

Company Registration No. 02879688 (England and Wales)

CLSH MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



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 - 23

CLSH MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present the strategic report, annual report and financial statements for the year ended 31 December 2022.

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.

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 financing risk and political and economic risk.

Financing 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. As interest rates are increasing, often quite sharply, financing risk is also increasing. In order to mitigate this risk, the Company is maintaining relationships, monitoring covenants and engaging early with upcoming refinancings.

Political and Economic Risk

Significant events or changes in the Global and/or European political and/or economic landscape may affect the value of net assets and profitability. The risk remains high given Russia's invasion of Ukraine, the continued impact of the COVID-19 pandemic and economic concerns over, and responses to, higher levels of inflation and slowing GDP.

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 2022

Key performance indicators

The following are key performance indicators of the business.

- Turnover for the year £9,565,170 (2021: £9,765,646)
- Operating profit for the year £985,151 (2021: £295,617)
- Net assets at the balance sheet date £5,352,743 (2021: £4,691,877)

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. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors' going concern assessment covers the period to 31 July 2024.

The Directors' considerations included potential risks and uncertainties in the business, credit, market and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out at a Group level to ensure the Company has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with lower rents, increased service charges, higher property and administration expenses, falling property values and higher interest rates. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

7 July 2023

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and financial statements for the year ended 31 December 2022.

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 (2021: 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
Andrew Kirkman
Alain Millet
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 2022. 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 United Kingdom 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 ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, 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.

CLSH MANAGEMENT LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 Company 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditor

The auditor, Ernst & Young Limited, has indicated their willingness to continue in office. Under the provisions of the Companies Act 2006, the Company is not required to hold an annual general meeting and accordingly the auditors, Ernst & Young Limited, will therefore be deemed to be reappointed for each succeeding financial year.


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

7 July 2023

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

Opinion

We have audited the financial statements of CLSH Management Limited (the 'Company') for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 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.

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 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 the period to 31 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this 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 the 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

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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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' exemptions in preparing the Directors' Report.

Responsibilities of directors

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, 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

CLSH MANAGEMENT LIMITED

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

Our approach was as follows:

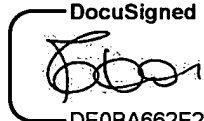
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006) and any relevant direct and indirect tax compliance regulation in the United Kingdom. There are no significant industry specific laws or regulations that we considered in determining our approach.
- We understood how the Company is complying with those frameworks by enquiry with Management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by discussing with management to understand where they considered there was susceptibility to fraud. We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent and detect fraud; and how management monitor those processes and controls. Where the risk was considered to be higher, we performed audit procedure to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
 - enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
 - reading minutes of meetings of those charged with governance;
 - obtaining electronic confirmations from the Company's banking providers to vouch the existence of cash balances and completeness of loans and borrowings; and
 - obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC, where applicable; and
 - journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

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

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.

DocuSigned by:



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Vania Tribos (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

7 July 2023

CLSH MANAGEMENT LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 £	2021 £
Revenue	4	9,565,170	9,765,646
Cost of sales		(8,580,019)	(9,470,029)
Operating profit	5	985,151	295,617
Foreign exchange losses		(13)	(4,485)
Interest receivable and similar income	8	-	163
Interest payable and similar expenses	9	(85,697)	(96,955)
Profit before taxation		899,441	194,340
Taxation	10	(238,575)	(37,248)
Profit and total comprehensive income for the financial year attributable to the owners of the Company		660,866	157,092

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 2022**

	Notes	2022 £	2021 £
Fixed assets			
Tangible assets	11	2,831,645	3,353,082
Current assets			
Debtors	12	3,983,761	1,363,487
Current tax recoverable		-	2,642,651
Cash at bank and in hand		10,544,468	5,428,258
		14,528,229	9,434,396
Creditors: amounts falling due within one year			
Lease liabilities	13	(398,465)	(386,870)
Trade and other payables	14	(8,072,013)	(5,232,721)
Current tax payable		(1,459,108)	-
		(9,929,586)	(5,619,591)
Net current assets		4,598,643	3,814,805
Total assets less current liabilities		7,430,288	7,167,887
Creditors: amounts falling due after one year			
Lease liabilities	13	(2,073,916)	(2,472,381)
Provisions for liabilities			
Deferred tax	15	(3,629)	(3,629)
Net assets		5,352,743	4,691,877
Capital and reserves			
Called up share capital	16	2,000,000	2,000,000
Other reserves		733,826	733,826
Profit and loss account		2,618,917	1,958,051
Total equity		5,352,743	4,691,877

The financial statements were approved by the Board of Directors and authorised for issue on 7 July 2023 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 2022**

	Notes	Called up share capital £	Other reserves £	Profit and loss account £	Total £
Balance at 1 January 2021		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 credit		-	(71,520)	-	(71,520)
Balance at 31 December 2021		2,000,000	733,826	1,958,051	4,691,877
Year ended 31 December 2022:					
Profit and total comprehensive income for the year		-	-	660,866	660,866
Balance at 31 December 2022		2,000,000	733,826	2,618,917	5,352,743

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors' going concern assessment covers the period to 31 July 2024.

The Directors' considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out at a Group level to ensure the Company has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with lower rents, increased service charges, higher property and administration expenses, falling property values and higher interest rates. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.3 Revenue

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.

1.4 Tangible assets

Property, plant and equipment is measured initially at cost, including related transaction costs. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses or fair value, based on market value as determined by professional external valuers at the balance sheet date.

Depreciation is calculated using the straight-line method to allocate cost less estimated residual values over the estimated useful lives or lease length, as follows:

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the Income Statement.

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. Fair value is based on market value as determined by professional external valuers at the balance sheet date. Any increase arising on the revaluation of leasehold land and buildings is credited to the fair value reserve via other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase in value is credited to the income statement to the extent the decrease was previously expensed. On disposal of an asset the revaluation reserve relating to that asset becomes realised and is transferred in equity to retained earnings.

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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

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.

1.10 Taxation

The tax expense or credit represents the sum of the tax currently payable or receivable 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.12 Leases

When the Company is a lessee, the Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets for all leases, except for short-term leases and leases of low-value assets.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses either the borrowing rate of the loan attached to the property at the lease commencement date or, if the property is not financed, then the Company's incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. IFRS 16 requires certain adjustments to be expensed, while others are added to the cost of the related right-of-use asset.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets that are not investment property are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The right-of-use assets are also subject to impairment.

The Company leases properties that meet the definition of investment property. These right-of-use assets are presented as part of the line item 'Investment property' in the statement of financial position.

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 2022 have had a material impact on the Company.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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. The following is an ongoing areas of accounting judgement:

- Classification of leases to tenants as operating leases.

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 11.

4 Revenue

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

	2022 £	2021 £
Property related services and trading income	9,424,902	9,600,533
Income from insurance commissions	140,268	165,113
	<u>9,565,170</u>	<u>9,765,646</u>

Geographical market

Revenue arose wholly within the United Kingdom.

5 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging:		
Depreciation of tangible assets	534,712	566,296
Staff costs	5,562,838	6,418,064
Share-based payments	9,806	-
	<u>5,562,838</u>	<u>6,418,064</u>

6 Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor:		
For audit services		
Audit of the Company's financial statements	<u>24,200</u>	<u>22,000</u>

No fees were payable to Ernst & Young LLP for non-audit services to the Company during the year (2021: Deloitte LLP: nil).

CLSH MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****7 Employees**

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

	2022	2021
	Number	Number
Administration	62	63
	<u>62</u>	<u>63</u>

Their aggregate remuneration comprised:

	2022	2021
	£	£
Wages and salaries	4,763,023	5,440,483
Social security costs	517,528	656,583
Pension costs	282,287	320,998
	<u>5,562,838</u>	<u>6,418,064</u>

No fees or other emoluments were paid to the Directors of the Company during the year (2021: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest on bank deposits	-	163
	<u>-</u>	<u>163</u>

9 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	85,697	96,955
	<u>85,697</u>	<u>96,955</u>

CLSH MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****10 Tax on profit**

	2022	2021
	£	£
Current tax		
Current year taxation	238,575	(16,022)
Deferred tax		
Origination and reversal of temporary differences	-	53,270
Total tax charge	<u>238,575</u>	<u>37,248</u>

The rate of corporation tax for the year beginning 1 January 2022 was 19%. The weighted average corporation tax rate for the year ended 31 December 2022 was 19% (2021: 19%).

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

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

	2022	2021
	£	£
Profit before taxation	<u>899,441</u>	<u>194,340</u>
Expected tax credit based on a corporation tax rate of 19% (2021: 19%)	170,893	36,925
Expenses not deductible for tax purposes	16,309	118,975
Capital allowances	-	(39,808)
Adjustment in respect of prior years	29,196	(131,244)
Deferred tax not recognised	<u>22,177</u>	<u>52,400</u>
Tax charge for the year	<u>238,575</u>	<u>37,248</u>

CLSH MANAGEMENT LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****FOR THE YEAR ENDED 31 DECEMBER 2022****11 Tangible assets**

	Leasehold land	Office fit out	Fixtures and fittings	Office equipment	Right-Of-Use asset	Total
	£	£	£	£	£	£
Cost						
At 1 January 2022	175,000	1,771,157	311,910	244,939	3,373,975	5,876,981
Additions	-	-	-	13,275	-	13,275
Disposals	-	-	-	(108,143)	-	(108,143)
Reclassification	-	-	-	-	(708,851)	(708,851)
At 31 December 2022	175,000	1,771,157	311,910	150,071	2,665,124	5,073,262
Accumulated depreciation and impairment						
At 1 January 2022	-	566,672	248,637	182,285	1,526,305	2,523,899
Charge for the year	-	177,116	56,928	28,183	272,485	534,712
Disposals	-	-	-	(108,143)	-	(108,143)
Reclassification	-	-	-	-	(708,851)	(708,851)
At 31 December 2022	-	743,788	305,565	102,325	1,089,939	2,241,617

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Tangible assets						(Continued)
	Leasehold land	Office fit out	Fixtures and fittings	Office equipment	Right-Of-Use asset	Total
	£	£	£	£	£	£
Carrying amount						
At 31 December 2021	175,000	1,204,485	63,273	62,654	1,847,670	3,353,082
At 31 December 2022	175,000	1,027,369	6,345	47,746	1,575,185	2,831,645

The total cash outflow for leases associated with Right-of-Use-Assets amount to £472,567 (2021: £472,567).

The leasehold land was revalued at 31 December 2022 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 (2021: £147,367).

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Debtors

	Current 2022 £	2021 £
Trade debtors	60,039	1
Other receivables	2,853	46,257
Amounts due from fellow group undertakings	2,657,956	1,011,785
Prepayments	1,262,913	305,444
	<u>3,983,761</u>	<u>1,363,487</u>

13 Lease liabilities

	2022 £	2021 £
Lease liabilities	<u>2,472,381</u>	<u>2,859,251</u>

Analysis of lease liabilities

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

	2022 £	2021 £
Within one year or on demand	398,465	386,870
More than one year but not more than two years	410,408	398,465
More than two but not more than five years	1,306,513	1,268,494
More than five years	356,995	805,422
	<u>2,472,381</u>	<u>2,859,251</u>
Less amounts due for settlement within 12 months	<u>(398,465)</u>	<u>(386,870)</u>
Amounts due for settlement after 12 months	<u>2,073,916</u>	<u>2,472,381</u>

14 Trade and other payables

	Current 2022 £	2021 £
Trade creditors	54,154	71,357
Amounts due to fellow group undertakings	5,350,008	2,278,393
Accruals	947,649	1,236,416
Tax and social security	1,441,047	1,578,129
Other creditors	279,155	68,426
	<u>8,072,013</u>	<u>5,232,721</u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

15 Deferred tax

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

	UK Capital Allowances	Revaluation of building	Share based payments	Total
	£	£	£	£
Deferred tax liability/(asset) at 1 January 2021	116,192	2,758	(168,592)	(49,642)
Deferred tax movements in prior year				
(Credit)/charge to profit or loss	(116,192)	871	168,592	53,271
Deferred tax liability at 1 January 2022 and 31 December 2022	-	3,629	-	3,629

	2022 £	2021 £
Deferred tax liability	3,629	3,629

16 Called up share capital

	2022 £	2021 £
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.

17 Operating lease commitments

Lessee

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:

	2022 £	2021 £
Within one year	472,567	497,516
Between one and five years	1,890,268	1,890,268
In over five years	368,991	841,558
	<u>2,731,826</u>	<u>3,229,342</u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022, 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.