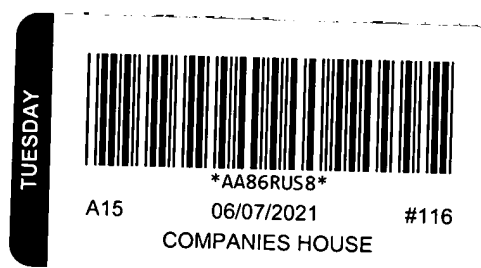


CLS UK PROPERTIES PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



CLS UK Properties plc

Report and Financial Statements 2020

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Registered office:

16 Tinworth Street
London, United Kingdom
SE11 5AL

CLS UK Properties plc

Strategic Report

The principal activity of CLS UK Properties plc and its subsidiary undertakings (the "Group") is the investment in commercial property across the United Kingdom.

Investment property portfolio

At 31 December 2020, the Group had a portfolio of 6 properties located throughout the United Kingdom.

At 31 December 2020, the Group had contracted rent of £8.8 million per annum which represented a net initial yield of 5.3%. The properties had a total lettable area of 38,284 sqm and were let to Government departments, including Job Centres, HMRC, and various private sector tenants. The weighted average lease length of these properties was 5.16 years.

At 31 December 2020 the investment property portfolio was valued at £139.87 million (2019: £141.95 million).

Financing

In 2013 the Group issued £80.0 million of secured, partially amortising notes, which attract interest of 4.2% on the unamortised principal, the balance of which is repayable in December 2022.

The Group is also financed by a £50.0 million term loan facility from a fellow group undertaking. At 31 December 2020 the Group had not drawn on the facility. This facility, which expires in December 2022, incurs interest at a floating rate of 2.5% above LIBOR on drawn balances.

Results for the year

The results for the year are shown on page 15.

Group revenue for 2020 was £12.4 million (2019: £8.1 million) and Group revenue less costs was £8.8 million (2019: £6.5 million). Finance costs for the year were £2.4 million (2019: £2.8 million). Net fair value loss on investment properties in the year were £4.6 million (2019: £3.0 million) and profit before tax was £2.0 million (2019: loss of £0.9 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, otherwise 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.

- 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 through developments when letting risk and financing risk have been in large part mitigated.

- Secure long-term finance to reduce risk.

The Group has two loans from different lenders. Long-term finance has been secured externally until 2022 at a fixed rate of 4.2% in the form of secured notes. Additional finance has been provided by a fellow group-undertaking until 2022, at a floating rate of 2.5% above LIBOR.

- Investments retain a strong core income stream.

The Group seeks customers with strong covenant strength and looks to secure them for extended lease periods. Currently the the Group's contracted rent is derived from a mixture of Government departments and private sector tenants with the weighted average lease term being 5.16 years.

CLS UK Properties plc

Strategic Report (continued)

Business Strategy (continued)

- 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 above target at 5.3%, whilst the cost of debt remains below target at 4.2%.

Maintain low vacancy rates

- The vacancy rate remained, below target, at 10% throughout the year.

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 majority of the Group's investment property is let to Government occupiers and the weighted-average unexpired lease term is 5.16 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.

Sustainability Risks

- 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.
- 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

- 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.

CLS UK Properties plc

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- 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 at 4.2% until 2022. 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 2.5%.
- 3 *Risk:* Breach of borrowing covenants.
Areas of impact: Cost of borrowing.
Mitigation: Financial covenants are monitored and regularly reported to the board.

Political and Economical Risks

- 1 *Risk:* The exit of the United Kingdom from the European Union.
Areas of impact: Net asset value, profitability.
Mitigation: It is the Directors' view that the United Kingdom's economy remains sufficiently robust to weather any immediate adverse economic effects.

COVID-19 Pandemic Risk

- 1 *Risk:* The COVID-19 pandemic presents several potential economic impacts.
Areas of impact: Potentially adverse risk to collectability of future contracted rental income.
Mitigation: The Group will continue to leverage the in-house management model to maintain close links with our customers. Furthermore, the Company's policy of collecting rent in advance assists management identify which customers are most significantly impacted and where mitigating action may be required.

Going Concern Risks

- 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.

Section 172 (1) Statement

Section 172 (1) of the Companies Act 2006 requires that a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

The Board meets regularly to discuss and make decisions on matters of strategic importance to the business, to promote the long- term success of the Company and to consider the likely long-term impact of any such decisions.

(b) the interests of the Company's employees

The Company has no employees other than the directors, who did not receive remuneration from the Company during the year.

(c) the impact of the Company's operations on the community and the environment

The Group is committed to having a strong and positive impact and enhancing the lives of those in the communities in which we live and work. This is evidenced through the design concept and build of our buildings.

(d) the desirability of the Company maintaining a reputation for high standards of business conduct

The Group expects the highest standards of conduct from its employees, business partners and suppliers with which it engages. The Group has an established internal risk control and audit process with a range of ethical policies. The Group is fully compliant with all current GDPR laws and employment legislation.

CLS UK Properties plc

Strategic Report (continued)

Section 172 (1) Statement (continued)

(e) the need to act fairly between members of the Company

The Company is a wholly owned subsidiary of CLS Holdings plc and is a single member company under section 123 (1) of the Companies Act 2006.

Approved by the Board of Directors

On behalf of the Board



David Fuller
Company Secretary
30 June 2021

CLS UK Properties plc

Directors' Report

The Directors' present their annual report and the audited financial statements for the year ended 31 December 2020.

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
- Future developments

The Company's financial risk management objectives and policies is set out in note 16.

Dividends

The results for the year are set out on page 15.

No dividends were paid. The Directors do not recommend payment of a final dividend (2019: nil).

Directors

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

Andrew Kirkman
Alain Millet
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 2020. The ultimate parent company CLS Holdings plc maintains liability insurance for its Directors and Directors of its associated companies.

Auditor

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

Statement of disclosure to auditor

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

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

CLS UK Properties 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 net current liabilities. The Group is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the CLS Holdings plc Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the CLS Holdings plc Group to continue as a going concern. The Group has the ability to seek alternate funding from within the CLS Holdings plc Group. Thus the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors

On behalf of the Board



David Fuller
Company Secretary
30 June 2021

CLS UK Properties 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company 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 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 judgments 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 Group'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 Group'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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

The responsibility statement was approved by the Board on 30 June 2021.

Approved and authorised on behalf of the Board



David Fuller

Company Secretary
30 June 2021

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of CLS UK PROPERTIES 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 31/12/2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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 Group income statement;
- the Group statement of comprehensive income;
- the Group and Company balance sheets;
- the Group and Company statements of changes in equity;
- the Group statement of cash flows; and
- the related notes 1 to 21 for the Group financial statements and 1 to 11 for the Company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. 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 FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. 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 as applied to listed entities, 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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: <ul style="list-style-type: none">• <i>Valuation of the investment property portfolio.</i>
Materiality	The materiality that we used for the Group financial statements was £1.7m which was determined on the basis of 2% of net assets.
Scoping	We subject all the components of CLS UK Properties Plc to full scope audit.

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- The Group is part of a large group of companies ultimately held by CLS Holdings plc. We have obtained management assessment and assessed the resilience of the CLS Holdings plc Group particularly with reference to the impact of COVID-19 as part of our audit of CLS Holdings Plc accounts.
- We have reviewed and assessed the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of the investment property portfolio

Key audit matter description

The assessment of the carrying value of the investment property portfolio, specifically the process, assumptions and judgements used to derive the property valuations.

At 31 December 2020, the Group had a portfolio of 6 properties located throughout the United Kingdom valued in £139.87 million (2019: £141.95 million), which is a quantitatively material balance in the financial statements.

The valuation of the portfolio is a significant judgement area that is underpinned by a number of assumptions including property yields and estimated future rental income. Our key audit matter in relation to the valuation of the investment property portfolio is focussed on the assumptions applied in the determination of the valuation, including property yields and estimated future rental income, whether these fall outside of a range which we would expect to be applied.

We also consider the inputs used in the data supplied to the Group's external valuers for the valuation process and the accuracy and completeness of this information in the context of the risk of potential manipulation of this by management in order to fraudulently misstate the valuation.

The relevant accounting policy for the Group is presented in note 1 on page 19 and further details in note 10 to the financial statements on pages 24, 25 and 26.

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of the relevant controls in respect of this business process.</p> <p>We obtained the external valuation reports and met with the external valuers of the property portfolio to discuss changes to the portfolio, tenancies and other performance drivers.</p> <p>We evaluated the competence, capabilities and objectivity of the external valuers.</p> <p>We involved our real estate specialist, a chartered surveyor, when attending the meetings with the external valuers and on a sample basis assessed the assumptions and judgments made by the Group's external valuers including: but not limited to, those around property yields and estimated future rental income.</p> <p>We involved our real estate specialist in obtaining relevant industry data for the UK markets. This was used to benchmark the portfolio performance and key assumptions used to assess whether the external evidence supported the assumptions used by the valuers. We assessed, on a sample basis, the integrity of information provided to the valuers, relating to rental income, to evaluate whether it was consistent with the relevant leases.</p> <p>We assessed the disclosures in respect of investment property and evaluated whether property valuations, the underlying assumptions and sensitivity to change are clearly disclosed.</p>
Key observations	We concluded that the assumptions applied in arriving at the fair value of the investment property portfolio were appropriate, as well as the inputs to the valuation.

6. Our application of materiality

6.1. Materiality

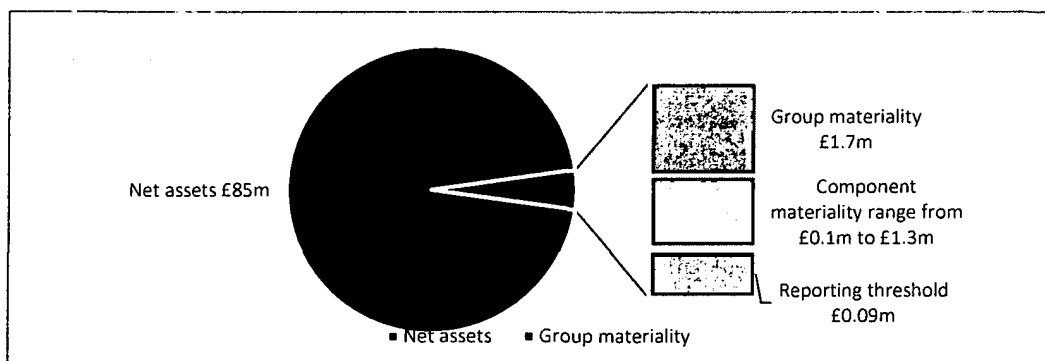
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.7 million.	£1.3 million.
Basis for determining materiality	The materiality that we used for the group financial statements was £1.7m which was determined on the basis of 2% of net assets.	The materiality that we used for the parent financial statements was £1.3m which was determined on the basis of 2% of net assets.
Rationale for the benchmark applied	The net assets is the most appropriate benchmark because it provides relevant information for lenders to assess the group liquidity ratio and financial strength.	The net assets is the most appropriate benchmark because it provides relevant information for lenders to assess the company liquidity ratio and financial strength.

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% of Group materiality	70% of parent company materiality
Basis and rationale for determining performance materiality	<p>In determining the performance materiality, we considered the following factors:</p> <ul style="list-style-type: none"> a. our risk assessment, including our understanding of the Group's overall control environment which we consider appropriate for the size and nature of the Group; and b. our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods. 	

6.3. Error reporting threshold

We agreed with those charged with governance that we would report to the Committee all audit differences in excess of £85K, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

All the components are in full scope.

These components, together with the audit work performed directly by the Group audit team, account for 100% of the Group's net assets, revenue and profit before tax. This approach provides an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

Our audit work on the components has been executed at levels of statutory materiality applicable to each entity, which were lower than the Group materiality and ranged from £0.1m to £1.3m.

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. 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.

10. 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. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

- the nature of the industry and sector, control environment and business performance including the design of the CLS Holdings plc's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the those charged with governance about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialist, including tax and real estate specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of the investment property portfolio. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Landlord and Tenant Act and Health and Safety Act.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of the investment property portfolio as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, those charged with governance and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

CLS UK Properties plc

Independent auditor's report to the members of CLS UK Properties plc

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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 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.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

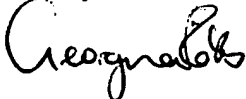
13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. 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
30 June 2021

CLS UK Properties plc

Group Income Statement for the year ended 31 December 2020

	Notes	2020 £	2019 £
Continuing operations			
Group revenue		12,351,233	8,110,411
Net rental income	3	10,463,230	7,448,544
Administration expenses		(764,206)	(861,569)
Other expenses		(931,368)	(103,991)
Group revenue less costs		8,767,656	6,482,984
Net movements on revaluation of investment properties	10	(4,578,357)	(3,013,283)
Loss on sale of subsidiary undertaking		-	(3,046,962)
Operating profit		4,189,299	422,739
Finance income	6	188,558	1,438,491
Finance costs	7	(2,372,502)	(2,810,556)
Profit/(loss) before tax	4	2,005,355	(949,326)
Taxation	8	(1,286,978)	465,667
Profit/(loss) for the year attributable to owners of the Company		718,377	(483,659)

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 19 to 34 are an integral part of these group financial statements.

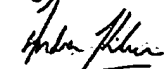
CLS UK Properties plc

Group Balance Sheet at 31 December 2020

	Notes	2020 £	2019 £
Non-current assets			
Investment properties	10	139,870,000	141,950,000
Property plant and equipment	9	20,333	-
Trade and other receivables	11	5,236,219	5,256,166
Deferred tax	14	46,976	173,890
		<u>145,173,528</u>	<u>147,380,056</u>
Current assets			
Trade and other receivables	11	2,083,428	2,177,659
Cash and cash equivalents	12	645,439	661,564
		<u>2,728,867</u>	<u>2,839,223</u>
Total assets		<u>147,902,395</u>	<u>150,219,279</u>
Current liabilities			
Trade and other payables	13	(6,702,070)	(5,045,945)
Current tax		(927,900)	(1,779,119)
Borrowings	15	(4,072,633)	(4,072,633)
		<u>(11,702,603)</u>	<u>(10,897,697)</u>
Non-current liabilities			
Deferred tax	14	(4,612,270)	(4,380,106)
Borrowings	15	(46,433,726)	(50,506,057)
		<u>(51,045,996)</u>	<u>(54,886,163)</u>
Total liabilities		<u>(62,748,599)</u>	<u>(65,783,860)</u>
Net assets		<u>85,153,796</u>	<u>84,435,419</u>
Equity			
Share capital	17	82,700	82,700
Share premium		32,667,300	32,667,300
Retained earnings		52,403,796	51,685,419
Total equity attributable to owners of the Company		<u>85,153,796</u>	<u>84,435,419</u>

The financial statements of CLS UK Properties plc (registered number: 08124770) were approved by the Board of Directors and authorised for issue on 30 June 2021.

Signed on its behalf by:



Andrew Kirkman
Director

The notes on pages 19 to 34 are an integral part of these group financial statements.

CLS UK Properties plc

Group Statement of Changes in Equity for the year ended 31 December 2020

	Share capital £	Share premium £	Retained earnings £	2020 £
Arising in 2020:				
Total profit for the year	-	-	718,377	718,377
Total changes arising in 2020	-	-	718,377	718,377
At 1 January 2020	82,700	32,667,300	51,685,419	84,435,419
At 31 December 2020	82,700	32,667,300	52,403,796	85,153,796
	Share capital £	Share premium £	Retained earnings £	2019 £
Arising in 2019:				
Total loss for the year	-	-	(483,659)	(483,659)
Total changes arising in 2019	-	-	(483,659)	(483,659)
At 1 January 2019	82,700	32,667,300	52,169,078	84,919,078
At 31 December 2019	82,700	32,667,300	51,685,419	84,435,419

The notes on pages 19 to 34 are an integral part of these group financial statements.

CLS UK Properties plc

Group Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 £	2019 £
Cash flows from operating activities			
Cash generated from operations	18	7,225,693	5,348,943
Interest paid		(2,372,502)	(2,647,205)
Net cash inflow from operating activities		<u>4,853,191</u>	<u>2,701,738</u>
Cash flows from investing activities			
Purchase of investment properties		-	(81,958,650)
Capital expenditure on investment properties		(1,844,240)	(2,004,451)
Proceeds from sale of investment properties		-	38,980,000
Purchase of property, plant and equipment		(26,556)	-
Net cash outflow from investing activities		<u>(1,870,796)</u>	<u>(44,983,101)</u>
Cash flows from financing activities			
Repayment of external loans		(4,183,008)	(4,183,008)
Settlement of intercompany loans		1,184,488	47,112,297
Net cash (outflow)/inflow from financing activities		<u>(2,998,520)</u>	<u>42,929,289</u>
Net (decrease)/increase in cash and cash equivalents		(16,125)	647,926
Cash and cash equivalents at the beginning of the year		661,564	13,638
Cash and cash equivalents at the end of the year	12	<u>645,439</u>	<u>661,564</u>

The notes on pages 19 to 34 are an integral part of these group financial statements.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies

CLS UK Properties plc (the "Company") and its subsidiaries (together the "Group") is an investment property group which is principally involved in the investment and management of commercial properties in the UK. Company is incorporated in the United Kingdom under the Companies Act 2006, and registered in England. The registration number is 08124770 with its registered office at 16 Tinworth Street, London, SE11 5AL.

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

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis as explained in the Directors' Report on page 4 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 Board of Directors of CLS Holdings plc have assessed the resilience of the Group with reference to the impact of COVID-19. The impact has been considered in Principal Risks and Uncertainties section in the Strategic report as set out on page 2.

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

New standards and interpretations

In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These new standards and amendments are listed below:

- IAS 1 and IAS 8 (amendments) Definition of Material
- IFRS 3 (amendments) Definition of Business
- IFRS 9, IAS 39 and IFRS 7 (amendments) Interest Rates Benchmark Reform
- IFRS 16 (amendments) Covid-19 Related Rent Concessions
- Conceptual framework amendments to references to the conceptual frameworks in IFRS standards

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IAS 1 (amendments) Classification of Liabilities as Current or Non-current
- IAS 16 (amendments) Property, Plant and Equipment – Proceeds before Intended Use
- IAS 37 (amendments) Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- IFRS 3 (amendments) Reference to the Conceptual Framework
- IFRS 10 and IAS 28 (amendments) Sale or contribution of assets between investors and it's associate or joint venture
- IFRS 17 Insurance Contracts

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.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies (continued)

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.

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 Tangible fixed assets

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

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income per page 15.

1.4 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; in the case of investment properties under development, these include capitalised interest and certain staff costs directly attributable to the management of the development. Capitalised interest is calculated at the rate on associated borrowings applied to direct expenditure between the date of gaining planning consent and the date of practical completion. 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 value are recognised in profit or loss before tax.

Acquisitions and disposals of investment property are recognised when control has been transferred, typically on unconditional exchange of contracts or when legal title passes. Gains or losses on the sale of investment property (calculated as the difference between net proceeds and the carrying amount of the asset) is included in profit or loss before tax in the period in which the property is sold.

1.5 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.

(ii) Trade and other receivables and payables

Trade and other receivables are recognised initially at fair value. Subsequently they are measured at amortised cost with a recognised loss allowance for expected credit losses which is measured at an amount equal to the lifetime expected credit loss. Trade and other payables are stated at cost, which equates to fair value.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies (continued)

(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.

1.6 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 in the accounting period in which the associated maintenance services are rendered. Any tenant contributions received above the cost of the services rendered in the accounting period are deferred.

1.7 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.

1.8 Leases

When the Group is a lessee, a right-of-use asset and a lease liability is recognised for all leases except leases with a lease term of less than 12 months or with a low underlying asset value.

When the Group is a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

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 2020 there are no accounting judgements that are material to the financial statements.

Key sources of estimation uncertainty properties

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 the United Kingdom. The majority of the investment property portfolio is let to government departments and major corporations.

	2020 £	2019 £
Rental income	9,040,403	8,053,639
Other property related income	1,892,393	-
Service charge income	1,418,437	56,772
Service charges and similar expenses	(1,888,003)	(661,867)
Net rental income	10,463,230	7,448,544

4. Profit/(loss) for the year

	2020 £	2019 £
Profit/(loss) 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	29,800	39,938

No fees were payable to Deloitte LLP 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 (2019: £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 Directors are considered to be key management of the Group.

The Group had no employees other than directors (2019: none) during the year.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

6. Finance income

	2020 £	2019 £
Interest on amounts due from group undertakings	188,558	1,438,491
	<u>188,558</u>	<u>1,438,491</u>

7. Finance costs

	2020 £	2019 £
Interest expense on bank loans	2,233,257	2,407,730
Amortisation of loan issue costs	114,515	110,375
Other finance costs	24,730	129,099
Interest expense on amounts owed to group undertakings	-	163,352
	<u>2,372,502</u>	<u>2,810,556</u>

8. Taxation

	2020 £	2019 £
Current tax charge	927,900	1,700,267
Deferred tax charge/(credit) (note 14)	359,078	(2,165,934)
	<u>1,286,978</u>	<u>(465,667)</u>

The rate of corporation tax for the year beginning 1 January 2020 was 19%. The weighted average corporation tax rate for the year ended 31 December 2020 was 19% (2019: 19%). Deferred tax has been calculated at a rate of 19% (2019: 17%) and has been based on the rates applicable under legislation substantively enacted at the balance sheet date. In March 2021 Budget it was announced that the headline UK corporation tax rate would increase from 19% to 25% from April 2023.

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

	2020 £	2019 £
Profit/(loss) before taxation	<u>2,005,355</u>	<u>(949,326)</u>
Expected tax (credit)/charge based on a corporation tax rate of 19% (2019: 19%)	381,017	(180,372)
Expenses not deductible for tax purposes	-	-
Non-taxable income	-	(358,170)
Change in tax basis of properties, including indexation uplift	497,306	(103,089)
Change in tax rate	494,849	254,816
Adjustment in respect of prior periods	(86,194)	(78,852)
Tax charge/(credit) for the year	<u>1,286,978</u>	<u>(465,667)</u>

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

9. Property plant and equipment

	Fixtures and fittings £
Cost	
Additions	26,556
At 31 December 2020	26,556
Accumulated depreciation and impairment	
Charge for the year	6,223
At 31 December 2020	6,223
Carrying amount	
At 31 December 2020	20,333

10. Investment property

	2020 £	2019 £
At 1 January 2020	141,950,000	100,080,000
Acquisitions	-	81,958,650
Capital expenditure	1,840,069	2,010,326
Disposals	-	(38,980,000)
Net movement on revaluation of investment properties	(4,578,357)	(3,013,283)
Rent-free period debtor adjustments	654,119	(99,818)
Capitalised leasing costs	4,169	(5,875)
At 31 December 2020	139,870,000	141,950,000

The investment properties were revalued at 31 December 2020 to their fair value, based on current prices in an active market for all properties. The property valuations were carried out by Cushman and Wakefield 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. Consistent with EPRA guidance, we have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. Inputs into the valuations include equivalent yields and rental income and are described as 'unobservable' under the definition in IFRS 13. All other factors remaining constant, an increase in rental income would increase valuations, whilst an increase in equivalent nominal yield would result in a fall in value and vice versa.

Where the Group leases out its 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. Substantially all investment properties are secured against debt.

Valuation process

The Group's property portfolio was valued by external valuers on the basis of fair value using information provided to them by the Group such as current rents, terms and conditions of lease agreements, service charges and capital expenditure. This information is derived from the Group's property management systems and is subject to the Group's overall control environment. The valuation reports are based on assumptions and valuation models used by the external valuers. The assumptions are typically market related, such as yields and discount rates, and are based on professional judgement and market evidence of transactions for similar properties on arm's length terms. The valuations are prepared in accordance with RICS standards.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

Each region's Head of Property, who report to the Head of Group Property, verifies all major inputs to the external valuation reports, assesses the individual property valuation changes from the prior year valuation report and holds discussions with the external valuers. When the process is complete, the valuation report is recommended to the Audit Committee and the Board, which considers it as part of its overall responsibilities.

Valuation techniques

The fair value of the property portfolio has been determined using an income capitalisation approach (excluding ongoing developments), whereby contracted and market rental values are capitalised with a market capitalisation rate. The resulting valuations are cross-checked against the equivalent yields and the fair market values per square foot derived from comparable recent market transactions on arm's length terms. Other factors taken into account in the valuations include the tenure of the property, tenancy details and ground and structural conditions.

Ongoing developments are valued under the 'residual method' of valuation, which is the same of the method of valuation described above, with a deduction for all costs necessary to complete the development, including a notional finance cost, together with a further allowance for remaining risk. As the development approaches completion, the valuer may consider the income capitalisation approach to be more appropriate.

These techniques are consistent with the principles in IFRS 13 Fair Value Measurement and use significant unobservable inputs such that the fair value measurement of each property within the portfolio has been classified as Level 3 in the fair value hierarchy.

There were no transfers between any of the Levels in the fair value hierarchy during either 2020 or 2019.

Gains and losses recorded in profit or loss for recurring fair value measurements categorised within Level 3 of the fair value hierarchy amount to a loss of £4,578,357 (2019: £3,013,283) and are presented in the income statement in the line item 'Net movements on revaluation of investment properties'.

All gains and losses recorded in profit or loss in 2020 and 2019 for recurring fair value measurements categorised within Level 3 of the fair value hierarchy are attributable to changes in unrealised gains or losses relating to investment property held at 31 December 2020 and 31 December 2019, respectively.

Quantitative information about fair value measurement using unobservable inputs (Level 3)

ERV				Equivalent yield			
Average		Range		Average		Range	
2020	2019	2020	2019	2020	2019	2020	2019
£ per sq.ft	£ per sq.ft	per sq.ft	per sq.ft	%	%	%	%
31.45	31.46	18.48 – 53.63	18.48 – 53.63	6.35	6.35	5.43 – 7.43	5.51 – 7.23

Sensitivity of measurement to variations in the significant unobservable inputs

All other factors remaining constant, an increase in ERV would increase valuations, whilst an increase in the equivalent yield would result in a fall in value, and vice versa. There are inter-relationships between these inputs as they are partially determined by market conditions. An increase in the reversionary yield may accompany an increase in ERV and would mitigate its impact on the fair value measurement.

A decrease in the equivalent yield by 25 basis points would result in an increase in the fair value of the Group's investment property by £6,462,615 (2019: £29,288,548) whilst a 25 basis point increase would reduce the fair value by £6,019,082 (2019: increase by £13,096,456).

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

10. Investment property (continued)

A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by £5,974,388 (2019: increase by £14,262,167) whilst an increase in the ERV by 5% would result in an increase in the fair value of the Group's investment property by £5,896,921 (2019: £27,516,506).

Where the Group leases out its investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised and no interest has been capitalised within capital expenditure in either the current or comparative year.

11. Trade and other receivables

Current

	2020 £	2019 £
Trade receivables	1,809,491	716,392
Provision for bad and doubtful debts	(146,981)	-
	<u>1,662,510</u>	<u>716,392</u>
Prepayments	149,744	166,326
Accrued income	109,288	107,266
Other debtors	7,855	57,662
Amounts due from group undertakings	154,031	1,130,013
	<u>2,083,428</u>	<u>2,177,659</u>

At 31 December 2020 the Directors do not consider the Group to be exposed to a significant credit risk as the majority of the investment property portfolio is let to government departments and major corporations.

There were no material trade and other receivables classified as past due but not impaired (2019: none).

Non-current

	2020 £	2019 £
Amounts owed by group undertakings	<u>5,236,219</u>	<u>5,256,166</u>

Non-current receivables include a balance of £5,236,219 (2019: £5,256,166) due from a fellow group undertaking. The loan is due for repayment on 5 December 2022. Interest on this loan is charged at a rate of LIBOR plus a margin of 2.25%. A portion of the loan was settled in 2019 ahead of its repayment date on 5 December 2022.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

12. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	113	477
Cash held on behalf of third parties	645,326	661,087
	<u>645,439</u>	<u>661,564</u>

13. Trade and other payables

	2020 £	2019 £
Trade payables	128,491	297,041
VAT payable	444,152	62,169
Accruals and other creditors	1,772,901	1,518,771
Amounts due to group undertakings	1,972,773	527,194
Deferred income	2,383,753	2,640,770
	<u>6,702,070</u>	<u>5,045,945</u>

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

14. Deferred tax

	2020 £	2019 £
Deferred tax assets		
- after more than 12 months	(46,976)	(173,890)
Deferred tax liabilities		
- after more than 12 months	4,612,270	4,380,106
Net deferred tax liability	<u>4,565,294</u>	<u>4,206,216</u>

	2020 £	2019 £
At 1 January	4,206,216	3,999,808
Deferred tax liability recognised on acquisition	-	2,372,342
Charged/(Credited) in arriving at profit after tax	359,078	(2,165,934)
At 31 December	<u>4,565,294</u>	<u>4,206,216</u>

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

14. Deferred tax (continued)

The movement in deferred tax was as follows:

Deferred tax assets	Revaluation of buildings £
At 1 January 2020	(173,890)
Charged in arriving at profit after tax	126,914
At 31 December 2020	(46,976)

Deferred tax assets	Revaluation of buildings £
At 1 January 2019	(12,368)
Credited in arriving at profit after tax	(161,522)
At 31 December 2019	(173,890)

Deferred tax liabilities	Capital allowances £	Revaluation of buildings £	Other £	Total £
At 1 January 2020	2,403,385	1,976,721	-	4,380,106
(Credited)/charged in arriving at profit after tax	(90,642)	322,806	-	232,164
At 31 December 2020	2,312,743	2,299,527	-	4,612,270

Deferred tax liabilities	Capital allowances £	Revaluation of buildings £	Other £	Total £
At 1 January 2019	396,763	3,615,413	-	4,012,176
Deferred tax on acquisitions	2,366,770	-	5,572	2,372,342
Credited in arriving at profit after tax	(360,148)	(1,638,692)	(5,572)	(2,004,412)
At 31 December 2019	2,403,385	1,976,721	-	4,380,106

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

15. Borrowings

	Current £	Non-current £	Total £
At 31 December 2020			
Secured notes	4,072,633	46,433,726	50,506,359
	<u>4,072,633</u>	<u>46,433,726</u>	<u>50,506,359</u>
At 31 December 2019			
Secured notes	4,072,633	50,506,057	54,578,690
	<u>4,072,633</u>	<u>50,506,057</u>	<u>54,578,690</u>

Arrangement fees of £212,585 (2019: £323,262) have been offset in arriving at the balances above.

Secured notes

In 2013 the Group issued £80,000,000 of secured, partially amortising notes. The notes attract a fixed rate coupon of 4.2% on the unamortised principal, the balance of which is repayable in December 2022.

The notes are secured by way of a legal charge over the Group's investment property portfolio, and over the shares of the companies within the Group.

Loan covenants

There were no covenant breaches at 31 December 2020 or 31 December 2019.

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

	Secured notes £
At 31 December 2020	
Within one year or on demand	4,183,008
More than one year but not more than two years	46,535,936
More than two but not more than five years	-
	<u>50,718,944</u>
Unamortised issue costs	(212,585)
	<u>50,506,359</u>
Borrowings	
Less amounts due for settlement within 12 months	(4,072,633)
	<u>46,433,726</u>
Amounts due for settlement after 12 months	

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

15. Borrowings (continued)

	Secured notes £
At 31 December 2019	
Within one year or on demand	4,183,008
More than one year but not more than two years	4,183,008
More than two but not more than five years	46,535,936
	<u>54,901,952</u>
Unamortised issue costs	(323,262)
	<u>54,578,690</u>
Borrowings	54,578,690
Less amounts due for settlement within 12 months	(4,072,633)
	<u>50,506,057</u>
Amounts due for settlement after 12 months	<u>50,506,057</u>

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

	2020		2019	
	Weighted average interest rate (%)	Weighted average period (years)	Weighted average interest rate (%)	Weighted average period (years)
Fixed rate borrowings	4.2	2.0	4.2	3.0

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

	Carrying amounts		Fair values	
	2020	2019	2020	2019
Fixed rate borrowings	50,506,359	54,578,690	52,669,581	52,806,741

Arrangement fees of £212,585 (2019: £323,262) 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 arm's 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:

	2020 £	2019 £
Floating rate: expiring after one year	50,000,000	50,000,000

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

16. Financial instruments

Categories of financial instruments

Financial assets of the Group comprise: trade and other receivables, intra-group loans, and cash and cash equivalents.

Financial liabilities of the Group comprise: trade and other payables, intra-group loans and secured notes.

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 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:

	2020	2019
	£	£
Debt	50,718,944	54,901,952
Cash and cash equivalents	(645,439)	(661,564)
Net debt	50,073,505	54,240,388
Equity	85,153,796	84,435,418
Net debt to equity ratio	59%	64%

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.

(a) Market risk/ Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group has mitigated this risk through securing borrowings at a fixed interest rate.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

16. Financial instruments (continued)

(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, currently, 100% 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.

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 2020.

(c) Liquidity risk (continued)

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 2020	Less than one year £	One to two years £	Two to five years £	Over five years £
Financial liabilities:				
Trade and other payables	4,729,296	-	-	-
Borrowings	4,183,008	46,535,936	-	-
Interest payments on borrowings †	2,071,869	1,897,396	-	-
	<u>10,984,173</u>	<u>48,433,332</u>	<u>-</u>	<u>-</u>
At 31 December 2019	Less than one year £	One to two years £	Two to five years £	Over five years £
Financial liabilities:				
Trade and other payables	4,518,751	-	-	-
Borrowings	4,183,008	4,183,008	46,535,936	-
Interest payments on borrowings †	2,246,342	2,071,869	1,897,396	-
	<u>10,948,101</u>	<u>6,254,877</u>	<u>48,433,332</u>	<u>-</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.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

17. Share capital

	2020		2019	
	Ordinary shares in circulation Number	Ordinary shares in circulation £	Ordinary shares in circulation Number	Ordinary shares in circulation £
At 31 December	<u>82,700</u>	<u>82,700</u>	<u>82,700</u>	<u>82,700</u>

82,700 authorised, issued and fully paid ordinary shares have a nominal value of £1 each.

18. Cash generated from operations

	2020 £	2019 £
Operating profit	4,189,299	422,739
Adjustments for:		
Amortisation of loans	116,900	110,375
Net movements on revaluation of investment property	4,578,357	3,013,283
Non-cash rental (income)/expense	(654,119)	99,818
Increase in receivables	(881,751)	(771,579)
(Decrease)/increase in payables	(122,993)	2,474,306
Cash generated from operations	<u>7,225,693</u>	<u>5,348,943</u>

19. Commitments

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

	2020 £	2019 £
Operating lease commitments – where the Group is the lessor		
Within one year	8,613,442	8,597,896
More than one but not more than five years	25,016,639	22,425,743
More than five years	11,669,125	5,491,194
	<u>45,299,206</u>	<u>36,514,833</u>

Operating leases where the Company is the lessor are typically negotiated on a tenant-by-tenant basis and include break clauses and indexation provisions. Rental income earned during the year was £9,040,403 (2019: £8,053,639) and direct operating expenses arising on the properties in the period was £1,888,003 (2019: £661,867). The lessees do not have an option to purchase the property at the expiry of the lease period.

CLS UK Properties plc

Notes to the Group Financial Statements 31 December 2020

20. Subsidiaries

The Group financial statements include the financial statements of CLS UK Properties plc and all of its subsidiaries.

The subsidiaries are 100% owned and listed below:

Registered Office: 16 Tinworth Street, London, SE11 5AL

Apex Tower Limited	Elmfield Road Limited
CLS Gresham Limited	CLS London Limited
CLS Clockwork Limited	Great West House Limited

The principal activity of these subsidiaries is property investment and all are incorporated in United Kingdom.

21. 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 2020, the Group owed fellow group companies a total of £1,972,773 (2019: £527,194). These balances are repayable on demand and are interest-free.

At 31 December 2020, the Group was owed £5,236,219 by a fellow group company NYK Investments Limited (2019: £5,256,166). The loan is due for repayment on 5 December 2022. Interest is charged on this loan at a rate of LIBOR plus a margin of 2.25% (2019: LIBOR plus a margin of 2.25%). For the year ended 31 December 2020 a total of £188,455 (2019: £1,438,491) in interest relating to this loan was included in the Group's income statement and at 31 December 2020 of £nil (2019: £nil) was outstanding in the Group's balance sheet.

At 31 December 2020, the Group was owed £154,031 by fellow group companies (2019: £1,130,013). These loans are repayable on demand and are interest-free.

In the year ended 31 December 2020, the Group incurred costs of £710,033 (2019: £793,884) from fellow group companies for administrative costs.

CLS UK Properties plc

Company Balance Sheet at 31 December 2020

	Notes	2020 £	2019 £
Non current assets			
Investment in subsidiary undertakings	6	38,379,677	38,379,677
Trade and other receivables	7	18,392,682	20,206,020
		<u>56,772,359</u>	<u>58,585,697</u>
Current assets			
Trade and other receivables	7	58,850,351	61,383,712
Corporation tax recoverable		81,722	154,029
Cash and cash equivalents		-	-
		<u>58,932,073</u>	<u>61,537,741</u>
Total assets		<u>115,704,432</u>	<u>120,123,438</u>
Current liabilities			
Trade and other payables	8	(288,378)	(287,512)
Borrowings	9	(4,072,633)	(4,072,633)
		<u>(4,361,011)</u>	<u>(4,360,145)</u>
Non-current liabilities			
Borrowings	9	(46,433,726)	(50,506,057)
Total liabilities		<u>(50,794,737)</u>	<u>(54,866,202)</u>
Net assets		<u>64,909,695</u>	<u>65,257,236</u>
Equity			
Share capital	10	82,700	82,700
Share premium		32,667,300	32,667,300
Profit and loss account		32,159,695	32,507,236
Shareholders' funds		<u>64,909,695</u>	<u>65,257,236</u>

The Company reported a loss for the financial year ended 31 December 2020 of £347,541 (2019: profit of £23,719,204).

The financial statements of CLS UK Properties plc (registered number: 08124770) were approved by the Board of Directors and authorised for issue on 30 June 2021 and were signed on its behalf by:



Andrew Kirkman

Director

The notes on pages 37 to 40 are an integral part of these financial statements.

CLS UK Properties plc

Company Statement of Changes in Equity at 31 December 2020

	Share capital £	Share premium £	Retained earnings £	Total £
Arising in 2020:				
Total comprehensive expense for the year	-	-	(347,541)	(347,541)
Total changes arising in 2020	-	-	(347,541)	(347,541)
At 1 January 2020	82,700	32,667,300	32,507,236	65,257,236
At 31 December 2020	82,700	32,667,300	32,159,695	64,909,695

	Share capital £	Share premium £	Retained earnings £	Total £
Arising in 2019:				
Total comprehensive income for the year	-	-	23,719,204	23,719,204
Total changes arising in 2019	-	-	23,719,204	23,719,204
At 1 January 2019	82,700	32,667,300	8,788,032	41,538,032
At 31 December 2019	82,700	32,667,300	32,507,236	65,257,236

The notes on pages 37 to 40 are an integral part of these financial statements.

CLS UK Properties plc

Notes to the Company Financial Statements 31 December 2020

1. General information

CLS UK Properties plc (the "Company") is incorporated in the United Kingdom under Companies Act 2006, with registration number 08124770 and registered office at 16 Tinworth Street, London, SE11 5AL.

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") incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

CLS Holdings plc is the ultimate parent company of the CLS UK Properties plc. The Company's primary activity (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.

These separate financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates, known as its functional currency.

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 Group has adequate resources to continue in operational existence for the foreseeable future. The Group is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the CLS Holdings plc Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the CLS Holdings plc Group to continue as a going concern. The Group has the ability to seek alternate funding from within the CLS Holdings plc Group. Thus the Directors continue to adopt the going concern basis 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.

CLS UK Properties plc

Notes to the Company Financial Statements 31 December 2020

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 loss for the financial year was £347,541 (2019: Profit of £23,719,204).

Audit fees for the Company were £5,000 (2019: £5,000).

5. Employees

The Company did not have any employees in the year (2019: none).

No fees or other emoluments were paid to the Directors of the Company during the year (2019: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

6. Investment in subsidiary undertakings

	2020 £	2019 £
At 31 December	<u>38,379,677</u>	<u>38,379,677</u>

Registered Office: 16 Tinworth Street, London, SE11 5AL

Apex Tower Limited	Elmfield Road Limited
CLS London Limited	CLS Clockwork Limited
Great West House Limited	CLS Gresham Limited

The investments in subsidiary undertakings are 100% owned and were reviewed for any indications of impairment. No impairment was required in the year to 31 December 2020 (2019: none).

7. Trade and other receivables

Current

	2020 £	2019 £
Prepayments	2,040	-
VAT recoverable	-	25,561
Amounts owed by group undertakings	<u>58,848,311</u>	<u>61,358,151</u>
	<u>58,850,351</u>	<u>61,383,712</u>

Receivables include a balance of £58,848,311 (2019: £61,358,151) due on demand from fellow group undertakings. Interest is charged on these loans at rates ranging from LIBOR plus a margin of 2.7% to LIBOR plus a margin of 3.0% and at a fixed rate of 4.3%. (2019: LIBOR plus a margin of 2.7% to LIBOR plus a margin of 3.0% and at a fixed rate of 4.3%).

CLS UK Properties plc

Notes to the Company Financial Statements 31 December 2020

7. Trade and other receivables (continued)

Non-current

	2020 £	2019 £
Amounts owed by group undertakings	18,392,682	20,206,020

At 31 December 2020, the Company was owed £5,236,219 by a fellow group company NYK Investments Limited (2019: £5,256,166). The loan is due for repayment on 5 December 2022. Interest is charged on this loan at a rate of LIBOR plus a margin of 2.25% (2019: LIBOR plus a margin of 2.25%).

Loans of £3,258,022 (2019: £5,004,233) are due for repayment on 24 November 2022 and interest is charged on the loans at a fixed rate of 4.30% (2019: 4.30%).

The remaining loan balance of £9,898,441 (2019: £9,945,621) is due for repayment on 31 December 2022. Interest is charged on this loan at a rate of LIBOR plus a margin of 3.0% (2019: LIBOR plus a margin of 3.0%).

8. Trade and other payables

Current

	2020 £	2019 £
Trade creditors	66,030	2,040
VAT payable	63,686	-
Accruals	158,662	285,272
Amounts due to group undertakings	-	200
	<u>288,378</u>	<u>287,512</u>

9. Borrowings

	Current £	Non-current £	Total borrowings £
At 31 December 2020			
Secured note	4,183,008	46,535,936	50,718,944
Unamortised arrangement fees	(110,375)	(102,210)	(212,585)
	<u>4,072,633</u>	<u>46,433,726</u>	<u>50,506,359</u>
At 31 December 2019			
Secured note	4,183,008	50,718,944	54,901,952
Unamortised arrangement fees	(110,375)	(212,887)	(323,262)
	<u>4,072,633</u>	<u>50,506,057</u>	<u>54,578,690</u>

CLS UK Properties plc

Notes to the Company Financial Statements 31 December 2020

9. Borrowings (continued)

Secured notes

In 2013 the Company issued £80,000,000 of secured, partially amortising notes. The notes attract a fixed rate coupon of 4.2% on the unamortised principal, the balance of which is repayable in December 2022.

The notes are secured by way of a legal charge over the investment properties held by the Company's subsidiaries, and over the shares of the Company and those of its subsidiaries.

	2020 £	2019 £
The secured note is repayable as follows:		
In one year or less	4,183,008	4,183,008
In more than one year but not more than two years	46,535,936	4,183,008
In more than two years but not more than five years	-	46,535,936
In more than five years	-	-
	<u>50,718,944</u>	<u>54,901,952</u>

10. Share capital

	2020		2019	
	Ordinary shares in circulation Number	Ordinary shares in circulation £	Ordinary shares in circulation Number	Ordinary shares in circulation £
At 31 December	<u>82,700</u>	<u>82,700</u>	<u>82,700</u>	<u>82,700</u>

Ordinary shares have a nominal value of £1 each.

11. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in the United Kingdom. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2020, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from its registered address, CLS Holdings plc, 16 Tinworth Street, London, SE11 5AL.