

Company Registration No. 03358043 (England and Wales)

**CITADEL HOLDINGS PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**



# **Citadel Holdings plc**

## **Report and Financial Statements 2017**

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#### **Registered office:**

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3 Albert Embankment  
London  
SE1 7SP

# Citadel Holdings plc

## Strategic Report

The principal activity of Citadel Holdings plc and its subsidiary undertakings (the "Group") is the investment in commercial property across France.

### Investment property portfolio

At the start of the year, the Group had a portfolio of 24 investment properties located throughout France. In the buoyant Parisian market of 2017, we were unwilling to match the appetite of local investors to chase ever falling yields, and our acquisitions were restricted to enhancing our existing portfolio, acquiring a car park at 23/27 Rue Pierre Valette, and a further floor in a multi-owned building in Lyon. However, we continue to look in both the Paris and Lyon markets for assets which meet the return criteria which we apply to acquisitions across the Group.

In 2017, we sold one asset, Le Sully in Mantes-la-Jolie, 48 km to the north-west of Paris for €8.1 million.

At 31 December 2017, the Group had contracted rent of €17.5 million per annum which represented a net initial yield of 4.6%. The properties had a total lettable area of 80,836 sqm and are 54% let to Government departments and major corporations. The weighted average lease length of these properties was 6.0 years, or 2.9 years to the first break and €17.5 million of the contracted rent was subject to indexation.

At 31 December 2017 the investment property portfolio was valued at €326.5 million (2016: €303.1 million) with the key movements in the year due to property acquisitions of €1.0 million, capital expenditure of €5.8 million, an upward revaluation of €22.9 million and disposals of €8.1 million.

On average new lettings, rent reviews and lease extensions in the year in France were achieved at marginally below their eras at 31 December 2016. Overall, during 2017 eras remained unchanged and the French portfolio was marginally reversionary. Those leases which were reversionary were €0.5 million, or 2.8%, under-rented, and others were over-rented by 2.4%. The vacancy rate of the French portfolio at 31 December 2017 was 4.4% (2016: 2.9%). During 2017, 115,475 sq ft (10,728 sqm) became vacant and we let or renewed leases on 104,442 sq ft (9,703 sqm).

### Financing

The Group is financed in part by bank loans of €146.5 million which are secured on the freehold properties.

The Group is also financed by term loans from fellow group undertakings and as at 31 December 2017 the Group had drawn €51.4 million (2016: €50.1 million) on these facilities. Interest on this debt is charged at a floating rate of LIBOR plus a margin of 3.0% and EURIBOR plus a margin of 5.5%.

### Results for the year

The results for the year are shown on page 10.

Group revenue for 2017 was €23.9 million (2016: €25.0 million) and Group revenue less costs was €14.3 million (2016: €14.3 million). Investment properties were revalued upwards by €22.9 million (2016: €14.0 million) and finance costs for the year were €4.8 million (2016: €4.4 million). Profit before tax was €36.4 million (2016: €26.6 million).

### Outlook

As the Group has secure rental streams and long-term financing in place, the Directors expect it to continue to be profitable. The asset management focus will be on renegotiating leases with existing tenants, and in the event of voids arising, on exploring opportunities to refurbish and redevelop the investment property.

### Business Strategy

#### Corporate Objective

To generate returns for the CLS Holdings plc group through the payment of dividends.

#### Business Model

- Investments are required to make a high cash-on-cash return.

Focus is on cash returns and on high yielding office properties, financed by a cost of debt well below the net initial yield of the properties.

# Citadel Holdings plc

## Strategic Report (continued)

### Business Strategy (continued)

- *Invest in modern, high quality, well-let properties in good locations.*

Investments are appraised by local property teams and presented to the boards of the investing entities for investment decisions to be made. The Group looks to create extra value via developments when letting risk and financing risk have been in large part mitigated.

- *Secure long-term finance to reduce risk.*

The Group has long term loans from different lenders secured externally at a fixed rate of between 1.6% and 1.9% and which expire between June 2021 and September 2024. Additional finance has been secured in the form of term loans from fellow group-undertakings at a rate of LIBOR plus a margin of 3.0% and EURIBOR plus a margin of 5.5%.

- *Investments retain a strong core income stream.*

The Group seeks customers with strong covenant strength and looks to secure them for extended lease periods. The majority of the Group's contracted rent is derived from Government departments and major corporates and the weighted average lease term is 6.0 years.

- *Maintain low vacancy rates.*

In-house property managers maintain close links with occupiers to understand their needs, focusing on the quality of service and accommodation for our customers.

### Performance against KPI's

Cash-on-cash returns

- The properties yield 4.6% which will rise as the vacancies are relet, whereas the cost of debt is 1.5%.

Maintain vacancy rates of below 5.0%

- Vacancy rate of 4.4%

### Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause the results to differ materially from expected or historical results. The management and mitigation of these risks are the responsibility of the Board.

### PROPERTY INVESTMENT RISKS

- Risk:** Underperformance of investment portfolio due to cyclical downturn in property market.  
**Areas of impact:** Cash flow, profitability, net asset value, banking covenants.  
**Mitigation:** Senior management has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in capital allocation decision-making.
- Risk:** Changes in supply of space and/or occupier demand.  
**Areas of impact:** Rental income, cash flow, vacancy rate, void running costs, property values, net asset value.  
**Mitigation:** The Group's investment property is let to Government and major corporations and the average unexpired lease term is 6.0 years.
- Risk:** Poor asset management.  
**Areas of impact:** Rental income, cash flow, vacancy rate, void running costs, property values, net asset value.  
**Mitigation:** Property teams proactively manage customers to ensure changing needs are met, and review the current status of all properties weekly. Written reports are submitted on a monthly basis to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews.

# Citadel Holdings plc

## Strategic Report (continued)

### Principal Risks and Uncertainties (continued)

#### SUSTAINABILITY RISKS

- 1 *Risk:* Increasing building regulation and obsolescence.  
*Areas of impact:* Rental income, cash flow, vacancy rate, net asset value, profitability, liquid resources.  
*Mitigation:* Continual assessment of all properties against emerging regulatory changes. Fit-out and refurbishment projects benchmarked against third-party schemes.
- 2 *Risk:* Increasing energy costs and regulation.  
*Areas of impact:* Net asset value, profitability, liquid resources.  
*Mitigation:* Investment in energy efficient plant and building mounted renewable energy systems.

#### FUNDING RISKS

- 1 *Risk:* Unavailability of financing at acceptable prices.  
*Areas of impact:* Cost of borrowing, ability to invest or develop.  
*Mitigation:* The Group has a dedicated treasury team and relationships are maintained with the banks thus reducing the credit and liquidity risk.
- 2 *Risk:* Adverse interest rate movements.  
*Areas of impact:* Cost of borrowing, cost of hedging.  
*Mitigation:* The majority of the Group's debt is fixed and exposure to changes in prevailing market rates is limited to a minority of the Group's debt, which is subject to floating rates of LIBOR plus a margin of 3.0% and EURIBOR plus a margin of 5.5%.
- 3 *Risk:* Breach of borrowing covenants.  
*Areas of impact:* Cost of borrowing.  
*Mitigation:* Financial covenants are monitored and regularly reported to the Board.

#### GOING CONCERN RISK

- 1 *Risk:* The Group will not have adequate working capital to remain a going concern for the next 12 months  
*Areas of impact:* Pervasive.  
*Mitigation:* The Directors regularly stress-test the business model to ensure the Group has adequate working capital.

Approved by the Board of Directors

On behalf of the board



David Fuller  
Secretary  
28 June 2018

# Citadel Holdings plc

## Directors' Report

The Directors' present their annual report and the audited financial statements for the year ended 31 December 2017. This is the first year consolidated financial statements have been prepared and the prior year comparatives are unaudited.

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- Review of the business
- Business strategy
- KPI's and performance against KPI's
- Principal risks and uncertainties

### Dividends

The results for the year are set out on page 10.

No dividends were paid. The Directors do not recommend payment of a final dividend (2016: nil).

### Directors

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

Henry Klotz  
Alain Millet  
John Whiteley  
Fredrik Widlund  
Simon Wigzell

### 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 2017.

### Auditor

In accordance with the Company's articles, a resolution proposing that Deloitte LLP be reappointed as auditor of the Company will be put at a General Meeting.

### 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 s418 of the Companies Act 2006.

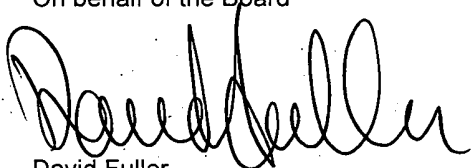
# Citadel Holdings plc

## Directors' Report (continued)

### Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future despite the net current liability position at 31 December 2017. Furthermore, at the balance sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'David Fuller', written over a horizontal line.

David Fuller  
**Secretary**  
28 June 2018

# 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation, and have elected to prepare the parent company financial statements in accordance with FRS101 of 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 the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.



# Independent Auditor's Report to the members of Citadel Holdings plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- the financial statements of Citadel Holdings plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 group and the parent 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

# **Independent Auditor's Report to the members of Citadel Holdings plc**

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

## **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 group's and the parent 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 group or the parent 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

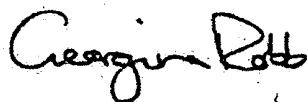
## **Independent Auditor's Report to the members of Citadel Holdings plc**

### **Other matter**

As the company was exempt from preparing group accounts under section 477 of the Companies Act 2006 in the prior year we have not audited the corresponding amounts for that year

### **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**  
**28 June 2018**

# Citadel Holdings plc

## Group Income Statement for the year ended 31 December 2017

	Notes	2017 €	Unaudited 2016 €
<b>Continuing operations</b>			
Group revenue		23,940,285	25,043,957
Net rental income	3	17,893,709	18,450,950
Administration expenses		(2,783,748)	(3,164,078)
Other expenses		(819,962)	(947,960)
<b>Group revenue less costs</b>		<b>14,289,999</b>	<b>14,338,912</b>
Net movements on revaluation of investment properties	9	22,850,126	14,043,978
Profit/(loss) on sale of investment properties		128,655	(1,301,603)
<b>Operating profit</b>		<b>37,268,780</b>	<b>27,081,287</b>
Finance income	6	3,950,635	3,876,041
Finance costs	7	(4,828,597)	(4,359,929)
<b>Profit before tax</b>	4	<b>36,390,818</b>	<b>26,597,399</b>
Taxation	8	(12,327,545)	3,036,258
<b>Profit for the year</b>		<b>24,063,273</b>	<b>29,633,657</b>

The group income statement 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 period and consequently no statement of other comprehensive income is presented.


The notes on pages 14 to 30 are an integral part of these group financial statements.

# Citadel Holdings plc

## Group Balance Sheet at 31 December 2017

	Notes	2017 €	Unaudited 2016 €
<b>Non-current assets</b>			
Investment properties	9	326,530,000	303,100,000
Property, plant and equipment	10	89,148	84,198
Goodwill and intangibles		941,705	981,096
Other financial investments		-	3,263
Derivative financial investments		34,107	-
Deferred tax	14	11,000	4,000
Trade and other receivables	11	69,120,257	65,338,606
		<u>396,726,217</u>	<u>369,511,163</u>
<b>Current assets</b>			
Trade and other receivables	11	132,009,033	129,840,725
Properties held for sale	9	-	-
Cash and cash equivalents	12	5,284,614	4,183,248
		<u>137,293,647</u>	<u>134,023,973</u>
<b>Total assets</b>		<u>534,019,864</u>	<u>503,535,136</u>
<b>Current liabilities</b>			
Trade and other payables	13	(12,328,453)	(15,341,493)
Current tax		(1,955,992)	(2,923,100)
Borrowings	15	(111,505,629)	(88,766,704)
		<u>(125,790,074)</u>	<u>(107,031,297)</u>
<b>Non-current liabilities</b>			
Deferred tax	14	(69,025,000)	(60,466,000)
Derivative financial instruments		-	-
Borrowings	15	(86,396,467)	(104,315,518)
		<u>(155,421,467)</u>	<u>(164,781,518)</u>
<b>Total liabilities</b>		<u>(281,211,541)</u>	<u>(271,812,815)</u>
<b>Net assets</b>		<u>252,808,323</u>	<u>231,722,321</u>
<b>Equity</b>			
Share capital	17	12,281,953	12,281,953
Share premium	18	35,198,116	35,198,116
Other reserves	19	(36,604,693)	(33,627,422)
Retained earnings		241,932,947	217,869,674
<b>Total equity</b>		<u>252,808,323</u>	<u>231,722,321</u>

The financial statements of Citadel Holdings plc (registered number: 03358043) were approved by the Board of Directors and authorised for issue on 28 June 2018. Signed on its behalf by:

  
John Whiteley  
Director

The notes on pages 14 to 30 are an integral part of these group financial statements.

# Citadel Holdings plc

## Group Statement of Changes in Equity for the year ended 31 December 2017

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total equity €
<b>Arising in 2017:</b>					
Total comprehensive income for the year	-	-	(2,977,271)	24,063,273	21,086,002
Total changes arising in 2017	-	-	(2,977,271)	24,063,273	21,086,002
<b>At 1 January 2017</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(33,627,422)</b>	<b>217,869,674</b>	<b>231,722,321</b>
<b>At 31 December 2017</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(36,604,693)</b>	<b>241,932,947</b>	<b>252,808,323</b>

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total equity €
<b>Unaudited</b>					
<b>Arising in 2016:</b>					
Total comprehensive income for the year	-	-	(8,591,055)	29,633,657	21,042,602
Total changes arising in 2016	-	-	(8,591,055)	29,633,657	21,042,602
<b>At 1 January 2016</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(25,036,367)</b>	<b>188,236,017</b>	<b>210,679,719</b>
<b>At 31 December 2016</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(33,627,422)</b>	<b>217,869,674</b>	<b>231,722,321</b>

The notes on pages 14 to 30 are an integral part of these group financial statements.

# Citadel Holdings plc

## Group Statement of Cash Flows for the year ended 31 December 2017

	Notes	2017 €	Unaudited 2016 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	4,655,831	12,770,483
Interest received		3,888,216	3,785,068
Interest paid		(4,402,085)	(3,934,717)
Income tax paid		(4,742,652)	(3,918,882)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(600,690)</b>	<b>8,701,952</b>
<b>Cash flows from investing activities</b>			
Purchase of investment properties		(1,040,400)	-
Capital expenditure on investment properties		(5,590,105)	(5,903,291)
Purchases of property, plant and equipment		(31,488)	(61,114)
Proceeds from sale of investment properties		8,228,655	18,077,551
Expenditure on interest rate caps		(70,500)	-
<b>Net cash outflow from investing activities</b>		<b>1,496,162</b>	<b>12,113,146</b>
<b>Cash flows from financing activities</b>			
New loans		52,850,000	14,868,708
Issue costs of new loans		(679,042)	(100,894)
Repayment of loans		(49,048,610)	(27,188,480)
<b>Net cash inflow from financing activities</b>		<b>3,122,348</b>	<b>(12,420,666)</b>
<b>Cash flow element of net (decrease) / increase in cash and cash equivalents</b>		<b>4,017,820</b>	<b>8,394,432</b>
Foreign exchange gain / (loss)		(2,916,454)	(8,340,556)
<b>Net increase in Cash and cash equivalents</b>		<b>1,101,366</b>	<b>53,876</b>
Cash and cash equivalents at the beginning of the year		4,183,248	4,129,372
<b>Cash and cash equivalents at the end of the year</b>	12	<b>5,284,614</b>	<b>4,183,248</b>

The notes on pages 14 to 30 are an integral part of these group financial statements.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group is an investment property group which is principally involved in the investment and management of commercial properties in France.

The Company is a public company limited by shares and is registered in England and Wales.

#### 1.1 Basis of preparation

The financial statements have been prepared on a going concern basis as explained in the Directors' Report on page 5 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in Euros as that is the currency in which the Group operates.

#### New standards and interpretations

In the current year, the Group has adopted the following amendment for the first time which has not had a material impact on the results for the year:

- Annual improvements to IFRSs: 2014-2016 cycle
- Amendments to IAS 7 Disclosure Initiative
- Amendments to IAS 12 Recognition of deferred tax asset for unrealised losses

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance have not been endorsed by the European Union:

- IFRS 9 Financial Instruments (2009, 2010 and 2014)
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- IFRS 4 (amendments) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IAS 40 (amendments) Transfers of investment property
- Annual Improvements to IFRSs: 2012-2014 Cycle
- IFRIC 22 Foreign Currency transactions and advanced consideration
- IFRIC 23 Uncertainty over income tax treatments

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

In respect of IFRS 15, the Group's contracts with customers are all within the scope of IAS 17.

In relation to IFRS 16 (which has not yet been endorsed by the EU) as the Group is predominantly a lessor this standard will not have a material impact on adoption.

#### 1.2 Subsidiary undertakings

Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity or business to benefit from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.



# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 1. Significant accounting policies (continued)

#### 1.2 Subsidiary undertakings (continued)

Subsidiary acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of completion, of assets acquired and liabilities assumed. Acquisition-related costs are recognised in the group income statement as incurred.

#### 1.3 Investment properties

Investment properties are those properties held for long-term rental yields or for capital appreciation or both. Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties comprise costs of a capital nature. The acquisition of an investment property is recognised when the risks and rewards of ownership have been transferred to the Group, typically on unconditional exchange of contracts or when legal title passes.

Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Changes in fair values are recognised in profit before tax.

Profit on sale of an investment property is recognised when the risks and rewards of ownership have been transferred to the buyer, typically on unconditional exchange of contracts or when legal title passes.

#### 1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost less estimated residual values over the estimated useful lives, as follows:

Fixture and fittings	4 – 5 years
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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 profit before tax.

#### 1.5 Foreign currency

##### (i) Foreign currency translation

Transactions in foreign currencies are translated into euro 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 euro at the exchange rate ruling at that date, and differences arising on translation are recognised in profit before tax.

##### (ii) Consolidation of foreign entities

The results and financial position of all Group entities which have a functional currency different from euro are translated as follows:

- (a) assets and liabilities are translated at the closing rate at the date of the balance sheet
- (b) income and expenses are translated at the average exchange rates; and
- (c) all resulting exchange differences are recognised directly in equity in the cumulative translation reserve

#### 1.6 Financial instruments

##### (i) Cash and cash equivalents

Cash and cash equivalents comprise cash on 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.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 1. Significant accounting policies (continued)

#### 1.6 Financial instruments (continued)

##### (ii) Trade and other receivables and payables

Trade and other receivables are recognised initially at fair value. An impairment provision is created where there is objective evidence that the Group will not be able to collect the receivable in full. Trade and other payables are stated at cost, which equates to fair value.

##### (iii) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit before tax over the period of the borrowings, using the effective interest rate method.

##### (iii) Derivative financial instruments

The Group uses derivative financial instruments, including swaps and interest rate caps, to help manage its interest rate and foreign exchange rate risk. Derivative financial instruments are recorded, and subsequently revalued, at fair value. Revaluation gains and losses are recognised in profit before tax, except for derivatives which qualify as effective cash flow hedges, the gains and losses relating to which are recognised in other comprehensive income.

#### 1.7 Revenue

##### (i) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. The cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

##### (ii) Service charge income

Service charge income is recognised on a gross basis in the accounting period in which the services are rendered.

#### 1.8 Income tax

Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the values used for tax purposes. Temporary differences are not provided for when they arise from initial recognition of goodwill or from the initial recognition of assets and liabilities in a transaction that does not affect accounting or taxable profit.

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, in the tax jurisdiction in which the temporary differences arise. 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 also recognised in other comprehensive income, in which case the deferred tax is also 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 they relate to income taxes levied by the same taxation authority, there is a legally enforceable right of set-off and the Group intends to settle its current tax assets and liabilities on a net basis.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Group'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 2017 there are no accounting judgements that are material to the financial statements.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 2. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Key sources of estimation uncertainty

The Group uses the valuations performed by its independent external valuers as the fair value of its investment properties. 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 properties.

### 3. Segment information

The Group has a single operating segment as all income is derived from its investment properties within France. The majority of the investment property portfolio is let to government departments and major corporations.

	2017	Unaudited 2016
	€	€
Rental income	17,370,906	18,044,034
Other property related income	618,552	1,101,059
Service charge income	5,950,827	5,898,864
Service charges and similar expenses	(6,046,576)	(6,593,007)
<b>Net rental income</b>	<b>17,893,709</b>	<b>18,450,950</b>

### 4. Profit for the year

	2017	Unaudited 2016
	€	€
Profit for the year has been arrived at after charging:		
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the group accounts	50,000	53,000
Depreciation of property, plant and equipment (note 10)	26,538	6,594
Employee benefits expense (note 5)	1,237,259	1,268,822

No fees were payable to Deloitte LLP and its associates for non-audit services to the Group during the current or preceding year.

### 5. Employee benefits expense

None of the Directors received any emoluments during the year in respect of services as Directors to the Group (2016: €nil). The emoluments of the Directors of the Group, who are also Directors of the CLS Holdings plc Group, are disclosed in that group's financial statements in respect of their services to the CLS Holdings plc Group as a whole.

The monthly average number of employees of the Group in continuing operations was 13 (2016: 13)

	2017	Unaudited 2016
	€	€
Wages and Salaries	867,943	887,263
Social security costs	188,096	222,717
Pension costs	103,954	93,838
Other employee-related expenses	77,266	65,004
	<b>1,237,259</b>	<b>1,268,822</b>

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 6. Finance income

	2017 €	Unaudited 2016 €
Interest income	1,660	16,392
Interest on amounts due from group undertakings	3,930,812	3,765,217
Foreign exchange variances	18,163	94,432
	<u>3,950,635</u>	<u>3,876,041</u>

### 7. Finance expense

	2017 €	Unaudited 2016 €
Interest expense on bank loans	2,225,481	2,234,925
Amortisation of loan issue costs	390,119	424,328
Movement in fair value of interest rate swaps	-	-
Movement in fair value of interest rate caps	36,393	9,000
On amounts owed to group undertakings	2,176,604	1,691,676
	<u>4,828,597</u>	<u>4,359,929</u>

### 8. Taxation

	2017 €	Unaudited 2016 €
Current tax charge	3,775,545	3,763,742
Deferred tax charge (note 14)	8,552,000	(6,800,000)
	<u>12,327,545</u>	<u>(3,036,258)</u>

The charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits and losses of group companies as follows:

	2017 €	Unaudited 2016 €
<b>Profit before tax</b>	<b>36,390,818</b>	<b>26,597,399</b>
Tax calculated at applicable tax rate	11,978,065	7,999,925
Change in tax rate	-	(9,674,063)
Tax liability released on disposals	-	(1,869,336)
Non-deductible expenses	283,119	469,850
Other	66,361	37,366
<b>Tax charge for the year</b>	<b><u>12,327,545</u></b>	<b><u>(3,036,258)</u></b>

The weighted average applicable tax rate for the year was 32.92% (2016: 30.08%).

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 9. Investment properties

	€
<b>At 1 January 2017</b>	303,100,000
Acquisitions	1,040,400
Capital expenditure	5,835,771
Disposals	(8,100,000)
Net movement on revaluation of investment properties	22,850,126
Rent-free period debtor adjustments	1,803,703
<b>At 31 December 2017</b>	<u>326,530,000</u>

The investment properties were revalued at 31 December 2017 to their fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by Jones Lang LaSalle who are external, professionally qualified valuers.

Property valuations are complex and require a degree of judgement and are based on data which is not publicly available. We have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. In addition to note 1.3, inputs into the valuations include equivalent yields and rental income and are described as 'unobservable' as per 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.

Investment properties do not include any leasehold properties.

When the Group leases out an investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised in either the current or the comparative year.

All investment properties are secured against debt.

### 10. Property, plant and equipment

	€
<b>Cost</b>	
At 1 January 2017	223,418
Additions	32,270
<b>At 31 December 2017</b>	<u>255,688</u>
<b>Accumulated depreciation</b>	
At 1 January 2017	(140,002)
Depreciation charge	(26,538)
<b>At 31 December 2017</b>	<u>(166,540)</u>
<b>Net book value</b>	
At 31 December 2017	<u>89,148</u>
At 31 December 2016 (Unaudited)	<u>83,416</u>

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 11. Trade and other receivables

	2017 €	Unaudited 2016 €
Trade receivables	1,222	81,514
Prepayments	15,712	133,189
Accrued income	47,360	3,104
Other debtors	130,430	260,658
Social security and other taxes	923,810	682,398
Amounts due from group undertakings	130,890,499	128,679,862
	<u>132,009,033</u>	<u>129,840,725</u>

At 31 December 2017 the Directors do not consider the Group to be exposed to a significant credit risk as the majority of the portfolio is let to Government departments and major corporations.

There were no material trade and other receivables classified as past due but not impaired (2016: €nil).

Included within non-current trade and other receivables are amounts due from group undertakings of €69,120,257 (2016: €65,338,606) due after more than one year.

### 12. Cash and cash equivalents

	2017 €	Unaudited 2016 €
Cash at bank and in hand	<u>5,284,614</u>	<u>4,183,248</u>

At 31 December 2017, Group cash at bank and in hand included €4,607,863 (2016: €3,803,815) which was restricted by a third-party charge.

### 13. Trade and other payables

	2017 €	Unaudited 2016 €
Trade payables	931,933	244,552
Social security and other taxes	18,621	166,960
Other payables	5,498,273	5,386,941
Deferred income	388,214	623,158
Accruals	3,641,106	3,284,052
Amounts due to group undertakings	1,850,306	5,635,830
	<u>12,328,453</u>	<u>15,341,493</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 14. Deferred tax

	2017 €	Unaudited 2016 €
Deferred tax assets		
- after more than 12 months	(11,000)	(4,000)
Deferred tax liabilities		
- after more than 12 months	69,025,000	60,466,000
<b>Net deferred tax liability</b>	<b>69,014,000</b>	<b>60,462,000</b>

The movement in deferred tax was as follows:

	2017 €	Unaudited 2016 €
At 1 January	60,462,000	67,262,000
Charged in arriving at profit after tax	8,552,000	(6,800,000)
<b>At 31 December</b>	<b>69,014,000</b>	<b>60,462,000</b>

	Fair value adjustment to interest rate caps €
<b>Deferred tax assets</b>	
At 1 January 2017	(4,000)
Charged in arriving at profit after tax	(7,000)
<b>At 31 December 2017</b>	<b>(11,000)</b>

	Fair value adjustment to interest rate caps €
<b>Deferred tax assets</b>	
At 1 January 2016	(69,000)
Credited in arriving at profit after tax	65,000
<b>At 31 December 2016 (Unaudited)</b>	<b>(4,000)</b>

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 14. Deferred tax (continued)

Deferred tax liabilities	Capital allowances €	Fair value adjustment to investment properties €	Total €
At 1 January 2017	536,000	59,930,000	60,466,000
Charged in arriving at profit after tax	236,000	8,323,000	8,559,000
<b>At 31 December 2017</b>	<b>772,000</b>	<b>68,253,000</b>	<b>69,025,000</b>

Deferred tax liabilities	Capital allowances €	Fair value adjustment to investment properties €	Total €
At 1 January 2016	665,000	65,414,000	66,079,000
Charged in arriving at profit after tax	(129,000)	(5,484,000)	(5,613,000)
<b>At 31 December 2016 (Unaudited)</b>	<b>536,000</b>	<b>59,930,000</b>	<b>60,466,000</b>

### 15. Borrowings

	Current €	Non-current €	Total €
<b>At 31 December 2017</b>			
Bank loans	60,131,909	86,396,467	146,528,376
Intra-group loans	51,373,720	-	51,373,720
	<b>111,505,629</b>	<b>86,396,467</b>	<b>197,902,096</b>
<b>At 31 December 2016 (Unaudited)</b>			
Bank loans	41,197,910	101,815,518	143,013,428
Intra-group loans	47,568,794	2,500,000	50,068,794
	<b>88,766,704</b>	<b>104,315,518</b>	<b>193,082,222</b>

Arrangement fees of €951,100 (2016: €662,177) have been offset in arriving at the balances above.

#### Bank loans

Interest on bank loans is charged at fixed rates ranging between 1.6% and 1.9% (2016: 1.7% and 1.9%). All bank loans are secured by legal charges over the respective properties and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.



# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 15. Borrowings (continued)

#### Intra-group loans

Interest on intra-group loans is charged at floating rates of LIBOR plus a margin of 3% or EURIBOR plus a margin of 5.5% (2016: LIBOR plus a margin of 3% or EURIBOR plus a margin of 5.5%).

#### Loan covenants

There were no covenant breaches at 31 December 2017 or 31 December 2016.

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

	<b>Intra-group loans</b>	<b>Bank Loans</b>	<b>Total</b>
	€	€	€
<b>At 31 December 2017</b>			
Within one year or on demand	51,373,720	60,589,331	111,963,051
More than one year but not more than two years	-	16,676,864	16,676,864
More than two but not more than five years	-	49,220,606	49,220,606
More than five years	-	20,992,675	20,992,675
	<u>51,373,720</u>	<u>147,479,476</u>	<u>198,853,196</u>
Unamortised issue costs	-	(951,100)	(951,100)
	<u>51,373,720</u>	<u>146,528,376</u>	<u>197,902,096</u>
Borrowings	51,373,720	146,528,376	197,902,096
Less amounts due for settlement within 12 months	(51,373,720)	(60,131,909)	(111,505,629)
	<u>-</u>	<u>86,396,467</u>	<u>86,396,467</u>
Amounts due for settlement after 12 months	-	86,396,467	86,396,467
	<u>-</u>	<u>86,396,467</u>	<u>86,396,467</u>
	<b>Intra-group loans</b>	<b>Bank loans</b>	<b>Total</b>
	€	€	€
<b>At 31 December 2016 (Unaudited)</b>			
Within one year or on demand	47,568,794	41,532,252	89,101,046
More than one year but not more than two years	-	59,918,885	59,918,885
More than two but not more than five years	2,500,000	31,703,792	34,203,792
More than five years	-	10,520,676	10,520,676
	<u>50,068,794</u>	<u>143,675,605</u>	<u>193,744,399</u>
Unamortised issue costs	-	(662,177)	(662,177)
	<u>50,068,794</u>	<u>143,013,428</u>	<u>193,082,222</u>
Borrowings	50,068,794	143,013,428	193,082,222
Less amounts due for settlement within 12 months	(47,568,794)	(41,197,910)	(88,766,704)
	<u>2,500,000</u>	<u>101,815,518</u>	<u>104,315,518</u>
Amounts due for settlement after 12 months	2,500,000	101,815,518	104,315,518
	<u>2,500,000</u>	<u>101,815,518</u>	<u>104,315,518</u>

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 15. Borrowings (continued)

The interest rate risk profile of the Group's fixed rate borrowings was as follows:

	2017		Unaudited 2016	
	Weighted average interest rate (%)	Weighted average period (years)	Weighted average interest rate (%)	Weighted average period (years)
Fixed rate borrowings	1.8	5.3	1.0	5.7

The interest rate risk profile of the Group's floating rate borrowings was as follows:

	2017		Unaudited 2016	
	Average capped interest rate %	Average tenure years	Average capped interest rate %	Average tenure years
Floating rate borrowings	2.5	2.4	4.1	2.0

The percentage of net floating rate loans capped was 18.2% (2016: 8.0%)

The carrying amounts and fair values of the Group's borrowings were as follows:

	Carrying amounts		Fair values	
	2017	Unaudited 2016	2017	Unaudited 2016
	€	€	€	€
Current borrowings	111,505,629	88,766,704	111,505,629	88,766,704
Non-current borrowings	86,396,467	104,315,518	86,396,467	104,316,903
	197,902,096	193,082,222	197,902,096	193,083,607

The valuation methods used to measure the fair values of the Group's borrowings were derived from inputs were either observable as prices or derived from prices (Level 2).

Arrangement fees of €951,100 (2016: €662,177) have been offset in arriving at the balances in the above table.

The fair value of non-current borrowings represents the amount at which a financial instrument could be exchanged at an arms length transaction between informed and willing parties, discounted at the prevailing market rate, and excludes accrued interest.

The Group had the following undrawn committed facilities available from group companies at 31 December:

	2017	Unaudited 2016
	€	€
Floating rate: expiring after one year	2,500,000	-

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 16. Financial instruments

#### Categories of financial instruments

Financial assets of the Group comprise; interest rate caps, trade and other receivables, intra-group loans, current tax assets, and cash and cash equivalents.

Financial liabilities of the Group comprise; interest rate swaps, bank loans, trade and other payables and intra-group loans.

The fair values of interest rates swaps and caps are measured at the present value of future cash flows based on applicable yield curves derived from quoted interest rates.

Except for fixed rate loans, the carrying amounts of all financial assets and liabilities recorded at amortised costs approximate to their fair value.

#### Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents, and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform "stress tests" of the Group's business model to ensure that the Group's objectives can be met. The objectives have been met in the year.

The Directors regularly review the capital structure to ensure that key strategic goals are being achieved. As part of this review they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2017	Unaudited 2016
	€	€
Debt	198,853,196	193,704,399
Cash and cash equivalents	(5,284,614)	(4,183,248)
<b>Net debt</b>	<b>193,568,582</b>	<b>189,521,151</b>
Equity	252,808,223	231,722,321
<b>Net debt to equity ratio</b>	<b>76.6%</b>	<b>81.8%</b>

Debt is defined as interest bearing long and short-term borrowings before unamortised issue costs as detailed in note 15. Equity includes all capital and reserves of the Group attributable to the owners of the Company.

#### Externally imposed capital requirement

The Group was subject to externally imposed capital requirements to the extent that debt covenants may require it to maintain required ratios of debt to equity and interest cover.

#### Risk management objectives

The Group's activities expose it to a variety of financial risks, which can be grouped as:

- market risk
- credit risk
- liquidity risk

The Group's overall risk management approach seeks to minimise potential adverse effects on the Group's financial performance whilst maintaining flexibility.

Risk management is carried out by the Board of Directors. The Board regularly assesses and reviews the financial risks and exposures of the Group.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 16. Financial instruments (continued)

#### (a) Market risk / Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

The Group's interest rate risk arises from its long-term variable rate borrowings. Interest rate risk is regularly monitored by the Board. The Board's policy is to mitigate variable interest rate exposure whilst maintaining the flexibility to borrow at the best rates and with consideration to potential penalties.

To manage its exposure the Group is able to use a range of hedging strategies including interest rate swaps, and interest rate caps. In assessing risk, a range of scenarios is taken into consideration such as refinancing, renewal of existing positions and alternative financing and hedging. Under these scenarios, the Group calculates the impact on the group income statement for a defined movement in the underlying interest rate. The impact of a reasonably likely movement in interest rates is set out below:

Scenario	2017	Unaudited 2016
	€	€
Variable borrowings +50 basis points	(1,113,500)	(700,660)
Variable borrowings -50 basis points	-	-

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the ability of customers to meet outstanding receivables and future lease commitments, and from financial institutions with which the Group places cash and cash equivalents. The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets which are carried in the balance sheet. For credit exposure other than to occupiers, the Directors believe that counterparty risk is minimised to the fullest extent possible as the Group has policies which limit the amount of credit exposure to any individual financial institution.

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Credit risk to customers is assessed by a process of internal and external credit review, and is reduced by obtaining bank guarantees from the customer or its parent, and rental deposits. The overall credit risk in relation to customers is monitored on an ongoing basis. Moreover, a proportion of the Group's portfolio is let to Government occupiers which can be considered financially secure.

#### (c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash, other liquid assets and the availability of funding to meet short, medium and long-term requirements. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows so that future requirements can be managed effectively.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 16. Financial instruments (continued)

#### (c) Liquidity risk (continued)

Loan covenant compliance is closely monitored. Potential covenant breaches can ordinarily be avoided by placing additional security or a cash deposit with the lender or by partial repayment before an event of default takes place. There were no potential loan-to-value covenant breaches at 31 December 2017.

The table below analyses the Group's contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities at the balance sheet date, into relevant maturity groupings based on the period remaining to the contractual maturity date. Amounts due within one year are equivalent to the carrying values in the balance sheet as the impact of discounting is not significant.

At 31 December 2017	Less than one year €	One to two years €	Two to five years €	Over five years €
Financial liabilities:				
Trade and other payables	12,328,452	-	-	-
Borrowings	111,963,051	16,676,864	49,220,606	20,992,675
Interest payments on borrowings †	2,426,356	2,658,727	3,093,317	3,465,459
	<u>126,717,859</u>	<u>19,335,591</u>	<u>52,313,923</u>	<u>24,458,134</u>
At 31 December 2016 (Unaudited)	Less than one year €	One to two years €	Two to five years €	Over five years €
Financial liabilities:				
Trade and other payables	15,341,492	-	-	-
Borrowings	89,101,082	59,918,885	34,203,792	10,480,640
Interest payments on borrowings †	2,258,695	2,441,484	2,515,441	2,528,271
	<u>106,701,269</u>	<u>62,360,369</u>	<u>36,719,233</u>	<u>13,008,911</u>

†Interest payments on borrowings are calculated without taking into account future events. Floating rate interest is estimated using a future interest rate curve as at 31 December.

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 17. Share capital

	2017		Unaudited 2016	
	Ordinary shares in circulation Number	Ordinary shares in circulation €	Ordinary shares in circulation Number	Ordinary shares in circulation €
At 1 January	33,516,056	12,281,953	33,516,056	12,281,953
At 31 December	<u>33,516,056</u>	<u>12,281,953</u>	<u>33,516,056</u>	<u>12,281,953</u>

Ordinary shares have a nominal value of 25p each.

### 18. Share premium

	2017 €	Unaudited 2016 €
At 1 January	35,198,116	35,198,116
At 31 December	<u>35,198,116</u>	<u>35,198,116</u>

### 19. Other reserves

	Cumulative translation reserve €	Total €
At 1 January 2017	(33,627,422)	(33,627,422)
Exchange rate variances	(2,977,371)	(2,977,371)
At 31 December 2017	<u>(36,604,793)</u>	<u>(36,604,793)</u>
	Cumulative translation reserve €	Total €
At 1 January 2016	(25,036,367)	(25,036,367)
Exchange rate variances	(8,591,055)	(8,591,055)
At 31 December 2016 (Unaudited)	<u>(33,627,422)</u>	<u>(33,627,422)</u>

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 20. Cash generated from operations

	2017 €	Unaudited 2016 €
<b>Operating profit</b>	37,268,779	27,081,288
Adjustments for:		
Net movements on revaluation of investment properties	(22,850,126)	(14,043,978)
Depreciation and amortisation	26,538	6,594
Profit on disposal of Investment Property	(128,655)	1,301,603
Non-cash rental income	(1,803,703)	(239,528)
Changes in working capital:		
Increase in debtors	(4,598,295)	(13,901)
(Decrease) / increase in creditors	(3,258,707)	(1,321,595)
<b>Cash generated from operations</b>	<b>4,655,831</b>	<b>12,770,483</b>

### 21. Commitments

At the balance sheet date the Group had contracted with customers for the following future minimum lease payments:

	2017 €	Unaudited 2016 €
<b>Operating lease commitments – where the Group is the lessor</b>		
Within one year	16,940,206	18,103,622
More than one but not more than five years	60,730,217	60,997,396
More than five years	24,546,611	28,284,461
	<b>102,217,034</b>	<b>107,385,479</b>

### 22. Subsidiaries

The Group financial statements include the financial statements of Citadel Holdings plc and all of its subsidiaries, which are listed below. All are 100% owned unless otherwise stated:

#### France

Registered Office: 120 Rue Jean Jaurès, 92300 Levallois, Paris

120 Jean Jaures Holding Sàrl	Forum France SCI	Panten Sàrl
120 Jean Jaures Sàrl	Georges Clemenceau Sàrl	Parc SCI
Avenue du Park SCI	Immobilière V SA	Petits Champs Sàrl
BV France Sàrl	Immobilière 6 Sàrl	Petits Hotels Sàrl
Capitaine Guynemer Sàrl	Immobilière 8 Sàrl	Rhone Alpes Sàrl
Chorus Sàrl	Immobilière 10 Sàrl	Rue Stephenson Sàrl
CLS France Management Sàrl	Immobilière 12 Sàrl	Scala Sàrl
CLS France Services Sàrl	Immobilière 13 Sàrl	SCI Frères Peugeot
Debussy SCI	Le D'Aubigny SCI	SCI Pierre Valette
De Musset Sàrl	Le Quatuor SCI	Sego Sàrl
EPP Levallois Sàrl	Le Sigma Sàrl	Solferino SCI
Euralille 2 Sàrl	Leclerc SCI	
Foch SCI	Mission Marchand Sàrl	

# Citadel Holdings plc

## Notes to the Group Financial Statements 31 December 2017

### 22. Subsidiaries (continued)

#### Netherlands

Registered Office: Burgemeester van Reenensingel 101, 2803 DA Gouda

120 Jean Jaures BV	Immobilière 8 BV	Rhone Alpes BV
Capitaine Guynemer BV	Mission Marchand BV	Runton Holdings BV
Chorus BV	Parc Avenue du Park BV	Sigma BV
CLS Management BV	Petits Champs BV	Stockport Investments BV
Forum d'Aubigny BV	Petits Hotels BV	

#### United Kingdom

Registered Office: 12th Floor, Westminster Tower, 3 Albert Embankment, London, SE1 7SP

Brent House Limited

#### Luxembourg

Registered Office: 55 Avenue de la Gare, L-1611 Luxembourg

Hermalux Sarl

The principal activity of these subsidiaries is property investment.

### 23. Related party transactions

The Group is part of the CLS Holdings plc group and incurs expenses from, and retains balances with, other subsidiaries within this group.

At 31 December 2017, the Group owed Citadel Finance Limited €43,219,580 (2016: €39,435,524) and Museion Forvaltning AB €7,790,000 (2016: €7,790,000) under rolling facilities. Interest is charged on these loans at a rate of LIBOR plus a margin of 3.0% and EURIBOR plus a margin of 5.5%. For the year ended 31 December 2017 a total of €1,995,208 (2016: €1,686,602) in interest relating to these loans was charged to the Group's income statement. At 31 December 2017 interest charges of €1,850,306 (2016: €5,521,787) were outstanding in the Group's balance sheet.

At 31 December 2017, the Group owed NYK Investments €126,405 (2016: €1,405), CLS One Limited €19,578 (2016: €18,551) and CLSH Management Limited €69,808 (2016: €318,947) in relation to management charges or cost recharges for the year. No interest is charged on these balances and they are repayable within one year. For the year ended 31 December 2017 a total of €839,243 (2016: €1,047,267) was charged to the Group's income statement in relation to these costs.

At 31 December 2017, the Group was owed €119,003,386 (2016: €119,713,392) by NYK Investments Limited, €55,565,735 (2016: €29,631,735) by Citadel Finance Limited and €13,377,000 (2016: €28,996,000) by Museion Forvaltning AB. Interest is charged at a rate of EURIBOR plus a margin of between 1.0% and 3.0%. For the year ended 31 December 2017 a total of €3,635,223 (2016: €3,442,142) in interest relating to these balances was included in the Group's income statement.



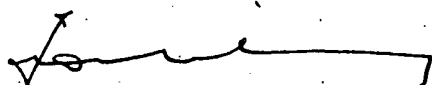
# Citadel Holdings plc

## Company Balance Sheet at 31 December 2017

	Notes	2017 €	2016 €
<b>Non-current assets</b>			
Investments	6	11,201,185	11,669,724
<b>Current assets</b>			
Trade and other receivables	7	104,830,250	101,478,783
Corporation tax recoverable		-	-
Cash and cash equivalents		3,383	355,567
		104,833,633	101,834,350
<b>Current liabilities</b>			
Trade and other payables	8	(44,741,949)	(45,481,930)
Corporation tax payable		(200,217)	(201,261)
		(44,942,166)	(45,683,191)
<b>Net current liabilities</b>		(44,942,166)	(45,683,191)
<b>Total assets less current liabilities</b>		71,092,652	67,820,883
<b>Net assets</b>		71,092,652	67,820,883
<b>Equity</b>			
Share capital	9	12,281,953	12,281,953
Share premium	10	35,198,116	35,198,116
Other reserves	11	(11,006,773)	(9,481,115)
Profit and loss account	12	34,619,356	29,821,929
<b>Total equity</b>		71,092,652	67,820,883

The Company reported a profit for the financial year ended 31 December 2017 of €4,797,427 (2016: €13,578,298).

These financial statements of Citadel Holdings plc (registered number: 03358043) were approved by the Board of Directors and authorised for issue on 28 June 2018 and were signed on its behalf by:



John Whiteley

Director

## Citadel Holdings plc

### Company Statement of Changes in Equity at 31 December 2017

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
<b>Arising in 2017:</b>					
Total comprehensive income for the year	-	-	(1,525,658)	4,797,427	3,271,769
Total changes arising in 2017	-	-	(1,525,658)	4,797,427	3,271,769
<b>At 1 January 2017</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(9,481,115)</b>	<b>29,821,929</b>	<b>67,820,883</b>
<b>At 31 December 2017</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(11,006,773)</b>	<b>34,619,356</b>	<b>71,092,652</b>
	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
<b>Arising in 2016:</b>					
Total comprehensive income for the year	-	-	(5,960,112)	13,578,298	7,618,186
Total changes arising in 2016	-	-	(5,960,112)	13,578,298	7,618,186
<b>At 1 January 2016</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(3,521,003)</b>	<b>16,243,631</b>	<b>60,202,697</b>
<b>At 31 December 2016</b>	<b>12,281,953</b>	<b>35,198,116</b>	<b>(9,481,115)</b>	<b>29,821,929</b>	<b>67,820,883</b>

The notes on pages 33 to 36 are an integral part of these financial statements.

# Citadel Holdings plc

## Notes to the Company Financial Statements 31 December 2017

### 1. General information

These separate financial statements are presented as required by the Companies Act 2006 and prepared on the historical cost basis.

The Company has applied UK GAAP Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") as issued by the FRC.

CLS Holdings plc is the ultimate parent company of Citadel Holdings plc and the primary activity of Citadel Holdings plc (which occurs exclusively within the United Kingdom) is to hold shares in subsidiary companies.

### 2. Basis of accounting information

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

### 3. Significant accounting policies

The principal accounting policies are summarised below.

#### 3.1 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 despite the net current liability position at 31 December 2017. Furthermore, at the balance sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group of the Parent Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 3.2 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. Dividend income is recognised when received.

#### 3.3 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Where a group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the owners of the Company.

#### 3.3 Foreign currencies

The financial statements are presented in Euro, which is the currency of the primary economic environment in which the Company operates, known as its functional currency. Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in other currencies are translated into Euro at the rates prevailing at that date.

# Citadel Holdings plc

## Notes to the Company Financial Statements 31 December 2017

### 4. Profit for the financial year

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements. The Company's retained profit for the financial year was €4,797,427 (2016: €13,578,298).

Audit fees for the Company were €4,000 (2016: €4,000).

No fees were payable to Deloitte LLP and its associates for non-audit services to the company during the current or preceding year.

### 5. Employee benefits expense

The Company did not have any employees in the current or preceding year.

No fees or other emoluments were paid to the Directors of the Company during either the current or preceding year in respect of their services to the Company as this was not practical to do so. The Directors were paid by another entity within the Group.

### 6. Investment in subsidiary undertakings

	2017 €	2016 €
Investment in subsidiaries	11,201,185	11,669,724
	<u>11,201,185</u>	<u>11,669,724</u>

The subsidiary of the Company is 100% owned and is listed below:

#### Luxembourg

Registered Office: 55 Avenue de la Gare, L-1611 Luxembourg

Hermalux Sàrl

The investments in subsidiary undertakings were reviewed for any indications of impairment. No impairment was required in the year to 31 December 2017 (2016: none).

Please refer to note 22 of the Group financial statements for a list of all indirect shareholdings.

### 7. Trade and other receivables

	2017 €	2016 €
VAT recoverable	112,803	158,794
Amounts owed by group undertakings	<u>104,717,447</u>	<u>101,319,989</u>
	<u>104,830,250</u>	<u>101,478,783</u>

# Citadel Holdings plc

## Notes to the Company Financial Statements 31 December 2017

### 8. Trade and other payables

	2017 €	2016 €
Other creditors	4,521	-
Amounts due to group undertakings	44,737,428	45,481,930
	<u>44,741,949</u>	<u>45,481,930</u>

### 9. Share capital

	2017		2016	
	Ordinary shares in circulation Number	Ordinary shares in circulation €	Ordinary shares in circulation Number	Ordinary shares in circulation €
At 1 January	33,516,056	12,281,953	33,516,056	12,281,953
At 31 December	<u>33,516,056</u>	<u>12,281,953</u>	<u>33,516,056</u>	<u>12,281,953</u>

Ordinary shares have a nominal value of 25p each.

### 10. Share premium

	2017 €	2016 €
At 1 January	35,198,116	35,198,116
At 31 December	<u>35,198,116</u>	<u>35,198,116</u>

### 11. Other reserves (Cumulative translation reserve)

	2017 €	2016 €
At 1 January	(9,481,115)	(3,521,003)
Exchange rate variances	(1,525,658)	(5,960,112)
At 31 December	<u>(11,006,773)</u>	<u>(9,481,115)</u>

## Citadel Holdings plc

### Notes to the Company Financial Statements 31 December 2017

#### 12. Profit and loss account

	2017 €	2016 €
At 1 January	29,821,929	16,243,631
Profit for the financial year	4,797,427	13,578,298
<b>At 31 December</b>	<b>34,619,356</b>	<b>29,821,929</b>

#### 13. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and ultimate 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 2017, being the largest Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 12<sup>th</sup> Floor, Westminster Tower, 3 Albert Embankment, London SE1 7SP.