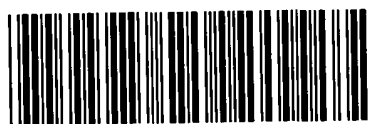


Company Registration No. 02879688 (England and Wales)

CLSH MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

WEDNESDAY



ABCØUTYR

A06

07/09/2022

#199

COMPANIES HOUSE

CLSH MANAGEMENT LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 22

CLSH MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present the strategic report, annual report and financial statements for the year ended 31 December 2021.

Review of the business

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

The principal activities of the Company continued to be that of property and asset management including managing lettings, service charges and the management of commercial and residential works.

On 1 January 2022, the CLS Holdings plc group converted its UK operations to a REIT. As a result of the conversion, the Company will pay no UK corporation tax on its UK property operations (rental income, gains on property sales and sales of companies owning UK property) which fall within the REIT regime from the 2022 financial year onwards.

The financial statements have been prepared on a going concern basis as described in note 1.

Future developments

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

Principal risks and uncertainties

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

To date, the Company has experienced little direct impact following the United Kingdom's exit from the European Union. However, it is harder to assess whether there have been indirect impacts. As noted by many commentators, including the World Economic Forum, the global level of uncertainty has increased. We continue to monitor whether additional risk mitigation actions need to be taken to counter greater expected increases in inflation and interest rates, and overall economic disruption.

COVID-19 Pandemic Risk

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

The Directors have considered the risks attached to the Company's financial instruments. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material to the assessment of assets and liabilities in the financial statements. Further discussion of risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report and can be found on www.clsholdings.com or from its registered address (see note 18).

CLSH MANAGEMENT LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

The following are key performance indicators of the business.

- Turnover for the year £9,765,646 (2020: £9,003,582)
- Operating profit for the year £295,617 (2020: operating loss for the year £1,130,649)
- Net assets at the balance sheet date £4,691,877 (2020: £4,606,305)

These key performance indicators have been selected because they provide information on the performance and position of the business.

Going concern

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

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

14 June 2022

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their annual report and financial statements for the year ended 31 December 2021.

The Directors' Report has been prepared in accordance with the special provisions relating to medium sized companies under sections 465 - 467 of the Companies Act 2006.

Disclosure in respect of a review of the business, future developments and important events (including post balance sheet events) required in the Directors' Report as per section 416 (4) of the Companies Act 2006 has been included in the Strategic Report.

Results and dividends

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

No dividends were paid. The Directors do not recommend payment of a final dividend (2020: nil).

Directors

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

David Fuller	(Appointed 1 July 2021)
Andrew Kirkman	
Alain Millet	
Simon Wigzell	(Resigned 30 June 2021)
Fredrik Widlund	

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 2021. The ultimate parent company CLS Holdings plc maintains liability insurance for its Directors and Directors of its associated companies.

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.

CLSH MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

Deloitte LLP served as auditor of the Company during the year.

Ernst & Young Limited was appointed as the auditor of CLS Holdings plc, the Company's ultimate parent undertaking, at its annual general meeting on 28th April 2022 and it is intended that Ernst & Young Limited will also be appointed as auditor to the Company during 2022.

Statement of disclosure to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

14 June 2022

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of CLSH Management Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

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

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

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

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report and Strategic Report have 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 and Strategic Report.

Matters on which we are required to report by exception

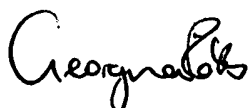
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Georgina Robb FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

14 June 2022

CLSH MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	4	9,765,646	9,003,582
Administrative expenses		(9,470,029)	(10,159,231)
Net movements on revaluation of investment property		-	25,000
Operating profit/(loss)	5	295,617	(1,130,649)
Foreign exchange (losses)/ gains		(4,485)	2,409
Interest receivable and similar income		163	1,831
Interest payable and similar expenses	8	(96,955)	(104,156)
Profit/(loss) before taxation		194,340	(1,230,565)
Tax on profit/(loss)	9	(37,248)	111,294
Profit/(loss) and total comprehensive income/(expense) for the financial year attributable to the owners of the Company		157,092	(1,119,271)

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 year.

The notes 1 to 18 form part of these financial statements.

CLSH MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	2020 £
Fixed assets			
Tangible assets	10	3,353,082	3,898,932
Current assets			
Deferred tax asset	11	-	49,642
Debtors	12	1,363,487	24,389,754
Current tax recoverable		2,642,651	2,681,300
Cash at bank and in hand		5,428,258	4,799,601
		<u>9,434,396</u>	<u>31,920,297</u>
Creditors: amounts falling due within one year			
Lease liabilities	13	(386,870)	(375,612)
Trade and other payables	14	(5,232,721)	(27,978,060)
		<u>(5,619,591)</u>	<u>(28,353,672)</u>
Net current assets		<u>3,814,805</u>	<u>3,566,625</u>
Total assets less current liabilities		<u>7,167,887</u>	<u>7,465,557</u>
Creditors: amounts falling due after one year			
Lease liabilities	13	(2,472,381)	(2,859,252)
Provisions for liabilities			
Deferred tax	11	(3,629)	-
Net assets		<u>4,691,877</u>	<u>4,606,305</u>
Capital and reserves			
Called up share capital	15	2,000,000	2,000,000
Other reserves		733,826	805,346
Profit and loss account		1,958,051	1,800,959
Total equity		<u>4,691,877</u>	<u>4,606,305</u>

The financial statements were approved by the Board of Directors and authorised for issue on 14 June 2022 and are signed on its behalf by:



Andrew Kirkman
Director

Company Registration No. 02879688

CLSH MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Called up share capital £	Other reserves £	Profit and loss account £	Total £
Balance at 1 January 2020		2,000,000	507,780	2,920,230	5,428,010
Year ended 31 December 2020:					
Loss and total comprehensive expense for the year		-	-	(1,119,268)	(1,119,268)
Share-based payment charge		-	297,566	-	297,566
Balance at 31 December 2020		2,000,000	805,346	1,800,959	4,606,305
Year ended 31 December 2021:					
Profit and total comprehensive income for the year		-	-	157,092	157,092
Share-based payment charge		-	(71,520)	-	(71,520)
Balance at 31 December 2021		2,000,000	733,826	1,958,051	4,691,877

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

The financial statements have been prepared on the historical cost basis except for the revaluation of leasehold land and leasing transactions that are measured at revalued amounts. The principal accounting policies adopted are set out below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

Where required, equivalent disclosures are given in the group accounts of CLS Holdings plc. The group accounts of CLS Holdings plc are available to the public and can be obtained as set out in note 18.

1.2 Going concern

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

1.3 Turnover

Revenue 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Tangible assets

Tangible assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Office fit out	over 10 years
Fixtures and fittings	over 4 years
Office equipment	over 4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in profit or loss before tax.

Leasehold land and buildings

Leasehold land and buildings are those properties held for long-term rental yields or for capital appreciation or both. Leasehold land and buildings are measured initially at cost, including related transaction costs. Additions to leasehold land and buildings comprise costs of a capital nature.

Leasehold land and buildings are carried at fair value less depreciation. Fair value is based on market value as determined by professional external valuers at the balance sheet date. Changes in fair value are recognised in the fair value reserve. Depreciation is recognised on a straight line basis over 250 years, so as to write off the cost or valuation of assets less their residual values over their useful lives.

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

1.5 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.6 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Financial assets

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

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

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

Loans and receivables

Trade and other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost with a recognised loss allowance for expected credit losses which is measured at an amount equal to the lifetime expected credit loss. An impairment provision is created where there is objective evidence that the Company will not be able to collect the receivable in full.

Impairment of financial assets

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

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

Derecognition of financial assets

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

1.8 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.

1.9 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.10 Taxation

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

Current tax

Current tax is based on taxable profit or loss 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.

1.11 Retirement benefits

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the balance sheet.

1.12 Leases

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

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

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

1.13 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.

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

No new accounting standards, amendments to accounting standards, or IFRIC interpretations that were effective for the year ended 31 December 2021 have had an impact on the Company.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

3 Critical accounting estimates and judgements

The Directors have considered the judgements that have been made in the process of applying the Company's accounting policies, which are described in note 1, and which of those judgements have the most significant effect on amounts recognised in the financial statements.

In the Directors' opinion for the year ended 31 December 2021 there are no accounting judgements that are material to the financial statements.

Key areas of estimation uncertainty

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

4 Turnover

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

	2021 £	2020 £
Property related services and trading income	9,600,533	8,860,523
Income from insurance commissions	165,113	143,059
	<u>9,765,646</u>	<u>9,003,582</u>

Geographical market

Revenue arose wholly within the United Kingdom.

5 Operating profit/(loss)

	2021 £	2020 £
Operating profit/(loss) for the year is stated after charging:		
Depreciation of tangible assets	566,296	1,224,794
Staff costs	<u>6,418,064</u>	<u>6,266,913</u>

6 Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor:		
For audit services		
Audit of the Company's financial statements	<u>22,000</u>	<u>15,000</u>

No fees were payable to Deloitte LLP for non-audit services to the Company during the year (2020: nil).

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Employees

The average monthly number of persons (including non-executive directors) employed by the Company during the year was:

	2021 Number	2020 Number
Administration	63	63

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	5,440,483	5,367,540
Social security costs	656,583	603,595
Pension costs	320,998	295,778
	6,418,064	6,266,913

No fees or other emoluments were paid to the Directors of the Company during the year (2020: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	96,955	104,156

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

9 Tax on profit/(loss)

	2021 £	2020 £
Current tax		
Current year taxation	(16,022)	(106,331)
Deferred tax		
Origination and reversal of temporary differences	53,270	(4,963)
Total tax charge/(credit)	<u>37,248</u>	<u>(111,294)</u>

The rate of corporation tax for the year beginning 1 January 2021 was 19%. The weighted average corporation tax rate for the year ended 31 December 2021 was 19% (2020: 19%). Deferred tax has been calculated at a rate of 19% (2020: 19%), being the rate expected to apply in the period when the liability is settled or the asset is realised, and has been based upon rates applicable under legislation substantively enacted at the balance sheet date.

The standard rate of UK corporation tax will increase from the current 19% to 25% from 1 April 2023.

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

	2021 £	2020 £
Profit/(loss) before taxation	<u>194,340</u>	<u>(1,230,565)</u>
Expected tax credit based on a corporation tax rate of 19% (2020: 19%)	36,925	(233,807)
Expenses not deductible for tax purposes	118,975	20,610
Capital allowances	(39,808)	-
Change in tax basis of properties, including indexation uplift	-	(1,992)
Adjustment in respect of prior years	(131,244)	109,151
Effect of change in UK corporation tax rate	-	(5,256)
Deferred tax not recognised	52,400	-
Tax charge/(credit) for the year	<u>37,248</u>	<u>(111,294)</u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Tangible assets

	Leasehold land £	Office fit out £	Fixtures and fittings £	Office equipment £	Right-Of-Use asset £	Total £
Cost						
At 1 January 2021	175,000	1,771,157	313,252	473,583	3,373,975	6,106,967
Additions	-	-	5,040	20,122	-	25,162
Disposals	-	-	(6,382)	(248,766)	-	(255,148)
Transfer to investment property	175,000	-	-	-	-	175,000
At 31 December 2021	175,000	1,771,157	311,910	244,939	3,373,975	5,876,981
Accumulated depreciation and impairment						
At 1 January 2021	-	389,556	176,820	387,839	1,253,820	2,208,035
Charge for the year	-	177,116	77,205	39,490	272,485	566,296
Eliminated on disposal	-	-	(5,388)	(245,044)	-	(250,432)
At 31 December 2021	-	566,672	248,637	182,285	1,526,305	2,523,899

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Tangible assets

	Leasehold land £	Office fit out £	Fixtures and fittings £	Office equipment £	Right-Of-Use asset £	(Continued) Total £
Carrying amount						
At 31 December 2020	175,000	1,381,601	136,432	85,744	2,120,155	3,898,932
At 31 December 2021	175,000	1,204,485	63,273	62,654	1,847,670	3,353,082

The total cash outflow for leases associated with Right-of-Use-Assets amount to £472,567 (2020: £344,391).

The leasehold land was revalued at 31 December 2021 to its fair value, based on current prices in an active market for all land. The land valuations were carried out by Cushman & Wakefield who are external, independent, professional qualified valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar land.

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

The historical cost of leasehold land was £147,367 (2020: £147,367).

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Deferred tax

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

	UK Capital Allowances £	Revaluation of building £	Share based payments £	Total £
Deferred tax asset at 1 January 2020	55,580	-	(100,259)	(44,679)
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	60,612	2,758	(68,333)	(4,963)
Deferred tax liability/(asset) at 1 January 2021	116,192	2,758	(168,592)	(49,642)
Deferred tax movements in current year				
(Credit)/charge to profit or loss	(116,192)	871	168,592	53,271
Deferred tax liability at 31 December 2021	-	3,629	-	3,629

	2021 £	2020 £
Deferred tax liability/(asset)	3,629	(49,642)

12 Debtors

	Current 2021 £	2020 £
Trade debtors	1	520
Provision for bad and doubtful debts	-	(130)
	1	390
Other receivables	46,257	67,017
Amounts due from fellow group undertakings	1,011,785	22,930,528
Prepayments	305,444	1,391,819
	1,363,487	24,389,754

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

13 Lease liabilities

	2021 £	2020 £
Lease liabilities	2,859,251	3,234,864

Analysis of lease liabilities

The maturity profile of the carrying amount of the Group's lease liabilities was as follows:

	2021 £	2020 £
Within one year or on demand	386,870	375,612
More than one year but not more than two years	398,465	386,870
More than two but not more than five years	1,268,494	1,231,581
More than five years	805,422	1,240,801
	2,859,251	3,234,864
Less amounts due for settlement within 12 months	(386,870)	(375,612)
Amounts due for settlement after 12 months	2,472,381	2,859,252

14 Trade and other payables

	Current 2021 £	2020 £
Trade creditors	71,357	27,560
Amounts due to fellow group undertakings	2,278,393	25,139,252
Accruals	1,236,416	1,298,808
Tax and social security	1,578,129	1,408,356
Other creditors	68,426	104,084
	5,232,721	27,978,060

The prior year payables of £25,139,252 due to a fellow group undertaking was repaid during the year. Interest was charged at a rate of LIBOR plus a margin of 2.5%.

15 Called up share capital

	2021 £	2020 £
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000

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

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements with fellow group undertakings for commercial office space and company accommodation, are as follows:

	2021 £	2020 £
Minimum lease payments under operating leases	-	51,865

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	497,516	505,303
Between one and five years	1,890,268	1,914,663
In over five years	841,558	1,314,125
	<u>3,229,342</u>	<u>3,734,091</u>

17 Post balance sheet events

On 1 January 2022, the CLS Holdings plc group converted its UK operations to a REIT. As a result of the conversion, the Company will pay no UK corporation tax on its UK property operations (rental income, gains on property sales and sales of companies owning UK property) which fall within the REIT regime from the 2022 financial year onwards.

18 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in the United Kingdom. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2021, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from its registered address, CLS Holdings plc, 16 Tinworth Street, London, SE11 5AL.