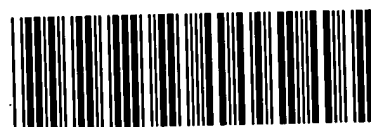


Company Registration No. 02114695 (England and Wales)

THREE ALBERT EMBANKMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

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THREE ALBERT EMBANKMENT LIMITED

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THREE ALBERT EMBANKMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and financial statements for the year ended 31 December 2020.

The Directors' Report has been prepared in accordance with the special provision relating to small companies under section 415a of the Companies Act 2006.

The Company has also taken advantage of the small companies' exemption not to prepare a Strategic Report.

Principal activities

The principal activity of the Company continued to be that of investment in commercial property.

Results and dividends

The results for the year are set out on page 8.

No dividends were paid. The Directors do not recommend payment of a final dividend (2019: nil).

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Andrew Kirkman
Alain Millet
Fredrik Widlund
Simon Wigzell

Directors' insurance

Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors who held office in 2020. The ultimate parent company CLS Holdings plc maintains liability insurance for its Directors and Directors of its associated companies.

Future developments

At the date of approval of this report, the Directors do not intend to change the principal activities of the Company from those described above.

THREE ALBERT EMBANKMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of 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 have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 *Reduced Disclosure Framework*. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company at the balance sheet date and of the profit or loss of the Company for the period ending on that date. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

Auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office. Under the provisions of the Companies Act 2006, the Company is not required to hold an annual general meeting and accordingly the auditors, Deloitte LLP, will therefore be deemed to be reappointed for each succeeding financial year.

Statement of disclosure to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all 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 section 418 of the Companies Act 2006.

THREE ALBERT EMBANKMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Principal risks and uncertainties

The Directors consider there are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause the actual results to differ materially from expected or historical results; the management and mitigation of these risks are the responsibility of the Directors of the Company. The Company is a wholly-owned subsidiary of CLS Holdings plc (together with other subsidiaries, the "Group") and is managed on a day-to-day basis by employees of the Group. The principal risks and uncertainties facing the Company are broadly grouped as property investment risk, funding risk, political and economic risk, and COVID-19 pandemic risk.

Property Investment Risk

A cyclical downturn in the property market, changes in the supply of space and/or occupier demand or overall poor asset management could have a negative impact on the cash flows, profitability and net assets of the Company. To mitigate this risk, senior management of the Group have detailed knowledge of the market in which the Company operates through years of experience within the industry. Furthermore the Group has property managers who actively monitor the performance of the investment properties on a daily basis and report to the Directors.

Funding Risk

The unavailability of financing at acceptable prices, adverse interest rate movements or a breach in borrowing covenants may have a detrimental effect on the ability of the Company to meet its financial obligations. In order to mitigate this risk, the Group's treasury function closely monitors the performance of the Company and looks to limit its exposure through various financial hedging instruments.

Political and Economic Risk

The impact of the exit of the United Kingdom from the European Union remains a potential adverse risk to the overall economy, which may affect the value of net assets and profitability. It is the Directors' view that the United Kingdom's economy remains sufficiently robust to weather any immediate adverse economic effects. As there becomes more transparency following the UK's exit from the EU and additional trade arrangements are agreed, we will continue to monitor the situation as it unfolds and any implications on our business model and strategy.

COVID-19 Pandemic Risk

The COVID-19 pandemic presents several potential economic impacts including a potentially adverse risk in relation to collectability of future contracted rental income. To mitigate this risk, the Company will continue to leverage the in-house management model to maintain close links with our customers. Furthermore, the Company's policy of collecting rent in advance assists management identify which customers are most significantly impacted and where mitigating action may be required.

The Directors have considered the risks attached to the Company's financial instruments. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material to the assessment of assets and liabilities in the financial statements. Further discussion of risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report and can be found on www.cls Holdings.com or from its registered address (see note 17).

THREE ALBERT EMBANKMENT LIMITED

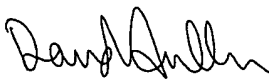
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the Group to continue as a going concern. The Company has the ability to seek alternate funding from within the Group. Thus the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

14 June 2021

16 Tinworth Street, London, SE11 5AL

THREE ALBERT EMBANKMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THREE ALBERT EMBANKMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Three Albert Embankment Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

THREE ALBERT EMBANKMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THREE ALBERT EMBANKMENT LIMITED

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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.

We considered the nature of the company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and real estate specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Valuation of the investment property portfolio: We obtained an understanding of the relevant controls in place and assessed management's process for reviewing the valuations of the property portfolio. We obtained the external valuation reports and met with the external valuers of the property portfolio to understand and challenge the valuation process, to discuss performance of the portfolio, and for a sample of properties discuss significant assumptions and critical judgement areas, including estimated rental values, yields and occupancy rates. We utilised the expertise of a real estate specialist, a chartered surveyor, for our challenge of the investment property valuations, in particular to analyse those assumptions applied in the valuation performed by the Company's valuers as well as the inputs used in the data supplied to the Company's valuers for the valuation process. We assessed, on a sample basis, the integrity of information provided to the valuers, relating to rental income, to evaluate whether it was consistent with the relevant leases.

THREE ALBERT EMBANKMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THREE ALBERT EMBANKMENT LIMITED

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' report.

Matters on which we are required to report by exception

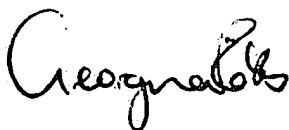
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

We have nothing to report in respect of these matters.

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.



Georgina Robb FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

14 June 2021

THREE ALBERT EMBANKMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	4	1,627,936	1,862,499
Service charge expenditure		(855,415)	(770,467)
Net rental income		<u>772,521</u>	<u>1,092,032</u>
Administrative expenses		(91,538)	(145,344)
Net movements on revaluation of investment properties	10	(76,703)	4,206
Operating profit		<u>604,280</u>	<u>950,894</u>
Interest receivable and similar income	7	302,265	316,303
Interest payable and similar expenses	8	(616,236)	(686,526)
Profit before taxation		<u>290,309</u>	<u>580,671</u>
Tax on profit	9	(494,979)	(111,603)
(Loss)/profit and total comprehensive (expense)/income for the financial year attributable to the owners of the Company		<u><u>(204,670)</u></u>	<u><u>469,068</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

There were no items of other comprehensive income other than those stated above for either period.

The notes 1 to 17 form part of these financial statements.

THREE ALBERT EMBANKMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	2020 £	2019 £
Fixed assets			
Investment property	10	40,300,000	40,300,000
Current assets			
Debtors falling due after one year	11	9,955,445	10,279,313
Debtors	11	87,797	61,860
Cash at bank and in hand		211,234	336,002
		10,254,476	10,677,175
Creditors: amounts falling due within one year			
Loans and overdrafts	13	(277,674)	(277,674)
Trade and other payables	12	(958,970)	(1,290,772)
Current tax payable		(64,665)	(103,532)
		(1,301,309)	(1,671,978)
Net current assets		8,953,167	9,005,197
Total assets less current liabilities		49,253,167	49,305,197
Creditors: amounts falling due after one year			
Loans and overdrafts	13	(20,227,326)	(20,505,000)
Provisions for liabilities			
Deferred tax	14	(4,064,669)	(3,634,355)
Net assets		24,961,172	25,165,842
Capital and reserves			
Called up share capital	15	2,000	2,000
Profit and loss account		24,959,172	25,163,842
Total equity		24,961,172	25,165,842

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2021 and are signed on its behalf by:



Andrew Kirkman
Director

Company Registration No. 02114695

THREE ALBERT EMBANKMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2019	2,000	24,694,774	24,696,774
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	469,068	469,068
Balance at 31 December 2019	2,000	25,163,842	25,165,842
Year ended 31 December 2020:			
Loss and total comprehensive expense for the year	-	(204,670)	(204,670)
Balance at 31 December 2020	2,000	24,959,172	24,961,172

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

Three Albert Embankment Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and registered in England. The registered office is 16 Tinworth Street, London, SE11 5AL.

1.1 Accounting convention

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 *Reduced Disclosure Framework* as issued by the Financial Reporting Council.

The nature of the Company's operations and its principal activities are set out in the Directors' report on page 1.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties. The principal accounting policies adopted are set out below. Historical cost is generally based on the fair value of the consideration given in exchange for the 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.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions in relation to share based payments, financial instruments, capital management, fair value measurements, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of CLS Holdings plc. The group accounts of CLS Holdings plc are available to the public and can be obtained as set out in note 17.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the Group to continue as a going concern. The Company has the ability to seek alternate funding from within the Group. Thus the Directors continue to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover comprises the total value of rents from operating leases and is recognised on a straight-line basis over the lease term. The cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Rents received in advance are shown as deferred income.

Service charge income is recognised in the accounting period in which the associated maintenance services are rendered. Any tenant contributions received above the cost of the services rendered in the accounting period are deferred.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 Investment properties

Investment properties are those properties held for long-term rental yields or for capital appreciation or both. Investment properties are measured initially at cost, including related transaction costs. 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 direct expenditure between the date of gaining planning consent and the date of practical completion. Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Changes in fair value are recognised in profit or loss before tax.

Acquisitions and disposals of investment property are recognised when control has been transferred, typically on unconditional exchange of contracts or when legal title passes. Gains or losses on the sale of investment property (calculated as the difference between net proceeds and the carrying amount of the asset) is included in profit or loss before tax in the period in which the property is sold.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand 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.

1.6 Financial assets

Financial assets are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade and other receivables are recognised initially at fair value. 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. An impairment provision is created where there is objective evidence that the Company will not be able to collect the receivable in full.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities. Trade and other payables are stated at cost, which equates to fair value.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's obligations are discharged or cancelled, or when they expire.

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

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. Deferred tax is charged or credited in arriving at profit after tax, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is recognised in other comprehensive income.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred tax assets and liabilities are only offset if there is a legally enforceable right of set-off and the Company intends to settle its current tax assets and liabilities on a net basis.

1.10 Leases

When the Company is a lessee, a right-of-use asset and a lease liability is recognised for all leases except leases with a lease term of less than 12 months or with a low underlying asset value.

When the Company is a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2 Adoption of new and revised standards and changes in accounting policies

No new accounting standards, amendments to accounting standards, or IFRIC interpretations that were effective for the year ended 31 December 2020 have had an impact on the Company.

3 Critical accounting estimates and judgements

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 1, and which of those judgements have the most significant effect on amounts recognised in the financial statements.

In the Directors' opinion for the year ended 31 December 2020 there are no accounting judgements that are material to the financial statements.

Key sources of estimation uncertainty

The Company uses the valuations performed by its independent external valuers as the fair value of its investment properties. The valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties, see note 10.

4 Turnover

An analysis of the Company's turnover is as follows:

	2020 £	2019 £
Rental income	1,206,523	1,365,555
Service charge income	413,773	489,774
Dilapidations	7,640	5,970
Other income	-	1,200
	<u>1,627,936</u>	<u>1,862,499</u>

Geographical market

Revenue arose wholly within the United Kingdom.

5 Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor:		
For audit services		
Audit of the Company's financial statements	<u>4,000</u>	<u>4,000</u>

No fees were payable to Deloitte LLP for non-audit services to the Company during the year (2019: nil).

6 Employees

The Company did not have any employees in the year (2019: none).

No fees or other emoluments were paid to the Directors of the Company during the year (2019: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	-	5
Interest receivable from group undertakings	302,265	316,298
	<u>302,265</u>	<u>316,303</u>

8 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	428,081	511,330
Arrangement and guarantee fees	188,155	175,196
	<u>616,236</u>	<u>686,526</u>

9 Tax on profit

	2020 £	2019 £
Current tax		
Current year taxation	64,665	126,522
Deferred tax		
Origination and reversal of temporary differences	430,314	(14,919)
	<u>494,979</u>	<u>111,603</u>
Total tax charge		

The rate of corporation tax for the year beginning 1 January 2020 was 19%. The weighted average corporation tax rate for the year ended 31 December 2020 was 19% (2019: 19%). Deferred tax has been calculated at a rate of 19% (2019: 17%), being the rate expected to apply in the period when the liability is settled or the asset is realised, and has been based upon rates applicable under legislation substantively enacted at the balance sheet date. In the March 2021 Budget it was announced that the headline UK corporation tax rate would increase from 19% to 25% from April 2023.

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9 Tax on profit

(Continued)

The tax charge for the year can be reconciled to the statement of comprehensive income as follows:

	2020 £	2019 £
Profit before taxation	290,309	580,671
Expected tax charge based on a corporation tax rate of 19% (2019: 19%)	55,159	110,327
Adjustment in respect of prior years	-	22,990
Effect of changes in tax rates	427,571	1,755
Change in tax basis of properties, including indexation uplift	12,249	(23,469)
Tax charge for the year	494,979	111,603

10 Investment property

	£
Fair value	
At 1 January 2020	40,300,000
Additions	75,389
Revaluation of investment property	(76,703)
Capitalised leasing costs	(3,367)
Rent-free period debtor adjustment	4,681
At 31 December 2020	40,300,000

The investment property was revalued at 31 December 2020 to its fair value, based on current prices in an active market for all properties. The property valuations were carried out by Cushman & Wakefield who are external, independent, professional qualified valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

Property valuations are complex and require a degree of judgement and are based on data which is not publicly available. Consistent with EPRA guidance, we have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. Inputs into the valuations include equivalent yields and rental income and are described as 'unobservable' under the definition in IFRS 13. All other factors remaining constant, an increase in rental income would increase valuations, whilst an increase in equivalent nominal yield would result in a fall in value, and vice versa.

The historical cost of investment property was £15,320,025 (2019: £15,244,636).

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11 Debtors

	Current 2020 £	2019 £	Non-current 2020 £	2019 £
Trade debtors	79,642	27,141	-	-
Provision for bad and doubtful debts	(32,699)	-	-	-
	<u>46,943</u>	<u>27,141</u>	<u>-</u>	<u>-</u>
Other receivables	10,677	10,551	-	-
Amounts due from fellow group undertakings	-	-	9,955,445	10,279,313
Prepayments	30,177	24,168	-	-
	<u>87,797</u>	<u>61,860</u>	<u>9,955,445</u>	<u>10,279,313</u>

Debtors include a balance for £9,955,445 (2019: £10,279,313) due from a fellow group undertaking, which is due for repayment on 30 June 2022. Interest is accrued on this loan at a rate of LIBOR plus a margin of 2.5% (2019: LIBOR plus a margin of 2.5%).

12 Trade and other payables

	Current 2020 £	2019 £
Trade creditors	17,613	10,559
Amounts due to fellow group undertakings	103,532	229,255
VAT payable	73,656	88,788
Accruals and deferred income	439,556	510,017
Other creditors	324,613	452,153
	<u>958,970</u>	<u>1,290,772</u>

13 Loans and overdrafts

	2020 £	2019 £
Secured borrowings		
Bank loans	<u>20,505,000</u>	<u>20,782,674</u>

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

13 Loans and overdrafts

(Continued)

Analysis of loans and overdrafts

	2020 £	2019 £
Current liabilities	277,674	277,674
Non-current liabilities	20,227,326	20,505,000
	<u>20,505,000</u>	<u>20,782,674</u>

Interest is charged on the bank loan at the rate of LIBOR plus a margin of 1.65% (2019: LIBOR plus a margin of 1.65%). The loan due for repayment on 20 February 2022 is secured by a charge over the property to which it relates, and over the shares of the Company.

The Company has pledged all of its investment property to secure banking facilities granted to the Company. Whilst the loans are in place, the Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

14 Deferred tax

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the current and prior reporting period.

	UK Capital Allowances £	Revaluation of building £	Total £
Deferred tax liability at 1 January 2019	614,609	3,034,665	3,649,274
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	5,366	(20,285)	(14,919)
Deferred tax liability at 31 December 2019	<u>619,975</u>	<u>3,014,380</u>	<u>3,634,355</u>
Deferred tax movements in current year			
Charge to profit or loss	78,005	352,309	430,314
Deferred tax liability at 31 December 2020	<u>697,980</u>	<u>3,366,689</u>	<u>4,064,669</u>

	2020 £	2019 £
Deferred tax liabilities	<u>4,064,669</u>	<u>3,634,355</u>

THREE ALBERT EMBANKMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15	Called up share capital	2020 £	2019 £
	Ordinary share capital		
	<i>Authorised, issued and fully paid</i>		
	2,000 ordinary shares of £1 each	2,000	2,000

The Company has one class of ordinary shares which carry no right to fixed income.

16 Operating lease commitments

Lessor

At the balance sheet date the Company had contracted to receive the following future minimum lease payments from tenants:

	2020 £	2019 £
Within one year	1,096,978	1,284,952
Between one and five years	2,589,802	1,171,196
	<u>3,686,780</u>	<u>2,456,148</u>

Operating leases where the Company is the lessor are typically negotiated on a tenant-by-tenant basis and include break clauses and indexation provisions. Rental income earned during the year was £1,206,523 (2019: £1,365,555) and service charge expense arising on the properties in the year was £855,415 (2019: £770,467). The lessees do not have an option to purchase the property at the expiry of the lease period.

17 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in the United Kingdom. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2020, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from its registered address, CLS Holdings plc, 16 Tinworth Street, London, SE11 5AL.