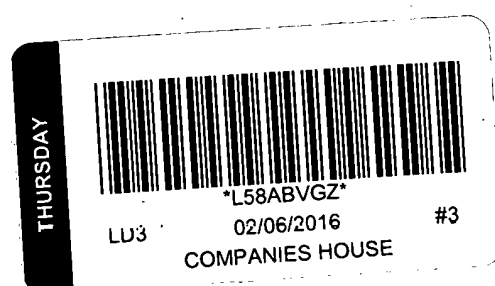


Company Registration No. 3377672 (England and Wales)

CITADEL FINANCE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



CITADEL FINANCE LIMITED

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Registered Office
86 Bondway London SW8 1SF

CITADEL FINANCE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their annual report and financial statements for the year ended 31 December 2015.

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

The Company has also taken advantage of the small companies' exemption from preparing a Strategic Report.

Principal activities

The principal activity of the Company continued to act as a financial investment company to the CLS Holdings plc Group.

Results and dividends

The results for the year are set out on page 6.

The Directors have not recommended payment of a dividend in the current or preceding year.

Directors

The Directors, who served throughout the year, were as follows:

Mr E H Klotz
Mr A G P Millet
Mr J H Whiteley
Mr F J Widlund
Mr S L Wigzell

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 2015.

Auditors

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

CITADEL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Company and of the income statement 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Statement of disclosure to auditors

Each Director in office at the date of approval of this annual report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are 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.

CITADEL FINANCE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

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

The principal risks and uncertainties facing the Company are broadly grouped as – funding risk, political and economic risk.

Funding Risk

An adverse interest rate movement or breach in borrowing covenants may have a detrimental effect on the ability of the company to meet its financial obligations. In order to mitigate this risk, the Group's Treasury function closely monitors the performance of the Company on a daily basis and looks to limit its exposure through various financial hedging instruments. In addition, parent debt service cover guarantees have been given to secure funding.

Political and Economic Risks

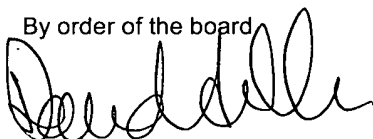
Undoubtedly the potential exit of the United Kingdom from the European Union remains a risk to overall economy, which may impact net asset values and profitability. It is the Directors view that the United Kingdom's economy remains sufficiently robust to weather any immediate adverse economic effects should this event occur.

Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report and can be found on the parent entities website, www.cls Holdings.com.

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 and, therefore they continue to adopt the going concern basis in preparing the financial statements.

By order of the board



D F Fuller

Secretary

26 May 2016

CITADEL FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CITADEL FINANCE LIMITED

We have audited the financial statements of Citadel Finance Limited for the year ended 31 December 2015 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 12. 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), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

CITADEL FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CITADEL FINANCE LIMITED

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
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report; 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

26 May 2016

CITADEL FINANCE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Revenue	4	854,959	1,171,230
Administrative expenses		(3,131)	(4,120)
Operating profit		851,828	1,167,110
Investment income	7	1,539,487	2,809,813
Interest payable		(368,028)	(751,822)
Profit on ordinary activities before taxation		2,023,287	3,225,101
Tax on profit on ordinary activities	8	(409,716)	(693,397)
Profit for the financial year		1,613,571	2,531,704

The 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 9 to 15 form part of these financial statements.

CITADEL FINANCE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2015

		2015	2014
	Notes	£	£
Non current assets			
Trade and other receivables	9	2,730,777	38,722,147
Current assets			
Trade and other receivables	9	37,517,647	3,192,317
Cash at bank and in hand		4,626	4,000
		37,522,273	3,196,317
Current liabilities			
Trade and other payables	10	(2,066,033)	(1,543)
Corporation tax payable		(409,716)	(524,121)
		(2,475,749)	(525,664)
Net current assets		35,046,524	2,670,653
Non-current liabilities			
Trade and other payables	10	(23,686,538)	(28,915,608)
Net assets		14,090,763	12,477,192
Equity			
Called up share capital	11	8,000,000	8,000,000
Retained earnings		6,090,763	4,477,192
Total equity		14,090,763	12,477,192

The financial statements were approved by the Board of Directors and authorised for issue on 26 May 2016
Signed on its behalf by:



Mr J H Whiteley
Director

Company Registration No. 3377672

CITADEL FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2014	8,000,000	1,945,488	9,945,488
Profit for the year	-	2,531,704	2,531,704
Balance at 31 December 2014	8,000,000	4,477,192	12,477,192
Profit for the year	-	1,613,571	1,613,571
Balance at 31 December 2015	8,000,000	6,090,763	14,090,763

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

1.1 Accounting convention

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS101) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. There has been no material effect on prior year financial statements with the adoption of FRS 101 in the current year.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

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

Where required, equivalent disclosures are given in the Group accounts of the ultimate parent company, the Group accounts of which are available to the public and can be obtained as set out in note 12.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future at 31 December 2015. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue comprises interest receivable from loans provided.

1.4 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the Company from the adoption of IFRS 13.

1.5 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits and other short-term highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.6 Financial assets

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

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

Financial assets are initially measured at fair value plus transaction costs, other than those classified as Fair Value Through Profit and Loss, which are measured at fair value.

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Receivables

Trade and other receivables are recognised initially at fair value. An impairment provision is created where there is objective evidence that the Company will not be able to collect the receivable in full.

Impairment of financial assets

Financial assets, other than those at Fair Value Through Profit and Loss, are assessed for indicators of impairment at each balance sheet date.

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

Derecognition of financial assets

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

1.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at Fair Value Through Profit or Loss or other financial liabilities. Trade and other payables are stated at cost, which equates to fair value.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's obligations are discharged or cancelled, or when they expire.

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

1.9 Taxation

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

Current 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.

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is calculated using rates that are expected to apply in the period when the liability is settled or the asset is realised, 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.

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 Company intends to settle its current tax assets and liabilities on a net basis.

1.10 Foreign exchange

Transactions in foreign currencies are translated into sterling using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date, and differences arising on translation are recognised in profit before tax.

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

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 Financial Instruments (2009, 2010 and 2014)
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
Equity Method in Separate Financial Statements (Amendments to IAS 27)
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
Disclosure Initiative (Amendments to IAS 1)
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
Disclosure Initiative (Amendments to IAS 7)
Annual Improvements to IFRSs: 2010-2012 Cycle
Annual Improvements to IFRSs: 2012-2014 Cycle

These pronouncements, when applied, either will result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements, apart from IFRS 15 and IFRS 9. In respect of IFRS 15, the Company is undertaking an assessment of the impact of this standard. In respect of IFRS 9, it is not practical to provide an estimate of the effect of this standard until it is effective.

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or are recognised in the period of the revision and future periods if the revision affects both current and future periods.

There are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

4 Revenue

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

	2015 £	2014 £
Interest receivable on loans to group companies	854,959	1,171,230

Geographical market

Revenue arose wholly within the United Kingdom

5 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	2,400	2,400

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

6 Employees

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 service to the Company. The Directors are paid by another entity within the ultimate parent company's group.

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

7 Investment income	2015	2014
	£	£
Interest income		
Bank deposits	142	-
Total interest income	142	-
Exchange differences on loans and loan interest	1,539,345	2,809,813
	<u>1,539,487</u>	<u>2,809,813</u>

8 Income tax expense	2015	2014
	£	£
Corporation tax		
Current year	409,716	693,397
	<u>409,716</u>	<u>693,397</u>

The tax charge/(credit) for the year can be reconciled to the profit on ordinary activities as follows:

	2015	2014
	£	£
Profit on ordinary activities before taxation	2,023,287	3,225,101
Profit on ordinary activities before taxation multiplied by weighted average rate of UK corporation tax of 20.25% (2014: 21.50%)	409,716	693,397
Tax charge/(credit) for the year	<u>409,716</u>	<u>693,397</u>

The rate of UK corporation tax for the financial year beginning 1 April 2014 was 21%. This fell to 20% on 1 April 2015 and the weighted corporation tax rate for the year ended 2015 was therefore 20.25% (2014: 21.5%). Deferred tax has been calculated at a rate of 18% being the rate applicable from 1 April 2015 under legislation substantively enacted at the balance sheet date.

9 Trade and other receivables	Current		Non-current	
	2015	2014	2015	2014
	£	£	£	£
Amounts due from fellow group undertakings	<u>37,517,647</u>	<u>3,192,317</u>	<u>2,730,777</u>	<u>38,722,147</u>

Debtors due after more than one year include balances of £2,730,777 (2014: £5,105,640) due from fellow group undertakings which is due for repayment in September 2017. Interest was charged on this balance at a rate of LIBOR plus a margin of 2.00% (2014: LIBOR plus a margin of 2.00%).

CITADEL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

10 Trade and other payables

	Current 2015 £	2014 £	Non-current 2015 £	2014 £
Amounts due to fellow group undertakings	<u>2,066,033</u>	<u>1,543</u>	<u>23,686,538</u>	<u>28,915,608</u>

Payables due after more than one year include balances of £18,642,694 (2014: £24,965,051) due to fellow group undertakings which were due for repayment after more than five years. Interest was charged on these balances at a rate of EURIBOR plus a margin of 1.00% (2014: EURIBOR plus 1.00%). A further £5,043,843 (2014: £5,316,092) is due on 31 May 2020 and interest charged at EURIBOR plus a margin of 3.00% (2014: EURIBOR plus 3.00%).

11 Share capital

	2015 £	2014 £
Authorised, issued and fully paid		
8,000,000 Ordinary shares of £1 each	<u>8,000,000</u>	<u>8,000,000</u>

12 Controlling party

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 2015, being the largest and only Group into which the Company is consolidated. Copies of the Group financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London, SW8 1SF.