

Company Registration No. 2879688

CLSH Management Limited

Report and Financial Statements

31 December 2011

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CLSH Management Limited

Report and Financial Statements 2011

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CLSH Management Limited

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

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

Principal activities

The principal activities of the Company are property and asset management including managing lettings, service charges and the management of residential and commercial development works

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 did not pay any dividends in the year ended 31 December 2011 (2010: £nil)

Directors

The Directors of the Company during the year were as follows

Mr E H Klotz
Mr A G P Millet
Mr J H Whiteley
Mr R J S Tice

Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors and former Directors who held office in 2011

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

CLSH Management Limited

Directors' Report (continued)

Auditor (continued)

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
Secretary

9 May 2012

Registered office:

86 Bondway
London
SW8 1SF

CLSH Management 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 CLSH Management Limited

We have audited the financial statements of CLSH Management Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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. 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 2011 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 other matter prescribed by 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 CLSH Management 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 take advantage of the small companies exemption in preparing the Directors' Report



Mark Goodey FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

9 May 2012

CLSH Management Limited

Profit and Loss Account Year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	4,171,476	3,765,298
Administrative expenses		(4,097,550)	(3,571,658)
Operating profit		73,926	193,640
Interest receivable and financial income	4	23,388	39,159
Interest payable	5	-	(28,782)
Loss on disposal of fixed assets	9	(143)	(758)
Loss on disposal of fixed asset investments	10	(14,596)	-
Profit on ordinary activities before taxation	3	82,575	203,259
Tax credit/(charge) on profit on ordinary activities	8	10,970	(130,638)
Profit for the financial year	14	93,545	72,621

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 year stated above, and their historical cost equivalents

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

CLSH Management Limited

Balance Sheet

31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	9	157,386	146,036
Investments	10	950	950
		<u>158,336</u>	<u>146,986</u>
Current assets			
Debtors due within one year	11	11,988,254	8,804,009
Cash at bank and in hand		768,768	893,276
		<u>12,757,022</u>	<u>9,697,285</u>
Creditors: amounts falling due within one year	12	(11,111,544)	(8,134,002)
Net current assets		<u>1,645,478</u>	<u>1,563,283</u>
Net assets		<u>1,803,814</u>	<u>1,710,269</u>
Capital and reserves			
Called up share capital	13	2,000,000	2,000,000
Profit and Loss Account	14	(196,186)	(289,731)
Shareholders' funds		<u>1,803,814</u>	<u>1,710,269</u>

The financial statements of CLSH Management Limited (registered number 2879688) were approved by the Board of Directors on 9 May 2012

Signed on behalf of the Board of Directors



Mr J H Whiteley

Director

CLSH Management Limited

Notes to the Financial Statements

31 December 2011

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 which eliminate on consolidation.

The Company has taken advantage of the exemption in the Companies Act 2006 (Section 400(1)(b)) and accordingly has not prepared consolidated financial statements.

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 and cost base. The Company continues to provide services to fellow group undertakings and is an integral part of the 'CLS Holdings plc Group'. Furthermore, there is an expectation that the Company will remain cash generative for the foreseeable future and will therefore be able to meet all of its obligations as they fall due.

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

1.3 Turnover

Turnover primarily comprises property related services supplied to group companies and other income mostly comprising insurance commissions, excluding VAT. Revenue is recognised when the underlying service (or measurable part thereof) has been provided.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on fixed tangible assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Office equipment	20%
Motor vehicles	25%
Fixtures and fittings	20%

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.

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

1. Significant accounting policies (continued)

1.5 Taxation (continued)

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

1.6 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into pounds sterling at rates of exchange ruling at the end of the financial year. All differences are dealt with through the Profit and Loss Account

1.7 Fixed asset investments

Investments held as fixed assets are stated at cost. A provision is made for any permanent diminution in value

1.8 Pension costs

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable to the scheme

2. Turnover

Turnover represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the one activity of property management

	2011 £	2010 £
Property related services and trading income	4,094,476	3,712,951
Other income	77,000	52,347
	<u>4,171,476</u>	<u>3,765,298</u>

3. Profit on ordinary activities before taxation

	2011 £	2010 £
This is stated after charging		
Depreciation	60,536	43,154
Operating lease rentals	203,999	219,205
Fees payable to the Company's auditor for the audit of the Company's financial statements	16,800	15,000
	<u>281,335</u>	<u>277,359</u>

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

4. Interest receivable and similar income

	2011 £	2010 £
Bank interest income	170	491
Other interest income	1 104	363
Deposit account income	3,027	38,305
Foreign exchange gains	19,087	-
	<u>23,388</u>	<u>39,159</u>

5. Interest payable and similar charges

	2011 £	2010 £
Foreign exchange losses	-	28,782
	<u>-</u>	<u>28,782</u>

6 Employee information

6 1 The average number of employees during the year was as follows

	2011	2010
Administration	44	29
	<u>44</u>	<u>29</u>

6 2 Employment costs for all employees

	2011 £	2010 £
Wages and salaries	2,270,308	1 943,718
Social security costs	266,934	209,651
Pension costs	72 467	64,134
	<u>2,609,709</u>	<u>2,217,503</u>

7. Directors' remuneration

None of the Directors received any remuneration during the year in respect of services as Directors to the Company (2010: 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.

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

8 Tax (credit)/charge on profit on ordinary activities

	2011 £	2010 £
UK Corporation tax at 26.5% (2010: 28%)	-	77,372
Overprovision in respect of previous periods	(77,372)	-
Total current tax (credit)/charge	(77,372)	77,372
Deferred tax charge: origination and reversal of timing differences and effect of change in tax rate	66,402	53,266
Total tax (credit)/charge on profit on ordinary activities	(10,970)	130,638

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:

	2011 £	2010 £
Profit on ordinary activities before tax	82,575	203,259
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 26.5% (2010: 28%)	21,882	56,912
Effect of:		
Differences due to non-deductible expenses and items not included in the profit for tax purposes	24,408	40,242
Losses claimed by group/consortium relief for nil payment and differences between capital allowances and depreciation	(46,290)	(19,782)
Overprovision in respect of previous periods	(77,372)	-
Current tax (credit)/charge in profit and loss account	(77,372)	77,372

The rate of corporation tax for the financial year 2010 was 28%. This fell to 26% on 1 April 2011 and the weighted corporation tax rate for the year ended 31 December 2011 was therefore 26.5%. Deferred tax has been calculated at a rate of 25%, being the rate applicable from 1 April 2012 under legislation substantially enacted at the balance sheet date.

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

9. Tangible fixed assets

	Office equipment £	Motor vehicles £	Fixtures & fittings £	Total £
Cost				
At 1 January 2011	487,272	13,489	121,505	622,266
Additions	67,428	-	4,601	72,029
Disposals	(1,295)	-	-	(1,295)
At 31 December 2011	553,405	13,489	126,106	693,000
Accumulated depreciation				
At 1 January 2011	368,653	13,489	94,088	476,230
Charge for the period	51,889	-	8,647	60,536
Disposals	(1,152)	-	-	(1,152)
At 31 December 2011	419,390	13,489	102,735	535,614
Net book value				
At 31 December 2011	134,015	-	23,371	157,386
At 31 December 2010	118,619	-	27,417	146,036

During the year assets with a book value of £143 (2010 £758) were disposed of, realising a loss of £143 (2010 £758)

10. Investments

	Works of Arts £
At 1 January 2011 and at 31 December 2011	950

The Works of Art were last revalued in 2008 by Sotheby's, who are external, professionally qualified valuers. This valuation is deemed sufficient for the purposes of these accounts.

An investment in a group undertaking, Tweedwind Limited, was fully provided for in the year ended 31 December 2007. During the year to 31 December 2011, Tweedwind Limited entered into a Company Voluntary Arrangement and it is expected to be dissolved during 2012.

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

11. Debtors: due within one year

	2011 £	2010 £
Trade debtors	22,071	35,405
Amounts due from group undertakings	10,562,964	8,447,199
Other debtors	106,911	40,170
Other taxation and social security	1,057,333	-
Prepayments and accrued income	204,484	180,342
Deferred taxation	34,491	100,893
	<u>11,988,254</u>	<u>8,804,009</u>

Deferred taxation is analysed as follows

	Recognised 2011 £	Amount unrecognised 2011 £	Recognised 2010 £	Amount unrecognised 2010 £
Capital allowances in excess of depreciation	34,491	-	100,893	-
	<u>34,491</u>	<u>-</u>	<u>100,893</u>	<u>-</u>
At 1 January	100,893		154,159	
Amount charged to profit and loss	(58,928)		(47,760)	
Effect of decreased tax rate on opening deferred tax	(7,474)		(5,506)	
At 31 December	<u>34,491</u>		<u>100,893</u>	

12. Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	197,947	48,416
Amounts due to group undertakings	9,906,992	7,183,971
Other taxation and social security	298,181	329,130
Accruals and deferred income	708,424	572,485
	<u>11,111,544</u>	<u>8,134,002</u>

13. Called up share capital

	2011 £	2010 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

CLSH Management Limited

Notes to the Financial Statements 31 December 2011

14 Combined statement of reserves and reconciliation of movement in shareholders' funds

	Share capital £	Profit and Loss Account £	2011 Total £	2010 Total £
At 1 January	2,000,000	(289,731)	1,710,269	1,637,648
Profit for the year	-	93,545	93,545	72,621
At 31 December	<u>2,000,000</u>	<u>(196,186)</u>	<u>1,803,814</u>	<u>1,710,269</u>

15 Operating lease commitments

	2011 Land and buildings £	2010 Land and buildings £
Annual commitments under non cancellable operating leases are as follows:		
Expiring:		
Not more than five years	<u>202,205</u>	<u>202,205</u>

16. Ultimate parent company

The Directors consider that the immediate and ultimate parent undertaking and controlling party is CLS Holdings plc, which is incorporated in Great Britain. Copies of the parent's group financial statements may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London SW8 1SF.