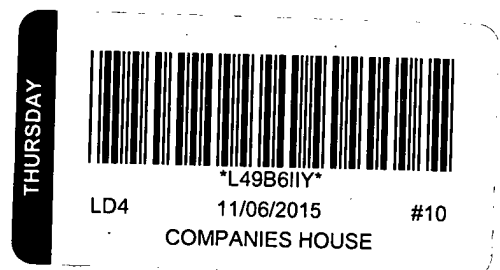


**Company Registration No. 2329963**

**Hygeia Harrow Limited**

**Report and Financial Statements**

**31 December 2014**



# **Hygeia Harrow Limited**

## **Report and Financial Statements 2014**

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# Hygeia Harrow Limited

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2014.

This Directors' Report has been prepared in accordance with the special provisions 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 is to invest in commercial property.

### Review of the business

The results for the year are shown on page 6.

The Directors expect the principal activity of the Company to remain unchanged for the foreseeable future.

The financial statements have been prepared on a going concern basis as described in note 1.2.

### Dividends

The Company paid a dividend of £nil in the year ended 31 December 2014 (2013: £2,250,000).

### Financial risk management

The Company's operations expose it to the risk of interest rate fluctuations. The Company addresses such risks by purchasing interest rate hedging instruments. At 31 December 2014, such instruments had a book value of £48,965 (2013: £63,082) and a market value of £15,630 (2013: £86,512).

### 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 and historical results. Management and mitigation of these risks is the responsibility of the Directors of the Company.

Risk	Mitigation
Cyclical downturn in property market	Long-term investment strategy to mitigate short-term unrealised losses.
Covenant breaches in downturn	Ability to re-negotiate terms with lender.
Changes in tenant demand	Strategy of securing long-leased tenants with strong covenants.
Ability to access finance	Parent debt service cover guarantees given to secure funding.
Credit risk – tenants	All potential tenants assessed for credit worthiness. Rental deposits taken as required.
Credit risk – lenders	Large institution with good credit rating used.

# Hygeia Harrow Limited

## Directors' Report (continued)

### Directors

The Directors of the Company during the year and subsequent changes were as follows:

Mr E H Klotz  
Mr A G P Millet  
Mr J H Whiteley  
Mr R J S Tice (resigned 14 February 2014)  
Mr S L Wigzell (appointed 14 February 2014)  
Mr F Widlund (appointed 6 November 2014)

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 2014.

### Auditor

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

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

Pursuant to section 386 Companies Act 1985, an Elective Resolution was passed on 9 October 2002 dispensing with the requirement to appoint auditors annually. In accordance with that Elective Resolution and paragraph 45(2), Schedule 3 of the Companies Act 2006 (Commencement No. 3 Consequential Amendments, Transitional Provisions and Savings) Order 2007, Deloitte LLP is deemed to continue as auditor of the Company.

Approved by the Board of Directors  
and signed by order of the Board



Mr D F Fuller  
Company Secretary  
10 June 2015

### Registered office:

86 Bondway  
London  
SW8 1SF

# **Hygeia Harrow Limited**

## **Directors' Responsibilities Statement**

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). 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 and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 to 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.

## **Independent Auditor's Report to the members of Hygeia Harrow Limited**

We have audited the financial statements of Hygeia Harrow Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet 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).

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 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. 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 the 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 2014 and of its profit 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 matters prescribed in the Companies Act 2006**

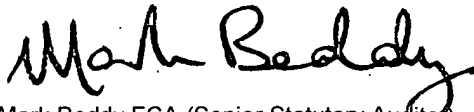
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent Auditor's Report to the members of Hygeia Harrow Limited (continued)**

### **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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



Mark Beddy FCA (Senior Statutory Auditor)  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
10 June 2015

# Hygeia Harrow Limited

## Profit and Loss Account Year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	2,077,278	924,348
Service charge expenditure		(739,183)	(251,216)
<b>Net rental income</b>		<b>1,338,095</b>	<b>673,132</b>
Administration expenses		(254,769)	(144,003)
<b>Operating profit</b>		<b>1,083,326</b>	<b>529,129</b>
Loss on sale of investments		-	(1,083)
Interest receivable and similar income		-	130,084
Interest payable and similar charges	3	(337,555)	(195,222)
<b>Profit on ordinary activities before taxation</b>	5	<b>745,771</b>	<b>462,188</b>
Tax on profit on ordinary activities	6	(14,766)	15,145
<b>Profit for the financial year</b>	13	<b>731,005</b>	<b>477,333</b>

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

All items included in the Profit and Loss Account are part of continuing operations.



## Hygeia Harrow Limited

### Statement of Total Recognised Gains and Losses Year ended 31 December 2014

	Notes	2014 £	2013 £
Profit for the financial year		731,005	477,333
Unrealised surplus/(deficit) on revaluation of property	7	3,500,244	(242,269)
<b>Total recognised gains for the year</b>		<b>4,231,249</b>	<b>235,064</b>

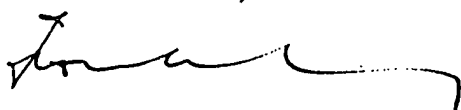
# Hygeia Harrow Limited

## Balance Sheet 31 December 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Investment property	7	16,300,000	12,630,000
<b>Current assets</b>			
Debtors: due within one year	8	52,371	334,986
Debtors: due after one year	8	34,848	48,965
Cash at bank and in hand		61,367	72,035
		148,586	455,986
<b>Creditors: amounts falling due within one year</b>	9	(1,063,776)	(875,619)
<b>Net current liabilities</b>		(915,190)	(419,633)
<b>Total assets less current liabilities</b>		15,384,810	12,210,367
<b>Creditors: amounts falling due after more than one year</b>	10	(8,012,996)	(9,069,802)
<b>Net assets</b>		7,371,814	3,140,565
<b>Capital and reserves</b>			
Called up share capital	12	2,850	2,850
Share premium account	13	2,747,250	2,747,250
Revaluation reserve	13	3,257,975	(242,269)
Profit and loss account	13	1,363,739	632,734
<b>Shareholders' funds</b>		7,371,814	3,140,565

The financial statements of Hygeia Harrow Limited (registered number 2329963) were approved by the Board of Directors on 10 June 2015.

Signed on behalf of the Board of Directors



Mr J H Whiteley  
Director

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 1. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

#### 1.1 Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of land and buildings and in accordance with applicable United Kingdom accounting standards and on the going concern basis. The Directors consider that the Company is a going concern. The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 not to prepare a cash flow statement as one has been prepared for the Group. The Company is a wholly-owned subsidiary of Dukes Road Limited and ultimately owned by CLS Holdings plc, and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings.

The Company has taken advantage of the exemption in Financial Reporting Standard No. 29 not to provide disclosures to enable users of the financial statements to evaluate the significance of the Company's financial instruments to the financial position and performance of the Company, and the nature and extent of risks arising from the Company's financial instruments, as equivalent disclosure is made in the Group accounts of CLS Holdings plc which are publicly available.

#### 1.2 Going concern

The Company's business activities and review of the business are set out in the Directors' Report.

The Company is funded by external interest bearing debt. The Company is subject to economic uncertainties and if property values were to deteriorate significantly then there are scenarios in which compliance with the financial covenants within its external facilities could fail. The Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about future rental income and property values and have satisfied themselves that external loan covenants are likely to be complied with for the remainder of the loan term.

For these reasons, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the annual report and financial statements.

#### 1.3 Investment properties

Investment properties are revalued annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses are charged to the Profit and Loss Account unless considered temporary.

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on completed freehold investment properties. The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation or amortisation is one of the many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 1. Significant accounting policies (continued)

#### 1.4 Turnover

Turnover comprises the total value of investment income and rents receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, excluding VAT. Where there is a material rent free period and the amount is considered to be recoverable, the income is spread evenly over the lease term. Rents received in advance are shown as deferred income in the Balance Sheet.

#### 1.5 Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date where transactions or events which result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the reversal of the underlying timing differences can be deducted.

Deferred tax is measured, on an undiscounted basis, at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws which have been enacted or substantively enacted at the balance sheet date.

Provision is not made in respect of property revaluation gains or losses.

#### 1.6 Loan costs

Issue costs relating to new loans are capitalised and amortised to follow the profile of the loan principal. Unamortised amounts at the balance sheet date are deferred against the loan facility.

#### 1.7 Interest rate caps

The premium paid for interest rate caps used to hedge borrowings is held within debtors on the balance sheet and amortised over the period of the cap.

### 2. Turnover

	2014 £	2013 £
Rental income	1,341,883	643,773
Service charge expenditure recovered	733,395	280,075
Other income	2,000	500
	<u>2,077,278</u>	<u>924,348</u>

Turnover arose wholly within the United Kingdom.

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 3. Interest payable and similar charges

	2014 £	2013 £
On bank loans	225,447	122,996
Amortisation of arrangement fees	18,195	9,720
Amortisation of interest rate caps	14,117	5,918
Other finance costs	1,127	3,567
On amounts due to group undertakings	78,669	53,021
	<u>337,555</u>	<u>195,222</u>

Included within other finance costs are £1,127 (2013: £617) of guarantee fees payable to the ultimate parent undertaking, CLS Holdings plc. The fees are in respect of a guarantee issued to the loan provider covering the interest and amortisation payments due under the loan facility.

### 4. Directors' emoluments and employee information

None of the Directors received any remuneration during the year in respect of services as Directors to the Company (2013: £nil). The emoluments of the Directors of the Company, who are also directors of CLS Holdings plc, are disclosed in that company's financial statements in respect of their services to the Group as a whole. The Company had one employee during the year (2013: none).

	2014 £	2013 £
<b>Employment costs for all employees:</b>		
Wages and salaries	9,034	-
Social security costs	1,247	-
Other pension costs	521	-
	<u>10,802</u>	<u>-</u>

### 5. Profit on ordinary activities before taxation

	2014 £	2013 £
This is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>4,000</u>	<u>3,125</u>

There were no fees payable in the year to Deloitte and its associates in respect of non-audit services.

### 6. Tax on profit on ordinary activities

	2014 £	2013 £
Current tax	<u>14,766</u>	<u>(15,145)</u>

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 6. Tax on profit on ordinary activities (continued)

The rate of corporation tax for the financial year beginning 1 April 2013 was 23%. This fell to 21% on 1 April 2014 and the weighted corporation tax rate for the year ended 31 December 2014 was therefore 21.50%. Deferred tax has been calculated at a rate of 20%, being the rate applicable from 1 April 2015 under legislation substantially enacted at the balance sheet date.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax is as follows:

	2014 £	2013 £
Profit on ordinary activities before tax	745,771	462,188
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21.50% (2013 23.25%)	160,341	107,459
Factors affecting charge: Utilisation of brought forward losses	(145,575)	(122,604)
Current tax charge/(credit) for the year	14,766	(15,145)

### 7. Investment Property

	Freehold £
At 1 January 2014	12,630,000
Additions	17,161
Rent free adjustment	152,595
Revaluation surplus for the year	3,500,244
At 31 December 2014	16,300,000

The investment property was revalued at 31 December 2014 to its fair value. The valuations were based on current prices in an active market. The property valuations were carried out by DTZ (2013: Lambert Smith Hampton) who are external, professionally qualified valuers.

The Directors are satisfied that the external valuations supplied are appropriate to adopt for these financial statements without adjustment.

The historical cost of the investment property included at valuation is £12,818,987 (2013: £12,801,826).

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 8. Debtors: due within one year

	2014 £	2013 £
Amounts due from group undertakings	-	273,290
Prepayments and accrued income	37,875	-
Other debtors	14,117	46,551
Corporation tax	379	15,145
	<u>52,371</u>	<u>334,986</u>

	2014 £	2013 £
<b>Debtors: due after one year</b>		
Other debtors	<u>34,848</u>	<u>48,965</u>

Other debtors comprise premiums paid for interest rate caps, carried at cost less accumulated amortisation. The fair value of these caps at 31 December 2014 was £15,630 (2013: £86,512)

### 9. Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	321,455	197,982
Bank loan	325,000	325,000
Unamortised arrangement fees	(18,195)	(18,195)
Other creditors	162,634	122,467
Other taxation and social security	21,631	21,645
Accruals and deferred income	191,365	173,081
Amounts due to group undertakings	59,886	53,639
	<u>1,063,776</u>	<u>875,619</u>

# Hygeia Harrow Limited

## Notes to the Financial Statements 31 December 2014

### 10. Creditors: amounts falling due after more than one year

	2014 £	2013 £
Bank loan	5,907,250	6,232,250
Unamortised arrangement fees	(44,914)	(63,108)
Amounts due to group undertakings	2,150,660	2,900,660
	<u>8,012,996</u>	<u>9,069,802</u>

	2014 £	2013 £
<b>An analysis of the maturity of the bank loan is as follows:</b>		
In one year or less	325,000	325,000
In more than one year but not more than two years	325,000	325,000
In more than two years but not more than five years	5,582,250	5,907,250
	<u>6,232,250</u>	<u>6,557,250</u>

Interest on the bank loan is charged at LIBOR plus a margin of 3.0% per annum and is secured by a legal charge over the property to which it relates and the Company's shares. The loan is due for repayment on 20 June 2018.

The ultimate parent company CLS Holdings plc has given a guarantee to the loan provider covering the interest payable under the loan facility.

### 11. Provision for liabilities

Deferred taxation is analysed as follows:

	Provision 2014 £	Amount unprovided 2014 £	Provision 2013 £	Amount unprovided 2013 £
Deferred tax on revaluation surplus/(deficit)	-	616,717	-	(25,866)

### 12. Called up share capital

	2014 £	2013 £
<b>Authorised, allotted, called up and fully paid</b>		
Ordinary shares of £1 each	<u>2,850</u>	<u>2,850</u>



## Hygeia Harrow Limited

### Notes to the Financial Statements 31 December 2014

#### 13. Combined statement of reserves and reconciliation of movement in shareholders' funds

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	2014 £	2013 £
At 1 January	2,850	2,747,250	(242,269)	632,734	3,140,565	5,155,501
Surplus/(deficit) on revaluation	-	-	3,500,244	-	3,500,244	(242,269)
Dividends paid	-	-	-	-	-	(2,250,000)
Profit for the year	-	-	-	731,005	731,005	477,333
At 31 December	<u>2,850</u>	<u>2,747,250</u>	<u>3,257,975</u>	<u>1,363,739</u>	<u>7,371,814</u>	<u>3,140,565</u>

#### 14. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and 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 2014, being the largest and only group into which the Company is 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.