

Company Registration No. 3358043

Citadel Holdings plc

Report and Financial Statements

31 December 2012

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Citadel Holdings plc

Report and Financial Statements 2012

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Citadel Holdings plc

Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

This 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

Principal activities

The principal activities of the Company during the year were to hold investments, earn income therefrom and to provide services to its subsidiaries

Review of the business

The results for the year are shown on page 6. The Directors expect the principal activities of the Company to remain unchanged for the foreseeable future.

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

Key performance indicators

The following are key performance indicators of the business

Revenue for the year £2,012,000 (2011: £2,227,000)

Operating profit for the year £630,000 (2011: loss £2,127,000)

Net assets at the balance sheet date £39,871,000 (2011: £37,703,000)

Dividends

The Company paid a dividend of £1,340,000 in the year ended 31 December 2012 (2011: £18,222,000)

Principal risks and uncertainties

The Company considers there are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause the actual results to differ materially from expected and historical results. Management and mitigation of these risks is the responsibility of the Directors of the Company.

Risk	Mitigation
Loss in value of subsidiary undertakings	Subsidiaries include the French property division of the CLS Holdings plc Group which are well established and positioned for long-term supportable organic growth
Potential loss on intercompany lending	Lending on arm's length basis to subsidiaries with excellent covenant strength

Citadel Holdings plc

Directors' Report (continued)

Directors

The Directors of the company during the year were as follows

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

Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors who held office in 2012

Auditor

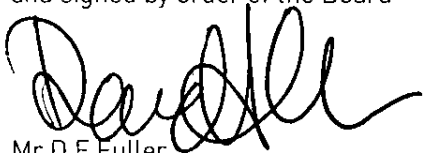
Each of the persons who is a Director at the date of approval of this report confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

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

A resolution to reappoint Deloitte LLP as auditor of the Company will be proposed at the annual general meeting

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



Mr D F Fuller
Secretary

9 May 2013

Registered office:

86 Bondway
London
SW8 1SF

Citadel Holdings plc

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Citadel Holdings plc

We have audited the financial statements of Citadel Holdings plc for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet 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 (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As more fully explained in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed in the Companies Act 2006

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

Independent Auditor's Report to the Members of Citadel Holdings plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



Mark Beddy FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

9 May 2013

Citadel Holdings plc

Profit and Loss Account Year ended 31 December 2012

	Notes	2012 £000	2011 £000
Turnover	2	2,012	2,227
Interest payable on loans from subsidiaries	3	(776)	(787)
Administrative expenses		(606)	(887)
Provision for impairment of fixed asset investments	10	-	(2,680)
Operating profit/(loss)	4	630	(2,127)
Income from shares in group undertakings	5	2,878	18,641
Interest receivable and similar income	6	-	1
Profit on ordinary activities before taxation		3,508	16,515
Tax credit on profit on ordinary activities	7	-	71
Profit for the financial year	15	3,508	16,586

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

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

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

Citadel Holdings plc

Balance Sheet 31 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	10	9,948	9,948
Current assets			
Debtors due within one year	11	2,077	1,988
Debtors due after one year	11	63,336	62,255
Cash at bank and in hand		13	78
		65,426	64,321
Creditors: amounts falling due within one year	12	(1,886)	(1,003)
Net current assets		63,540	63,318
Total assets less current liabilities		73,488	73,266
Creditors: amounts falling due after more than one year	13	(33,617)	(35,563)
Net assets		39,871	37,703
Capital and reserves			
Called up share capital	14	8,379	8,379
Share premium account	15	24,013	24,013
Profit and Loss Account	15	7,479	5,311
Shareholders' funds		39,871	37,703

The financial statements of Citadel Holdings plc (registered number 3358043) were approved by the Board of Directors on 9 May 2013

Signed on behalf of the Board of Directors



Mr J H Whiteley
Director

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

1. Significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 not to prepare a cash flow statement as one has been prepared for the Group. The Company is a wholly-owned subsidiary of CLS One Limited and ultimately owned by CLS Holdings plc, and it has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings as the financial statements of CLS Holdings plc are publicly available.

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

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

1.2 Going concern

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Directors have reviewed the recoverability of investments and intercompany assets and the security of cash flows therefrom and concluded that there are no significant uncertainties resulting from these assets that would cast doubt on the ability of the Company to continue as a going concern. Accordingly they continue to adopt the going concern basis in preparing the annual report and Financial Statements.

1.3 Foreign currencies

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

1.4 Investments

Fixed asset investments are held at cost. Investments are reviewed annually for impairment and a provision is made for any permanent material diminution in value.

1.5 Turnover

Turnover comprises income earned from funds provided to subsidiaries, together with fees charged to recover costs for services provided to subsidiaries. Revenue is recognised when the underlying service (or measurable part thereof) has been provided.

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

1 Significant accounting policies (continued)

1.6 Taxation

Corporation tax is provided on taxable profits at the current rate

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

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

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

2. Turnover

The Company's turnover analysed by geographical destination is as follows

	2012 £000	2011 £000
Fees - France (including Luxembourg)	563	818
Income earned on loans to group undertakings – United Kingdom	1,449	1,409
	<u>2,012</u>	<u>2,227</u>

3 Interest payable on loans from subsidiaries

	2012 £000	2011 £000
Interest payable on loans from group undertakings	<u>776</u>	<u>787</u>

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

4. Operating profit

	2012 £000	2011 £000
This is stated after charging		
Fees payable to the Company's auditor for audit of the Company's Financial Statements	4	20

5 Income from shares in Group undertakings

	2012 £000	2011 £000
Dividends received	2,878	18,641

6. Interest receivable and similar income

	2012 £000	2011 £000
Bank interest	1	-
Foreign exchange (loss)/gain	(1)	1
	-	1

7. Tax credit on profit on ordinary activities

	2012 £000	2011 £000
Current tax	-	-
Overprovision in respect of previous periods	-	(71)
Total tax credit on profit on ordinary activities	-	(71)

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

7 Tax credit on profit on ordinary activities (continued)

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

	2012 £000	2011 £000
Profit on ordinary activities before tax	3,508	16,515
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 24.5% (2011: 26.5%)	859	4,376
Effect of		
Differences due to expenses non-deductible and items not included in the profit for tax purposes	(705)	(4,230)
Overprovision in respect of previous periods	-	(71)
Losses claimed by group/consortium relief for nil payment and differences between capital allowances and depreciation	(154)	(146)
Current tax credit in Profit and Loss Account	-	(71)

The rate of corporation tax for the financial year 2011 was 26%. This fell to 24% on 1 April 2012 and the weighted corporation tax rate for the year ended 31 December 2012 was therefore 24.5%. Deferred tax has been calculated at a rate of 23%, being the rate applicable from 1 April 2013 under legislation substantially enacted at the balance sheet date.

8 Employee information

The average number of employees during the year was as follows

	2012 No	2011 No
Administration	1	2
	2012 £000	2011 £000
Employment costs of all employees:		
Wages and salaries	60	129
Social security costs	3	5
	63	134

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

9 Directors' emoluments

None of the Directors received emoluments for their services to the Company during the year (2011: £nil). The emoluments of the Directors of the Company who are also directors of CLS Holdings plc, are paid by and disclosed in that company's financial statements in respect of their services to the Group as a whole.

10 Fixed assets investments

	2012 £000	2011 £000
At 1 January	9,948	12,628
Provisions	-	(2,680)
At 31 December	9,948	9,948

A list of principal subsidiary undertakings is shown in note 18.

The nominal value of the allotted shares that were held by the Company was £8,000,000.

On 9 May 2012 The Company sold its 100% holding in one of its subsidiaries, Citadel Finance Limited. At 1 January this investment was held in the balance sheet at a carrying value of £nil. The consideration of the sale was £1 and a profit on disposal was realised in the Profit and Loss Account for the year ended 31 December 2012.

At 31 December 2012 all investments were reviewed for impairment and no provision was required.

11 Debtors: due within one year

	2012 £000	2011 £000
Amounts due from group undertakings	2,040	1,908
Other taxation and social security	37	80
	2,077	1,988
Debtors: due after one year		
Amounts due from group undertakings	63,336	62,255

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Notes to the Financial Statements 31 December 2012

12 Creditors: amounts falling due within one year

	2012 £000	2011 £000
Amounts due to group undertakings	1,886	1,001
Other creditors	-	1
Accruals and deferred income	-	1
	<u>1,886</u>	<u>1,003</u>

13. Creditors amounts falling due after more than one year

	2012 £000	2011 £000
Amounts due to group undertakings	<u>33,617</u>	<u>35,563</u>

14. Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
33,516,057 ordinary shares of 25p each	<u>8,379</u>	<u>8,379</u>

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

	Share capital £000	Share premium £000	Profit and Loss Account £000	2012 Total £000	2011 Total £000
At 1 January	8,379	24,013	5,311	37,703	39,339
Profit for the year	-	-	3,508	3,508	16,586
Dividend paid	-	-	(1,340)	(1,340)	(18,222)
At 31 December	<u>8,379</u>	<u>24,013</u>	<u>7,479</u>	<u>39,871</u>	<u>37,703</u>

Citadel Holdings plc

Notes to the Financial Statements 31 December 2012

16. Contingent liabilities

At 31 December 2012 the Company had guaranteed certain Group companies' liabilities, primarily in relation to Group borrowings, interest and amortisation payments under banking facilities. In addition, certain warranties had been given in the course of corporate sales. As the likelihood of payment by the Company under any of those guarantees and warranties is remote, no provision has been made for them in the accounts.

17. Ultimate parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and controlling party is CLS Holdings plc, which is incorporated in Great Britain. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2012, these accounts are the largest, and only group into which the Company is consolidated. Copies of these financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London SW8 1SF.

18. Investment in group undertakings

The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those wholly owned subsidiary companies whose results or financial position, in the opinion of the Directors, principally affected the figures of the Group. To comply with the Companies Act 2006, a full list of subsidiaries will be filed with the Company's next annual return.

The principal subsidiary undertaking (which is wholly-owned by the Company) is Hermalux Sàrl (incorporated in Luxembourg). The principal activity of this subsidiary is to act as a holding company. The principal activity of each of the other subsidiaries listed below is property investment, except for Citadel Services Sàrl which is a management company.

Name of undertaking	Country of incorporation	Description of shares held	Proportion of nominal value of issued shares held by	
			Company	Group
Hermalux Sàrl	Luxembourg	Ordinary shares of €0.30	100%	
Valencia Investments Sàrl	Luxembourg	Ordinary shares of €0.30		100%
Citadel Services Sàrl	France	Ordinary shares of €15.24		100%
Sigma Sàrl	France	Ordinary shares of €15.24		100%
Petits Champs Sàrl	France	Ordinary shares of €15.24		100%
Forum SCI	France	Ordinary shares of €15.24		100%
120 Rue Jean Jaurès Sàrl	France	Ordinary shares of €15.24		100%
Debussy SCI	France	Ordinary shares of €1		100%
Quatuor SCI	France	Ordinary shares of €1		100%
Frères Peugeot SCI	France	Ordinary shares of €1		100%