

Company Registration No. 2446925

Spring Gardens II Limited

Report and Financial Statements

31 December 2014

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Spring Gardens II Limited

Report and Financial Statements 2014

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Spring Gardens II 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 business is to invest in commercial property and facilitate such investments. The Directors are actively seeking opportunities for investment.

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 dividends totalling £6,838,460 in the year ended 31 December 2014 (2013: £nil).

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.

Spring Gardens II Limited

Directors' Report (continued)

Auditor (continued)

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

Spring Gardens II 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 Spring Gardens II Limited

We have audited the financial statements of Spring Gardens II Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 12. 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 Spring Gardens II 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

Spring Gardens II Limited

Profit and Loss Account Year ended 31 December 2014

| | Notes | 2014 £ | 2013 £ |
|--|-------|-----------|-----------|
| Administrative expenses | | (1,871) | (1,849) |
| Operating loss | | (1,871) | (1,849) |
| Loss on sale of investments | 6 | (806) | (880) |
| Interest receivable and similar income | 3 | 351,213 | 338,029 |
| Profit on ordinary activities before taxation | 4 | 348,536 | 335,300 |
| Tax on profit on ordinary activities | 5 | (74,935) | (77,957) |
| Profit for the financial year | 10 | 273,601 | 257,343 |

The Company has no other recognised gains or losses other than those reported in the Profit and Loss Account.

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.

Spring Gardens II Limited

Balance Sheet 31 December 2014

| | Notes | 2014 £ | 2013 £ |
|---|-------|------------------|--------------------|
| Fixed assets | | | |
| Investments | 6 | - | 8,933 |
| Current assets | | | |
| Debtors: due within one year | 7 | - | 5,355,398 |
| Debtors: due after one year | 7 | 376,162 | 1,626,162 |
| Cash at bank and in hand | | 1 | 1 |
| | | <u>376,163</u> | <u>6,981,561</u> |
| Creditors: amounts falling due within one year | 8 | <u>(219,541)</u> | <u>(269,013)</u> |
| Net current assets | | 156,622 | 6,712,548 |
| Net assets | | <u>156,622</u> | <u>6,721,481</u> |
| Capital and reserves | | | |
| Called up share capital | 9 | 1,000 | 5,505,000 |
| Share premium account | 10 | - | 4,995,000 |
| Profit and loss account | 10 | <u>155,622</u> | <u>(3,778,519)</u> |
| Shareholders' funds | | <u>156,622</u> | <u>6,721,481</u> |

The financial statements of Spring Gardens II Limited (registered number 2446925) were approved by the Board of Directors on 10 June 2015.

Signed on behalf of the Board of Directors



Mr J H Whiteley
Director

Spring Gardens II 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 have been prepared under the historical cost convention and in accordance with applicable accounting standards. 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 CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings as the financial statements of CLS Holdings plc 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 Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about future income streams and cost base. The Company has net assets which will continue to generate positive cash flows going forward.

On the basis of this review the Directors have concluded that the Company has the ability to meet all external liabilities as they fall due over the course of the twelve months from the date of these financial statements. Accordingly the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

1.3 Fixed asset investments

Investments held as fixed assets are stated at cost less provision for impairment.

1.4 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.

Spring Gardens II Limited

Notes to the Financial Statements 31 December 2014

2. 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 no employees during the year (2013: none).

3. Interest receivable and similar income

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Other interest income | 191,362 | 556 |
| On amounts due from group undertakings | 159,851 | 337,473 |
| | <u>351,213</u> | <u>338,029</u> |

4. 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 | 600 | 600 |
| | <u>600</u> | <u>600</u> |

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

5. Tax on profit on ordinary activities

| | 2014 £ | 2013 £ |
|-------------|---------------|---------------|
| Current tax | <u>74,935</u> | <u>77,957</u> |

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 and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax is as follows:

Spring Gardens II Limited

Notes to the Financial Statements 31 December 2014

5. Tax on profit on ordinary activities (continued)

| | 2014 £ | 2013 £ |
|--|-----------|-----------|
| Profit on ordinary activities before tax. | 348,536 | 335,300 |
| Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21.50% (2013: 23.25%) | 74,935 | 77,957 |
| Current tax charge for the year | 74,935 | 77,957 |

6. Investments

| | Gilts £ |
|---------------------|------------|
| At 1 January 2014 | 8,933 |
| Disposals | (8,933) |
| At 31 December 2014 | - |

Gilts with a cost of £8,933 (2013: £4,916) were redeemed during the year and a loss on disposal of £806 (2013: loss £880) was realised in the Profit and Loss Account for the year ended 31 December 2014

7. Debtors: due within one year

| | 2014 £ | 2013 £ |
|-------------------------------------|-----------|-----------|
| Prepayments and accrued income | - | 132 |
| Amounts due from group undertakings | - | 5,355,266 |
| | - | 5,355,398 |

Debtors: due after one year

| | 2014 £ | 2013 £ |
|-------------------------------------|-----------|-----------|
| Amounts due from group undertakings | 376,162 | 1,626,162 |

Spring Gardens II Limited

Notes to the Financial Statements 31 December 2014

8. Creditors: amounts falling due within one year

| | 2014 £ | 2032 £ |
|-----------------------------------|----------------|----------------|
| Corporation tax | 152,892 | 77,957 |
| Other creditors | - | 191,056 |
| Amounts due to group undertakings | 66,649 | - |
| | <u>219,541</u> | <u>269,013</u> |

9. Called up share capital

| | 2014 £ | 2013 £ |
|--|--------------|------------------|
| Authorised, allotted, called up and fully paid Ordinary shares of £1 each | <u>1,000</u> | <u>5,505,000</u> |

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

| | Share capital £ | Share premium account £ | Profit and loss account £ | 2014 Total £ | 2013 Total £ |
|-------------------------|--------------------|-------------------------------|---------------------------------|--------------------|--------------------|
| At 1 January | 5,505,000 | 4,995,000 | (3,778,519) | 6,721,481 | 6,464,138 |
| Share capital reduction | (5,504,000) | (4,995,000) | 10,499,000 | - | - |
| Dividends paid | - | - | (6,838,460) | (6,838,460) | - |
| Profit for the year | - | - | 273,601 | 273,601 | 257,343 |
| At 31 December | <u>1,000</u> | <u>-</u> | <u>155,622</u> | <u>156,622</u> | <u>6,721,481</u> |

11. Share capital reduction

On 13 June 2014, using the solvency statement procedure referred to in sections 642 and 643 of the Companies Act 2006; the Company reduced its share capital by 5,504,000 ordinary shares of £1 each with a corresponding reduction in share premium of £4,995,000. The reserve arising from the reduction is treated as realised profit for the purposes of Part 23 of the Companies Act 2006.

Spring Gardens II Limited

Notes to the Financial Statements 31 December 2014

12. 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.