like-for-like valuation of the property portfolio (which excludes acquisitions), as well as the overall portfolio valuation, rose by 0.1% in local currency. There were like-for-like valuation increases of 0.5% in the UK and 0.3% in Germany with France down by 2.1%. In Sterling, the valuation increase was 1.3% with increases in all countries. At 30 June 2022, the EPRA 'topped up' net initial yield of the portfolio was 4.5% (31 December 2021: 4.6%), some 225 basis points above the Group's cost of debt, underpinning the Group's continuing ability to generate cash.

The EPRA vacancy rate as at 30 June 2022 was 6.9% (31 December 2021: 5.8%) with the increase as a result of two factors. Firstly, lettings started the year strongly but slowed following the Russian invasion of Ukraine as tenants became more hesitant. Secondly, as a result of our investment in the portfolio, a number of refurbishments were completed towards the end of the period, many of which have yet to be let.

DIVIDENDS

In October, the Group will pay an interim dividend for 2022 of 2.60 pence per share, an increase of 10.6% compared to the 2021 interim dividend, and in line with the revised dividend policy announced in May 2022 of 1.20x to 1.60x EPRA earnings dividend cover.

TENDER OFFER

On 11 May 2022 we announced a proposed tender offer of our Ordinary Shares subject to the completion of a number of property sales and the unjustified share price discount to NTA persisting.

During the first six months of the current financial year, the Group completed two property disposals, realising an aggregate of £10.1 million at prices that were in line with their valuations as at 31 December 2021. Furthermore, on 3 August 2022, CLS announced that it had completed on the sale of two UK properties, Great West House, Brentford and 62 London Road, Staines and one French property, 96 Rue Nationale, Lille for a total of £39.8 million. The three properties sold for an average of 3.7% above the 31 December 2021 valuations.

The share price of an Ordinary Share in the Company has continued to trade at a significant discount to the NTA value of an Ordinary Share in the Company (30 June 2022: 352.8 pence). The Board believes the share price discount to its NTA is unjustified and it is in the best interests of all Shareholders to implement the Tender Offer to reduce this discount.

In light of the persisting share price discount to NTA and the completion of a number of property sales, we are announcing here that the Company is making a tender offer to return up to approximately £25.5 million or 10,184,894 Ordinary Shares (representing 2.5% of the Company's current issued ordinary share capital excluding treasury shares), through the purchase of 1 in every 40 Ordinary Shares, at 250 pence per Ordinary Share.

The Board has determined that a Tender Offer should be made at an appropriate premium to the price per Ordinary Share and that this would be the most suitable way of returning capital to Shareholders in a quick and efficient manner, taking account of the relative costs, complexity and timeframes of the possible methods, as well as the equality of treatment of Shareholders.

The size of the Tender Offer has been determined to be appropriate to ensure that the Group's loan-to-value ratio remains within an acceptable level, being below 40% and with cash and liquid resources and available facilities being over £100 million, providing the Group with the flexibility to focus its portfolio on attractive growth prospects and continue to invest to improve the quality of its existing portfolio.

A document setting out the full details of the Tender Offer will be sent to Shareholders shortly.

ENVIRONMENT, SOCIAL AND GOVERNANCE

The focus of this year is continuing the implementation of initiatives and projects in support of the targets announced in our Sustainability Strategy and Net Zero Carbon Pathway last year and improving our ability to report on key sustainability data including those related to material risks identified in relation to TCFD.

Our biggest sustainability achievement so far in 2022 has been implementing technical and cost-effective Net Zero Carbon projects across all regions. Since commencing on our Net Zero Carbon Pathway, 35 carbon reduction projects are complete with another 76 projects in progress for 2022. These projects represent an investment of around £11 million across the portfolio saving an estimated 214 Tonnes CO_2e per annum, putting us on track to achieve our 2030 targets. This has included projects such as LED lighting upgrades at Columbia, BMS upgrades at Priory Place, smart meter installation at Kings Court and new, high-efficiency heating and air conditioning system at Rossstrasse.

We improved our data collection and management to ensure we possess an accurate and comprehensive record of our carbon footprint. We currently estimate a further £53 million will be required up to 2030 to deliver the remainder of the full programme, although this does not currently include the full impact of current high inflation. We have aligned implementation of opportunities with our lease and refurbishment plans and are continuing to refine the optimal time to deliver each project over the coming years.

Within this expenditure for our Net Zero Carbon model, we include meeting 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, with our core focus being to support the issues of homelessness, food poverty, youth unemployment and environmental sustainability. Examples include supporting refugees from the Ukraine war, donating to local food banks tackling the cost-of-living crisis for the poorest and volunteering by employees to support local community assets such as parks, community farms and bee-keeping projects. The social value we produce as a business beyond shareholder value is measured using our social value framework

OUTLOOK

The economic, geopolitical and market situation and outlook have deteriorated markedly since the end of the first quarter with the impact of the Russian invasion of Ukraine contributing to existing inflationary and supply chain pressures. CLS though retains significant protection through its well-placed portfolio with over half of its leases being index-linked and the majority of its financing at fixed rates.

Our focus remains on minimising vacancy in our existing portfolio with the potential to capture significant uplifts from the portfolio's net reversion and the increased rents that will be commanded from our higher quality refurbished space with great tenant amenities and facilities. Furthermore, our hotel enjoyed its best ever month in June and our student accommodation is 98% booked for the 2022/2023 academic year.

Today we have announced a tender share buyback to drive shareholder value. If the share price remains at an unjustified level compared to book value, we will consider further buybacks alongside being a net disposer of property so as to maintain the Group’s gearing at appropriate levels.

We believe that our strategy and business model remain well-placed for the long-term success of the Company with significant benefits from our focus on, and the diversity benefits of exposure to, the three largest economies in Europe. Our portfolio has significant opportunities to grow rental income over the next couple of years.

Our investor proposition

Strong and consistent long-term shareholder returns

Set out below are the key tenets of our investment proposition, which remain unchanged from previous years. A full description can be found on pages 16 and 17 of CLS' 2021 Annual Report and Accounts:

Clear strategy	Active management
• Diversified approach • Sole focus on non-prime offices • Selected development schemes	• Experienced in-house capabilities • Secure rents and high occupancy • Interest rate management
Leading track record	**Focus on sustainability**
• Disciplined approach to investment • Cash-backed progressive dividend • Financing headroom	• 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.

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

ANALYST COVERAGE

We are covered by four brokers which publish regular analyst research: Liberum Capital; Panmure Gordon; Berenberg and Peel Hunt. 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 2022 Annual Results presentation Annual Results investor calls and meetings **April 2022** Annual General Meeting	**August 2022** Half-Year Results presentation **August/September 2022** Half-Year Results investor calls and meetings **November 2022** Trading Update

Business review

United Kingdom

UK inflation and cost of living impacting overall market sentiment

	30 June 2022	31 December 2021
Value of properties	£1,171.1m	£1,160.9m
Percentage of Group's property interests	49%	50%
Number of properties	42	44
Number of tenants	219	227
EPRA vacancy rate	7.6%	5.4%
Lettable space	1.9m sq. ft	2.0m sq. ft
Government and major corporates	67.4%	64.6%
Weighted average lease length to end	4.0 years	4.3 years

The value of the UK portfolio increased by £10.2 million as a result of: capex of £14.1 million, partly offset by two disposals for £10.1 million and depreciation of £0.2 million; and valuation increases of £6.3 million or 0.5%. The valuation increase mainly related to government occupied assets, particularly those subject to indexation.

Construction of "The Coade", our 28,500 sq. ft (2,647 sqm) new office development at Vauxhall Walk, London, is progressing well and we recently celebrated the topping out of the 10-storey building. Construction is expected to complete by Q1 2023 and we are targeting a 20% profit on cost, and EPC A and BREEAM Excellent ratings. "The Artesian", our development at 9 Prescot Street, London, has ramped up following the expiration of leases of remaining tenants in April 2022 which gave us vacant possession. The 94,000 sq. ft (8,733 sqm) development, incorporates many tenant amenities including a café/reception, ample bike storage, showers and a large roof terrace, is expected to complete in Q2 2023.

Other ongoing, significant refurbishments to create attractive and contemporary office space with plenty of amenities are at Apex Tower and CI Tower in New Malden, Columbia and Reflex in Bracknell, and Kings Court in Leatherhead. All of these schemes include a number of smaller flexible suites in line with current market trends.

Our programme of disposing of assets with small lot sizes has continued with two disposals, one of which exchanged in 2021, completing during the period. These disposals at Kings House, Bromley and Crosspoint House, Wallington completed at book value of £10.1 million and were both for residential conversions. After the period, in July and August respectively, we completed the sales of 62 London Road, Staines and Great West House, Brentford for a combined £32.4 million equating to a 1.6% profit on sale compared with the 2021 year-end valuation.

Vacancy increased in the period from 5.4% to 7.6% largely due to completing refurbishments that are yet to be occupied. In addition, since 1 January 2022, we let or renewed leases on 69,459 sq. ft (6,453 sqm) and lost 139,693 sq. ft (12,978 sqm) from expiries or new vacancies. 33 lease extensions and new leases were signed adding £2.2 million of rent at an average of 2.1% above 31 December 2021 ERV. The most significant transactions were a new 10-year lease with ATS Euromaster at Aqueous II, Birmingham for 13,114 sq. ft (1,218 sqm) and a 10-year lease extension with Consilient Health for 3,887 sq. ft (361 sqm) at Thameslink House, Richmond. Furthermore, we successfully negotiated the removal of break clauses for leases with the Secretary of State for: Unicorn House, Bromley; Armstrong Road, Acton; and 62 London Road, Staines, which secured a total rent of £2.7 million p.a. for an additional 5 years past the previous break date of April 2023.

The UK economy grew marginally in the first six months of the year with the construction and services sector performing strongly and offsetting falls in the retail sector which are likely to have been caused by the increased cost of living. Overall, the OECD predicts that the UK economy will grow by 3.6% in 2022. Inflation in the year to June 2022 was 9.4% due to the continuing rise in energy and labour costs. Unemployment is now 3.8% and for the first time in the UK there are more job vacancies than unemployed people, although it remains an issue that over 20% of adults are deemed to be economically inactive and not counted within the unemployment figures.

In terms of the UK property market, commercial investment volumes for H1 2022 were c.£25 billion which is ahead of 2021 for the same period of c.£23 billion. In the South-East there was a significant uplift in activity in Q2 with a total of £1.2 billion of transactions completed which was 21% up on Q2 2021. In the occupational market, take-up in Q2 in Central London was 20% up on the 10-year average and vacancy now stands at 8.1% for London.

Germany

Energy and interest rate nervousness has slowed investments but lettings are holding up

	30 June 2022	31 December 2021
Value of properties	£938.8m	£888.0m
Percentage of Group's property interests	39%	38%
Number of properties	32	31
Number of tenants	377	367
EPRA vacancy rate	7.5%	7.4%
Lettable space	3.6m sq. ft	3.5m sq. ft
Government and major corporates	39.2%	40.5%
Weighted average lease length to end	4.8 years	5.0 years

The value of the German portfolio increased by £50.8 million as a result of: one acquisition for £22.5 million (including costs); capex of £3.6 million; foreign exchange increase of £21.6 million; and a valuation gain of £3.1 million or 0.3% in local currency. The portfolio valuation increased as a result of positive letting activity and achieving planning consent on a rooftop extension.

In the first half of the year, we exchanged and completed on the acquisition of Kanzlerstrasse 8 in Dusseldorf and exchanged on The Yellow in Dortmund which completed in July. The purchase price of these acquisitions was £76.9 million. These properties each had a net initial yield of 5.1%, a combined reversionary yield of 5.6% and the WAULT of each property is in excess of 5 years. They present good asset management opportunities through capturing under-renting and letting of vacancy which is c.10% by ERV.

Vacancy increased slightly from 7.4% to 7.5% as lettings fell slightly behind expiries as prospective occupiers have been tentative to commit to long-term leases in the current environment of economic uncertainty. Since 1 January 2022, 218,674 sq. ft (20,316 sqm) was let or renewed but 242,960 sq. ft (22,572 sqm) of space expired or was vacated. 16 lease extensions and new leases were signed adding £1.6 million of rent at an average of 12.1% above 31 December 2021 ERV. The most significant transaction was a new 10-year letting for 62,458 sq. ft (5,803 sqm) to Toptica at Gräfelfing in Munich. The letting pipeline is looking promising particularly at Flexion, Berlin where we are in advanced negotiations for most of the vacant area in this building.

Refurbishments continue across our portfolio to improve the quality of our assets focusing on meeting tenants' needs and improving the sustainability credentials of our properties. Planning has been granted for a rooftop extension at Adlershofer Tor, Berlin which will increase the lettable area of the building by approximately 46,285 sq. ft (4,300 sqm).

The German economy slowed down in H1 2022 with GDP growth forecast for 2022 now at 2.5%. Inflation rose further in Q2 to 7.6% in June and is expected to stay at 6% during 2022, whilst on the positive side, unemployment decreased further to 5.1%.

Nearly all industries are suffering from supply chain problems and prices continue to increase to such an extent that developers are postponing or cancelling projects which have become unprofitable. German industry is also heavily dependent on gas which is putting further pressure on companies with talks of potential gas shortages and emergency plans later in the year.

The investment market showed a record result in Q1 2022 with c.£21 billion (€24 billion) of deals, significantly exceeding the same period in 2021, while the second quarter saw a significant drop with only c.£3.5 billion (€4 billion) transacted as investors took a step back and paused given the developing political and economic backdrop.

On the letting side, the office leasing markets were little affected by the changed macroeconomic environment in the first half of 2022. In the year to date, a total of more than 1.8m sqm of office space has been taken-up. This represents an increase of 55% compared to the first half of 2021, with just over 1 million sqm in the months of April to June alone. Many companies started to implement their new working strategies in the first half of the year, which often resulted in new leases, or, in some cases, owner-occupier starts. As employees are returning to their offices there is also a noticeable increase in the willingness of companies to invest in the quality, equipment and location of their office space. The overall vacancy rate in the top seven cities remained at 4.5%.

France

Ongoing capital expenditure to maintain quality of portfolio

	30 June 2022	31 December 2021
Value of properties	£289.8m	£282.4m
Percentage of Group's property interests	12%	12%
Number of properties	18	18
Number of tenants	153	158
EPRA vacancy rate	2.3%	3.0%
Lettable space	0.8m sq. ft	0.8m sq. ft
Government and major corporates	47.4%	46.4%
Weighted average lease length to end	4.9 years	5.0 years

The value of the French portfolio increased by £7.4 million as a result of: capex of £6.8 million; and a foreign exchange valuation uplift of £6.7 million, offset by a valuation loss of £6.1 million or 2.1% in local currency due to softer leasing deals to maintain higher occupancy.

In the absence of identifying acquisition opportunities that meet our investment criteria in the first half of the year, we invested substantially in our existing portfolio. Of particular note, works are ongoing on the significant redevelopment of our Park Avenue property in Lyon. The project to refurbish the common areas, replace the façade and create new common terraces through extension of existing landings is progressing well. Installation of new windows, electric shades and a green roof is also designed to improve the sustainability credentials of the building increasing its DPE rating from G to B. The £9.2 million (€10.7 million) renovation is expected to be delivered on time, ready for occupation in Q1 2023. Across the rest of portfolio, additional works are taking place to upgrade facilities and amenities, and we expect similar levels of capital expenditure over the second half of the year.

Continuing with our strategy of disposing of properties which have little asset management potential to drive growth, we exchanged on Rue Nationale in Lille for £7.4 million (€8.8 million). The disposal completed in July at a 14.4% profit compared to the 2021 year-end valuation.

During the period, 43,525 sq. ft (4,044 sqm) was let or renewed but 54,420 sq. ft (5,056 sqm) of space expired or was vacated. Some of the recently vacated space is currently being refurbished and so the vacancy rate fell to 2.3% by the end of June (31 December 2021: 3.0%). Our French portfolio maintained its low vacancy rates through a series of renewals and letting recently refurbished space to new tenants. 11 lease extensions and new leases were signed adding £0.6 million of rent at an average of 3.9% below 31 December 2021 ERV. The most significant transactions during the period were: a lease renewal at D'Aubigny for 12,695 sq. ft (1,179 sqm) with Icon plc via a 4/7/10 year lease and a lease extension with Bewink at Mission Marchand for 4,774 sq. ft (444 sqm).

The French economy was relatively flat in the first six months of 2022 although exports increased 1.2% and imports 0.5%, making the net trade surplus slightly positive. Like other countries GDP expectations have fallen, with French GDP growth for 2022 now forecast to be 2.3% (compared with 6.8% in 2021) according to the latest Banque de France estimate and headline inflation is expected to reach 5.1% in 2022. Inflation in France, although historically high, is lower compared to other major European economies, as it is dampened by state subsidies and price caps on essential goods like energy and fuel.

In France, the investment volume in commercial real estate for H1 2022 reached c.£9.5 billion (€11 billion), up by over 40% compared to the same period in 2021 and a strong bounce back especially in the second quarter. The majority of investors are French but we have seen increased interest from international investors for the larger cities.

At 30 June 2022, immediate supply in Greater Paris represented 4 million sqm, corresponding to an unchanged vacancy rate of 7.3%. The number of transactions recorded represents a slight increase (+3%) compared to the levels normally seen. The marked recovery seen in the small space segmented at the beginning of the year continued with take-up reaching 389,000 sqm over the first half of 2022. This is 11% higher than the long-term average. Oversupplied markets were once again la Défense (12.2%) and the Western Crescent (13.4%) while in the City of Paris the vacancy rate was below 4% in almost all the districts. This is also similar to the vacancy rate in Lyon, which has continued to perform strongly.

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 2022 (£m)	ERV at 30 June 2022 (£m)	Contracted Rent Subject to Indexation (£m)	EPRA Vacancy rate at 30 June 2022
UK	25.1	24.9	180,390	51.9	57.7	15.7	7.6%
Germany	17.3	16.4	338,234	42.0	46.4	27.4	7.5%
France	6.4	6.3	71,689	14.0	14.7	14.0	2.3%
Total Portfolio	**48.8**	**47.6**	**590,313**	**107.9**	**118.8**	**57.1**	**6.9%**

Valuation Data

		H1 Valuation Movement						
	Market Value of Property (£m)	Underlying (£m)	Foreign Exchange (£m)	EPRA Net Initial Yield	EPRA Topped-up Net Initial Yield	Reversion	Over-rented	Equivalent Yield
UK	1,043.0	4.5	-	4.6%	4.8%	6.4%	3.7%	5.4%
Germany	933.4	2.7	21.6	3.8%	4.2%	10.4%	8.2%	4.4%
France	287.9	(6.1)	6.7	3.8%	4.4%	6.6%	3.9%	5.0%
Total Portfolio	**2,264.3**	**1.1**	**28.3**	**4.2%**	**4.5%**	**8.0%**	**5.5%**	**4.9%**

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	3.2	4.0	3.8	5.6	28.9	13.6	4.0	5.5	30.0	13.7
Germany	4.7	4.8	8.9	6.7	14.6	11.8	10.2	6.8	14.5	11.5
France	2.5	4.9	1.6	1.5	3.1	7.8	1.5	1.4	3.1	8.4
Total Portfolio	**3.7**	**4.4**	**14.3**	**13.8**	**46.6**	**33.2**	**15.7**	**13.7**	**47.6**	**33.6**

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	25.7%
Commercial and Professional Services	12.2%
Information Technology	11.3%
Consumer Discretionary	10.4%
Communication Services	7.6%
Industrials	7.0%
Real Estate	5.9%
Health Care	5.8%
Other	5.1%
Financials	4.8%
Consumer staples	4.2%

Property use by rent	
Offices	88.6%
Student	5.3%
Hotel	3.9%
Food/Retail	2.2%

Financial review

RESULTS FOR THE PERIOD

HEADLINES

Profit after tax of £17.3 million (30 June 2021: £8.8 million) generated basic earnings per share of 4.2 pence (30 June 2021: 2.2 pence) and EPRA earnings per share of 5.8 pence (30 June 2021: 5.4 pence), which was up 7.4% year on year resulting from lower foreign exchange losses, lower tax following REIT conversion, and higher income from our hotel and student operations, partly offset by higher expenses from a more normal level of bad debt charges due to a one off release of bad debt provisions in H1 2021. Gross property assets at 30 June 2022, including those in property, plant and equipment and those held for sale, increased to £2,399.7 million (31 December 2021: £2,331.3 million) through: net additions and capex of £47.0 million; foreign exchange increases of £28.3 million; and a revaluation increase of £3.4 million, partly offset by depreciation of £0.2 million and disposals of £10.1 million. Net assets per share rose by 0.8% to 329.2 pence (31 December 2021: 326.6 pence) and EPRA NTA per share by 0.7% to 352.8 pence (31 December 2021: 350.5 pence). Total accounting return including dividends paid in the period was 2.2% (30 June 2021: (0.8)%).

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 2022 of £52.8 million (30 June 2021: £52.3 million) was higher than last year by 0.9% as a result of higher income from our hotel and student operations and higher dilapidations income. Rent collection remained at the same, consistently high levels with 99% of first half rent collected and 98% of third quarter contracted rent due collected to date.

Operating profit of £27.2 million (30 June 2021: £34.9 million) was down £7.7 million year on year mostly due to three factors: firstly a slight increase in expenses due to a one off release of bad debt provisions in H1 2021 not repeating and higher staff costs partly offset by higher net rental income (£0.9 million); secondly, a slightly higher valuation increase offset by higher lease incentives (£3.2 million); and finally, a reduction in the value of our legacy equity holdings (£3.4 million). Lease incentives are higher almost entirely as we have signed a large number of new leases in Germany for which we do not spend capex in advance of a letting but instead capex spend is de-risked by being tied to the lease.

Net interest expense of £6.7 million (30 June 2021: £9.7 million), which was down £3.0 million, is comprised of three elements. Net finance costs of £12.6 million (30 June 2021: £12.6 million) were unchanged year on year with CLS' lower cost of debt offsetting slightly higher debt amounts. Finance income was higher with both interest income at £0.6 million (30 June 2021: £0.3 million) and the movement in the fair value of derivatives of £5.3 million (30 June 2021: £2.6 million) higher as a result of the increase in UK base rates.

The tax charge of £3.0 million (30 June 2021: £15.9 million) represented an effective rate of 14.7% (30 June 2021: 64.4%). The comparable amounts and rates are impacted by two things: 1) the conversion of CLS' UK operations to a REIT at the start of 2022 which saved tax of over £1.0 million in the first half of 2022; and 2) the enactment in 2021 of an increase in UK corporation tax from 19% to 25% from 2023 onwards which increased deferred tax by £10.2 million in the first half of 2021.

EPRA NET TANGIBLE ASSETS PER SHARE

EPRA NTA per share rose from 350.5p to 352.8p in the six months to 30 June 2022, an increase of 2.3p per share or 0.7%. On a per share basis, the increase comprised EPRA earnings of 5.8p less the final dividend of 5.35p together with foreign exchange gains of 4.0p and the increase in property values of 0.8p less lease incentives of 1.7p and other negative movements of 1.2p.

DIVIDEND POST UK REIT CONVERSION

Following conversion to a UK REIT, the dividend will comprise two parts: 1) A Property Income Distribution ("PID") from the UK operations which fall under the REIT regime with the 2022 interim PID being 1.20 pence per share; and 2) A dividend from the remaining business with the 2022 interim being 1.40 pence per share. It is expected that, as the UK business represents c.50% of CLS' operations and 90% needs to be paid out as a PID, the split between PID and remaining dividend will be approximately 45:55.

CASH FLOW, NET DEBT AND FINANCING

As at 30 June 2022, the Group had cash of £110.4 million (31 December 2021: £167.4 million) and £50.0 million (31 December 2021: £50.0 million) of undrawn facilities. The cash balance decreased by £57.0 million from 31 December 2021 given net investment in our portfolio. During the period, £32.1 million was paid for property acquisitions (including costs and a deposit) and we invested £25.9 million of capital expenditure in our properties partially offset by net receipts from disposals of £6.0 million. Net proceeds from new financing were £14.5 million and £16.1 million of loans were repaid. Net cash flow from operating activities was £19.3 million (30 June 2021: £21.9 million) which was used to pay the 2021 final dividend of £21.8 million.

In the six months to 30 June 2022, borrowings rose by £11.6 million to £1,043.2 million (31 December 2021: £1,031.6 million), principally due to a weaker pound increasing the value of debt denominated in Euros.

Net debt excluding leasehold liabilities at the half-year was £932.8 million and the Group's loan-to-value was 38.9% (31 December 2021: 37.1%). The weighted average cost of debt increased to 2.26% (31 December 2021: 2.22%) principally as a result of an increase in the UK base rate impacting UK floating rate debt. Despite bank rates increasing, there are still opportunities to offset these increases on the overall weighted average cost of debt in 2022 somewhat through the portfolio refinancing highlighted below and the expiry of some historical swaps. Weighted average debt maturity was 4.0 years (31 December 2021: 4.4 years).

The proportion of fixed debt to floating rate debt was 80%:20% (31 December 2021: 85%:15%). The proportion of floating rate debt has increased in the first half year following the expiry of four fixed rate loans, all in Germany, with an aggregate amount of £57.1 million, which have been extended on a short-term basis at floating rates. Three of these loans, amounting to £29.6 million, have been extended for 12 months with the aim to refinance at more favourable terms once the letting situations of the buildings have improved and one loan at £27.6 million has been extended for 24 months as the property is planned for sale. For the latter, a floating rate loan provides greater repayment timing flexibility due to no breakage costs should a sale progress sooner.

A quarter of the 20% floating rate debt, or c.5% of total debt, has interest rate caps in place. These caps, all for French and German loans, are at a range of 0.5% to 1.5%, being on average 0.84% above 3 month EURIBOR of 0.30%.

CLS has 48 different loans 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 30% and 44% 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 is in advanced discussions with lenders to refinance various loans due to mature within the next 12 months. With regard to 2022 and some 2023 refinancings, we have agreed terms to refinance a portfolio of six UK based assets for a new loan amount of circa £60 million, bank credit approval is in progress and the loan is expected to be drawn in Q4 2022. We have also had initial terms proposed and agreed in principle for three new loans to refinance three German assets for an aggregate amount of circa £71.4 million (€83 million), all of which are expected to complete in Q3 2022. Lastly, terms are being sought and lenders have been approached for a further two loans to refinance two French assets for an amount in the region of between £19–22 million (€22–25 million), with some initial terms received. Completion of the French loans is expected in early Q4 2022.

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 42 to 52 of the annual report and financial statements for the year ended 31 December 2021, 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 economic and geopolitical risks resulting from both Russia's invasion of Ukraine and Covid-19. As a consequence, we have highlighted that the risk for financing is increasing but that the risk for business interruption is reducing. Nevertheless, the overall risk landscape remains heightened and we continue to be vigilant. Of particular note is Germany's dependence on Russian gas and the potential impact on European GDP, and thus property demand, of reduced gas supply.

Work continues on implementing software to document, and help test, risks and internal controls with further progress expected by the end of the year. In the second half of the year, further external reviews and facilitated sessions are planned to help with assurance over these areas.

Principal risk	**Status at year end**	**Change since year end**	**Commentary**
Property	High	No change	Whilst hybrid working now seems to be established as the current pattern, property risk remains heightened given greater economic uncertainty and slower market activity. The risk of reductions in property values in the second half of 2022 (and the resultant impact on covenant headroom) has increased. In response, CLS is staying close to its tenants ensuring that it provides modern, flexible, quality and affordable offices with good amenities to meet occupier needs.
Sustainability	Medium	No change	Providing sustainable buildings remains a key priority for CLS both to meet regulatory demands but moreover to meet tenant and societal needs. CLS is committed to delivering its enhanced Sustainability Strategy including its 2030 Net Zero Carbon Pathway which can be found on the Group's website.
Business interruption	Medium	Reducing	Our IT infrastructure has stood up well to the demands of the last few years, including recent testing of back-up fail-over systems. The risk is therefore reducing albeit we continue to maintain vigilance, particularly against cyber threats.
Financing	Medium	Increasing	As interest rates in most countries are increasing, often quite sharply, financing risk is also increasing. As yet, there have been few increases in bank margins and limited lowering of loan to value ratios. As part of our potential mitigations, CLS is maintaining relationships, monitoring covenants and engaging early with upcoming refinancings. CLS has significant protection with 80% of debt fixed and substantial covenant headroom.
Political and economic	High	No change	The risk remains high given Russia's invasion of Ukraine and economic concerns over, and responses to, higher levels of inflation and slowing GDP. CLS has limited supply chain exposure but changes in construction prices will impact refurbishments costs. However, higher construction costs also support the values of existing buildings through higher replacement costs.
People	Medium	No change	Like many companies, we are still experiencing a higher level of staff turnover. We continue to respond by listening to our staff and acting on suggestions as well as holding events to reinforce our culture. Our first in-person staff conference since the pandemic later this year is particularly welcomed.

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 53 of the 2021 Annual Report and Accounts). This assessment uses forecasts that have been adjusted for the impacts of Covid-19 and current economic forecasts. 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	**Andrew Kirkman**
Chief Executive Officer	Chief Financial Officer
10 August 2022	

INDEPENDENT REVIEW REPORT TO CLS HOLDINGS plc

Conclusion

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 2022 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 the related notes to the financial statement 1 to 16. 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.

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
09 August 2022

Financial statements

Condensed Group income statement
for the six months ended 30 June 2022

		Six months ended 30-Jun-22 £m (unaudited)	Six months ended 30-Jun-21 £m (unaudited)			Year ended 31-Dec-21 £m (audited)		
	Notes	**Total[1]**	Recurring items	Non-recurring items	Total	Recurring items	Non-recurring items	Total
Revenue	3	**68.3**	67.7	–	67.7	139.8	–	139.8
Cost of sales	3	**(15.5)**	(15.4)	–	(15.4)	(31.8)	–	(31.8)
Net rental income		**52.8**	52.3	–	52.3	108.0	–	108.0
Administration expenses		**(8.4)**	(7.6)	(1.2)	(8.8)	(15.0)	(1.2)	(16.2)
Other expenses		**(7.7)**	(5.9)	–	(5.9)	(14.4)	–	(14.4)
Revenue less costs		**36.7**	38.8	(1.2)	37.6	78.6	(1.2)	77.4
Net revaluation movements on investment property		**(6.0)**	(2.8)	–	(2.8)	28.5	–	28.5
Net revaluation movements on equity investments		**(3.3)**	0.1	–	0.1	1.0	–	1.0
Loss on sale of investment property		**(0.2)**	–	–	–	(0.1)	–	(0.1)
Operating profit		**27.2**	36.1	(1.2)	34.9	108.0	(1.2)	106.8
Finance income	5	**5.9**	2.9	–	2.9	5.9	–	5.9
Finance costs	6	**(12.6)**	(12.6)	–	(12.6)	(25.4)	–	(25.4)
Foreign exchange loss		**(0.2)**	(1.9)	–	(1.9)	(2.3)	–	(2.3)
Share of profit of associate after tax		–	–	1.4	1.4	5.1	1.4	6.5
Profit before tax		**20.3**	24.5	0.2	24.7	91.3	0.2	91.5
Taxation	7	**(3.0)**	(15.9)	–	(15.9)	(14.0)	42.0	28.0
Profit for the period		**17.3**	8.6	0.2	8.8	77.3	42.2	119.5
Attributable to:								
Owners of the Company		**17.3**			8.8			119.5
Basic and diluted earnings per share	4	**4.2p**			2.2p			29.3p

[1] There are no non-recurring items in 2022, all amounts are recurring.

Condensed Group statement of comprehensive income

for the six months ended 30 June 2022

	Six months ended 30 June 2022 £m (unaudited)	Six months ended30 June 2021 £m (unaudited)	Year ended 31 December 2021 £m (audited)
Profit for the period	**17.3**	8.8	119.5
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Foreign exchange differences	**13.6**	(21.5)	(32.8)
Items that may be reclassified to profit or loss			
Revaluation of property, plant and equipment	**2.3**	1.3	5.5
Deferred tax on fair value movements	**(0.2)**	(3.2)	(1.0)
Total items that may be reclassified to profit or loss	**2.1**	(1.9)	4.5
Total other comprehensive income/(expense)	**15.7**	(23.4)	(28.3)
Total comprehensive income/(expense) for the period	**33.0**	(14.6)	91.2
Attributable to:			
Owners of the Company	**33.0**	(14.6)	91.2

Condensed Group balance sheet
at 30 June 2022

	Notes	30 June 2022 £m (unaudited)	30 June 2021 £m (unaudited)	31 December 2021 £m (audited)
Non-current assets				
Investment properties	9	**2,204.1**	2,141.5	2,153.0
Property, plant and equipment	10	**137.4**	131.2	135.4
Goodwill and intangible assets		**3.5**	2.5	3.1
Investments		**3.3**	0.9	6.6
Deferred tax		**2.6**	11.6	2.6
Derivative financial instruments		**5.1**	–	0.4
Other receivables		**–**	7.9	7.7
		2,356.0	2,295.6	2,308.8
Current assets				
Trade and other receivables		**30.9**	11.3	18.1
Properties held for sale		**59.5**	46.9	44.2
Cash and cash equivalents		**110.4**	168.7	167.4
		200.8	226.9	229.7
Total assets		**2,556.8**	2,522.5	2,538.5
Current liabilities				
Trade and other payables		**(52.9)**	(59.2)	(57.6)
Current tax		**(0.6)**	–	(4.5)
Borrowings	12	**(184.6)**	(147.4)	(169.1)
Derivative financial instruments		**(0.2)**	–	(0.7)
		(238.3)	(206.6)	(231.9)
Non-current liabilities				
Deferred tax		**(114.5)**	(173.4)	(109.9)
Borrowings	12	**(858.6)**	(903.4)	(862.5)
Leasehold liabilities		**(3.5)**	(1.5)	(3.4)
Derivative financial instruments		**–**	(3.0)	(0.1)
		(976.6)	(1,081.3)	(975.9)
Total liabilities		**(1,214.9)**	(1,287.9)	(1,207.8)
Net assets		**1,341.9**	1,234.6	1,330.7
Equity				
Share capital	13	**11.0**	11.0	11.0
Share premium		**83.1**	83.1	83.1
Other reserves		**104.4**	93.7	88.7
Retained earnings		**1,143.4**	1,046.8	1,147.9
Total equity		**1,341.9**	1,234.6	1,330.7

Condensed Group statement of changes in equity
for the six months ended 30 June 2022

Unaudited	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Retained earnings £m**	**Total £m**
At 1 January 2022	**11.0**	**83.1**	**88.7**	**1,147.9**	**1,330.7**
Arising in the six months ended 30 June 2022:					
Total comprehensive income for the period	**–**	**–**	**15.7**	**17.3**	**33.0**
Share-based payments	**–**	**–**	**–**	**–**	**–**
Dividends to shareholders	**–**	**–**	**–**	**(21.8)**	**(21.8)**
Total changes arising in the period	**–**	**–**	**15.7**	**(4.5)**	**11.2**
At 30 June 2022	**11.0**	**83.1**	**104.4**	**1,143.4**	**1,341.9**

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 payments	–	–	(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

Audited	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 year ended 31 December 2021:					
Total comprehensive (expense)/income for the year	–	–	(28.3)	119.5	91.2
Share-based payments	–	–	(0.3)	–	(0.3)
Dividends to shareholders	–	–	–	(30.8)	(30.8)
Total changes arising in 2021	–	–	(28.6)	88.7	60.1
At 31 December 2021	11.0	83.1	88.7	1,147.9	1,330.7

Condensed Group statement of cash flows

for the six months ended 30 June 2022

	Notes	**Six months ended 30 June 2022 £m (unaudited)**	Six months ended 30 June 2021 £m (unaudited)	Year ended 31 December 2021 £m (audited)
Cash flows from operating activities				
Cash generated from operations	14	**31.0**	38.6	73.1
Interest received		**0.6**	0.3	0.5
Interest paid		**(11.3)**	(12.3)	(24.3)
Income tax paid on operating activities		**(1.0)**	(4.7)	(5.1)
Net cash inflow from operating activities		**19.3**	21.9	44.2
Cash flows from investing activities				
Purchase of investment properties		**(32.1)**	(163.9)	(164.6)
Capital expenditure on investment properties		**(25.9)**	(19.5)	(35.8)
Proceeds from sale of investment properties		**9.8**	19.1	37.0
Income tax paid on sale of properties		**(3.8)**	(1.4)	(1.3)
Purchases of property, plant and equipment		**(0.1)**	(0.2)	(0.6)
Distributions received from associate and investment undertakings		**–**	–	0.2
Proceeds from sale of associate		**–**	0.6	0.5
Purchase of intangibles		**(0.4)**	(0.3)	(0.9)
Net cash outflow from investing activities		**(52.5)**	(165.6)	(165.5)
Cash flows from financing activities				
Dividends paid		**(21.8)**	(21.2)	(30.8)
New loans		**14.7**	144.6	196.7
Issue costs of new loans		**(0.2)**	(1.1)	(1.4)
Repayment of loans		**(16.1)**	(44.7)	(107.2)
Net cash (outflow)/inflow from financing activities		**(23.4)**	77.6	57.3
Cash flow element of net decrease in cash and cash equivalents		**(56.6)**	(66.1)	(64.0)
Foreign exchange loss		**(0.4)**	(0.9)	(4.3)
Net decrease in cash and cash equivalents		**(57.0)**	(67.0)	(68.3)
Cash and cash equivalents at the beginning of the period		**167.4**	235.7	235.7
Cash and cash equivalents at the end of the period		**110.4**	168.7	167.4

Notes to the condensed Group financial statements
30 June 2022

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 2021 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 United Kingdom adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). The condensed financial statements included in this half-yearly financial report have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the United Kingdom.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the latest audited annual financial statements. A number of new standards and amendments to IFRSs have become effective for the financial year beginning on 1 January 2022. These new standards and amendments are listed below:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- AIP IAS 41 Agriculture – Taxation in fair value measurements

The adoption of these new standards and amendments to IFRSs did not materially impact the condensed Group financial statements for the six months ended 30 June 2022 and are not expected to materially impact the full year financial statements for the 12 months ended 31 December 2022.

2 GOING CONCERN

The most significant events of recent years, being Covid-19 and the Russian invasion of Ukraine, and the associated responses, are continuing to have a profound impact on the global economy. The actual and forecast impacts on commodity prices and supply chains, and thereby inflation and interest rates, have been considered and are being monitored as well as the far greater levels of uncertainty. CLS continues to weather these impacts well with high rent collection, low bad debts and an ongoing ability to meet its financing and refinancing needs.

The Board reviews the going concern assessments every six months alongside the approval of the financial statements. For the half-year assessment, a new forecast was reviewed and approved by the Board at its August 2022 meeting. The going concern assessment has been prepared considering a going concern period to 31 August 2023 and applies the same methodology that was used for the 2021 year-end going concern assessment.

The latest forecast reflects current negative expectations arising as a result of Covid-19 and the Russian invasion of Ukraine with the impacts largely restricted to slower reductions in vacancy and no general valuation increases. However, global political and economic events are giving rise to greater uncertainty.

The Board has prepared a base case which reflects this greater uncertainty through using current economic forecasts such as forward interest rate curves, inflation, yields and foreign exchange rates. The base case is focused on the cash, liquid resources and working capital position of the Group, including forecast covenant compliance. It also assumes that debt facilities of £193.3 million expiring within the going concern period will be repaid (£30.6 million) or refinanced (£162.7 million) as expected, taking into account:

- existing banking relationships;
- the recent financing of the Yellow acquisition for £35.2 million;
- refinancings from 30 June 2022 until 31 August 2023 of £162.7 million of which terms have been agreed for £81.4 million; and
- ongoing discussions with lenders.

The base case is then flexed to produce two downside scenarios, being mid and severe cases. The mid and severe cases incorporate the key potential property risks 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 mid case assumes a 5% reduction in rental income and a 10% reduction in property values. The severe case is based off the negative market and economic impacts experienced during the 2007-2009 global financial crisis (for example property values are assumed to fall by 30%), and assumes the £193.3 million of debt maturing in the going concern period will be either repaid (£30.6 million) or refinanced (£162.7 million). The Board consider that this scenario reflects a robust stress test scenario. It is highly unlikely all the changes modelled would occur at the same time, and to this extent, during the going concern period as, for example, the assumptions have been applied equally to all regions and thus there is no benefit given for CLS' geographic and tenant diversity benefits.

The modelling has focused also on potential covenant breaches. On average across its 48 loans, CLS has between 30% and 44% 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 severe case there is sufficient available cash to resolve any covenant breaches resulting from the severe assumptions modelled in this case. This is through the use of mitigations within Management's control, such as: reduced capital expenditure and dividends which could be either reduced or cancelled. Under the severe stress test scenario, which we consider to be a remote likelihood, these mitigations also include property disposals which would be made at lower values. The Group also has £50 million of undrawn facilities of which £30 million is committed until 30 June 2023 and £20 million is available until further notice from one of our clearing banks; however, these facilities have not been utilised as a mitigation in either downside scenario as they provide an additional working capital buffer.

In both downside scenarios, a minimum cash balance of £100 million has been maintained after mitigations with no use of the current £50 million of undrawn facilities. In the severe case, this is after £30.6 million of debt repayments and £162.7 million of debt refinancings and £10 million asset sales, which represents less than 1% of the property portfolio, at the assumed lower valuations. If the £50 million undrawn facility were utilised, no additional sales would be needed in the severe case. Whilst Management's downside scenarios envisage mitigations, the Group's going concern position is only reliant upon such mitigations in the severe case. The downside assumptions within the severe case are considered to be remote, based on:

- the magnitude of the downside assumptions applied, in the context of the historic and forecast performance of the Group;
- the current economic environment;
- the recent portfolio valuations; and
- the forecast market expectations.

Similarly, Management are confident that the debt falling due for repayment in the going concern period will be refinanced or settled in line with their plans for the reasons set out above rather than requiring repayment on maturity.

As a result, the Directors can confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, with no material uncertainties that would cast significant doubt on the ability of the Group to continue as a going concern for the period to 31 August 2023. The Directors continue to adopt the going concern basis in preparing these condensed Group financial statements.

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 2022. 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 2022 by operating segment were as follows:

	Investment properties					
	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	Total £m
Rental income	25.1	17.3	6.4	–	–	48.8
Other property-related income	0.9	–	0.1	5.2	–	6.2
Service charge income	5.7	5.1	2.5	–	–	13.3
Revenue	31.7	22.4	9.0	5.2	–	68.3
Service charges and similar expenses	(6.8)	(6.0)	(2.7)	–	–	(15.5)
Net rental income	24.9	16.4	6.3	5.2	–	52.8
Administration expenses	(3.6)	(1.4)	(0.8)	–	(2.6)	(8.4)
Other expenses	(2.8)	(2.1)	(0.3)	(2.5)	–	(7.7)
Revenue less costs	18.5	12.9	5.2	2.7	(2.6)	36.7
Net movements on revaluation of investment property	3.7	(3.6)	(6.1)	–	–	(6.0)
Movement on revaluation of equity investments	–	–	–	(3.3)	–	(3.3)
Loss on sale of investment property	(0.2)	–	–	–	–	(0.2)
Operating profit/(loss)	22.0	9.3	(0.9)	(0.6)	(2.6)	27.2
Finance income	3.4	0.7	0.7	1.1	–	5.9
Finance costs	(7.9)	(2.8)	(1.3)	(0.6)	–	(12.6)
Foreign exchange loss	–	–	–	–	(0.2)	(0.2)
Share of associates after tax	–	–	–	–	–	–
Profit/(loss) before tax	17.5	7.2	(1.5)	(0.1)	(2.8)	20.3

3 SEGMENT INFORMATION (continued)

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

	Investment properties						
	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	Non recurring items	Total £m
Rental income	26.8	16.4	7.4	–	–	–	50.6
Other property-related	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	(3.2)	(1.3)	(1.0)	–	(2.1)	(1.2)	(8.8)
Other expenses	(2.1)	(1.4)	(0.3)	(2.1)	–	–	(5.9)
Revenue less costs	21.1	13.5	6.0	0.3	(2.1)	(1.2)	37.6
Net movements on revaluation of investment property	(7.5)	5.4	(0.7)	–	–	–	(2.8)
Net movements on revaluation of equity		–	–	0.1	–	–	0.1
Loss on sale of investment property	(0.1)	0.1	–	–	–	–	–
Operating profit/(loss)	13.5	19.0	5.3	0.4	(2.1)	(1.2)	34.9
Finance income	1.9	0.1	–	0.9	–	–	2.9
Finance costs	(7.9)	(2.5)	(1.3)	(0.7)	(0.2)	–	(12.6)
Foreign exchange loss	–	–	–	(1.9)	–	–	(1.9)
Share of associates after tax	–	–	–	–	–	1.4	1.4
(Loss)/profit before tax	7.5	16.6	4.0	0.1	(2.9)	0.2	24.7

3 SEGMENT INFORMATION (continued)

The Group's results for the year ended 31 December 2021 were as follows:

	Investment properties						
	United Kingdom £m	Germany £m	France £m	Other investments £m	Central administration £m	Non recurring items £m	Total £m
Rental income	53.3	33.8	14.1	–	–	–	101.2
Other property-related income	1.9	0.3	0.5	6.8	–	–	9.5
Service charge income	12.3	11.2	5.6	–	–	–	29.1
Revenue	67.5	45.3	20.2	6.8	–	–	139.8
Service charges and similar expenses	(13.8)	(12.0)	(6.0)	–	–	–	(31.8)
Net rental income	53.7	33.3	14.2	6.8	–	–	108.0
Administration expenses	(6.9)	(2.9)	(1.7)	0.2	(3.7)	(1.2)	(16.2)
Other expenses	(5.9)	(3.3)	(1.1)	(4.6)	0.5	–	(14.4)
Revenue less costs	40.9	27.1	11.4	2.4	(3.2)	(1.2)	77.4
Net movements on revaluation of investment property	3.7	24.2	0.6	–	–	–	28.5
Net revaluation movements on equity investments	–	–	–	1.0	–	–	1.0
(Loss)/profit on sale of investment property	0.7	(1.1)	0.3	–	–	–	(0.1)
Operating profit/(loss)	45.3	50.2	12.3	3.4	(3.2)	(1.2)	106.8
Finance income	3.8	0.2	–	1.9	–	–	5.9
Finance costs	(15.7)	(5.4)	(2.7)	(1.3)	(0.3)	–	(25.4)
Foreign exchange loss	–	–	–	(2.3)	–	–	(2.3)
Share of profit of associate after tax	–	–	–	5.1	–	1.4	6.5
(Loss)/profit before tax	33.4	45.0	9.6	6.8	(3.5)	0.2	91.5

SEGMENT ASSETS AND LIABILITIES

	Assets			Liabilities			Capital expenditure		
	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Investment property									
United Kingdom	**1,073.8**	1,054.5	1,065.6	**539.7**	629.3	555.0	**14.1**	11.8	20.6
Germany	**962.8**	893.4	900.2	**487.6**	451.9	462.4	**3.6**	4.1	9.4
France	**296.8**	300.5	293.8	**182.2**	195.0	183.8	**6.8**	3.0	6.0
Other investments	**223.4**	274.1	278.9	**6.0**	16.3	6.6	**–**	–	0.5
	2,556.8	2,522.5	2,538.5	**1,215.5**	1,292.5	1,207.8	**24.5**	18.9	36.5

4 ALTERNATIVE PERFORMANCE MEASURES ('APMs')

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

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

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

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

1. EPRA APMs
CLS monitors the Group's financial performance using APMs which are European Public Real Estate Association ('EPRA') measures as these are a set of standard disclosures for the property industry and thus aid comparability for our stakeholder users.

The latest edition of the EPRA guidelines were issued in March 2022 and contain three net asset 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 three balance sheet measures along with EPRA Earnings have been disclosed.

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

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

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

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

1) EPRA APMs

Number of shares for use in EPRA calculations:

	30 June 2022 Number	30 June 2021 Number	31 December 2021 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 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Profit for the period	**17.3**	8.8	119.5
Non-recurring items after tax	**–**	(0.4)	1.5
Profit for the period before non-recurring items	**17.3**	8.4	121.0
Net movement on revaluation of investment property	**6.0**	2.8	(28.5)
Net movement on revaluation of equity investment	**3.3**	(0.1)	(1.0)
Loss from sale of investment property	**0.2**	–	0.1
Current tax on disposals	**–**	1.0	3.2
Movement in fair value of derivative financial instruments	**(5.3)**	(2.6)	(5.2)
Deferred taxation	**1.9**	12.4	(38.6)
Uplift in value of associates	–	–	(5.1)
EPRA earnings	**23.4**	21.9	45.9
Basic and diluted earnings per share from continuing operations	**4.2p**	2.2p	29.3p
EPRA earnings per share	**5.8p**	5.4p	11.3p

4 ALTERNATIVE PERFORMANCE MEASURES (‘APMs’) (continued)

ii) Net asset value measures

30 June 2022

	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	**1,341.3**	**1,341.3**	**1,341.3**	**1,341.3**
Goodwill as a result of deferred tax on acquisitions	**–**	**(1.1)**	**(1.1)**	**(1.1)**
Other intangibles	**–**	**(2.4)**	**–**	**–**
Fair value of fixed interest debt[1]	**–**	**–**	**–**	**(0.1)**
- tax thereon	**–**	**–**	**–**	**–**
Deferred tax on revaluation surplus	**–**	**112.5**	**112.5**	**–**
Adjustment for short-term disposals	**–**	**(8.2)**	**–**	**–**
Fair value of financial instruments	**–**	**(4.9)**	**(4.9)**	**–**
Purchasers’ costs[2]	**–**	**–**	**153.3**	**–**
	1,341.3	**1,437.2**	**1,601.1**	**1,340.1**
Per share	**329.2p**	**352.8p**	**393.0p**	**328.9p**

[1]Note that only downside fair value differences have been recognised. At 30 June 2022 the majority of our fixed rate debt has a positive fair value difference of £53.1m.

[2] Purchasers costs have been calculated using the regional market rates

30 June 2021

	IFRS 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
Goodwill as a result of deferred tax on acquisitions	–	(1.1)	(1.1)	(1.1)
Other intangibles	–	(1.4)	–	–
Fair value of fixed interest debt	–	–	–	(8.6)
- tax thereon	–	–	–	1.6
Deferred tax on revaluation surplus	–	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	–
Purchasers’ costs	–	–	148.4	–
	1,234.6	1,373.6	1,531.6	1,226.5
Per share	303.0p	337.2p	375.9p	301.1p

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

31 December 2021	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
Net assets	1,330.7	1,330.7	1,330.7	1,330.7
Goodwill as a result of deferred tax on acquisitions	–	(1.1)	(1.1)	(1.1)
Other intangibles	–	(2.0)	–	–
Fair value of fixed interest debt	–	–	–	(4.2)
- tax thereon	–	–	–	0.8
Deferred tax on revaluation surplus	–	108.1	108.1	–
Capital allowances	–	(0.3)	(0.3)	–
Adjustment for short-term disposals	–	(7.8)	–	–
Fair value of financial instruments	–	0.4	0.4	–
Purchasers' costs	–	–	149.3	–
	1,330.7	1,428.0	1,587.1	1,326.2
Per share	326.6p	350.5p	389.6p	325.5p

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 2022			
	United Kingdom £m	**Germany £m**	**France £m**	**Total £m**
Rent passing	**49.6**	**38.1**	**12.3**	**100.0**
Adjusted for development stock	**(2.6)**	**(0.5)**	**–**	**(3.1)**
Forecast non-recoverable service charge	**(1.6)**	**(1.3)**	**(0.5)**	**(3.4)**
Annualised net rents (A)	**45.4**	**36.3**	**11.8**	**93.5**
Property portfolio	**1,043.0**	**933.4**	**287.9**	**2,264.3**
Adjusted for development stock	**(115.4)**	**(46.6)**	**–**	**(162.0)**
Purchasers' costs	**63.1**	**60.3**	**19.6**	**143.0**
Property portfolio valuation including purchasers' costs (B)	**990.7**	**947.1**	**307.5**	**2,245.3**
EPRA NIY (A/B)	**4.6%**	**3.8%**	**3.8%**	**4.2%**

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

	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%

	Year ended 31 December 2021			
	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	52.8	34.9	11.7	99.4
Adjusted for development stock	(2.6)	(0.5)	–	(3.1)
Forecast non-recoverable service charge	(2.0)	(0.6)	(0.3)	(2.9)
Annualised net rents (A)	48.2	33.8	11.4	93.4
Property portfolio	1,034.5	883.0	280.1	2,197.6
Adjusted for development stock	(103.7)	(46.2)	–	(149.9)
Purchasers' costs	63.3	56.9	19.0	139.2
Property portfolio valuation including purchasers' costs (B)	994.1	893.7	299.1	2,186.9
EPRA NIY (A/B)	4.8%	3.8%	3.8%	4.3%

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 2022			
	United Kingdom £m	**Germany £m**	**France £m**	**Total £m**
Contracted rent	**51.9**	**42.0**	**14.0**	**107.9**
Adjusted for development stock	**(2.6)**	**(0.6)**	**–**	**(3.2)**
Forecast non-recoverable service charge	**(1.6)**	**(1.3)**	**(0.5)**	**(3.4)**
'Topped-up' annualised net rents (A)	**47.7**	**40.1**	**13.5**	**101.3**
Property portfolio	**1,043.0**	**933.4**	**287.9**	**2,264.3**
Adjusted for development stock	**(115.4)**	**(46.6)**	**–**	**(162.0)**
Purchasers' costs	**63.1**	**60.3**	**19.6**	**143.0**
Property portfolio valuation including purchasers' costs (B)	**990.7**	**947.1**	**307.5**	**2,245.3**
EPRA 'topped-up' NIY (A/B)	**4.8%**	**4.2%**	**4.4%**	**4.5%**

	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%

	Year ended 31 December 2021			
	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	55.0	38.8	13.8	107.6
Adjusted for development stock	(2.6)	(0.6)	–	(3.2)
Forecast non-recoverable service charge	(2.0)	(0.6)	(0.3)	(2.9)
'Topped-up' annualised net rents (A)	50.4	37.6	13.5	101.5
Property portfolio	1,034.5	883.0	280.1	2,197.6
Adjusted for development stock	(103.7)	(46.2)	–	(149.9)
Purchasers' costs	63.3	56.9	19.0	139.2
Property portfolio valuation including purchasers' costs (B)	994.1	893.7	299.1	2,186.9
EPRA 'topped-up' NIY (A/B)	5.1%	4.2%	4.5%	4.6%

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

iv) EPRA vacancy

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
ERV of vacant space (A)	**8.2**	9.5	7.0
ERV of let space	**110.6**	114.2	113.0
ERV of lettable space (B)	**118.8**	123.7	120.0
EPRA vacancy rate (A/B)	**6.9%**	7.7%	5.8%

v) EPRA capital expenditure

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Acquisitions	**22.5**	177.2	179.5
Amounts spent on the completed investment property portfolio			
Creation of incremental space	**5.9**	1.7	8.6
Creation of no incremental space	**18.6**	17.2	27.4
EPRA capital expenditure	**47.0**	196.1	215.5
Conversion from accrual to cash basis	**11.0**	(12.7)	(15.1)
EPRA capital expenditure on a cash basis	**58.0**	183.4	200.4

vi) EPRA cost ratio

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Administration expenses - recurring	**8.4**	7.6	15.0
Other expenses	**7.7**	5.9	14.4
Less: investment segment	**(2.5)**	(2.0)	(4.4)
	13.6	11.5	25.0
Net service charge costs	**2.2**	1.2	2.7
Service charge costs recovered through rents but not separately invoiced	**(0.2)**	(0.2)	(0.3)
Dilapidations receipts	**(0.6)**	(0.4)	(1.2)
EPRA costs (including direct vacancy costs) (A)	**15.0**	12.1	26.2
Direct vacancy costs	**(2.0)**	(2.2)	(3.4)
EPRA costs (excluding direct vacancy costs) (B)	**13.0**	9.9	22.8
Gross rental income	**48.8**	50.6	101.2
Service charge components of rental income	**(0.2)**	(0.3)	(0.3)
Adjusted gross rental income (C)	**48.6**	50.3	100.9
EPRA cost ratio (including direct vacancy costs) (A/C)	**30.9%**	24.1%	26.0%
EPRA cost ratio (excluding direct vacancy costs) (B/C)	**26.7%**	19.7%	22.6%

4 ALTERNATIVE PERFORMANCE MEASURES (‘APMs’) (continued)

2. Other APMs

i) Total accounting return

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
EPRA closing net tangible assets	**1,437.2**	1,373.6	1,428.0
Add back: prior year final dividend paid	**21.8**	21.2	21.2
Add back: interim dividend paid	**–**	–	9.6
Less: EPRA opening net tangible assets (A)	**(1,428.0)**	(1,406.4)	(1,406.4)
Return before dividends (B)	**31.0**	(11.6)	52.4
Total accounting return (B/A)	**2.2%**	(0.8)%	3.7%

ii) Net borrowings and gearing

	Notes	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Borrowings short-term	12	**184.6**	147.4	169.1
Borrowings long-term	12	**858.6**	903.4	862.5
Add back: unamortised issue costs	12	**5.3**	6.4	5.9
Gross debt	12	**1,048.5**	1,057.2	1,037.5
Cash		**(110.4)**	(168.7)	(167.4)
Net borrowings (A)		**938.1**	888.5	870.1
Net assets (B)		**1,341.3**	1,234.6	1,330.7
Net gearing (A/B)		**69.9%**	72.0%	65.4%

4 ALTERNATIVE PERFORMANCE MEASURES (‘APMs’) (continued)

iii) Loan-to-value

	Notes	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Borrowings short-term	12	**184.6**	147.4	169.1
Borrowings long-term	12	**858.6**	903.4	862.5
Less: cash		**(110.4)**	(168.7)	(167.4)
Net debt (A)		**932.8**	882.1	864.2
Investment properties	8	**2,204.1**	2,141.5	2,153.0
Properties in PPE	8	**135.4**	129.2	133.3
Properties and land held for sale	8	**60.2**	46.9	45.0
Total property portfolio (B)		**2,399.7**	2,317.6	2,331.3
Loan-to-value (A/B)		**38.9%**	38.1%	37.1%

iv) Dividend cover

	Notes	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Interim dividend *		**10.6**	9.6	9.6
Final dividend		**–**	–	21.8
Total dividend (A)		**10.6**	9.6	31.4
EPRA earnings (B)		**23.4**	21.9	45.9
Dividend cover (B/A)		**2.21**	2.28	1.46

* The 30 June 2022 amount represents the proposed interim 2022 dividend

v) Interest cover

	Notes	**Six months ended 30 June 2022 £m**	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Net rental income	3	**52.8**	52.3	108.0
Administration expenses	3	**(8.4)**	(7.6)	(15.0)
Other expenses	3	**(7.7)**	(5.9)	(14.4)
Revenue less costs (A)	3	**36.7**	38.8	78.6
Finance income (excluding dividends and derivatives)	5	**0.6**	0.3	0.5
Finance costs (excluding derivatives)	6	**(12.6)**	(12.6)	(25.4)
Net interest (B)		**(12.0)**	(12.3)	(24.9)
Interest cover (A/B)		**3.06**	3.15	3.16

5 FINANCE INCOME

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Interest income			
Financial instruments carried at amortised cost	**0.6**	0.3	0.5
Movement in fair value of derivative financial instruments	**5.3**	2.6	5.2
Other finance income	**–**	–	0.2
	5.9	2.9	5.9

6 FINANCE COSTS

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Interest expense			
Secured bank loans	**10.9**	10.5	21.4
Secured notes	**0.8**	1.1	2.1
Amortisation of loan issue costs	**0.9**	1.0	1.9
Total interest expense	**12.6**	12.6	25.4
	12.6	12.6	25.4

7 TAXATION

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Deferred tax			
Underlying	**1.8**	1.2	3.0
Non-recurring deferred tax liability release due to REIT conversion	–	–	(43.7)
Non-recurring deferred tax asset release due to REIT conversion	–	–	1.9
Due to increase in UK corporation tax rate	–	10.2	–
	1.8	11.4	(38.8)
Current tax	**1.2**	4.5	10.8
	3.0	15.9	(28.0)

Tax for the six months ended 30 June 2022 has been charged at an effective rate of 14.7 % (six months ended 30 June 2021: 64.4%; year ended 31 December 2021: 30.6%), representing the best estimate of the average annual effective tax rate expected for the full year adjusted for the tax effect of one-off items, applied to the pre-tax income of the six month period. The effective tax rate for the period of 14.7% is lower than the weighted average tax rate of 18.9%. This is primarily due to the fact that group elected into the UK REIT regime from 1 January 2022 and as such the profits arising from the UK property rental business are now exempt from UK Corporation Tax.

The total tax charge for the period of £3.0m is lower than the £15.9m for the six months ended 30 June 2021 primarily due to the £10.2m deferred tax charge recognised at 30 June 2021 resulting from the substantial enactment of the increase in the UK Corporation Tax rate from 19% to 25%, effective 1 April 2023. The total tax charge for the period of £3.0m is higher than the £(28.0)m credit recognised at 31 December 2021 due for the most part to the 31 December 2021 release of deferred tax of £41.8m on entry into the UK REIT regime

8 PROPERTY PORTFOLIO

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	**1,010.1**	**926.5**	**267.5**	**2,204.1**
Property held as property, plant and equipment	**128.1**	**5.4**	**1.9**	**135.4**
Properties held for sale*	**32.9**	**6.9**	**20.0**	**59.8**
Land held for sale*	**–**	**–**	**0.4**	**0.4**
Property portfolio at 30 June 2022	**1,171.1**	**938.8**	**289.8**	**2,399.7**

*Sum total differs from assets held for sale on the balance sheet due to £0.7m of associated liabilities

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	989.1	871.1	281.3	2,141.5
Property held as property, plant and equipment	123.1	4.2	1.9	129.2
Properties held for sale	30.9	4.9	11.1	46.9
Land held for sale	–	–	–	–
Property portfolio at 30 June 2021	1,143.1	880.2	294.3	2,317.6

	United Kingdom £m	Germany £m	France £m	Total £m
Investment property	996.4	883.0	273.6	2,153.0
Property held as property, plant and equipment	126.4	5.0	1.9	133.3
Properties held for sale*	38.1	–	6.5	44.6
Land held for sale*	–	–	0.4	0.4
Property portfolio at 31 December 2021	1,160.9	888.0	282.4	2,331.3

*Sum total differs from assets held for sale on the balance sheet due to £0.8m of liabilities associated with a corporate sale

The property portfolio which comprises investment properties detailed in note 9, properties held for sale detailed in note 11, and the student accommodation, hotel and landholding detailed in note 10 was revalued at 30 June 2022 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 2022			30 June 2021			31 December 2021		
	Investment property £m	**Other property £m**	**Property portfolio £m**	Investment property £m	Other property £m	Property portfolio £m	Investment property £m	Other property £m	Property portfolio £m
Cushman and Wakefield	**1,010.1**	**161.0**	**1,171.1**	1,270.3	167.0	1,437.3	1,270.0	173.3	1,443.3
Jones Lang LaSalle	**1,194.0**	**31.0**	**1,225.0**	871.2	6.1	877.3	883.0	1.8	884.8
L Fällström AB	**–**	**3.6**	**3.6**	–	3.0	3.0	–	3.2	3.2
	2,204.1	**195.6**	**2,399.7**	2,141.5	176.1	2,317.6	2,153.0	178.3	2,331.3

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 TECHNIQUE AND FAIR VALUE MEASUREMENT

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 2022 or 2021.

SUSTAINABILITY AND CLIMATE CHANGE

The Group published its new sustainability strategy including a pathway to net zero carbon in August 2021 and has set 2030 as its date to achieve this (see pages 58 to 61 of the 2021 Annual Report). Last year the Group employed technical experts to carry out individual property energy audits to identify energy and carbon saving opportunities. A total of 76 properties were visited from January to April 2021 across the UK, France and Germany, with new developments, properties under refurbishment and properties earmarked for sale all excluded from the programme. The investment needed to deliver the audit findings amounts to an initial estimated £58 million over 9 years. We have integrated these energy audits into each Asset Management Plan to enable strategic decisions about the refurbishment, sale or full redevelopment of assets to be made.

9 INVESTMENT PROPERTIES

	United Kingdom	**Germany**	**France**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January 2022	**996.4**	**883.0**	**273.6**	**2,153.0**
Acquisitions	**–**	**22.5**	**–**	**22.5**
Capital expenditure	**14.1**	**3.6**	**6.8**	**24.5**
Net revaluation movement	**3.8**	**(3.6)**	**(7.1)**	**(6.9)**
Lease incentives	**0.7**	**6.3**	**–**	**7.0**
Exchange rate variances	**–**	**21.6**	**6.5**	**28.1**
Transfer to properties held for sale	**(4.9)**	**(6.9)**	**(12.3)**	**(24.1)**
At 30 June 2022	**1010.1**	**926.5**	**267.5**	**2,204.1**

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2021	997.9	733.2	301.7	2,032.8
Acquisitions	17.9	159.3	–	177.2
Capital expenditure	11.8	4.1	3.0	18.9
Net revaluation movement	(7.5)	6.4	(0.7)	(1.8)
Lease incentives	(0.1)	0.5	0.4	0.8
Exchange rate variances	–	(32.4)	(12.5)	(44.9)
Transfer to properties held for sale	(30.9)	–	(10.6)	(41.5)
At 30 June 2021	989.1	871.1	281.3	2,141.5

	United Kingdom £m	Germany £m	France £m	Total £m
At 1 January 2021	997.9	733.2	301.7	2,032.8
Acquisitions	17.9	161.6	–	179.5
Capital expenditure	20.6	9.4	6.0	36.0
Disposals	(5.0)	–	(10.7)	(15.7)
Net revaluation movement	3.7	24.2	0.6	28.5
Lease incentives	(0.6)	3.0	0.3	2.7
Exchange rate variances	–	(48.0)	(17.9)	(65.8)
Transfer to plant, property and equipment	–	(0.4)	–	(0.4)
Transfer to properties held for sale	(38.1)		(6.5)	(44.6)
At 31 December 2021	996.4	883.0	273.6	2,153.0

Investment properties include leasehold properties with a carrying value of £49.8 million (30 June 2021: £50.0 million; 31 December 2021: £48.6 million).

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

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 £6.0 million (30 June 2021: £2.8 million loss; 31 December 2021: £28.5 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 £2.3 million (30 June 2021: £1.3 million; 31 December 2021: £5.5 million) was included within the revaluation reserve.

Where the Group leases out its investment property under operating leases the duration is typically three years or more.

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

	ERV				Equivalent yield			
	Average £ per sq ft		Range £ per sq ft		Average %		Range %	
	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21	30-Jun-22	30-Jun-21
UK	36.83	36.91	10.00 - 63.22	10.00 - 66.19	5.43	5.51	2.75 - 9.09	2.54 - 10.30
Germany	13.56	13.21	9.08 - 24.62	8.88 - 24.05	4.40	4.39	3.00 - 5.40	3.00 - 5.40
France	20.78	19.49	12.05 - 39.60	11.96 - 37.36	5.03	5.04	3.90 - 6.50	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 £137.0 million (31 December 2021: £126.3 million) whilst a 25 basis point increase would reduce the fair value by £116.5 million (31 December 2021: £125.4 million). A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by £86.4 million (31 December 2021: £88.8 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 £95.5 million (31 December 2021: £74.7 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 2022.

	£m
5% increase in value of sterling against the euro	**(56.9)**
5% fall in value of sterling against the euro	**62.8**

10 PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m
Student accommodation	**95.0**	92.0	94.1
Hotel	**25.8**	23.8	25.0
Land and buildings	**3.6**	3.0	3.2
Owner-occupied property	**11.0**	10.4	11.0
Fixtures and fittings	**2.0**	2.0	2.1
Total	**137.4**	131.2	135.4

	Student accommodation £m	**Hotel £m**	**Land and buildings £m**	**Owner-occupied property £m**	**Fixtures and fittings £m**	**Total £m**
At 1 January 2022	94.1	25.0	3.2	11.0	3.2	136.5
Additions	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Disposals	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Revaluation[1]	**0.9**	**0.8**	**0.4**	**–**	**–**	**2.1**
At 30 June 2022	**95.0**	**25.8**	**3.6**	**11.0**	**3.2**	**138.6**
Comprising:						
At cost	**–**	**–**	**–**	**–**	**3.2**	**3.2**
At valuation	**95.0**	**25.8**	**3.6**	**11.0**	**–**	**135.4**
	95.0	**25.8**	**3.6**	**11.0**	**3.2**	**138.6**
Accumulated depreciation and impairment						
At 1 January 2022	**–**	**–**	**–**	**–**	(1.1)	(1.1)
Disposals	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Depreciation charge	**(0.1)**	**(0.1)**	**–**	**–**	**(0.2)**	**(0.4)**
Revaluation[1]	**0.1**	**0.1**	**–**	**–**	**–**	**0.2**
At 30 June 2022	**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Net book value						
At 30 June 2022	**95.0**	**25.8**	**3.6**	**11.0**	**2.0**	**137.4**
At 31 December 2021	94.1	25.0	3.2	11.0	2.1	135.4

[1]See note 8 and 9 for disclosure around fair value including technique and sensitivity

11 PROPERTIES AND LAND HELD FOR SALE

	United Kingdom	**Germany**	**France**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 January 2022	**38.1**	**–**	**6.9**	**45.0**
Disposals	**(10.1)**	**–**	**–**	**(10.1)**
Net revaluation movement	**–**	**–**	**0.9**	**0.9**
Exchange rate variances	**–**	**–**	**0.3**	**0.3**
Transfer from investment property	**4.9**	**6.9**	**12.3**	**24.1**
At 30 June 2022[1]	**32.9**	**6.9**	**20.4**	**60.2**

1 The total differs from the assets held for sale on the Group balance sheet due to £0.7m of liabilities associated with a corporate sale

11 PROPERTIES AND LAND HELD FOR SALE (continued)

	United Kingdom	Germany	France	Total
	£m	£m	£m	£m
At 1 January 2021	5.9	10.2	5.8	21.9
Disposals	(5.9)	(4.1)	(5.1)	(15.1)
Net revaluation movement	–	(1.0)	–	(1.0)
Exchange rate variances	–	(0.2)	(0.2)	(0.4)
Transfer from investment property	30.9	–	10.6	41.5
At 30 June 2021	30.9	4.9	11.1	46.9

	United Kingdom	Germany	France	Total
	£m	£m	£m	£m
At 1 January 2021	5.9	10.2	5.8	21.9
Disposals	(5.9)	(10.2)	(5.3)	(21.4)
Net revaluation movement	–	–	(0.1)	(0.1)
Exchange rate variances	–	–	–	–
Transfer from investment property	38.1	–	6.5	44.6
At 31 December 2021[1]	38.1	–	6.9	45.0

1 The total differs from the assets held for sale on the Group balance sheet due to £0.8m of liabilities associated with a corporate sale

12 BORROWINGS

MATURITY PROFILE

At 30 June 2022	**Bank loans £m**	**Secured notes £m**	**Total £m**
Maturing in:			
Within one year or on demand	**141.7**	**44.4**	**186.1**
One to two years	**319.3**	**–**	**319.3**
Two to five years	**229.4**	**–**	**229.4**
More than five years	**313.7**	**–**	**313.7**
	1,004.1	**44.4**	**1,048.5**
Unamortised issue costs	**(5.3)**	**–**	**(5.3)**
Borrowings	**998.8**	**44.4**	**1,043.2**
Due within one year	**(140.2)**	**(44.4)**	**(184.6)**
Due after one year	**858.6**	**–**	**858.6**

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

12 BORROWINGS (continued)

At 31 December 2021			
Maturing in:			
Within one year or on demand	124.3	46.5	170.8
One to two years	111.3	–	111.3
Two to five years	432.7	–	432.7
More than five years	322.7	–	322.7
	991.0	46.5	1,037.5
Unamortised issue costs	(5.8)	(0.1)	(5.9)
Borrowings	985.2	46.4	1,031.6
Due within one year	(122.7)	(46.4)	(169.1)
Due after one year	862.5	–	862.5

FAIR VALUES

	Carrying amounts			Fair values		
	30 June 2022 £m	30 June 2021 £m	31 December 2021 £m	**30 June 2022 £m**	30 June 2021 £m	31 December 2021 £m
Current borrowings	**184.6**	147.4	169.1	**184.4**	148.1	169.1
Non-current borrowings	**858.6**	903.4	862.5	**805.8**	911.3	866.7
	1,043.2	1,053.8	1,031.6	**990.2**	1,062.4	1,035.8

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.

13 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 2022 and 30 June 2022	407,395,760	31,382,020	438,777,780	**10.2**	**0.8**	**11.0**

14 CASH GENERATED FROM OPERATIONS

	Six months ended 30 June 2022 £m	Six months ended 30 June 2021 £m	Year ended 31 December 2021 £m
Operating profit	**27.2**	38.9	106.8
Adjustments for:			
Net movements on revaluation of investment properties	**6.0**	2.8	(28.5)
Net movements on revaluation of equity investments	**3.3**	(0.1)	(1.0)
Depreciation and amortisation	**0.4**	0.4	1.1
Non-cash rental income (lease incentives)	**(7.0)**	(0.8)	(2.7)
Share-based payments	**(0.6)**	(0.2)	(0.3)
Loss on sale of investment properties	**0.2**	–	0.1
Changes in working capital:			
Decrease/(increase) in receivables	**4.6**	5.0	(3.7)
(Decrease)/increase in payables	**(3.1)**	(3.4)	1.3
Cash generated from operations	**31.0**	38.6	73.1

15 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.

16 POST BALANCE SHEET EVENTS

The Group completed the acquisition of The Yellow property in Dortmund (7 July) for a price of £56.0 million with secured debt of £35.2 million.

The Group completed on the sale of two UK properties, 62 London Road, Staines (18 July) and Great West House, Brentford (2 August) and one French property, 96 Rue Nationale, Lille (21 July) for a total of £39.8 million. At the balance sheet date these were all classified as assets held for sale on the balance sheet.

On the date these accounts were released the Group announced a £25.5 million tender buyback for 1 in every 40 ordinary shares at £2.50 per share.

There were no other material events after 30 June 2022 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.

Balance sheet loan-to-value
Net debt expressed as a percentage of property assets.

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

Carbon emissions Scopes 1, 2 and 3
Scope 1 – direct emissions;
Scope 2 – indirect emissions; and
Scope 3 – other indirect emissions.

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

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

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

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

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

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

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

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

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

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

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

Liquid resources
Cash and short-term deposits and listed corporate bonds.

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.

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

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

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

Rent roll
Contracted rent.

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

Reversion
The amount by which ERV exceeds contracted rent.

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

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.

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

Total accounting return
The change in EPRA NTA before the payment of dividends.

Total shareholder return (TSR)
The growth in capital from purchasing a share, assuming that dividends are reinvested every time they are received.

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

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

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.