



**CLS Holdings plc**  
Annual Report and Accounts 2025



# Group highlights

**At CLS we aim to deliver long-term value and steady shareholder growth by investing in modern spaces in central and urban locations.**

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

In a difficult property market our ability to respond to change sets us apart. We adopt an agile approach across all our property activities continually assessing how to optimise rent, drive up the value of our properties and build partnerships with clients that help secure our shared success.

## Strategic report

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## See also



Please visit our website to read our Sustainability Strategy and 2025 Sustainability Report

[www.clsholdings.com/sustainability/reports/](http://www.clsholdings.com/sustainability/reports/)



Hansaallee 299, Düsseldorf

## Group highlights

### Financial highlights

EPRA EPS

7.6p

(2024: 9.2p)

Statutory EPS

(12.6)p

(2024: (23.6)p)

EPRA NTA (per share)

200.7p

(2024: 215.0p)

Statutory NAV (per share)

186.4p

(2024: 197.3p)

Cost of debt

3.8%

(2024: 3.8%)

Balance sheet LTV

50.0%

(2024: 50.7%)

Total Accounting Return

(4.8)%

(2024: (11.9)%)

Dividend

4.0p

(2024: 5.28p)

### Strategic highlights

Contracted rent  
(secured in the year)

£17.0m

(2024: £16.6m)

Contracted rent  
above ERV

6.3%

(2024: 6.8%)

Contracted rent  
which is index-linked

58.7%

(2024: 54.4%)

EPRA  
Vacancy Rate

14.5%

(2024: 12.7%)

### ESG highlights

GRESB rating

4 Stars

(2024: 4 Stars)

Like-for-like decrease in  
landlord energy usage

5.8%

(2024: 4.9%)

% UK portfolio  
EPC A-C

84%

(2024: 82%)

Assets Excellent or Very  
Good (BREEAM In-Use)

55%

(2024: 53%)

# Our investment case

## 1. A clear strategy

### Diversified approach

This approach is across countries (we invest in major cities in Europe's three largest economies), customers (over 650 customers spread across most sectors of the economy), and financing (loans with 23 different lenders).

### Focus on multi-let offices

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

### Selected development schemes

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

## 2. Active management

### Experienced in-house capabilities

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

### Secure rents and high occupancy

Targeted occupancy levels above 95% with affordable rents and flexible lease terms to meet customer demand and so create opportunities to capture above market rental growth. On average over 115 lettings executed each year over the past five years.

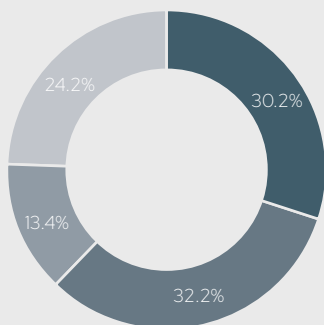
### Interest rate management

Financing facilities, which are arranged in-house, seek to balance flexibility, diversity and maturity of funding with a low cost of debt.

### Delivered outcomes

Size by contracted rent (%)

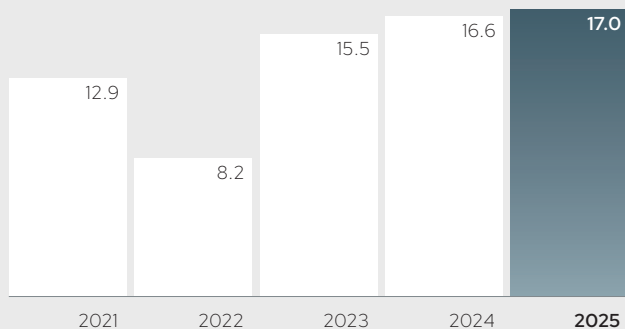
- Government
- Large<sup>1</sup>
- Medium<sup>1</sup>
- Other



<sup>1</sup> Based on Companies House definitions.

### Delivered outcomes

Contracted rent secured in the year (£m)



Spring Gardens/Citadel Place, London – proposed development



## 3. Strong track record

### Disciplined approach to investment

Acquisitions are assessed against return and strategic fit criteria and are pursued on an opportunistic and property by property basis with no set capital allocation across countries. Low yielding assets with limited potential are sold.

### Cash-backed progressive dividend

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

## 4. A focus on sustainability

### Responsible business

Corporate responsibility is integrated in our business model, taking account of all of our stakeholders, including our own people, our local communities, our shareholders and the environment, in the decisions we make.

### Strong ESG performance

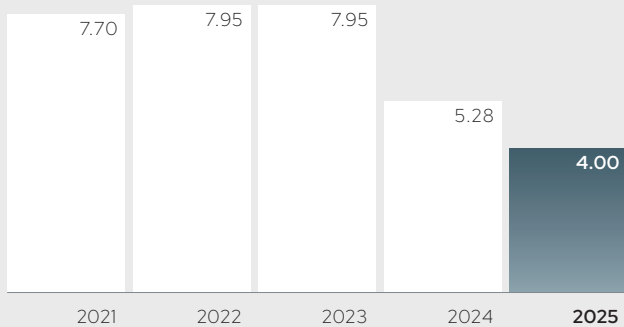
We measure and monitor our progress against our own targets as well as performance against both mandatory and voluntary ESG frameworks in our industry. This gives our stakeholders confidence in our delivery against commitments.

### Climate risk mitigation

Our in-house sustainability programme is focused on mitigating the impact of climate risks and energy security issues whilst maximising opportunities for sustainable growth and the benefits we deliver to the communities in which we are involved.

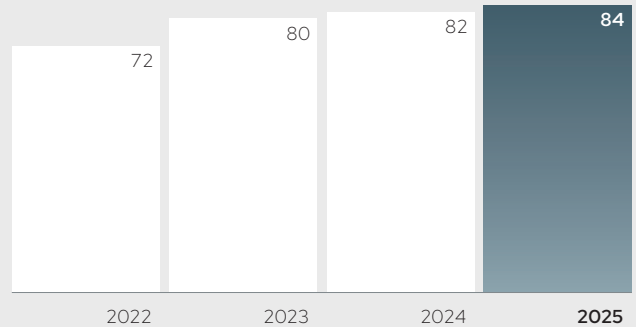
### Delivered outcomes

Dividend per share (pence)



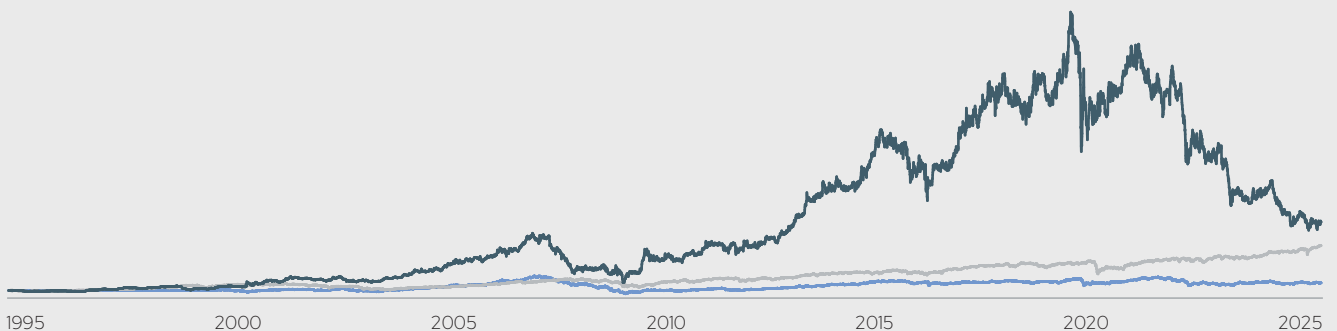
### Delivered outcomes

UK portfolio EPC A-C coverage (%)



### Total Returns to Shareholders (see page 21 for more recent performance)

○ CLS ○ FTSE All Share ○ FTSE 350 RE SS



# Group at a glance

We are a London-based office and commercial property specialist with a property portfolio in the UK, Germany and France. Listed on the London Stock Exchange main market since 1994, we have over 650 tenants, including blue-chip organisations and government departments.

## At CLS, our purpose is clear

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

## What we do

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

## CLS in numbers

3	countries
77	properties
669	tenants
£1.7bn	property portfolio value
£106.2m	contracted rent
14.5%	vacancy rate
99%	rent collection

## Top 10 Tenants by Contracted Rent (30.5%)

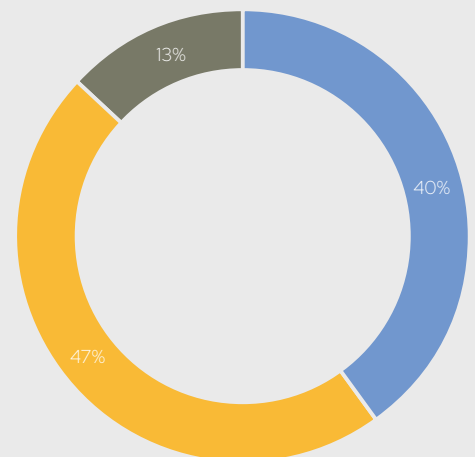


## Tenant Sector by Contracted Rent

1	Government	30.2%
2	Commercial & Professional Services	12.3%
3	Information Technology	9.1%
4	Communication Services	8.6%
5	Consumer Discretionary	7.7%
6	Health Care	6.3%
7	Industrials	6.3%
8	Other	6.0%
9	Financials	5.3%
10	Consumer Staples	4.6%
11	Real Estate	3.6%

## Total Portfolio Value

- UK
- Germany
- France



## Property Use by Revenue

Office Space	81.7%
Hospitality	6.1%
Education	4.1%
Light Industrial	3.6%
Retail	2.1%
Laboratory	1.2%
Health Care	0.7%
Residential	0.5%

## Supported by our values

### Our tenants, our focus

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

### Openness creates closeness

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

### Agility unlocks opportunity

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

### Collaboration gets the job done

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

## Our office portfolio at a glance (at 31 December 2025)

Valuation data <sup>1</sup>	Market value of property £m	Underlying valuation movement (%)	EPRA net initial yield (%)	EPRA 'topped-up' net initial yield (%)	Equivalent yield (%)	Reversion (%)	Over-rented (%)
United Kingdom	641.7	(4.6)	5.5	6.6	7.5	4.9	9.8
Germany	800.4	(2.7)	4.2	4.9	5.3	3.7	14.0
France	223.6	(4.5)	4.7	5.3	6.2	2.6	6.2
<b>Total office portfolio</b>	<b>1,665.7</b>	<b>(3.8)</b>	<b>4.8</b>	<b>5.6</b>	<b>6.1</b>	<b>4.1</b>	<b>11.2</b>

Lease data <sup>1</sup>	Average lease length		Contracted rent of leases expiring in:				ERV of leases expiring in:			
	To break years	To expiry years	Year 1 £m	Year 2 £m	3 to 5 years £m	After 5 years £m	Year 1 £m	Year 2 £m	3 to 5 years £m	After 5 years £m
United Kingdom	2.6	3.8	16.2	4.0	15.7	11.5	14.0	3.7	16.2	11.2
Germany	7.4	7.4	4.8	9.2	13.1	18.6	4.9	8.4	12.1	15.6
France	2.5	5.3	0.8	0.7	3.9	7.7	0.8	0.7	3.7	7.4
<b>Total office portfolio</b>	<b>4.7</b>	<b>5.5</b>	<b>21.8</b>	<b>13.9</b>	<b>32.7</b>	<b>37.8</b>	<b>19.7</b>	<b>12.8</b>	<b>32.0</b>	<b>34.2</b>

Rental data <sup>1</sup>	Lettable space sqm ('000)	Contracted rent £m	ERV of lettable space £m	Contracted rent subject to indexation %	EPRA vacancy rate %
United Kingdom	146.9	47.4	55.0	30.7	18.0
Germany	323.1	45.7	46.1	76.0	11.1
France	63.6	13.1	14.3	100.0	12.1
<b>Total office portfolio</b>	<b>533.6</b>	<b>106.2</b>	<b>115.4</b>	<b>58.7</b>	<b>14.5</b>

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

# Chief Executive's review



Fredrik Widlund  
Chief Executive Officer

## Introduction

The economic backdrop of our three chosen geographies of the UK, Germany and France during 2025 was stable but with slow economic growth. When combined with varying levels of political uncertainty both domestically and internationally, the environment was not conducive to improved investment and employment levels which are so important for office occupier demand. Post-pandemic hybrid and flexible working practices are stabilising and, in areas, reversing. Businesses and their employees recognise that offices have an important role to play in efficient, productive and collaborative working. Equally, occupiers now expect more from their offices in terms of amenities, collaborative space, higher sustainability standards (not least to reduce occupancy costs) and a greater focus on employee wellbeing.

The office sub-markets in which we operate have varying degrees of strength at the moment. Core city markets tend to be characterised by limited supply and rental growth; suburban and regional markets have more availability with softer lease terms while supply stabilises through a combination of lettings and the removal of older offices through change of use, mainly to residential space. All of our properties are located in or close to major European cities and they are characterised by being in strong local business centres with good transport links. We remain confident in the long-term success of these markets, particularly as companies look for space convenient for their employees, with shorter commutes and lower-cost, high quality space.

Recent structural changes have reshaped the office market and CLS is responding to these changes. We constantly review our portfolio, selling properties no longer core to our strategy and those for which we have maximised value, but also focusing on multi-let offices where we can benefit from tenant diversification. This reduces concentration risk and the impact of structural changes to any one sector of the economy. For example, the revolutionary impact of Artificial Intelligence (AI) presents both challenges and opportunities.

*"In 2025, CLS has focused on achieving its strategic priorities, concentrating on what is within our control and continuing to navigate a prolonged downturn in the property cycle amid significant domestic and international economic and political uncertainty. We are clear on what we need to do to refocus the business and drive operational efficiency, strengthen our balance sheet and position our assets for long-term growth: we made good progress in 2025 and expect that to continue in 2026."*

We use AI to make our own business more productive, and we are mindful that our diversified tenant base will be impacted in different ways and at different times. By having in-house asset management, we keep close to our tenants and ensure that we can react quickly to their evolving needs, as well as directing our capital expenditure to ensure that we are well positioned to benefit from new businesses and technologies that will emerge as part of the AI revolution.

Internally, we have undertaken some difficult but necessary measures to reduce our cost base to reflect the size of our portfolio. The actions we are taking to improve our operational performance will result in a leaner CLS and one that is fit for the future.

### Delivering on our strategic priorities

We continue to make progress in reshaping the business to ensure long-term success based on our four strategic priorities.

#### Reduce vacancy and improve earnings growth

As expected, vacancy increased during the first half of the year from 12.7% at the end of 2024 to 15.1% at June 2025 as newly refurbished space was completed. Since the half-year, we have made good progress in letting this new space at Artesian (now 35% full), The Coade (now 41% full) and at Gothic Haus in Dortmund with an eight year, 14,700 sqm lease taking the building to 85% occupied.

As a result of this increased second half letting activity, vacancy fell to 14.5% at the end of 2025 and would have fallen further to 13.7% had it not been for two larger tenants unexpectedly entering into insolvency in Germany. During the year, leases signed were on average 6.3% ahead of valuers' estimated rental values (ERV) and 2026 has started well with a good level of enquiries, and we continue to work hard to reduce the vacancy rate towards our long-term target of 5%.

#### Reduce debt through targeted asset sales

In 2025, we made further progress with our sales programme but in a consciously disciplined manner. In 2024 we completed £66.1 million of sales and the progress accelerated in 2025 with £144.2 million of properties sold. A particular highlight was the £101.1 million sale of Spring Mews Student, which was well-timed given the more recent downturn in the purpose-built student accommodation market.

In 2026, we are aiming to dispose of between £100–£150 million of assets, excluding Spring Gardens where we have exchanged contracts to sell the property to a residential developer, conditional on achieving satisfactory planning permission. We have initiated sales programmes on more than the targeted level and are under offer on around £140 million, including Spring Gardens.

CLS remains committed to bringing its LTV to within the targeted range of between 35% and 45%. At the end of 2025, our LTV was 50.0% (2024: 50.7%), reflecting a balance of asset disposals and property value declines during the year. Successful completion of £100–£150 million of disposals, absent further property value declines, will reduce LTV to between 45% and 47%. However, we may consider more sales if LTV does not reduce sufficiently quickly, particularly if we receive favourable unsolicited offers.

#### Successful refinancing or repayment of debt due in 2025

Due to lease expiries and short-term debt extensions, CLS had a disproportionately higher amount of debt maturing in 2025. As a result of refinancings and the restructuring of some portfolio loans, all £373.7 million across 11 loans with nine lenders was successfully refinanced, extended or repaid.

The profile of debt maturities is now more evenly spread in future years such that no more than £200 million is expiring in any year going forward. As at 31 December 2025, we had £199.3 million of debt maturing in 2026. This comprised £145.5 million across seven loans, £42.0 million of committed facilities and £11.8 million of amortisation. We are confident that debt expiring in 2026 will be refinanced or repaid alongside sales.



The Coade, London

#### Investing in our properties to unlock additional value

The pandemic accelerated occupier demands for higher quality buildings in terms of amenities, flexibility, wellbeing, digital infrastructure and sustainability. During the year, we invested £14.3 million in our portfolio, although capital expenditure requirements vary year to year depending on occupier demand and timing of projects. We are also more consciously linking expenditure to pre-lets, as well as regulatory requirements, to ensure faster and more certain returns on this investment.

#### Financial results

In 2025, EPRA earnings per share (EPS) fell by 17.4% to 7.6 pence (2024: 9.2 pence), reflecting primarily reduced net rental income largely as a result of disposals, particularly of Spring Mews Student, offset in part by lower financing costs as a result of lower levels of net debt and lower operating and administrative costs. 2024 EPS also benefited by 0.7 pence from the receipt of a forfeited deposit which was not repeated in 2025.

IFRS EPS improved to a loss of 12.6 pence (2024: loss of 23.6 pence) reflecting the lower overall decline of our portfolio value and lower net finance costs compared to 2024. These contributed to a 6.7% reduction in EPRA NTA to 200.7 pence per share (2024: 215.0 pence) and a 5.5% reduction in statutory NAV per share to 186.4 pence (2024: 197.3 pence).

#### Dividends

We are recommending a final dividend of 2.70 pence per share, in line with the 2.68 pence final dividend declared in 2024. The total dividend for the year is therefore 4.0 pence, 24% lower than the 2024 dividend (5.28 pence), reflecting the dividend policy established in 2024 that dividends should be 1.5 to 3.0 times covered by EPRA earnings. The 2025 full dividend is 1.9 times covered by EPRA EPS of 7.6 pence.

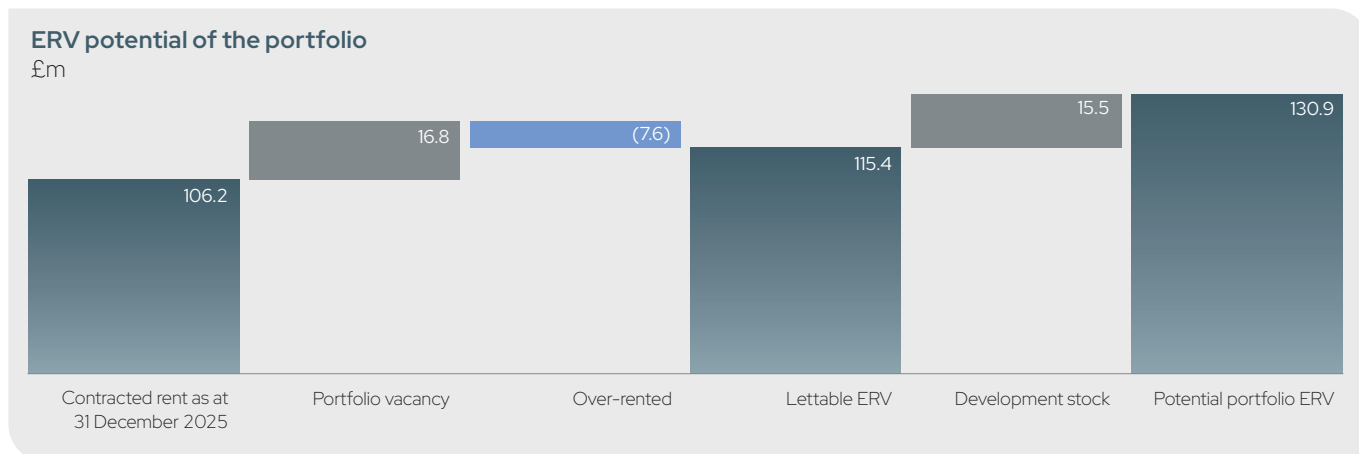
Subject to shareholder approval, we are proposing to offer an enhanced scrip dividend scheme for the 2025 final dividend. Under the UK REIT rules, we are obliged to distribute substantially all of our UK earnings, leaving us with limited ability to retain capital in the business for future investment. By offering an enhanced scrip scheme, shareholders are able to opt to take new shares at a 5% discount to the Reference Share Price instead of a cash dividend, increasing their investment in the company and enhancing our ability to invest in our portfolio.

#### Property portfolio

At 31 December 2025, the value of our investment portfolio, including assets held for sale, was £1.70 billion (2024: £1.85 billion), reflecting disposals during the year as well as a 3.8% decline in value on a constant currency basis (2024: 5.8% decline). Within this, the UK portfolio fell by 4.6%, or by 1.6% excluding Spring Gardens (2024: 8.3% decline), Germany by 2.7% (2024: 3.5% decline) and France by 4.5% (2024: 5.1% decline).

The lower valuation reflected a slight softening of property yields, by 16 basis points to an equivalent yield of 6.1% (2024: 5.9%) and ERVs which fell by 0.1% (2024: 0.8% fall).

# Chief Executive's review continued



The overall decline was lower than last year, reflecting our belief that values are stabilising in a lower interest rate environment. One of the largest individual moves was Spring Gardens where the valuers have adjusted the basis of valuation to reflect the conditional agreement to sell the property for residential development. This comprises a payment on satisfaction of the conditions (primarily planning permission) and potential overage payments which will not be known until the new owner completes the development.

## Asset and property management

At 31 December 2025, our lettable portfolio totalled 533,597 sqm and generated £91.1 million of annualised (passing) rent. Most of our buildings are multi-let, housing 669 tenants of which 30.2% are government agencies, 32.2% are large corporations and 13.4% are medium-sized companies. The strength of our occupier base is reflected in a billed rent collection rate of 99% (2024: 99%). In addition to rent currently being paid, a further £15.1 million of rent will be paid once rent-free periods expire.

Over the course of the year, we signed £17.0 million of new annualised rent (2024: £16.6 million) across 99 lettings and renewals at an average 6.3% above ERV.

Our vacancy rate at the end of 2025 was 14.5% (2024: 12.7%), the increase due in part to planned expiries at New Printing House Square and other buildings as we work towards vacant possession in advance of redevelopment, and two tenant insolvencies in Germany towards the end of the year. We also have a number of properties which are subject to planned future development, conversion to alternative use, or actively undergoing significant refurbishment or development. These buildings form our future pipeline of opportunities to add value to our portfolio.

During the year, we invested £14.3 million of capital in our existing portfolio, and delivered 9,532 sqm of newly refurbished or developed space of which 6,194 sqm has been let.

In 2026, there are a number of known and potential upcoming expiries, not least at Spring Gardens where the National Crime Agency lease expires in September, shortly before we expect to sell the site for residential development, and at Harman

House and New Printing House Square, both earmarked for medium-term redevelopment. While we are working hard to retain tenants, these may cause short-term volatility in earnings and vacancy while we work to realise the attractive medium-term opportunities they present.

## Balance sheet and financing

At 31 December 2025, net debt fell by 9.2% to £852.5 million (2024: £938.7 million), reflecting disposals during the year. The weighted average cost of debt remained stable despite the refinancing activity, while the weighted maturity of the debt book increased to 3.6 years (2024: 3.2 years) as a result of the refinancing activity carried out during the year, lengthening and smoothing the future maturity profile.

Our primary leverage indicator is balance sheet loan to value (LTV) ratio and this improved slightly to 50.0% (2024: 50.7%) reflecting the lower debt levels, offset by the reduction in the value of the property portfolio. An alternative leverage measure, net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) increased to 12.4 times (2024: 11.9 times) reflecting the interplay between the lower level of earnings during the year and lower net debt at the end of the year. As we make progress on our strategic priorities (reducing net debt and improving earnings), we expect this measure to fall. Interest cover (defined as EBITDA divided by net finance costs), was 1.8 times (2024: 1.9 times) reflecting lower net finance costs, following the debt repayments in 2025, offset by lower EBITDA than in 2024.

During the year, we refinanced or repaid £373.7 million of debt across 11 loans from nine lenders. In 2026, the refinancing requirements are substantially lower, with £199.3 million of maturing secured loans and credit facilities. Discussions are underway with new and existing lenders, with most of the debt maturing in the second half of the year.

At 31 December 2025, the Group had cash and cash equivalents (including restricted cash – see note 16) of £49.4 million (2024: £60.5 million), £28.0 million of undrawn committed facilities (2024: £50.0 million) and a £10.0 million overdraft facility (2024: £10.0 million).

## Sustainability

CLS is half-way into the delivery of its 2030 Sustainability Strategy and Net Zero Carbon (NZC) Pathway. Since the launch date in 2020, both the Group's near and medium-term business strategy and the sustainability landscape have evolved. To ensure the ongoing and future strategic alignment of the Group's approach to building and value chain decarbonisation and its overall business strategy, CLS is undertaking a review of its current NZC Pathway. The Group remains committed to becoming a net zero carbon business and any amendments to the current Pathway will be validated by the Science Based Targets initiative (SBTi), ensuring alignment with the latest climate science.

In 2025, as part of the Group's current NZC Pathway, CLS has continued to deliver energy efficiency and carbon reduction projects across the portfolio and the annual, like-for-like, landlord energy consumption decreased by 5.8% whilst our Scope 1 and 2 greenhouse gas emissions reduced by 9.3%, meaning we remain on track to deliver our current NZC Pathway targets. We also expect to meet near-term regulatory requirements in our geographies including minimum Energy Performance Certificate (EPC) ratings in the UK and Décret Tertiaire in France: 84% of our UK buildings by space have an EPC rated C or better. Our investment in this important area continues in 2026 with a number of projects involving the replacement of gas supply with renewable and cleaner sources of energy.

In 2025, the Group maintained its EPRA sBPR Gold award for sustainability disclosure and its GRESB four-stars rating for the sustainability of its portfolio. In 2026, CLS has chosen not to participate in GRESB to reduce the burden of reporting allowing us to focus our time and resources on direct decarbonisation of our portfolio. We will continue to assess our buildings using certification schemes including BREEAM In-Use which we believe are more meaningful for both occupiers and investors.

As part of our continued commitment to being a responsible company and a long-term investor in our local communities, we maintained our support for local and industry-related charities and community organisations as well as our Living Wage Employer accreditation, covering both UK employees and regular contractors.

### Our staff and our culture

It has not escaped the attention of most market observers that the property sector has experienced one of its longer downturns which has naturally impacted not just our financial results but also our employees. We hold regular town halls and all staff meetings to ensure there are plenty of opportunities to provide feedback on how we can maintain and improve our well-established, positive culture throughout the organisation. I am pleased that our excellent teams have delivered, and continue to deliver, a resolute focus on executing our strategic priorities. On behalf of the Board, I want to reiterate our ongoing thanks for their tremendous dedication to, and achievements for, CLS.

## Outlook

We remain confident that the core of the CLS strategy, which has delivered resilient performance through multiple market cycles, is the right approach for the Company over the long term. The strategy continues to focus on the ownership and active management of high-quality, well-located, multi-let office assets across Europe's three largest economies.

Economic conditions remain subdued across Europe but the outlook was becoming more supportive before the war in the Middle East. It is early days and therefore difficult to judge the short- and longer-term impact of the war on Europe's economies and its property markets. However, local factors remain important. Germany should be well positioned to benefit from stimulative fiscal policy with investment in defence and infrastructure expected to support economic growth and, in turn, office occupier and investor demand over the medium-term. Additionally, in a number of our markets, supply constraints are beginning to emerge for high-quality office space following a prolonged period of limited new construction.

Notwithstanding the wider geopolitical and economic uncertainties, we are making good progress in delivering operational improvements and executing initiatives within our control to advance our strategic priorities. These actions are concentrated on: letting available space to reduce vacancy and drive earnings growth; executing sales, at appropriate values, to reduce balance sheet gearing; exploiting opportunities to capture value uplifts as well as fund ongoing investment to improve the quality of the portfolio; and refinancing debt maturities and improving Group liquidity.

In the short term, 2026 has started well with a noticeable uptick in enquiries for our space. However, the combined effects of our disposal programme, refinancing activity and the preparation of certain larger assets for redevelopment are likely to impact earnings in 2026.

In the medium-term, we expect these actions to bear fruit, improving occupancy and creating workplaces in structurally resilient locations where businesses want to be, driving improved values for our properties, reducing our gearing and strengthening our balance sheet.

CLS has successfully navigated several market cycles throughout its history, and we are confident that the Company is well positioned to emerge from the current period as a stronger, more focused business, delivering sustainable long-term value for shareholders.

**Fredrik Widlund**  
Chief Executive Officer

## Strategy in action

# 1. Increasing letting activity to reduce vacancy and improve earnings

### Our short-term strategic priorities

1. Increasing letting activity to reduce vacancy and improve earnings;
2. Executing sales to reduce LTV to our target range of 35%-45%;
3. Completing refinancings due in 2025; and
4. Investing in our properties to unlock the value within the portfolio.

### 2025 Objective

- We are focused on increasing letting activity, particularly in the UK, reducing vacancy levels to below 12% and, over time, to our target level of 5%.
- Maintain rent collection levels and actively manage bad debts as well as continue cost control measures.

### 2025 Performance

- Our vacancy remains higher than our target at 14.5%, partly due to two customer insolvencies in Germany in late 2025.
- Rent collection remains strong and bad debts remain low, helped by the fact that we manage our properties directly, allowing us to keep close to our customers.

## 8 year lease at Gothic Haus to German government

- In October 2025, we secured an eight year, index-linked lease for 14,700 sqm, or two-thirds, of Gothic Haus in Dortmund to a German government department. The lease is due to commence in November 2026.
- The letting reflects our active approach to asset management, close partnerships with occupiers, and the ability to configure space to our tenant's precise operational needs.
- The property holds a BREEAM In-Use certification rating of "Very Good" and offers flexible office space, bright atriums, roof terraces and an underground car park.

### 2026 Objective

Our objective to reduce our vacancy rate remains key to future earnings growth. At a time when property yields are stable, active asset management is critical to improving the value of our assets and this is the focus of everyone at CLS.



Gothic Haus, Dortmund

## Strategy in action

# 2. Executing sales to reduce LTV to our target range of 35%-45%

### Our short-term strategic priorities

1. Increasing letting activity to reduce vacancy and improve earnings;
2. Executing sales to reduce LTV to our target range of 35%-45%;
3. Completing refinancings due in 2025; and
4. Investing in our properties to unlock the value within the portfolio.

### 2025 Objective

- To complete the disposal of assets, identified in 2024, no longer core to our strategy.
- In addition, we are exploring further disposals to reduce LTV to be comfortably within our targeted range of 35% to 45%, and help fund opportunities within our property portfolio.

### 2025 Performance

- We completed £144.2 million of disposals during the year, reducing net debt by £86.2 million.
- Our LTV remains above our target range at 50.0%, partly due to the fall in the value of our portfolio which offset the reduction in net debt. Excluding valuation movements our LTV would have been 46.7%.

## Earnings and value-enhancing sale of Spring Mews Student

- Spring Mews Student was sold for £101.1 million during the year, which reduced Group LTV, our cost of debt and 2025 refinancing risk, and is marginally earnings-accretive as the proceeds were used to pay off expensive debt.
- Having fully executed our business plan for the property and achieved record occupancy and profits, it was the right time to sell to crystallise value and reduce debt levels to make progress on achieving our financing strategic priority.

### 2026 Objective

We will continue to pursue disposals of assets where we believe that we have maximised value or which are no longer core to our strategy. We expect 2026 disposals of between £100 million and £150 million. Our agreed sale of Spring Gardens to a residential developer is subject to achieving planning permission and is expected to complete in early 2027.



Spring Mews, London

## Strategy in action

# 3. Completing refinancings due in 2025

### Our short-term strategic priorities

1. Increasing letting activity to reduce vacancy and improve earnings;
2. Executing sales to reduce LTV to our target range of 35%-45%;
3. Completing refinancings due in 2025; and
4. Investing in our properties to unlock the value within the portfolio.

### 2025 Objective

- Due to lease expiries and short-term debt extensions, CLS had a disproportionately higher amount of debt maturing in 2025 of £373.7 million, which needed resolving.

### 2025 Performance

- All £373.7 million across 11 loans with 9 banks was successfully refinanced, extended or repaid as expected.

## Restructure of Aviva debt and refinancing of Dukes Road portfolio

- In order to sell Spring Mews Student, retain the existing £146.1 million portfolio loan at 2.54% with Aviva (expiring in 2030 and 2032), and refinance the portfolio loan with Safra known as Dukes Road, a number of property substitutions were successfully executed.
- At completion, Spring Mews Student was withdrawn from the Aviva portfolio and two properties were substituted in from the Dukes Road portfolio.
- To maintain the Dukes Road portfolio loan at c.£90 million, another property with debt maturing in 2025 was added to that portfolio which was then refinanced until 2030.
- In summary:
  - The entire existing low-interest long-dated loan with Aviva was maintained virtually unchanged; and
  - The Dukes Road portfolio was successfully refinanced until 2030.

### 2026 Objective

As a result of the higher amounts of refinancing carried out in 2023, 2024 and 2025, CLS now has a much more evenly spread debt profile with most debt refinanced to current rates.

In 2026, £199.3 million of loans and credit facilities are due to be refinanced or repaid.



Artesian, London

## Strategy in action

# 4. Investing in our properties to unlock the value within the portfolio

### Our short-term strategic priorities

1. Increasing letting activity to reduce vacancy and improve earnings;
2. Executing sales to reduce LTV to our target range of 35%-45%;
3. Completing refinancings due in 2025; and
4. Investing in our properties to unlock the value within the portfolio.

### 2025 Objective

- Our focus will be on the many opportunities within the portfolio to upgrade or reposition existing properties to capture higher rents and values.
- We will continue to improve the quality of our property portfolio including sustainability enhancements which improve energy efficiency for our customers and help to future-proof the buildings.

### 2025 Performance

- We invested £14.3 million of capex in improving our buildings, and have progressed plans to transform Spring Gardens to a residential scheme, working with a residential developer to whom we will sell the scheme once planning permission is obtained.
- We have improved the energy efficiency of our portfolio, reducing Scope 1 and 2 GHG emissions by 9.3% compared to 2024.

### Completion of the upgrade works at The Brix to deliver the 30-year lease

- We completed our €20 million refurbishment of The Brix in Essen in October 2025 and our customer, the City of Essen, has now occupied the space on a 30-year lease.
- Following the lease signing, there are limited asset management opportunities, and we consider this the right time to crystallise the value of our investment through a disposal, improving the geographical focus of our German portfolio and reducing debt.

### Investing in sustainability at Radius House

- At Radius House in Watford, we replaced the gas-powered heating system with an Air Source Heat Pump. The project, which was undertaken whilst our tenants remained in occupation, resulted in the full electrification of the building.
- The EPC rating of the property improved from a D to a B.
- The CLS Sustainability and Property teams are working closely to deliver more building decarbonisation projects in the coming years.

### 2026 Objective

We will continue to review options for buildings which are older or in sub-markets with less attractive supply-demand dynamics, seeking to reposition or repurpose them to reduce risk and improve long-term value and earnings growth.



The Brix, Essen

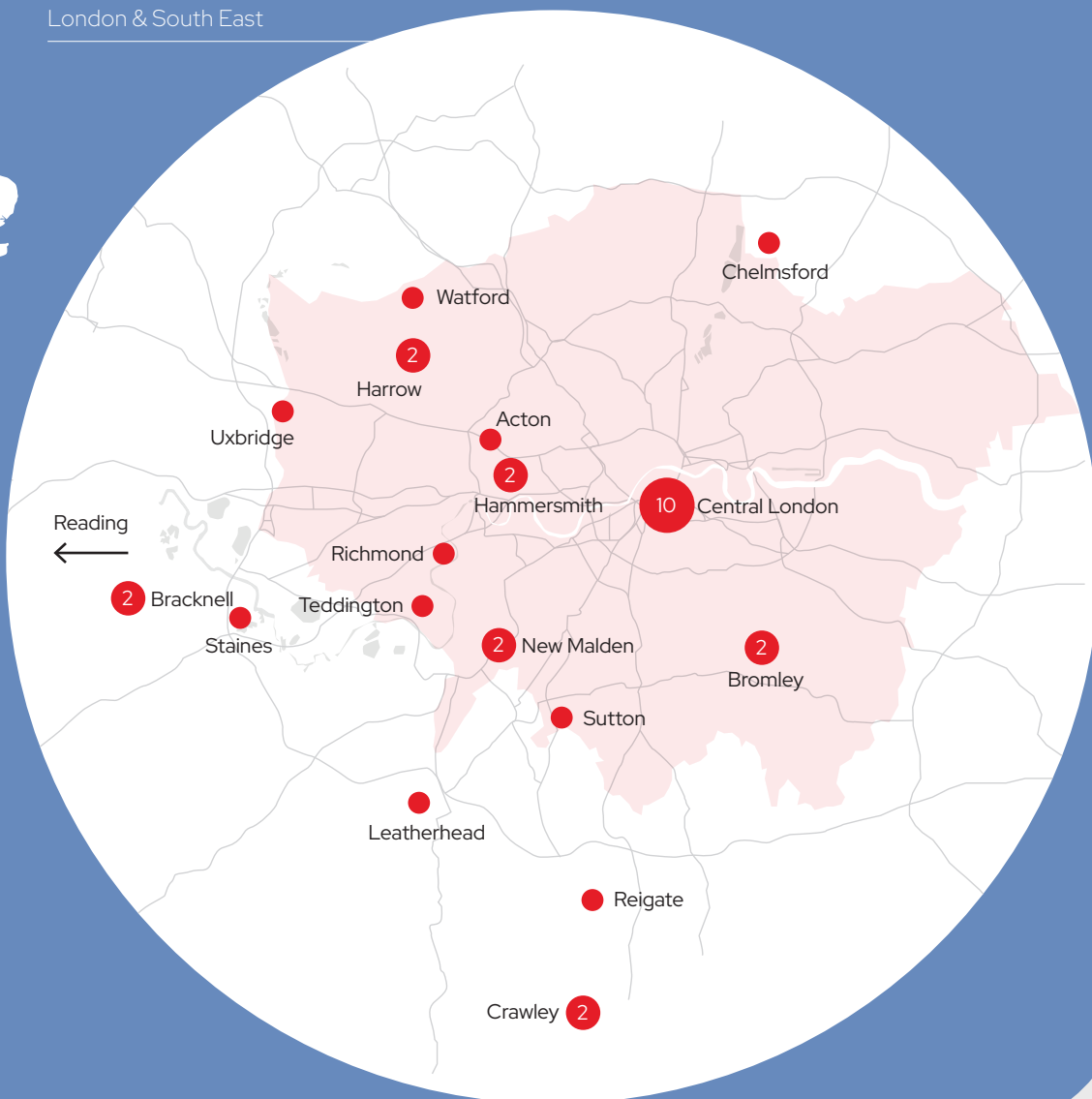


Radius House, Watford

# United Kingdom



London & South East



Value of property portfolio

£677.4m

Number of tenants

203

Government and large companies

70.4%

Percentage of Group's property interests

40%

EPRA vacancy rate

18.0%

Weighted average lease length to expiry (years)

3.8

Number of properties

33

Lettable space (sqm)

146.9k

Leases subject to indexation

30.7%

## UK market review

The UK economy experienced another volatile year, initially driven by global economic uncertainty following the imposition of US trade tariffs, and subsequently by business and consumer caution ahead of the November Budget.

The commercial property investment market improved, with investment volumes reaching c.£53 billion, up over 20% compared with 2024. The strongest improvement occurred in the fourth quarter of the year.

Office leasing take-up in London totalled c.10.0 million sq. ft, while the wider South East market recorded c.3.5 million sq. ft, both broadly in line with the previous year. Year-end vacancy in London fell from 9.2% to 8.4%, driven by limited availability of prime properties. Vacancy in the South East decreased from 12.3% to 11.6%.

### Portfolio movement and valuation summary

In 2025, the value of the UK portfolio decreased by £129.6 million as a result of a revaluation decline of £32.6 million or 4.6%, disposals of £101.7 million, including Spring Mews Student, Vauxhall, and depreciation of £0.1 million, partly offset by capital expenditure of £4.8 million. The overall valuation decline of 4.6% was largely shaped by movement at Spring Gardens, Vauxhall reflecting a change in valuation approach for this asset to reflect its conditional sale as a residential development.

Excluding Spring Gardens, the portfolio experienced a more modest decline of 1.6%, influenced by a 13 basis point expansion in equivalent yields on a like-for-like basis and higher vacancy following lease expiries. Encouragingly, ERVs edged upwards by 0.2% on a like-for-like basis.

### Asset management

EPRA vacancy reduced from 18.5% at 31 December 2024 to 18.0% due to leasing progress at Artesian, Aldgate and The Coade, Vauxhall offset by the scheduled expiry of all leases at New Printing House Square, London in June 2025.

In 2025, 52 lease extensions and new leases secured £8.1 million of rent at an average of 7.9% below 31 December 2024 ERVs, reflecting some short-term, flexible leases at properties due for medium-term development.

The most significant new leasing transaction in 2025 was the letting of 1,217 sqm at Artesian to a serviced office operator whilst a further 578 sqm was let to a social media tech company. There was also meaningful progress at The Coade in Vauxhall where further lettings were secured to a mixture of financial, media and professional services companies.

In terms of existing tenants, despite the expiry of all leases at New Printing House Square, renewals were signed with a significant number of existing tenants which secured a total rent of c.£4 million per annum as part of the strategy to reposition the building in 2029.



Kings Court, Leatherhead

### Developments and refurbishments

Total capital expenditure in 2025 was £4.8 million, which was reduced from the £9.4 million spent in 2024 as our focus switched to smaller fit-outs to meet tenant requirements.

At Spring Gardens, let to the National Crime Agency, we exchanged a contract for sale with London Square Developments Limited conditional on achieving planning consent for a major residential scheme. The planning application was submitted in February 2026. To support this strategy we extended the leases with the National Crime Agency to September 2026, securing additional income of £7.0 million.

The application for Permitted Development Rights at Columbia House, Bracknell was recently approved and we will commence the design process shortly for our repositioning of New Printing House Square.

### Disposals

During 2025 we completed the sale of the student accommodation at Spring Mews for £101.1 million, in line with book value.

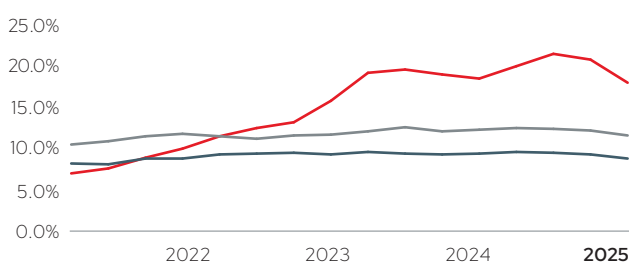
We continue to look at opportunities to exit some of our smaller assets, or assets which have a higher value as alternative use, as market conditions allow.

### Outlook

Economic growth in 2026 is expected to remain muted. Recent reductions in interest rates have been supportive for the property sector but it remains sensitive to the continuing international political and economic uncertainty. The November 2025 budget avoided several business tax measures expected by commentators which helped build optimism for greater occupier and investment activity. The degree to which this will translate into sustainable momentum will depend significantly on how the war in the Middle East develops.

### United Kingdom vacancy rate

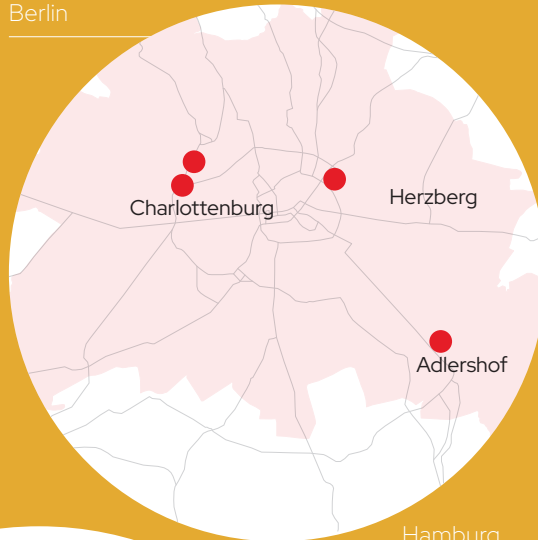
Key: ● CLS ● London ● South East



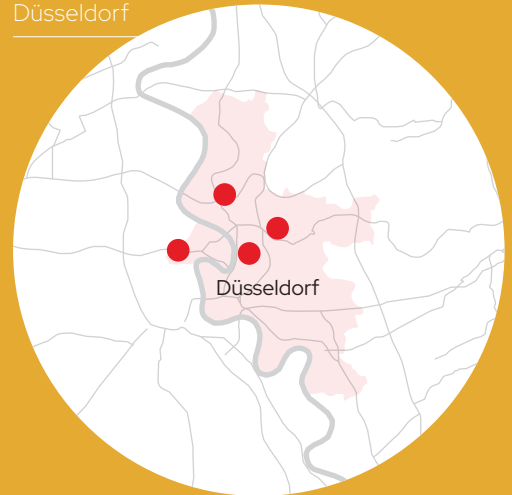
# Germany



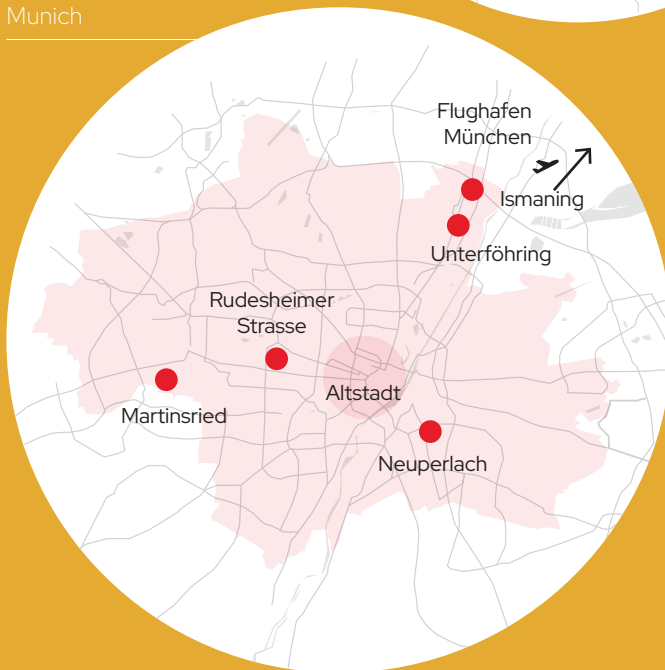
Berlin



Düsseldorf



Munich



Hamburg



Value of property portfolio

**£802.1m**

Number of tenants

**320**

Government and large companies

**55.9%**

Percentage of Group's property interests

**47%**

EPRA vacancy rate

**11.1%**

Weighted average lease length to expiry (years)

**7.4**

Number of properties

**29**

Lettable space (sqm)

**323.1k**

Leases subject to indexation

**76.0%**

## Germany market review

Germany experienced another year of weak growth, characterised by low business confidence and political uncertainty. Concerns regarding the long-term impact of trade tariffs and energy supply continued to place pressure on the export sector and overall economic growth.

Commercial property investment remained subdued, declining to c.€24 billion, down 4% compared with 2024.

Office leasing activity across the seven largest cities totalled c.2.7 million sqm, representing a slight increase on the previous year. Average vacancy rose to 8.0%, with Berlin recording the largest increase in availability. Vacancy rates vary significantly between cities, with Cologne among the lowest at 5.0%, while Düsseldorf remains elevated at 11.3%.

### Portfolio movement and valuation summary

In 2025, the value of the German portfolio decreased by £13.6 million, reflecting a revaluation decline of £21.9 million or 2.7% in local currency, disposals totalling £38.8 million and depreciation of £0.1 million. These impacts were partly offset by a £41.8 million foreign exchange gain and £5.4 million of capital expenditure. In Sterling, the property valuation growth was 2.6% when incorporating foreign exchange effects and disposals.

The 2.7% valuation decline in local currency reflected a 4 basis point expansion in equivalent yields on a like-for-like basis and higher vacancy. ERVs also reduced by 60 basis points on a like-for-like basis.

### Asset management

The vacancy rate increased to 11.1% as at 31 December 2025 (2024: 6.7%) as a result of the expected departure of some large tenants. We were also impacted by two tenants unexpectedly filing for insolvency: one has terminated their lease and the other has downsized after being acquired. We are focused on reconfiguring this space to offer a high-quality product to the market.

In 2025, we completed 27 lease extensions and new lettings, securing £7.5 million of rent at an average of 31.5% above ERV. This was primarily due to a large eight year lease with a government department of the Federal State of North Rhine-Westphalia for 14,700 sqm at Gotic Haus, Dortmund. The lease resulted in a valuation uplift of more than 40% at the property. Excluding this transaction, the remaining deals were achieved at 17.6% above ERV.

Further details are provided in the Strategy in Action case study on page 10. This lease follows earlier successful government lettings at The Brix, Essen and The Yellow, Dortmund in 2023 and 2024 respectively, demonstrating our continued ability to compete effectively in this market.

Rent from leases subject to indexation increased by an average of 2.5%.

### Developments and refurbishments

Development projects across our German portfolio are expected to deliver meaningful ERV growth and are already contributing to valuation uplifts. Works associated with our



Flexion, Berlin

30-year lease with the City of Essen at The Brix completed on time, and the tenant is in occupation. Construction relating to the 20-year lease with the City of Dortmund at The Yellow and the eight-year lease with the Federal State of North Rhine-Westphalia at Gotic Haus has commenced and is progressing well.

We invested £5.4 million in smaller refurbishment projects across the portfolio to improve sustainability performance, meet regulatory requirements and address evolving occupier needs. The largest project was at Technisches Rathaus in Bochum, where we are upgrading the façade and modernising the lifts to support our tenant's 30-year lease. We are also expanding marketing suites in several properties to aid the re-letting of recently vacated space.

### Disposals

In 2025, we disposed of Jarrestrasse, Hamburg, and Grafelfing Munich, for a total of £35.6 million at a combined discount to pre-sale values of 8.9%.

### Outlook

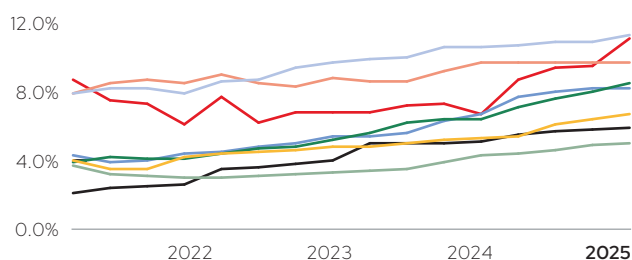
The €500 billion infrastructure spending package introduced by the government is expected to support growth, encouraging higher office take up and strengthening investor confidence.

The German commercial real estate market is set for a selective recovery in 2026, underpinned by stabilising, lower interest rates and an ongoing shift towards high quality, sustainable assets. The Energy Performance of Buildings Directive provisions become legally binding in 2026, increasing the impetus for renovation as new efficiency standards for non residential buildings come into force.

We are optimistic that vacancy rates in major cities will peak during the year, reflecting a marked slowdown in new construction. At the same time, demand is likely to remain focused on core, modern and energy efficient space in prime locations, reinforcing the relative resilience of higher quality assets.

### Germany vacancy rate

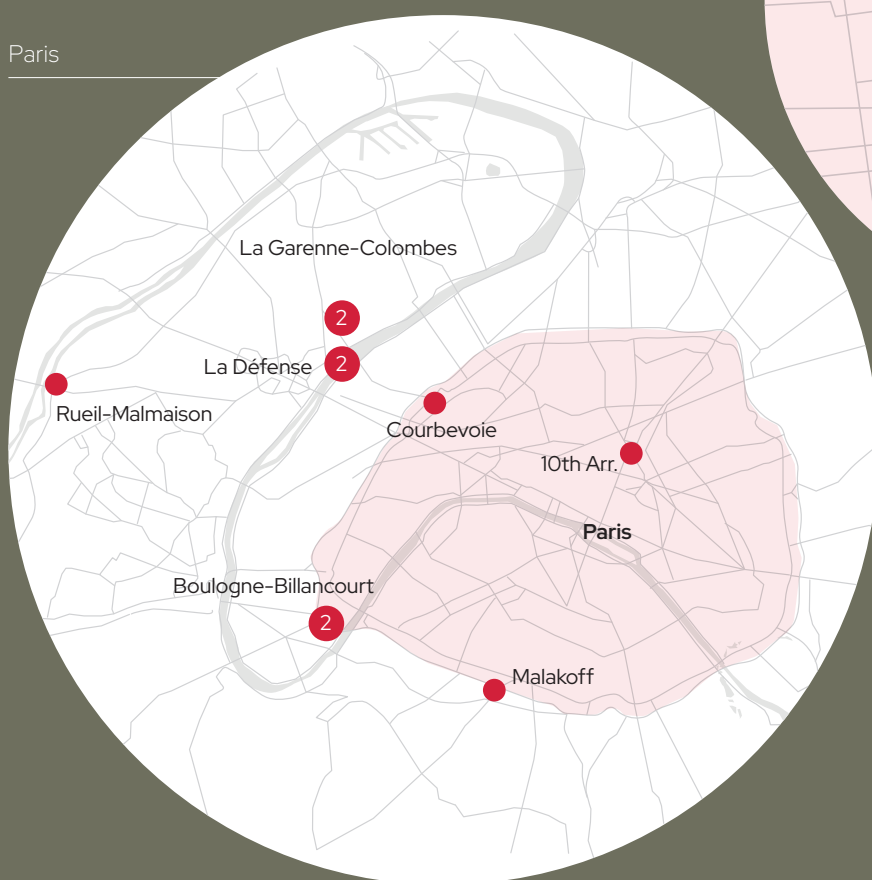
Key: ● CLS ● Hamburg ● Munich ● Berlin ● Düsseldorf  
● Cologne ● Stuttgart ● Frankfurt



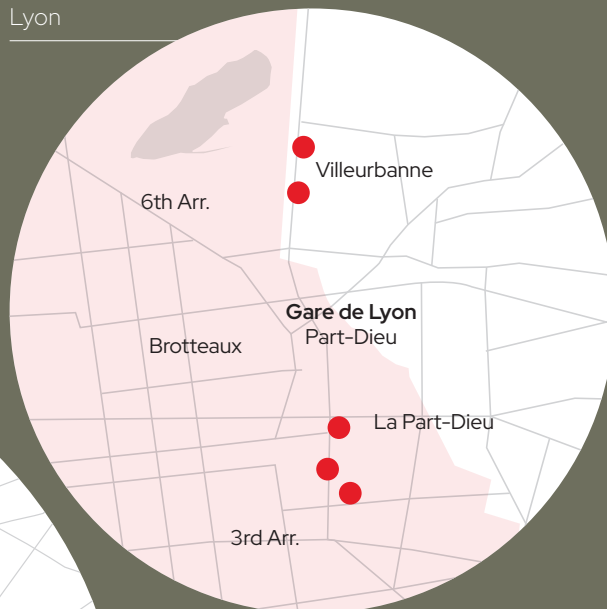
# France



Paris



Lyon



Value of property portfolio

**£225.3m**

Number of tenants

**146**

Government and large companies

**56.1%**

Percentage of Group's property interests

**13%**

EPRA vacancy rate

**12.1%**

Weighted average lease length to expiry (years)

**5.3**

Number of properties

**15**

Lettable space (sqm)

**63.6k**

Leases subject to indexation

**100.0%**

## France market review

Political uncertainty and a softer macroeconomic backdrop dominated the French economy in 2025, with significant debate surrounding rising government debt and its impact on sovereign bond yields.

The commercial property investment market improved, with volumes reaching c.€14 billion, up 10% compared with 2024, and once again dominated by domestic investors.

Office leasing activity remained challenging, although performance varied significantly between submarkets. Conditions softened in the CBD, while several outer arrondissements recorded some improvement. Take-up declined by 9% to c.1.6 million sqm in Paris, while Lyon fell by 20% to c.0.2 million sqm. Year-end vacancy in Paris increased from 10.2% to 10.7%, and in Lyon from 7.0% to 7.8%

### Portfolio movement and valuation summary

In 2025, the value of the French portfolio decreased by £2.2 million as a result of a revaluation decline of £10.4 million or 4.5% in local currency and disposals of £7.9 million, partly offset by capital expenditure of £4.1 million and a foreign exchange gain of £12.0 million. The 4.5% valuation decline reflected a 8 basis point expansion in equivalent yields on a like-for-like basis and higher vacancy following the departure of a major tenant at Inside, Paris. ERVs were flat on a like-for-like basis, and all leases remain fully indexed.

### Asset management

As at 31 December 2025, the EPRA vacancy rate in our French portfolio rose to 12.1% (2024: 8.3%), largely due to the expected lease expiry at Inside, Paris and the completion of refurbishment works at Bellevue, Paris. We intend to use this opportunity at Inside to refurbish the space and reconfigure it to accommodate a broader range of floor plates.

In 2025, excluding contractual indexation uplifts, 20 lease extensions and new leases secured £1.4 million in rent, averaging 7.1% below ERV. Notably, we experienced an uptick in leasing activity in Q4, with several new leases in Paris completed despite a difficult leasing market, removing some of the vacancy during the year.

Rent from leases subject to indexation increased by an average of 1.5% in 2025.

The most significant transaction in Paris was a lease extension for 675 sqm at Sigma, located east of La Défense. This renewal was with a long-standing tenant that has occupied space at Sigma for over ten years, highlighting the benefits of our customer-focused asset management approach in a competitive leasing market. In Lyon, the largest transaction was at Park Avenue for 855 sqm with an IT services company.



Debussy, Paris

### Developments and refurbishments

A major milestone in the first quarter was the completion of the £1.5 million redevelopment of Petits Hôtels, a centrally located 2,081 sqm asset in Paris. The project involved a full refurbishment of one of the buildings, which has since been let at ERV to a specialist tour operator company.

At Bellevue, Paris, we completed our £1.1 million refurbishment programme in the third quarter of 2025. The scheme upgraded five floors totalling 1,301 sqm, delivering best-in-class space with enhanced sustainability features. The improved specification has already generated strong interest, with two new leases signed in December, and we expect this momentum to continue into 2026.

### Disposals

In August, we completed the sale of Les Reflets in Lille which we acquired in 2019. This sale marked our exit from Lille. Our French portfolio is now focused on France's two largest property markets, Paris and Lyon.

### Outlook

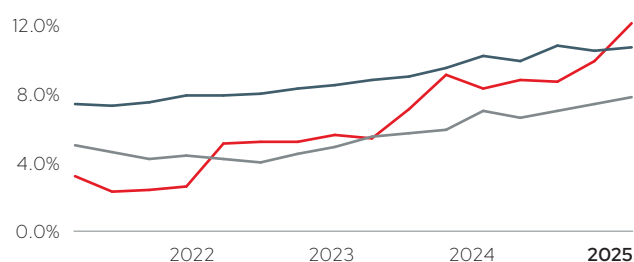
France's economy is expected to grow modestly in 2026 but it is sensitive to the continuing domestic and international political uncertainty.

Investment volumes ended 2025 with a more balanced distribution across offices, retail and logistics. Conditions in 2026 are expected to remain broadly stable, with stronger momentum anticipated from 2027 onwards.

Leasing activity is likely to remain relatively muted, although we expect a gradual improvement in the second half of 2026, led by the Paris Île de France market and followed by regional markets, particularly with small-to-medium size businesses targeted by CLS.

### France vacancy rate

Key: ● CLS ● Paris ● Lyon

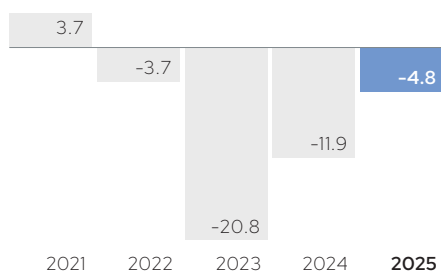


# Our Strategy and business model

Our strategy and business model	Performance in 2025	Link to KPIs/OPIs and principal risks
 <p><b>We acquire the right properties</b></p> <p>We invest in high-yielding, modern office properties in major cities across the UK, Germany and France, focusing on cash returns and long-term value creation. Our approach combines active asset management with diversification across geographies, tenants, sectors and currencies to reduce risk and enhance sustainable income growth.</p>	<p>We did not make any acquisitions during the year, but invested £14.3 million to improve our existing property portfolio.</p>	<p><b>KPIs/OPIs</b></p> <ul style="list-style-type: none"> <li>• TSR – Relative</li> <li>• Total Accounting Return</li> </ul> <p><b>Link to principal risks</b></p> <ul style="list-style-type: none"> <li>• Property risk</li> <li>• Sustainability risk</li> </ul>
 <p><b>We secure the right finance</b></p> <p>Most of our properties are held in their own legal entity and are financed with bank loans borrowed on an asset-specific, ring-fenced basis to the rest of the Group. We also have some portfolio loans. We have the flexibility to borrow at fixed or floating rates of interest and, by borrowing against each asset, we are able to use a level of gearing suitable to the specific property.</p>	<p>Refinanced, repaid or extended 11 loans to a value of £373.7 million.</p>	<p><b>KPIs/OPIs</b></p> <ul style="list-style-type: none"> <li>• Cost of debt</li> <li>• EPRA earnings per share</li> </ul> <p><b>Link to principal risks</b></p> <ul style="list-style-type: none"> <li>• Financing risk</li> <li>• Property risk</li> </ul>
 <p><b>We deliver value through active management and cost control</b></p> <p>The key to active management is to perform it in-house. By using our own employees, we harness greater motivation, response times and attention to detail than if tasks were to be outsourced. By performing in-house, not only do we have a hands-on relationship with our occupiers, but we are able to control costs.</p>	<p>Completed 99 lease events securing £17.0 million of annual rent at 6.3% above ERV.</p> <p>Carried out a cost reduction programme that is expected to result in savings of over £2 million per annum.</p>	<p><b>KPIs/OPIs</b></p> <ul style="list-style-type: none"> <li>• Vacancy rate</li> <li>• Administration cost ratios</li> </ul> <p><b>Link to principal risks</b></p> <ul style="list-style-type: none"> <li>• Sustainability risk</li> <li>• Business interruption risk</li> </ul>
 <p><b>We continually assess whether to hold or sell properties</b></p> <p>Our active management approach is applied at a portfolio level, continually assessing whether properties meet return criteria and/or we can continue to add value. Each property in our portfolio has its own asset management plan, which we flex depending upon our occupiers' requirements and leasing activity.</p>	<p>Disposed of four properties across all of our geographies for £144.2 million, in-line with the pre-sale valuations. Signed a conditional sale agreement for another property, valued at £70.0 million.</p>	<p><b>KPIs/OPIs</b></p> <ul style="list-style-type: none"> <li>• TSR – Relative</li> <li>• Total Accounting Return</li> </ul> <p><b>Link to principal risks</b></p> <ul style="list-style-type: none"> <li>• Property risk</li> <li>• Financing risk</li> </ul>
 <p><b>We reward shareholders, customers and employees</b></p> <p>We pay dividends to our shareholders, with the balance reinvested in the business. Our occupiers are our customers. We pride ourselves in how we build relationships and align our strategic vision to their own business ambitions. We reward employees for their work and their loyalty, through salaries and bonus schemes which reflect the success of the business.</p>	<p>Final dividend maintained at 2.7 pence. Full year dividend covered 1.9 times by EPRA earnings.</p> <p>Despite some targeted redundancies, voluntary staff turnover remained below our five year average rate.</p>	<p><b>KPIs/OPIs</b></p> <ul style="list-style-type: none"> <li>• Dividend cover</li> <li>• Staff turnover</li> </ul> <p><b>Link to principal risks</b></p> <ul style="list-style-type: none"> <li>• People risk</li> <li>• Business interruption risk</li> </ul>

# Our Key Performance Indicators

## Total Accounting Return (%)



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

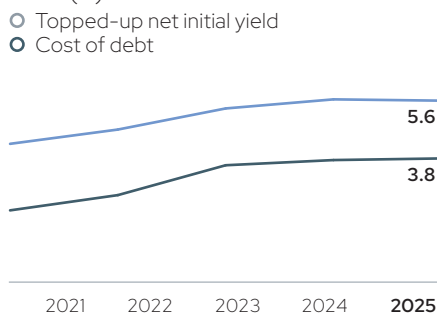
### Why this is important to CLS

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

### Our target

Our target Total Accounting Return is over 8%.

## Topped-up net initial yield vs cost of debt (%)



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

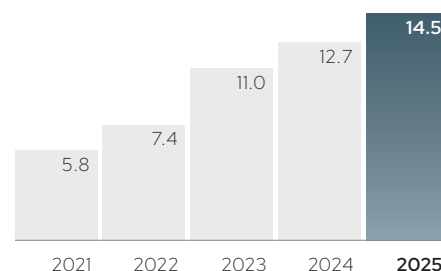
### Why this is important to CLS

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

### Our target

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

## EPRA vacancy rate (%)



→ Learn more here: Country reviews on pages 22 to 25

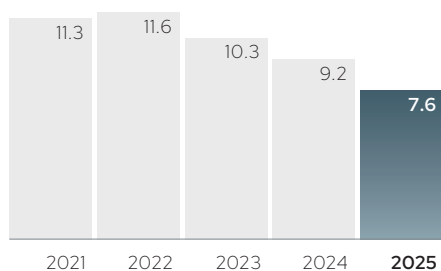
### Why this is important to CLS

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

### Our target

We are targeting a vacancy rate of 12% in the near term, and 5% in the medium and long term.

## EPRA earnings per share (pence)



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

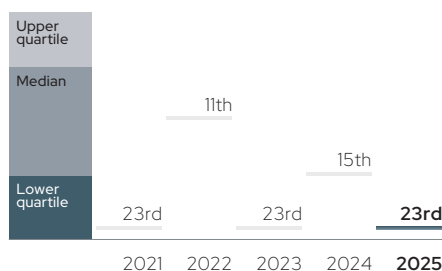
### Why this is important to CLS

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

### Our target

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

## Total Shareholder Return – relative (against a peer group from FTSE 350)



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

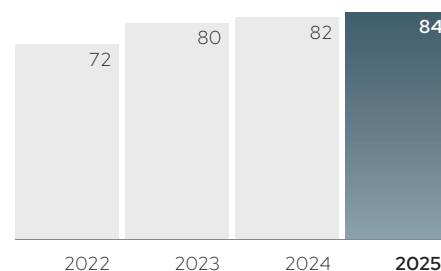
### Why this is important to CLS

This KPI measures the change in the wealth of a CLS shareholder over the year, against the change in the wealth of the shareholders of a peer group of 24 companies (2024: 20 companies) in the FTSE 350.

### Our target

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

## UK portfolio EPC A–C coverage (%)



→ Learn more here: Country reviews on pages 22 to 25

### Why this is important to CLS

This KPI is one of our key sustainability indicators. Our UK portfolio is fully compliant with the Minimum Energy Efficiency Standards (MEES), critical in ensuring our properties meet mandatory energy efficiency and carbon performance requirements.

### Our target

We will ensure 100% of our UK portfolio is rated EPC A–C by 2027.

# Chief Financial Officer's review



Harry Stokes  
Chief Financial Officer

## Summary

EPRA net tangible assets (NTA) per share fell by 6.7% to 200.7 pence (2024: 215.0 pence) and basic net assets per share by 5.5% to 186.4 pence (2024: 197.3 pence), primarily reflecting the 3.8% like-for-like decline in the valuation of our portfolio.

EPRA earnings per share (EPS) were 7.6 pence (2024: 9.2 pence) whilst the IFRS loss after tax of £50.3 million (2024: £93.6 million loss) generated basic earnings per share of -12.6 pence (2024: -23.6 pence). We are proposing a final dividend of 2.7 pence (2024: 2.68 pence), equating to a full dividend for 2025 of 4.0 pence (2024: 5.28 pence).

The Total Accounting Return per share (the reduction in EPRA NTA plus the dividends paid in the year) was -4.8% (2024: -11.9%).

CLS uses a number of Alternative Performance Measures (APMs) alongside statutory figures. We believe that these assist in providing stakeholders with additional useful information on the underlying trends, performance and position of the Group. Note 5 and our Supplementary disclosures gives a full description and reconciliation of our APMs.

*“The hard work undertaken by the whole CLS team to make progress on our strategic priorities is having its desired effect, with lower net debt, a more streamlined cost base and occupancy starting to improve. These actions have had short-term negative impacts on our earnings and NTA, but they are vital to creating the foundations for medium- and long-term growth, delivering a portfolio and business that are fit for the future.”*

## Income statement

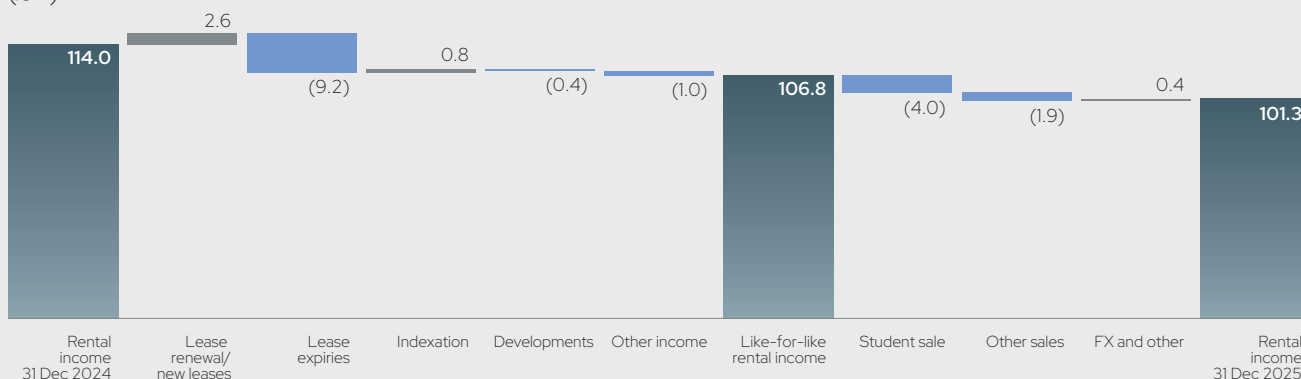
EPRA profit after tax was lower than last year at £30.2 million (2024: £36.4 million), reflecting the impact of disposals and higher vacancy costs, offset by lower net finance and administration expenses. 2024 EPRA earnings also benefited from a deposit forfeited by a potential buyer of one of our properties which equated to £2.9 million (0.7 pence per share).

Net rental income in 2025 of £101.3 million, as set out in graph A, fell by 11.1% (2024: £114.0 million), mainly reflecting the lost income from disposals early in the year, and higher vacant space. Like-for-like net rental income fell 6.3% to £106.8 million due to lease expiries and movement of properties to development stock, which reduced rental income by £9.2 million and £0.4 million respectively, and lower other income of £1.0 million. New leases, renewals and indexation added £2.6 million and £0.8 million respectively. Income from student operations fell £4.0 million reflecting the disposal of Spring Mews Student in early 2025, and a further £1.9 million of rent was lost from other property disposals.

CLS' tenant relationships remain strong and the quality and diversity of our tenant base has continued to be reflected in our rent collection. As in previous years, we collected over 99% of rent and this trend has continued into the first quarter of 2026.

Overall administration and property expenses, excluding amortisation of intangibles, decreased by £2.0 million to £33.4 million (2024: £35.4 million). Administration costs were £1.2 million lower compared with 2024 reflecting action taken

Graph A: Net rental income (£m)



to reduce our cost base during the year. Property expenses were £0.8 million lower as a result of the disposal of the student property early in the year, offset by increased vacancy costs. The proportion of index-linked rent was 58.7% (2024: 54.4%) of total contracted rent.

Although administration and property expenses were lower, CLS' administration cost ratio increased to 16.1% (2024: 15.4%) and the EPRA cost ratio increased to 36.2% (2024: 33.6%) as a result of lower gross rental income and higher costs associated with vacant space.

The valuation of CLS' properties declined by 3.8% (2024: 5.8% decline) on a like-for-like basis, although much of this was concentrated on two properties: Spring Gardens, where the valuers adjusted their valuation approach to reflect the conditional agreement to sell; and the Spring Mews hotel which will be subject to higher business rates than previously assumed. The reduction in the value of investment properties was £79.2 million (2024: £127.7 million reduction) with falls in the UK of 4.6%, Germany 2.7% and France 4.5% in local currencies.

Four properties were sold in 2025 for an aggregate consideration of £144.2 million. This consideration was in-line with the pre-sale book values but, after costs, resulted in a loss on sale of investment properties before tax of £10.9 million (2024: £2.3 million loss). At year-end, we have classified £94.9 million (2024: £133.0 million) of assets as being held for sale, recognising that we expect to dispose of these assets in the first half of the year. This does not include Spring Gardens, the current headquarters of the National Crime Agency in Vauxhall, London as the sale is conditional on planning permission being obtained from the local council to redevelop the property from offices into residential space. We are working in partnership with the acquirer on this deal and submitted planning permission in February 2026. The transaction is expected to release equity in stages over the next two years, following the repayment of associated debt.

Net finance costs, excluding movement in derivatives, fell by 10.3% to £36.7 million (2024: £40.9 million) reflecting primarily lower debt during the year, and the impact of disposals in late 2024 and the sale of Spring Mews Student in early 2025.

Approximately 52% of the Group's sales are conducted in the reporting currency of Sterling and 48% in Euros. The year-end Sterling rate against the Euro weakened by 5.1% and the average Sterling rate weakened by 1.2%, resulting in a foreign exchange gain of £0.2 million in the income statement (2024: £0.6 million loss).

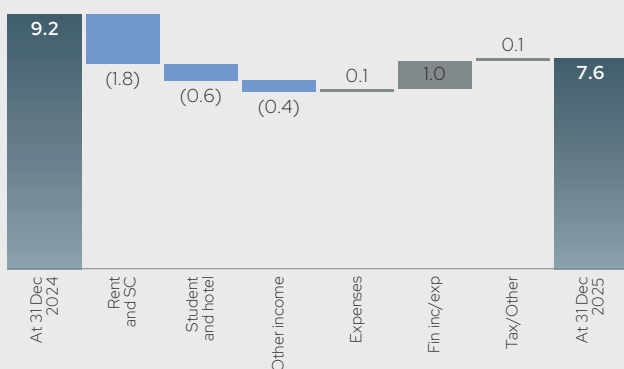
The low tax expense primarily reflects our status as a UK REIT which means that we do not pay corporation tax on our property-related profits in our UK business.

The components of the EPRA earnings are as shown below:

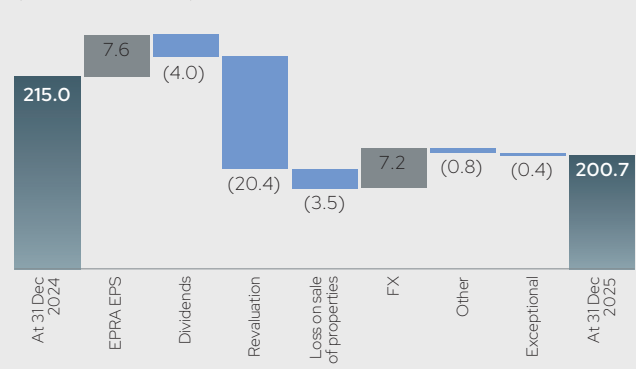
	2025 £m	2024 £m
Revenue	<b>139.7</b>	151.9
Service charges and similar expenses	<b>(38.4)</b>	(37.9)
Net rental income	<b>101.3</b>	114.0
Administration expenses <sup>1</sup>	<b>(16.1)</b>	(17.3)
Other property expenses	<b>(17.3)</b>	(18.1)
Net finance costs <sup>1</sup>	<b>(36.7)</b>	(40.9)
Foreign exchange gain/(loss)	<b>0.2</b>	(0.6)
Taxation expense <sup>1</sup>	<b>(1.2)</b>	(0.7)
<b>EPRA earnings</b>	<b>30.2</b>	36.4
<b>EPRA earnings per share</b>	<b>7.6p</b>	9.2p

<sup>1</sup> Balances include EPRA adjustments; the reconciliation to the IFRS figures can be found in note 5(i).

**Graph B: EPRA EPS movement**  
(pence per share)



**Graph C: EPRA NTA movement**  
(pence per share)



# Chief Financial Officer's review continued

## EPRA net tangible assets and gearing

At 31 December 2025, EPRA net tangible assets (NTA) per share were 200.7 pence (2024: 215.0 pence), a fall of 6.7%. As set out in graph C, the main reasons for the decrease were property valuation decreases of 3.8% in local currency (20.4 pence per share), dividends paid in the year of 4.0 pence per share, and a loss on disposal of investment properties of 3.5 pence per share. These were partly offset by EPRA earnings per share of 7.6 pence per share and foreign exchange uplifts on our European business of 7.2 pence per share.

The impact of reduced level of debt in the business was partly offset by a decline in the value of our property portfolio, resulting in a slight improvement in balance sheet loan-to-value ratio at 31 December 2025 to 50.0% (2024: 50.7%). We retain our intention to reduce LTV to between 35% and 45% in the medium-term through disposals and value-enhancing investment. We believe that this LTV range is more appropriate for the business.

## Cash flow and net debt

	2025	2024
Borrowings (£m)	<b>901.9</b>	999.2
Cash and cash equivalents (£m)	<b>(49.4)</b>	(60.5)
Net debt (£m)	<b>852.5</b>	938.7
EBITDA (£m)	<b>68.5</b>	79.2
Net debt:EBITDA ratio (times)	<b>12.4</b>	11.9
Balance sheet loan-to-value ratio (%)	<b>50.0</b>	50.7
Weighted average cost of debt (%)	<b>3.8</b>	3.8
Interest cover (times)	<b>1.8</b>	1.9
Weighted average unexpired debt (years)	<b>3.6</b>	3.2

As at 31 December 2025, the Group's cash and cash equivalents balance (including restricted cash – see note 16) was £49.4 million (2024: £60.5 million) as set out in graph D and note 16 to the Group financial statements. Available undrawn facilities totalled £28.0 million (2024: £50.0 million), with a further £10 million uncommitted facility (2024: £10 million) which was undrawn at year-end. Net cash flow from operating activities, after payment of £38.0 million for financing costs and tax, generated £14.6 million (2024: £29.5 million) mainly reflecting the impact of disposals and higher vacancy, as well as £1.7 million of non-recurring costs related to the staffing review and financial structuring carried out during the year. Excluding the non-recurring costs, operating cash flows cover the £15.9 million cash cost of the interim and final dividend for 2025.

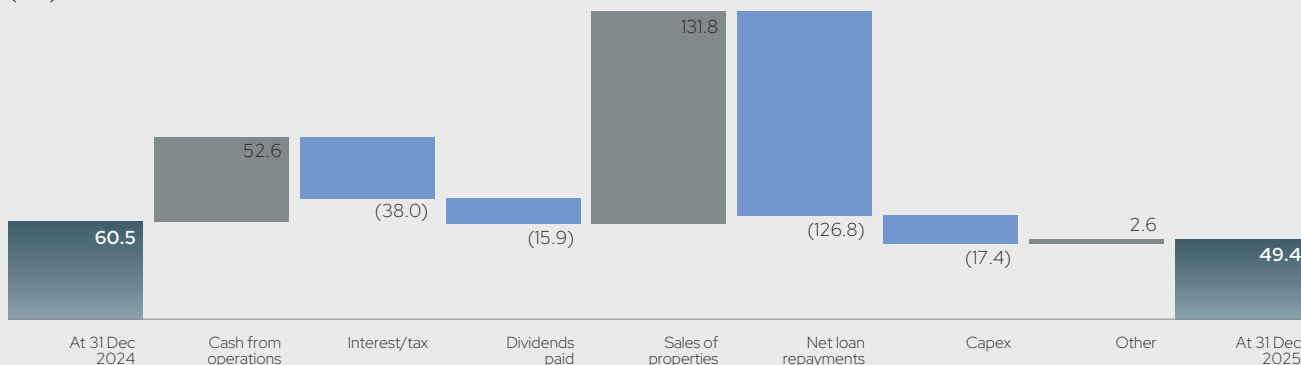
Borrowings decreased by £97.3 million to £901.9 million (2024: £999.2 million) due primarily to the net repayment of loans of £126.8 million, partially offset by the impact of the weakening Sterling exchange rate on the Sterling value of our Euro-denominated debt. During the year, CLS increased the size of its two committed revolving credit facilities from £50 million to £70 million. It also has a £10 million overdraft facility. As at 31 December 2025, CLS had drawn down £42 million on the revolving credit facilities. No overdraft was utilised as at 31 December 2025.

The weighted average cost of debt at 31 December 2025 was stable at 3.8% (2024: 3.8%), translating to group interest cover of 1.8 times (2024: 1.9 times).

## Financing strategy and covenants

The Group's financing strategy is based substantially on raising secured debt against its properties, whether individually or in multi-property facilities. At Group level, we have a target balance sheet LTV ratio of between 35% and 45%. At 31 December 2025, LTV was 50.0%, a level which we are working to reduce through disposals and investment to enhance the value of our properties.

**Graph D: Movement in cash and cash equivalents**  
(£m)



Most of our properties have debt secured against them. Properties not subject to secured debt at 31 December 2025 totalled £64.4 million (2024: £41.3 million).

At the start of 2025, the Group had £373.7 million of debt (including £9.6 million of amortisation) across 11 loan facilities expiring in 2025, all of which have been refinanced, extended or repaid. We took the opportunity to spread the maturities over a longer period to smooth out future refinancing peaks: the £222.8 million of new loans taken out during the year had a weighted average all-in rate of 5.5%, within which £51.6 million were fixed at a weighted average all-in rate of 4.1%. Consequently, the Group's debt maturity risk profile is more evenly spread (graph E), and the weighted average maturity has increased to 3.6 years (2024: 3.2 years).

In 2026, the Group has £145.5 million of long-term debt maturing and comprising of seven loans; loan amortisation of £11.8 million and a further £42.0 million of expiring short-term credit facilities which we are currently in discussions to extend or refinance with existing and new lenders.

CLS' objective remains to keep a high proportion of fixed rate debt but to retain some floating rate debt to provide flexibility to allow early repayments expected from planned disposals without incurring break costs typically associated with fixed rate loans.

At 31 December 2025, 69% of the Group's borrowings were at fixed rates or subject to interest rate swaps, 7% were subject to caps which had been hit and 24% of loans were unhedged.

At 31 December 2025, the Group had 36 loans (26 through SPVs, eight portfolios and two credit facilities) from 23 different lenders. The loans vary in terms of the number and nature of their covenants, although the three most common relate to LTV ratio, interest cover and debt service cover.

On average, across the 36 loans, CLS has between 23% and 28% headroom against these three most common covenants. In the event of an actual or forecast covenant breach, all of the loans have equity cure mechanisms to repair the breach, which allow CLS to either repay part of the loan, substitute property or deposit cash, for the period the loan is in breach after which the cash can be released.

## Distributions to shareholders

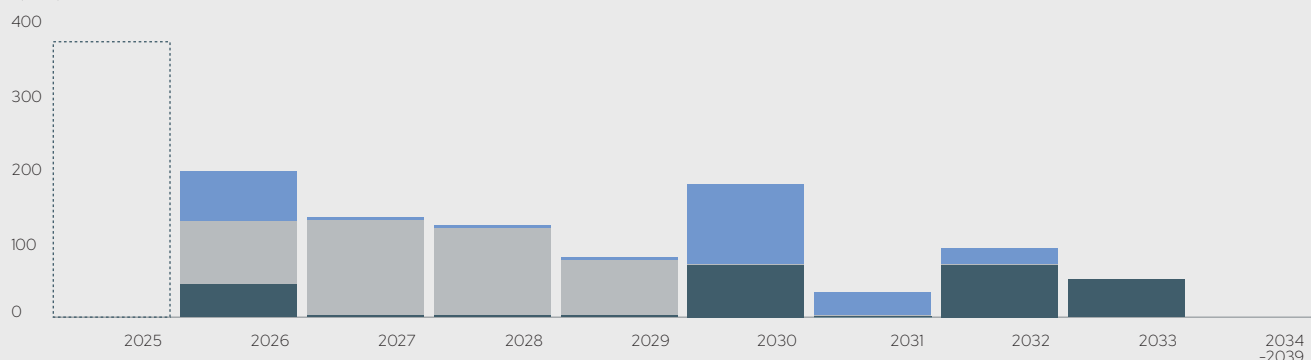
The final dividend for 2024 of 2.68 pence per share (£10.7 million) was paid in May 2025. In October 2025, CLS paid an interim dividend for 2025 of 1.30 pence per share (£5.2 million).

We are proposing to maintain the final dividend at 2.7 pence per share (2024: 2.68 pence), in line with the dividend policy established a year ago, equating to a cash amount of £10.7 million (2024: £10.7 million). This equates to a full year distribution of 4.0 pence per share (£15.9 million), covered 1.9 times by EPRA earnings per share, within our policy of the dividend being covered 1.5 to 3.0 times by EPRA earnings.

Under the terms of being a UK REIT, CLS is obliged to distribute a minimum of 90% of its UK property income as a Property Income Distribution (PID). The final dividend will be paid entirely as a PID. As a result of this high distribution requirement, the ability of a UK REIT to retain capital in the business for investment is limited. Therefore, we are proposing to offer shareholders the option of receiving the dividend in new shares rather than cash, in the form of an enhanced scrip dividend, allowing those who take the scrip alternative to increase their investment in CLS and to receive a benefit by doing so in the form of a 5% discount to the reference share price.

**Harry Stokes**  
Chief Financial Officer

**Graph E: Debt maturity**  
(£m)



# Stakeholder engagement

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

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

	Priorities in 2025	How we engaged
<b>Tenants</b>	<ul style="list-style-type: none"> <li>• Improvements to communal areas to meet tenants' needs</li> <li>• Input into tenants' refurbishments</li> <li>• Implementation of sustainability initiatives including automatic energy meter readings</li> </ul>	<ul style="list-style-type: none"> <li>• Regular feedback through tenant meetings</li> <li>• Tenant surveys</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>• Support fair tendering processes with feedback from suppliers</li> <li>• Investigate updating our supplier portal</li> <li>• Obtain commitments from relevant suppliers in line with Living Wage Foundation requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly review meetings with principal suppliers</li> <li>• Fair tendering process to ensure we work in partnership with suppliers</li> </ul>
<b>Communities</b>	<ul style="list-style-type: none"> <li>• Improvements in public realms</li> <li>• Financial and in-kind support for local charities and other organisations</li> <li>• Implementing CSR programme</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting local organisations in the areas in which we invest</li> <li>• Working closely with communities and councils on refurbishment and development projects</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Monitor staff engagement</li> <li>• Enhance CLS culture through wellbeing measures</li> <li>• Action outcomes from employee town halls</li> <li>• Embed clear understanding of Group strategy and medium-term priorities</li> </ul>	<ul style="list-style-type: none"> <li>• All-employee town hall meetings</li> <li>• CSR initiatives including group volunteering days and social events</li> <li>• More all staff meetings hosted by the CEO</li> </ul>
<b>Investors</b>	<ul style="list-style-type: none"> <li>• Increasing letting activity to reduce vacancy and improve earnings</li> <li>• Executing sales to reduce LTV to our target range</li> <li>• Complete refinancings due in 2025</li> <li>• Invest in our properties to unlock value</li> </ul>	<ul style="list-style-type: none"> <li>• Q&amp;A session at analyst presentations</li> <li>• Regular meetings with investors</li> <li>• Feedback through our key advisors</li> </ul>
<b>Financial institutions</b>	<ul style="list-style-type: none"> <li>• Ongoing compliance with loan covenants</li> <li>• Economic and market research and trends</li> <li>• Sustainability initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Frequent meetings with existing and new and potential lenders and shareholders</li> </ul>



16 Tinworth Street, London

**Outcomes and opportunities**

**Link to strategy and business model**

- Continued programme of refurbishments and modern, sustainable fit out as per Net Zero Carbon plan
- Active asset, property and facilities management to deal with issues quickly
- Enhanced tenant communications on activities taking place on site through tenant meetings



- Communicated Group policies on modern slavery and anti-bribery to ensure expectations of business conduct is well understood
- Continued commitment to the Group's policy of prompt payment of invoices



- Provided local charities and organisations with employee assistance and essential funding
- Adapted refurbishments/redevelopments in light of feedback



- Greater understanding of Group strategy and future priorities, leading to higher morale
- CSR initiatives including group volunteering days and social events have created better cross-departmental relationships aiding co-operation and collaboration



- Completed significant leasing activity
- On track to meet sales and LTV targets
- Sale of Spring Gardens highlighting significant opportunities within the portfolio



- Communication of Group strategy at individual meetings
- Regular updates on portfolio changes
- Ensuring best practice in compliance reporting



**Key to strategy and business model**



We acquire the right properties



We secure the right finance



We deliver value through active management and cost control



We continually assess whether to hold or sell properties



We reward shareholders, customers and employees

# Section 172 statement

## Overview

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

Our key stakeholders are set out on pages 26 to 27 and illustrate how the Group has engaged and consulted with them. This approach is reflected in the Board's decision-making process and examples of key decisions are set out in this section.

To support the recording and reporting of our section 172 obligations, Board papers are written so that they include a specific section detailing how the decision the Board is being asked to make would affect key stakeholders.

In some circumstances it has led to decisions being amended to improve the impact on certain stakeholder groups.

Meeting tenants and employees across the business through our property tours and Board presentations together with individual meetings with members of staff and external advisors on specific topics, provide an excellent platform to understand the views of our key stakeholder groups.

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

The Board undertook a property tour in Lyon in May 2025, where Board members were able to hear from local employees and external advisors. They were able to see the locations of our buildings and understand the local market and the changing needs of tenants through different styles of fit out and design. They also received first-hand feedback through meetings with a number of tenants.

## Relevant disclosures

		Page
<b>The likely consequences of any decision in the long term</b>	Purpose and values	4-5
	Dividend Policy	3
	Our Business Model	20
	Performance Review	1-25
	Sustainability	30-52
<b>The interests of the Company's employees</b>	Company Culture	49-51, 72
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	Performance Review	1-25
<b>The need to foster business relationships with suppliers, customers and others</b>	Whistleblowing	51
	Modern Slavery	116
	Our Business Model	20
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<b>The impact of the Company's operations on the community and the environment</b>	Sustainability	30-52
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<b>The desirability of the Company maintaining a reputation for high standards of business conduct</b>	Internal Controls	82
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<b>The need to act fairly as between members of the Company</b>	Annual General Meeting	70
	Dividend Policy	3
	Stakeholder Engagement	26-27
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## Purpose-led considerations

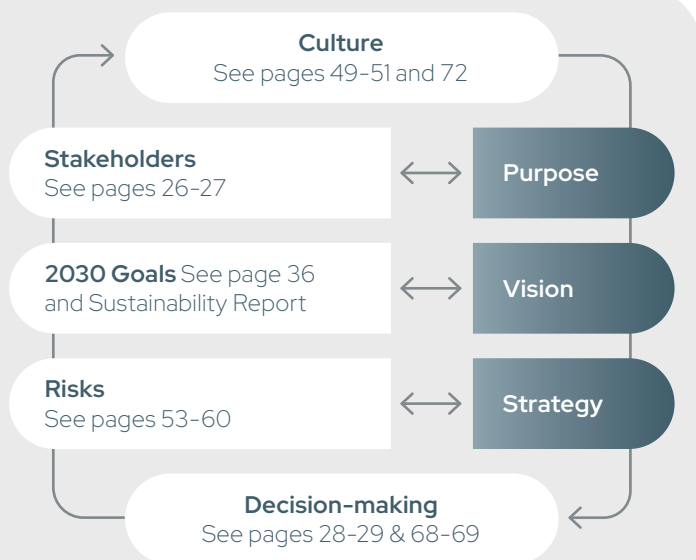
Our purpose is to transform office properties into sustainable, modern spaces that help businesses to grow.

Our investments are based on long-term vision, continually modernising our portfolio into viable, future-focused and sustainable properties.

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

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

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



## Consideration of key S172 impacts by the Board in its decision-making

<p><b>Refinancing</b> Securing the right finance remains one of the key tenets of CLS' business model and strategy and has delivered significant value to our stakeholders.</p> <p>The property and financing markets remain challenging, but as a result of our excellent relationships with our current lenders, we were able to refinance or repay all of our loans maturing in 2025, totalling £373.7 million, which was a significant achievement in the current economic climate, giving us greater flexibility and resilience.</p>	<p><b>Investors</b> <span style="float: right;">1, 2</span> The execution of our financing strategy materially reduced the Group's liquidity and refinancing risks, enhancing our resilience in the current economic climate and giving our investors confidence that the Company will continue to deliver on its strategy.</p> <p><b>Financial institutions</b> <span style="float: right;">1</span> The financing agreements we entered into this year have strengthened our relationship with our lenders and ensured that the terms remain favourable and beneficial to all parties. Our agreements have also allowed us to build relationships with new lenders and expand our financing options in the future.</p>
<p><b>Property sales</b> A strategic objective during the year was to undertake a disciplined sales programme. In 2025, despite the challenging investment market conditions, the Board agreed to sell £144.2 million of properties, which included the £101.1 million sale of Spring Mews Student, at or close to book value. These sales helped reduce LTV to 50% and further sales in the pipeline should ensure it is reduced further to within our target range of 35%–45%.</p>	<p><b>Investors</b> <span style="float: right;">1, 3, 6</span> The Board's focus was to meet the key strategic priority, to reduce our Group Loan To Value ratio (LTV) through property sales, which ultimately enhances the financial stability of the Group and positioning for future growth.</p> <p><b>Financial Institutions/Suppliers</b> <span style="float: right;">1, 2</span> The Board concluded that the repayment of debt would have a positive impact on how financial institutions and suppliers assessed the Group, and broaden the ability for CLS to seek alternative funding options.</p>
<p><b>Dividend Considerations</b> During the year, the Company reviewed its dividend policy with the aim of retaining cash to invest in the portfolio for long-term growth.</p> <p>The revised dividend policy supports the long-term strategic plan whilst still providing an attractive return to shareholders whilst being covered 1.5x to 3.0x by EPRA earnings.</p> <p>Through the annual strategic plan, the Board monitors the Group's cash flow position to ensure sufficient resources to invest in our portfolio, and support our vision to be a leading office space specialist and a supportive, progressive and sustainability-focused commercial landlord.</p>	<p><b>Investors</b> <span style="float: right;">1, 5</span> In April the Board concluded that a revised dividend policy be adopted, given the financial and operational performance of the Group against a continued challenging macro-economic background. The 2024 Final dividend (2.68 pence per share) and 2025 Interim dividend (1.3 pence per share) were reduced by 50% compared to the previous year.</p> <p><b>Employees</b> <span style="float: right;">4</span> The Board considered how this would impact employees. Our remuneration structure and annual outcomes reflect both Group and individual performance, which would therefore be lower. Additionally, those employees who own shares in CLS through our Share Incentive Plan (SIP) would be impacted. It concluded that there remained significant benefits through the SIP Matching Shares to reward employees.</p>
<p><b>Review of Net Zero Carbon Pathway (NZC)</b> The Board considered it prudent to review our NZC in light of changes to the sustainability landscape and operational requirements.</p>	<p><b>Community/Environment</b> <span style="float: right;">1, 5, 6</span> The Board concluded that a review was warranted in order to ensure alignment with our strategy and that capital expenditure matched with end-of-life replacement programmes and tenant expiries, underlining our continued commitment to sustainability, minimising wastage and the impact on the environment. The results of that review are expected to be published in 2026.</p>

### Key: Section 172 criteria

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

# ESG overview

## Sustainability Strategy to 2030

Our Sustainability Strategy maps the journey CLS will take up to 2030, with key targets and milestones set to ensure we robustly track and maximise our environmental and social impact, in line with the needs of our stakeholders.

### Our strategy is summarised below

#### Environmental

##### A positive environmental impact

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

##### Net Zero Carbon Pathway

See pages 36-37 for details

#### Social

##### Creating shared value

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

##### Social Value Framework

See the Social section of the 2025 Sustainability Report for details

#### Governance

##### Being a responsible business

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

##### Monitoring and regulatory reporting

See the Governance section of the 2025 Sustainability Report for details

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

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

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

#### Explore deeper with our Sustainability Report

Our separate Sustainability Report, which will be published shortly after the release of our Annual Report, provides a deeper dive on the data and work behind making CLS a more sustainable business and driving our ESG agenda.

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

#### Metrics and Framework Alignment

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

Whilst not currently obligated, we remain well placed to align reporting to the ISSB (International Sustainability Standards Board) standards as well as the upcoming UK-equivalent UK SRS (UK Sustainability Reporting Standards).

The table overleaf shows a summary of key metrics for 2025. The full tables, with splits by country, can be found in the rear of the separate Sustainability Report. These include all the disclosures for updated EPRA sBPR guidelines, geographical splits of the data and the table of SASB indicators. We provide our annual sustainability data as a downloadable file from our website (in CSV format for easy use).



For more detail, please visit our website to read our Sustainability Strategy and 2025 Sustainability Report [www.clsholdings.com/sustainability/reports/](http://www.clsholdings.com/sustainability/reports/)

## 2025 ESG highlights

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

55%

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

98.9%

Equivalent social value generated (excluding supply chain)

£388,657

Employee volunteering hours given to community and charitable organisations

567 hours

Net Zero Carbon Pathway projects completed

30

Reduction in like-for-like Scope 1 and 2 GHG emissions from 2024

9.3%

### 2025 in review

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

Notably, we completed the full heating decarbonisation of one of our UK properties, replacing the existing gas boiler with an Air Source Heat Pump (ASHP) solution, all whilst tenants were in situ. For more information about this project, please refer to our separate Sustainability Report.

We maintained our commitment to delivering social value in the communities in which we operate, with a continued focus on skills for young people. Using the Social Value Portal National TOMs framework, our total value generation reached over £388,000 representing a 6% increase from 2024.

### Performance and Progress in 2025 Focus Areas

We achieved the energy and carbon reduction targets we set ourselves for the year.

The impact of our energy efficiency work manifested in reduced electricity and gas consumption. Like-for-like landlord electricity consumption decreased by 5.2% across the portfolio whilst like-for-like gas consumption fell by 10.3%. The continued decarbonisation of European electricity grids saw GHG (Greenhouse Gas) emissions factors improve, which, combined with our energy savings and carbon reduction projects, meant our total Scope 1 and 2 GHG emissions, using location-based carbon factors, reduced by 9.3% like-for-like and 11.6% on an absolute basis.

Scope 3 GHG emissions were lower than last year, largely due to reduced spending on construction and refurbishment projects as well as reduced occupier emissions and business travel. Changes to spend-based GHG emissions factors, used to calculate certain Scope 3 categories, also contributed to the reduction in overall emissions.

In total, we completed 30 energy efficiency and carbon reduction projects in 2025, saving an estimated 590 tonnes CO<sub>2</sub>e (tCO<sub>2</sub>e) per annum. Our UK portfolio is fully aligned with the Minimum Energy Efficiency Standards (MEES) and this project will help ensure our alignment with the anticipated changes to the regulation. The proportion of our UK properties rated EPC A-C is 84% (by number).

Furthermore, we completed more feasibility studies on our fossil fuel heated buildings to allow heating system electrification projects to commence in operational buildings in 2026 and beyond. Whilst no more Photovoltaic capacity was installed this year, planning has advanced for installations in 2026 in Germany.

Water consumption decreased by 3.3% like-for-like, supported by our smart water meters and leak detection systems in Germany and the UK, whilst waste generation, across our managed portfolio, remained consistent with 2024. Our recycling rate for 2025 was 55% (excluding energy from waste). We plan to introduce new occupier engagement measures in 2026 to improve this recycling rate.

We have maintained the social metrics which we report on and again achieved the EPRA sBPR gold award. Board and employee gender balance remained steady as well as employee turnover. See the People section (pages 49-51) for more commentary.

CSR and social value remain important. We held various volunteering events this year, with 567 employee volunteering hours and just over £160,000 of donations (cash and in-kind) were made to charities in our focus areas. We updated 13 BREEAM In-Use ratings this year across our UK, French and German portfolios. 55% of buildings are now rated Excellent or Very Good, demonstrating the operational sustainability credentials of our office spaces.



G R E S B



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# ESG overview continued

## EPRA sBPR and SASB Summary data

### GHG emissions metrics

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

	Absolute			Like-for-like		
	2025 tCO <sub>2</sub> e	2024 tCO <sub>2</sub> e	Difference %	2025 tCO <sub>2</sub> e	2024 tCO <sub>2</sub> e	Difference %
<b>Scope 1 GHG emissions (Direct)</b>	<b>3,871<sup>1</sup></b>	<b>4,527<sup>7</sup></b>	<b>-14.5%</b>	<b>3,861</b>	<b>4,234<sup>7</sup></b>	<b>-8.8%</b>
Gas	3,268	3,929 <sup>7</sup>	-16.8%	3,268	3,699 <sup>7</sup>	-11.6%
Gas oil	2	2 <sup>7</sup>	4.5%	2	2 <sup>7</sup>	4.5%
Diesel	13	9 <sup>7</sup>	49.9%	13	9 <sup>7</sup>	49.9%
Fugitive emissions	588	588	0.0%	578	524	10.3%
<b>Scope 2 GHG emissions (Energy Indirect – Location-based)</b>	<b>6,648<sup>1</sup></b>	<b>7,375<sup>7</sup></b>	<b>-9.9%</b>	<b>6,617</b>	<b>7,322<sup>7</sup></b>	<b>-9.6%</b>
Electricity (location-based)	3,404	4,146 <sup>7</sup>	-17.9%	3,373	4,092 <sup>6</sup>	-17.6%
Purchased Heat (location-based)	3,244	3,230 <sup>7</sup>	0.4%	3,244	3,230 <sup>6</sup>	0.4%
<b>Scope 2 GHG Emissions (Energy Indirect – Market-based)</b>	<b>704<sup>1</sup></b>	<b>799<sup>7</sup></b>	<b>-12.0%</b>	<b>704</b>	<b>799<sup>7</sup></b>	<b>-12.0%</b>
Electricity (market-based)	0	0 <sup>7</sup>	0.0%	0	0 <sup>7</sup>	0.0%
Purchased heat (market-based)	704	799 <sup>7</sup>	-12.0%	704	799 <sup>7</sup>	-12.0%
<b>Total Scope 1 and 2 GHG emissions (Location-based)</b>	<b>10,519<sup>1</sup></b>	<b>11,903<sup>5</sup></b>	<b>-11.6%</b>	<b>10,478</b>	<b>11,556<sup>7</sup></b>	<b>-9.3%</b>
<b>Progress against NZC Pathway target</b>	<b>10,519</b>		<b>8.6%<sup>1,3</sup></b>			
NZC Pathway target	9,687			-	-	-
<b>Total Scope 3 GHG Emissions (Other Indirect)<sup>2</sup> – selected categories</b>	<b>21,918</b>	<b>25,941</b>	<b>-15.5%</b>	<b>-</b>	<b>-</b>	<b>-</b>
Upstream emissions <sup>2</sup>	10,856	13,750	-21.0%	-	-	-
Downstream emissions <sup>2</sup>	11,062	12,191	-9.3%	-	-	-
<b>Total Scope 1, 2 and 3 GHG emissions (Location-based)</b>	<b>32,437</b>	<b>37,843<sup>7</sup></b>	<b>-14.3%</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Energy consumption metrics

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

	Absolute			Like-for-like		
	2025 MWh	2024 MWh	Difference %	2025 MWh	2024 MWh	Difference %
<b>Electricity</b>						
Total purchased electricity for landlord spaces	17,698	18,735 <sup>7</sup>	-5.5%	17,573	18,540 <sup>7</sup>	-5.2%
Total purchased electricity sub-metered to occupiers	9,381	9,413 <sup>7</sup>	-0.3%	9,381	9,413 <sup>7</sup>	-0.3%
Total electricity generated through on-site PV	956	883	8.2%	956	883	8.3%
Total electricity generated through on-site CHP	78	269	-71.1%	78	269	-71.1%
Proportion of electricity obtained from renewable sources	98.9%	98.5% <sup>7</sup>	0.5%	99.0%	98.5% <sup>7</sup>	0.5%
Grid electricity consumed within head offices	149	152 <sup>5</sup>	-1.8%	149	152 <sup>5</sup>	-1.8%
<b>District Heating and Cooling</b>						
Total landlord purchased district heating and cooling	10,652	10,485	1.6%	10,652	10,485	1.6%
Proportion of district heating and cooling obtained from renewable sources	26%	25% <sup>7</sup>	0.4%	26%	25% <sup>7</sup>	0.4%
<b>Fuels</b>						
Total direct fuel consumption for landlord spaces	17,922	21,525 <sup>5</sup>	-16.7%	17,922	19,984 <sup>5</sup>	-10.3%
Total direct fuel consumption sub-metered to occupiers	43	25 <sup>5</sup>	75.9%	43	25 <sup>5</sup>	75.9%
Total Group energy consumption in landlord spaces (net of onsite energy generation)	-	-	-	46,146	49,009 <sup>5</sup>	-5.8%
Total Group energy consumption in landlord spaces	47,305 <sup>1</sup>	51,897 <sup>5</sup>	-8.8%	47,180	50,161 <sup>5</sup>	-5.9%

## Intensity metrics

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

	Absolute			Like-for-like		
	2025	2024	Difference %	2025	2024	Difference %
Total building energy intensity per floor area (kWh/m <sup>2</sup> /yr)	72.9	79.8 <sup>5</sup>	-8.8%	83.5	88.8 <sup>5</sup>	-5.9%
Total building energy intensity per £ revenue (kWh/£ revenue/yr)	0.56	0.54 <sup>5</sup>	-	-	-	-
Total Scope 1 and 2 GHG emissions intensity per floor area (kgCO <sub>2</sub> e/m <sup>2</sup> /yr)	16.2 <sup>1</sup>	18.3 <sup>5</sup>	-11.6%	18.5	20.4 <sup>5</sup>	-9.3%
Total Scope 3 GHG emissions intensity per floor area <sup>2</sup> (kgCO <sub>2</sub> e/m <sup>2</sup> /yr)	33.8	40.0 <sup>5</sup>	-15.5%	-	-	-
Total Scope 1, 2 and 3 GHG emissions intensity per floor area <sup>2</sup> (kgCO <sub>2</sub> e/m <sup>2</sup> /yr)	50.0	58.3 <sup>5</sup>	-14.3%	-	-	-
Total Scope 1, 2 and 3 GHG emissions intensity per £ revenue <sup>2</sup> (kgCO <sub>2</sub> e/£ revenue/yr)	0.32	0.33	-	-	-	-
Total building water intensity per floor area (m <sup>3</sup> /m <sup>2</sup> /yr)	0.38	0.38 <sup>5</sup>	-1.4%	0.36	0.37 <sup>5</sup>	-3.3%
Total building water intensity per £ revenue (litres/£ revenue/yr)	2.40	2.17 <sup>5</sup>	-	-	-	-

## Water, waste and certificates metrics

(Water-Abs, Water-Lfl, Waste-Abs, Waste-LfL, IF-RE-140a.2)

	Absolute			Like-for-like		
	2025	2024	Difference %	2025	2024	Difference %
<b>Water</b>						
Total landlord-obtained water (m <sup>3</sup> )	243,344	246,848 <sup>5</sup>	-1.4%	203,429	210,282 <sup>5</sup>	-3.3%
% Total water withdrawn in regions with high or extremely high baseline water stress	48%	52%	-7.1%	-	-	-
<b>Waste<sup>3</sup></b>	<b>tonnes</b>	<b>tonnes</b>		<b>tonnes</b>	<b>tonnes</b>	
Total waste collected	1,389	1,383	0.4%	1,224	1,249	-2.1%
Total non-hazardous waste	1,389	1,383	0.4%	1,224	1,249	-2.1%
Total hazardous waste	0	0	0.0%	0	0	0.0%
Total waste recycled	745	802	-7.1%	665	698	-4.7%
Total waste incinerated with energy recovery	644	581	10.8%	558	552	1.2%
Proportion of waste recycled	54%	58%	-7.5%	54%	56%	-2.6%
Proportion of waste incinerated with energy recovery	46%	42%	10.4%	46%	44%	3.3%

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

1 2025 figure independently assured by DNV.

2 CLS currently only reports absolute Scope 3 emissions, therefore no like-for-like breakdown has been provided.

3 Percentage difference between NZC Pathway target and actual Scope 1 and 2 GHG emissions.

4 Excluding employees on maternity leave and fixed-term contractors who are not subject to annual appraisals.

5 Figure restated due to replacement of estimated data or availability of new data.

6 Figure restated with revised set of buildings aligned with EPRA sBPR guidelines.

7 Figure restated due to use of revised calculation method or data.

# ESG overview continued

## EPRA sBPR and SASB Summary data continued

### Social metrics

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

	2025	2024
<b>Gender Diversity</b>		
All employees – number/% of female employees	45/52%	53/49%
All employees – number/% of male employees	41/48%	56/51%
Board of Directors – number/% of female employees	3/38%	3/38%
Board of Directors – number/% of male employees	5/62%	5/62%
<b>Training</b>		
Average hours of training per employee – all employees	18	19
<b>Performance Appraisals</b>		
Percentage of all employees who received performance appraisals <sup>4</sup>	100%	100%
<b>Turnover</b>		
Total number of new employee hires	16	21
Total rate of employee turnover	32%	25%
<b>Health and Safety</b>		
Employee health and safety – Injury rate (UK only)/absentee rate (days/employee)	38/2.6	36/5.2
Percentage of assets with health and safety assessments	100%	100%
Incidents of non-compliance with asset health and safety regulations and standards	0	0
<b>Community</b>		
Percentage of assets with community engagement, impact assessments & development programmes	83%	83%

### Governance metrics

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

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

### Regulated Reporting and Methodology

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

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

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

### Independent Assurance

We have engaged DNV Business Assurance Services UK Ltd (DNV), an independent expert in assurance and risk management, to undertake limited independent assurance. The assurance scope covers energy and Scope 1, 2 and selected Scope 3 GHG emissions, EPRA sBPR metrics as well as our NZC Pathway progress.

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

# ESG priorities for 2026

In the year ahead, our key priority is to continue delivering key decarbonisation and energy efficiency projects to progress our NZC Pathway. This includes a focus on decarbonising heating systems, further operational and building controls optimisation and increasing on-site renewable energy generation.

We will continue to support our occupiers, with the enhanced use of our Sustainability data platform, and advance our supply chain engagement, key to reducing our Scope 3 GHG emissions (our largest emissions segment), as well as maximising our social value impact.

We will progress work in other environmental areas with a particular focus on biodiversity, ensuring our properties support the health and wellbeing of our tenants whilst adhering to specific net-gain targets.

Finally, we will review our progress against our 2030 NZC Pathway. Given we are half-way through the delivery of the Pathway, 2026 serves as an opportunity to evaluate our strategy and ensure it continues to align with the latest climate science as well as our overarching business strategy.

## Focus Areas

- Deliver key planned heating electrification and energy efficiency projects.
- Reduce like-for-like GHG emissions by 2%.
- Increase engagement with our tenants and supply chain, including data collection and reporting, to improve sustainability metrics (e.g. Scope 3 GHG emissions, energy, waste, water and social value).
- Improve smart meter data coverage of mains utilities across the regional portfolio.
- Include our supply chain in social value measurement and review measurement methods.
- Establish biodiversity net-gain plans for each property (where relevant) and begin roll out of measures.
- Introduce mitigation and adaptation measures at properties most at risk of flooding.
- Ensure relevant sustainability performance awards are maintained (e.g. EPRA sBPR gold award) and continue work to ensure alignment with current and future regulation (e.g. MEES, Décret Tertiaire and the UK SRS).



For more detail, please visit our website to read our Sustainability Strategy and 2025 Sustainability Report [www.clsholdings.com/sustainability/reports/](http://www.clsholdings.com/sustainability/reports/)



# ESG overview continued

## Spotlight on Net Zero Carbon Progress

### Spotlight on Net Zero Carbon Progress

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

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

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

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

We have verified that our NZC plans for each building align with anticipated regulatory changes (e.g. MEES in the UK and Décret Tertiaire in France) and include appropriate costs to meet these. Our focus for this year was completing a number of decarbonisation and efficiency projects as well as advancing feasibility studies, where fossil fuel heating needs to be replaced. This ensures NZC plan risks are well managed.

### Energy Efficiency and Carbon Reduction Projects

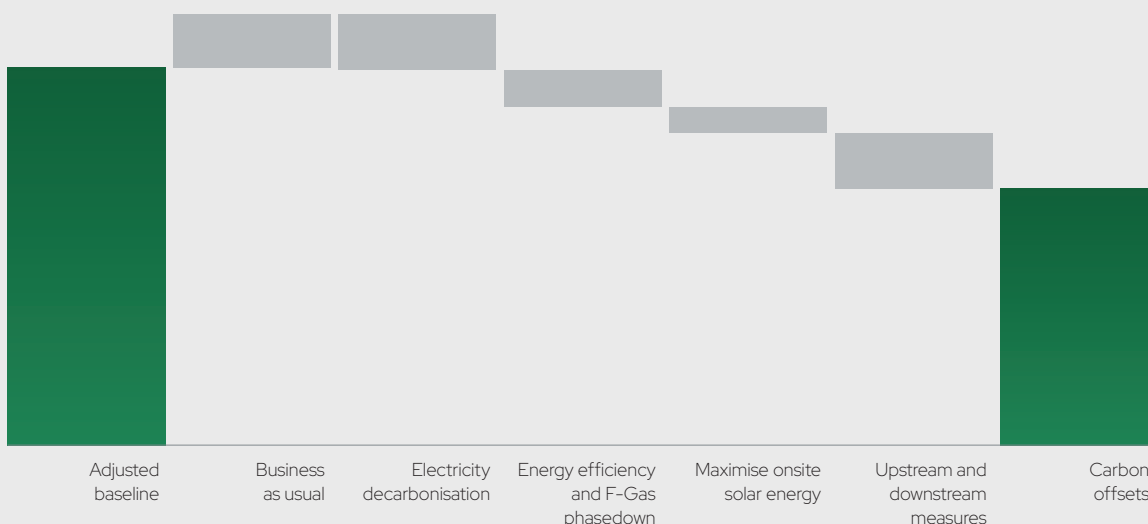
During 2025, we delivered a variety of projects to improve energy efficiency and reduce energy costs in our buildings in the UK, Germany and France.

We completed 30 carbon reduction projects from the NZC Pathway at a cost of £3.4 million. The projects save an estimated 590 tCO<sub>2</sub>e annually. Key projects included:

- Replacement of ventilation, cooling and heating plant and equipment with higher efficiency units;
- Facade refurbishments including upgrading to high performance glazing;
- Improving ventilation fan controls in car parks and toilets (e.g. carbon monoxide and time controls);
- Replacing old light fittings in common areas and tenant areas, including emergency lighting and external and carpark lighting with LED lighting and automatic lighting controls;
- Upgrades to controls including introducing Building Management Systems (BMS) and smart (AI-powered) thermostats.

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

Net Zero Carbon Pathway to 2030 Summary chart

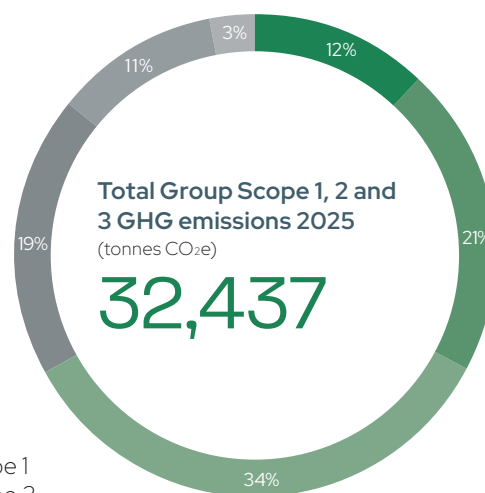


One of our most significant projects in 2025 involved the decarbonisation of the existing gas boiler plant at Radius House in Watford, with an innovative ASHP solution. Full BMS integration allows for intelligent modulation, monitoring and control in response to occupier demand. The project improved the EPC rating of the building to a B (from a D). For more information, please see the Sustainability Report.

We continued to expand our coverage of Automatic Meter Reading ('AMR') technology across our utility supplies in 2025. 80% of our main utility meters in managed assets now have AMR and include the expansion of smart water leak detection in the UK.

### Streamlined Energy and Carbon Reporting (SECR)

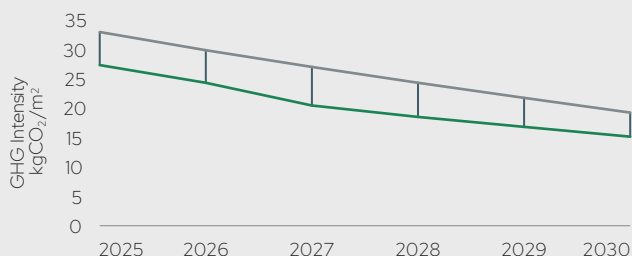
As a listed company, we are required to report in accordance with SECR regulations. The table below provides a summary of the required measurables (aligned to the EPRA sBPR performance measures on pages 32-33). This, along with the previous section on Energy Efficiency Projects, forms our disclosure. More detailed figures are provided in the Sustainability Report in the Extended Sustainability Metrics section along with calculation details in the Scope, Boundaries & Methodology section.



- Scope 1
- Scope 2
- Scope 3 – Downstream leased assets
- Scope 3 – New construction and other capital goods
- Scope 3 – Purchased goods and services
- Scope 3 – Waste generated in operations, Water, Employee commuting, Business travel, Fuel and energy related activities

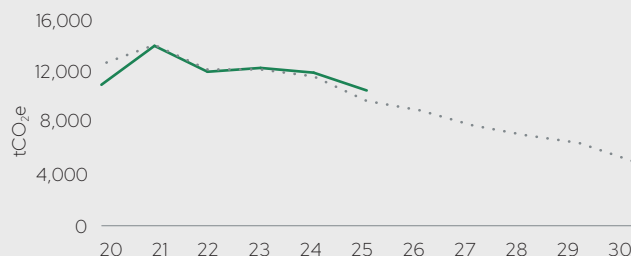
### Projected CLS GHG intensity vs CRREM v2 pathway

Key: ● CLS GHG intensity projected ○ CRREM 1.5°C (Carbon)



### CLS progress vs Net Zero Carbon Pathway

Key: ● Actual ○ Projections



#### SECR Measurables

	2025	2024	% Change
Total Scope 1 and 2 GHG emissions (GHG-Indir-Abs-Scope 1 & Scope 2) tCO <sub>2e</sub>	10,519 <sup>1</sup>	11,903 <sup>2</sup>	-11.6%
GHG Emissions intensity ratio (GHGInt) – Scope 1 and 2 emissions per net lettable floor area (kg CO <sub>2e</sub> /m <sup>2</sup> )	16.2 <sup>1</sup>	18.3 <sup>2</sup>	-11.6%
Total Group energy consumption in landlord spaces (MWh) Total Energy-Abs	47,305 <sup>1</sup>	51,897 <sup>2</sup>	-8.8%
Total UK energy consumption in landlord spaces (MWh) Total Energy-Abs	20,570	23,195 <sup>2</sup>	-11.3%
<b>Total offshore energy consumption in landlord spaces (MWh) Total Energy-Abs</b>	<b>26,735</b>	<b>28,702<sup>2</sup></b>	<b>-6.9%</b>

#### Scope 3 GHG Emissions Selected Categories

	2025 (tCO <sub>2e</sub> )	2024 (tCO <sub>2e</sub> )	% Difference
Category 1: Purchased goods and services	3,525 <sup>1</sup>	3,790	-7.0%
Category 2: New construction and other capital goods	6,216 <sup>1</sup>	8,611	-27.8%
Category 3: T&D and WTT losses	926 <sup>1</sup>	1,085	-14.7%
Category 5: Water and waste treatment	48	44	9.3%
Category 6: Business travel	100	162	-38.3%
Category 7: Employee commuting, including homeworking	41	58	-28.5%
Category 13: Sub-metered utilities, & occupier-controlled utilities	11,062 <sup>1</sup>	12,191	-9.3%
<b>Total Scope 3 GHG Emissions Selected Categories</b>	<b>21,918</b>	<b>25,941</b>	<b>-16.0%</b>

<sup>1</sup> 2025 figure independently assured by DNV.

<sup>2</sup> Figure restated due to use of revised calculation method or data.

# ESG overview continued

## Environmental Summary

### 2025 Focus Areas and Performance

Target	Performance	
<p><b>Energy &amp; Carbon</b> Reduce carbon emissions and energy use in line with our NZC Pathway</p>	Achieved	<ul style="list-style-type: none"> <li>• Scope 1 and 2 GHG emissions reduced by 9.3% like-for-like</li> <li>• Landlord energy use reduced by 5.8% like-for-like, led by an electricity use reduction of 5.2% and a gas use reduction of 10.3%</li> </ul>
<p><b>Energy &amp; Carbon</b> Ensure completion of relevant planned energy efficiency and decarbonisation projects for 2025 and set capex plans for key large NZC projects due prior to 2030</p>	Achieved	<ul style="list-style-type: none"> <li>• 30 NZC Pathway projects completed costing £3.4 million and saving an estimated 590 Tonnes of CO<sub>2</sub>e per year</li> <li>• Full heating decarbonisation project completed at one of our UK properties</li> <li>• Feasibility studies completed on nearly all gas heated buildings</li> </ul>
<p><b>Data</b> Review utilities metering and monitoring systems in each region and action any changes required to ensure they are providing accurate and timely data</p>	Achieved	<ul style="list-style-type: none"> <li>• Sustainability data platform fully operational and used for internal reporting for all main utility data</li> <li>• Utilities metering continued to improve with 80% smart metering</li> <li>• Further work planned with regional property teams in 2026 to improve smart meter coverage</li> </ul>

Landlord energy use reduced by 5.8% like-for-like, led by an electricity use reduction of 5.2% and a gas use reduction of 10.3%

### Key Environmental Highlights

Percentage of smart metering on main utilities

80%

Percentage of UK properties rated EPC A-C

84%

## ESG overview continued

# Climate-related Financial Disclosure

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

CLS has made climate-related financial disclosures as required under UK Listing Rules. These are consistent with the recommendations from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD), now merged into the ISSB, established and monitored by the International Financial Reporting Standards (IFRS) Foundation. Going forwards, we will ensure our disclosures remain aligned with the ISSB as well as any adaptations required by future standards including the UK SRS.

We are fully compliant with all 11 recommendations. This includes showing: how climate change considerations are integrated into our governance processes; the potential impacts on our strategy and financial planning; how they are incorporated in risk management; and the relevant climate-related metrics and targets that CLS uses to drive action. All material elements of the TCFD "Guidance for All Sectors" as well as the sector-specific guidance are considered.

The tables and sections below summarise our responses to the recommended disclosures of the TCFD framework and signpost the location of additional detail within our separate comprehensive 2025 Sustainability Report, which will be published shortly after the release of our Annual Report.

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

### Governance

Reporting Requirements (as per regulations)	CLS Disclosure	Additional Information/References
Description of the governance arrangements in relation to assessing and managing climate-related risks and opportunities	A) The Board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> <li>→ Division of Responsibilities page 73</li> <li>→ Our Risk Management Structure page 53</li> </ul>
	B) Management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> <li>→ Division of Responsibilities page 73</li> <li>→ Remuneration Committee Report page 87-93</li> </ul>

# ESG overview continued

## Climate-related Financial Disclosure continued

### Risk Management

Reporting Requirements (as per regulations)	CLS Disclosure	Additional Information/References	
<b>Description of how CLS identifies, assesses, and manages climate-related risks and opportunities</b>	<b>A) Description of CLS' processes for identifying and assessing climate-related risks</b>	<p>Climate-related transition risks and opportunities are identified and assessed by the CLS Sustainability team and documented in the Sustainability Risk Register. The Register is reviewed by the Sustainability Committee on at least an annual basis and, where necessary, updated to reflect the ever-changing regulatory landscape, global socio-economic conditions and stakeholder demands, amongst other issues.</p> <p>Physical risks are identified and assessed on both an asset and portfolio level using the Jupiter Intelligence ClimateScore Global platform. Using the latest climate science, we identify risks and assess the level of exposure of our buildings to a range of acute and chronic climate hazards, over different time horizons, against different climate scenarios. Using the platform, we also quantify the level of risk from a financial perspective, providing oversight of the cost of action versus inaction. Like transitional risks/opportunities, all material physical risks are summarised, as applicable, in the Sustainability Risk Register which is reviewed and updated annually. Both physical and transition risks and opportunities are reviewed by the Sustainability Committee in accordance with TCFD guidance and Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.</p> <p>To align our assessment of CLS' key areas of risk and opportunity associated with climate change to future reporting frameworks (e.g. ISSB standards), we will look at updating our previous materiality assessment in our strategy review, and update the Sustainability Risk Register, if required.</p>	<ul style="list-style-type: none"> <li>→ Sustainability Report – Sustainability Risk Register Summary 2025 section</li> <li>→ Sustainability Report – Climate-related Risks &amp; Opportunities section</li> </ul>
	<b>B) Description of CLS' processes for managing climate-related risks</b>	<p>Fundamentally, climate-related risks and opportunities are managed in accordance with CLS' Group-wide approach to risk management. Once identified, physical and transitional risks and opportunities are managed using the mitigations and controls outlined within our Sustainability Report and Climate Resilience Plan. Day-to-day management is owned by the Sustainability team in conjunction with the Group's Sustainability Committee, which meets on a quarterly basis. The team has significant knowledge and experience of climate-related and sustainability matters. In addition, we utilise the services of expert third-party consultants where necessary. Training and presentations are provided to the Board and management to maintain up-to-date industry knowledge. The Board has experience in advising both listed and non-listed organisations on their approach to ESG matters in the built environment and across corporate disciplines.</p>	<ul style="list-style-type: none"> <li>→ Sustainability Report – Climate-related Risks &amp; Opportunities section</li> <li>→ Climate Resilience Plan</li> <li>→ Risk Management section pages 53-60</li> </ul>

Reporting Requirements (as per regulations)	CLS Disclosure	Additional Information/References	
<p><b>Description of how CLS identifies, assesses, and manages climate-related risks and opportunities</b></p>	<p><b>C) Description of how CLS' processes for identifying, assessing and managing climate-related risks are integrated into CLS' overall risk management</b></p>	<p>The Group risk management strategy involves the ongoing assessment and management of six principal risks, considered those that have the greatest impact on our business strategy. The principal risks act as a centralised risk repository involving an annual evaluation of risk profiles and an analysis of the impacts on the Group's business model. It also provides the structure to assign the appropriate controls. Sustainability is represented within the six principal risks as climate-related transition and physical risks are considered 'key risks' to the business. All transition and physical risks are included in the Sustainability Risk Register which is maintained by the Sustainability team and reviewed by the Sustainability Committee on at least an annual basis or when a material change in the risk landscape occurs. Climate-related risk profiles are reviewed and relevant controls are assigned based on the ongoing evaluation of the Sustainability Risk Register. Furthermore, climate risks, opportunities and any necessary responses are managed across the same time horizons used by the Group to establish any emerging risks (page 60) ensuring their inclusion in short-, medium- and long-term business planning.</p>	<p>→ Sustainability Report – Sustainability Risk Register Summary 2025 section</p> <p>→ Risk Management section pages 53-60</p>

### Strategy: Principal Risks & Opportunities

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

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

We have assessed the risks and opportunities presented to the business using two possible climate change scenarios: a 1.8°C global warming trajectory (aligned with Shared Socioeconomic Pathway (SSP) 1 and Representative Concentration Pathway (RCP) 2.6); and a 4.4°C trajectory (aligned with SSP 5 and RCP 8.5). Risks and opportunities are also considered against three different timeframes: short- (< 1 year); medium- (until 2030); and long-term (beyond 2030). The two climate change scenarios ensure we identify, assess and manage risks and opportunities across a full spectrum of global warming scenarios. The time frames against which we assess risks and opportunities have been selected to align with the Group's overall approach to risk management (please see page 60) which establishes the time horizons the Group uses. The timeframes used mean we are able to capture climate-related risks and opportunities in an optimal way given the nature of the business and how it operates.

Time Horizon	Our Approach
<b>Short term (&lt; 1 year)</b>	Our annual strategic budgeting process combined with the individual NZC Asset Management Plans (see page 36), ensures that the necessary resource and capital required to mitigate the impacts of climate change and maximise any opportunities, is identified and allocated to each property on a yearly basis.
<b>Medium term (until 2030)</b>	We are acting now, until 2030, to meet the targets set out within our NZC Pathway. Our NZC Asset Management Plans ensure we respond to both transitional and physical climate-related risks whilst decarbonising our operations in line with our science-based target timeframe.
<b>Long term (beyond 2030)</b>	Our assets typically have a lifespan of over 50 years. The identification of long-term risks (i.e. beyond 2030) is thus critical for our business model, especially investment allocation and development decisions. Consideration of long-term risks and opportunities is fundamental in ensuring our portfolio remains resilient in the decades to come.

# ESG overview continued

## Climate-related Financial Disclosure continued

### Strategy: Climate-related Physical Risks Summary Table

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

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

### Strategy: Climate-related Transitional Risk & Opportunities Summary Table

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

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

# ESG overview continued

## Climate-related Financial Disclosure continued

### Strategy: Business Model & Strategy Resilience

The tables below outline the financial and strategic impacts of transitional and physical climate-related risks on CLS' operations and explain how our business strategy is designed to mitigate and respond to these impacts, ensuring our portfolio and business model remain resilient in the long-term. We only outline the impact of transitional risk under SSP1/RCP 2.6 as this climate scenario requires the greatest level of transition and aligns with our financial and strategic planning. We explain the impact of physical risk in both climate scenarios.

#### Scenario 1 – SSP 1/RCP 2.6

Summary risk potential	Financial impact	Strategy impact potential	Financial plan impact potential
<b>Physical</b>	The capital allocated to deliver the targets set out in our NZC Pathway, Sustainability Strategy and Climate Resilience Plan, amounts to an estimated £65 million between 2021 and 2030. This investment will ensure the necessary adaptation measures and mitigating controls are implemented across our portfolio. Furthermore, our properties are insured against all weather hazards and critical incidents (e.g. flooding) and following discussions with our insurance brokers, there will be no material change to our insurance premiums in the medium term, including for buildings considered at higher risk of flooding, for example.	Our active asset management approach, in line with our Sustainability Strategy, NZC Pathway, Climate Resilience Plan and overall Group strategy, means our properties undergo a programme of upgrades and future proofing to address physical climate risks. This process is manageable within current planned capital allocations. As such, we are confident our business model will remain resilient in the long term.	As above, annual budgets factor in investment aligned with the NZC Pathway, Sustainability Strategy and Climate Resilience Plan meaning we expect no material impact on our future financial planning.
<b>Transitional</b>	The Group's NZC Pathway is underpinned by individual property energy audits which identify energy and carbon saving opportunities. As per the above, the investment allocated to deliver the NZC Pathway and audit findings (as well as our Sustainability Strategy and Climate Resilience Plan) amounts to an estimated £65 million. We have integrated the energy audits into individual Asset Management Plans to enable strategic decisions about the refurbishment, sale or full redevelopment of our assets to be made. In addition, we report against all relevant mandatory GHG, energy and ESG reporting frameworks as well as several voluntary disclosures (see page 30), ensuring we meet all current and future regulation.	Our Sustainability Strategy, NZC Pathway and Climate Resilience Plan align with our business model and overall strategy. Notably, our active asset management approach continuously upgrades our portfolio of buildings to meet energy and carbon targets and is manageable within current planned capital allocations. Given this, our analysis suggests our business model and strategy remain resilient in the short to medium term to climate-related transition risks in all scenarios by following the actions and targets in our Sustainability Strategy, NZC Pathway and Climate Resilience Plan.	In the short term, annual budgets already factor in investment aligned with the NZC Pathway and Sustainability Strategy. In the longer term, our strategic budgets and investment programme includes the estimated £65 million from 2021 to 2030 to prevent obsolescence (i.e. not meeting future climate standards) and creates a resilient portfolio. Relative to our peer group of commercial landlords with properties in UK, German & French cities, we see no major differences.

## Scenario 2 – SSP5/RCP 8.5

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

# ESG overview continued

## Climate-related Financial Disclosure continued

### Metrics & Targets

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

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

As per the Scope, Boundaries & Methodology 2025 section of the Sustainability Report, GHG emissions are calculated in line with the GHG Protocol guidance. Further detail on the interlinkage between our metrics and targets and risks and opportunities can be found in the Sustainability Report.

### Climate-related Transition Risk & Opportunities – Metrics & Targets

Metric	EPRA/SASB Reference	2025	2024	2023	Targets & References
Scope 1 and 2 emissions (tCO <sub>2</sub> e)	GHG-Dir-Abs, GHG-Indir-Abs Elec-Abs	<b>10,519</b>	11,903 <sup>2</sup>	12,001	42% reduction in absolute Group Scope 1 and 2 emissions by 2030 (see NZC Pathway/ SBTi aligned target)
Total Group energy consumption (MWh)	Total-Energy-Abs	<b>47,305</b>	51,897 <sup>2</sup>	52,630	N/A
Proportion of electricity sourced from renewable sources (%)	Elec-Abs	<b>98.9%</b>	98.5% <sup>2</sup>	98.0% <sup>2</sup>	100%
Total fuel consumed on site (MWh)	Fuels-Abs	<b>17,922</b>	21,525 <sup>2</sup>	21,339	N/A
Building emissions intensity by floor area (kWh/m <sup>2</sup> /year)	Energy-Int	<b>72.9</b>	79.8 <sup>2</sup>	104.4	85 kWh/m <sup>2</sup> /year (aligned with 1.5°C CRREM pathway)
Scope 3 emissions (tCO <sub>2</sub> e) and selected Scope 3 categories split	GHG-Indir-Abs	<b>21,918</b> Selected Scope 3 categories as per page 37	25,941 <sup>2</sup>	37,472	Physical intensity reduction by 20% per m <sup>2</sup> NLA (See NZC Pathway/ SBTi aligned target/ CRREM aligned target)
EPC (Energy Performance Certificate) split of UK portfolio and Décret Tertiaire compliance proportion	Cert-Tot	<b>84% EPC A, B or C</b> <b>16% EPC D</b>  <b>85% of portfolio in France is already compliant with the 2030 Décret Tertiaire energy requirements</b>	82% EPC A, B or C 18% EPC D or below	80% EPC A, B or C 20% EPC D or below	Fully MEES compliant in UK – regulation under review  Fully Décret Tertiaire compliant in France

1 Metric performance is independently assured in 2025.

2 Figure restated due to use of revised calculation method or data.

### Climate-related Physical Risk & Opportunities – Metrics & Targets

Metric	EPRA/SASB Reference	2025	2024	2023	Targets & References
Number and % by value of assets located in areas exposed to high or highest risk of inland, coastal and flash flooding – current & 2030 (SSP 5 Scenario) <sup>1,2</sup>	N/A	<b>7 assets</b> <b>8% by value</b> <b>2030 (SSP 5 Scenario): 7</b>	7 assets 8% by value 2030 (SSP 5 Scenario): 7	7 assets 8% by value 2030 (SSP 5 Scenario): 7	Less than 5% assets (by value) by 2035
% Assets with measures installed to mitigate flooding (highest risk areas) <sup>1</sup>	N/A	<b>0%</b>	0%	0%	100% by 2035
% Total water withdrawn in regions with high or extremely high baseline water stress	SASB IF-RE-140a.2	<b>48%</b>	52%	42%	35% by 2035
% Assets with adaptation measures to mitigate overheating	N/A	<b>Not yet measured</b>	Not yet measured	–	100% by 2035

1 As per ClimateScore Global definitions.

2 Methodology for calculation included in the Sustainability Report.

# ESG overview continued

## Social & Governance Summary

### 2025 Focus Areas and Performance

Target	Performance	
<b>Stakeholder Engagement</b> Increase engagement with our tenants and supply chain, including data collection and reporting, to improve sustainability KPIs (e.g. Scope 3 GHG emissions, energy, waste, water and social value)	Partially Achieved	<ul style="list-style-type: none"> <li>Waste management engagement continued in the UK</li> <li>Continued work on providing data for tenants sustainability reporting</li> <li>Supplier specific Scope 3 GHG data collection to commence in 2026</li> </ul>
<b>Supply Chain</b> Ensure compliance with prompt payment code and maintain supplier payment rates	Achieved	<ul style="list-style-type: none"> <li>98% of UK SMEs paid within 30 days and 99% of all suppliers paid within 60 days</li> </ul>
<b>Social Value</b> Maintain social value generation focusing on measures under 'Improved employability of young people' outcome	Achieved	<ul style="list-style-type: none"> <li>Reached £388,657 social value generated by our own work</li> <li>Continued youth work with National Literacy Trust and Black Prince Trust</li> </ul>
<b>Regulation &amp; Risk</b> Ensure the business is working towards compliance with key future regulations (i.e. MEES, Décret Tertiaire, Décret BACS and ISSB standards/TCFD)	Achieved	<ul style="list-style-type: none"> <li>MEES (UK) and Décret Tertiaire (FR) compliance is on track. 84% of UK buildings now EPC A, B or C</li> <li>Pilot Décret BACS projects underway at two properties in France</li> <li>Sustainability data platform in place for future reporting requirements</li> </ul>
<b>Reporting</b> Improve the efficiency and effectiveness of sustainability data reporting and collection internally and externally	Partially Achieved	<ul style="list-style-type: none"> <li>Sustainability data platform analytics used for internal reporting</li> <li>Further internal data platform upskilling of the wider teams to take place in 2026</li> <li>Tenant reporting using data platform delayed until 2026</li> </ul>
<b>Reputation &amp; Ratings</b> Build CLS' reputation externally on sustainability and ensure EPRA sBPR award and GRESB rating are maintained	Partially Achieved	<ul style="list-style-type: none"> <li>EPRA sBPR Gold Award</li> <li>GRESB 4 stars</li> <li>Greater occupier communication on sustainability matters planned in 2026</li> </ul>

### Key Social & Governance Highlights

Equivalent social value generated (excluding supply chain)

**£388,657**

Employee volunteering hours given

**567**

Maintained Living Wage Employer accreditation



EPRA sBPR Gold award achieved



# People

**As at 31 December 2025, CLS had 86 employees looking after our property portfolio across three countries.**

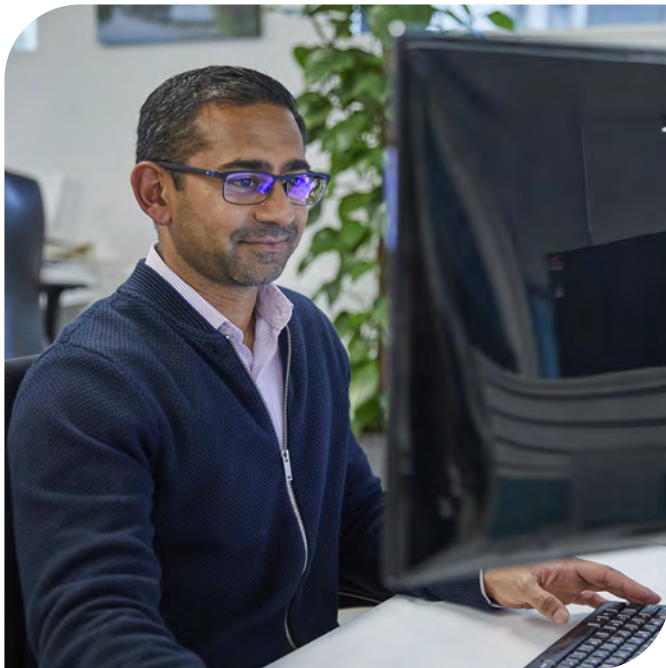
Attracting, motivating and retaining a diverse and high-performing team is key to the long-term success of our business. This includes offering attractive remuneration and benefits packages, providing learning and development opportunities, maintaining a continuous dialogue with our employees to increase engagement, as well as creating a supportive working environment that encourages diversity, promotes equity and fosters inclusion and teamwork.

Key aspects of our approach are summarised below with more detail and data also included in our Sustainability Report.

A breakdown of our employee numbers and gender diversity statistics, as required by the Companies Act 2006, can be found on page 34 and for the Board and senior management on page 78.



# People continued



## Recruitment

We continue to focus on attracting, motivating and retaining the best people to support the achievement of our goals.

Policies and procedures are in place to support objective and inclusive recruitment processes and to encourage a diverse range of candidates, including those with non-traditional routes into our sector.

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

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

## Training and Development

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

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

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

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

## Remuneration

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

In addition we continue to ensure that all UK employees are paid at least the London Living Wage and we adjust this annually as part of our salary review process, four months ahead of the May implementation date.

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

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

## Engagement

Our transparent and non-hierarchical approach to management aims to encourage everyone to share opinions and ideas and to create greater trust from and engagement of our employees

We have a very clear vision and values which are communicated to employees during recruitment and induction processes and are used to assess performance during the annual appraisal process. This supports the maintenance of a positive culture, ensures clarity of direction and encourages constructive behaviours which support the achievement of our business objectives.

Our Senior Independent Director, Elizabeth Edwards, hosted 'townhalls' twice during 2025 for each office and all employees were invited to attend to enable the Board to engage directly with employees, share information and hear their views. The summary output of these discussions was shared with the Board. A new approach, which aims to increase the level of interaction between all members of the Board and employees will be taken in 2026. More details are included in the Workforce Engagement section on page 71.

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

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

### Welfare

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

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

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

As part of our commitment to having an open and transparent culture, we ensure there is a process for employees to raise concerns via our dedicated whistleblowing process, incorporating a hotline, available in different languages, together with a web portal. An update is provided to the Audit Committee annually and there were no incidents reported during the year.



# Health and safety

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

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

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

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

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

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

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

As at the date of this report,

**100%**

of all identified risks were under control

**99%**

document compliance

**Zero**

accident rate

## UK

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

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

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

## Germany

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

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

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

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

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

## France

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

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

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

# Risk management

## Our Risk Management Structure

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

### The Board

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

### The Audit Committee

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

### Management Committees

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

### The Senior Leadership Team

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

### Group Finance

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

### Business units

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

## What we did in 2025

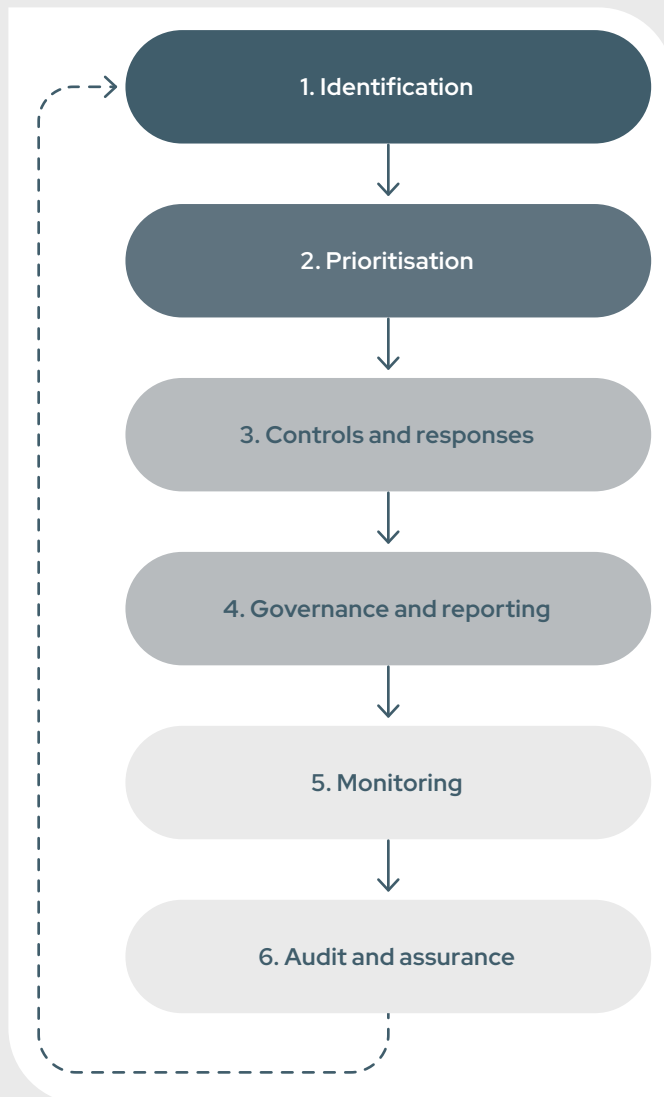
- Implemented a Failure To Prevent Fraud ('FTPF') Policy and staff training in advance of the FTPF provisions of the Economic Crime and Corporate Transparency Act 2023 which became enforceable from September 2025.
- Upgraded the IT firewall at our London head office to ensure our defences against potential cyber attacks remain robust.
- Addressed internal control recommendations from our external auditor.
- Progressed towards providing a declaration of effectiveness of material controls by 31 December 2026 by performing testing on a selection of our material controls.
- Implemented minor process improvements based on observations from control testing.
- Refinanced, extended or repaid £373.7 million of debt falling due in 2025.

## Our priorities for 2026

- Increasing letting activity to reduce vacancy and improve earnings.
- Executing sales to reduce LTV to our target range of 35%-45%.
- Completing refinancings due in 2026.
- Investing in our properties to unlock the value within the portfolio.
- Continuing to deliver on our roadmap activities for the UK Government's corporate reforms. This includes:
  - agreeing the cadence for and performing cycles of material controls testing; and
  - preparing a draft of the material controls declaration including any ineffectiveness explanations.

# Risk management continued

## Management of risk throughout the Group



### 1. Identification

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

### 2. Prioritisation

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

### 3. Controls and responses

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

### 4. Governance and reporting

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

### 5. Monitoring

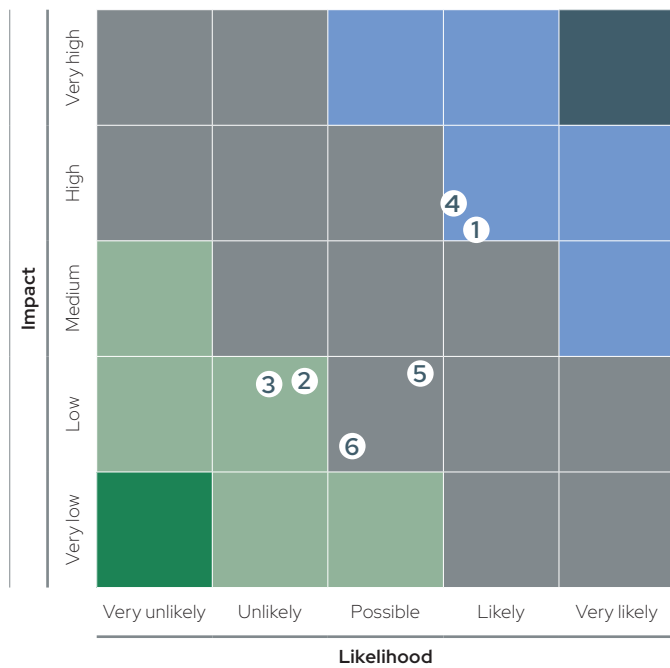
Continuous monitoring is a key part of our risk management process. We track identified risks, assess the performance of controls, and detect new risks. Regular reviews and updates to our risk management plan help us adapt to changes in the internal and external environment, ensuring that our risk management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

### 6. Audit and assurance

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

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

## Our Assessment and Appetite for Risk



- Key:**
1. Property
  2. Sustainability
  3. Business Interruption
  4. Financing
  5. Political & Economic
  6. People

### Risk assessment

As part of annual business planning, the Board undertakes an assessment of the risks that could threaten the Group’s strategic objectives, future performance, solvency or liquidity.

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

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

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

Our principal risks are set out on the following pages 56 to 59. In evaluating these risks, any potential impact as a result of market uncertainties has been considered. Changes in the risk profile between 2024 and 2025 are identified on these pages.

### Risk appetite

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

### Risk appetite vs risk assessment

The Board’s risk appetite in relation to the Group’s principal risk assessment is broadly aligned. As shown in the detailed description of our principal risks on pages 56 to 59 there is divergence of risk appetite and risk status in relation to the financing and sustainability risks. The Board accepts that there are factors in relation to these risks that are outside the Group’s control and are likely to change over time. Mitigating actions have been put in place to ensure financing risk is adequately managed and monitored to reduce the potential impact on the Group. We expect the sustainability risk appetite and assessment to align in the medium-term. The Board recognises that not all risks can be fully mitigated and that they need to be balanced alongside commercial, and political and economic considerations.

The Group uses five risk categories to allocate its risk appetite:

<b>Very low:</b>	Avoid risk and uncertainty
<b>Low:</b>	Keep risk as low as reasonably practical with very limited, if any, reward
<b>Medium:</b>	Consider options and accept a mix of low and medium risk options with moderate rewards
<b>High:</b>	Accept a mix of medium and high-risk options with better rewards
<b>Very high:</b>	Choose high risk options with potential for high returns

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

# Risk management continued

## Our principal risks

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

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

## Key to strategy:

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

## Key to change in risk profile in year/direction of travel:

	Increasing		Decreasing		No Change
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## 1 Property

Market fundamentals and/or internal behaviours lead to adverse changes to capital values of the property portfolio or ability to sustain and improve income generation from these assets.

### Link to strategy:



### Key risks:

- Cyclical downturn in the property market which may be indicated by an increase in yields
- Changes in supply of space and/or demand (vacancy rate)
- Poor property/facilities management
- Inadequate due diligence and/or poor commercial assessment of acquisitions
- Higher tenant expectations with respect to fit outs and amenities
- Failure of tenants
- Rising business rates
- Insufficient health and safety risk protection
- Building obsolescence

### Mitigation:

- 2025
- Maintained strong relationships with our occupiers, agents and direct investors active in the market and actively monitored trends in our sectors
  - Asset management committees meet once a month to discuss each property
  - Targeted capital expenditure with a focus on sustainability to meet tenant demands
  - Rigorous and established governance approval processes for capital and leasing decisions
  - Engagement with tenants to understand their needs and space requirements
  - Disposal of properties with low yield, limited asset management potential or unfavourably balanced risk/reward ratio
  - Continued monitoring of covenant strength of tenants
  - High quality provision of property and facilities management services with our in-house team
  - Health and Safety Committee met throughout the year and provided regular updates to the Board
  - Monitored changes in the regulatory environment, particularly in relation to the Building Safety Act 2022 which may impact the permitted uses and viability of future schemes

### Appetite:



### Risk assessment:



### Change in risk profile in year:



### Direction of travel:



### KPIs:

- TSR(R)
- TAR
- EPS

## 2 Sustainability

As a result of a failure to plan properly for, and act upon, the potential environmental and social impact of our activities, changing societal attitudes, and/or a breach of any legislation, this could lead to damage to our reputation and customer relationships, loss of income and/or property value, and erosion of shareholder confidence in the Group.

Link to strategy:



### Key risks:

#### Transition risks

- These include regulatory changes, economic shifts, obsolescence, and the changing availability and price of resources.

#### Physical risks

- These are climate-related events that affect our supply chain as well as the buildings' physical form and operation; they include extreme weather events, pollution and changing weather patterns.

### Mitigation:

#### 2025

- Monitoring and oversight by the Sustainability Committee over key projects and regulatory requirements
- Detailed sustainability risk registers maintained, reviewed, and updated
- Evaluation of the physical climate risk profiles of all properties
- Continued implementation and active monitoring of NZC Pathway projects
- Completion of planned energy efficiency and carbon reduction projects
- Continuation of EPC upgrade programme
- Recertification of relevant properties across all three regions to BREEAM In-Use
- Integration of sustainability data platform for group-wide data management
- Independent assurance on EPRA sBPR KPI data
- Completion of biodiversity appraisals in the UK
- Maintained living wage accreditation

### Appetite:



Low to High

### Risk assessment:



Low to High

Change in risk profile in year:



Direction of travel:



### KPIs:

- TSR(R)
- TAR
- VR

## 3 Business interruption

Data loss; or disruption to corporate or building management systems; or catastrophic external attack; or disaster; may limit the ability of the business to operate resulting in negative reputational, financial and regulatory implications for long-term shareholder value.

Link to strategy:



### Key risks:

- Cyber threat
- Large scale terrorist attack
- Environmental disaster, power shortage or pandemic

### Mitigation:

#### 2025

- Completed the migration of files from on-premise servers to cloud service to reduce ransomware risk
- Maintained a Centre of Internet Security 'A' rating (internet-facing systems)
- Continued implementation of shared property and finance system across the Group
- Engaged external partners for specialist cyber security activities and independent reviews
- Continued use of continuous, automated patching across systems
- Continued to test and train employees on cyber security

### Appetite:



Low to High

### Risk assessment:



Low to High

Change in risk profile in year:



Direction of travel:



### KPIs:

- TSR(R)
- TAR

# Risk management continued

## 4 Financing

The risk of not being able to source funding in cost-effective forms will negatively impact the ability of the Group to meet its business plans or satisfy its financial obligations.

Link to strategy:



### Key risks:

- Inability to refinance debt at maturity due to lack of funding sources, market liquidity, etc.
- Unavailability of financing at acceptable terms
- Risk of rising interest rates on floating rate debt
- Risk of breach of loan covenants
- Foreign currency risk
- Financial counterparty risk
- Risk of not having sufficient liquid resources to meet payment obligations when they fall due

### Mitigation:

#### 2025

- Financed, refinanced, repaid or extended all loans maturing in 2025
- Weekly treasury meetings took place with the CEO and CFO including discussion of financing, rolling 12-month cash flow forecasts, FX requirements and hedging, amongst other items
- Mitigated risk of interest rate fluctuations, ensuring the majority of the Group's borrowings are fixed rate or subject to interest rate caps
- Regularly monitored loan covenants
- CLS borrows in local markets and in local currencies via individual SPVs to provide a 'natural' hedge
- All loans have equity cure mechanisms to repair breaches
- Maintained banking relationships with a wide number of lenders across the Group to diversify funding sources
- Maintained low weighted average cost of debt
- Increased average debt maturity
- Significant headroom across three main loan covenants

### Appetite:



### Risk assessment:



Change in risk profile in year:



Direction of travel:



### KPIs:

- Cost of debt
- EPS

## 5 Political & economic

Significant events or changes in the Global and/or European political and/or economic landscape may increase the reluctance of investors and customers to make timely decisions and thereby impact the ability of the Group to plan and deliver its strategic priorities in accordance with its core business model.

Link to strategy:



### Key risks:

- Global geopolitical and trade environments
- Potential impact of US tariffs on inflation and interest rates

### Mitigation:

#### 2025

- Monitored events and trends closely, making business responses if needed
- Maintained membership of key industry bodies
- Monitored tenants for sanction issues

### Appetite:



### Risk assessment:



Change in risk profile in year:



Direction of travel:



### KPIs:

- EPS

## 6 People

The failure to attract, develop and retain the right people with the required skills, and in an environment where employees can thrive, will inhibit the ability of the Group to deliver its business plans in order to create long-term sustainable value.

Link to strategy:



### Key risks:

- Failure to recruit senior management and key executives with the right skills
- Excessive staff turnover levels
- Lack of succession planning and development opportunities
- Poor employee engagement levels

### Mitigation:

#### 2025

- Bi-annual townhall meetings held by Senior Independent Director to listen to employee concerns and suggestions and discuss with the Board
- Employee compensation packages reviewed at least annually to ensure they remain competitive
- Continuation of wellbeing, social and diversity, equity, and inclusion activities

### Appetite:



### Risk assessment:



Change in risk profile in year:



Direction of travel:



### KPIs:

- TSR(R)
- TAR

# Risk management continued

## Emerging risks

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

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

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

# Going concern statement

## Background

CLS' strategy and business model include regular secured loan refinancings, and capital deployment and recycling through acquisitions, capital expenditure and disposals. Over the last thirty years, the Group has successfully navigated several periods of economic uncertainty, including the recent macroeconomic stresses resulting from global conflict, the resulting inflationary pressures and transition to a higher interest rate environment.

The Group continues to have very high levels of rent collection and low bad debts, and has a long-term track record in financing and refinancing debt including £373.7 million completed in the twelve months to 31 December 2025 and a further £38.7 million has been completed or well advanced subsequent to year-end, whereby terms sheets have been obtained or they have reached a first stage credit review.

The Directors note that the group financial statements for the year ended 31 December 2024 contained disclosure of a Material Uncertainty related to going concern due to the timing and amounts of the planned refinancing of debt and disposals of property being outside of Management's control. In this context the Directors set out their considerations and conclusions in respect of going concern for these financial statements below.

## Going concern period and basis

The Group's going concern assessment covers the period to 31 July 2027 ("the going concern period"). The period chosen takes into consideration the maturity date of loans totalling £254.2 million that expire by July 2027. The going concern assessment uses the forecast approved by the Board at its November 2025 meeting as the Base case. The assessment also considers a Severe but plausible case. The Directors have also considered the period between the date of Board approval and the date of signing the accounts. Based on a review of events since Board approval in November 2025, the Directors conclude that there have been no significant changes since the forecast was approved.

## Forecast cash flows – Base case

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

The Base case is focused on the cash and working capital position of the Group throughout the going concern period. In this regard, the Base case assumes continued access to lending facilities in the UK, Germany and France, and specifically that debt facilities of £254.2 million with 13 lenders expiring within the going concern period will be refinanced or extended as expected (£164.4 million) or will be repaid (£89.8 million), some of which are linked to forecast property disposals.

The Board acknowledges that these refinancings are not fully within its control; however, they remain confident that refinancings or extensions of these loans will be executed within the required timeframe, having taken into account:

- existing banking relationships and ongoing discussions with the lenders in relation to these refinancings;
- CLS' track record of prior refinancings, particularly in the 12 months to 31 December 2025 when £373.7 million was successfully repaid, refinanced or extended;
- recent refinancings subsequent to 31 December 2025 that have reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £38.7 million of the £164.4 million noted above; and
- other ongoing discussions with lenders.

The Base case includes property disposals in the going concern period in line with the Group's business model and the forecast cash flows approved by the Board in November 2025. The Board acknowledges that property disposals are not fully within its control; however, they are confident these transactions will be completed within the going concern period, based on their history of achieving disposals (with disposals of £144.2 million achieved in the 12 months to 31 December 2025). The value of the properties available for disposal is in excess of the value of the debt maturing during the going concern period.

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

The near-term impacts of climate change risks within the going concern period are expected to be immaterial following an assessment of potential significant inflation resulting from climate change, in the context of increased property and administrative costs, as part of the reverse stress testing performed by CLS. Furthermore, the forecast cash flows prepared for the Base case include all necessary capital expenditure to meet the minimum energy efficiency standards required in the countries where CLS operates.

## Forecast cash flows – Severe but plausible case

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

These flexed assumptions are more severe than CLS experienced during the 2007-2009 global financial crisis and other downturns such as that experienced in 2020-2022 during the Covid-19 pandemic. A key assumption in this scenario is a further reduction to the Base case in property values of 10% until July 2027, impacting forecast refinancings, sales and cash cures. This is in addition to the reduction experienced of 3.8% in 2025 and cumulative c.25.4% decline from 30 June 2022 to 31 December 2025.

# Going concern statement continued

Assumptions around refinancing and investment property disposals are adjusted to incorporate the higher interest rates and lower property values noted above. A reduction in property values of 10% results in additional cure payments of £1.1 million being necessary for the Group to remain in compliance with its covenant requirements. Similarly, the assumptions of lower rents and increased expenses results in additional cure payments of £1.6 million.

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

## Mitigating actions

In the Severe but plausible case, CLS is assumed to take mitigating actions including depositing cash to cure covenant shortfalls under the facilities' equity-cure provisions, scaling back uncommitted capital expenditure (specifically where reductions do not affect tenant revenue streams over the going concern period) and reducing the dividend to the Property Income Distribution required under the UK REIT rules as well as drawing the currently available £30.8 million of its existing £80.0 million revolving credit and overdraft facilities. If needed, further disposals could be considered as there are no sale restrictions on CLS' £1.7 billion of properties, albeit the timing and the amount of these potential disposals are not in the Group's control.

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

## Material uncertainty related to going concern

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

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

Notwithstanding this material uncertainty on the going concern assumption, given our track-record and reputation, the Directors are confident that the debt falling due for repayment in the going concern period will be refinanced or settled in line with their plans for the reasons set out above, rather than requiring repayment on maturity, or will be extinguished as part of property disposals in the period. In extremis, the loans requiring refinancing are all through ring-fenced SPV structures, save for certain limited guarantees and limited recourse security granted by the Company and certain other Group companies. Therefore, the Directors continue to adopt the going concern basis in preparing these Group financial statements.

The financial statements do not include any adjustments that would be necessary if the Group and the Company were unable to continue as going concerns.

# Viability statement

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

The viability assessment covers the period to 31 December 2029 ("the viability period"), as it coincides with the forecasts approved by the Board at its November 2025 meeting. These forecasts comprise the Base case, reviewed against the actual results for 2025 and incorporating updated assumptions. The period of four years is a balance between the Group's weighted lease term and weighted average debt maturity, and so aligns with the period over which the Group has good operational visibility.

In performing this assessment, the Board notes that the financial information for the year ended 31 December 2025 contained disclosure of a Material Uncertainty related to going concern because the timing and amounts of the planned refinancing of debt and disposals of property at the time were outside of Management's control. In this context the Directors set out their considerations and conclusions in respect of their viability statement for these financial statements below.

## Viability assessment

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

The Base case forecast is focused on the cash, liquid resources and working capital position of the Group including covenant compliance. It also assumes continued access to lending facilities. Within the viability period, it is assumed that expiring debt facilities of £508.3 million will be refinanced as expected or repaid from the proceeds of disposals. The Board acknowledges that these refinancings are not fully within management's control but remains confident that refinancings or extensions of these loans will be executed within the required timeframe, having taken into account:

- existing banking relationships;
- CLS' track record of prior refinancings, particularly in the 12 months to 31 December 2025 when £373.7 million was successfully repaid, refinanced or extended;
- recent refinancings subsequent to 31 December 2025 that have reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £38.7 million of the £508.3 million noted above; and
- other ongoing discussions with lenders.

A Severe but plausible case was also produced by flexing key assumptions including: lower rents, increased service charges, higher property and administration expenses, falling property values (mainly a further 10% reduction in 2026 and no recovery during the viability period), higher interest rates and reduced achievements of refinancings and disposals. These flexed assumptions are derived by considering the negative market

and economic impacts experienced during the 2007-2009 global financial crisis and other downturns such as the Covid-19 pandemic.

Assumptions around refinancing and property disposals are adjusted to include only those agreed or considered significantly advanced by management. In addition, a reduction in property values of 10% results in additional equity cure payments of £1.1 million to remain in compliance with covenant requirements. Similarly, the assumptions of lower rents and increased expenses result in additional equity cure payments of £1.6 million.

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

Due to the severity of the assumptions used in this scenario, the liquidity of the Group is exhausted even after putting in place mitigating actions wholly within management's control as set out below.

## Mitigating actions

In the Severe but plausible case, CLS would need to take mitigating actions in terms of depositing cash to equity cure covenants under the facilities, scaling back uncommitted capital expenditure and reducing the dividend as well as drawing the currently available £30.8 million of its revolving credit and overdraft facilities. If needed, further disposals could be considered as there are no sale restrictions on CLS' £1.7 billion of properties, albeit the timing and the amount of these potential disposals are not wholly within management's control.

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

## Material uncertainty

The Directors highlighted in their going concern assessment (see note 2.1) that whilst they remain confident in the future prospects for the Group and its ability to continue as a going concern, the Group is reliant upon its ability both to refinance the debt maturing and to complete property disposals in the going concern period in what are assumed to be continued challenging market conditions. The same material uncertainty applies to the future viability of the Group.

Our 2025 strategic report, from the Inside Front Cover – page 63, has been reviewed and approved by the Board of Directors on 12 March 2026.

Approved and authorised on behalf of the Board

**David Fuller**  
Company Secretary

12 March 2026

# Chairman's introduction



**Lennart Sten**  
Non-Executive Chairman

## Board focus areas in 2025

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

## Priorities for 2026

- Focus on major trends within the commercial property market
- Oversee culture to provide assurance that the agreed values and culture are being embedded
- Continuous review of risk and uncertainties facing the Company and their implications for the business model
- Oversee implementation of Provision 29 of the 2024 UK Corporate Governance Code
- Initiate and progress Chairman's succession planning
- Review our Sustainability policy and Net Zero Carbon Pathway

## Dear Shareholder

On behalf of the Board, I am pleased to present the Corporate Governance Report for the year ended 31 December 2025.

This is the first year reporting under the new 2024 UK Corporate Governance Code (the 'Code') and this report demonstrates how we have complied with, or explained where we have deviated from, those principles and provisions. Our Code compliance statement can be found on page 65.

### Board changes and succession planning

During the year we reduced the size of the Board reflecting a corresponding change to the size of the business and our group-wide cost saving initiatives.

Bengt Mortstedt, one of our founding shareholders, stepped down from the Board in February and Elizabeth Edwards stepped down at the end of 2025, having served over nine years in post.

We welcomed Johannes Conradi in September, who provides significant experience of the German Real Estate market.

Following the 2025 AGM, the Board confirmed it would initiate a succession plan for the Chairman, which we will progress over the coming months. Once a successor has been found, and with the support of the Board, it is my intention to step down following the conclusion of the 2027 AGM.

### Board and Committee performance review

We undertook our annual Board performance review in November, the results for which can be found on pages 79 and 80. It concluded that the Board and Committees remain effective, and continue to deliver strong oversight and strategic challenge.

Given that the Group is no longer a constituent of the FTSE 350 index, we will consider whether to continue with externally facilitated reviews every three years.

### Embedding our culture

With investment markets and occupier demand remaining subdued, we have focused on our four key strategic objectives: to reduce vacancy and costs to drive earnings, reduce debt through asset sales, refinance or pay off debt to lower LTV and invest in our portfolio. This means our teams have had to come together more than ever, whilst recognising that the Group is in a transition phase as we arguably enter the start of another property cycle.

As a result, our culture, underpinned by our four key values, has been as important as ever. Through our various channels, as explained on page 71, the Board has monitored how our well-established culture has been embedded into the organisation and is satisfied that it is.

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

### Code Provision 29 readiness

A key component of the new Code is that relating to internal controls. Our teams have been working hard to identify and test our material controls and an overview of our work to date can be found on page 83. We have more work to do but we are well advanced to be able to provide the necessary attestation for our next report.

### Looking forward

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

### Lennart Sten

Non-Executive Chairman

### Principles and how the Company addresses them

The principal corporate governance rules which applied to the Company in the year were those set out in the UK Corporate Governance Code published by the Financial Reporting Council ('FRC') in January 2024 (the 'Code'), the UK Financial Conduct Authority ('FCA') Listing Rules and the FCA's Disclosure Guidance and Transparency Rules.

The Board fully supports the principles of good governance as set out in the Code, which is available on the FRC's website ([www.frc.org.uk](http://www.frc.org.uk)), and its application of the main principles are set out on pages 64 to 111.

### Compliance with the Code

Save as identified below and explained in this report, the Board considers that throughout 2025 it complied with the provisions of the 2024 UK Corporate Governance Code. During the year the Board recognises that it did not comply with the following Code provision:

19 Tenure of Chairman, explanation on page 75

### Board leadership and Company purpose

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

Board of Directors	66-67
Board activities	68-69
Approach to s.172(1)	28-29
Strategy, Purpose, Vision and Values	4-5 and 10-20

### Division of responsibilities

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

Governance framework	73
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### Composition, succession and evaluation

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

Nomination Committee Report/ Chairman's introduction	74-77/64
External Board effectiveness review	79-80

### Audit, risk and internal control

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

Audit Committee report	81-86
Going concern basis	61-62
Viability statement	63
Assessment of the principal risks facing the Group	53-60
Annual review of systems of risk management and internal control	82, 84
Fair, balanced and understandable review	84

### Remuneration

The Remuneration Committee is responsible for the design, implementation and oversight of the Group's Remuneration Policy, which was last approved by shareholders on 27 April 2023. A new Remuneration Policy is contained in this report and will be put to shareholders at the 2026 Annual General Meeting.

Remuneration Committee Report	87-99
2026-2029 Remuneration Policy	100-114

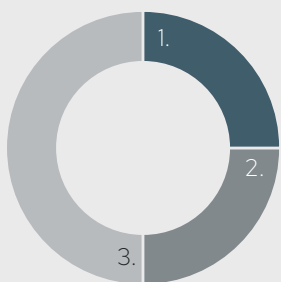
# Board of Directors

## The right team to deliver our strategy



### Directors' tenure (years)

1. 0 – 5	2
2. 6 – 10	2
3. 10+	4



### Board independence as at 31 December 2025\*

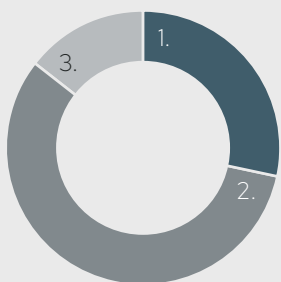
57%

### Female representation as at 31 December 2025

38%

### Board independence

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



\* Excluding the Chairman, in accordance with Code Provision II.

### Board members' range of experience

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

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

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

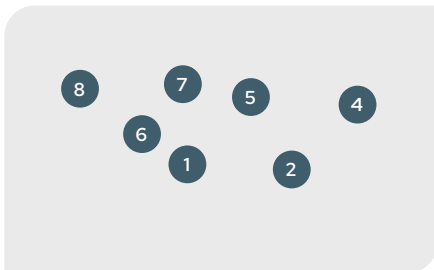
**7 Governance:** Significant listed company governance experience and understanding of investor requirements

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

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



Visit our website to view the full biographical information for the Directors:  
[www.clsholdings.com/about-us/our-leadership](http://www.clsholdings.com/about-us/our-leadership)



Key to Board image

### 1. Lennart Sten Independent Non-Executive Chairman

**Joined:** 1 August 2014

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

**Qualifications:** Degree in Law, Stockholm University

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

**Attendance:** Board 6/6, Remuneration Committee 5/5, Nomination Committee 2/2, AGM 1/1

### 2. Fredrik Widlund Chief Executive Officer

**Joined:** 3 November 2014

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

**Qualifications:** Degree in Business Administration, Stockholm University

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

**Attendance:** Board 6/6, AGM 1/1

**Andrew Kirkman** (not pictured)

### Chief Financial Officer

**Joined:** 1 July 2019

**Resigned:** 5 January 2026

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

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

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

**Attendance:** Board 6/6, AGM 1/1

### 4. Harry Stokes Chief Financial Officer

**Joined:** 5 January 2026

**Former roles:** Commercial Finance Director, SEGRO plc. Head of European Real Estate Equity Research, UBS. Head of European Real Estate Equity Research, Citi Investment Bank.

**Qualifications:** Degree in Geography, Cambridge University. ACA, Institute of Chartered Accountants. Postgraduate Certificate in Sustainable Business, Cambridge University

**Experience:** 25+ years in the financial services and real estate sectors. Sustainability reporting and strategy.

**Attendance:** Board n/a, AGM n/a

### 5. Anna Seeley Non-Executive Director and Vice Chair

**Joined:** 11 May 2015

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

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

**Experience:** 20+ years of property industry and business experience

**Attendance:** Board 6/6, Nomination Committee 2/2, AGM 0/1

### 6. Eva Lindqvist Independent Non-Executive Director

**Joined:** 22 September 2023

**Former roles:** Senior roles, Ericsson. Senior Vice President, Telia Sonera telecoms division. Chief Executive, Telia Sonera international carrier. CEO, Xelerated Holdings AB, NED, Keller Group plc. NED, Tele2AB.

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

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

**Attendance:** Board 6/6, Remuneration Committee 5/5, Audit Committee 4/4, Nomination Committee 1/1, AGM 1/1

### 7. Bill Holland Independent Non-Executive Director

**Joined:** 20 November 2019

**Former roles:** Senior Partner, KPMG real estate audit practice. Governor, Winchester College Accountants. Degree in Economics from Durham University

**Experience:** Real estate, finance and audit experience. NED, Urban&Civic plc, Chair Audit Committee. NED, Ground Rents Income Fund plc, Chair Audit Committee. Non-Executive Chairman, St Anselm Property Company Limited

**Attendance:** Board 6/6, Remuneration Committee 5/5, Audit Committee 4/4, AGM 1/1

### 8. Johannes Conradi Independent Non-Executive Director

**Joined:** 15 September 2025

**Former roles:** Global Head of Real Estate, Freshfields. Chairman, Supervisory Board, Alstria Office REIT-AG

**Qualifications:** Doctor of Law, Fellow, Royal Institute of Chartered Surveyors

**Experience:** 30+ years of real estate experience. Managing Director, BLACKLAKE Management Partner. Chairman, Supervisory Board, EUROPA-CENTER AG. Deputy Chairman, ICG Institute for Corporate Governance in the German Real Estate Industry. Chairman, Restructuring Committee, Germany Property Federation (ZIA). Deputy Chairman, Centre for Corporate Governance in the Real Estate Industry, Frankfurt School Real Estate Institute

**Attendance:** Board 2/2, AGM n/a

### Elizabeth Edwards (not pictured) Senior Independent Director

**Joined:** 13 May 2014

**Resigned:** 31 December 2025

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

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

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

**Attendance:** Board 6/6, Audit Committee 4/4, Nomination Committee 2/2, AGM 1/1

### Bengt Mortstedt (not pictured) Non-Executive Director

**Joined:** 7 March 2017

**Resigned:** 28 February 2025

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

**Qualifications:** Degree in Law, Stockholm University

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

**Attendance:** Board n/a, AGM n/a

# Key Board activities

## Key announcements, decisions and Board approvals

### January

- Approval of significant letting at Fetter Lane

### February

- Agreed lease extension with the National Crime Agency
- Trading Update

### March

- Approval of the 2024 annual report and accounts
- Approval of new Dividend Policy and the 2024 final dividend
- Launch of sale of additional £190 million properties
- Approval of sale of Spring Mews Student Accommodation

### May

- All shareholder resolutions passed at the AGM
- Property tour in Lyon

### June

- Appointment of executive search firm to replace Andrew Kirkman as CFO

## How governance supports our business model and strategy

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

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

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

→ Read more:  
Page 73

### The Board Governance role



**We acquire the right properties**

The Board considers the Group's investment criteria and market conditions in the regions to ensure it supports its long-term strategy.



**We secure the right finance**

The Board considers the Group's financing strategy to ensure it remains appropriate, dynamic and diverse.



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

The Board considers the Group's operational strategy to deliver on the Group's vision to be a supportive, progressive and sustainably focused commercial landlord.



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

The Board oversees management's assessments of the entire portfolio to ensure the Company focuses on holding properties with the potential to add value in line with the Group's investment strategy and sustainability goals. It also reviews and approves the active sales programme for capital recycling.



**We reward shareholders, customers and employees**

The Board aims to pay a dividend consistent with its Dividend Policy and grow the dividend in line with the growth in the business. It also ensures the reward structures for its employees underpin our values and support the success of the business. Our tenants are our customers, and we provide sustainable office space that helps businesses grow.

**July**

- Sale of Techno Centre, Gräfelfing Business Park, Munich and Jarrestrasse 8-10 in Hamburg

**August**

- Approval of the 2025 half-year report and interim dividend
- Review of principal risks and uncertainties including emerging risks
- Approval of significant lettings at Office Connect in Cologne and The Coade in London

**September**

- Consideration of the Group strategy
- Financing strategy discussion
- Appointment of Johannes Conradi

**October/November**

- Approval of appointment of new CFO
- Approval of significant letting at Gothic Haus, Dortmund
- Approval of 2026 budget and forecasts

**December**

- Trading update
- Approval of conditional sale of Spring Gardens

**What we considered for 2025****Relevant stakeholders****Find out more**

<ul style="list-style-type: none"> <li>• Received detailed updates on the markets in which we operate together with investments at each Board meeting</li> <li>• Received presentations from the UK, German and French valuers on market conditions and key portfolio risks and opportunities</li> <li>• In light of market conditions and strategic objectives, no acquisitions were considered by the Board during the year.</li> </ul>	<ul style="list-style-type: none"> <li>• Investors</li> <li>• Employees</li> </ul>	<p>→ <b>Read more:</b> Pages 6-9 and 14-19</p>
<ul style="list-style-type: none"> <li>• Received updates on the Group's debt position including covenant reports, cash flow and budgets</li> <li>• Received detailed updates on the Group's financing strategy</li> <li>• Considered various alternative financing options that may provide the Group with extra flexibility</li> <li>• Approved refinancings in line with recommendations from our Treasury Team.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Institutions</li> </ul>	<p>→ <b>Read more:</b> Pages 11-12 and 22-25</p>
<ul style="list-style-type: none"> <li>• Received updates on asset, property and facilities management operations</li> <li>• Ensured appropriate resourcing levels to provide quality active in-house asset management</li> <li>• Monitored performance against budget and organisational structure as part of cost control measures</li> <li>• Reviewed and approved 2026 budget and forecasts, which include key capital expenditure on refurbishments and developments</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants</li> <li>• Suppliers</li> </ul>	<p>→ <b>Read more:</b> Pages 10, 13 and 14-19</p>
<ul style="list-style-type: none"> <li>• Received updates on vacancy rates and rent collections</li> <li>• Received updates on the sustainability strategy including the Net Zero Carbon Pathway</li> <li>• Reviewed the Group's strategy for the property portfolio at the Strategy Board meeting held in September</li> <li>• Approved further portfolio sales to meet strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Tenants</li> <li>• Communities</li> <li>• Suppliers</li> </ul>	<p>→ <b>Read more:</b> Pages 10 and 14-19</p>
<ul style="list-style-type: none"> <li>• Approved new dividend policy reflective of the Group's long-term strategy</li> <li>• Considered and approved interim and final dividend proposals, based on the financial performance of the Group</li> <li>• Considered appropriate reward structures for employees that reflect Group performance</li> <li>• Approved capital expenditure budgets, supported by our sustainability strategy, to deliver sustainable office space</li> </ul>	<ul style="list-style-type: none"> <li>• Investors</li> <li>• Employees</li> </ul>	<p>→ <b>Read more:</b> Pages 7, 49-52 and 22-25</p>

# Relationship with shareholders

The Company values its dialogue with both institutional and private investors

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

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

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

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

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

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

## Proxy voting

The proxy forms for the Annual General Meeting which was held in 2025 included a 'vote withheld' box.

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

At the 2026 Annual General Meeting, the Company will comply with the Listing Rules in respect of the voting requirements for the re-election of independent Directors where a Company has a controlling shareholder.

## Key shareholder events

<b>January</b>	• One institutional investor meeting
<b>April</b>	• 14 institutional investor meetings • Two sales force presentations
<b>May</b>	• One institutional investor meeting • One sales presentation
<b>June</b>	• One institutional investor meeting
<b>August</b>	• Analyst presentation • Seven institutional investor meetings • Two sales force presentations
<b>September</b>	• 12 institutional investor meetings • One sales force presentation
<b>October</b>	• 10 institutional investor meetings

## 2025 AGM

At the 2025 AGM, all the resolutions as set out in the Notice of Meeting were passed on a poll.



All financial reports and press releases are also included on the Group's website at [www.clsholdings.com/](http://www.clsholdings.com/)

# Workforce engagement

Helping to enhance our working environment



**Elizabeth Edwards\***  
Director responsible for workforce engagement

## Dear Shareholder

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

### Main activities during the year

This year we have had bi-annual meetings in each country, with one meeting in-person and the other via videoconference. We held meetings in April and October via a series of 'town hall' meetings in the UK, Germany, France and Luxembourg.

Smaller group meetings meant that all employees were able to be invited in each region. It also ensured that we were able to speak about themes that were directly relevant to each culture and working norms, which I felt allowed for better and more fulsome discussion overall.

Following the town hall meetings, I fed back our discussions to the Board, which they felt were extremely valuable especially when making key decisions affecting the workforce.

### Areas discussed

We covered three main topics: Economic environment and business strategy, culture and working environment. With the new provisions of the UK Corporate Governance Code focusing on how the desired culture has been embedded in the organisation, listening to this key part of the feedback was particularly valuable.

**Economic environment and business strategy:** It has not been an easy year in the commercial real estate industry due to a difficult macro-economic environment. This has been reflected operationally, where we implemented an internal cost reduction programme and completed a number of asset sales across each region. Naturally, this led to some concern within the workforce, especially amongst those who had not experienced a downturn before, and to a desire to better understand the long-term strategy of the Company.

**Outcomes:** We discussed these concerns and as a result I believe the workforce now has a better understanding of our situation within the context of a cyclical market. We also ensured that the next 'all staff' CEO presentation encompassed more detail around our medium- and long-term strategy.

**Culture:** With a difficult economic backdrop, it is our culture that brings us together. I was pleased to hear that our values, which reflect our culture, remain evident through our organisation. From listening to how we engage with and support our tenants and how we are working through our challenges to adopt a group-wide property and finance system, it speaks to a culture of collaboration, openness and agility.

**Outcomes:** We noted the feedback that despite having a smaller company and fewer people, we must continue to celebrate the successes of our employees, with more emphasis on all achievements, big or small.

**Working environment:** I was pleased to hear the feedback that, overall, we have an excellent working environment. We did note some perennial IT hardware issues, and some questions and challenges were raised around the implementation of new operating systems, which we were able to feed back to the relevant teams.

**Outcomes:** Our IT team was able to reach out to offer suitable training or replacement of IT equipment as needed.

Overall, the opportunity to meet our teams and understand their challenges was very welcome. What I most admired was that, despite the industry wide headwinds, we have an extremely dedicated, motivated and forward-thinking team who aspire to deliver the best for the business.

### Looking forward

Given that I stepped down as a director on 31 December 2025, and with the expectation from our employees that workforce engagement is embedded across the Group, the Board has agreed to adopt an alternative approach that brings together a number of existing and new practices. We believe this will continue to provide the Board with the ability to assess, monitor and review culture and include the views of our workforce in decision-making. These practices will include:

- Involve multiple NEDs in activities rather than a single appointed NED Workforce Engagement representative.
- Hold informal events after each Board meeting to allow NEDs to engage with employees on key topics discussed at meetings.
- Host Chairman's round table sessions with a mix of employees.
- Continue Board property tours.
- Implement a new employee survey tool to provide regular engagement data that can be shared with the Board.
- Enhance HR reporting to the Board: addition of additional engagement data and statistics.

**Elizabeth Edwards\***  
Chair, Workforce Advisory Panel

\* retired 31 December 2025

# Culture dashboard

Promoting an open, collaborative culture

## Maintaining our culture

The Board recognises the need to establish a constructive culture, including the right values and ethics to ensure high standards of behaviour are maintained throughout the Group. It also understands the need to ensure that this culture is embedded into the organisation.

Our culture is defined by our purpose, vision and values. More information on these can be found on pages 4-5. Together, they promote an open and collaborative environment that enables our workforce to operate at its best through efficient decision-making that facilitates ownership and enables a hands-on approach to operating.

## How the Board assesses and monitors culture

To ensure that our culture is embedded within the organisation, we engage with the business in a number of ways. We have regular updates from the Chief Executive Officer, we meet with employees of all seniorities across the business through Board presentations, formal and informal meetings, and property

tours. During the year we also received feedback through Elizabeth Edwards, our designated non-executive director for workforce engagement, who chaired our 'townhalls' meetings that took place across all regions. These 'townhalls' are designed to ensure the voice of the workforce is considered in our decision-making process and our values are being upheld.

At each of our Board meetings, we also receive information on human resourcing matters such as employee turnover, diversity statistics, feedback (and action plans) from employee surveys and a summary of reasons for leaving.

Through these feedback mechanisms the Board considers that the organisation has the strong culture embedded into the organisation that supports its purpose and ability to deliver on its strategy. We do, however, acknowledge that there are areas where we can improve and we are taking steps in 2026 to adjust our approach to ensure that we have a deeper understanding of employee views to then inform our future plans.

Below is a summary of how the Board assessed that the Group culture is embedded in the organisation during 2025:

Cultural priority	2025 action	Indicator
Promoting integrity and openness	NED Workforce engagement representative chaired bi-annual employee 'townhall' meetings	95% attendance
	Board property tours with employees	1 property tour in Lyon with members of the French team
	Review of HR updates as well as key employee metrics in Board papers including voluntary attrition, diversity and sickness absence	4 HR Updates provided, one at each meeting. 16% voluntary attrition 50:50 gender diversity
	Review of any non-compliance with key policies: Whistleblowing, Anti-Bribery & Anti-Corruption, Anti-Fraud, Prevention of Tax Evasion, Modern Slavery	Report provided to the Board in May and Audit Committee in November
Valuing diversity	Flexible Working Policy	100% adoption for applicable roles
	Individual training budget/learning & development undertaken	£1,000 allowance per employee
	Encouragement of internal promotions	5 internal promotions
	Enhanced family leave policies	UK shared parental leave policy with enhanced company payments
Being responsive to the views of stakeholders	Customer surveys	1 undertaken in each country
	Shareholders	45 meetings with shareholders (see page 70 for further details)
Culture aligned to strategy, purpose and values	Individual training budget/learning & development undertaken	17.6 training hours per employee
	Attrition data reported to Board	16% voluntary attrition
	Community volunteering	5.2 volunteering hours per employee

# Division of responsibilities

## The Board's role

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

## Board and Committee structure

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

## Chair leadership and effectiveness

The Group's Independent Non-Executive Chair, Lennart Sten, leads the Board in promoting a culture of openness and debate to ensure that the Board operates effectively. It is the Board's culture and accepted practice to give regular feedback, but once a year a more formal feedback session is undertaken with the Non-Executive Directors, led by the Senior Independent Director without the Chair present. This session reviews the Chair's overall performance, considering areas such as communication, effective leadership and oversight of the Board and company culture. The right 'tone from the top' is key to supporting our purpose, vision and values. This year's review confirmed that the Board members consider that the Chair leads by example, effectively chairing meetings and facilitating open discussion and debate that ensures all Board members have a voice around the table.

## Roles and responsibilities of the Directors

The Board's composition and responsibilities are set out in a formal schedule of matters specifically reserved to it for decisions, which is reviewed and approved annually and a copy can be found on our website. Matters reserved for Board decisions include identifying strategic long-term objectives, approving the annual Group budget, and approving substantial property transactions and investment decisions over £10 million.

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

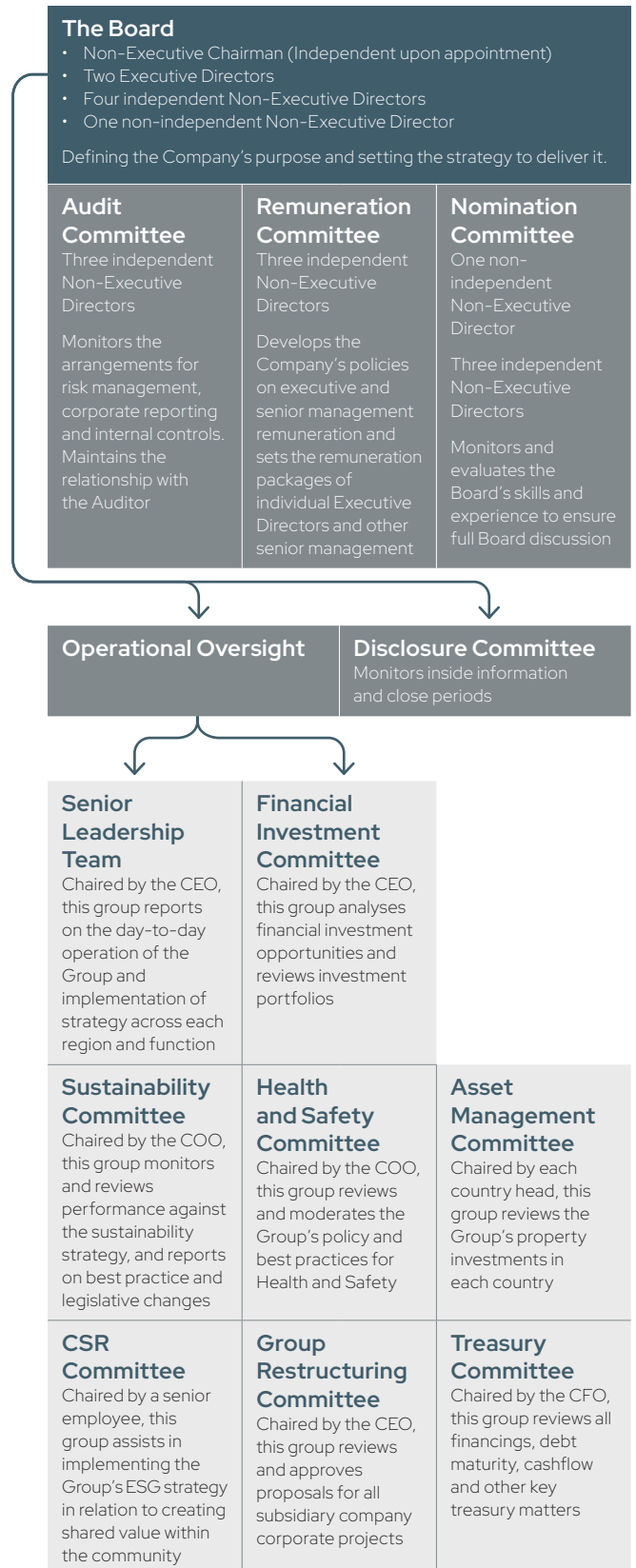
All Board members are required to notify the Company as soon as they become aware of a situation that could give rise to a conflict or potential conflict of interest. At the beginning of each Board meeting the Chair requires all Directors (including the representative of the majority shareholder) to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

## Division of responsibilities

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

## Board and committee structure

(as at 31 December 2025)



# Nomination Committee Report

Successfully implementing our succession planning



**Anna Seeley**  
Chair, Nomination Committee

## Committee members' attendance during the year ended 31 December 2025

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

## Dear shareholder

On behalf of the Nomination Committee, I am pleased to present my report as Chair of the Committee for the year ended 31 December 2025. This report is intended to give an insight into the work of the Committee during the year. The Nomination Committee is responsible for ensuring that the Board consists of members who have the relevant skills, experience and knowledge in order to set and enable the executive directors to deliver the Company's strategy.

### Role of the Committee

The Committee makes recommendations to the Board with regard to the nomination, selection and succession of directors and senior executives. The Committee also focuses on ensuring that there is appropriate succession planning in place, having regard to the provisions of the UK Corporate Governance Code. The Committee regularly evaluates the Board's performance and effectiveness both as a group and as individual directors, and reviews the annual Board effectiveness process to ensure it continues to operate in the best possible way.

### Membership and attendance

Because of our shareholder structure, membership also consists of a representative of the controlling shareholder, who acts as its Chair, to ensure appointments are discussed with their input.

The Committee met formally twice during 2025 and held frequent discussions outside formal meetings. Throughout 2025, the Committee comprised four Non-Executive Directors, three of whom are deemed independent. From 1 January 2026, following Elizabeth Edwards' retirement the Committee will consist of two independent Non-Executive Directors, which supports the need for independent oversight whilst recognising that we have a controlling shareholder.

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

### Main activities throughout the year

The Committee continued to fulfil its core responsibility, principally to:

- Review the structure of the Board and its Committees and ensure it has the right skills and experience
- Lead the process for Board appointments
- Ensure plans are in place for orderly succession of Board and senior management positions
- Oversee the development of a diverse pipeline for succession
- Report on how the annual Board effectiveness review has been conducted

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

### Board structure, composition and skills

Following last year's review of composition and skills, 2025 saw a number of changes to the Board.

Our aims were to:

- Reduce the size of the Board
- Enhance our German real estate experience
- Review independence for the directors who have served over nine years
- Plan for the Chair's succession given he has served more than nine years

### Board size

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

Following the retirement of Bengt Mortstedt on 28 February 2025, we decided not to fill the position in order to reduce the size of the Board and help in rebalancing its independence.

### Enhancing of experience

Elizabeth Edwards, who had significant German real estate experience, retired from the Board on 31 December 2025. As part of our review of Board composition, we recognised that there was a need to replace these specific skills given the size of the German portfolio.

Following an external search process undertaken by Sapphire Partners, we welcomed Johannes Conradi to the Board on 15 September 2025. He has more than 30 years' experience in the real estate industry, principally as Global Head of Real Estate at Freshfields and as Chairman of the Supervisory Board, Audit, Remuneration and Nomination Committees, of Alstria Office REIT-AG, a German real estate company formerly listed on the Frankfurt Stock Exchange.

### Board independence

We note that both Lennart Sten and Elizabeth Edwards served for more than nine years during 2025, which the Code states is a circumstance that might impede their independence. In November the Board considered their ongoing independence. We took into account their other roles outside of the Group, their time commitment and leadership and contribution to discussions at Board meetings and concluded that they both remained independent.

With a majority of independent Non-Executive Directors at the year end, the Board complied with Provision 11 of the Code. Following the retirement of Elizabeth Edwards, as at the date of this report there are equal numbers of non-independent and independent Non-Executive Directors.

### Succession planning

#### Chair's succession plans

It is noted that Lennart Sten, our Chairman, has served for more than nine years. In response to the voting at the 2025 AGM, the Board explained the rationale for serving more than nine years but that a succession plan for the Chair would be initiated, noting that there will need to be an orderly transition. We are currently finalising that succession plan in order to appoint an executive search firm in the first quarter of 2026 with a view to making an appointment in the second half of 2026. It is important that we make the right appointment and so it is envisaged that, after a period of handover, Lennart will step down following the conclusion of the AGM in 2027.

#### Board and Senior Management succession planning annual review

We undertook our annual review of our succession plans for the Board and senior management. As set out above, our succession plans worked effectively for the Board, which also included the appointment of our new Chief Financial Officer, Harry Stokes, where we employed external search firm, Odgers.

Following our review, we recognise that we have a key challenge to retaining talent in a relatively small and flat organisation. We are confident however that in having a positive culture and providing mentoring and career development opportunities we do as much as we can to retain our best talent and support a diverse pipeline.

Our process to succession planning and Board appointments is set out on pages 76 and 77.

#### Board effectiveness annual review

Following an external review in 2023, our 2025 board effectiveness review took place through an internal review undertaken by questionnaire and followed up by an in-depth Board discussion at our November meeting. Further details on the outcome and actions from the review can be found on pages 79 and 80 of this report.

It is noted that the Company was not a constituent of the FTSE 350 index for the year immediately prior to the reporting year and, therefore, we will consider whether to continue with externally facilitated reviews every three years.

#### Performance of the Committee

The Committee undertakes a review of its performance each year. During 2025, this review was undertaken internally by way of a questionnaire and concluded that the Committee continued to perform effectively and had unfettered access to the information and advice it needed to make informed decisions on all matters related to remuneration.

#### Anna Seeley

Chair, Nomination Committee

# Nomination Committee Report continued

## Composition, Succession and evaluation

### Board appointments

Our process follows the provisions of the UK Corporate Governance Code. The Committee leads the process for Board appointments and makes its recommendations to the Board for final approval.

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

A detailed role specification is reviewed with the Chairman and the Committee following which a final role specification is approved. The appointment of an external search firm is confirmed.

The Committee then initiates a minimum of a three-stage interview process having received and reviewed a long list of candidates. A short list is then confirmed.

**Interview 1:** Candidates first meet members of the Committee and the Company Secretary.

**Interview 2:** Candidates will meet other members of the senior leadership team and other members of the Board where there is a specialist appointment. For example, if the appointment is to join the Audit Committee, then the Chair of the Audit Committee will also attend.

**Interview 3:** Following these interviews, two final candidates will meet with the CEO and the Chair.

The Nomination Committee will review feedback from all interviewers and, together with candidates' level of experience, commercial focus and broad skill sets, a recommendation to the Board will be made.

As part of the Committee decision-making process, it also considers the time commitment expected of the proposed director in line with any other commitments they may already have.

Directors are also required to seek approval from the Chairman and the Chief Executive Officer prior to accepting additional commitments to ensure that they will be able to continue to devote a suitable amount of time to the Company and to ensure no conflict arises.

The Committee is satisfied with the time each director devotes to the Company notwithstanding other commitments.

### Induction and ongoing development

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

### Professional development at a glance

Training and information sessions



Site visits, Board dinners and breakfast meetings



Briefing material on Board portal



Deep dives on key topics



Management and one-to-one meetings

Our induction programme has been designed to involve a full overview of the Group and how it operates:

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

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

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

Ongoing training and development beyond the induction process is encouraged. This year, the Board visited our portfolio in Lyon where they met with members of our property team, allowing them to gain a greater understanding of our properties. We also provide for 'deep dives' on different subjects at each Board meeting so that Directors can keep up to date with the latest developments in a wide range of topics. The Company Secretary also provides regular governance updates to the Board.

### Succession planning review process

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

### Succession planning

In considering succession planning for the Board, the Committee assesses its optimal composition in terms of skills and experience, and aligns it to medium and long-term time horizons primarily based on individual tenure and the need to refresh Board membership.

While identifying and developing talent across the Group remains primarily the responsibility of management, the Committee also reviews wider succession plans for senior managers below Board level.

This review is undertaken annually. The Committee receives updates from the Chief Executive Officer in relation to senior management succession planning to ensure there is a good quality pipeline in place.

The Committee challenges those plans in order to understand the actions taken to enhance the pipeline, ensuring there is representation from a diverse range of employees.

The Committee is able to monitor the Group succession plans, noting where we have potential internal successors or where we have to undertake an independent external appointments process.

### Diversity

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

At the end of 2025, female Board representation stood at 38%, however this fell to 29% in 2026 following Elizabeth Edwards' retirement. We continue to have one senior board position, the Senior Independent Director, held by a woman.

On recruitment, our policy is that we expect our independent search firms to ensure, where possible, that there is a diverse selection of candidates. We ensure that this is not just for gender but also all diversity characteristics, a policy that we encourage throughout the Group when recruiting. To this end, we ask our search firms for all recruitment levels across the Group to aim for a long list of at least 50% women and appropriate diversity representation. We recognise that there are significant benefits of diversity, including age, gender, ethnicity, core skills, experience, and educational and professional background, which we continue to evaluate whenever changes to the Board's composition are considered. Following a review of the senior leadership team by Fredrik Widlund to ensure better representation from our property management functions across our regions, we were at the same time also able to achieve greater gender diversity (55% male: 45% female).

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

### Our focus for the year ahead

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

# Nomination Committee Report continued

## Composition, Succession and evaluation

### Board Diversity Policy

#### Objectives

Policy objectives	Implementation
Ensure the Board comprises an appropriate balance of skills, experience and knowledge required to oversee and support the management of the Company effectively.	The Committee continues to monitor the composition of the Board and meets at least annually to review and discuss it. As explained above, during the year an executive search firm, Sapphire Partners, was appointed to search for a Non-Executive Director to replace the German real estate experience following Elizabeth Edwards' retirement on 31 December 2025 and Johannes Conradi was appointed in September 2025.
Ensure consideration is given to candidates for Non-Executive Director Board appointments from a wide pool, including those with no listed company Board experience.	The brief that is given to our independent executive search firms is designed to ensure that this Policy objective is met. When considering appointments to the Board, the Committee endeavours to consider candidates with a broad range of experience. We were satisfied that Sapphire Partners provided candidates with a range of working experiences during our recruitment process.
Ensure Board appointment 'long lists' contain diverse candidates, including diversity of social and ethnic backgrounds, and cognitive and personal strengths.	The brief that is given to our independent executive search firms is designed to ensure that this Policy objective is met. When considering appointments to the Board, the Committee endeavours to consider candidates with a broad range of experience. We were satisfied that Sapphire Partners provided candidates who had a diverse range of backgrounds during the recruitment process.

#### Targets

Policy targets	Progress against target
40% women representation on the Board.	38% female representation on our Board at 31 December 2025 (2024: 38%).
Minimum of one Board Director from an ethnic minority background.	When the Board seeks to appoint a Non-Executive Director, it will expect its independent consultants to ensure candidates come from a diverse range of backgrounds. Currently not met.
One senior Board position held by a woman.	Elizabeth Edwards stepped down as our Senior Independent Director on 31 December 2025 and Eva Lindqvist was appointed to this position, therefore this target has been met.

#### Data on diversity of the board and executive management (at 31 December 2025)

##### A) Table for reporting on gender identity or sex

	No of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	62	3	6	54
Women	3	38	1	5	46
Other	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

##### B) Table for reporting on ethnic background

White British or other White (including minority-white groups)	8	100	4	10	91
Mixed/Multiple Ethnic Groups	-	-	-	1	9
Asian/Asian British	-	-	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, including Arab	-	-	-	-	-
Not specified/prefer not to say	-	-	-	-	-

## Review of Board effectiveness

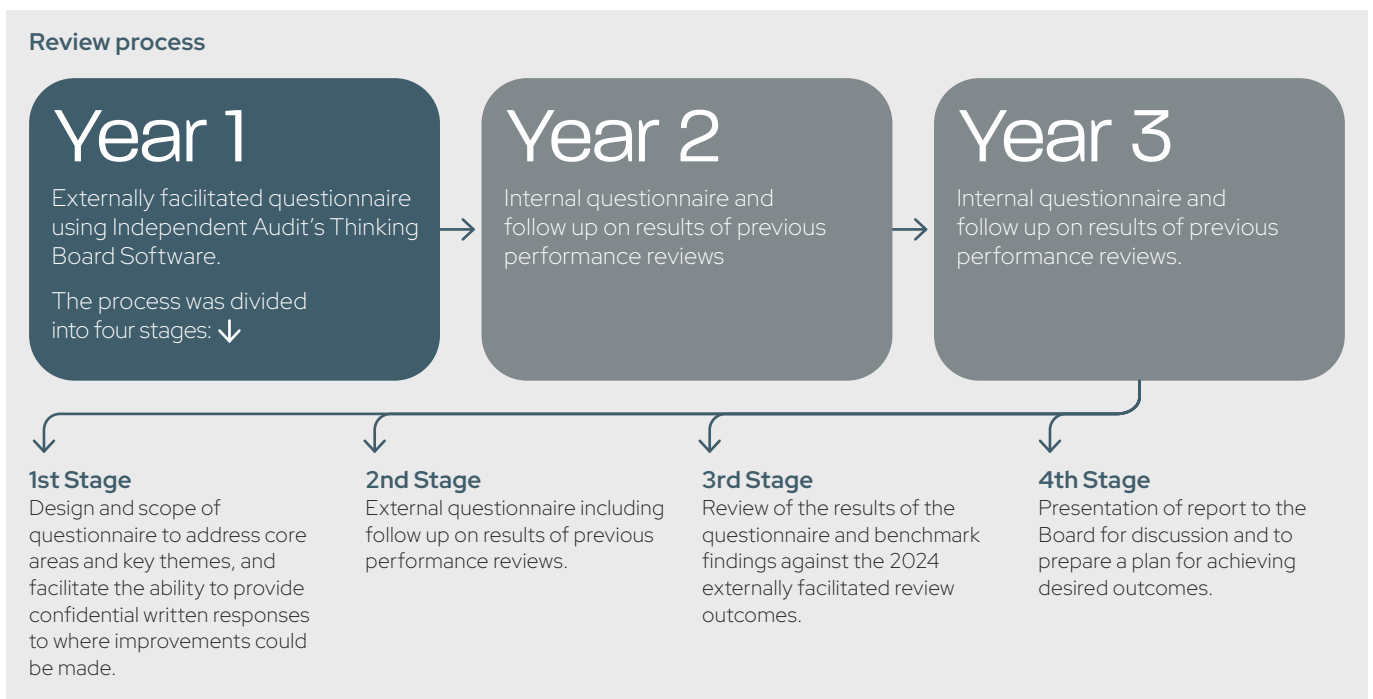
### Appointment of consultants

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

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

Based on the results of the 2025 review, this approach met the Board's objective.

It is noted that the Company was not a constituent of the FTSE 350 index for the year immediately prior to the reporting year. Consideration will be given as to whether to continue with externally facilitated reviews every three years.



### Board Effectiveness Framework

The process covered the key areas of: Leadership, responsibility and accountability; performance and risk management; and Board operation.

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

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

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

The review was presented to the Board for discussion at its November 2025 meeting.

<b>Leadership</b>	Composition Succession Skills & Experience Accessibility
<b>Accountability &amp; Risk</b>	Strategy Risk Engagement Development
<b>Board &amp; Committee operation</b>	Roles Culture Communication Efficiency
<b>Board dynamics</b>	Relationships Transparency Openness Challenge

# Nomination Committee Report continued

## Review of Board effectiveness continued

### 2025 Internal Board effectiveness results and objectives for the forthcoming year

Key focus areas within the internal Board Effectiveness Framework

		2026 objective
<b>1</b> <b>Leadership</b>	There was unanimous agreement that members work together on a basis of trust and openness, that the right skills are around the table and that Directors have a good understanding of their duties. There was a consistent view that the Chairman led and listened, and this was also true for the CEO. Members agreed that they kept abreast of changes to the regulatory and governance landscape, and concluded that as a result they were effective in discharging their duties.	Maintain the positive momentum in monitoring and embedding organisational culture, ensuring values remain central to achieving objectives. Ensure revised workforce engagement initiatives are implemented.
<b>2</b> <b>Accountability &amp; Risk</b>	The Board considered that sufficient time had been allocated to the strategic opportunities, risks, emerging technology and changes in the real estate industry, and that consideration of scenario planning had improved. The Board noted the additional work undertaken on key material internal controls during the year.	Include a separate section on risks at the annual strategy meeting and explore ways to involve the full Board in discussions on evolving risks.
<b>3</b> <b>Board &amp; Committee operation</b>	There was a good balance between operational and strategic matters, and that free discussion facilitated better oversight of the monitoring of organisational risks and controls. It was noted that there was appropriate challenge of the views of the Chair and CEO, which had created a feeling of mutual respect and understanding. Whilst there was an agreement that the Board communicated well with key stakeholders, efficiencies could be gained from shorter, more concise Board papers.	Review and, where necessary, further structure the reporting processes of the remuneration and nominations committees to ensure clarity of roles and effective planning.
<b>4</b> <b>Board dynamics</b>	Board dynamics were positive and information was considered to be of a high standard. Meetings were well chaired and supported by the Company Secretary. Additional informal conversations with the Chair would be welcomed in between meetings.	Create more opportunities for directors to interact outside formal meetings, particularly to support the integration of new members and the new CFO.

### Objectives and outcomes arising from 2024 internal board review results and implemented during 2025

Objectives	Outcomes
Enhanced focus on Board succession planning to ensure skills and experience are enhanced following Elizabeth Edwards' retirement from the Board.	Appointment of Johannes Conradi, to enhance the Board's German real estate experience.
Ensure regular feedback on employee matters to ensure culture is embedded in the organisation and it is in line with values and long-term success of the business.	Town Hall meetings to which employees are invited, facilitating an understanding of the Group's culture and values.
Arrange deep dives into alternative strategic options.	Implementation of focus session on specific strategic areas of the business at Board meetings during the year. Strategy Board meeting agenda streamlined concentrate on strategic challenges and opportunities in the real estate market.
Increase interaction with the Chair through dedicated one-to-one sessions. Facilitate opportunity to spend more time with executive and management teams to share experiences.	One-to-one sessions with the Chair offered to each Board member. Property tour in Lyon to spend more time with teams in different countries.

# Audit Committee Report

Ensuring oversight, risk management and integrity of financial reporting

## Dear shareholder

On behalf of the Audit Committee, I am pleased to present the report of the Committee for the year ended 31 December 2025. This report is intended to provide an insight into the work of the Committee during the year.

## Role of the Committee

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

## Membership and attendance

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

My experience means I have recent and relevant financial experience, and my fellow Committee members all have significant experience of the real estate and other commercial sectors, including other audit committees on which they sit. Further details of our experience can be found on pages 66 and 67.

The Committee met four times during 2025.

## Valuations

We continue to ensure that the assumptions made by the valuers underpinning the valuations were appropriate. In March we received presentations from our valuers in each region and had the benefit of reviewing their reports in advance. We were able to challenge the valuers on specific properties where there was a significant valuation variance from the prior period end. The Committee is of the view that the valuations are appropriate. Further commentary on matters relating to valuations are set out below.

## Going Concern

The Committee continued to monitor and review the going concern assessment. As there has been relatively little change to the macro-environment, the key going concern challenges remain.

At the half year and the year end, the Committee noted that in both the 'Base Case' and the 'Severe but plausible' scenario, the Group is reliant upon its ability to both refinance maturing debt and to complete a number of investment property disposals in the going concern period in challenging market conditions.

During 2025 we refinanced all of our maturing debt facilities, totalling over £370 million, and have significantly fewer refinancings due in 2026. We also sold properties to the value of £144.2 million during 2025. With this track record, Management remain confident that planned refinancing and property disposals will be achieved over the going concern period. However, it continues to be the case that our refinancings of facilities that fall due within the going concern review period, and planned property disposals, are outside management's direct control.



**Bill Holland**  
Chair, Audit Committee

## Committee members' attendance during the year ended 31 December 2025

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

Consequently we reached the conclusion that a material uncertainty existed in both the 'Base Case' and 'Severe but plausible' scenario that could cast significant doubt on the Group's ability to continue as a going concern.

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

Notwithstanding the material uncertainty, after due consideration, the Committee is satisfied that the assessment of the going concern basis and statements made in connection with it are appropriate. In addition, having taken into account the key judgements made in relation to the going concern period, and the current progress on both the refinancings and sales, the Committee agreed that there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due and to continue as a going concern for the period to at least 31 July 2027.

# Audit Committee Report continued

## Review of Internal Controls

To ensure compliance with provision 29 of the Code, Management have completed their assessment and documentation of the Group's 30 material internal controls covering the key risk areas. The diagram below provides a summary of the governance and oversight over these material controls across the Group.

Key material controls tested for effectiveness in 2025 include:

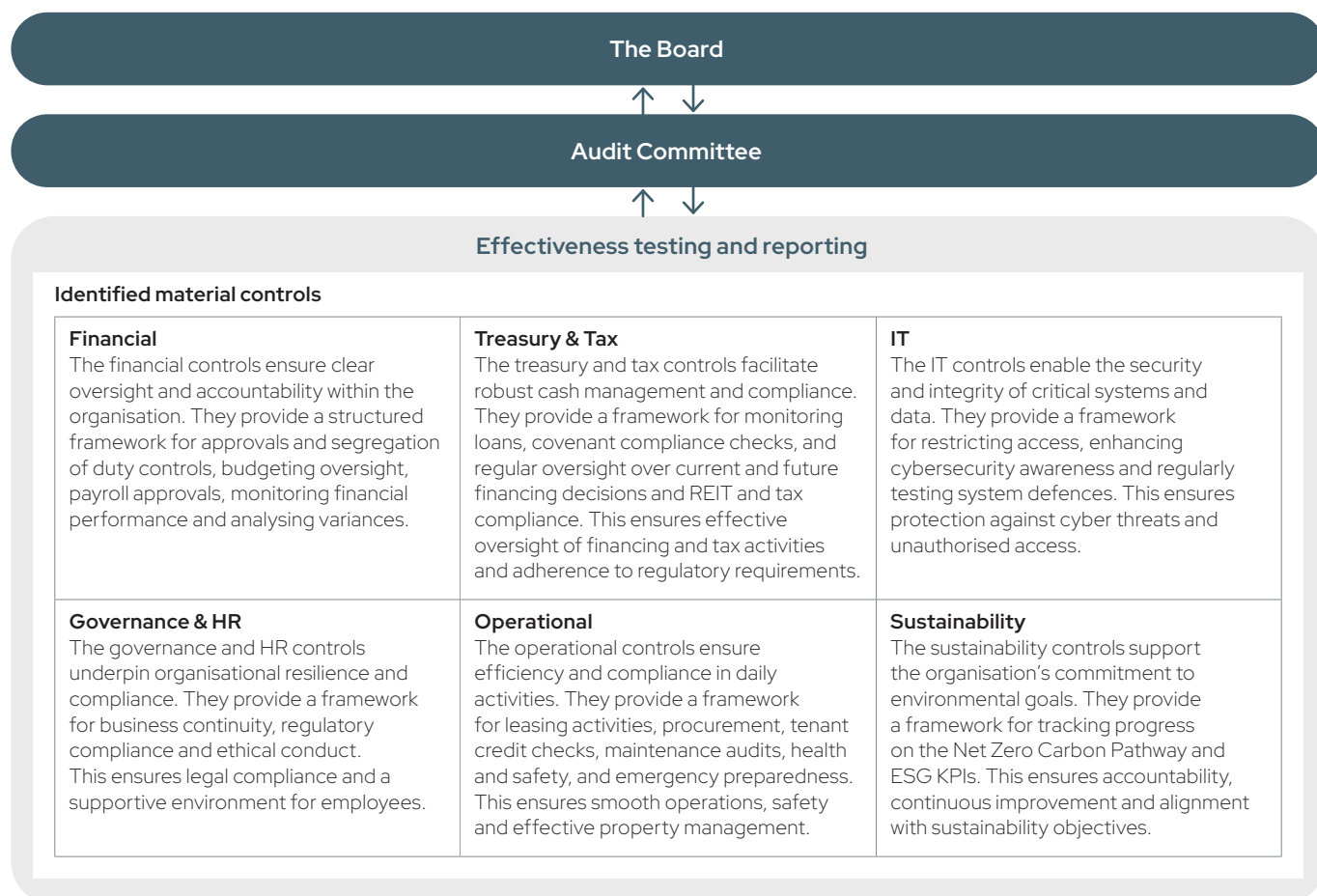
- **Financial** – authorisation procedures, financial monitoring and reporting controls.
- **Treasury & Tax** – covenant compliance, bank reconciliations, REIT tax assessment controls.
- **Operational** – approval of new leases and renewals, tenant credit checks, safety compliance, valuation information.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

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

## Sustainability

The sustainability data platform implemented last year is now providing instant management information in relation to energy (and therefore carbon) consumption, which is both supporting our property management teams to focus resources to achieve further energy and carbon savings and measuring our progress against the Net Zero Carbon Pathway.

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



### Cyber Risks

During the year, we received presentations from our Head of IT outlining the steps the Group had taken to reduce the potential for a cyber security incident. This included penetration testing, which showed that our security defences were sufficiently resilient, and the IT training to assist employees in preventing risks entering our IT environment has been effective. The Committee was pleased to note that we would be seeking Cyber Essential Plus certification during 2026 with significant preparation having been undertaken in 2025.

### Performance of the Committee

The Committee undertakes a review of its performance each year. During 2025, this review was undertaken internally by way of a questionnaire and concluded that the Committee continued to perform effectively and had unfettered access to the information and advice it needed to make informed decisions on all matters related to remuneration.

### Bill Holland

Chair, Audit Committee

## Our focus for the year ahead

- Ensure valuations and associated assumptions are appropriate
- Monitor principal and emerging risks to ensure the risk register remains appropriate and mitigations are in place
- Ensure oversight of implementation of Code Provision 29
- Review and monitor material internal controls and receive regular updates on internal controls testing
- Receive regular reviews on the implementation of MRlx in Germany, a new property and finance software system
- Foster a good working relationship with the external auditor, with a focus on the key issues outlined in each audit report during the year
- Monitor the impact of changes to accounting and governance laws and regulations
- Monitor sustainability data reporting and processes

## Provision 29 timeline

2024	
June	Management initiate review of all internal controls
September	Management refines these controls to identify those it considers to be material
November	Report to the Audit Committee outlining process of identification and proposed material controls
2025	
January	Initial cycle of testing of selection of material controls performed
February	Results of first cycle of testing of material controls reported to Audit Committee
June	Second cycle of testing of selection of material controls performed
August	Results of second cycle of testing of material controls reported to Audit Committee
November	Update provided to the Audit Committee along with summary of our progress compared with our peers towards readiness for declaration of effectiveness of material controls
2026	
February	Third cycle of testing of selection of material controls performed
March	Results of third cycle of testing of material controls reported to Audit Committee
August	Management to provide Audit Committee update of progress towards declaration of effectiveness of internal controls
November	Committee report to the Board on effectiveness of material controls made as at 31 December
December	Assessment of effectiveness of material controls made as at 31 December



# Audit Committee Report continued

## Main activities during the year

### Principal responsibilities of the Committee

Areas of responsibility	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
<p>Monitoring the <b>integrity of the financial statements</b> and any formal announcements relating to financial performance, and reviewing significant financial reporting judgements contained in them</p>	<p>At our meetings in March 2026 and August 2025 we reviewed the full year and half-year results, respectively. This was in conjunction with the external audit report from BDO, our external auditor, on the year-end financial statements.</p> <p>We challenged management on the integrity of those financial statements and our discussions with them focused on the significant financial judgements which are explained in the next table.</p> <p>The Committee was satisfied with the outcome of our discussions with management on the integrity of the financial statements.</p>
<p>Providing advice on whether the annual report and accounts, taken as a whole, is <b>fair, balanced and understandable</b>, and providing the information necessary for shareholders to assess CLS' position and performance, business model and strategy</p>	<p>We reviewed the 2025 annual report and accounts at our two Committee meetings in March 2026, and reported our conclusions to the Board that it contained sufficient information for shareholders to assess the Group's performance and strategic operations.</p> <p>We also considered the Alternative Performance Measures ('APMs') that CLS uses alongside statutory figures and concluded that these should remain unchanged from last year and that these assist in providing stakeholders with additional useful information on the underlying trends, performance and position of the Group. Note 5 and the Supplementary disclosures to the financial statements give a full description and reconciliation of our APMs.</p> <p>Additionally, having considered how the report was formulated, reviewed internally and by the external auditor, we considered that the 2025 annual report and accounts meets the criteria set out in Provision 25 of the Code and recommended them to the Board. The Board's statement is set out on page 119.</p>
<p>Reviewing our <b>risks, risk management systems and internal financial controls</b></p>	<p>The Committee assists the Board in undertaking a thorough assessment of the Group's principal and emerging risks. It receives reports at its meetings which identify principal risks and any movements in them, which it reviews and reports to the Board on its findings, for wider discussion and approval. The ways in which the Group's principal and emerging risks are identified and addressed are set out on pages 53 to 60.</p> <p>We reviewed the overall status of the principal risks and uncertainties, the changes in risk profile in 2025 and the current direction of travel for 2026. It was noted that in 2025, the risk profiles remained largely unchanged. In regard to the current direction of travel of the risks faced, our assessment deemed that there would be no material changes in the risk profiles. We will continue to monitor any changes to the Political &amp; Economic risk profile and any adverse effects this may have in the market.</p> <p>As explained on page 53, during the year, in addition to reviewing the established framework for internal controls and risk management systems, the Committee received and discussed reports from management on the operation and testing of the Group's internal controls.</p> <p>We also continued to monitor the roll-out of the Group's new property and finance system, which is now live in the UK and France. German implementation was delayed due to software deficiencies and is now expected to be in Q1 2026. The system is now starting to provide the operational efficiencies expected, following a significant amount of testing and development.</p>
<p>Monitoring and reviewing annually whether there is a need for an <b>internal audit function</b></p>	<p>In light of the size and complexity of the Group, and the regular updates the Committee receives on internal controls operation and testing, the Committee considers that there remains no requirement for an in-house internal audit function. How assurance on internal controls is achieved is set out on page 82 and pages 53 and 54.</p>

Areas of responsibility	Key areas discussed and reviewed by the Committee during the year in discharging its responsibilities
<p>Conducting the audit tender process and making recommendations to the Board, about the <b>appointment, reappointment and removal of the external auditor</b>, and approving the remuneration and terms of engagement of the external auditor</p>	<p>Our last competitive tender process was undertaken in May 2024 and BDO were appointed as the Group's external auditor on 8 September 2024. They will stand for reappointment at the 2026 AGM.</p> <p>In undertaking this tender, the Committee considers that it complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and follow the Audit Committees and the External Audit: Minimum Standards, May 2023.</p> <p>The Committee reviewed the fee for the 2025 audit at its meeting in November 2025 and confirmed that it was appropriate.</p>
<p>Reviewing and monitoring the external auditor's <b>independence and objectivity</b></p>	<p>The Committee receives a report from the external auditor on their continued independence, contained in their report at the year end and at the planning meeting in November. There were no matters that may have hindered their independence, therefore, following consideration, the Committee considers BDO remains independent and objective in its external audit of the Group.</p>
<p>Reviewing the effectiveness of the <b>external audit process</b>, taking into consideration relevant UK professional and regulatory requirements</p>	<p>We reviewed BDO's reports on the external audit plan from the audit of the annual report and accounts. We found the reports to be comprehensive, sufficiently detailed and focused.</p> <p>We also met with the auditor prior to the Board's final approval of these financial statements in order to receive in-depth reports on the external audit process. The Committee noted occasions where the auditor challenged management and the results of those challenges. We are pleased to report that there were no issues of a material nature that needed to be brought to the Board's attention.</p> <p>After the external audit process has taken place the Committee meets with internal stakeholders to review the effectiveness of the external audit process. This is fed back to our external audit partner. We consider that BDO provided an effective audit and that key accounting and auditing judgements had been identified and reported in line with regulatory and professional requirements. This allowed us to recommend their reappointment to the Board.</p> <p>The Committee also met with BDO during the audit process without management present to ascertain if there were any concerns, to discuss the audit reports and to ensure that BDO received the support and information requested from management. No concerns were identified.</p> <p>During the year, the Financial Reporting Council Audit Quality Review (AQR) team inspected the audit of the financial statements for CLS Holdings plc carried out by BDO LLP for the year ended 31 December 2024. The Committee considered the findings from the AQR final report and BDO's responses and proposed future actions. In addition, the Audit Committee Chair and Audit Partner discussed the final report and the Audit Committee Chair met representatives from the AQR team to understand their key findings and recommendations. Based on its review of the report and discussions with BDO and the AQR team, the Committee is satisfied that comments raised by the AQR have been incorporated into the work carried out by the external auditor and the audit continues to be effective.</p>
<p>Developing and implementing a policy on the engagement of the external auditor to <b>supply non-audit services</b>, ensuring there is prior approval of non-audit services, considering the impact this may have on <b>independence</b>, taking into account the relevant regulations and ethical guidance, and reporting to the Board on any improvement or action required</p>	<p>The Committee has developed a policy on the supply of non-audit services to safeguard auditor independence and objectivity. The policy reflects the requirements of the FRC's ethical standard.</p> <p>During the year non-audit services undertaken by the external auditor amounted to £210,000 (2024: £nil). This reflected fees undertaken for reporting accountant services and was approved by the Committee in accordance with the policy.</p> <p>The Committee considers that it has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.</p>

# Audit Committee Report continued

Significant issues considered by the Committee relating to the financial statements	How these issues were addressed by the Committee
<b>Property valuations</b>	<p>The Committee met with the Group's UK, German and French valuers during the year and extended an invitation to the whole Board to attend. During the meetings we discussed the methodology used for the six monthly valuations of the Group's properties and received in-depth reports on the local markets in which the properties were located.</p> <p>We discussed the risks and opportunities for the key properties in each location that were of significant value or had the largest changes in valuations to better understand the valuers' key assumptions and how they align with our long-term plan for each property. Independently, the external auditor also met with the Group's valuers using real estate specialists and provided the Committee with a summary of their review contained within their report at year end.</p> <p>The Committee was satisfied with the explanations provided by the valuers in relation to the portfolio and that the methodology, assumptions and judgements used were appropriate. The Committee recommended to the Board that the valuations were suitable for inclusion in the financial statements and the work of the auditor was adequate.</p>
<b>Going concern and viability statements</b>	<p>As described above, the Committee considered management's assessment of the Group's going concern and viability statements.</p> <p>In accordance with Provisions 30 and 31 of the UK Corporate Governance Code, our going concern and viability statements, and the methodology used in their preparation, can be found on pages 61 to 63.</p>
<b>Revenue recognition</b>	<p>The Committee considered the main areas of judgement exercised by management in accounting for revenue, including the treatment of rent, lease incentives and service charge income. The external auditor confirmed that they had audited the timing of revenue recognition, treatment of rents, service charge income, other property-related income and lease incentives, and assessed the risk of management override of controls. Based on the audit procedures performed, they did not identify any matters to bring to the Committee's attention. The Committee, having consulted with the external auditor, concurred with the judgements applied by management and was satisfied that revenue is appropriately recognised and reported.</p>
<b>Significant transactions</b>	<p>The Committee considered there to be no significant transactions during the year that were outside the ordinary course of business.</p>
<b>Management override of controls</b>	<p>The Committee assessed the framework for financial controls, which are regularly updated by management and brought to the Committee for review and approval. The Committee found no concerns arising from its review.</p> <p>The Committee received an overview of how the Group implemented its compliance obligations in response to the new Failure to Prevent Fraud ("FTPF") Offence introduced under the Economic Crime and Corporate Transparency Act 2023 ("ECCTA").</p> <p>The external auditor performed planned audit procedures on the key areas which may be susceptible to management override of controls. This included identifying fraud risks during the audit planning stages, making inquiries of management about risks of fraud and the associated controls, considering the effectiveness of management's controls designed to address the risk of fraud and performing specific procedures regardless of identified risks, including journal entry testing. The external auditor confirmed to the Committee that they did not identify any matters that suggested there had been instances of management override during the year.</p>

# Remuneration Committee Report

Balancing reward with performance

## Dear shareholder

I am pleased to present the Report of the Remuneration Committee ('Report') for the year ended 31 December 2025. 2025 has been a busy year for the Committee as we undertook a review of the Directors' Remuneration Policy ahead of a shareholder vote at the 2026 AGM. I am grateful for the input provided by our largest shareholders and the proxy voting agencies who have helped shape the design of the new policy.

The sections contained in this Report are:

- this Annual Statement from the Chair of the Committee;
- the Annual Report on Remuneration which explains how we have paid our Directors this year and how our framework aligns with our wider strategy and corporate governance best practice, as well as how we consider remuneration of the wider workforce in relation to executive pay; and
- the proposed Directors' Remuneration Policy which sets out the key terms of how we intend to pay directors over the three year period 2026-2028.

The Annual Statement and the Annual Report on Remuneration are subject to a single advisory shareholder vote and the Directors' Remuneration Policy will be subject to a binding shareholder vote at the AGM, which will be held on 23 April 2026.

## Business context

Slow economic growth and political uncertainty, both domestically and internationally, was not conducive to improved investment markets or occupier demand, making 2025 a challenging year for the Group. The focus this year has been on delivering our strategic objectives: reducing vacancy and cost control, reducing debt through asset sales, completing refinancings due in 2025 and investing in our portfolio. Despite the market headwinds, the management team had achieved a significant amount during the year. Group vacancy reduced in the second half of 2025 (and it would have reduced further had it not been for two German insolvencies), we sold £144.2 million of property which reduced our LTV ratio and repaid, refinanced or extended £373.7 million of debt which smoothed our debt maturity profile, and we have invested over £14 million in the portfolio. Improvements to vacancy was offset, as expected, by lost income and lower NTA through asset sales, and planned expiries. As we implement our strategic priorities in 2026, we are aiming for £100 million to £150 million of assets sales. This, combined with refinancing activity, lease expiries and redevelopments, will impact both EPS and NTA in 2026. However, we consider that this strategic repositioning of the portfolio will deliver long-term value for shareholders.

## Incentive outcomes for the year ended 31 December 2025

The 2025 annual bonus was based on four key metrics for the Group: EPRA EPS (30%), EPRA vacancy rate (25%), Group loan to value (15%) and strategic objectives (30%). The financial targets were set at the start of the year and took into account internal forecasts and the external outlook. EPRA EPS of 7.6p was lower than last year reflecting reduced net rental income largely as a result of £143.3 million of properties sold and planned expiries. This was partially offset by lower financing



Eva Lindqvist  
Chair, Remuneration Committee

## Committee members' attendance during the year ended 31 December 2025

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

costs and lower operating and administrative costs. The outcome against this measure was above the threshold but below target. Group LTV was 50% which reflected a balance of asset disposals and property value declines during the year. As a result of second half letting activity, EPRA Vacancy ended the year at 14.5%. The LTV and EPRA Vacancy outcomes were also above threshold but below target.

While the EPS outcome was lower than the prior year, reflecting the planned and executed asset disposals, they were in line with the Board's strategy to lower debt and LTV.

The Committee believes that the 2025 financial outcomes are reflective of the overall performance of the Group, but also notes the excellent progress made on our strategic priorities which were based on ESG, operation and digitisation objectives.

As a result, the overall performance against the financial and strategic objectives has resulted in a bonus of 46.7% of maximum for the year which the Committee considers is reflective of overall performance.

The LTIP awards granted in 2023 were based on relative TSR and relative EPRA NTA growth. CLS's TSR performance was below median and therefore this part of the award will lapse. The EPRA NTA measure outcome is pending as we await the publication of peer group reports. The outcome of this measure will be reported in next year's report.

# Remuneration Committee Report continued

## Director changes

Andrew Kirkman gave notice of his intention to leave CLS on 27 June 2025. Mr Kirkman ceased to be a director on 5 January 2026 and remained an employee to provide a period of handover until 31 January 2026. Mr Kirkman received his base salary, benefits and pension until the date of cessation of employment and he did not receive a payment for loss of office. He did not receive an annual bonus for 2025 performance and forfeited his outstanding LTIP awards and his right to an annual bonus for 2026.

Harry Stokes joined the CLS Board and was appointed as CFO on 5 January 2026. His base salary has been set at £300,000 based on his skills and experience and will next be reviewed in 2027 to ensure it aligns with his development and is comparable to market rates.

## 2026 Directors' Remuneration Policy review

### Background

Since approval of the Policy in 2023, the real estate industry has seen significant challenges brought about by macro-economic events that have continued for longer than expected, principally driven by higher interest rates impacting financing costs, property valuations and company leverage. The office sector has also seen structural changes in the way occupiers use their space with emphasis on amenities and collaboration space as well as regulatory and tenant requirements around sustainability and energy consumption.

Despite this macro-economic and structural backdrop, the Group's operations remain robust. We continue to make progress reshaping the business, creating a more focused portfolio of higher-quality, faster-growing properties to drive earnings growth.

### Proposed change to long-term incentives

Long-term incentives are currently delivered via performance-based share awards ('Performance Share Awards' or 'PSAs'). However, going forward, the Committee wishes to move to a hybrid structure permitting the grant of both PSAs and Restricted Share Awards ('RSAs') for Executive Directors for the following key reasons:

- **Cyclical nature of the sector** – The hybrid structure will result in a more balanced approach to incentive provision in respect of aligning to the Company's strategy of delivering shareholder returns through both portfolio transformation and long-term asset management. In addition, a blend of performance-based awards and restricted share awards is much better suited to the cyclical nature of the Company's sector.
- **Alignment below board** – the hybrid structure will align with the approach below Board, with senior management receiving a combination of PSAs and RSAs.

The Committee is also mindful of the need to ensure the senior team members are appropriately retained (particularly in light of recent senior exits), noting recent long-term awards have vested at low or nil levels and in-flight awards are likely to have little value.

As part of the consultation with investors, the vast majority of shareholders were supportive of the move to a dual structure although a small minority wanted to understand further why a single PSA structure is not well suited at this time. In this regard, the Committee believes it is important for part of the long-term incentive to be based on absolute performance so that it incentivises the delivery of CLS's strategic priorities and shareholder value. However, as management implements its key strategy to sell a number of properties to reduce loan to value, the smaller portfolio makes medium-term growth target setting more challenging. Furthermore, CLS is a FTSE listed real estate business with exposure to the pan-European office sector and therefore has no directly comparable listed peers and this makes relative assessment of performance more challenging. Taking into account these factors, the Committee believes a mix of PSAs and RSAs is appropriate as it retains performance linkage at a time when setting robust absolute and relative targets is challenging.

### Neutral fair value exchange of quantum

The current LTIP policy limit is 200% of salary and the actual 2025 grant level for the CEO was below this at 175% of salary. The proposal for 2026 is to continue to operate at the lower 2025 level but by splitting the fair value equally between performance shares (87.5% of salary) and restricted shares (43.75% of salary) by adopting the generally accepted exchange principle of two PSAs for one RSA.

The Committee believes that this mix for 2026 provides an appropriate balance between (i) incentivisation to deliver growth through the use of absolute TSR, absolute TAR and relative TAR performance targets, and (ii) stewardship of the share price and people retention.

In future years under the Policy, the Committee wishes to retain flexibility on the mix of PSA and RSA awards subject to:

- retaining the two PSA for one RSA exchange ratio;
- maintaining the overall 200% of salary LTIP limit;
- applying a maximum cap on RSA quantum of 50% of salary; and
- considering the prevailing share price and risk of windfall gains at grant.

Our design incorporates a maximum 50% of salary cap on the level of RSAs that may be granted and the ability to flex up the PSA component of the overall award in 2027 and 2028 with a commensurate reduction in RSAs (subject to the overall 200% LTIP limit). In determining whether a higher performance share and lower restricted share component is appropriate, the Committee will consider the macro-economic environment and the visibility in setting long-term targets, the recovery in the CLS share price, and the balance between the need to retain and incentivise the senior leadership team. It is envisaged that the performance share component will be higher and the restricted share element lower once long-term visibility in respect of target setting has improved. This built-in flexibility ensures that the Committee is able to react to market and Company-specific developments over the next three years.

RSA awards will be subject to an underpin which will enable the Committee to reduce vesting in exceptional circumstances if, in the round, there has been material underperformance. In this regard, the Committee will consider performance against a framework comprising strategic delivery, financial health and the experience of our stakeholders.

### Annual bonus deferral

The current Policy states that annual bonus awards of up to 100% of salary will be paid in cash while amounts over this level will be deferred into shares for three years, with vesting subject to continued employment.

However, following the publication of the Investment Association's 2024 Principles of Remuneration in respect of reducing bonus deferral where an Executive Director has met the shareholding guideline, the Committee is proposing to amend its current approach to bonus deferral.

Going forward, where an Executive Director has met their in-employment shareholding guidelines (250% of salary for the CEO and 200% for the CFO role), the Committee may reduce or remove bonus deferral to the extent that this is considered appropriate.

### Implementation of Policy in 2026

The Committee reviewed base salaries for the Executive Directors in the context of the current economic environment and increases awarded to our general employee population. As a result, a 2% uplift was awarded to Fredrik Widlund, mirroring the percentage increase awarded to the wider workforce. Harry Stokes's salary has been set at £300,000 upon his appointment on 5 January 2026.

### Variable pay

Bonus potential remains unchanged at 150% of salary and 125% of salary for the CEO and CFO respectively. The 2026 annual bonus metrics will continue to be based on the following measures:

- EPRA EPS – 30%
- EPRA vacancy rate – 25%
- Group Loan To Value – 15%
- Strategic objectives (including ESG) – 30%

Subject to the approval of the new Policy, the CEO will receive PSA awards with a face value of 87.5% of salary and RSA awards with a face value of 43.75%. The CFO's award will comprise PSA awards with a face value of 72.5% of salary and RSAs with a face value of 36.25%. This is equal in fair value terms to the awards granted last year.

Our share price over the last few years has been volatile and, as the number of long-term incentive awards is driven by the share price at the time of grant, the Committee wishes to retain discretion to mitigate the risk of windfall gains occurring.

In this regard, while the share price at the time of writing is broadly in line with last year's grant price, it is the Committee's intention to review award outcomes at the point of vesting to assess if there is evidence of windfall gains. The PSA awards will vest based on the following performance criteria:

- **35% Absolute Total Shareholder Return (Share price and dividends)** – 25% of this award will vest for growth of 5% p.a. with full vesting for 14% p.a.
- **35% Absolute Total Accounting Return (NTA plus dividends)** – 25% of this award will vest for growth of 4% p.a. with full vesting for 8% p.a.
- **30% Relative Total Accounting Return (NTA plus dividends)** – measured against a peer group of companies from the FTSE 350 Real Estate Supersector.

The RSA awards will vest subject to the satisfaction of an underpin with further details set out in the Annual Report on Remuneration.

I am grateful to the constructive input provided by shareholders as part of the review of executive remuneration. This feedback has helped shape the proposed Policy which will be subject to a shareholder vote at the 2026 AGM. I hope you will support our new Policy and the advisory vote on the rest of this Report.

**Eva Lindqvist**  
Chair, Remuneration Committee

# Remuneration Committee Report continued

## Linking our Remuneration Policy to our Strategy

Company Strategy		<b>We acquire the right properties</b> <ul style="list-style-type: none"> <li>Invest in high-yielding properties, predominantly offices, with a focus on cash returns</li> <li>Diversify market risk by investing in geographical areas with differing characteristics</li> </ul>
		<b>We secure the right finance</b> <ul style="list-style-type: none"> <li>Target a low cost of debt</li> <li>Utilise diversified sources of finance to reduce risk</li> <li>Maintain an appropriate level of liquid resources</li> </ul>
		<b>We reward shareholders, customers and employees</b> <ul style="list-style-type: none"> <li>Grow dividend in line with growth of the business</li> <li>Provide cost-effective accommodation by investing profits back into the business</li> <li>Reward employees for their work and loyalty</li> </ul>
		<b>We deliver value through active management and cost control</b> <ul style="list-style-type: none"> <li>Maintain high occupancy rates</li> <li>Maintain a diversified customer base underpinned by a strong core income stream</li> <li>Maintain strict cost control</li> </ul>
		<b>We continually assess whether to hold or sell properties</b> <ul style="list-style-type: none"> <li>Focus on holding those properties with the potential to add value through active asset management</li> <li>Sell those properties which are low yielding or where the risk/reward ratio is unfavourably balanced</li> </ul>

Remuneration Principles	<b>Our Group strategy informs our Remuneration principles and our structure supports these objectives</b>			
	<b>Competitive</b>	<ul style="list-style-type: none"> <li>Salaries are targeted to be at a conservative level and variable pay is targeted at above median so that combined, total remuneration should be competitive when compared with companies of similar size and scale, i.e. peers in the FTSE 350/Small Cap real estate sector.</li> <li>LTIP ensures more competitive market positioning, provided that the executive team delivers long-term sustainable performance.</li> </ul>		
	<b>Performance</b>	<ul style="list-style-type: none"> <li>A significant part of the Executive Directors' reward is determined by the Company's success in delivering its strategy.</li> <li>Failure to achieve threshold levels of annual and long-term performance may result in no bonus and/or no vesting of the LTIP.</li> <li>The fixed element of the Policy remains conservative against industry and sector peers.</li> <li>The Committee retains discretion to adjust pay outcomes if they do not reflect wider business performance in line with best practice.</li> </ul>		
	<b>Shareholder aligned</b>	<ul style="list-style-type: none"> <li>A considerable part of the reward is paid in shares combined with significant shareholding requirements.</li> <li>Annual bonus over 100% of salary may be deferred in shares and vest after three years subject to continued employment.</li> <li>In the case of the LTIP, vesting and deferral applies over a period of five years from grant. This allows the build up and retention of meaningful shareholdings by the Executive Directors.</li> <li>Post-employment shareholding requirement increases lock-in over longer term and incentivises effective long-term decision-making.</li> </ul>		
	<b>Simple and transparent</b>	<ul style="list-style-type: none"> <li>All aspects of the remuneration structure are clear to participants and openly communicated.</li> <li>The annual bonus is aligned to market practice.</li> <li>The LTIP is aligned to market practice and is simple to understand.</li> <li>The overall framework for remuneration is therefore aligned with good governance.</li> </ul>		
<b>Our chosen incentive plan measures clearly support the Company strategy</b>				

<b>Annual Bonus (2025)</b>	EPRA Earnings Per Share (30%)	Group LTV (15%)	EPRA Vacancy rate (25%)	Strategic Objectives (30%)
<b>LTIP (2025)</b>	Absolute Total Shareholder Return (35%)	Absolute Total Accounting Return (35%)	Relative Total Accounting Return (30%)	

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

# Annual Report on Remuneration

This section of the report has been prepared in accordance with Part 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and Rule 6.6.6R of the UK Listing Rules. The Annual Statement and Annual Report on Remuneration will be put to a single advisory shareholder vote at the AGM on 23 April 2026.

This part of the report comprises five sections:

- A. Remuneration for 2025
- B. Directors' share ownership and share interests
- C. Pay comparison
- D. Remuneration Committee membership, governance and voting
- E. Implementation of Remuneration Policy in 2026

## A. Remuneration for 2025

### Single total figure of Directors' remuneration

The total remuneration of the Directors for the year ended 31 December 2025 and the prior year is shown in the table below:

Executive Directors		Salary/fees £'000	Benefits <sup>1</sup> £'000	Pension <sup>2</sup> £'000	Fixed pay Sub-total <sup>3</sup> £'000	Annual bonus <sup>4</sup> £'000	LTIP <sup>5</sup> £'000	Other <sup>6</sup>	Variable pay Sub-total £'000 <sup>7</sup>	Total £'000
Fredrik Widlund	2025	522	6	52	580	365	–	1	366	946
	2024	507	7	51	565	360	31	1	392	957
Andrew Kirkman	2025	335	8	33	376	–	–	1	1	377
	2024	325	9	33	367	192	13	1	206	573

1 Taxable benefits comprise the provision of medical insurance and gym contribution.

2 Pension comprises contributions to a pension scheme or cash payments in lieu of pension or both.

3 Fixed pay Sub-total column is the total of salary, pension and benefits.

4 Comprises the value of annual bonus in respect of 2025 performance which, in line with the 2023 Policy, will be paid in cash as the amounts are below 100% of base salary. Mr Kirkman did not receive a bonus in respect of 2025 performance.

5 The 2024 LTIP consists of the entire final value of deferred notional share balance under PIP A Account which was paid in March 2025 and no value has been attributed to the 2022 LTIP award, which lapsed in full. No value has been attributed to the 2025 LTIP as the 2023 LTIP is expected to lapse.

6 Other fees relate to: the Matching Shares that vested during the year under the All Employee Share Incentive Plan.

7 Variable pay Sub-total column is the total of bonus cash and deferred shares, LTIP and Other share based pay.

# Remuneration Committee Report continued

Non-Executive Directors		Base membership fees <sup>1</sup>	Other Committee fees	Additional fees	Taxable benefits <sup>8</sup>	Total
Johannes Conradi <sup>1</sup>	<b>2025</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
	2024	-	-	-	-	-
Elizabeth Edwards <sup>2</sup>	<b>2025</b>	<b>60</b>	<b>10</b>	<b>8</b>	<b>-</b>	<b>78</b>
	2024	60	10	4	1	75
Bill Holland <sup>3</sup>	<b>2025</b>	<b>50</b>	<b>15</b>	<b>-</b>	<b>1</b>	<b>66</b>
	2024	50	15	-	2	67
Eva Lindqvist <sup>4</sup>	<b>2025</b>	<b>50</b>	<b>20</b>	<b>-</b>	<b>1</b>	<b>71</b>
	2024	50	16	-	3	69
Bengt Mortstedt <sup>5</sup>	<b>2025</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
	2024	50	-	-	21	71
Anna Seeley <sup>6</sup>	<b>2025</b>	<b>128</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>
	2024	128	-	-	-	128
Lennart Sten <sup>7</sup>	<b>2025</b>	<b>235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235</b>
	2024	235	-	-	1	236

1 Mr Conradi was appointed on 15 September 2025 and his Board membership fee is prorated (£14,808).

2 Ms Edwards received the following annual fees: Board membership £50,000; Senior Independent Director £10,000 (included in base membership fee); Audit Committee membership £5,000; Nomination Committee Membership £5,000; and Workforce advisory fees £8,075 (included in Additional Fees). Taxable benefits £435.

3 Mr Holland received the following fees: Board membership £50,000; Audit Committee Chair £10,000; Remuneration Committee membership £5,000. Taxable benefits £1,006.

4 Ms Lindqvist received the following fees: Board membership £50,000; Remuneration Committee Chair £10,000; Audit Committee membership £5,000 and Nomination Committee membership fee of £5,000. Taxable benefits £1,170.

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

6 Ms Seeley received the annual following fees: Non-Executive Vice-Chair fee of £128,000 (inclusive of all Committee fees).

7 Mr Sten received the following annual fees: Non-Executive Chairman fee of £235,000 (inclusive of all Committee fees).

8 In accordance with the Company's expenses policy, Non-Executive Directors receive reimbursement for their reasonable expenses for attending Board meetings. In instances where those costs are treated by HMRC as taxable benefits, the Company also meets the associated tax cost to the Non-Executive Directors through PAYE.

## Annual bonus for the year ended 31 December 2025

The 2025 annual bonus was based on EPRA EPS (30%), EPRA vacancy rate (25%), Group loan to value (15%) and strategic objectives. A breakdown of the financial measures, targets and outcomes are set out below:

	Weighting	Threshold (25% payout)	Target (50% payout)	Maximum (100% payout)	2025 Achievement	% of maximum earned
EPRA EPS	30%	6.50	8.50	9.50	7.60	11.6
EPRA Vacancy rate	25%	15%	12%	10%	14.5%	7.3
Group LTV	15%	50%	45%	43%	50%	3.8
Strategic Objectives (see details below)	30%	Assessed by Remuneration Committee			80%	24.0
<b>Total</b>	<b>100%</b>					<b>46.7%</b>

The strategic objectives were based on three areas covering ESG, operational performance and digitisation. Further details of the objectives and their outcomes are set out below.

Objective	Achievement
<p><b>ESG specific performance</b></p> <p>To achieve a reduction in greenhouse gas emissions in line with the Net Zero Carbon Pathway model (2% like-for-like) and the delivery of planned building electrification projects to decarbonise heating as part of the NZC Pathway.</p>	<p>The Group met this objective by achieving a 9.3% reduction in carbon emissions and 5.8% reduction in energy usage (like for like), and completed its planned energy efficiency projects for 2025. This ensures we continue our path to significantly reducing emissions whilst investing in our buildings.</p>
<p><b>Operational</b></p> <p>Successfully execute the key Treasury priorities including the delivery of 2025 refinancings and progress with 2026 refinancings.</p> <p>Successful delivery of corporate projects.</p>	<p>The Group delivered on all refinancings totalling over £370 million and has made progress with 2026 refinancings, which was an exceptional achievement given the macro-economic environment.</p>
<p><b>Digitisation</b></p> <p>To fully implement MRlx across the business and to deliver operational efficiencies from the new system.</p>	<p>MRlx continues to bring operational enhancements to our internal processes in the UK and France. Management had committed to implementing MRlx in Germany in H1 2025, however continued delays to supplier enhancements resulted in further delays. The next available implementation date is scheduled for Q1 2026. The Committee noted that this delay was outside of Management's control, despite delivering on all testing deadlines, and that the delayed implementation was the correct decision in the circumstances to minimise business risk. This part of the strategic bonus outcome was partially met.</p>

The lower EPS outcome in 2025 reflected the planned asset disposals totalling £143.3 million, which resulted in reduced net rental income. A reduction in respect of the implementation of MRlx was appropriate due to prolonged delays in implementation, despite there being mitigating circumstances that were outside of management's control.

The overall bonus outcome was 46.7% of maximum. This resulted in the CEO's bonus of £365,254 equating to 70% of salary (out of a maximum opportunity of 150% of salary).

As the CEO's bonus is less than 100% of his base salary, the bonus will be paid in cash in line with the 2023 Directors' Remuneration Policy.

In accordance with the annual bonus plan rules, the CFO was not eligible for a 2025 bonus.

The Remuneration Committee believes the bonus outcome fairly reflects the performance of the business and the CEO over the 2025 financial year, with our four strategic objectives being actioned in a very challenging macro-economic environment. The Committee believes that the overall bonus payment is therefore appropriate.

#### Vesting outcome for the 2023 LTIP award

LTIP Awards were granted to Executive Directors on 13 March 2023. Vesting is subject to two relative measures – relative TSR (35%) and relative EPRA NTA per share (65%) – measured against the constituent companies of the FTSE 350 Real Estate Supersector Index.

The relative TSR element was assessed over the three-year performance period which ended on 31 December 2025. CLS' TSR growth was below median and therefore this resulted in nil vesting for this element, as set out in the table below.

The remaining 65% was based on a relative EPRA NTA per share performance condition. The outcome against this measure is pending and will be confirmed when all comparator group companies have published their 2025 EPRA NTA per share figures. When available, the Committee will assess the achievement against the EPRA NTA performance targets to determine the final vesting level of the 2023 awards.

# Remuneration Committee Report continued

The vesting outcomes in the tables below only relate to the relative TSR element. The final vesting outcome will be presented in next year's remuneration report.

Measure	Weighting	Performance target		Actual performance		
		Median (25% vesting)	Upper quartile (100% vesting)	CLS performance	LTIP vesting outcome of element	LTIP vesting outcome after weighting
Relative TSR growth	35%	18.6%	43.9%	(52.0)%	Nil	Nil
Relative EPRA NTA per share growth	65%	tbc	tbc	tbc	tbc	tbc
Vesting of LTIP (as a % of maximum)						tbc

The LTIP vesting figure for 2025 in the single figure table is based on the TSR outcome only. As this part of the award has lapsed, the reported figure is nil. In next year's report the 2025 figure will be updated to reflect the performance outcome against the EPRA NTA measure.

## Vesting outcome for the 2022 LTIP award

In last year's report we reported provisional vesting outcomes for the LTIP Awards which were granted on 16 March 2022. While the relative TSR performance period has concluded and the vesting outcome was known, the other half of the awards were subject to a relative EPRA NTA per share performance measure and this was estimated as the comparator group companies had not all published their 2024 EPRA NTA per share results.

This assessment was undertaken by the Committee during the year and the relative EPRA NTA measure was also not met. Therefore the 2022 awards lapsed.

Measure	Weighting	Performance target		Actual performance		
		Median (25% vesting)	Upper quartile (100% vesting)	CLS performance	LTIP vesting outcome of element	LTIP vesting outcome after weighting
Relative TSR growth	50%	(22.2)%	(15.0)%	(53.8)%	Nil	Nil
Relative EPRA NTA per share growth	50%	(14.7)%	2.85%	(38.7)%	Nil	Nil
Vesting of LTIP (as a % of maximum)						Nil

The Committee considered that the formulaic nil vesting outcome reflected the underlying performance of the Company. The LTIP value in the directors' remuneration table for 2024 was reported as nil in last year's report and has not therefore been restated.

## Payments to former Directors and loss of office payments

There were no payments to former directors or loss of office payments during the year.

Andrew Kirkman ceased to be a director of the Company on 5 January 2026. Mr Kirkman continued to provide a period of handover until ceasing employment on 31 January 2026.

Mr Kirkman received his base salary, pension contributions and employee benefits for the duration of his employment. There was no payment in lieu of notice.

Mr Kirkman did not receive an annual bonus in respect of performance in 2025 nor is he eligible for one in respect of 2026 in accordance with the rules of the CLS Holdings plc Annual Bonus Plan. His outstanding LTIP awards granted on 13 March 2023, 13 March 2024 and 2 April 2025 under the CLS Holdings plc Long-Term Incentive Plan lapsed upon cessation of employment.

## External appointments

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

## B. Directors' share ownership and share interests

### Share awards granted during 2025 under the LTIP (audited)

LTIP awards were granted on 2 April 2025 in the form of nil-cost options. The normal vesting date of the LTIP Awards will be 2 April 2028, being the third anniversary of the award date. Vested awards will be subject to a two-year holding period.

Name	Role	Face value of award (% of base salary)	Face value of LTIP award	% vesting at threshold	Number of shares granted	Vesting date	End of holding period
Fredrik Widlund	CEO	175%	£913,136	25%	1,409,160	2 April 2028	2 April 2030
Andrew Kirkman	CFO	145%	£485,498	25%	749,224	2 April 2028	2 April 2030

The number of awards was set by reference to the closing share price on the day prior to grant (64.8 pence). The LTIP awards will vest based on the satisfaction of the following performance conditions which are each measured over a three year performance period.

	Weighting	Threshold	Maximum
Absolute Total Shareholder Return	35%	5%p.a.	14%p.a.
Absolute Total Accounting Return	35%	4%p.a.	8%p.a.
Relative Total Accounting Return	30%	Median	Upper quartile

Vesting for performance between Threshold and Maximum will be determined on a straight line basis. The peer group for the Relative TAR measures comprises around 20 companies that are constituents of the FTSE350 Real Estate Supersector.

### Shareholdings and share interests

The share interests of each Director as at 31 December 2025 (together with interests held by connected persons) are set out in the table below. To align Executive Directors with the interests of shareholders, the Remuneration Committee has implemented shareholding guidelines for Executive Directors which require that the Chief Executive Officer should build a holding with a value of at least 250% of salary and the Chief Financial Officer of at least 200% of salary.

	No. of shares owned outright (including connected persons) 31 December 2025	No. of shares owned outright (including connected persons) 31 December 2024	Vested but unexercised LTIP awards	Unvested LTIP awards subject to performance conditions <sup>2</sup>	SIP shares (matching and partnership)	Shareholding as a % of salary as at 31 December 2025	Shareholding guidelines met? <sup>1</sup>
<b>Executive directors</b>							
Fredrik Widlund <sup>2</sup>	832,704	710,054	-	2,769,384	21,748	97	N
Andrew Kirkman <sup>3</sup>	466,237	466,237	-	1,447,492	18,672	86	N
<b>Non-executive directors</b>							
Johannes Conradi <sup>4</sup>	-	-	-	-	-	n/a	n/a
Elizabeth Edwards <sup>5</sup>	9,809	9,809	-	-	-	n/a	n/a
Bill Holland	51,453	18,931	-	-	-	n/a	n/a
Eva Lindqvist	21,400	-	-	-	-	n/a	n/a
Bengt Mortstedt <sup>5</sup>	26,063,140	26,063,140	-	-	-	n/a	n/a
Anna Seeley	84,273	12,273	-	-	-	n/a	n/a
Lennart Sten	111,350	111,350	-	-	-	n/a	n/a

1 Shares and share interests counting towards the shareholding requirement include beneficially owned and all SIP shares, but excludes unvested LTIP awards. Shareholding values based on 30-day average share price up to 31 December 2025, £0.595. Fredrik Widlund met the shareholding requirement of 250% of salary in 2021 and it is noted that his total interests increased during the year by 128,160 shares but the overall value decreased by £78,445 (2024: decrease £65,954). Mr Kirkman met the shareholding requirement of 200% of salary in 2022 and it is noted that whilst his total interests remained the same the overall value decreased by £97,218 (2024: decrease of £81,234).

2 At the date of this report, Mr Widlund's SIP shares was 23,244 shares.

3 Mr Kirkman resigned as a director on 5 January 2026. All unvested shares subject to performance conditions lapsed upon cessation of employment on 31 January 2026.

4 Johannes Conradi joined the Board on 15 September 2025.

5 Elizabeth Edwards and Bengt Mortstedt stepped down from the Board on 31 December 2025 and 28 February 2025, respectively. The number of shares is at the date of resignation.

# Remuneration Committee Report continued

## C. Pay comparison

### Percentage change in Directors' remuneration versus employee pay

The table below shows how the annual percentage change in each Directors' salary/fees, benefits and bonus between 2021, 2022, 2023, 2024 and 2025 compared with the percentage in each of those components of pay for employees. Only the executive directors are employees of CLS Holdings plc. All other employees are employed by wholly owned CLS Holdings plc subsidiaries.

	Percentage change 2025/24			Percentage change 2024/23			Percentage change 2023/22			Percentage change 2022/21		
	Salary/fees%	Taxable benefits %	Bonus %	Salary/fees%	Taxable benefits %	Bonus %	Salary/fees%	Taxable benefits %	Bonus %	Salary/fees%	Taxable benefits %	Bonus %
Fredrik Widlund	3	(14)	1	3	40	3	3	-	406	3.2	(46.3)	(37.0)
Andrew Kirkman	3	(11)	(100)	3	29	3	3	-	492	3.4	-	(36.3)
Johannes Conradi <sup>1</sup>	100	0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Elizabeth Edwards <sup>2</sup>	5	0	n/a	12	100	-	-	(201)	-	-	100.0	-
Bill Holland	0	(50)	n/a	8	0	-	-	46	-	-	(50)	-
Bengt Mortstedt <sup>3</sup>	(84)	(100)	n/a	11	(30)	-	-	4	-	-	75.0	-
Anna Seeley	0	0	n/a	7	0	-	-	-	-	-	-	-
Lennart Sten	0	(100)	n/a	7	100	-	-	-	-	-	-	-
Eva Lindqvist	6	(67)	n/a	371	50	-	100	100	-	n/a	n/a	n/a
Employees	(3.5)	(12.7)	2.6	(7.7)	(0.4)	64	(3)	2	(36)	(1.5)	12.6	(25.8)

1 Mr Conradi appointed on 15 September 2025.

2 Ms Edwards retired on 31 December 2025.

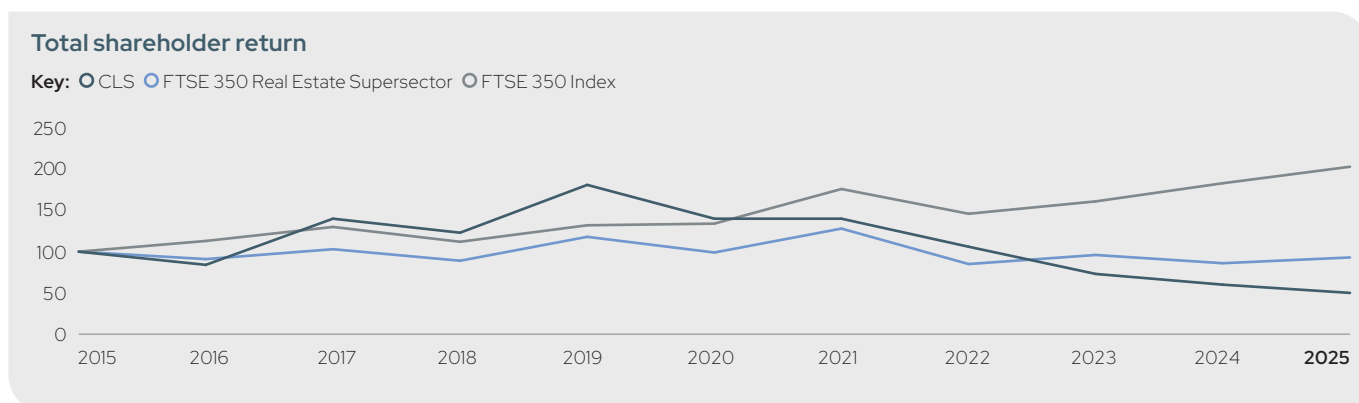
3 Mr Mortstedt retired on 28 February 2025.

### CEO Pay ratio

CLS Holdings plc had fewer than 250 UK employees as at 31 December 2025 and is therefore not required to disclose the CEO pay ratio information under the regulations.

### Total shareholder return performance graph and CEO total pay

The following graph illustrates the total return, in terms of share price growth and dividends on a notional investment of £100 in CLS Holdings plc over 10 years to 31 December 2025 against the FTSE 350 Index and the FTSE 350 Real Estate Supersector. The Committee believes these are the most appropriate indices for comparison.



The table below sets out the total single figure for the CEO role over the last 10 years as well as the PIP A/annual bonus and PIP B/LTIP outcomes shown as a percentage of the maximum that could have been achieved.

Year	CEO	CEO single figure of total remuneration £'000	PIP A/Annual bonus payout against maximum opportunity %	PIP B/LTIP vesting (as & of maximum) %
<b>2025</b>	<b>Fredrik Widlund</b>	<b>946</b>	<b>46.7%</b>	<b>0%</b>
2024	Fredrik Widlund	957	47.0%	0%
2023	Fredrik Widlund	952	46.9%	0%
2022	Fredrik Widlund	835	18.4%	29.9%
2021	Fredrik Widlund	944	31.1%	n/a
2020	Fredrik Widlund	830	43.3%	n/a
2019	Fredrik Widlund	1,078	87.3%	87.3%
2018	Fredrik Widlund	1,117	62.7%	62.7%
2017	Fredrik Widlund	1,062	93.3%	93.3%
2016	Fredrik Widlund	828	76.0%	76.0%

1 The Annual bonus plan replaced MIP Element A in 2023.

2 Percentage shown represents the percentage of salary rather than percentage of max opportunities.

### Relative importance of the spend on pay

The following table shows the Company's actual spend on pay for all Group employees relative to distributions to shareholders and Group revenue:

	2025 (£'000)	2024 (£'000)	Percentage change Increase/ (decrease)
Remuneration paid to employees of the Group	<b>7,891</b>	8,177	(3.5)%
Distributions to shareholders	<b>15,825</b>	31,594	(50)%
Share buyback	<b>Nil</b>	Nil	Nil
Group revenue	<b>139,725</b>	151,879	(8)%

# Remuneration Committee Report continued

## D. Remuneration Committee membership, governance and voting

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

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

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

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

During 2025, the Committee met five times and held a number of informal discussions with the Executive Directors and the full Board. We believe it is important that during the year the Committee keeps up-to-date to enable timely discussions where business decisions may affect remuneration.

The Company Secretary acts as secretary to the Committee.

To ensure that the Group's remuneration practices are in line with best practice, the Committee has appointed an independent external remuneration advisor. FIT Remuneration Consultants LLP (FIT) were appointed in November 2024 and during the year, the Committee sought advice on the design of the proposed 2026 Directors' Remuneration Policy, emerging issues and development of good practice as well as selecting performance measures and target setting. Selected members of management (including the CEO and the CFO) are invited to attend meetings where appropriate. The Group Company Secretary and COO is the secretary to the Remuneration Committee. Attendees are not involved in any decisions and are not present for any discussions regarding their own remuneration.

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

The fees for the advice provided in 2025 by FIT were £76,081 excluding VAT (2024: £nil).

### Shareholder voting

The following table represents the voting outcome for the Directors' Remuneration Report at the 2025 Annual General Meeting and the current Policy that was approved at the 2023 Annual General Meeting.

	Directors' Remuneration Report (2025 AGM)		Directors' Remuneration Policy (2023 AGM)	
	Number of votes	% of votes cast	Number of votes	% of votes cast
For	286,942,189	87.40	349,550,240	99.17
Against	41,348,763	12.60	2,931,226	0.83
Total votes cast	328,290,952		352,481,466	
Votes withheld	6,656,175		101,878	

## E. Implementation of Remuneration Policy in 2026

### Base salaries

The CEO's base salary will increase by 2% from £521,792 to £532,228 in line with the average UK workforce increase of 2%.

The new CFO's base salary has been set at £300,000 upon his appointment and will next be reviewed in 2027.

### Non-executive directors' fees

No change.

### Annual bonus

For 2026, the maximum bonus opportunities will be 150% of salary for the CEO and 125% of salary for the CFO.

The metrics for the Annual bonus will be:

EPRA EPS – 30% weighting (no change)

Group LTV – 15% weighting (no change)

EPRA Vacancy rate – 25% (no change)

Strategic Objectives (including ESG) – 30% (no change)

In line with market practice for traditional annual bonus arrangements and with the bonus increasingly being driven by commercially sensitive targets, the Committee has not disclosed detailed annual bonus targets for 2026. However, full and transparent disclosure of the targets and performance outcomes will continue to be set out on a retrospective basis in next year's Directors' Remuneration Report.

### Hybrid awards

The CEO will receive a hybrid award comprising performance shares with a face value of 87.5% of salary and restricted shares with a face value of 43.75% of salary. The CFO will receive performance shares with a face value of 72.5% of salary and restricted shares with a face value of 36.25% of salary.

With regard to windfall gains, it is the Committee's intention to reduce outcomes at the point of vesting if there is evidence of windfall gains.

The Performance share awards will be subject to the following measures and targets:

- (35%) Absolute TSR – 25% of this award will vest for growth of 5% p.a. with full vesting for 14% p.a.
- (35%) Absolute TAR – 25% of this award will vest for growth of 4% p.a. with full vesting for 8% p.a.
- (30%) Relative TAR – The peer group for Relative Total Accounting Return is based on the FTSE 350 Supersector Real Estate Index and excludes certain companies that are deemed to be less relevant for comparison. The comparator group constitutes around 20 companies. 25% of this part of the award vests for median and 100% vests for upper quartile or better.

The Restricted share awards will be subject to a qualitative underpin which will enable the Committee to reduce vesting in exceptional circumstances if, in the round, there has been material underperformance. In this regard, the Committee will consider performance against a framework comprising strategic delivery, financial health and stakeholders.

#### Factors the Committee may consider (but are not limited to), will include:

Strategic priorities	Delivery of key strategic objectives over the vesting period including operational performance.
Financial health	The overall financial health of the business which may have regard to Revenue, Earnings per Share, Total Accounting Return, Total Shareholder return, Debt, Vacancy rate, Dividends and Balance Sheet strength.
Stakeholder experience	Consideration of key stakeholders including employees, customers, suppliers and shareholders.

### Eva Lindqvist

Chair, Remuneration Committee

# 2026 Directors' Remuneration Policy

In accordance with the regulations, the Directors' Remuneration Policy (the 'Policy') as set out below will operate from 1 January 2026 and be put to a binding shareholders' vote and become formally effective, if approved, at the 2026 Annual General Meeting on 23 April 2026.

It will apply for a period of three years until the 2029 AGM, unless a revised Policy is approved by shareholders before then.

## Summary of proposed changes to the Policy

The Committee is proposing two main Policy changes as follows:

- To introduce the ability to grant hybrid long-term incentive awards such that future LTIP Awards to Executive Directors may be granted on an annual basis as a combination of performance-based share awards (PSAs) and service-based restricted share awards (RSAs) with no increase to the overall LTIP quantum. RSAs will be subject to the same three-year vesting period as the PSAs and the same two-year post-vesting holding period – providing a total five-year period between grant and the ability to sell the shares (apart from sales to settle tax on vesting/exercise). Vesting of RSAs will also be subject to a robust underpin assessment by the Committee. The Committee will have the right to cancel or scale back vesting if it considers that there has been significant underperformance over the vesting period. The underpin assessment by the Committee will be a rounded appraisal of all aspects of performance, including: strategic delivery, financial health and the stakeholder experience.
- To provide for the flexibility for a reduction of the level of bonus deferred where shareholding guidelines are met. The current Policy states that annual bonus awards up to 100% of salary will be paid in cash with amounts over this level deferred into shares for three years with vesting subject to continued employment. Going forward, the Committee may reduce or remove the deferral requirement if an Executive Director has met their in-employment shareholding guidelines (250% of salary for the CEO and 200% for other Directors).

This section of the report is the detailed Policy table that forms part of the Remuneration Policy for Executive and Non-Executive Directors which will be put to shareholders for approval and, if approved, be effective from the conclusion of the 2026 AGM for the following three years:

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<b>Executive Directors</b>			
<p><b>Base Salary</b> Provides a base level of remuneration to support recruitment and retention of Directors with the necessary experience and expertise to deliver the Group's strategy. Key element of core fixed remuneration.</p>	<p>Reviewed annually and usually fixed for 12 months. Factors taken into account include:</p> <ul style="list-style-type: none"> <li>• remuneration practices within the Group;</li> <li>• the general performance of the Group;</li> <li>• experience and individual performance;</li> <li>• changes in the scale, scope or responsibilities;</li> <li>• salaries within the ranges paid by the companies in the comparator groups used for remuneration benchmarking (when the Committee determines a benchmarking exercise is appropriate); and</li> <li>• the economic environment.</li> </ul>	<p>Salaries will be set to be competitive in the range for the Company's comparator groups.</p> <p>In general, salary rises to Executive Directors will be in line with the rise to UK based employees. However, larger increases may be offered if there is a material change in the scope and responsibilities of the role, including significant changes in Group size and/or complexity or if it is necessary to remain competitive to retain a Director.</p>	<p>None, although individual performance and contribution are taken into account.</p>
<p><b>Benefits</b> To provide a competitive level of benefits and encourage the wellbeing and engagement of employees.</p>	<p>The key benefits provided to the Executive Directors include private medical insurance, life insurance, income protection, gym contribution and staff lunch provision.</p> <p>In the event of relocation, the Committee may offer relocation expenses, tax equalisation and support in meeting specific costs incurred by Executive Directors.</p> <p>Executive Directors may participate in benefits programmes on the same basis as other employees. Other benefits (in line with those received by the general workforce) may be offered at the discretion of the Committee, such as long service awards or recognition of life events.</p>	<p>Market level in the range for the Company's comparator groups. No maximum has been set as the cost of providing the benefits can vary from year to year.</p>	<p>None.</p>

## 2026 Directors' Remuneration Policy continued

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<p><b>Pensions</b> Provide retirement planning and protection to employees and their families during their working life. Provides retirement funding to enable the Company to recruit and retain Directors with the experience and expertise to deliver the Group's strategy.</p>	<p>Employer retirement funding is determined as a percentage of gross basic salary. Contributions may be made to a pension plan or by way of a salary supplement in lieu of pension. Such salary supplement would not itself be pensionable or form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements.</p>	<p>The maximum Company contribution for Executive Directors is in line with the pension policy in force for the wider UK workforce, which is currently 10% of salary.</p>	<p>None.</p>
<p><b>All employee share plan</b> The Company's Share Incentive Plan ('SIP') (or any other HMRC favoured arrangement adopted in the future) allows all employees, including Executive Directors, to share in the potential value created by the Company. Increase share ownership throughout the organisation.</p>	<p>In line with HMRC legislation.</p>	<p>The maximum opportunity will be in line with the limits set by HMRC.</p>	<p>None.</p>

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<p><b>Annual Bonus Plan ('Bonus')</b></p> <p>The Annual Bonus provides an incentive linked to achievement of delivering annual goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus supports the Company's objectives by:</p> <ul style="list-style-type: none"> <li>allowing the setting of annual targets based on the business' strategic objectives at that time;</li> <li>requiring deferral of bonus into shares which provides shareholder alignment and retention; and</li> <li>enabling the Company to recruit top executive talent in a highly competitive market.</li> </ul>	<p>Performance measures and appropriately stretching targets will normally be set at the start of each financial year. At the end of the year, the Remuneration Committee will assess the extent to which these have been met and determine the award level, taking into account the underlying Company performance and experience of shareholders.</p> <p>Annual bonus up to 100% of salary will be paid in cash. Amounts over this level will normally be deferred into shares for three years with vesting subject to continued employment. However, the Committee may reduce or remove bonus deferral where an Executive Director has met their in-employment shareholding guidelines.</p> <p>The Committee has discretion to provide dividend equivalents on deferred shares.</p> <p>The Committee will have overriding discretion to change formulaic outcomes (both upwards and downwards) if the outcomes are out of line with the underlying performance of the Company.</p> <p>Malus and clawback provisions apply.</p>	<p>The maximum bonus opportunity is 150% of salary for Executive Directors.</p> <p>At threshold up to 25% of the maximum is payable. At on-target, typically 50% of the maximum is payable.</p>	<p>The performance measures for the bonus are set individually by the Committee and can be based on a combination of financial and non-financial measures, aligned to the business strategy. Financial measures will not account for less than 50% of the bonus opportunity.</p> <p>The bonus is normally measured over a period of one financial year.</p> <p>The Committee retains discretion in exceptional circumstances to change performance measures and targets for each element and the weightings attached to performance measures part-way through a performance year, if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.</p>

# 2026 Directors' Remuneration Policy continued

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<p><b>Long-term Incentive Plan ('LTIP')</b></p> <p>Incentivises long-term shareholder value creation.</p> <p>Drives and rewards achievement of key long-term Company objectives aligned with shareholder interests and supports retention.</p> <p>Contributes towards building a meaningful shareholding aligning interests with wider shareholders.</p>	<p>LTIP Awards will be granted on an annual basis as a combination of performance-based share awards (PSAs) and restricted share awards (RSAs).</p> <p>Awards may be granted as nil-cost options or conditional awards.</p> <p>PSAs and RSAs will normally vest after three years subject to a three-year performance/underpin period and continued service.</p> <p>A two-year post-vesting holding period will apply to all vested LTIP awards.</p> <p>The Committee will have overriding discretion to change formulaic outcomes (both upwards and downwards) if the outcomes are out of line with the underlying performance of the Company.</p> <p>The Committee has discretion to provide dividend equivalents on vested shares.</p> <p>Malus and clawback provisions will operate over the full five-year lock-in period.</p>	<p>The maximum LTIP opportunity is capped at 200% of salary each year.</p> <p>For 2026, the LTIP levels will be as follows:</p> <p><b>CEO:</b> PSA: up to 87.5% of salary RSA: up to 43.75% of salary (equivalent to a 175% of salary LTIP award based on a 2:1 PSA:RSA exchange)</p> <p><b>Other Directors:</b> PSA: up to 72.5% of salary RSA: up to 36.25% of salary (equivalent to a 145% of salary LTIP award)</p> <p>In future years, the Committee may change the mix of PSA and RSA awards subject to: (i) the overall 200% of salary LTIP limit, (ii) retaining the 2 PSA for 1 RSA exchange ratio, and (iii) applying a maximum cap on RSA quantum of 50% of salary.</p> <p>The Committee will consider the prevailing share price and the risk of windfall gains when determining award quantum and vesting.</p>	<p>PSA performance measures are set individually by the Committee and can be based on a combination of financial and non-financial measures, aligned to the business strategy and normally measured over a period of three years. Up to 25% of the maximum PSA award will vest for threshold performance.</p> <p>The Committee retains discretion in exceptional circumstances to change performance measures and targets for each element and the weightings attached to performance measures part way through a performance year, if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate.</p> <p>The Committee will apply a qualitative underpin to RSAs which will enable it to reduce vesting in exceptional circumstances if, in the round, there has been material underperformance. In this regard, the Committee will consider performance against a framework comprising strategic delivery, financial health and stakeholders.</p>

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<p><b>Shareholding Requirement</b> Encourages long-term commitment and alignment with shareholder interests.</p>	<p>Executive Directors are expected to build up and retain a significant shareholding. The CEO is required to hold and maintain a shareholding of 250% of salary and other Directors are required to hold and maintain a shareholding of 200% of salary.</p> <p>The Executive Directors are expected to meet the guideline within five years.</p> <p>Any shares beneficially owned (including by a spouse or immediate family), the post-tax value of any vested but unexercised LTIP awards, the post-tax value of in-flight deferred bonus awards and SIP awards will count towards the requirement.</p> <p>Post-employment requirement: Post employment, an Executive Director shall continue to hold shares equivalent to the minimum of their actual shareholding on cessation of employment and their in-employment shareholding requirement for a period of two years following termination of their employment.</p> <p>The Company will establish nominee accounts to ensure that it can enforce shareholding requirements.</p>	None.	None.

# 2026 Directors' Remuneration Policy continued

Element, purpose and link to strategy	Operation	Opportunity	Performance measures
<b>Non-Executive Directors</b>			
<p><b>Fees</b> Provide a level of fees to support recruitment and retention of Non Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.</p>	<p>Fees are reviewed periodically and normally fixed for 12 months commencing 1 January. The fees are based on equivalent roles in the comparator groups used to review salaries paid to the Executive Directors.</p> <p>Fees are set at a competitive level to the comparator groups.</p> <p>The Committee is responsible for setting the Chairman's fee.</p> <p>The Board as a whole is responsible for setting the remuneration of the Non-Executive Directors.</p> <p>Non-Executive Directors are paid a base fee and additional fees for Chair and membership of committees and other specific work outside their role as a Non-Executive Director, including a per day fee for Chair of the Workforce Advisory Panel. The Senior Independent Director also receives an additional fee.</p> <p>Additional fees may be paid for new Board Committees or for undertaking additional workstreams as deemed appropriate by the Board.</p>	<p>Competitive in the range for the Company's comparator groups. Non-Executive Directors do not participate in any variable remuneration.</p> <p>The Company will pay reasonable expenses incurred by the Non-Executive Directors, in connection to performing their roles, and may settle any tax incurred in relation to these.</p> <p>Other benefits include travel, accommodation and membership subscriptions related to the Company's business.</p>	None.

## Differences between Executive Directors' and employees' remuneration

The following differences exist between the Company's Policy for the remuneration of Executive Directors as set out in the Policy table above and its approach to the payment of employees generally:

- All employees are eligible to receive a discretionary annual bonus, which is calculated against business targets and objectives.
- A lower level of maximum annual bonus opportunity applies to employees when compared to the Executive Directors.
- Executive Directors may opt to receive a cash supplement in lieu of pension.

- Executive Directors participate in the LTIP alongside below board, senior management employees at the Remuneration Committee's discretion. For the wider workforce, the LTIP is replaced by a time-based, company growth-related loyalty bonus.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the greater emphasis placed on performance-related pay for Executive Directors.

### Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role. The remuneration package for any new recruit would be assessed following the same principles as for the current Executive Directors. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate.

Where an existing employee is promoted to the Board, the Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the employee. These would be disclosed to shareholders in the following year's Annual Report on Remuneration.

The Company's policy when setting remuneration for the appointment of a new director is set out in the table below:

Remuneration element	Recruitment policy
<b>Base salary and benefits</b>	The salary level will be set taking into account the responsibilities of the individual, experience and the salaries paid to similar roles in comparable companies. The Committee will apply the Policy set out on salaries for the current Executive Directors in the Policy table. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases, subsequent increases in salary may be higher than the general rise for employees until the target positioning is achieved. The Executive Director shall be eligible to receive benefits in line with the Company's benefits policy as set out in the Policy table. Maximum value of benefits will be set at the cost of providing them.
<b>Pension</b>	The Executive Director will be entitled to receive contributions into a pension plan up to the workforce contribution rate (currently 10% of salary), or alternatively to receive a salary supplement in lieu of pension contributions, in line with the Company's pension policy as set out in the Policy table.
<b>Annual Bonus</b>	The Executive Director will be eligible to participate in the Annual Bonus Plan as set out in the Policy table. The maximum potential opportunity under this Plan is 150% of salary (excluding any Buy Out incentive).
<b>LTIP</b>	The Executive Director will be eligible to participate in the LTIP as set out in the Policy table. The maximum potential opportunity under this Plan in respect of LTIP awards is 200% of salary (excluding any Buy Out incentive).
<b>'Buy Out' of incentives forfeited on cessation of employment</b>	<p>The Company's policy is not to provide buy-outs as a matter of course. However, should the Committee determine that the individual circumstances of recruitment justify the provision of a buy-out, the equivalent value of any incentives forfeited on cessation of a previous employment will be calculated taking into account the following:</p> <ul style="list-style-type: none"> <li>• The proportion of the performance period completed on the date of the Executive Director's cessation of employment;</li> <li>• Any performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and</li> <li>• Any other terms and conditions having a material effect on their value ('lapsed value').</li> </ul> <p>The Committee may then grant up to the equivalent value as the lapsed value, where possible, under the Annual Bonus and/or the LTIP. To the extent that it was not possible or practical to provide the buy-out within the terms of the Company's Annual Bonus Plan and LTIP, a bespoke arrangement would be used.</p>
<b>Relocation Policies</b>	Where the new Executive Director is required to relocate from one work-base to another, the Company may provide one-off/ongoing compensation as part of the Director's relocation benefits to reflect the cost of relocation for the Executive Director in cases where they are expected to spend significant time away from their country of domicile. The level of the relocation package will be assessed on a case-by-case basis but will take into consideration any cost of living differences/housing allowance and schooling. The maximum period for which an allowance will be provided is normally two years from the point of recruitment.

## 2026 Directors' Remuneration Policy continued

The Company's Policy when setting fees for the appointment of new Non-Executive Directors is to apply the Policy which applies to current Non-Executive Directors.

### Directors' service contracts and letters of appointment

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

Each Non-Executive Director has a letter of appointment but, in accordance with best practice, none has a service contract.

All of the Non-Executive Directors are appointed until such time as they are not re-elected.

In compliance with the Code, all Company Directors will face annual re-election at the Company's AGM.

If a director fails to be re-elected the terms of their appointment will cease. It is the Company's policy not to offer notice periods of more than 12 months exercisable by either party.

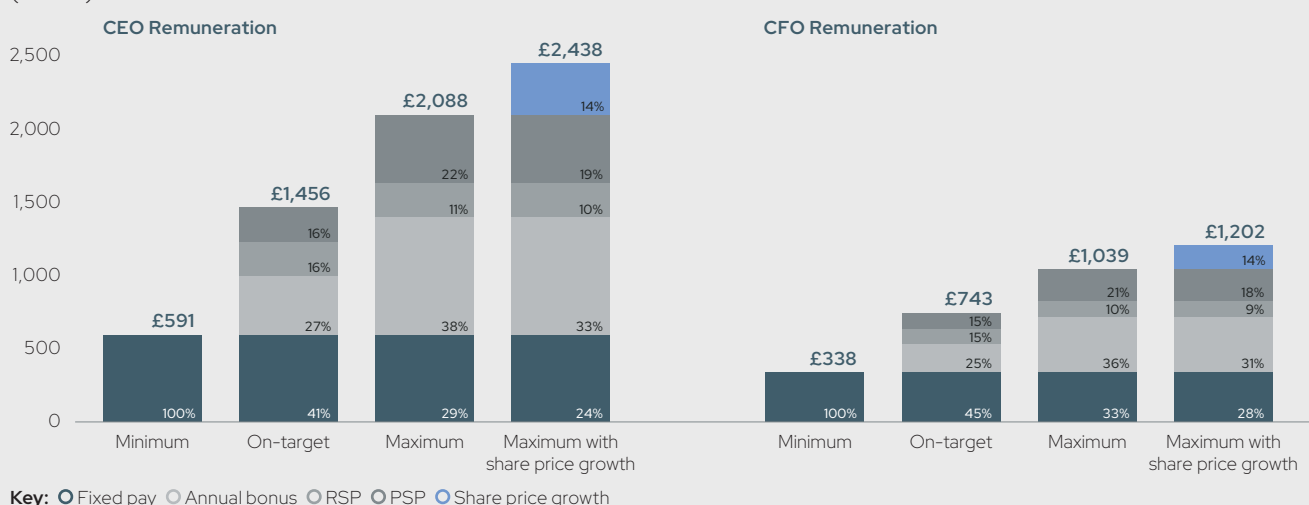
Harry Stokes, Chief Financial Officer and Executive Director was appointed on 5 January 2026 and is required to provide 12 months' notice.

Details of the service contracts or letters of appointment of those who served as Directors during the year are as follows:

Name	Role	Contract date	Date of resignation	Notice period
<b>Fredrik Widlund</b>	Executive Director	3 November 2014		12 months
<b>Andrew Kirkman</b>	Executive Director	1 July 2019	5 January 2026	12 months
<b>Lennart Sten</b>	Non-Executive Chair	1 August 2014		3 months
<b>Anna Seeley</b>	Non-Executive Director & Vice Chair	11 May 2015		3 months
<b>Elizabeth Edwards</b>	Non-Executive Director	13 May 2014	31 December 2025	3 months
<b>Bill Holland</b>	Non-Executive Director	20 November 2019		3 months
<b>Eva Lindqvist</b>	Non-Executive Director	22 September 2023		3 months
<b>Bengt Mortstedt</b>	Non-Executive Director	7 March 2017	28 February 2025	3 months
<b>Johannes Conradi</b>	Non-Executive Director	15 September 2025		3 months

### Illustration of application of Remuneration Policy

(£'000)



The chart above provides an illustration of some of the potential reward opportunities for executive directors in respect of the operation of the Directors' Remuneration Policy in 2026 showing the potential split between the different elements of remuneration under different performance scenarios: 'minimum', 'on-target', 'maximum' and 'maximum with 50% share price appreciation'.

Element	Minimum	On target	Maximum	Maximum with 50% share price appreciation
<b>Fixed</b>	<ul style="list-style-type: none"> <li>• 2026 Base Salary</li> <li>• 10% of salary as pension</li> <li>• Estimated benefits</li> </ul>			
<b>Annual Bonus</b>	No Annual Bonus	50% of Maximum	100% of Maximum (150% of salary)	100% of Maximum
<b>PSA</b>	No Vesting	50% of Maximum	100% of Maximum (87.5% of salary for the CEO and 72.5% for the CFO)	100% of maximum pay-out + 50% assumed share price growth on RSA and PSA awards.
<b>RSA</b>	No Vesting	100% of Maximum	100% of Maximum (43.75% of salary for the CEO and 36.25% for the CFO)	

#### Policy on malus and clawback

Malus provisions apply to the Annual Bonus and the LTIP. Malus is the adjustment of the Annual Bonus in the year it is earned, unvested deferred Annual Bonus shares or unvested LTIP awards because of the occurrence of one or more circumstances.

The adjustment may result in the value being reduced to nil.

Clawback is the recovery of cash payments made under the Annual Bonus or vested LTIP awards as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a participant's cash payment under the Annual Bonus or LTIP awards and may be achieved, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Group or any Group company.
- The assessment of any performance target or condition in respect of a payment or award under the Annual Bonus or LTIP was based on error, or inaccurate or misleading information.
- The discovery that any information used to determine the Annual Bonus or the LTIP award was based on error, or inaccurate or misleading information.
- Action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to fraud or gross misconduct.
- Events or the behaviour of a participant have led to the censure of a Group member by a regulatory authority or have had a significant detrimental impact on the reputation of any Group member provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.
- A material failure or risk management of the Company, a Group member or a business unit of the Group.
- The Company or any Group Member or business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of the Plan Shares is materially reduced provided the Board determines following an appropriate review of accountability that the participant should be held responsible (in whole or in part) for that insolvency or corporate failure.

The following table sets out the periods during which malus and clawback may be applied:

	Annual bonus – cash	Annual bonus – deferred shares	LTIP
<b>Malus</b>	Up to the date of a payment	Any time prior to vesting	Any time prior to vesting
<b>Clawback</b>	Three years post the date of any payment	Not applicable as malus operated until vesting date	Two years from the date of vesting

The Committee believes it has the necessary powers under the rules of the Plans to enforce malus and clawback provisions.

## 2026 Directors' Remuneration Policy continued

### Policy on payment for loss of office

When determining any loss of office payment for a departing Director the Committee will always seek to minimise the cost to the Company whilst complying with the contractual terms and seeking to reflect the circumstances in place at the time. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of

an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

It is the Company's policy not to offer notice periods of more than 12 months exercisable by either party.

The following table sets out how the Committee will consider and apply the policy on payment for loss of office.

Remuneration element	Approach	Application of Committee discretion
<b>Salary and benefits</b>	<p>In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation.</p> <p>In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be a maximum of 12-months salary and benefits. Such payments will be equivalent to the monthly salary and benefits that the Executive Director would have received if still in employment with the Company. These will be paid over the notice period. Executive Directors will be expected to mitigate their loss within a 12-month period of their departure from the Company.</p>	The Company has discretion to make a lump sum payment in lieu.
<b>Pension</b>	Pension contributions or payments in lieu of pension contribution will be made during the notice period.	The Company has discretion to make a lump sum payment in lieu.

Remuneration element	Approach	Application of Committee discretion
<b>Annual Bonus ('Bonus')</b>	<p><b>Bonus For the Year of Cessation</b>  <b>Good leavers:</b> Performance conditions will be measured at the normal measurement date. Bonus will normally be pro-rated for the period worked during the financial year. Bonus up to 100% of salary will normally be paid in cash. Bonus in excess of 100% of salary will be deferred into shares for three years in line with Policy.</p> <p><b>Other leavers:</b> No bonus payable for year of cessation.</p> <p><b>Deferred shares</b>  <b>Good leavers:</b> Deferred shares will normally vest on their usual vesting date.</p> <p><b>Other leavers:</b> Deferred shares will be forfeited.</p>	<p><b>Bonus for the Year of Cessation</b>  The Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine that an Executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;</li> <li>to determine whether to pro-rate the bonus awards to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and</li> <li>to determine whether a bonus may be paid at the date of cessation. The Committee's normal policy is that a cash bonus will be paid on the normal payment date. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul> <p><b>Deferred shares</b>  The Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine that an Executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and</li> <li>to determine whether deferred shares should vest at the date of cessation. The Committee's normal policy is that deferred shares will vest on their normal vesting date. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul>

## 2026 Directors' Remuneration Policy continued

Remuneration element	Approach	Application of Committee discretion
<b>LTIP</b>	<p><b>Good leavers:</b> Unvested awards will vest on the normal vesting date subject to:</p> <ul style="list-style-type: none"> <li>the extent any applicable performance targets have been satisfied at the end of the normal performance period; and</li> <li>prorating to reflect the period of time between grant and cessation of employment as a proportion of the vesting period that has elapsed.</li> </ul> <p>Where LTIP awards vest within two years of cessation, the post-vesting holding period will continue to apply until the second anniversary of cessation. There will be no holding period for awards vesting more than two years after cessation.</p> <p><b>Other leavers:</b> Other leavers will forfeit all unvested awards and vested awards will remain subject to the holding period as stated in the Policy.</p>	<p>The Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine that an Executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;</li> <li>to determine whether to pro-rate the award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders;</li> <li>to determine whether the LTIP award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; and</li> <li>to determine whether the Holding Period will apply in full or in part. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.</li> </ul>
<b>Buy-out Award</b>	Where cessation of employment occurs in relation to an Executive Director who has been granted a buy-out award, the treatment would be in line with the terms of the buy-out award.	
<b>Other contractual obligations</b>	There are no other contractual provisions other than those set out above that could impact the quantum of the payment.	None.

A **good leaver** is a person whose cessation of employment is for one of the following reasons:

- death;
- ill-health;
- injury or disability;
- redundancy;
- retirement with the agreement of the employing Group Company;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; or
- where the person is designated a good leaver at the discretion of the Committee (as described above).

A person who ceases employment in circumstances other than those set out above is designated an '**other leaver**'.

## Change of control

Remuneration element	Approach	Application of Committee discretion
<b>Annual Bonus</b>	<p><b>Bonus – for the Year of the Change of Control</b> Performance conditions will be measured at the date of the change of control. Bonus will normally be pro-rated to the date of the change of control.</p> <p><b>Bonus – deferred shares</b> Deferred shares will vest on the change of control.</p>	<p><b>Bonus – for the Year of the Change of Control</b> The Committee has the following element of discretion:</p> <ul style="list-style-type: none"> <li>to determine whether to pro-rate the bonus for time served in the year of the change of control. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.</li> </ul> <p><b>Bonus – deferred shares</b> The Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine whether to pro-rate unvested deferred shares based on proportion of the vesting period served. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control;</li> <li>to determine whether the satisfaction of deferred share awards should be in cash or shares or a combination of both; and</li> <li>in the event of an internal corporate reorganisation, the Committee may decide to replace unvested deferred share awards with equivalent new awards over shares in the acquiring company</li> </ul>
<b>LTIP</b>	<p>The awards will vest on the date of the change of control and the Holding Period will fall away. Performance conditions will be measured at the date of the change of control.</p> <p>The award will normally be pro-rated to the date of the change of control. The Committee will determine the level of vesting taking into account:</p> <ul style="list-style-type: none"> <li>the extent that any applicable performance targets have been satisfied at that time;</li> <li>the bid consideration received; and</li> <li>the portion of the vesting period that has then elapsed.</li> </ul>	<p>The Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> <li>to determine whether the satisfaction of LTIP awards should be in cash or shares or a combination of both;</li> <li>to determine whether to pro-rate the LTIP award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; and</li> <li>in the event of an internal corporate reorganisation, the Committee may decide to replace unvested awards with equivalent new awards over shares in the acquiring company.</li> </ul>
<b>Buy-out Award</b>	Where change of control occurs in relation to an Executive Director who has been granted a buy-out award, the treatment would be in line with the terms of the buy-out award	

# 2026 Directors' Remuneration Policy continued

## Consideration of employment conditions elsewhere in the Company

As part of our commitment to fairness across the business, and in line with requirements under the UK Corporate Governance Code, we have set out in this report information on the pay conditions of the wider workforce and comparisons with Executives, as well as our diversity policies and statistics. We are committed to transparency internally and externally in relation to developments on these important issues and will continue to consider how our disclosures can be enhanced going forward.

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions recognising the central importance of all our teams in delivering success. In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at the Remuneration Committee meetings, setting out key details of remuneration throughout the Company. The Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. In the Committee's opinion the approach to executive remuneration aligns with wider Company pay policy and there are no anomalies specific to the Executive Directors.

## Pay structures across the Group

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

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

Executive Directors and senior management are participants in the LTIP, with the number of employees eligible to participate being 18.

For the wider workforce, the LTIP is replaced by a time-based, company growth-related loyalty bonus. This ensures a focus on long-term sustainable value creation to align experience with those of shareholders throughout the Company.

## Employee engagement

We regularly communicate with our employees on a range of issues, including executive pay, through a variety of channels including all employee meetings, employee surveys, managers' meetings and through our dedicated Intranet. Additionally, in 2019, Elizabeth Edwards, who retired as a director on 31 December 2025, was designated the Non-Executive Director responsible for overseeing employee engagement and chairs the 'town hall' meetings in each of our regions. This provided the opportunity for an open discussion between employees and the Board. The annual report from Elizabeth Edwards, as the designated Non-Executive Director responsible for employee engagement, can be found on page 71.

During the year, the Board reviewed the effectiveness of the current mechanism for seeking wider workforce views. With effect from 1 January 2026, the Board has agreed to adopt an alternative approach that brings together a number of existing and new practices. We believe this will continue to provide the Board with the ability to assess, monitor and review culture and include the views of our workforce in decision-making. These practices will include:

- Involve multiple NEDs in activities rather than a single appointed NED Workforce Engagement representative.
- Hold informal events after each Board meeting to allow NEDs to engage with employees on key topics discussed at meetings.
- Host Chairman's round table sessions with a mix of employees.
- Continue Board property tours.
- Implement a new employee survey tool to provide regular engagement data that can be shared with the Board.
- Enhance HR reporting to the Board: addition of additional engagement data and statistics.

## Consideration of shareholders' views

In 2025, the Committee consulted with its largest shareholders, including The Sten and Karin Mortstedt Family & Charity Trust, (representing over 55.2% of the Company's issued share capital) and the main shareholder representative bodies (The Investment Association, ISS and Glass Lewis).

A letter outlining our remuneration proposals was sent to this group and invited feedback from all recipients. We received responses through emails and had a number of meetings to discuss the proposals. The Committee took time to review feedback in detail and address any questions that were raised. At the end of the consultation the majority of shareholders consulted indicated they were supportive of the proposals. A wrap up letter was sent, setting out the key themes raised as part of consultation and the Committee's approach to addressing each of these. The Committee is grateful for the time that shareholders have taken to consider proposals and provide feedback.

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2025.

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

## Review of business

- The Group income statement for the year is set out on page 130.
- The Group objectives, business model, strategy and KPIs are set out on pages 20 and 21.
- Important events (including post-balance sheet events) affecting the Company are set out on pages 1 to 119.
- The principal and emerging risks and uncertainties are set out on pages 56 to 60.
- The use of financial instruments are set out on page 12, and in note 21 to the Group financial statements.
- The risk management objectives are detailed in note 21 to the Group financial statements. See also pages 53 to 60.
- The Group's likely future developments are set out on pages Inside Front Cover to 19.

## Directors

Biographical details and experience of the current Directors of the Company are set out on pages 66 and 67.

The provisions concerning the appointment and replacement of directors are contained in the Company's Articles of Association and Companies Act 2006. The Articles may be amended by special resolution of the shareholders. All Directors will be subject to annual re-election at the 2026 Annual General Meeting in accordance with the UK Corporate Governance Code. In his role as independent Non-Executive Chairman, Lennart Sten recommends the re-election of the retiring Directors at the 2026 Annual General Meeting, given their experience, performance and continued important contribution to the long-term success of the Company. The Senior Independent Non-Executive Director recommends the re-election of Mr Sten.

Directors' remuneration and interests in shares are set out on pages 87 to 99. Related party transactions are set out in note 32 to the Group financial statements.

## Dividends

An interim dividend of 1.3 pence per share was paid on 2 October 2025, of which 1.25 pence per share was a Property Income Distribution (PID). The Directors are proposing a final dividend of 2.7 pence per share (all of which is to be a PID) making a total dividend for the year ended 31 December 2025 of 4.0 pence per share. The final dividend will be paid on 22 May 2026 to shareholders who are on the register of members on 10 April 2026.

## Purchase of the Company's shares

There were no purchases of the Company's own shares during the year. A resolution will be proposed at the 2026 Annual General Meeting to seek authority for the Company to make market purchases of up to 10% of the current issued share capital.

## Share capital

Changes in share capital are shown in note 23 to the Group financial statements. As at 31 December 2025, the Company's issued share capital consisted of 438,777,780 ordinary shares of 2.5 pence each, of which 398,110,742 shares held voting rights and 40,667,038 shares were held as treasury shares, and all of which ranked pari passu. The rights (including full details relating to voting), obligations and any restrictions on transfer relating to the Company's shares, and the powers of the Directors in that regard, are set out in the Company's Articles of Association.

## Major interests in the Company's shares

One major shareholding notification was disclosed to the Company in accordance with DTR 5 during the year ended 31 December 2025 and no such disclosures have been made between the year end and the date of this report. As at the date of this report, so far as the Company is aware and based on the one DTR 5 notification and the Company's register of interests disclosed pursuant to s793 of the Companies Act 2006, the interests of the top 10 shareholders (directly or indirectly) in the Company's issued share capital are:

	No. of shares	%
The Trustee of The Sten and Karin Mortstedt Family & Charity Trust	219,917,524	55.24%
Bengt Mortstedt	25,868,140	6.55%
Allianz Global Investors	13,204,066	3.32%
Peter Gyllenhammar AB	12,000,000	3.01%
Dowgate Capital	9,951,506	2.50%
UBS	7,755,019	1.95%
Interactive Investor	7,267,624	1.83%
Norges Bank Investment Management	6,977,977	1.75%
Hargreaves Lansdown Asset Management	6,623,355	1.66%
Columbia Threadneedle Investments	5,818,329	1.57%

# Directors' Report continued

Details of the Directors' interests in shares are shown in the Remuneration Committee Report on page 95. There are no shareholders who carry special rights with regard to control of the Company and there are no restrictions on voting rights. The Company knows of no agreements between holders of securities which would result in restrictions on the transfer of securities or on voting rights.

## Significant agreements – change of control

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

## Relationship agreement – controlling shareholder

As at 31 December 2025, Creative Value Investment Group Limited ('CVIG'), the investment vehicle for The Sten and Karin Mortstedt Family & Charity Trust, held through its wholly owned subsidiaries 55.24% of the Company's shares in issue and was therefore seen as a controlling shareholder under the Listing Rules.

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

## Property portfolio

A valuation of all the investment properties, properties held for sale and hotel in plant, property and equipment in the Group at 31 December 2025 was carried out by Cushman & Wakefield for the UK, and Jones Lang LaSalle in Germany and France, which produced an aggregate market value (together with £88.6 million of directors' valuations) of £1,704.8 million (2024: £1,850.2 million). Further details can be found in notes 11 to 14 to the Group financial statements.

## Corporate governance

The Corporate Governance Statement, prepared in accordance with rule 7.2 of the FCA's Disclosure Guidance and Transparency Rules, is set out on pages 64 to 119 and forms part of this report. It applies to the Company and its subsidiaries. It does not include associates. The Group has no joint ventures.

## Employees, environmental and social issues

The Group's policies on employment, environmental and social issues (including the information required by the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013), including charitable donations, are summarised in the Environmental, Social and Governance

Review on pages 30 to 50. GHG emissions can be found on page 32. No political donations to any parties, organisations or candidates, or political expenditure were made during 2025. The Group has also published Sustainability Strategy and Net Zero Carbon Pathway documents which are available online at [www.clsholdings.com](http://www.clsholdings.com).

Charitable donations during the year totalled £161,730 (2024: £203,329). As part of the Group's ESG strategy, it sponsors charitable events and organisations relating to the real estate industry and, more specifically, assists charities and organisations with donations and staff involvement initiatives in the areas where our properties are located. Further details can be found on page 31.

## Engagement with suppliers, customers and others in a UK business relationship with the Company

The statement in respect of the Company's engagement with suppliers, customers and others throughout the year is set out in the stakeholder engagement sections on pages 26 and 27 and our Prompt Payment Code is detailed in the environmental, social and governance review on page 48.

## Human rights

The Board ensures the Group upholds and promotes respect for human rights in all its current operating locations and aims to prevent any negative human rights impact. As the Group operates in the UK, Germany and France it is subject to the European Convention on Human Rights and the UK Human Rights Act 1998. The Group respects all human rights and in conducting its business regards those rights relating to non-discrimination and fair treatment to be the most relevant and to have the greatest potential impact on its key stakeholders, which are deemed to be customers, employees and suppliers. The Board has also noted its moral and legal obligations under the Modern Slavery Act 2015 (the 'Act'). The Board has a zero tolerance approach towards modern slavery, and throughout the year the Company has contacted its first tier contractors and suppliers to ensure their compliance with the Act. Our full statement on Modern Slavery can be found on our website at [www.clsholdings.com](http://www.clsholdings.com). The Group's policies seek to ensure that employees comply with the relevant legislation and regulations in place to promote good practice. The Group's policies are formulated and kept up to date and communicated to all employees through the Group Intranet and, where appropriate, individual presentations. In the year ended 31 December 2025, the Group was not aware of any incident in which the organisation's activities have resulted in an abuse of human rights.

## Insurance of directors and indemnities

The Company has arranged insurance cover in respect of legal action against its Directors and Officers. The Company has granted indemnities to each of the Directors and other senior management, uncapped in amount but subject to applicable law, in relation to certain losses and liabilities which they may incur in the course of acting as Directors or employees of the Company or one or more of its subsidiaries or associates.

These indemnities are categorised as 'qualifying third-party indemnities' for the purposes of the Companies Act 2006.

#### Auditor

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

#### 2026 Annual General Meeting

The 2026 Annual General Meeting will be held on Thursday, 23 April 2026. The notice of meeting, including explanatory notes for the resolutions to be proposed, will be posted to shareholders.

#### Disclosure of information to the Auditor

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

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and

#### Disclosures under UKLR 6.6R

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

UKLR	Information required	Disclosure
6.6.1(1)	Interest capitalised by the Group	Not applicable
6.6.1(2)	Publication of unaudited financial information	Page 176
6.6.1(3)	Long-term incentive schemes disclosure required by UKLR 9.3.3R	None
6.6.1(4)	Director's waiver of emoluments	None
6.6.1(5)	Director's waiver of future emoluments	None
6.6.1(6)	Non-pro-rata allotments for cash (issuer)	None
6.6.1(7)	Non-pro-rata allotments for cash (major subsidiaries)	None
6.6.1(8)	Listed company is subsidiary of another company	None
6.6.1(9)	Contracts of significance with a director	None
6.6.1(10)	Contracts of significance with Controlling Shareholder	None
6.6.1(11)	Dividend waiver	Not applicable
6.6.1(12)	Waiver of future dividends	Not applicable
6.6.1(13)	Compliance with UKLR 6.2.3R in relation to controlling shareholder	Page 116

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### Going concern

Notwithstanding the material uncertainty the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and further details of this analysis are set out together with the viability statement on pages 61 to 63.

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

# Directors' Report continued

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

UKLR	Information required	Disclosure
6.6.6(1)	Directors- (and Connected Persons') interests in CLS shares at year end and at not more than one month prior to the date of the AGM notice	Page 95
6.6.6(2)	Interests in CLS shares disclosed under DTR5 at year end and not more than one month prior to the date of AGM notice	Page 115
6.6.6(3)	The going concern statement	Page 61-62
6.6.6(4)(a)	Amount of authority to purchase own shares available at year end	39,811,074 shares
6.6.6(4)(b)	Off-market purchases of own shares during the year	None
6.6.6(4)(c)	Off-market purchases of own shares since year end	None
6.6.6(4)(d)	Non-pro-rata sales of treasury shares during the year	None
6.6.6(5)	Compliance with the Main Principles of the UK Corporate Governance Code	Page 65
6.6.6(6)(b)	Details of non-compliance with the UK Corporate Governance Code	Pages 65, 66 and 75
6.6.6(7)	Directors proposed for re-election: the unexpired term of any director's service contract and a statement about directors with no service contracts	Page 108
6.6.6(8)	Climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures	Pages 39-47

## Employee Benefit Trust

Altum Trustees Limited (the 'Trustee') continues as Trustee of CLS Holdings plc's Employee Benefit Trust (the 'EBT'). The EBT is used to receive the Company's shares that it has purchased in the market or received by the Company from a transfer from treasury from time to time, for the benefit of employees to satisfy outstanding awards under the Company's various share plans.

On 14 January 2025, 700,474 shares were transferred from treasury to the EBT to satisfy share plan awards. At 31 December 2025, following the exercise during the year of options and release of awards under the Company's share plans, the EBT held 255,979 shares.

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

Approved by the Board and signed on its behalf by:

**David Fuller BA FCG**  
Company Secretary

12 March 2026

# Directors' responsibility statement

## Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with the Companies Act 2006 and United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs) and have elected to prepare the Parent Company financial statements in accordance with FRS 101 of United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

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

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

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

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

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

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

## Responsibility statement

We confirm that to the best of our knowledge:

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

This statement of responsibilities was approved by the Board on 12 March 2026.

Approved and authorised on behalf of the Board

**David Fuller BA FCG**  
Company Secretary

12 March 2026

# Independent auditor's report to the members of CLS Holdings plc

## Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2025 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CLS Holdings plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2025 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Company balance sheets, the Group and Company statements of changes in equity, Group statement of cash flows and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Company financial statements, applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

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

## Independence

Following the recommendation of the audit committee, we were appointed by Members on 6 September 2024 to audit the financial statements for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 2 years, covering the years ended 31 December 2024 to 2025. We remain independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Company.

## Material uncertainty related to going concern

We draw attention to the going concern section in Note 2.1 to the financial statements, which explains that the Group is reliant upon its ability to both refinance the debt maturing and to complete a number of investment property disposals in the going concern period in challenging market conditions. The timing and value of both the planned refinancing of facilities falling due within the going concern period, and planned property disposals, are outside of Management's control. As stated in the going concern section in Note 2.1, these events or conditions, along with the other matters as set forth in the going concern section in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. The financial statements do not include any adjustments that would be necessary if the Group and the Company were unable to continue as going concerns. Our opinion is not modified in respect of this matter.

Consequently, we determined Going Concern to be a key audit matter.

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

- Assessing the appropriateness of the going concern period against the requirements of the applicable standard.
- Obtaining an understanding of the Directors' process for assessing going concern including an understanding of the key assumptions used;
- Using our knowledge of the Group, its market sector and the current economic environment to evaluate the Directors' identification of inherent risks to the business, and to assess how these risks could affect the Group and the Company's ability to continue as going concerns over the period to 31 July 2027.
- We have reviewed the forecasts that support the Directors' going concern assessment and;
  - obtained an understanding of how management prepared the forecasts and the two separate scenarios: the Base case and a severe but plausible scenario.
  - challenged forecast assumptions through comparison with those that would be expected in the current economic and financial environment, including forecast inflation levels and interest rates, together with other macro-economic factors which may adversely affect future occupancy and income and cost levels, and the impact of a further fall in property valuations on compliance with loan covenants.
  - challenged the appropriateness of each of the key assumptions in the two scenarios by testing them to supporting evidence and searching for contradictory evidence. We did this using our understanding of the Group's business, evidence gained during the audit, knowledge of the wider real estate market and input from our real estate valuation and debt specialists. We assessed historical forecasting accuracy as an input into determining the ability of management to accurately forecast for the going concern period;
  - challenged forecast assumptions in comparison to the current performance of the Group; and
  - confirmed whether the terms and conditions of the Group's loan agreements had been appropriately incorporated into the going concern scenarios and modelling, including the maturity profile of the Group's borrowings and the requirements in relation to covenant compliance.
- We performed testing to evaluate whether the covenant requirements of the debt facilities would be breached under the Base case and the Severe but plausible case prepared by management, applied additional stress tests to observe their impact on liquidity; and assessed proposed cures for forecasted breaches.
- We challenged the planned mitigating actions used by management in both the Base case and the Severe but plausible case, including certain refinancing and repayment of debt, property disposals, reducing dividend distribution and capital expenditure, by comparing to actual cash flows in 2025, obtaining supporting evidence from management and searching for contrary evidence. We also challenged to what extent these mitigating actions are within management's control;
- We considered the ability of management to execute the refinancings of the debt maturing in the going concern period within the timescale required, which covered £254.2m of debt falling due within the going concern period. Our audit procedures included considering evidence of the progress of ongoing refinancing and management's refinancing track record. We also obtained the perspective of our debt advisory experts in Germany on the market appetite for refinancing such loans;
- We also challenged management as to whether the Group would be able to complete the planned property disposals included in their going concern assessment within the timescale required. Our audit procedures included considering evidence of the progress to date of planned disposals; and
- We read the disclosures in the Financial Statements in relation to going concern to assess whether they appropriately disclose the risks, the impact on the Group's operations and results and the availability of mitigating actions to be taken.

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

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

# Independent auditor's report to the members of CLS Holdings plc continued

## Overview

	2025	2024
<b>Key audit matters</b>	<ul style="list-style-type: none"> <li>Valuation of the Property Portfolio</li> <li>Going concern</li> </ul>	<ul style="list-style-type: none"> <li>Valuation of the Property Portfolio</li> <li>Going concern</li> </ul>
<b>Materiality</b>	<b>Group financial statements as a whole</b> £17.0m (2024: £19.3m) based on 1% (2024: 1%) of Total Assets	

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

### Components in scope

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

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

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

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

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

### Procedures performed at the component level

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

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

### Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting processes in relation to borrowings, finance costs and going concern. We therefore designed and performed procedures centrally in these areas.

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

### Working with other auditors

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

In working with these component auditors, we held discussions with component audit teams on the significant areas of the group audit relevant to the components based on our assessment of the group risks of material misstatement. We issued our group audit instructions to component auditors on the nature and extent of their participation and role in the group audit, and on the group risks of material misstatement.

We directed, supervised and reviewed the component auditors' work. Our involvement with component auditors included the following:

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

### Climate change

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

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

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

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

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

# Independent auditor's report to the members of CLS Holdings plc continued

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. In addition to the matter described in the Material uncertainty related to going concern section of our report, we have determined the matters below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation of the Property portfolio: £1,704.8m (2024: £1,850.2m)</b></p> <p>Refer to the Audit Committee Report (page 81); Material accounting policies (page 135); and Notes 11, 12, 13 and 14 of the Consolidated Financial Statements.</p> <p>The Group has engaged Cushman &amp; Wakefield (UK Properties) and Jones Lang LaSalle (German and French Properties) to undertake a valuation of all the properties in accordance with RICS Valuation – Global Standards, with the exception of four properties classified as held for sale which have been valued based on Directors' valuations.</p> <p>The valuation of the property portfolio requires significant judgement and use of estimates by management and the external valuers.</p> <p>Any input inaccuracies or unreasonable bases used in these estimates (such as in respect of market rental income and yields applied) could result in a material misstatement of the income statement and balance sheet.</p> <p>There is also a risk that management may influence the significant judgements and estimates in respect of property valuations in order to achieve property valuation and other performance targets to meet market expectations or bonus targets, through intentionally misstating property or lease data provided to external valuers.</p>	<p>Our audit work included, but was not restricted to, the following:</p> <p><b>Group's controls relating to the valuation of investment properties</b></p> <ul style="list-style-type: none"> <li>We reviewed and evaluated the design, implementation and appropriateness of the Group's controls relating to the valuation of investment properties, including the processes by which the Group ensures that accurate data is provided to the external valuers. In doing so, we performed a walkthrough of the relevant controls by obtaining support for the design and implementation of the controls.</li> </ul> <p><b>Experience of the valuers and relevance of their work</b></p> <ul style="list-style-type: none"> <li>We assessed the competency, qualifications, independence and objectivity of the independent external valuers engaged by the Group and reviewed the terms of their engagement for any unusual arrangements, limitations in the scope of their work or evidence of management bias.</li> <li>Together with our internal UK auditor's experts we read the valuation reports and confirmed that all valuations had been prepared in accordance with applicable valuation guidelines and were therefore appropriate for determining the carrying value in the Group's financial statements.</li> </ul> <p><b>Data provided to the valuer</b></p> <p>We validated the underlying data provided to the valuer by management which included key observable inputs such as current rent and lease term by, agreeing a sample to the executed lease agreements as part of our audit work.</p> <p><b>Assumptions and estimates used by the valuer</b></p> <p>With respect to the German and French investment properties, our internal real estate valuation specialists for each jurisdiction performed the following procedures:</p> <ul style="list-style-type: none"> <li>Developed yield expectations for each property using available independent industry data, reports and comparable transactions in the market around the period end.</li> <li>Evaluated the other key valuation assumptions, being the market rental values, taking into account the location and specifics of each property.</li> <li>We tested the mathematical accuracy of the valuation calculations using discounted cash flows through reperformance based on the inputs used by the external valuer.</li> <li>Attended meetings with our Group German and French property valuers, together with senior members of the Group audit team, and discussed the assumptions used and the valuation movement in the period with the independent valuers.</li> <li>Where the valuation yield, market rental value or recalculated valuation was outside of our expected range we challenged the independent valuer on specific assumptions and reasoning for the yields and/or market rents applied and corroborated their explanations where relevant, including agreeing to third-party documentation and market comparisons.</li> </ul> <p>With respect to the UK property valuations, the work performed was consistent with the above and included the following areas:</p> <ul style="list-style-type: none"> <li>Together with our internal UK auditor's experts we developed yield expectations for each property using available independent industry data, reports and comparable transactions in the market around the period end.</li> <li>Attending the meetings with the Group's UK property valuers to assist us in assessing that explanations provided were appropriate and in line with market knowledge.</li> </ul> <p><b>Related disclosures in the financial statements</b></p> <p>We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation assumptions and valuation sensitivity by checking that these adhere to the disclosure requirements of the reporting framework used.</p> <p><b>Key observations:</b></p> <p>Based on our work we have not noted any material instance which may indicate that the assumptions adopted by the Directors in the valuation were not reasonable or that the methodology applied was inappropriate.</p>

## Our application of materiality

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

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

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

	Group financial statements		Parent company financial statements	
	2025 £m	2024 £m	2025 £m	2024 £m
<b>Materiality</b>	<b>£17.0m</b>	£19.3m	<b>£5.2m</b>	£5.1m
<b>Basis for determining materiality</b>	Materiality for the Group and Company's financial statements was set at 1% of total assets (2024: 1%). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.			
<b>Rationale for the benchmark applied</b>	We determined that total assets would be the most appropriate basis for determining overall materiality as we consider it to be the principal consideration for the users of the financial statements in assessing the financial performance of the Group.			
<b>Performance materiality</b>	<b>£12.8m</b>	£11.5m	<b>£3.8m</b>	£3.1m
<b>Basis for determining performance materiality</b>	Performance materiality is set at an amount to reduce to an appropriate low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% of materiality. We determined that the same measure as the Group was appropriate for the Company.			
<b>Rationale for the percentage applied for performance materiality</b>	We determined that 75% of materiality would be appropriate based on our risk assessment, together with our assessment of the Group's and Company's overall control environment, the low number of components and the low value of brought forward adjustments impacting the current year.			

## Specific materiality

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

As a result, we determined materiality for these items of £1.5m (2024: £1.8m) based on 5% of EPRA Earnings. EPRA Earnings excludes the impact of the net loss on revaluation of investment properties and related deferred tax movements, changes in fair value of interest rate derivatives, changes in the fair value of equity investments, profits/(losses) on the sale of investment property and equity investments and the amortisation of intangible assets. We further applied a performance materiality level of 75% (2024: 60%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated. We consider that the EPRA Earnings benchmark is comparable with other market participants.

# Independent auditor's report to the members of CLS Holdings plc continued

## Component performance materiality

For the purposes of our Group audit opinion, we set performance materiality for each component of the Group, apart from the Company whose materiality and performance materiality are set out above, based on a percentage of between 30% and 65% (2024: 30% and 60%) of Group performance materiality dependent on a number of factors including the size and our assessment of the risk of material misstatement of that component. Component performance materiality ranged from £5.1m to £10.2m (2024: £3.5m to £7.2m). Specific component performance materiality ranged from £480k to £900k (2024: £330k to £741k).

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £850k (2024: £965k) and £75k (2024: £90k) under specific materiality areas. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

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

We have nothing to report in this regard.

## Corporate governance statement

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

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

### Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 61–63;
- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 61; and
- The Directors' statement on whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities set out on page 63.

### Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 84;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 53;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 53–55; and
- The section describing the work of the Audit Committee set out on page 81.

## Other Companies Act 2006 reporting

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

**Strategic report and Directors' report** In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

**Directors' remuneration** In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

**Corporate governance statement** In our opinion, based on the work undertaken in the course of the audit the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in this information.

In our opinion, based on the work undertaken in the course of the audit information about the Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Company.

**Matters on which we are required to report by exception** We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Group and Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

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

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

# Independent auditor's report to the members of CLS Holdings plc continued

## Auditor's responsibilities for the audit of the financial statements

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

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

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

#### Non-compliance with laws and regulations

Based on:

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

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

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

Our procedures in respect of the above included:

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

#### Fraud

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

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

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

Our procedures in respect of the above included:

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

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

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

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

## Use of our report

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

**Thomas Edward Goodworth**  
(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
12 March 2026

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

# Group income statement

for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
Revenue	4	<b>139.7</b>	151.9
Service charges and similar expenses	4	<b>(38.4)</b>	(37.9)
Net rental income	4	<b>101.3</b>	114.0
Administration expenses		<b>(16.4)</b>	(17.7)
Other property expenses		<b>(17.3)</b>	(18.1)
Non-recurring items <sup>1</sup>		<b>(1.7)</b>	–
Operating profit before revaluation and disposals		<b>65.9</b>	78.2
Net revaluation movements on investment property	12/14	<b>(79.2)</b>	(127.7)
Net revaluation movements on equity investments		<b>0.1</b>	(0.6)
Loss on sale of investment property		<b>(10.9)</b>	(2.3)
Loss on sale of other equity investments		<b>–</b>	(0.1)
<b>Operating loss</b>		<b>(24.1)</b>	(52.5)
Finance income	8	<b>1.1</b>	1.4
Finance costs	9	<b>(39.1)</b>	(45.7)
Foreign exchange gain/(loss)		<b>0.2</b>	(0.6)
<b>Loss before tax</b>		<b>(61.9)</b>	(97.4)
Taxation	10	<b>11.6</b>	3.8
<b>Loss for the year attributable to equity shareholders</b>		<b>(50.3)</b>	(93.6)
Basic and diluted earnings per share	5/24	<b>(12.6)p</b>	(23.6)p

The notes on pages 135 to 168 are an integral part of these Group financial statements.

1 During the year, we conducted a review of staffing and financial structuring. This resulted in non-recurring costs including redundancy costs being incurred.

# Group statement of comprehensive income

for the year ended 31 December 2025

		2025 £m	2024 £m
<b>Loss for the year</b>		<b>(50.3)</b>	(93.6)
Other comprehensive income/(expense):			
<b>Items that may be reclassified to profit or loss</b>			
Revaluation of property, plant and equipment	26	(1.6)	1.3
Foreign exchange differences	26	25.2	(21.6)
Corporation tax on exchange differences		(0.5)	–
Deferred tax on revaluation of property, plant and equipment	18	0.7	(0.1)
<b>Total items that may be reclassified to profit or loss</b>		<b>23.8</b>	(20.4)
<b>Total other comprehensive income/(expense)</b>		<b>23.8</b>	(20.4)
<b>Total comprehensive expense for the year attributable to equity shareholders</b>		<b>(26.5)</b>	(114.0)

The notes on pages 135 to 168 are an integral part of these Group financial statements.

# Group balance sheet

at 31 December 2025

	Notes	2025 £m	2024 £m
<b>Non-current assets</b>			
Investment properties	12	1,570.8	1,676.5
Property, plant and equipment	13	40.6	42.5
Intangible assets		2.6	2.7
Equity investments		0.8	0.6
Derivative financial instruments	20	0.5	0.7
		<b>1,615.3</b>	1,723.0
<b>Current assets</b>			
Trade and other receivables	15	10.5	14.2
Current tax		0.5	–
Derivative financial instruments	20	0.1	1.1
Cash and cash equivalents	16	49.4	60.5
		<b>60.5</b>	75.8
Assets held for sale	14	94.9	133.0
<b>Total assets</b>		<b>1,770.7</b>	1,931.8
<b>Current liabilities</b>			
Trade and other payables	17	(57.6)	(65.7)
Current tax		–	(0.9)
Borrowings	19	(198.0)	(372.4)
		<b>(255.6)</b>	(439.0)
<b>Non-current liabilities</b>			
Deferred tax	18	(65.4)	(78.1)
Borrowings	19	(703.9)	(626.8)
Leasehold liabilities		(3.4)	(3.3)
Derivative financial instruments	20	(0.3)	(0.4)
		<b>(773.0)</b>	(708.6)
<b>Total liabilities</b>		<b>(1,028.6)</b>	(1,147.6)
<b>Net assets</b>		<b>742.1</b>	784.2
<b>Equity</b>			
Share capital	23	11.0	11.0
Share premium		83.1	83.1
Other reserves	26	111.0	86.9
Retained earnings		537.0	603.2
<b>Total equity</b>		<b>742.1</b>	784.2

The financial statements of CLS Holdings plc (registered number: 02714781) were approved by the Board of Directors and authorised for issue on 12 March 2026 and were signed on its behalf by:

**Mr F Widlund**  
Chief Executive Officer

**Mr H Stokes**  
Chief Financial Officer

The notes on pages 135 to 168 are an integral part of these Group financial statements.

# Group statement of changes in equity

for the year ended 31 December 2025

	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
	Note 23		Note 26		
<b>Arising in 2025:</b>					
Total comprehensive income/(expense) for the year	-	-	23.8	(50.3)	(26.5)
Share-based payments	-	-	0.3	-	0.3
Dividends to shareholders	-	-	-	(15.9)	(15.9)
<b>Total changes arising in 2025</b>	<b>-</b>	<b>-</b>	<b>24.1</b>	<b>(66.2)</b>	<b>(42.1)</b>
<b>At 1 January 2025</b>	<b>11.0</b>	<b>83.1</b>	<b>86.9</b>	<b>603.2</b>	<b>784.2</b>
<b>At 31 December 2025</b>	<b>11.0</b>	<b>83.1</b>	<b>111.0</b>	<b>537.0</b>	<b>742.1</b>
	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total equity £m
	Note 23		Note 26		
<b>Arising in 2024:</b>					
Total comprehensive expense for the year	-	-	(20.4)	(93.6)	(114.0)
Share-based payments	-	-	0.6	-	0.6
Dividends to shareholders	-	-	-	(31.6)	(31.6)
<b>Total changes arising in 2024</b>	<b>-</b>	<b>-</b>	<b>(19.8)</b>	<b>(125.2)</b>	<b>(145.0)</b>
<b>At 1 January 2024</b>	<b>11.0</b>	<b>83.1</b>	<b>106.7</b>	<b>728.4</b>	<b>929.2</b>
<b>At 31 December 2024</b>	<b>11.0</b>	<b>83.1</b>	<b>86.9</b>	<b>603.2</b>	<b>784.2</b>

The notes on pages 135 to 168 are an integral part of these Group financial statements.

# Group statement of cash flows

for the year ended 31 December 2025

	Notes	2025 £m	2024 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	27	52.6	71.2
Interest received		1.1	1.4
Interest paid		(37.9)	(40.6)
Income tax paid on operating activities		(1.2)	(2.5)
<b>Net cash inflow from operating activities</b>		<b>14.6</b>	<b>29.5</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		(17.3)	(22.3)
Proceeds from sale of properties		136.7	63.8
Income tax paid on sale of properties		(4.9)	–
Purchases of property, plant and equipment		(0.1)	(0.2)
Purchase of intangibles		(0.2)	(0.2)
<b>Net cash inflow from investing activities</b>		<b>114.2</b>	<b>41.1</b>
<b>Cash flows from financing activities</b>			
Dividends paid	25	(15.9)	(31.6)
Cash received on settlement of derivative financial instrument		0.1	0.7
Purchase of derivative financial instrument		(0.3)	(1.2)
Proceeds from borrowings		61.2	8.8
Transaction costs related to borrowings		(1.5)	(1.0)
Repayment of borrowings		(186.5)	(55.5)
<b>Net cash outflow from financing activities</b>		<b>(142.9)</b>	<b>(79.8)</b>
<b>Cash flow element of net decrease in cash and cash equivalents</b>			
Foreign exchange gain/(loss)		3.0	(0.9)
<b>Net decrease in cash and cash equivalents</b>		<b>(11.1)</b>	<b>(10.1)</b>
Cash and cash equivalents at the beginning of the year		60.5	70.6
<b>Cash and cash equivalents at the end of the year</b>	16	<b>49.4</b>	60.5

The notes on pages 135 to 168 are an integral part of these Group financial statements.

# Notes to the Group financial statements

for the year ended 31 December 2025

## 1. General information

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

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

## 2. Material accounting policies

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

### 2.1 Basis of preparation

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

#### Going concern

The Company's going concern assessment has been performed as part of the Group's going concern assessment.

#### Background

CLS' strategy and business model include regular secured loan refinancings, and capital deployment and recycling through acquisitions, capital expenditure and disposals. Over the last thirty years, the Group has successfully navigated several periods of economic uncertainty, including the recent macroeconomic stresses resulting from global conflict, the resulting inflationary pressures and transition to a higher interest rate environment.

The Group continues to have very high levels of rent collection and low bad debts, and has a long-term track record in financing and refinancing debt including £373.7 million completed in the twelve months to 31 December 2025 and a further £38.7 million has been completed or well advanced subsequent to year-end, whereby terms sheets have been obtained or they have reached a first stage credit review.

The Directors note that the group financial statements for the year ended 31 December 2024 contained disclosure of a Material Uncertainty related to going concern due to the timing and amounts of the planned refinancing of debt and disposals of property being outside of Management's control. In this context the Directors set out their considerations and conclusions in respect of going concern for these financial statements below.

#### Going concern period and basis

The Group's going concern assessment covers the period to 31 July 2027 ("the going concern period"). The period chosen takes into consideration the maturity date of loans totalling £254.2 million that expire by July 2027. The going concern assessment uses the forecast approved by the Board at its November 2025 meeting as the Base case. The assessment also considers a Severe but plausible case. The Directors have also considered the period between the date of Board approval and the date of signing the accounts. Based on a review of events since Board approval in November 2025, the Directors conclude that there have been no significant changes since the forecast was approved.

#### Forecast cash flows – Base case

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

The Base case is focused on the cash and working capital position of the Group throughout the going concern period. In this regard, the Base case assumes continued access to lending facilities in the UK, Germany and France, and specifically that debt facilities of £254.2 million with 13 lenders expiring within the going concern period will be refinanced or extended as expected (£164.4 million) or will be repaid (£89.8 million), some of which are linked to forecast property disposals. The Board acknowledges that these refinancings are not fully within its control; however, they remain confident that refinancings or extensions of these loans will be executed within the required timeframe, having taken into account:

- existing banking relationships and ongoing discussions with the lenders in relation to these refinancings;
- CLS' track record of prior refinancings, particularly in the 12 months to 31 December 2025 when £373.7 million was successfully repaid, refinanced or extended;
- recent refinancings subsequent to 31 December 2025 that have reached an initial credit committee review stage by lenders, or where term sheets have been obtained, totalling £38.7 million of the £164.4 million noted above; and
- other ongoing discussions with lenders.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 2. Material accounting policies

continued

### 2.1 Basis of preparation – continued

Going concern continued

#### Forecast cash flows – Base case continued

The Base case includes property disposals in the going concern period in line with the Group's business model and the forecast cash flows approved by the Board in November 2025. The Board acknowledges that property disposals are not fully within its control; however, they are confident these transactions will be completed within the going concern period, based on their history of achieving disposals (with disposals of £144.2 million achieved in the 12 months to 31 December 2025). The value of the properties available for disposal is in excess of the value of the debt maturing during the going concern period.

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

The near-term impacts of climate change risks within the going concern period are expected to be immaterial following an assessment of potential significant inflation resulting from climate change, in the context of increased property and administrative costs, as part of the reverse stress testing performed by CLS. Furthermore, the forecast cash flows prepared for the Base case include all necessary capital expenditure to meet the minimum energy efficiency standards required in the countries where CLS operates.

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

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

These flexed assumptions are more severe than CLS experienced during the 2007-2009 global financial crisis and other downturns such as that experienced in 2020-2022 during the Covid-19 pandemic. A key assumption in this scenario is a further reduction to the Base case in property values of 10% until July 2027, impacting forecast refinancings, sales and cash cures. This is in addition to the reduction experienced of 3.8% in 2025 and cumulative c. 25.4% decline from 30 June 2022 to 31 December 2025.

Assumptions around refinancing and investment property disposals are adjusted to incorporate the higher interest rates and lower property values noted above. A reduction in property values of 10% results in additional cure payments of £1.1 million being necessary for the Group to remain in compliance with its covenant requirements. Similarly, the assumptions of lower rents and increased expenses results in additional cure payments of £1.6 million.

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

#### Mitigating actions

In the Severe but plausible case, CLS is assumed to take mitigating actions including depositing cash to cure covenant shortfalls under the facilities' equity-cure provisions, scaling back uncommitted capital expenditure (specifically where reductions do not affect tenant revenue streams over the going concern period) and reducing the dividend to the Property Income Distribution required under the UK REIT rules as well as drawing the currently available £30.8 million of its existing £80.0 million revolving credit and overdraft facilities. If needed, further disposals could be considered as there are no sale restrictions on CLS' £1.7 billion of properties, albeit the timing and the amount of these potential disposals are not in the Group's control.

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

#### Material uncertainty related to going concern

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

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

Notwithstanding this material uncertainty on the going concern assumption, given our track-record and reputation, the Directors are confident that the debt falling due for repayment in the going concern period will be refinanced or settled in line with their plans for the reasons set out above, rather than requiring repayment on maturity, or will be extinguished as part of property disposals in the period. In extremis, the loans requiring refinancing are all through ring-fenced SPV structures, save for certain limited guarantees and limited recourse security granted by the Company and certain other Group companies. Therefore, the Directors continue to adopt the going concern basis in preparing these Group financial statements. The financial statements do not include any adjustments that would be necessary if the Group and the Company were unable to continue as going concerns.

## 2. Material accounting policies

continued

### 2.1 Basis of preparation – continued

#### Historical cost and fair value

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

#### Presentational and functional currency

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

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

#### New standards and interpretations

In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2025. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

These new standards and amendments are listed below:

- Amendments to IAS 21 – Lack of exchangeability

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

- Amendments to IFRS 10 and IAS 28 – Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 9 – Classification and Measurement of Financial Instruments
- IFRS 18 – Presentation and Disclosure in Financial Statements
- Amendments to IFRS 19 – Subsidiaries without Public Accountability: Disclosures
- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity
- Disclosures about Uncertainties in the Financial Statements – Illustrative examples
- Translation to a Hyperinflationary Presentation Currency (Amendments to IAS 21)

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

### 2.2 Business combinations

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

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

#### (I) Subsidiary undertakings

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

#### (II) Goodwill

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 2. Material accounting policies continued

### 2.3 Assets held for sale

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

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

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

### 2.4 Foreign currency

#### (I) Foreign currency transactions

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

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

#### (II) Consolidation of foreign entities

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

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

The principal exchange rates used to translate foreign currency denominated amounts in 2025 are:

- Balance Sheet closing rate: £1 = €1.1472 (2024: £1 = €1.2085).
- Income Statement average rate: £1 = €1.1677 (2024: £1 = €1.1814).

### 2.5 Investment properties

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

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

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

Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Investment properties held for sale are carried at fair value determined by external valuers, unless the Group has obtained firm third party offers to purchase, which it intends to accept. The Directors have determined that these offers are indicative of the fair value given that they are representative of an arm's length transaction. Investment properties being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be classified as investment properties and measured at fair value. Changes in fair values are recognised in the income statement.

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

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

### 2.6 Property, plant and equipment

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

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

## 2. Material accounting policies

continued

### 2.6 Property, plant and equipment – continued

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

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

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

### 2.7 Financial instruments

#### (I) Derivative financial instruments

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

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

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

#### (III) Cash and cash equivalents

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

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

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

#### (V) Borrowings

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

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

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

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

### 2.8 Revenue

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

#### (I) Rental income

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

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

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

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

#### (II) Service charge income

Service charge income relates to expenditure for services including, but not limited to, cleaning, security, repairs and maintenance which is directly recoverable from tenants and is recognised in the period in which it is earned as tenants benefit from the services based on actual service charge costs incurred. The Group generally acts as the principal in service charge transactions as it directly controls the delivery of the services at the point they are provided to the tenant. Where the Group acts as a principal, service charge income is presented gross within revenue and service charge expense presented gross within costs.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 2. Material accounting policies

continued

### 2.8 Revenue – continued

#### (III) Other property income

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

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

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

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

### 2.9 Taxation

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the values used for tax purposes. Temporary differences are not provided for when they arise from initial recognition of goodwill or from the initial recognition of assets or liabilities in a transaction that does not affect accounting or taxable profit and does not give rise to equal taxable and deductible temporary differences.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is calculated using rates that are expected to apply in the period when the liability is settled or the asset is realised, in the tax jurisdiction in which the temporary differences arise.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. Deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority, there is a legally enforceable right of set-off and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in the income statement except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or equity respectively.

The Group has applied the exemption in IAS 12 Income Taxes to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

### 2.10 Leases

#### The Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

#### The Group as a lessee

The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets for all leases, except for short-term leases and leases of low-value assets.

#### (I) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term which, if in respect of investment property, forms part of the cost of that property on initial recognition. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses either the borrowing rate of the loan attached to the property at the lease commencement date or, if the property is not financed, then the operating segment's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

## 2. Material accounting policies

continued

### 2.10 Leases – continued

#### (II) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The Group leases properties that meet the definition of investment property. These right-of-use assets are presented as part of the line item 'Investment property' in the balance sheet.

#### (III) Short-term leases and low value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### 2.11 Non-recurring expenses

Non-recurring expenses are those that are not considered to be reflective of the Group's ongoing operational performance such as restructuring and redundancy costs. These expenses are also excluded from EPRA Earnings as they are considered to be unusual in nature and unlikely to reoccur.

## 3. Accounting judgements and key sources of estimation uncertainty

### Accounting judgements

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Group's accounting policies, which are described in note 2, and which of those judgements have the most significant effect on amounts recognised in the financial statements.

#### Going concern

For the purposes of the going concern assessment, the Group makes judgements in determining future cash flows which are based on assumptions. The most significant judgements relate to the terms and ability to refinance loan facilities and recycle capital. These judgements are made by management based on recent performance, external factors and management's knowledge and expertise of cash flow drivers. See note 2 for more details.

#### Key sources of estimation uncertainty

##### Valuation of properties

The Group uses the valuations performed by its independent external valuers as the fair value of its investment properties and those properties held at valuation and classified as property, plant and equipment. The valuations are based upon assumptions including market rentals ('ERV'), future development costs and an appropriate equivalent yield and capitalisation rates as appropriate (see notes 12 and 13 for more detail). The valuers also make reference to market evidence of transaction prices for similar properties.

#### Other estimates

##### Climate change

In preparing the financial statements, the Group has considered the impact of climate change, taking into account the relevant disclosures in the Strategic report, including those made in accordance with the recommendations of the Taskforce on Climate Related Financial Disclosure (see pages 39 to 47). These considerations included the limited exposure in terms of our properties to potential physical climate risks along with a commitment to invest £65 million in our Net Zero Carbon Pathway. On this basis, the Group has concluded that climate change did not have a material impact on the financial reporting judgements and estimates, consistent with the assessment that this is not expected to have a significant impact on the Group's going concern or viability assessment. The Group considers that this will remain the case until approximately 2030 after which the differing climate scenarios diverge, resulting in different risk profiles, the impact and mitigations of which will be captured in the Climate Resilience strategy being developed (see page 30 for more detail).

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 4. Segment information

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

**Investment properties:** United Kingdom  
Germany  
France

### Other investments

Year ended 31 December 2025	2025					
	Investment properties			Other investments £m	Central administration £m	Total £m
	United Kingdom £m	Germany £m	France £m			
Rental income	44.2	38.3	12.3	–	–	94.8
Other property-related income	7.1	1.1	0.2	6.0	–	14.4
Service charge income	14.9	10.8	4.8	–	–	30.5
Revenue	66.2	50.2	17.3	6.0	–	139.7
Service charges and similar expenses	(18.4)	(14.4)	(5.6)	–	–	(38.4)
Net rental income	47.8	35.8	11.7	6.0	–	101.3
Administration expenses	(7.2)	(2.9)	(1.2)	(0.1)	(5.0)	(16.4)
Other property expenses	(8.0)	(5.3)	(0.3)	(3.7)	–	(17.3)
Non-recurring items <sup>1</sup>	(0.3)	(0.1)	(0.3)	–	(1.0)	(1.7)
Revenue less costs	32.3	27.5	9.9	2.2	(6.0)	65.9
Net revaluation movements on investment property	(35.4)	(33.4)	(10.4)	–	–	(79.2)
Net revaluation movements on equity investments	–	–	–	0.1	–	0.1
Loss on sale of investment property	(3.0)	(4.9)	(3.0)	–	–	(10.9)
Segment operating (loss)/profit	(6.1)	(10.8)	(3.5)	2.3	(6.0)	(24.1)
Finance income	0.9	–	–	0.2	–	1.1
Finance costs	(19.9)	(13.5)	(4.5)	(1.2)	–	(39.1)
Foreign exchange gain	–	–	–	0.2	–	0.2
Segment (loss)/profit before tax	(25.1)	(24.3)	(8.0)	1.5	(6.0)	(61.9)

<sup>1</sup> During the year, we conducted a review of staffing and financial structuring. This resulted in non-recurring costs including redundancy costs being incurred.

## 4. Segment information continued

2024

Year ended 31 December 2024	Investment properties			Other investments £m	Central administration £m	Total £m
	United Kingdom £m	Germany £m	France £m			
Rental income	471	40.3	12.8	–	–	100.2
Other property-related income <sup>1</sup>	13.2	0.3	0.3	6.0	0.1	19.9
Service charge income	15.8	11.0	5.0	–	–	31.8
Revenue	76.1	51.6	18.1	6.0	0.1	151.9
Service charges and similar expenses	(18.6)	(13.6)	(5.7)	–	–	(37.9)
Net rental income	57.5	38.0	12.4	6.0	0.1	114.0
Administration expenses	(7.4)	(3.2)	(1.4)	(0.1)	(5.6)	(17.7)
Other property expenses	(9.7)	(4.1)	(0.8)	(3.5)	–	(18.1)
Revenue less costs	40.4	30.7	10.2	2.4	(5.5)	78.2
Net revaluation movements on investment property	(73.7)	(41.5)	(12.5)	–	–	(127.7)
Net revaluation movements on equity investments	–	–	–	(0.6)	–	(0.6)
(Loss)/profit on sale of investment property	(1.6)	(0.8)	–	–	0.1	(2.3)
Loss on sale of other equity investments	–	–	–	(0.1)	–	(0.1)
Segment operating (loss)/profit	(34.9)	(11.6)	(2.3)	1.7	(5.4)	(52.5)
Finance income	1.0	–	–	0.4	–	1.4
Finance costs	(26.9)	(14.2)	(4.3)	–	(0.3)	(45.7)
Foreign exchange loss	–	–	–	(0.6)	–	(0.6)
Segment (loss)/profit before tax	(60.8)	(25.8)	(6.6)	1.5	(5.7)	(97.4)

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

### Other segment information

	Assets		Liabilities		Capital expenditure	
	2025 £m	2024 £m	2025 £m	2024 £m	2025 £m	2024 £m
Investment properties						
United Kingdom	<b>688.4</b>	825.1	<b>409.3</b>	510.5	<b>4.8</b>	9.4
Germany	<b>813.0</b>	828.8	<b>457.3</b>	477.4	<b>5.4</b>	8.3
France	<b>230.5</b>	233.2	<b>158.6</b>	158.4	<b>4.1</b>	3.4
Other investments	<b>38.8</b>	44.7	<b>3.4</b>	1.3	–	–
	<b>1,770.7</b>	1,931.8	<b>1,028.6</b>	1,147.6	<b>14.3</b>	21.1

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 5. Alternative Performance Measures

Alternative Performance Measures ('APMs') should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements. The APMs are defined in the Glossary of terms on page 182 to 184.

### 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 financial statements, 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 financial statements, particularly equity and debt investors, through the comparability of information across the European real estate sector. APMs are used by the Directors and management, both internally and externally, for performance analysis, strategic planning, reporting and incentive-setting purposes.

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

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

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

The Group adopted the EPRA Best Practice Recommendations ('BPRs') September 2024 (see <https://www.epra.com/finance/financial-reporting/guidelines> for more details) in the reporting period ended 31 December 2024. This did not have a material impact on the Group's reported EPRA earnings and there was no change to the Group's APMs, with the same APMs utilised by the business being defined, calculated and used on a consistent basis. All other EPRA measures are shown within the supplementary unaudited disclosures to the financial statements.

### 1. EPRA APMs

	2025 Number	2024 Number
<b>For use in earnings per share calculations</b>		
Weighted average number of ordinary shares in circulation	398,083,875	397,410,268
Diluted number of ordinary shares	404,492,426	402,916,907
<b>For use in net asset per share calculations</b>		
Number of ordinary shares in circulation at 31 December	398,110,742	397,410,268

## 5. Alternative Performance Measures continued

### i) Earnings – EPRA earnings

	Notes	2025 £m	2024 £m
Loss for the year		(50.3)	(93.6)
Non-recurring items <sup>1</sup>		1.7	–
Net revaluation movement on investment property	12/14	79.2	127.7
Deferred tax thereon		(15.9)	(6.6)
Net revaluation movement on equity investments		(0.1)	0.6
Loss on sale of investment property		10.9	2.3
Current tax thereon		3.1	2.1
Movement in fair value of derivative financial instruments	9	1.3	3.4
Loss from sale of equity investments		–	0.1
Amortisation of intangible assets		0.3	0.4
<b>EPRA earnings</b>		<b>30.2</b>	<b>36.4</b>
<b>Basic and diluted loss per share</b>		<b>(12.6)p</b>	<b>(23.6)p</b>
<b>EPRA earnings per share</b>		<b>7.6p</b>	<b>9.2p</b>

<sup>1</sup> During the year, we conducted a review of staffing and financial structuring. This resulted in non-recurring costs including redundancy costs being incurred which are excluded from EPRA earnings as they are unusual in nature and very unlikely to reoccur in the foreseeable future.

### ii) Net asset value measures

	2025				2024			
	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m	IFRS NAV £m	EPRA NTA £m	EPRA NRV £m	EPRA NDV £m
<b>IFRS Net assets</b>	<b>742.1</b>	<b>742.1</b>	<b>742.1</b>	<b>742.1</b>	784.2	784.2	784.2	784.2
<b>Other intangibles</b>	–	(2.6)	–	–	–	(2.7)	–	–
<b>Fair value of fixed interest debt</b>	–	–	–	<b>37.6</b>	–	–	–	50.4
<b>Tax thereon</b>	–	–	–	<b>(1.1)</b>	–	–	–	(1.7)
<b>Deferred tax on revaluation surplus</b>	–	<b>65.8</b>	<b>65.8</b>	–	–	79.8	79.8	–
<b>Adjustment for short-term disposals</b>	–	(5.9)	–	–	–	(5.5)	–	–
<b>Fair value of financial instruments</b>	–	(0.3)	(0.3)	–	–	(1.4)	(1.4)	–
<b>Purchasers' costs<sup>1</sup></b>	–	–	122.6	–	–	–	132.6	–
	<b>742.1</b>	<b>799.1</b>	<b>930.2</b>	<b>778.6</b>	784.2	854.4	995.2	832.9
<b>Per share</b>	<b>186.4p</b>	<b>200.7p</b>	<b>233.7p</b>	<b>195.6p</b>	197.3p	215.0p	250.4p	209.6p

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

## 6. Loss for the year

Loss for the year has been arrived at after charging/(crediting):

	Notes	2025 £m	2024 £m
Auditor's remuneration: Fees payable to the Company's Auditor for:			
Audit of the Parent Company and Group accounts		0.7	0.7
Audit of the Company's subsidiaries pursuant to legislation		0.1	0.1
Audit overrun fee for prior year <sup>1</sup>		0.1	0.2
Reporting accountant services		0.2	–
Depreciation of property, plant and equipment	13	0.5	0.6
Amortisation of intangible assets		0.3	0.4
Employee benefits expense	7	10.5	11.6
Foreign exchange (gain)/loss		(0.2)	0.6
Provision against trade and other receivables	15	0.8	0.1

<sup>1</sup> The fee in 2024 represents fees paid to the previous auditor for overruns relating to the 2023 audit.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 7. Employee benefits expense

	2025 £m	2024 £m
Wages and salaries	7.5	7.4
Social security costs	1.0	1.4
Pension costs – defined contribution plans	0.3	0.4
Performance incentive plan	0.4	0.8
Other employee-related expenses	1.3	1.6
	<b>10.5</b>	11.6

The Directors are considered to be the only key management of the Group. Information on Directors' emoluments, share options and interests in the Company's shares is given in the Remuneration Committee Report on pages 87 to 99.

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

	2025			2024		
	Property Number	Hotel Number	Total Number	Property Number	Hotel Number	Total Number
Male	48	9	57	53	11	64
Female	47	9	56	49	10	59
	<b>95</b>	<b>18</b>	<b>113</b>	102	21	123

## 8. Finance income

	2025 £m	2024 £m
Interest income on bank deposits	1.1	1.4
	<b>1.1</b>	1.4

## 9. Finance costs

	2025 £m	2024 £m
Interest expense		
Secured bank loans and facilities	36.3	40.6
Amortisation of loan issue costs	1.5	1.7
Total interest costs	<b>37.8</b>	42.3
Movement in fair value of derivative financial instruments	1.3	3.4
Total finance costs	<b>39.1</b>	45.7

## 10. Taxation

	2025 £m	2024 £m
Corporation tax		
Current year charge	5.0	3.0
Adjustments in respect of prior years	(0.8)	0.1
	<b>4.2</b>	3.1
Deferred tax (see note 18)		
Origination and reversal of temporary differences	(15.8)	(6.9)
	<b>(15.8)</b>	(6.9)
<b>Tax credit for the year</b>	<b>(11.6)</b>	(3.8)

## 10. Taxation continued

A deferred tax credit of £0.7 million (2024: £0.1 million charge) and a current tax charge of £0.5 million (2024: £nil) were recognised directly in Other Comprehensive Income (note 18). The (credit)/charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits of Group companies as follows:

	2025 £m	2024 £m
<b>Loss before tax</b>	<b>(61.9)</b>	(97.4)
Expected tax credit at applicable tax rate	(12.5)	(21.2)
Expenses not deductible for tax purposes	0.7	0.3
Non-deductible loss from REIT	5.1	13.4
Deferred tax on losses not recognised	2.2	3.8
Adjustments in respect of prior years	(0.6)	0.2
Reduction in overseas tax rate	(6.7)	–
Other	0.2	(0.3)
<b>Tax credit for the year</b>	<b>(11.6)</b>	(3.8)

The weighted average applicable tax rate of 20.2% (2024: 21.8%) was derived by applying to their relevant profits and losses the rates in the jurisdictions in which the Group operated. The standard UK rate of corporation tax applied to profits is 25.0% (2024: 25.0%). The Germany corporate income tax rate will be gradually reduced by one percent per year over five years from 2028 to 2032. The effect of which was a reduction of the tax charge in 2025 of £6.7 million.

## 11. Property portfolio

	Notes	United Kingdom £m	Germany £m	France £m	Total £m
<b>Investment property</b>	12	<b>635.4</b>	<b>711.8</b>	<b>223.6</b>	<b>1,570.8</b>
<b>Property held as property, plant and equipment<sup>1</sup></b>	13	<b>35.7</b>	<b>1.7</b>	<b>1.7</b>	<b>39.1</b>
<b>Properties held for sale</b>	14	<b>6.3</b>	<b>88.6</b>	<b>–</b>	<b>94.9</b>
<b>Property portfolio at 31 December 2025</b>		<b>677.4</b>	<b>802.1</b>	<b>225.3</b>	<b>1,704.8</b>

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

<sup>1</sup> The total balance excludes fixtures and fittings of £1.5 million (2024: £1.8 million) as shown in note 13.

## 12. Investment property

	United Kingdom £m	Germany £m	France £m	Total investment properties £m
<b>At 1 January 2025</b>	<b>657.0</b>	<b>793.6</b>	<b>225.9</b>	<b>1,676.5</b>
<b>Capital expenditure</b>	<b>4.8</b>	<b>5.4</b>	<b>4.1</b>	<b>14.3</b>
<b>Disposals</b>	<b>–</b>	<b>(18.3)</b>	<b>(7.9)</b>	<b>(26.2)</b>
<b>Net revaluation movement</b>	<b>(35.4)</b>	<b>(33.4)</b>	<b>(10.4)</b>	<b>(79.2)</b>
<b>Lease incentive adjustments</b>	<b>4.5</b>	<b>11.4</b>	<b>–</b>	<b>15.9</b>
<b>Exchange rate variances</b>	<b>–</b>	<b>41.7</b>	<b>11.9</b>	<b>53.6</b>
<b>Transfer from/(to) properties held for sale</b>	<b>4.5</b>	<b>(88.6)</b>	<b>–</b>	<b>(84.1)</b>
<b>At 31 December 2025</b>	<b>635.4</b>	<b>711.8</b>	<b>223.6</b>	<b>1,570.8</b>

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 12. Investment property continued

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

Investment properties included leasehold properties with a carrying amount of £61.9 million (2024: £62.4 million).

Interest capitalised within capital expenditure in the year amounted to £0.2 million (2024: £nil).

The property portfolio, which comprises investment properties, properties held for sale (note 14), and hotel and other, detailed in note 13, was revalued at 31 December 2025 to its fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by independent external valuers and directors as follows:

	Investment property 2025 £m	Other property 2025 £m	Property portfolio 2025 £m	Investment property 2024 £m	Other property 2024 £m	Property portfolio 2024 £m
Cushman and Wakefield	635.4	42.0	677.4	657.0	150.0	807.0
Jones Lang LaSalle	935.4	3.4	938.8	1,019.5	23.7	1,043.2
Directors' valuation <sup>1</sup>	–	88.6	88.6	–	–	–
	<b>1,570.8</b>	<b>134.0</b>	<b>1,704.8</b>	1,676.5	173.7	1,850.2

<sup>1</sup> The Directors' valuation includes four properties in Germany which have been classified as held for sale. The value has been determined with reference to the third party letters of intent to purchase the properties. Refer to note 14 for further details.

The total fees, including the fees for this assignment, earned by each of the valuers from the Group is less than 5% of their total revenues in each jurisdiction.

### Valuation process

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

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

## 12. Investment property continued

### Valuation techniques

The fair value of the property portfolio (excluding ongoing developments, see below) has been determined using the following approaches, which are consistent with valuation methodologies in their respective countries, and are in accordance with RICS Valuation – Global Standards:

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

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

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

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

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

There were no transfers between any of the Levels in the fair value hierarchy during either 2025 or 2024. The Group determines whether transfers have occurred between levels in the fair value hierarchy by reassessing categorisation at the end of each reporting period.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of £79.2 million (2024: a loss of £127.7 million) and are presented in the income statement in the line item 'Net revaluation movements on investment property'. The revaluation loss for the property, plant and equipment of £1.6 million (2024: gain of £1.3 million) was included within the revaluation reserve via other comprehensive income.

All gains and losses recorded in profit or loss in 2025 and 2024 or recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at 31 December 2025 and 31 December 2024, respectively.

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

	ERV				Equivalent yield			
	Average		Range		Average		Range	
	2025 £ per sq. ft	2024 £ per sq. ft	2025 £ per sq. ft	2024 £ per sq. ft	2025 %	2024 %	2025 %	2024 %
UK	<b>37.99</b>	38.08	<b>10.00–56.55</b>	10.00–56.41	<b>7.56</b>	7.39	<b>6.16–10.05</b>	6.21–10.03
Germany	<b>14.28</b>	13.41	<b>9.72–29.07</b>	9.19–27.59	<b>5.32</b>	5.23	<b>4.40–6.55</b>	4.30–6.40
France	<b>23.47</b>	21.42	<b>13.06–47.73</b>	12.40–45.25	<b>6.21</b>	6.13	<b>4.80–8.00</b>	4.82–7.50

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

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

A decrease in the equivalent yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £69.0 million (2024: £79.3 million) whilst a 25 basis point increase would reduce the fair value by £68.3 million (2024: £79.2 million). A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by £64.5 million (2024: £70.7 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 £59.4 million (2024: £64.4 million).

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 13. Property, plant and equipment

	Hotel £m	Owner- occupied property £m	Fixtures and fittings £m	Total £m
<b>Cost or valuation</b>				
At 1 January 2024	30.2	9.5	3.9	43.6
Additions	–	–	0.2	0.2
Disposals	–	–	(0.1)	(0.1)
Reclassification from investment properties	–	0.1	–	0.1
Revaluation	1.2	(0.1)	–	1.1
Exchange rate variances	–	(0.2)	–	(0.2)
<b>At 31 December 2024</b>	<b>31.4</b>	<b>9.3</b>	<b>4.0</b>	<b>44.7</b>
<b>Additions</b>	<b>–</b>	<b>–</b>	<b>0.1</b>	<b>0.1</b>
<b>Disposals</b>	<b>–</b>	<b>–</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>Revaluation</b>	<b>(2.1)</b>	<b>0.3</b>	<b>–</b>	<b>(1.8)</b>
<b>Exchange rate variances</b>	<b>–</b>	<b>0.2</b>	<b>–</b>	<b>0.2</b>
<b>At 31 December 2025</b>	<b>29.3</b>	<b>9.8</b>	<b>4.0</b>	<b>43.1</b>
<b>Comprising:</b>				
<b>At cost</b>	<b>–</b>	<b>–</b>	<b>4.0</b>	<b>4.0</b>
<b>At valuation</b>	<b>29.3</b>	<b>9.8</b>	<b>–</b>	<b>39.1</b>
	<b>29.3</b>	<b>9.8</b>	<b>4.0</b>	<b>43.1</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2024	–	–	(1.8)	(1.8)
Depreciation charge	(0.1)	(0.1)	(0.4)	(0.6)
Revaluation	0.1	0.1	–	0.2
<b>At 31 December 2024</b>	<b>–</b>	<b>–</b>	<b>(2.2)</b>	<b>(2.2)</b>
<b>Depreciation charge</b>	<b>(0.1)</b>	<b>(0.1)</b>	<b>(0.3)</b>	<b>(0.5)</b>
<b>Revaluation</b>	<b>0.1</b>	<b>0.1</b>	<b>–</b>	<b>0.2</b>
<b>At 31 December 2025</b>	<b>–</b>	<b>–</b>	<b>(2.5)</b>	<b>(2.5)</b>
<b>Net book value</b>				
<b>At 31 December 2025<sup>1</sup></b>	<b>29.3</b>	<b>9.8</b>	<b>1.5</b>	<b>40.6</b>
At 31 December 2024	31.4	9.3	1.8	42.5

1 If the assets were held at cost, the carrying amount at 31 December 2025 would be £20.2 million for Hotel and £6.8 million for Owner-occupied property.

### Valuation techniques

The fair value of the hotel and owner-occupied property has been determined using the following approach in accordance with International Valuation Standards:

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

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

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

All other factors remaining constant, an increase in EBITDA would increase the valuation, whilst an increase in exit capitalised yield would result in a fall in value, and vice versa. A decrease in the exit capitalisation yield by 100 basis points would result in an increase in the fair value of the hotel by £5.0 million, whilst a 100 basis point increase would reduce the fair value by £3.7 million. A decrease in EBITDA by 5% would result in a decrease in the fair value of the hotel by £1.5 million whilst an increase in the EBITDA by 5% would result in an increase in the fair value of the hotel by £1.5 million.

## 14. Assets held for sale

	2025				2024			
	UK £m	Germany £m	France £m	Total £m	UK £m	Germany £m	France £m	Total £m
At 1 January	112.5	20.5	–	133.0	47.3	115.6	9.8	172.7
Disposals	(101.7)	(20.5)	–	(122.2)	(40.8)	(8.3)	(9.8)	(58.9)
Transfer (to)/from investment property	(4.5)	88.6 <sup>1</sup>	–	84.1	106.0	(84.3)	–	21.7
Exchange rate variances	–	–	–	–	–	(2.5)	–	(2.5)
At 31 December	6.3	88.6	–	94.9	112.5	20.5	–	133.0

<sup>1</sup> A Directors' valuation of four properties in Germany classified as held for sale has been adopted. The valuation reflects letters of intent to purchase these properties by third parties. The Directors believe this is the best indication of fair value as it is representative of an arm's length transaction.

The balance above comprises six properties (2024: four properties) that at the year-end were being marketed for sale and are expected to be disposed of within 12 months via an open market process. The properties are situated in the UK and Germany. The Directors expect that the sale proceeds achieved to be similar to their carrying amounts.

One property classified as held for sale at 31 December 2024 was transferred back into investment property during the period. Despite the Directors determining this property met the criteria of held for sale as at 31 December 2024, a suitable purchaser was not identified for this property and it is no longer classified as held for sale, as it is not being actively marketed at 31 December 2025. As held for sale properties are held at fair value, the change in classification has no material impact on the financial statements.

## 15. Trade and other receivables

	2025 £m	2024 £m
<b>Current</b>		
Trade receivables	2.6	4.2
Other receivables	5.0	5.3
Prepayments	0.8	2.7
Accrued income	2.1	2.0
	<b>10.5</b>	14.2

Trade receivables are shown after deducting a provision of £2.1 million (2024: £1.7 million) which is calculated as an expected credit loss. The movements in this provision were as follows:

	2025 £m	2024 £m
At 1 January	1.7	1.9
Debt write-offs	(0.2)	(0.3)
Charge to the income statement	0.8	0.1
Exchange rate variances	(0.2)	–
At 31 December	<b>2.1</b>	1.7

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

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 16. Cash and cash equivalents

	2025 £m	2024 £m
Cash at bank	49.4	60.5

At 31 December 2025, cash at bank included £39.2 million (2024: £41.4 million) which was restricted by a third-party charge. £10.1 million of the restricted cash related to tenant deposits (2024: £10.1 million).

## 17. Trade and other payables

	2025 £m	2024 £m
<b>Current</b>		
Trade payables	3.1	5.2
Social security and other taxes	1.7	1.7
Tenant deposits	10.1	10.1
Other payables	7.1	4.6
Deferred income	12.7	14.5
Accruals	22.9	29.6
	<b>57.6</b>	<b>65.7</b>

## 18. Deferred tax

	Liabilities				Assets				Total deferred tax £m
	UK capital allowances £m	Fair value adjustments to properties £m	Other £m	Total £m	UK capital allowances £m	Losses £m	Other £m	Total £m	
At 1 January 2024	0.7	89.9	1.5	92.1	–	(3.3)	(0.1)	(3.4)	88.7
Charged/(credited):									
to income statement	0.2	(7.6)	(0.2)	(7.6)	–	1.0	(0.3)	0.7	(6.9)
to OCI <sup>1</sup>	–	0.1	–	0.1	–	–	–	–	0.1
Exchange rate variances	–	(3.8)	–	(3.8)	–	–	–	–	(3.8)
<b>At 31 December 2024</b>	<b>0.9</b>	<b>78.6</b>	<b>1.3</b>	<b>80.8</b>	<b>–</b>	<b>(2.3)</b>	<b>(0.4)</b>	<b>(2.7)</b>	<b>78.1</b>
Charged/(credited):									
to income statement	0.2	(16.0)	(0.3)	(16.1)	–	0.3	–	0.3	(15.8)
to OCI <sup>1</sup>	–	(0.7)	–	(0.7)	–	–	–	–	(0.7)
Exchange rate variances	–	3.8	–	3.8	–	–	–	–	3.8
<b>At 31 December 2025</b>	<b>1.1</b>	<b>65.7</b>	<b>1.0</b>	<b>67.8</b>	<b>–</b>	<b>(2.0)</b>	<b>(0.4)</b>	<b>(2.4)</b>	<b>65.4</b>

1 Other Comprehensive Income.

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

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2025 the Group offset tax losses valued at the applicable local tax rate of £11.0 million (2024: £13.3 million) against the deferred tax liability arising on the fair value adjustments to properties. At 31 December 2025 the Group did not recognise deferred tax assets of £13.8 million (2024: £13.6 million) in respect of losses amounting to £93.3 million (2024: £78.8 million) which may be carried forward and utilised against future taxable income or gains. There is no expiry period for the carried forward tax losses.

## 19. Borrowings

	At 31 December 2025			At 31 December 2024		
	Current £m	Non-current £m	Total borrowings £m	Current £m	Non-current £m	Total borrowings £m
Secured bank loans and facilities	198.0	703.9	901.9	372.4	626.8	999.2

Issue costs of £3.9 million (2024: £4.3 million) have been offset in arriving at the balances in the above tables.

### Secured bank loans

Interest on bank loans is charged at fixed rates ranging between 0.9% and 5.1% including margin (2024: 0.8% and 5.6%) and at floating rates of typically SONIA or EURIBOR plus a margin. Floating rate margins range between 1.0% and 2.8% (2024: 1.1% and 2.8%). The bank loans are secured by legal charges over £1,640.4 million (2024: £1,808.9 million) of the Group's properties, and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

### Secured green loans

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

- £146.1 million maturing between 2030 and 2032
- £57.5 million maturing in 2033.

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

### Capitalised interest

Interest capitalised within investment property capital expenditure during the year was £0.2 million (2024: £nil).

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

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

At 31 December 2025	Secured bank loans £m
<b>Maturing in:</b>	
<b>Within one year or on demand</b>	199.3
<b>One to two years</b>	136.0
<b>Two to five years</b>	386.7
<b>More than five years</b>	183.8
	905.8
<b>Unamortised issue costs</b>	(3.9)
<b>Borrowings</b>	901.9
<b>Due within one year</b>	198.0
<b>Due after one year</b>	703.9

As at 1 January 2025, the Group outstanding borrowings due within the year of £373.7 million which consisted of £364.1 million of loans maturing in 2025 and £9.6 million of scheduled loan amortisation payments. These amounts have been fully refinanced, extended or repaid in 2025.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 19. Borrowings continued

At 31 December 2024	Secured bank loans £m
Maturing in:	
Within one year or on demand	373.7
One to two years	98.9
Two to five years	326.8
More than five years	204.1
	1,003.5
Unamortised issue costs	(4.3)
Borrowings	999.2
Due within one year	372.4
Due after one year	626.8

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

	At 31 December 2025			At 31 December 2024		
	Sterling £m	Euro £m	Total £m	Sterling £m	Euro £m	Total £m
<b>Fixed rate financial liabilities</b>	203.6	396.5	600.1	236.1	439.6	675.7
<b>Floating rate financial liabilities – swaps</b>	–	25.4	25.4	107.7	16.1	123.8
<b>Total fixed rate</b>	203.6	421.9	625.5	343.8	455.7	799.5
<b>Floating rate financial liabilities – capped</b>	–	61.9	61.9	–	37.8	37.8
<b>Floating rate financial liabilities</b>	174.1	44.3	218.4	131.1	35.1	166.2
<b>Total floating rate</b>	174.1	106.2	280.3	131.1	72.9	204.0
	377.7	528.1	905.8	474.9	528.6	1,003.5
<b>Unamortised issue costs</b>	(1.9)	(2.0)	(3.9)	(2.4)	(1.9)	(4.3)
<b>Borrowings</b>	375.8	526.1	901.9	472.5	526.7	999.2

Of the Group's total borrowings, 69% (2024: 80%) are considered fixed rate borrowings.

At 31 December 2025, the Group had interest rate swap agreements in place with an aggregate notional amount of £25.4 million (2024: £123.8 million) whereby the Group pays an average fixed rate of interest of 2.7% and receives interest at a daily variable rate. The swap is being used to hedge the exposure to changes in the variable rate of Sterling and Euro denominated loans.

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

	Weighted average interest rate <sup>1</sup>			Weighted average life		
	Sterling %	Euro %	Total %	Sterling Years	Euro Years	Total Years
At 31 December 2025						
<b>Fixed rate financial liabilities</b>	2.6	3.4	3.1	6.2	2.4	3.7
<b>Floating rate financial liabilities – swaps</b>	–	4.8	4.8	–	7.2	7.2
	2.6	3.4	3.2	6.2	2.7	3.8
<b>Floating rate financial liabilities – capped</b>	–	3.1	3.1	–	4.3	4.3
<b>Floating rate financial liabilities</b>	6.6	3.5	5.9	2.7	2.6	2.7
	6.6	3.2	5.3	2.7	3.6	3.0
<b>Gross borrowings</b>	4.4	3.4	3.8	4.6	2.9	3.6

## 19. Borrowings continued

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

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

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

	Carrying amounts		Fair values	
	2025 £m	2024 £m	2025 £m	2024 £m
Current borrowings	<b>198.0</b>	372.4	<b>198.0</b>	372.4
Non-current borrowings	<b>703.9</b>	626.8	<b>705.3</b>	629.8
	<b>901.9</b>	999.2	<b>903.3</b>	1,002.2

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

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

	2025 £m	2024 £m
Floating rate:		
– expiring within one year <sup>1</sup>	<b>70.0</b>	20.0
– expiring after one year <sup>2</sup>	–	30.0
	<b>70.0</b>	50.0

<sup>1</sup> £30.0 million of the facility expiring within one year and available as at 31 December 2025 was secured by selected UK properties.

<sup>2</sup> £30.0 million of the facility expiring after one year and available as at 31 December 2024 was secured by selected UK properties.

As at 31 December 2025, amounts drawn under the facilities above were £42.0 million (2024: £nil). In addition to the above committed facilities, at 31 December 2025, the Group has a £10.0 million unsecured overdraft facility available (2024: £10.0 million).

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 19. Borrowings continued

### Contractual undiscounted cash outflows

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

	Less than 1 year £m	1 to 2 years £m	2 to 3 years £m	3 to 4 years £m	4 to 5 years £m	Over 5 years £m	Total £m
At 31 December 2025							
Secured bank loans	199.3	136.0	125.4	81.6	179.7	183.8	905.8
Interest payments on borrowings <sup>1</sup>	30.5	23.2	19.0	15.9	12.1	11.4	112.1
Effect of interest rate swaps	0.1	0.1	0.1	–	–	–	0.3
Effect of interest rate caps	(0.2)	(0.1)	–	(0.1)	(0.1)	–	(0.5)
<b>Gross loan commitments</b>	<b>229.7</b>	<b>159.2</b>	<b>144.5</b>	<b>97.4</b>	<b>191.7</b>	<b>195.2</b>	<b>1,017.7</b>
At 31 December 2024							
Secured bank loans	373.7	98.9	125.8	115.6	85.4	204.1	1,003.5
Interest payments on borrowings <sup>1</sup>	36.0	17.7	14.8	11.1	8.2	13.8	101.6
Effect of interest rate swaps	(1.3)	0.1	0.1	0.1	–	–	(1.0)
Effect of interest rate caps	(0.4)	(0.2)	(0.1)	–	–	–	(0.7)
<b>Gross loan commitments</b>	<b>408.0</b>	<b>116.5</b>	<b>140.6</b>	<b>126.8</b>	<b>93.6</b>	<b>217.9</b>	<b>1,103.4</b>

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

## 20. Derivative financial instruments

	2025 Assets £m	2025 Liabilities £m	2024 Assets £m	2024 Liabilities £m
<b>Non-current:</b>				
Interest rate caps and swaps	0.5	(0.3)	0.7	(0.4)
<b>Current:</b>				
Interest rate caps and swaps	0.1	–	1.1	–
	<b>0.6</b>	<b>(0.3)</b>	<b>1.8</b>	<b>(0.4)</b>

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

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

### Interest rate caps

The aggregate notional principal of interest rate caps at 31 December 2025 was £66.7 million (2024: £37.8 million). The average period to maturity of these interest rate caps was 3.7 years (2024: 1.7 years).

### Interest rate swaps

The aggregate notional principal of interest rate swap contracts at 31 December 2025 was £25.4 million (2024: £123.8 million). The average period to maturity of these interest rate swaps was 3.8 years (2024: 2.5 years).

### Forward foreign exchange contracts

The Group uses forward foreign exchange contracts from time to time to add certainty to, and to minimise the impact of foreign exchange movements on, committed cash flows. At 31 December 2025, the Group had no outstanding foreign exchange contracts (2024: none).

## 20. Derivative financial instruments continued

### Derivative financial instruments cash flows

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

	2025 Assets £m	2025 Liabilities £m	2024 Assets £m	2024 Liabilities £m
Maturing in:				
Less than 1 year	0.2	(0.2)	1.8	–
1 to 2 years	0.2	(0.1)	0.2	(0.1)
2 to 3 years	–	(0.1)	0.1	(0.1)
3 to 4 years	0.1	–	–	(0.1)
4 to 5 years	0.1	–	–	(0.1)
Over 5 years	–	–	–	–
	<b>0.6</b>	<b>(0.4)</b>	2.1	(0.4)

## 21. Financial instruments

### Categories of financial instruments

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

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

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

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

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 21. Financial instruments continued

### Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform 'stress tests' of the Group's business model to ensure that the Group's objectives can be met and these objectives were met during 2025 and 2024.

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

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

	Notes	2025 £m	2024 £m
Debt	19	905.8	1,003.5
Cash and cash equivalents	16	(49.4)	(60.5)
Net debt (A)		856.4	943.0
Equity (B)		742.1	784.2
Net debt to equity ratio (A/B)		115.4%	120.2%

Debt is defined as long-term and short-term borrowings before unamortised issue costs as detailed in note 19. Cash and cash equivalents includes restricted cash (see note 16). Equity includes all capital and reserves of the Group attributable to the owners of the Company.

### Externally imposed capital requirement

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

### Risk management objectives

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

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

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

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

#### (a) Market risk

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

#### (l) Interest rate risk

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

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

## 21. Financial instruments continued

Scenario	2025 Income statement & equity £m	2024 Income statement & equity £m
Cash +50 basis points	0.2	0.3
Variable borrowings (including swaps and caps) +50 basis points	(2.1)	(1.8)
Cash -50 basis points	(0.2)	(0.3)
Variable borrowings (including swaps and caps) -50 basis points	1.4	1.0

An increase or decrease of 100 basis points on the cash balance would result in a gain/(loss) of £0.5 million/(£0.5 million) from cash and cash equivalents. An increase of 100 basis points on variable borrowings would result in a loss of £1.8 million and a decrease of 100 basis points on variable borrowings would result in a gain of £2.8 million.

### (II) Foreign exchange risk

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

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

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

Scenario	2025 Net assets £m	2025 Profit before tax £m	2024 Net assets £m	2024 Profit before tax £m
1% increase in value of Sterling against the Euro	(3.7)	0.3	(3.9)	0.2
1% fall in value of Sterling against the Euro	3.8	(0.4)	4.0	(0.2)

A 10% increase in the value of the Sterling against the Euro would result in a decrease in net assets of £33.9 million and reduction of profit before tax of £3.2 million. A 10% decrease in the value of the Sterling against the Euro would result in an increase in net assets of £41.4 million and an increase of profit before tax of £3.9 million. The sensitivity disclosed related to the foreign operations, as the sensitivity related to financial instruments is not considered significant.

### (b) Credit risk

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

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

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Credit risk to customers is assessed by a process of internal and external credit review, and is reduced by obtaining bank guarantees from the customer or its parent, and cash rental deposits. At 31 December 2025, the Group held £10.1 million in rent deposits (2024: £10.1 million) against £3.0 million of trade receivables (2024: £4.2 million). The overall credit risk in relation to customers is monitored on an ongoing basis. Moreover, a significant proportion of the Group portfolio is let to Government occupiers which can be considered financially secure.

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 21. Financial instruments continued

### Risk management objectives – continued

At 31 December 2025 the Group held £0.6 million (2024: £1.8 million) of financial assets at fair value through profit and loss. Management considers the credit risk associated with individual transactions and monitors the risk on a continuing basis. Information is gathered from external credit rating agencies and other market sources to allow management to react to any perceived change in the underlying credit risk of the instruments in which the Group invests. This allows the Group to minimise its credit exposure to such items and at the same time to maximise returns for shareholders.

### (c) Liquidity risk

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

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

Banking covenants vary according to each loan agreement, but typically include loan-to-value and income related covenants. In addition, the Group has two 'green' loans, each of which have a 10-basis point incentive for achieving certain sustainability targets. The Group targets a loan-to-value in the range of 35% to 45%. Balance sheet loan-to-value at 31 December 2025 was 50.0% (2024: 50.7%).

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

### Effect of covenants

All of the Group's non-current borrowings amounting to £703.9 million contain covenants, which, if not met, would result in the borrowings becoming repayable on demand. These borrowings are otherwise repayable more than 12 months after the end of the reporting period. As at 31 December 2025, the Group complied with all the covenants that were required to be met on or before 31 December 2025. The covenants that are required to be complied with after the end of the current reporting period do not affect the classification of the related borrowings as current or non-current at the end of the current reporting period. Therefore, all these borrowings remain classified as non-current liabilities. The Group remains in compliance with these covenants up to the date of this report.

The Group's loan facilities and other borrowings are spread across a range of 23 banks and financial institutions so as to minimise any potential concentration of risk.

## 22. Financial assets and liabilities

	Fair value through profit and loss £m	Amortised cost £m	Total carrying value £m
<b>Financial assets:</b>			
Cash and cash equivalents	–	49.4	49.4
Derivative financial assets	0.6	–	0.6
Other assets – current <sup>1</sup>	–	9.7	9.7
	0.6	59.1	59.7
<b>Financial liabilities:</b>			
Secured bank loans	–	(901.9)	(901.9)
Derivative financial liabilities	(0.3)	–	(0.3)
Other liabilities – current <sup>2</sup>	–	(43.2)	(43.2)
	(0.3)	(945.1)	(945.4)
<b>At 31 December 2025</b>	<b>0.3</b>	<b>(886.0)</b>	<b>(885.7)</b>

## 22. Financial assets and liabilities continued

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

1 Other assets included all amounts shown as trade and other receivables in note 15 except prepayments of £0.8 million (2024: £2.7 million). All current amounts are non-interest bearing and receivable within one year.

2 Other liabilities included all amounts shown as trade and other payables in note 17 except deferred income and sales and social security taxes of £14.4 million (2024: £16.2 million). All amounts are non-interest bearing and are due within one year.

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

	2025 £m	2024 £m
Net financial assets and liabilities:	<b>885.7</b>	975.3
Other assets – current	<b>9.7</b>	11.5
Other liabilities – current	<b>(43.2)</b>	(49.5)
Cash and cash equivalents	<b>49.4</b>	60.5
Borrowings and derivative financial instruments	<b>901.6</b>	997.8

## 23. Share capital

	Number of shares authorised, issued and fully paid			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation	Treasury shares	Total ordinary shares			
At 1 January 2025	397,410,268	41,367,512	438,777,780	9.9	1.1	11.0
Issue of shares	700,474	(700,474)	–	–	–	–
At 31 December 2025	398,110,742	40,667,038	438,777,780	9.9	1.1	11.0
	Number of shares authorised, issued and fully paid			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation	Treasury shares	Total ordinary shares			
At 1 January 2024 and 31 December 2024	397,410,268	41,367,512	438,777,780	9.9	1.1	11.0

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

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 24. Earnings per share

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

	2025 Number	2024 Number
Weighted average number of ordinary shares in circulation	<b>398,083,875</b>	397,410,268
Number of ordinary shares in circulation at the year-end	<b>398,110,742</b>	397,410,268

For diluted earnings per share, the weighted average number of ordinary shares in issues is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted earnings per share does not assume conversion of potential ordinary shares that would have an antidilutive effect on earnings per share. The diluted loss per share for the year to 31 December 2025 was restricted to a loss of 12.6 pence per share, as the loss per share cannot be reduced by dilution in accordance with IAS 33 Earnings Per Share.

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

Employee share plan	2025 Number	2024 Number
Element B/Special Share Award	–	694,695
LTIP	<b>6,408,551</b>	4,811,944
Total potential dilutive shares	<b>6,408,551</b>	5,506,639

## 25. Dividend

	Payment date	Dividend per share p	2025 £m	2024 £m
Current year				
2025 final dividend <sup>1</sup>	22 May 2026	2.70	–	–
2025 interim dividend	2 October 2025	1.30	<b>5.2</b>	–
Distribution of current year profit		4.00	<b>5.2</b>	–
Prior year				
2024 final dividend	23 May 2025	2.68	<b>10.7</b>	–
2024 interim dividend	2 October 2024	2.60	–	10.3
Distribution of current year profit		5.28	<b>10.7</b>	10.3
2023 final dividend	2 May 2024	5.35	–	21.3
Dividends as reported in the Group statement of changes in equity			<b>15.9</b>	31.6

<sup>1</sup> Subject to shareholder approval at the AGM on 23 April 2026. Total cost of proposed dividend is £10.7 million. The proposed dividend is not recognised as a liability at the balance sheet date.

## 26. Other reserves

	Notes	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Share-based payment reserve £m	Other reserves £m	Total £m
<b>At 1 January 2025</b>		<b>22.7</b>	<b>25.8</b>	<b>7.3</b>	<b>3.0</b>	<b>28.1</b>	<b>86.9</b>
Exchange rate variances		–	25.2	–	–	–	25.2
Corporation tax on exchange differences		–	(0.5)	–	–	–	(0.5)
Property, plant and equipment:							
– net fair value losses in the year	13	–	–	(1.6)	–	–	(1.6)
– deferred tax thereon	18	–	–	0.7	–	–	0.7
Share-based payments		–	–	–	0.3	–	0.3
<b>At 31 December 2025</b>		<b>22.7</b>	<b>50.5</b>	<b>6.4</b>	<b>3.3</b>	<b>28.1</b>	<b>111.0</b>
	Notes	Capital redemption reserve £m	Cumulative translation reserve £m	Fair value reserve £m	Share-based payment reserve £m	Other reserves £m	Total £m
At 1 January 2024		22.7	47.4	6.1	2.4	28.1	106.7
Exchange rate variances		–	(21.6)	–	–	–	(21.6)
Property, plant and equipment:							
– net fair value gains in the year	13	–	–	1.3	–	–	1.3
– deferred tax thereon	18	–	–	(0.1)	–	–	(0.1)
Share-based payments		–	–	–	0.6	–	0.6
<b>At 31 December 2024</b>		<b>22.7</b>	<b>25.8</b>	<b>7.3</b>	<b>3.0</b>	<b>28.1</b>	<b>86.9</b>

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

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

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

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

Share options exercised have been settled using the treasury shares of the Group. The reduction in the treasury share equity component is equal to the cost incurred to acquire the shares, on a weighted average basis. Any excess of the cash received from employees over the reduction in treasury shares is recorded in share premium. In 2025, there were 700,474 treasury shares transferred to the EBT (2024: none) to satisfy future awards under employee share plans. At 31 December 2025, the Group held 40,667,038 ordinary shares (2024: 41,367,512) with a nominal value of £1.0 million (2024: £1.1 million) in treasury. The Company's voting rights and dividends in respect of the treasury shares, including those own shares which the EBT holds, continue to be waived.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 27. Notes to the cash flow

	2025 £m	2024 £m
<b>Cash generated from operations</b>		
Operating loss	(24.1)	(52.5)
Adjustments for:		
Net movements on revaluation of investment properties	79.2	127.7
Net movements on revaluation of equity investments	(0.1)	0.6
Depreciation and amortisation	0.8	1.0
Loss on sale of investment property	10.9	2.3
Lease incentive debtor adjustments	(15.9)	(10.4)
Share-based payments	0.3	0.6
Loss on sale of other equity investments	-	0.1
Changes in working capital:		
Decrease in receivables	3.3	2.5
Decrease in payables	(1.8)	(0.7)
<b>Cash generated from operations</b>	<b>52.6</b>	<b>71.2</b>

	Notes	Non-cash movements 2025					31 December 2025 £m
		1 January 2025 £m	Financing cash flows £m	Amortisation of borrowing issue costs £m	Fair value adjustments £m	Foreign exchange £m	
<b>Changes in liabilities arising from financing activities</b>							
Borrowings	19	999.2	(126.8)	1.9	-	27.6	901.9
Derivative financial instruments	20	(1.4)	(0.2)	-	1.3	-	(0.3)
Lease liabilities		3.3	-	-	-	0.1	3.4
		<b>1,001.1</b>	<b>(127.0)</b>	<b>1.9</b>	<b>1.3</b>	<b>27.7</b>	<b>905.0</b>

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

## 28. Contingencies

The Group has contingent liabilities in respect of legal claims, guarantees and warranties arising in the normal course of business. It is not anticipated that any material liabilities will arise from these contingent liabilities.

## 29. Commitments

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

Operating lease commitments – where the Group is lessor	2025 £m	2024 £m
Within one year	97.4	94.2
Between one and two years	76.1	71.3
Between two and three years	63.1	59.4
Between three and four years	51.4	47.6
Between four and five years	41.1	37.3
More than five years	246.8	158.8
	<b>575.9</b>	468.6

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

### Other commitments

At 31 December 2025 the Group had contracted capital expenditure of £16.7 million (2024: £10.3 million). At the balance sheet date, the Group had not exchanged contracts to acquire any investment properties (2024: £nil). There were no authorised financial commitments which were yet to be contracted with third parties (2024: £nil).

## 30. Post-balance sheet events

There are no post-balance sheet events requiring disclosure.

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 31. Subsidiaries

The Group financial statements include the financial statements of CLS Holdings plc and all of its subsidiaries, which are listed below. All are 100% owned unless otherwise stated. Those marked with a \* were dissolved during 2025. Those marked with a \*\* were sold during 2025.

Certain UK subsidiaries are exempt from the requirements of the Companies Act 2006 relating to the audit of individual financial statements by virtue of Section 479A of that Act. These subsidiaries are identified with \*\*\* on the table below.

### United Kingdom

Registered Office: 16 Tinworth Street, London SE11 5AL

16 Tinworth Street (Residential) Limited	CLS Holdings UK Limited***	Falcon Quest Limited*	Spring Gardens III Limited
401 King Street Limited	CLS Kings Court Limited	Fetter Lane Apartments Limited	Spring Mews (Block D) Limited
Apex Tower Limited	CLS Lloyds Avenue Limited	Fetter Lane Leasehold Limited	Spring Mews (Hotel) Limited
Base Offices Limited***	CLS London Limited	Harman House Limited	Spring Mews (Student) Limited**
Brent House Limited***	CLS London Properties Limited	Hygeia Harrow Limited	Spring Mews Limited
Cassini Pascal Limited***	CLS Northern Properties Limited*	Ingrove Limited	Three Albert Embankment Limited***
Centenary Court Limited***	CLS One Limited	Instant Office Limited***	Vauxhall Square Limited***
Central London Securities Limited***	CLS Pacific House Limited	Kennington Road Limited	Vauxhall Square One Limited***
Chancel House Limited*	CLS Prescot Limited	Larkhall Lane Limited***	Vauxhall Square (Student) Limited***
CI Tower Investments Limited	CLS Prioory Place Limited	Maidenhead Cloud Gate Limited***	Wandsworth Road Limited
Citadel Finance Limited***	CLS Residential Investments Limited	Mirenwest Limited***	
Citadel Holdings plc	CLS South London Limited***	New Printing House Square Limited	
CLS Aberdeen Limited***	CLS Spring Gardens Limited	NYK Investments Limited	
CLS Capital Partners Limited***	CLS Staines Limited	One Elmfield Park Limited	
CLS Chancery House Limited	CLS UK Properties Limited***	Quayside Lodge Limited*	
CLS Church Road Limited	CLS UK Property Finance Limited	Rayman Finance Limited***	
CLS Cliffords Inn Limited	CLS UK Property Finance 2 Limited	Reflex Bracknell Limited	
CLS Clockwork Limited	CLS UK Property Finance 3 Limited	Sentinel House Limited***	
CLS Crawley Limited	CLS Watford Limited	Shard of Glass Limited*	
CLS England and Wales Limited*	CLSH Management Limited	Southern House Limited	
CLS Gateway House Limited	Columbia Bracknell Limited		
CLS Germany Limited	Coventry House Limited***		
CLS Gresham Limited	Dukes Road Limited		
CLS Harrow Limited	Elmfield Road Limited		

## 31. Subsidiaries continued

### Jersey

Registered Office: 1st Floor Liberation House, Castle Street, St Helier, Jersey JE1 1GL

CLS Holdings plc Employee Benefit Trust

### France

Registered Office: 36 Rue Jules Verne, 92300 Levallois-Perret, Paris

120 Jean Jaures Sàrl	Forum France SCI	Le Sigma Sàrl	Sego Sàrl*
235 Lyon Sàrl	Georges Clemenceau Sàrl	Mission Marchand Sàrl	Solferino SCI
Avenue du Park SCI	Immobilière 6 Sàrl	Parc SCI	
BV France Sàrl	Immobilière 8 Sàrl*	Petits Hotels Sàrl	
Capitaine Guynemer Sàrl	Immobilière 10 Sàrl	Rhone Alpes Sàrl	
CLS France Sàrl	Immobilière V SA	Scala Sàrl	
CLS Management Sàrl	Jean Walter Sàrl**	SCI Frères Peugeot	
Debussy SCI	Le D'Aubigny SCI	SCI Pierre Valette	
De Musset Sàrl	Le Quatuor SCI		

### Germany

Registered Office: Nagelsweg 37, 20097 Hamburg

CLS Germany GmbH  
CLS Green Energy GmbH  
Jarrestrasse Immobilien GmbH

### Luxembourg

Registered Office: 33 Avenue de la Liberte, 1931 Luxembourg

Adlershofer Sarl	CLS Luxembourg Sarl	Grossglockner Sarl	Schonbrunn Sarl
Albertina Sarl	CLS Metropolis Sarl	Hermalux Sarl	Zillertal Sarl
Cavernet Sarl	CLS Palisade Sarl	Kapellen Sarl	
Chronotron Sarl	CLS Storkower Strasse Sarl	Landstrasse Sarl	
CLS Dortmund Hiltropwall Sarl	CLS Tangentis Sarl	Naropere Sarl	
CLS Hansaallee Sarl	CLS Wendenstrasse Sarl	Network Perlach Sarl	
CLS Immobilien Stuttgart Sarl	Freepost Sarl	Prater Sarl	
CLS Investments Sarl	Garivet Sarl	Salisbury Hill Sarl	
CLS Investments 2 Sarl	Gotic Haus Sarl	Satimood Sarl	

### Netherlands

Registered Office: Burgemeester van Reenensingel 101, 2803 DA Gouda

CLS Management BV  
Portapert Properties UK BV

### Sweden

Registered Office: Skönabäck 122, 274 91 Skurup

Rasstaf Sweden AB  
Museion Förvaltning AB

# Notes to the Group financial statements continued

for the year ended 31 December 2025 continued

## 32. Related party transactions

### Transactions with Directors

Distributions totalling £59,672 (2024: £2,176,534) were made through dividend payments in the year in respect of ordinary shares held by the Directors and £8,752,717 (2024: £17,483,443) to the controlling shareholder.

During the year the following transactions occurred with companies associated to the controlling shareholder:

- The Group recharged salary costs in relation to providing administration services. CLS Holdings plc invoiced costs totalling £35,039 (2024: £64,436). At the balance sheet date £nil was outstanding (2024: £nil).
- A Group company, CLS Holdings plc has a £40.0 million (2024: £20.0 million) revolving credit facility with Creative Value Investment Group Limited, the investment vehicle for The Sten and Karin Mortstedt Family & Charity Trust. As at balance sheet date the amount drawn on this facility was £20.0 million (2024: £nil).

During the year, or previous year, the following transactions associated with the Directors occurred:

During the year, the Group invoiced rental related charges of £nil (2024: £60,268) to IKEA Limited, a company in a group of companies with a common Director. At the balance sheet date £1,276 was outstanding as payable (2024: £78,086 as payable).

### Directors' remuneration

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2025 £000	2024 £000
Short-term employee benefits	1,236	1,473
Post-employment benefits	–	44
Other long-term benefits	85	10
Other fees	2	2
	<b>1,323</b>	1,529

# Company balance sheet

at 31 December 2025

	Notes	2025 £m	Restated 2024 £m
<b>Non-current assets</b>			
Investment in subsidiary undertakings	8	456.5	482.6
Intangible assets		2.6	2.7
		<b>459.1</b>	485.3
<b>Current assets</b>			
Trade and other receivables	9	10.5	9.3
Cash and cash equivalents		–	0.1
		<b>10.5</b>	9.4
<b>Total assets</b>		<b>469.6</b>	494.7
<b>Current liabilities</b>			
Trade and other payables	10	(173.5)	(222.5)
Borrowings	11	(20.0)	–
		<b>(193.5)</b>	(222.5)
<b>Total liabilities</b>		<b>(193.5)</b>	(222.5)
<b>Net assets</b>		<b>276.1</b>	272.2
<b>Equity</b>			
Share capital	12	11.0	11.0
Share premium	13	83.1	83.1
Other reserves	13	29.7	29.4
Retained earnings	13	152.3	148.7
<b>Shareholders' funds</b>	14	<b>276.1</b>	272.2

The Company reported a profit for the financial year ended 31 December 2025 of £19.5 million (2024: restated £1.8 million profit; see note 4).

The notes on pages 171 to 175 are an integral part of these Company financial statements.

These financial statements of CLS Holdings plc (registered number: 02714781) were approved by the Board of Directors and authorised for issue on 12 March 2026 and were signed on its behalf by:

**Mr F Widlund**  
Chief Executive Officer

**Mr H Stokes**  
Chief Financial Officer

# Company statement of changes in equity

for the year ended 31 December 2025

	Notes	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
<b>Arising in 2025:</b>						
Profit for the year	6	-	-	-	19.5	19.5
Share-based payments	13	-	-	0.3	-	0.3
Dividends to shareholders	7	-	-	-	(15.9)	(15.9)
<b>Total changes arising in 2025</b>		<b>-</b>	<b>-</b>	<b>0.3</b>	<b>3.6</b>	<b>3.9</b>
<b>At 1 January 2025</b>		<b>11.0</b>	<b>83.1</b>	<b>29.4</b>	<b>148.7</b>	<b>272.2</b>
<b>At 31 December 2025</b>		<b>11.0</b>	<b>83.1</b>	<b>29.7</b>	<b>152.3</b>	<b>276.1</b>
<b>Arising in 2024:</b>						
Profit for the year (restated – note 4)	6	-	-	-	1.8	1.8
Share-based payments	13	-	-	0.6	-	0.6
Dividends to shareholders	7	-	-	-	(31.6)	(31.6)
<b>Total changes arising in 2024</b>		<b>-</b>	<b>-</b>	<b>0.6</b>	<b>(29.8)</b>	<b>(29.2)</b>
<b>At 1 January 2024 (restated – note 4)</b>		<b>11.0</b>	<b>83.1</b>	<b>28.8</b>	<b>178.5</b>	<b>301.4</b>
<b>At 31 December 2024</b>		<b>11.0</b>	<b>83.1</b>	<b>29.4</b>	<b>148.7</b>	<b>272.2</b>

The notes on pages 171 to 175 are an integral part of these Company financial statements.

# Notes to the Company financial statements

for the year ended 31 December 2025

## 1. General information

These separate Company financial statements are presented as required by the Companies Act 2006 and prepared on the historical cost basis. The Company has applied UK GAAP Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). CLS Holdings plc is the ultimate Parent Company of the CLS Holdings Group registered and incorporated in the United Kingdom under Companies Act 2006. Its primary activity (which occurs exclusively within the United Kingdom) is to hold shares in subsidiary companies.

## 2. Basis of accounting

As permitted by FRS 101, the Company has taken advantage of all the disclosure exemptions including the following:

- IAS 1 – exemption from capital management disclosures requirements
- IAS 7 – cash flow statement
- IAS 8 – IFRSs issued but not yet effective
- IAS 24 – related party disclosures
- IFRS 2 – share based payments
- IFRS 7 – financial instruments
- IFRS 13 – fair value measurement

Where required, equivalent disclosures are given in the Group financial statements.

### Going concern

The Group and Company's going concern assessment covers the period to 31 July 2027. The going concern assessment uses the business plan approved by the Board at its November 2025 meeting as the Base case (see note 2.1 of the Group financial statements). Whilst the Directors consider that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern (see note 2 to the Consolidated financial statements for more details) the financial statements are prepared on a going concern basis. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

## 3. Material accounting policies

The principal accounting policies are summarised below.

### 3.1 Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less provisions for impairment. Dividend income is recognised when received.

### 3.2 Impairment

Investments are reviewed for impairment whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. Recoverability of investments are measured by comparison of the carrying amount of the investment and fair value less costs to sell. If such assets are considered to be impaired, the impairment to be recognised is the amount by which the carrying amount exceeds the fair value of the investments.

### 3.3 Pension costs

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the balance sheet.

### 3.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax. Where a Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. The repurchased shares are classified as treasury shares and presented within the treasury share reserve. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

### 3.5 Foreign currencies

The financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Company operates, known as its functional currency. Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in other currencies are translated into Sterling at the rates prevailing at that date.

# Notes to the Company financial statements continued

for the year ended 31 December 2025 continued

## 4. Restatement of prior period results

During the preparation of this year's financial statements, the directors noted that the comparative information of CLS Holdings plc at 1 January 2024 and 31 December 2024 required adjustments that change the previously reported net assets and the loss for that year.

As at the year ended 31 December 2023 CLS Holdings plc identified indicators of impairment in its subsidiary entities and a determination of the recoverable amount was made using the net asset value of the subsidiaries which resulted in a cumulative impairment provision of £52.1 million and was included in the opening balance disclosed at 1 January 2024.

It was subsequently noted that the net asset values used in the calculation did not include impairment adjustments in those entities or intermediate holding groups which were subsequently booked. The impact was that the impairment of investments in subsidiaries was understated by £72.2 million in the net assets as at 1 January 2024. Of this additional impairment of £72.2 million, £56.6 million was recognised within the financial statements for the year ended 31 December 2024, thus overstating the loss for the year ended 31 December 2024. Furthermore, £15.6 million of impairments were not recognised in either period, overstating the closing balance of investments in subsidiaries as at 31 December 2024.

As a consequence, after taking into account the impairment adjustments, the comparatives at 1 January 2024 and 31 December 2024 have been adjusted as follows:

- Investment in subsidiary undertakings at 1 January 2024 has decreased by £72.2 million from £534.5 million to £462.3 million.
- Investment in subsidiary undertakings at 31 December 2024 has decreased by £15.6 million from £498.2 million to £482.6 million.
- Net assets at 31 December 2024 have reduced by £15.6 million from £287.8 million to £272.2 million.
- The reported results for the year 31 December 2024 have been restated by £56.6 million changing a loss of £54.8 million to a profit of £1.8 million.
- Distributable reserves at 31 December 2024 have reduced by £15.6 million, from £164.3 million to £148.7 million, as:
  - distributable reserves at 1 January 2024 have reduced by £72.2 million;
  - the reported results for the year 31 December 2024 have been restated by £56.6 million changing a loss of £54.8 million to a profit of £1.8 million.

There is no impact on the consolidated financial statements.

## 5. Accounting judgements and key sources of estimation uncertainty

### Accounting judgements

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Company's accounting policies, which are described in note 3, and which of those judgements have the most significant effect on the amounts recognised in the financial statements.

### Going concern

For the purposes of the going concern assessment, the Group and Company makes judgements in determining future cash flows which are based on assumptions. The most significant judgements relate to the terms and ability to refinance loan facilities and recycle capital. These judgements are made by management based on recent performance, external factors and management's knowledge and expertise of cash flow drivers. See note 2 to the Consolidated financial statements for more details.

In the opinion of the Directors, they consider the following to be ongoing judgements.

- Impairments to investment in subsidiaries – the recoverable amount is considered to be best estimated by the net asset value at the subsidiaries.

### Key sources of estimation uncertainty

The key sources of estimation uncertainty in the preparation of the Company's financial statements is the value of investment in subsidiary undertakings that is primarily determined by the property values therein (see note 3 in the consolidated financial statements).

## 6. Profit for financial year

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements. The Company's profit for the financial year was £19.5 million (2024: restated £1.8 million profit).

Audit fees for the Company were £0.3 million (2024: £0.2 million).

Details of the Directors employed during the year and of their remuneration is included in the Remuneration Committee Report on pages 87 to 99.

## 7. Dividend

	Payment date	Dividend per share pence	2025 £m	2024 £m
Current year				
2025 final dividend <sup>1</sup>	22 May 2026	2.70	–	–
2025 interim dividend	2 October 2025	1.30	5.2	–
Distribution of current year profit			5.2	–
Prior year				
2024 final dividend <sup>1</sup>	23 May 2025	2.68	10.7	–
2024 interim dividend	2 October 2024	2.60	–	10.3
Distribution of current year profit		5.28	10.7	10.3
2023 final dividend	2 May 2024	5.35	–	21.3
Dividend as reported in the Group statement of changes in equity			15.9	31.6

<sup>1</sup> Subject to shareholder approval at the AGM on 23 April 2026. Total cost of proposed dividend is £10.7 million.

## 8. Investment in subsidiary undertakings

	2025 £m	Restated 2024 £m <sup>1</sup>
<b>At 1 January</b>	<b>482.6</b>	462.3
Additions	104.5	190.0
Disposals	(73.0)	–
Provision for impairment	(57.6)	(169.7)
<b>At 31 December</b>	<b>456.5</b>	482.6

<sup>1</sup> The prior year provision for impairment has been restated as described in note 4 along with their respective totals. The proposed dividend is not recognised as a liability at the balance sheet date.

Certain indicators of impairment were identified by the Company as at 31 December 2025. A determination of the recoverable amount of the investments in subsidiaries were made using the net asset value at the subsidiaries, resulting in an impairment of £57.6 million (2024 restated: £169.7 million). The recoverable amount remains sensitive to the financial performance and financial position of both the Company and its subsidiaries, including the valuation of investment properties of its subsidiaries (see note 12 of Group financial statements).

## 9. Trade and other receivables

	2025 £m	2024 £m
Amounts owed by subsidiary undertakings	4.8	3.1
Social security and other taxes	0.1	0.7
Other receivables	0.6	5.3
Prepayments and accrued income	5.0	0.2
	10.5	9.3

# Notes to the Company financial statements continued

for the year ended 31 December 2025 continued

## 10. Trade and other payables

	2025 £m	2024 £m
<b>Current</b>		
Trade payables	0.2	0.2
Amounts owed to subsidiary undertakings	170.2	219.2
Accruals	3.1	3.1
	<b>173.5</b>	<b>222.5</b>

Amounts owed to subsidiary undertakings represent a loan payable to one of the Company's subsidiaries which attracted an interest rate of SONIA plus a margin of 3.00%. The loan was repayable on demand and the maturity date was 31 December 2025. In January 2026, the Company entered into a new loan agreement with the subsidiary to extend the loan maturity to 31 December 2030. This new loan agreement attracts an interest rate of SONIA plus a margin of 2.75%.

## 11. Borrowings

	2025 £m	2024 £m
<b>Current</b>		
Borrowings	20.0	–
	<b>20.0</b>	<b>–</b>

Borrowing as at 31 December 2025 of £20.0 million (2024: £nil) represent amounts drawn on the corporate borrowing facilities.

## 12. Share capital

	Number of shares authorised, issued and fully paid			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation	Treasury shares	Total ordinary shares			
At 1 January 2025	397,410,268	41,367,512	438,777,780	9.9	1.1	11.0
Issue of shares	700,474	(700,474)	–	–	–	–
At 31 December 2025	398,110,742	40,667,038	438,777,780	9.9	1.1	11.0
	Number of shares authorised, issued and fully paid			Ordinary shares in circulation £m	Treasury shares £m	Total ordinary shares £m
	Ordinary shares in circulation	Treasury shares	Total ordinary shares			
At 1 January 2024 and 31 December 2024	397,410,268	41,367,512	438,777,780	9.9	1.1	11.0

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

## 13. Reserves

	Other reserves					Retained earnings £m
	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Other £m	Total £m	
<b>At 1 January 2025</b>	<b>83.1</b>	<b>22.7</b>	<b>2.1</b>	<b>4.6</b>	<b>29.4</b>	<b>148.7</b>
Share-based payments	-	-	0.3	-	0.3	-
Profit for the year	-	-	-	-	-	19.5
Dividends to shareholders	-	-	-	-	-	(15.9)
<b>At 31 December 2025</b>	<b>83.1</b>	<b>22.7</b>	<b>2.4</b>	<b>4.6</b>	<b>29.7</b>	<b>152.3</b>

	Other reserves					Restated retained earnings £m
	Share premium £m	Capital redemption reserve £m	Share-based payment reserve £m	Other £m	Total £m	
At 1 January 2024	83.1	22.7	1.5	4.6	28.8	178.5
Share-based payments	-	-	0.6	-	0.6	-
Profit for the year – restated (note 4)	-	-	-	-	-	1.8
Dividends to shareholders	-	-	-	-	-	(31.6)
At 31 December 2024	83.1	22.7	2.1	4.6	29.4	148.7

## 14. Reconciliation of movements in shareholders' funds

	2025 £m	Restated 2024 £m
<b>At 1 January</b>	<b>272.2</b>	301.4
Profit for the year (restated – note 4)	19.5	1.8
Dividends to shareholders	(15.9)	(31.6)
Share-based payments	0.3	0.6
<b>At 31 December</b>	<b>276.1</b>	272.2

## 15. Contingencies

### Guarantees

At 31 December 2025 and 31 December 2024 CLS Holdings plc had guaranteed certain liabilities of Group companies. These were primarily in relation to Group borrowings and covered interest and amortisation payments. The principal amount of a secured loan from an external lender to a Group company was covered by a guarantee totalling £40.0 million at 31 December 2025 provided by CLS Holdings plc (2024: £20.0 million). CLS Holdings plc guarantees a £30.0 million revolving credit facility with RBS (2024: £30.0 million). As at 31 December 2025 the amount drawn on this facility was £22.0 million (2024: £nil). Since the possibility of payment by the Company under any of these guarantees and warranties is considered remote, no provisions in relation to these have been made in the Company's financial statements and no reportable contingent liability exists.

## 16. Commitments

At 31 December 2025, the Company had no contracted capital expenditure (2024: £nil) and no authorised financial commitments which were yet to be contracted with third parties (2024: £nil).

# Five-year financial summary (unaudited)

	2025 £m	2024 £m	2023 £m	2022 £m	2021 £m
<b>Continuing operations</b>					
Revenue	<b>139.7</b>	151.9	148.7	139.7	139.8
Service charges and similar expenses	<b>(38.4)</b>	(37.9)	(35.7)	(31.9)	(31.8)
Net rental income	<b>101.3</b>	114.0	113.0	107.8	108.0
Administration expenses	<b>(16.4)</b>	(17.7)	(18.2)	(15.7)	(16.2)
Other property expenses	<b>(17.3)</b>	(18.1)	(15.6)	(16.2)	(14.4)
Non-recurring items <sup>1</sup>	<b>(1.7)</b>	-	-	-	-
Operating profit before revaluation and disposals	<b>65.9</b>	78.2	79.2	75.9	77.4
Net revaluation movements on investment property	<b>(79.2)</b>	(127.7)	(302.7)	(136.5)	28.5
Net revaluation movements on equity investments	<b>0.1</b>	(0.6)	(1.3)	(3.8)	7.5
(Loss)/profit on sale of investment property	<b>(10.9)</b>	(2.3)	1.4	0.5	(0.1)
Loss on sale of other equity investments	<b>-</b>	(0.1)	-	-	-
Operating (loss)/profit	<b>(24.1)</b>	(52.5)	(223.4)	(63.9)	113.3
Finance income	<b>1.1</b>	1.4	1.6	10.1	5.9
Finance costs	<b>(39.1)</b>	(45.7)	(41.3)	(26.8)	(25.4)
Foreign exchange gain/(loss)	<b>0.2</b>	(0.6)	(0.3)	(0.3)	(2.3)
Impairment of goodwill	<b>-</b>	-	-	(1.1)	-
(Loss)/profit before tax	<b>(61.9)</b>	(97.4)	(263.4)	(82.0)	91.5
Taxation	<b>11.6</b>	3.8	13.6	0.1	28.0
(Loss)/profit for the year	<b>(50.3)</b>	(93.6)	(249.8)	(81.9)	119.5
Dividends paid	<b>15.9</b>	31.6	31.6	32.4	30.8
Distribution of current year's profit	<b>15.9</b>	21.0	31.6	31.9	31.4
<b>Net assets employed</b>					
Non-current assets	<b>1,615.3</b>	1,723.0	1,900.2	2,351.4	2,301.1
Current assets	<b>155.4</b>	208.8	260.7	150.0	237.4
	<b>1,770.7</b>	1,931.8	2,160.9	2,501.4	2,538.5
Current liabilities	<b>(255.6)</b>	(439.0)	(262.8)	(234.0)	(229.8)
Non-current liabilities	<b>(773.0)</b>	(708.6)	(968.9)	(1,046.6)	(978.0)
Net assets	<b>742.1</b>	784.2	929.2	1,220.8	1,330.7
<b>Ratios</b>	<b>2025</b>	2024	2023	2022	2021
Net assets per share (pence)	<b>186.4</b>	197.3	233.8	307.3	326.6
EPRA NTA per share (pence)	<b>200.7</b>	215.0	253.0	329.6	350.5
Earnings per share (pence)	<b>(12.6)</b>	(23.6)	(62.9)	(20.2)	29.3
EPRA earnings per share (pence)	<b>7.6</b>	9.2	10.3	11.6	11.3
Total Accounting Return – basic (%)	<b>(3.3)</b>	(12.2)	(21.3)	(3.5)	7.1
Total Accounting Return – EPRA NTA (%)	<b>(4.8)</b>	(11.9)	(20.8)	(3.7)	3.7
Net gearing (%)	<b>115.4</b>	120.2	108.2	81.7	65.4
Balance sheet loan-to-value (%)	<b>50.0</b>	50.7	48.5	42.2	37.1
Dividend cover (times)	<b>1.9</b>	1.7	1.3	1.5	1.5
Interest cover (times)	<b>1.84</b>	1.91	2.23	2.98	3.16

1 During the year, we conducted a review of staffing and financial structuring. This resulted in non-recurring costs including redundancy costs being incurred.

# Supplementary disclosures (unaudited)

Unaudited unless otherwise stated

## Alternative Performance Measures

CLS discloses Alternative Performance Measures (APMs) based on methodologies determined by EPRA and used by industry peers to ensure cross-sector consistency. We also disclose a number of APMs which are commonly used by investors to assess a company's performance.

### EPRA APMs

- EPRA net initial yield;
- EPRA 'topped-up' net initial yield;
- EPRA vacancy;
- EPRA capital expenditure;
- EPRA cost ratios;
- EPRA LTV; and
- EPRA like-for-like gross rental income growth.

### Other APMs

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

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

## 1. EPRA APMs

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

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

	2025				2024			
	United Kingdom £m	Germany £m	France £m	Total £m	United Kingdom £m	Germany £m	France £m	Total £m
Rent passing	40.2	39.1	11.8	91.1	46.6	41.6	12.9	101.1
Adjusted for properties in development	(0.1)	–	–	(0.1)	(0.1)	–	(0.3)	(0.4)
Forecast non-recoverable service charge	(2.8)	(3.6)	(1.0)	(7.4)	(3.9)	(2.5)	(0.5)	(6.9)
<b>Annualised net rents (A)</b>	<b>37.3</b>	<b>35.5</b>	<b>10.8</b>	<b>83.6</b>	<b>42.6</b>	<b>39.1</b>	<b>12.1</b>	<b>93.8</b>
Property portfolio <sup>1</sup>	641.7	800.4	223.6	1,665.7	668.4	814.1	225.9	1,708.4
Adjusted for properties in development	(10.7)	(1.7)	(9.9)	(22.3)	(11.4)	(2.0)	(8.3)	(21.7)
Purchasers' costs at 6.8%	42.9	54.3	14.5	111.7	44.7	55.2	14.8	114.7
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>673.9</b>	<b>853.0</b>	<b>228.2</b>	<b>1,755.1</b>	<b>701.7</b>	<b>867.3</b>	<b>232.4</b>	<b>1,801.4</b>
<b>EPRA NIY (A/B)</b>	<b>5.5%</b>	<b>4.2%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>6.1%</b>	<b>4.5%</b>	<b>5.2%</b>	<b>5.2%</b>

1 Figures in the above table include investment properties and properties held for sale and exclude owner-occupied premises, student accommodation and hotel.

# Supplementary disclosures (unaudited) continued

Unaudited unless otherwise stated continued

## Alternative Performance Measures continued

### ii) EPRA 'topped-up' NIY

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

	2025				2024			
	United Kingdom £m	Germany £m	France £m	Total £m	United Kingdom £m	Germany £m	France £m	Total £m
Contracted rent	47.4	45.7	13.1	106.2	50.1	44.9	13.9	108.9
Adjusted for properties in development	(0.1)	–	–	(0.1)	(0.1)	–	(0.3)	(0.4)
Forecast non-recoverable service charge	(2.8)	(3.6)	(1.0)	(7.4)	(3.9)	(2.5)	(0.5)	(6.9)
<b>'Topped-up' annualised net rents (A)</b>	<b>44.5</b>	<b>42.1</b>	<b>12.1</b>	<b>98.7</b>	46.1	42.4	13.1	101.6
Property portfolio <sup>1</sup>	641.7	800.4	223.6	1,665.7	668.4	814.1	225.9	1,708.4
Adjusted for properties in development	(10.7)	(1.7)	(9.9)	(22.3)	(11.4)	(2.0)	(8.3)	(21.7)
Purchasers' costs (6.8%)	42.9	54.3	14.5	111.7	44.7	55.2	14.8	114.7
<b>Property portfolio valuation including purchasers' costs (B)</b>	<b>673.9</b>	<b>853.0</b>	<b>228.2</b>	<b>1,755.1</b>	701.7	867.3	232.4	1,801.4
<b>EPRA 'topped-up' NIY (A/B)</b>	<b>6.6%</b>	<b>4.9%</b>	<b>5.3%</b>	<b>5.6%</b>	6.6%	4.9%	5.6%	5.6%

1 Figures in the above table include investment properties and properties held for sale and exclude owner-occupied premises, student accommodation and hotel.

### iii) EPRA vacancy

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

	2025 £m	2024 £m
ERV of vacant space (A)	16.8	15.1
ERV of let space	98.7	103.9
ERV of total portfolio (B)	115.5	119.0
<b>EPRA vacancy rate (A/B)</b>	<b>14.5%</b>	12.7%

### iv) EPRA capital expenditure

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

	Notes	2025 £m	2024 £m
Acquisitions	12	–	–
Amounts spent on the completed investment property portfolio:	12		
Creation of incremental space		–	–
Creation of no incremental space		14.3	21.1
<b>EPRA capital expenditure</b>		<b>14.3</b>	21.1
Conversion from accrual to cash basis		3.0	1.2
<b>EPRA capital expenditure on a cash basis</b>	CF <sup>1</sup>	<b>17.3</b>	22.3

1 Group statement of cash flows.

## Alternative Performance Measures continued

### v) EPRA cost ratios

The Group has a policy of capitalising certain staff costs directly attributable to the management of the development of investment properties as outlined in note 2.5 of the Group financial statements.

	Notes	2025 £m	2024 £m
Administration expenses	4	16.4	17.7
Other property expenses	4	17.3	18.1
Less: Other investments segment and student accommodation operating costs		(5.0)	(6.8)
		28.7	29.0
Net service charge costs	4	7.9	6.1
Service charge costs recovered through rents but not separately invoiced		(0.3)	(0.3)
Dilapidations receipts		(2.1)	(1.2)
EPRA costs (including direct vacancy costs) (A)		34.2	33.6
Direct vacancy costs		(9.1)	(8.2)
EPRA costs (excluding direct vacancy costs) (B)		25.1	25.4
Gross rental income	4	94.8	100.2
Service charge components of gross rental income		(0.3)	(0.3)
EPRA gross rental income (C)		94.5	99.9
<b>EPRA cost ratio (including direct vacancy costs) (A/C)</b>		<b>36.2%</b>	33.6%
<b>EPRA cost ratio (excluding direct vacancy costs) (B/C)</b>		<b>26.6%</b>	25.4%

### vi) EPRA LTV

	Notes	2025 £m	2024 £m
Borrowings from financial institutions	19	901.9	999.2
Net payables		46.6	52.4
Cash and cash equivalents	16	(49.4)	(60.5)
<b>Net debt (A)</b>		<b>899.1</b>	991.1
Properties held as property, plant and equipment	13	39.1	40.7
Investment properties	12	1,570.8	1,676.5
Properties held for sale	14	94.9	133.0
Financial assets – equity investments		0.8	0.6
<b>Total property value (B)</b>		<b>1,705.6</b>	1,850.8
<b>EPRA LTV (A/B)</b>		<b>52.7%</b>	53.5%

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

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

	2025	2024
(Decrease)/increase in gross rental income (%)	(6.5)	1.2
(Decrease)/increase in gross rental income (£m)	(6.5)	1.1

# Supplementary disclosures (unaudited) continued

Unaudited unless otherwise stated continued

## Alternative Performance Measures continued

### 2. Other APMs

#### i) Total Accounting Return (per share)

	Notes	2025 pence	2024 pence
EPRA NTA at 31 December	5	200.7	215.0
Distribution – prior year final <sup>1</sup>	25	2.7	5.4
Distribution – current year interim	25	1.3	2.6
Less: EPRA NTA at 1 January (A)	5	(215.0)	(253.0)
Return before dividends (B)		(10.3)	(30.0)
<b>Total Accounting Return (NTA) (B/-A)</b>		<b>(4.8)%</b>	<b>(11.9)%</b>

1 The 2024 and 2023 final dividends were 2.68 pence and 5.35 pence respectively but have been rounded to the nearest 0.1 pence for the purpose of this note.

#### ii) Net debt and gearing

	Notes	2025 £m	2024 £m
Borrowings short-term	19	198.0	372.4
Borrowings long-term	19	703.9	626.8
Add back: unamortised issue costs	19	3.9	4.3
Gross debt	19	905.8	1,003.5
Cash and cash equivalents	16	(49.4)	(60.5)
<b>Net debt (A)</b>		<b>856.4</b>	<b>943.0</b>
<b>Net assets (B)</b>		<b>742.1</b>	<b>784.2</b>
<b>Net gearing (A/B)</b>		<b>115.4%</b>	<b>120.2%</b>

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

	Notes	2025 £m	2024 £m
Borrowings short-term	19	198.0	372.4
Borrowings long-term	19	703.9	626.8
Less: cash and cash equivalents	16	(49.4)	(60.5)
<b>Net debt (A)</b>		<b>852.5</b>	<b>938.7</b>
Investment properties	12	1,570.8	1,676.5
Properties in plant, property and equipment	13	39.1	40.7
Properties held for sale	14	94.9	133.0
<b>Total property portfolio (B)</b>		<b>1,704.8</b>	<b>1,850.2</b>
<b>Balance sheet loan-to-value (A/B)</b>		<b>50.0%</b>	<b>50.7%</b>

## Alternative Performance Measures continued

### iv) Administration cost ratio

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

	Notes	2025 £m	2024 £m
Administration expenses	4	16.4	17.7
Less: Other investment segment	4	(0.1)	(0.1)
Underlying administration expenses (A)		16.3	17.6
Net rental income (B)	4	101.3	114.0
<b>Administration cost ratio (A/B)</b>		<b>16.1%</b>	15.4%

### v) Dividend cover

	Notes	2025 £m	2024 £m
Interim dividend	25	5.2	10.3
Final dividend (note: 2025 final dividend is subject to approval at the AGM)	25	10.7	10.7
<b>Total dividend (A)</b>		<b>15.9</b>	21.0
<b>EPRA earnings (B)</b>	5	<b>30.2</b>	36.4
<b>Dividend cover (B/A) (times)</b>		<b>1.90</b>	1.73

### vi) Interest cover

	Notes	2025 £m	2024 £m
Net rental income	4	101.3	114.0
Administration expenses	4	(16.4)	(17.7)
Other property expenses	4	(17.3)	(18.1)
<b>Group revenue less costs (A)</b>		<b>67.6</b>	78.2
Finance income (excluding derivatives and dividend income)	8	1.1	1.4
Finance costs (excluding derivatives)	9	(37.8)	(42.3)
<b>Net interest (B)</b>		<b>(36.7)</b>	(40.9)
<b>Interest cover (-A/B) (times)</b>		<b>1.84</b>	1.91

# Glossary

## **Administration cost ratio**

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

## **Balance sheet loan-to-value (LTV)**

Net debt expressed as a percentage of property assets (including Assets Held for Sale).

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

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

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

Scope 1 – direct emissions;

Scope 2 – indirect emissions; and

Scope 3 – other indirect emissions.

## **CDP**

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

## **Contracted rent**

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

## **Dividend cover**

The ratio of EPRA earnings over the dividend paid to shareholders.

## **Earnings before interest, tax, depreciation and amortisation (EBITDA)**

Operating profit before revaluation and disposals and before interest and tax, adding back depreciation and amortisation charges and adjusting for non-recurring items.

## **Earnings per share**

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

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

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

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

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

## **EPRA capital expenditure**

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

## **EPRA cost ratio**

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

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

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

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

Like-for-like net rental growth compares the growth of the net rental income of the portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described.

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

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

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

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

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

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

**EPRA net initial yield (NIY)**

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

**EPRA LTV**

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

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

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

**EPRA vacancy rate**

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

**Estimated rental value (ERV)**

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

**GRESB**

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

**Interest cover**

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

**Key performance indicators (KPIs)**

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

**Liquid resources**

Cash and short-term deposits.

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

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

**Net debt**

Total borrowings less liquid resources.

**Net debt:EBITDA ratio**

Net debt divided by EBITDA.

**Net gearing**

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

**Net initial yield**

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

**Net rent**

Passing rent less net service charge costs.

**Over-rented**

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

**Passing rent**

Contracted rent before any rent-free periods have expired.

**Real Estate Investment Trust (REIT)**

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

**Rent reviews**

Rent reviews take place at intervals agreed in the lease (typically every five years in the UK) 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.

# Glossary continued

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

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

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

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

## **Total Accounting Return – basic**

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

## **Total Accounting Return – EPRA**

The change in EPRA NTA before the payment of dividends.

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

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

## **True equivalent yield**

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

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

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

# Directors, officers and advisors

## Directors

Lennart Sten* <sup>‡</sup>	(Non-Executive Chairman)
Anna Seeley <sup>‡</sup>	(Non-Executive Vice Chair)
Fredrik Widlund	(Chief Executive Officer)
Harry Stokes	(Chief Financial Officer)
Johannes Conradi <sup>†</sup>	(Non-Executive Director)
Bill Holland <sup>††</sup>	(Non-Executive Director)
Eva Lindqvist <sup>††‡</sup>	(Non-Executive Director)

<sup>‡</sup> Senior Independent Director

\* Member of Remuneration Committee

<sup>†</sup> Member of Audit Committee

<sup>‡</sup> Member of Nomination Committee

## Chief Operating Officer & Company Secretary

David Fuller BA, FCG

## Registered Office

16 Tinworth Street, London, SE11 5AL

## Registered Number

02714781

## Website

[www.clsholdings.com](http://www.clsholdings.com)

## Email

[enquiries@clsholdings.com](mailto:enquiries@clsholdings.com)

## Telephone

+44 (0)20 7582 7766

## Registrars and Transfer Office

Computershare Investor Services Plc

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Shareholder Helpline: 0870 889 3286



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## Germany

CLS Germany GmbH

Hamburg Office:

Nagelsweg 37

20097 Hamburg

Düsseldorf Office:

Roßstraße 96

40476 Düsseldorf

Tel: +49 (0)40 29 81 39 0

## France

CLS France Sarl

36 Rue Jules Verne

92300 Levallois-Perret

Paris

Tel: +33 (0)1 86 26 48 50

## Luxembourg

CLS Luxembourg Sarl

33 Avenue de la Liberte

1931 Luxembourg

Tel: +352 (0)27 861 217

## Clearing Bank

Royal Bank of Scotland Plc

24 Grosvenor Place

London

SW1X 7HP

## Joint Corporate Brokers

Panmure Liberum Limited

Ropemaker Place, Level 12

25 Ropemaker Street

London

EC2Y 9LY

Joh. Berenberg, Gossler & Co. KG

London Branch

60 Threadneedle Street

London

EC2R 8HP

## Registered Auditor

BDO LLP

Chartered Accountants

55 Baker Street

London

W1U 7EU

## Financial and Corporate Public Relations

Daniel J. Edelman Limited

Southside

105 Victoria Street

London

SW1E 6QT

## luminous

Consultancy, design and production

[www.luminous.co.uk](http://www.luminous.co.uk)



**CLS Holdings plc**

16 Tinworth Street  
London  
SE11 5AL

Tel: +44 (0)20 7582 7766  
Fax: +44 (0)20 7735 2779

[www.clsholdings.com](http://www.clsholdings.com)

[enquiries@clsholdings.com](mailto:enquiries@clsholdings.com)