

Company Registration No. 02130919 (England and Wales)

**RAYMAN FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**



# RAYMAN FINANCE LIMITED

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# **RAYMAN FINANCE LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2016***

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The Directors present their annual report and financial statements for the year ended 31 December 2016.

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 from preparing a Strategic Report.

#### **Principal activities**

The principal activity of the Company continued to be the trading of interest rate swaps.

#### **Results and dividends**

The results for the year are set out page 6.

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend (2015: nil).

#### **Directors**

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

Mr Henry Klotz  
Mr Alain Millet  
Mr Fredrik Widlund  
Mr Simon Wigzell  
Mr John Whiteley

#### **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 2016.

# **RAYMAN FINANCE LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **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**

In accordance with the Company's articles, a resolution proposing that Deloitte LLP be reappointed as auditor of the Company will be put at a General Meeting.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually 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 s418 of the Companies Act 2006.

# RAYMAN FINANCE LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 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 the CLS Holdings plc Group (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 funding risk and political and economic risk.

#### *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 exit of the United Kingdom from the European Union remains an adverse risk to the overall economy, which may impact 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.

Further discussion of these 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](http://www.cls Holdings.com).

### Going concern

The Directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future despite the net liability position as at 31 December 2016. The Directors are in receipt of an unequivocal letter of support from the parent company confirming that sufficient funds will be available to ensure all liabilities are met as they fall due for a period of 12 months from the date of approval of the financial statements, so long as the Company is a wholly owned direct or indirect subsidiary of its current ultimate parent company. The Directors do not expect that the ownership of the Company will change in the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

By order of the board



David Fuller

Secretary

24 May 2017

# **RAYMAN FINANCE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF RAYMAN FINANCE LIMITED**

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We have audited the financial statements of Rayman Finance Limited for the year ended 31 December 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

#### **Respective responsibilities of Directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter 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.

# RAYMAN FINANCE LIMITED

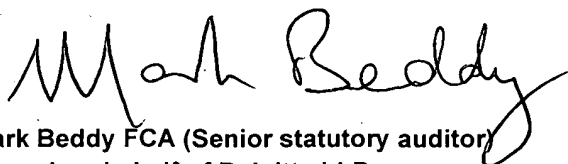
## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF RAYMAN FINANCE LIMITED

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### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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 exemption in preparing the Directors' Report or from the requirement to prepare a Strategic Report.



Mark Beddy FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
24 May 2017

# RAYMAN FINANCE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Loss from financial trading activities	3	(1,370,390)	(186,101)
Administrative expenses		(15,666)	(15,599)
<b>Operating loss</b>		<b>(1,386,056)</b>	<b>(201,700)</b>
Interest receivable and similar income	6	3,617	2,050
Interest payable and similar charges	7	(429,975)	(242,208)
<b>Loss before taxation</b>		<b>(1,812,414)</b>	<b>(441,858)</b>
Tax on loss on ordinary activities	8	294,631	89,845
<b>Loss for the financial year</b>		<b>(1,517,783)</b>	<b>(352,013)</b>

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 14 form part of these financial statements.



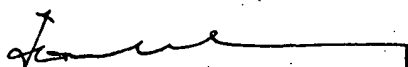
# RAYMAN FINANCE LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>Current assets</b>			
Trade and other receivables	9	1	14,186
Current tax recoverable		294,631	89,845
Cash at bank and in hand		6,014,468	5,882,068
		<u>6,309,100</u>	<u>5,986,099</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	10	(4,435,696)	(3,095,721)
Derivative financial instruments		(5,572,088)	(5,071,279)
		<u>(10,007,784)</u>	<u>(8,167,000)</u>
<b>Net current liabilities</b>		<u>(3,698,684)</u>	<u>(2,180,901)</u>
<b>Total assets less current liabilities</b>		<u>(3,698,684)</u>	<u>(2,180,901)</u>
<b>Net liabilities</b>		<u>(3,698,684)</u>	<u>(2,180,901)</u>
<b>Equity</b>			
Called up share capital	12	1,623,000	1,623,000
Share premium account	13	2,997,000	2,997,000
Retained earnings		(8,318,684)	(6,800,901)
<b>Total deficit</b>		<u>(3,698,684)</u>	<u>(2,180,901)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 24 May 2017 and are signed on its behalf by:



Mr John Whiteley  
Director

Company Registration No. 02130919

# RAYMAN FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 1 January 2015		1,623,000	2,997,000	(6,448,888)	(1,828,888)
Year ended 31 December 2015:					
Loss and total comprehensive loss for the year		-	-	(352,013)	(352,013)
Balance at 31 December 2015		1,623,000	2,997,000	(6,800,901)	(2,180,901)
Year ended 31 December 2016:					
Loss and total comprehensive loss for the year		-	-	(1,517,783)	(1,517,783)
Balance at 31 December 2016		1,623,000	2,997,000	(8,318,684)	(3,698,684)

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1 Accounting policies**

#### **Company information**

Rayman Finance Limited is a private company limited by shares and incorporated in Great Britain under the Companies Act 2006, and is registered in England. The registered office is 86 Bondway, London, SW8 1SF.

#### **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 financial statements have been prepared on the historical cost basis, except for the revaluation of the interest rate swaps. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions in relation to share based payments, financial instruments, capital management, 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 14.

#### **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 despite the net liability position at 31 December 2016. The Directors are in receipt of an unequivocal letter of support from the Parent Company confirming that sufficient funds will be available to ensure all liabilities are met as they fall due for a period of 12 months from the date of approval of the financial statements, so long as the Company is a wholly owned direct or indirect subsidiary of its current ultimate parent company (note 14). The Directors do not expect that the ownership of the Company will change in the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Profit/loss on financial trading activities**

Revenue comprises income received from trading in stocks, shares and share options and net profits and losses after deducting costs arising from trading in financial instruments including interest rate swap arrangements.

Interest rate swaps are held for trading and are designated accordingly as held at fair value through profit and loss.

Movements in fair value are recognised directly in the profit and loss account.

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### 1.4 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.

#### 1.5 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.

##### *Receivables*

Trade and other receivables are recognised initially at fair value. 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.

#### 1.6 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.

##### *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.

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### 1.7 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.

#### 1.8 Derivatives

The Company uses derivative financial instruments, including swaps and interest rate caps, to help manage its interest rate and foreign exchange rate risk. Derivative financial instruments are recorded, and subsequently revalued, at fair value. Revaluation gains and losses are recognised in profit before tax, except for derivatives which qualify as effective cash flow hedges, the gains and losses relating to which are recognised in other comprehensive income.

#### 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 Foreign exchange

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 profit before tax.

Changes in the fair value of monetary securities classified as available-for-sale and denominated in foreign currencies are recognised in profit before tax where the translation difference results from changes in the amortised cost of the security, and are recognised in equity where it results from other changes in the carrying amount of the security.

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or are recognised in the period of the revision and future periods if the revision affects both current and future periods.

There are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

### 3 Loss from financial trading activities

	2016 £	2015 £
Swap interest	(1,031,132)	(1,018,469)
Fair value gains/(loss) on interest rate swaps	(339,258)	832,368
	<u>(1,370,390)</u>	<u>(186,101)</u>

#### Geographical market

Financial trading activities were conducted wholly within the United Kingdom.

### 4 Employees

The Company did not have any employees in the current or preceding year.

No fees or other emoluments were paid to the Directors of the Company during either the current or preceding year in respect of their services to the Company. The Directors were paid by another entity within the Group.

### 5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the Company's auditor and associates:		
<b>For audit services</b>		
Audit of the Company's financial statements	<u>2,400</u>	<u>2,400</u>

No fees were payable to Deloitte LLP and its associates for non-audit services to the Company during the current or preceding year.

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 6 Interest receivable and similar income

	2016 £	2015 £
<b>Interest income</b>		
Interest on bank deposits	3,421	73
<b>Other income from investments</b>		
Exchange differences	196	1,977
	<u>3,617</u>	<u>2,050</u>

Total interest income for financial assets that were not at fair value through profit or loss was £3,421 (2015: £73).

### 7 Interest payable and similar expenses

	2016 £	2015 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	141,975	-
Interest on other loans	288,000	242,208
	<u>429,975</u>	<u>242,208</u>

### 8 Income tax expense

	2016 £	2015 £
<b>Current tax</b>		
Current year taxation	(294,631)	(89,845)

The weighted average corporation tax rate for the year ended 31 December 2016 was 20.00% (2015: 20.25%).

The tax charge/(credit) for the year can be reconciled to the loss on ordinary activities as follows:

	2016 £	2015 £
Loss before taxation	<u>(1,812,414)</u>	<u>(441,858)</u>
Expected tax charge/(credit) based on a corporation tax rate of 20.00% (2015: 20.25%)	(362,483)	(89,476)
Adjustment in respect of prior years	-	(369)
Expenses not deductible for tax purposes	67,852	-
Tax (credit) for the year	<u>(294,631)</u>	<u>(89,845)</u>

# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 9 Trade and other receivables

	2016 £	2015 £
Other receivables	1	1
Amounts due from fellow group undertakings	-	14,185
	<u>1</u>	<u>14,186</u>

### 10 Trade and other payables

	2016 £	2015 £
Amounts due to fellow group undertakings	4,383,924	2,892,310
Accruals	51,772	203,411
	<u>4,435,696</u>	<u>3,095,721</u>

### 11 Derivative financial instruments

	2016 £	2015 £
Interest rate swaps	5,410,537	5,071,279
	<u>5,410,537</u>	<u>5,071,279</u>

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 swaps

The aggregate notional principal of interest rate swap contracts at 31 December 2016 was £21,340,000 (2015: £21,340,000).

The average period to maturity of these interest swaps was 5.7 years (2015: 6.7 years).

### 12 Share capital

	2016 £	2015 £
<b>Ordinary share capital</b>		
<i>Authorised, issued and fully paid</i>		
1,623,000 ordinary shares of £1 each	<u>1,623,000</u>	<u>1,623,000</u>



# RAYMAN FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Share premium account

	2016 £	2015 £
At 1 January and 31 December	<u>2,997,000</u>	<u>2,997,000</u>

### 14 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in Great Britain. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2016, 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 The Secretary, CLS Holdings plc, 86 Bondway, London, SW8 1SF.