Company Registration No. 08484258 (England and Wales)

SPRING MEWS (STUDENT) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

SPRING MEWS (STUDENT) LIMITED

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SPRING MEWS (STUDENT) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their annual report and financial statements for the year ended 31 December 2022.

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

The Company has also taken advantage of the small companies' exemption not to prepare a Strategic Report.

Principal activities
The principal activity of the Company continued to be that of investment in student housing.

Results and dividends
The results for the year are set out on page 8.

No dividends were paid. The Directors do not recommend payment of a final dividend (2021: nil).

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

David Fuller
Andrew Kirkman
Alain Millet
Fredrik Widlund

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 2022. The ultimate parent company CLS Holdings plc maintains liability insurance for its Directors and Directors of its associated companies.

Future developments
At the date of approval of this report, the Directors do not intend to change the principal activities of the Company from those described above.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditor

The auditor, Ernst & Young Limited, 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, Ernst & Young Limited, 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 section 418 of the Companies Act 2006.

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 or historical results; the management and mitigation of these risks are the responsibility of the Directors of the Company. The Company is a wholly-owned subsidiary of CLS Holdings plc (together with other subsidiaries, the "Group") and is managed on a day-to-day basis by employees of the Group. The principal risks and uncertainties facing the Company are broadly grouped as property risk, financing risk, and political and economic risk.

Property Risk

A cyclical downturn in the property market, changes in the supply of space and/or occupier demand or overall poor asset management could have a negative impact on the cash flows, profitability and net assets of the Company. In response, the Company is staying close to its tenants ensuring that it provides modern, flexible, quality and affordable properties with good amenities to meet occupier needs.

Financing Risk

The unavailability of financing at acceptable prices, adverse interest rate movements or a breach in borrowing covenants may have a detrimental effect on the ability of the Company to meet its financial obligations. As interest rates are increasing, often quite sharply, financing risk is also increasing. In order to mitigate this risk, the Company is maintaining relationships, monitoring covenants and engaging early with upcoming refinancings.

Political and Economic Risk

Significant events or changes in the Global and/or European political and/or economic landscape may affect the value of net assets and profitability. The risk remains high given Russia's invasion of Ukraine, the continued impact of the COVID-19 pandemic and economic concerns over, and responses to, higher levels of inflation and slowing GDP. The Company has limited supply chain exposure but changes in construction prices will impact refurbishments costs.

The Directors have considered the risks attached to the Company's financial instruments. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material to the assessment of assets and liabilities in the financial statements. Further discussion of risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report and can be found on www.clsholdings.com or from its registered address (see note 15).

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors' going concern assessment covers the period to 31 July 2024.

The Directors' considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out at a Group level to ensure the Company has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with lower rents, increased service charges, higher property and administration expenses, falling property values and higher interest rates. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

Approved by the Board and signed on its behalf

David Fuller
Company Secretary
22 June 2023
16 Tinworth Street, London, SE11 5AL

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SPRING MEWS (STUDENT) LIMITED

Opinion

We have audited the financial statements of Spring Mews (Student) Limited (the 'Company') for the year ended 31 December 2022 which comprise Statement of Comprehensive Income, Balance Sheet and the Statement of Changes in Equity and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2022 and of its loss for the year 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.

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 Company's ability to continue as a going concern for the period to 31 July 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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 take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006) and *any relevant direct and indirect tax compliance regulation in the United Kingdom, including the* UK REIT Regulations. There are no significant industry specific laws or regulations that we considered in determining our approach.
- We understood how the Company is complying with those frameworks by enquiry with Management, and by identifying the Company's policies and procedures regarding compliance with laws and regulations. We also identified those members of Management who have the primary responsibility for ensuring compliance with laws and regulations, and for reporting any known instances of non-compliance to those charged with governance. We corroborated our enquiries through our review of Board minutes, as well as consideration of the results of our audit procedures to either corroborate or provide contrary evidence which was then followed up. Our assessment included the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by discussing with management to understand where they considered there was susceptibility to fraud. We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent and detect fraud; and how management monitor those processes and controls. Where the risk was considered to be higher, we performed audit procedure to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved:
    - enquiry of members of senior management, and when appropriate, those charged with governance, regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements;
    - reading minutes of meetings of those charged with governance;
    - obtaining electronic confirmations from the Company's banking providers to vouch the existence of cash balances and completeness of loans and borrowings; and
    - obtaining and reading correspondence from legal and regulatory bodies, including the FRC and HMRC, where applicable; and
    - *journal entry testing, with a focus on manual journals and journals indicating large or unusual* transactions based on our understanding of the business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

DocuSigned by:

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Vania Tribos (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 June 2023

SPRING MEWS (STUDENT) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £	Restated 2021 £ Note 4
Revenue	5	5,976,626	3,734,987
Cost of sales		(2,273,016)	(1,922,340)
Net rental income		3,703,610	1,812,647
Administrative expenses		(53,707)	(51,334)
Net revaluation movements on investment property	11	(3,981,810)	3,300,000
Operating (loss)/profit		(331,907)	5,061,313
Interest receivable and similar income	8	833,708	568,319
Interest payable and similar expenses	9	(1,430,019)	(1,433,494)
(Loss)/profit before taxation		(928,218)	4,196,138
Taxation	10	-	7,825,480
(Loss)/profit and total comprehensive (expense)/income for the financial year attributable to the owners of the Company		(928,218)	12,021,618

The statement of comprehensive income 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 year.

The notes 1 to 15 form part of these financial statements.

SPRING MEWS (STUDENT) LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	2022 £	Restated 2021 £ Note 4
Fixed assets			
Investment property	11	88,525,000	92,500,000
Current assets			
Debtors falling due after one year	12	17,824,105	15,060,616
Debtors	12	246,766	3,712,997
Cash at bank and in hand		617,714	651,702
		18,688,585	19,425,315
Creditors: amounts falling due within one year			
Trade and other payables	13	(1,086,793)	(4,753,508)
Current tax payable		-	(170,224)
		(1,086,793)	(4,923,732)
Net current assets		17,601,792	14,501,583
Total assets less current liabilities		106,126,792	107,001,583
Creditors: amounts falling due after one year			
Trade and other payables	13	(48,841,935)	(48,788,508)
Net assets		57,284,857	58,213,075
Capital and reserves			
Called up share capital	14	15,501	15,501
Share premium account		15,484,500	15,484,500
Profit and loss account		41,784,856	42,713,074
Total equity		57,284,857	58,213,075

The financial statements were approved by the Board of Directors and authorised for issue on 22 June 2023 and are signed on its behalf by:

Andrew Kirkman
Director

Company Registration No. 08484258

SPRING MEWS (STUDENT) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total £
Balance at 1 January 2021	15,501	15,484,500	30,691,456	46,191,457
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	12,021,618	12,021,618
Balance at 31 December 2021 (restated)	15,501	15,484,500	42,713,074	58,213,075
Year ended 31 December 2022:				
Loss and other comprehensive expense for the year	-	-	(928,218)	(928,218)
Balance at 31 December 2022	15,501	15,484,500	41,784,856	57,284,857

SPRING MEWS (STUDENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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1 Accounting policies

Company information

Spring Mews (Student) Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006, and registered in England. The registered office is 16 Tinworth Street, London, SE11 5AL.

1.1 Accounting convention

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 *Reduced Disclosure Framework* as issued by the Financial Reporting Council.

The nature of the Company's operations and its principal activities are set out in the Directors' report on page 1.

The financial statements have been prepared on the historical cost basis except for the revaluation of investment properties. The principal accounting policies adopted are set out below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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

Where required, equivalent disclosures are given in the group accounts of CLS Holdings plc. The group accounts of CLS Holdings plc are available to the public and can be obtained as set out in note 15.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence. Thus the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. The Directors' going concern assessment covers the period to 31 July 2024.

The Directors' considerations included potential risks and uncertainties in the business, credit, market, property valuation and liquidity risks, including the availability and repayment profile of bank facilities, as well as forecast covenant compliance. Stress testing has been carried out at a Group level to ensure the Company has sufficient cash resources to continue in operation for the period to 31 July 2024. This stress testing modelled a scenario with lower rents, increased service charges, higher property and administration expenses, falling property values and higher interest rates. Based on these considerations, together with available market information and the directors' knowledge and experience of the Company, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2022.

1.3 Revenue

Turnover comprises the total value of rents receivable under operating leases, including property-related services provided during the year, net of discounts. Rents received in advance are shown as deferred income in the Balance Sheet.

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1 Accounting policies **(Continued)**

1.4 *Investment property*

Investment properties are properties that are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.

Investment properties are measured initially at cost, including related transaction costs. Transaction costs include transfer taxes and professional fees for legal services. 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 expenditure on the development between the date of gaining planning consent and the date of practical completion.

The Group recognises sales and purchases of investment property when control passes on completion of the contract. Gains or losses on the sale of properties are calculated by reference to the carrying value at the end of the previous year, adjusted for subsequent capital expenditure.

Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Investment properties being redeveloped for continuing use as investment properties, or for which the market has become less active, continue to be classified as investment properties and measured at fair value. Changes in fair values are recognised in the Income Statement.

Transfers are made to (or from) investment property only when there is evidence of a change in use. To comply with IAS 40 para 50, lease incentives are not held as separate assets or liabilities on the balance sheet but are instead included within the investment property balance.

1.5 Cash and cash equivalents

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

1.6 Financial assets

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

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

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

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. An impairment provision is created where there is objective evidence that the Company will not be able to collect the receivable in full.

1 Accounting policies (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date.

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

Derecognition of financial assets

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

1.7 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities. Trade and other payables are stated at cost, which equates to fair value.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.9 Taxation

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

Current tax

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

1.10 Leases

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases.

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

No new accounting standards, amendments to accounting standards, or IFRIC interpretations that were effective for the year ended 31 December 2022 have had a material impact on the Company.

3 Critical accounting estimates and judgements

The Directors have considered the judgements that have been made in the process of applying the Company'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. The following are ongoing areas of accounting judgement:

- Compliance with the Real Estate Investment Trust (REIT) taxation regime in the United Kingdom; and
- Classification of leases to tenants as operating leases.

Key areas of estimation uncertainty

The Company 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, see note 11.

4 Restatement of prior period

The restatements of the prior period noted below do not change total comprehensive income, earnings per share or the net assets of the Company; they are presentational restatements that reclassify amounts to alternative financial statement lines.

£92.5 million reclassification from property plant and equipment to investment property

The student accommodation at Spring Mews was held as investment property until 31 December 2020 when it was reclassified to property, plant and equipment. The accounting judgement made at that time was reconsidered and it was determined that it was more appropriate and market sector comparable to classify the student accommodation as an investment property and so it has been reclassified back to investment property.

In the Statement of Comprehensive Income, the £3.5 million presented as 'gain on property revaluation' in other comprehensive income at 31 December 2021 has therefore been reclassified to 'net revaluation movements on investment property' in the income statement.

5 Revenue

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

	2022	2021
	£	£
Rental income	5,973,909	3,733,848
Other property related income	2,717	1,139
	5,976,626	3,734,987

Geographical market

Revenue arose wholly within the United Kingdom.

SPRING MEWS (STUDENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Auditor's remuneration

	2022	2021
Fees payable to the Company's auditor:	£	£
For audit services		
Audit of the Company's financial statements	5,808	5,280

No fees were payable to Ernst & Young LLP for non-audit services to the Company during the year (2021: Deloitte LLP: nil).

7 Employees

The Company did not have any employees in the year (2021: none).

No fees or other emoluments were paid to the Directors of the Company during the year (2021: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

8 Interest receivable and similar income

	2022	2021
	£	£
Interest income		
Interest receivable from group undertakings	833,708	568,319

9 Interest payable and similar expenses

	2022	2021
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	1,357,479	1,357,479
Other finance costs:		
Arrangement and guarantee fees	72,540	76,015
	1,430,019	1,433,494

SPRING MEWS (STUDENT) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Tax on (loss)/profit

	2022	2021
	£	£
Current tax		
Current year taxation	-	170,287
Deferred tax		
Origination and reversal of temporary differences	-	(7,995,767)
Total tax charge credit	-	(7,825,480)

The rate of corporation tax for the year beginning 1 January 2022 was 19%. The weighted average corporation tax rate for the year ended 31 December 2022 was 19% (2021: 19%). The Company is a Real Estate Investment Trust (REIT). As a result, it does not pay UK corporation tax on the profits or losses from qualifying rental business in the UK provided it meets certain conditions. Non-qualifying profits and losses continue to be subject to corporation tax as normal.

The tax credit for the year can be reconciled to the statement of comprehensive income as follows:

	2022	Restated 2021
	£	£
(Loss)/profit before taxation	(928,218)	4,196,138
Expected tax charge based on a corporation tax rate of 19% (2021: 19%)	(176,361)	797,266
Expenses not deductible	-	1
Non deductible loss from UK REIT	176,361	-
Income not taxable	-	(627,000)
Capital allowances	-	(43)
Release of deferred tax on entry into UK REIT regime	-	(7,995,767)
Adjustment in respect of prior periods	-	63
Tax credit for the year	-	(7,825,480)

11 Investment property

	£
Fair value	
At 1 January 2021	-
Reclassification from property, plant and equipment	89,200,000
At 1 January 2021 (restated)	89,200,000
Revaluation of investment property	3,300,000
At 31 December 2021 (restated)	92,500,000
Additions	6,810
Revaluation of investment property	(3,981,810)
At 31 December 2022	88,525,000

1 The prior year balances for investment property have been restated as described in note 4 along with their respective totals.

The investment property was revalued at 31 December 2022 to its fair value, based on current prices in an active market for all properties. The property valuations were carried out by Cushman & Wakefield who are external, independent, professional qualified valuers. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

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.

The historical cost of investment property was £89,206,810 (2021: £89,200,000).

12 Debtors

	Current 2022	Current 2021	Non-current 2022	Non-current 2021
	£	£	£	£
Trade debtors	334,893	3,775,099	-	-
Provision for bad and doubtful debts	(334,893)	(284,386)	-	-
	-	3,490,713	-	-
Other receivables	1,964	11,100	-	-
VAT recoverable	-	29,077	-	-
Amounts due from fellow group undertakings	-	-	17,824,105	15,060,616
Prepayments	244,802	182,107	-	-
	246,766	3,712,997	17,824,105	15,060,616

Debtors includes a balance of £17,824,105 (2021: £15,060,616) due from a fellow group undertaking which is due for repayment on 31 December 2032. Interest on this loan is charged at the daily compounded SONIA plus a margin of 4% (2021: LIBOR plus a margin of 4%).

13 Trade and other payables

	Current 2022	Current 2021	Non-current 2022	Non-current 2021
	£	£	£	£
Trade creditors	124	148,670	-	-
Amounts due to fellow group undertakings	305,234	305,048	48,841,935	48,788,508
Accruals and deferred income	417,077	4,255,204	-	-
Rent deposit liabilities	1,988	31,981	-	-
Other creditors	362,370	12,605	-	-
	1,086,793	4,753,508	48,841,935	48,788,508

Payables include a balance of £49,362,895 (2021: £49,362,895) due to a fellow group undertaking, which is due for repayment on 31 December 2032. Interest is charged at a rate of 2.75% (2021: 2.75%).

14 Called up share capital

	2022	2021
	£	£
Ordinary share capital		
Authorised, issued and fully paid		
15,501 ordinary shares of £1 each	15,501	15,501

The Company has one class of ordinary shares which carry no right to fixed income.

15 Controlling party

The Directors consider that the immediate parent undertaking is CLS UK Property Finance Limited, with registered address of 16 Tinworth Street, London, SE11 5AL and the smallest group into which the Company is consolidated for the year ended 31 December 2022. The financial statements of the group are publicly available through Companies House. The ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in the United Kingdom, and the largest group that financial statements of the Company are consolidated for the year ended 31 December 2022. 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.