

**Company Registration No. 3377672**

**Citadel Finance Limited**

**Report and Financial Statements**

**31 December 2014**

THURSDAY



\*L49B6IJE\*

LD4

11/06/2015

#12

COMPANIES HOUSE

# **Citadel Finance Limited**

## **Report and Financial Statements 2014**

### **Contents**

### **Page**

<b>Directors' Report</b>	<b>1</b>
<b>Directors' Responsibilities Statement</b>	<b>3</b>
<b>Independent Auditor's Report</b>	<b>4</b>
<b>Profit and Loss Account</b>	<b>6</b>
<b>Balance Sheet</b>	<b>7</b>
<b>Notes to the Financial Statements</b>	<b>8</b>

# Citadel Finance Limited

## Directors' Report

The Directors are pleased to present their report together with the audited financial statements for the year ended 31 December 2014.

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 taken advantage of the small companies' exemption from preparing a Strategic Report.

### Principal activities

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

### Review of business

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

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

### Dividends

The Company did not pay any dividends in the year ended 31 December 2014 (2013: £nil).

### Directors

The Directors of the Company during the year and subsequent changes were as follows:

Mr A G P Millet  
Mr E H Klotz  
Mr J H Whiteley  
Mr R J S Tice (resigned 14 February 2014)  
Mr S L Wigzell (appointed 14 February 2014)  
Mr F Widlund (appointed 6 November 2014)

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 2014.

### 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.

#### Risk

Potential loss on intercompany lending

#### Mitigation

Lending on arm's length basis to subsidiaries with excellent covenant strength.

# Citadel Finance Limited

## Directors' Report (continued)

### Auditor

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

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

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

Pursuant to s386 Companies Act 1985, an Elective Resolution was passed on 9 October 2002 dispensing with the requirement to appoint auditors annually. In accordance with that Elective Resolution and paragraph 45(2), Schedule 3 of the Companies Act 2006 (Commencement No: 3 Consequential Amendments, Transitional Provisions and Savings) Order 2007, Deloitte LLP is deemed to continue as auditor of the Company.

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



Mr D F Fuller  
Secretary

10 June 2015

### Registered office:

86 Bondway  
London  
SW8 1SF

## **Citadel Finance Limited**

### **Directors' Responsibilities Statement**

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Independent Auditor's Report to the Members of Citadel Finance Limited**

We have audited the financial statements of Citadel Finance Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

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

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

### **Scope of the audit of financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements 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 at 31 December 2014 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**

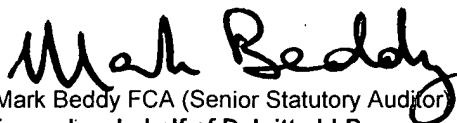
In our opinion the information in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent Auditor's Report to the Members of Citadel Finance Limited (continued)**

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report.



Mark Beddy FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
10 June 2015

## Citadel Finance Limited

### Profit and Loss Account Year ended 31 December 2014

	Notes	2014 £	2013 £
Turnover	2	1,171,230	1,406,932
Administrative expenses		(4,120)	(6,037)
<b>Operating profit</b>		<b>1,167,110</b>	<b>1,400,895</b>
Foreign exchange	5	2,809,813	68
Interest payable and similar charges	6	(751,822)	(2,129,030)
<b>Profit/(loss) on ordinary activities before taxation</b>	3	<b>3,225,101</b>	<b>(728,067)</b>
Tax (charge)/credit on profit/(loss) on ordinary activities	7	(693,397)	169,276
<b>Profit/(loss) for the financial year</b>	12	<b>2,531,704</b>	<b>(558,791)</b>

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

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

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



# Citadel Finance Limited

## Balance Sheet 31 December 2014

	Notes	2014 £	2013 £
<b>Current assets</b>			
Debtors: due within one year	8	3,192,317	3,206,615
Debtors: due after one year	8	38,722,147	60,081,005
Cash at bank and in hand		4,000	634
		<u>41,918,464</u>	<u>63,288,254</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(525,664)</u>	<u>(19,681,329)</u>
<b>Net current assets</b>		41,392,800	43,606,925
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(28,915,608)</u>	<u>(33,661,437)</u>
<b>Net assets</b>		<u>12,477,192</u>	<u>9,945,488</u>
<b>Capital and reserves</b>			
Called up share capital	11	8,000,000	8,000,000
Profit and loss account	12	<u>4,477,192</u>	<u>1,945,488</u>
<b>Shareholders' funds</b>		<u>12,477,192</u>	<u>9,945,488</u>

The financial statements of Citadel Finance Limited (registered number 3377672) were approved by the Board of Directors on 10 June 2015.

Signed on behalf of the Board of Directors



Mr J H Whiteley  
Director

# **Citadel Finance Limited**

## **Notes to the Financial Statements 31 December 2014**

### **1. Significant accounting policies**

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

#### **1.1 Basis of preparation**

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

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

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

#### **1.2 Going concern**

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

At 31 December 2014 the Company had significant net assets. The Directors have reviewed the Company's assets and liabilities relating to loans with group companies and expect that these assets will generate positive cash flows for the foreseeable future. For these reasons, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the annual report and financial statements.

#### **1.3 Foreign currencies**

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

#### **1.4 Turnover**

Turnover comprises interest receivable from loans provided.

#### **1.5 Taxation**

Corporation tax is provided on taxable profits at the current rate.

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

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

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

# Citadel Finance Limited

## Notes to the Financial Statements 31 December 2014

### 2. Turnover

	2014 £	2013 £
Interest receivable on loans to group undertakings	<u>1,171,230</u>	<u>1,406,932</u>

Turnover arose wholly within the United Kingdom.

### 3. Profit/(loss) on ordinary activities before taxation

	2014 £	2013 £
This is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>2,400</u>	<u>2,400</u>

There were no fees payable in the period to Deloitte and its associate in respect of non-audit services.

### 4. Directors' emoluments and employee information

None of the Directors received emoluments for their services to the Company during the year (2013: £nil). The emoluments of the Directors of the Company who are also directors of CLS Holdings plc, are paid by and disclosed in that company's financial statements in respect of their services to the Group as a whole.

The Company had no employees during the year (2013: none).

### 5. Foreign exchange

	2014 £	2013 £
Foreign exchange (gain)/loss	2,809,813	-
Other	-	68
	<u>2,809,813</u>	<u>68</u>

### 6. Interest payable and similar charges

	2014 £	2013 £
Interest payable on loans from group undertakings	751,822	1,099,715
Foreign exchange loss	-	1,029,315
	<u>751,822</u>	<u>2,129,030</u>

# Citadel Finance Limited

## Notes to the Financial Statements 31 December 2014

### 7. Tax on profit/(loss) on ordinary activities

	2014 £	2013 £
Current tax	693,397	(169,276)
Total tax charge/(credit) on profit/(loss) on ordinary activities	<u>693,397</u>	<u>(169,276)</u>

The rate of corporation tax for the financial year beginning 1 April 2013 was 23%. This fell to 21% on 1 April 2014 and the weighted corporation tax rate for the year ended 31 December 2014 was therefore 21.5%. Where profit/(loss) before taxation multiplied by the standard rate of corporation tax of 21.5% (2013: 23.25%) equals the total current tax charge for the year, no reconciliation has been provided.

### 8. Debtors: due within one year

	2014 £	2013 £
Amounts due from group undertakings	3,192,317	3,037,339
Corporation tax	-	169,276
	<u>3,192,317</u>	<u>3,206,615</u>

### 8. Debtors: due after one year

	2014 £	2013 £
Amounts due from group undertakings	<u>38,722,147</u>	<u>60,081,005</u>

### 9. Creditors: amounts falling due within one year

	2014 £	2013 £
Amounts due to group undertakings	1,543	19,681,329
Corporation tax	524,121	-
	<u>525,664</u>	<u>19,681,329</u>

# Citadel Finance Limited

## Notes to the Financial Statements 31 December 2014

### 10. Creditors: amounts falling due after more than one year

	2014 £	2013 £
Amounts due to group undertakings	28,915,608	33,661,437

Creditors due after more than one year include balances of £27,139,640 due to fellow group undertakings which were due for repayment after more than five years. Of this balance £18,095,682 was due for repayment on 15 March 2021 and £1,553,277 on 9 October 2021. Interest was charged on these balances at a rate of EURIBOR plus a margin of 1.00% (2013: EURIBOR plus 1.00%). A further £7,490,681 is due on 31 May 2020 and interest charged at EURIBOR plus a margin of 3.00% (2013: EURIBOR plus 3.00%).

### 11. Called up share capital

	2014 £	2013 £
<b>Allotted, called up and fully paid:</b>		
8,000,000 Ordinary shares of £1 each	8,000,000	8,000,000

### 12. Combined statement of reserves and reconciliation of movement in shareholders' funds

	Share capital £	Profit and loss account £	2014 Total £	2013 Total £
At 1 January	8,000,000	1,945,488	9,945,488	10,504,279
Profit/(loss) for the year	-	2,531,704	2,531,704	(558,791)
At 31 December	8,000,000	4,477,192	12,477,192	9,945,488

### 13. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and controlling party is CLS Holdings plc, which is incorporated in Great Britain. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2014, these accounts are the largest, and only group into which the Company is consolidated. Copies of these financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London SW8 1SF.