

Company Registration No. 8666120 (England and Wales)

CLS ENGLAND AND WALES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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CLS ENGLAND AND WALES LIMITED

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Registered Office
86 Bondway London SW8 1SF

CLS ENGLAND AND WALES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

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

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

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

Principal activities

The principal activity of the Company continued to be that of investment in commercial property.

Results and dividends

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

An interim ordinary dividend was paid amounting to £1,800,000.00. The Directors do not recommend payment of a final dividend. (2014: Nil)

Directors

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

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

Qualifying third party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors who held office in 2015.

Auditors

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

CLS ENGLAND AND WALES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the Company and of the income statement of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Statement of disclosure to auditors

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

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

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

CLS ENGLAND AND WALES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Principal risks and uncertainties

The Directors consider there are a number of potential risks and uncertainties which could have a material impact on the Company's performance and could cause the actual results to differ materially from expected and historical results. Management and mitigation of these risks is the responsibility of the Directors of the Company. The principal risks and uncertainties facing the Company are broadly grouped as – property investment risk, funding risk, political and economic and credit risk.

Property Investment Risks

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 overall net asset value of the company. To mitigate this risk, senior management has detailed knowledge of the market to which the company operates through years of experience within the industry. Furthermore the company has property managers who actively monitor the performance of the investment properties on a daily basis and report to management on a weekly basis.

Funding Risk

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

Political and Economic Risks

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

Credit risk

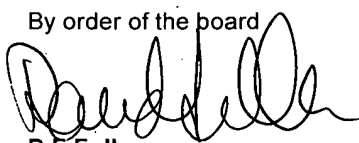
Is the risk that our tenants fail to meet their financial obligations which would have an adverse effect on company cash flows. The company policies are aimed at minimising such losses, and require that terms are only granted to tenants who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

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

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future despite the net current liability position at 31 December 2015. Furthermore, at the Balance Sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group of the Parent Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

By order of the board



D F Fuller

Secretary

26 May 2016

CLS ENGLAND AND WALES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLS ENGLAND AND WALES LIMITED

We have audited the financial statements of CLS England and Wales Limited for the year ended 31 December 2015 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

CLS ENGLAND AND WALES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CLS ENGLAND AND WALES LIMITED

Matters on which we are required to report by exception

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

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



Mark Beddy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 May 2016

CLS ENGLAND AND WALES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

		2015	2014
	Notes	£	(restated) £
Revenue	4	3,007,641	3,908,454
Service charge expenditure		(7,741)	(70,030)
Net rental income		2,999,900	3,838,424
Administrative expenses		(220,946)	(363,558)
Profit on sale of investment property		693,010	-
Operating profit		3,471,964	3,474,866
Interest receivable and similar income		-	769
Interest payable		(695,502)	(920,886)
Net movement on revaluation of investment properties	9	2,680,144	(4,850,028)
Profit/(loss) before taxation		5,456,606	(2,295,279)
Tax on profit/(loss) on ordinary activities	7	(1,095,516)	354,965
Profit/(loss) for the financial year		4,361,090	(1,940,314)

The income statement has been prepared on the basis that all operations are continuing operations.

There were no items of other comprehensive income other than those stated above for either period and consequently no statement of other comprehensive income is presented.

The notes on pages 9 to 19 form part of these financial statements.

CLS ENGLAND AND WALES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	2014 (restated) £
Fixed assets			
Investment property	9	21,975,000	20,960,000
Current assets			
Deferred tax asset	12	134,669	864,548
Other receivables	10	340,393	231,782
Cash at bank and in hand		12,300	23,438
		487,362	1,119,768
Current liabilities			
Trade and other payables	11	(941,103)	(690,316)
Corporation tax payable		(365,637)	(509,583)
		(1,306,740)	(1,199,899)
Net current liabilities		(819,378)	(80,131)
Non-current liabilities			
Trade and other payables	11	(14,134,845)	(16,420,182)
Net assets		7,020,777	4,459,687
Equity			
Called up share capital	13	6,401	6,401
Share premium account	14	6,393,600	6,393,600
Retained earnings		620,776	(1,940,314)
Total equity		7,020,777	4,459,687

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

Signed on its behalf by:



Mr J H Whiteley
Director

Company Registration No. 8666120

CLS ENGLAND AND WALES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital	Share premium account	Retained earnings	Total
	£	£	£	£
Balance at 28 August 2013 (adjusted for transition to FRS 101)	-	-	-	-
Loss for the period	-	-	(1,940,314)	(1,940,314)
Issue of share capital	6,401	6,393,600	-	6,400,001
Balance at 31 December 2014 (restated)	6,401	6,393,600	(1,940,314)	4,459,687
Profit for the year	-	-	4,361,090	4,361,090
Dividends	-	-	(1,800,000)	(1,800,000)
Balance at 31 December 2015	6,401	6,393,600	620,776	7,020,777

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

1.1 Accounting convention

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year, the impact of the transition is shown in Note 17 to the financial statements.

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.

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

Where required, equivalent disclosures are given in the Group accounts of the ultimate parent company, the Group accounts of which are available to the public and can be obtained as set out in note 16.

The comparative figures have been prepared for the period 28 August 2013 to 31 December 2014.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future despite the net current liability position at 31 December 2015. Furthermore, at the Balance Sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group of the Parent Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

Revenue comprises the total value of rents from operating leases and 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. Rents received in advance are shown as deferred income in accruals and deferred income.

Service charge income

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

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

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. The acquisition of an investment property is recognised when the risks and rewards of ownership have been transferred to the Company, typically on unconditional exchange of contracts or when legal title passes. Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Changes in fair values are recognised in profit before tax.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

1.5 Fair value measurement

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

1.6 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.

1.7 Financial assets

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

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

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

Receivables

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

Impairment of financial assets

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

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

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

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.

1.8 Financial liabilities

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

Deferred tax

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, and is calculated using rates that are expected to apply in the period when the liability is settled or the asset is realised, in the tax jurisdiction in which the temporary differences arise. Deferred tax is charged or credited in arriving at profit after tax, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be used. The deferred tax assets and liabilities are only offset if they relate to income taxes levied by the same taxation authority, there is a legally enforceable right of set-off and the Company intends to settle its current tax assets and liabilities on a net basis.

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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

Standards which are in issue but not yet effective

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

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

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

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

3 Critical accounting estimates and judgements

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

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

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Fair value of investment properties

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.

Income taxes

4 Revenue

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

	2015 £	2014 £
Rental income	2,819,549	3,809,687
Service charge	13,092	98,767
Dilapidations	175,000	-
	<u>3,007,641</u>	<u>3,908,454</u>

Geographical market

Revenue arose wholly within the United Kingdom.

5 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the Company's auditors for the audit of the Company's annual accounts	<u>4,000</u>	<u>4,000</u>

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

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6 Employees

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

No fees or other emoluments were paid to the Directors of the Company during either the current or preceding year in respect of their service to the Company. The Directors are paid by another entity within the ultimate parent company's group.

7 Income tax expense

	2015 £	2014 £
Corporation tax		
Current year	365,637	509,583
Deferred tax		
Deferred tax	729,879	(864,548)
Total tax charge/(credit)	1,095,516	(354,965)

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

	2015 £	2014 £
Profit/(loss) on ordinary activities before taxation	5,456,606	(2,295,279)
Profit/(loss) on ordinary activities before taxation multiplied by weighted average rate of UK corporation tax of 20.25% (2014: 21.88%)	1,104,963	(502,207)
Taxation impact of factors affecting tax charge:		
Adjustment in respect of prior years	(15,041)	-
Change in tax rate	11,991	86,936
Change in tax basis of properties, including indexation uplift	(6,397)	60,306
Tax charge/(credit) for the year	1,095,516	(354,965)

The rate of UK corporation tax for the financial year beginning 1 April 2014 was 21%. This fell to 20% on 1 April 2015 and the weighted corporation tax rate for the year ended 2015 was therefore 20.25% (2014: 21.88%). Deferred tax has been calculated at a rate of 18% being the rate applicable from 1 April 2015 under legislation substantively enacted at the balance sheet date.

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

8	Dividends	2015 £ per share	2014 £ per share	2015 £	2014 £
	Amounts recognised as distributions to equity holders:				
	Ordinary Shares				
	Final dividend paid	281.21	-	1,800,000	-

9	Investment property	£
	Fair value	
	At 1 January 2015	20,960,000
	Capital expenditure	240,623
	Disposals	(1,928,545)
	Fair value adjustment	2,680,144
	Rent-free period debtor adjustment	22,778
	At 31 December 2015	21,975,000

The fair value of the Company's investment property at 31 December 2015 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield (2014: DTZ), independent valuers not connected with the Company. 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 judgements 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' as per IFRS 13. All other factors remaining constant, an increase in rental income would increase valuations, whilst an increase in equivalent nominal yield would result in a fall in value and vice versa.

The Company has pledged all of its investment property to secure general banking facilities granted to the Company.

The comparable cost of investment property determined under historical cost was £24,122,105 (2014: £25,810,027).

10	Trade and other receivables	2015 £	2014 £
	Trade receivables	182,893	37,273
	Other receivables	157,500	-
	Amounts due from fellow group undertakings	-	181,278
	Prepayments	-	13,231
		340,393	231,782

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

11 Trade and other payables

	Current		Non-current	
	2015	2014	2015	2014
	£	£	£	£
Trade payables	7,903	7,572	-	-
Amounts due to fellow group undertakings	445,128	76,607	14,134,845	16,420,182
Accruals and deferred revenue	303,574	441,555	-	-
Other payables	184,498	164,582	-	-
	<u>941,103</u>	<u>690,316</u>	<u>14,134,845</u>	<u>16,420,182</u>

Creditors include a loan of £14,134,845 (2014 £16,420,182) due to a fellow group undertaking. The loan is due for repayment on 24 November 2022. Interest charged on the loan is at a rate of LIBOR plus a margin of 4.30% (2014: LIBOR plus a margin of 4.30%).

12 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior reporting period.

	UK Capital Allowances	Fair value adjustments	Total
	£	£	£
Deferred tax asset at 28 August 2013	-	-	-
Deferred tax movements in prior period			
Charge/(credit) to profit or loss	59,038	(923,586)	(864,548)
Deferred tax asset at 1 January 2015	59,038	(923,586)	(864,548)
Deferred tax movements in current year			
Charge/(credit) to profit or loss	30,833	699,046	729,879
Deferred tax asset at 31 December 2015	<u>89,871</u>	<u>(224,540)</u>	<u>(134,669)</u>

The deferred tax asset has been recognised to the extent that the realisation of the tax benefit through future taxable profits is probable.

13 Share capital

	2015	2014
	£	£
Authorised, issued and fully paid		
6,401 Ordinary Shares of £1 each	<u>6,401</u>	<u>6,401</u>

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

14 Share premium account

	£
At 31 December 2014 and at 31 December 2015	6,393,600

15 Operating leases

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2015 £	2014 £
Minimum lease payments under operating leases	(23,122)	(29,055)

Lessor

	2015 £	2014 £
Within one year	2,501,992	2,501,992
Between two and five years	9,012,024	9,429,383
In over five years	6,499,986	8,584,619
	18,014,002	20,515,994

Operating leases where the Company is the lessor are typically negotiated on a customer-by-customer basis and include break clauses and indexation provisions. Rental income earned during the year was £2,819,547 (2014: £3,809,688) and direct operating expenses arising on the properties in the period was £179,981 (2014: £277,053). The lessee does not have an option to purchase the property at the expiry of the lease period.

16 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and controlling party is CLS Holdings plc, which is incorporated in Great Britain. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2015, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London, SW8 1SF.

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17 UK GAAP to IFRS Conversion

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements issued under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

BALANCE SHEET

Reconciliation of the Balance Sheet for the year ended 31 December 2014:

	Notes	UK GAAP £	Remeasurements £	FRS 101 £
Non-current liabilities				
Deferred tax liabilities	A	(59,038)	923,586	864,548
Equity				
Revaluation reserve	B	(4,850,028)	4,850,028	-
Retained earnings		1,986,128	(3,926,442)	(1,940,314)

INCOME STATEMENT

Reconciliation of the Income Statement for the year ended 31 December 2014:

	Notes	UK GAAP £	Remeasurements £	FRS 101 £
Continuing operations				
Revenue		3,908,454	-	3,908,454
Service charge expenditure		(70,030)	-	(70,030)
Net rental income		3,838,424	-	3,838,424
Administrative expenses		(363,558)	-	(363,558)
Operating profit		3,474,866	-	3,474,866
Interest payable		(920,886)	-	(920,886)
Interest receivable		769	-	769
Net movements on revaluation of investment properties	C	-	(4,850,028)	(4,850,028)
Profit before taxation		2,554,749	(4,850,028)	(2,295,279)
Tax on profit on ordinary activities	D	(568,621)	923,586	354,965
Profit for the year		1,986,128	(3,926,442)	(1,940,314)

CLS ENGLAND AND WALES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17 UK GAAP to IFRS Conversion (continued)

Reconciliation of statement of changes in equity for the year ended 31 December 2014

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Retained earnings £	Total £
Balance at 31 December 2014 (UK GAAP)		6,401	6,393,600	(4,850,028)	1,986,128	3,536,101
Remeasurement	B	-	-	4,850,028	(4,850,028)	-
Deferred taxation	A	-	-	-	923,586	923,586
Balance at 31 December 2014 (FRS 101)		6,401	6,393,600	-	(1,940,314)	4,459,687

Notes to the reconciliation from UK GAAP to IFRS

A Deferred tax

The various transitional adjustments lead to different temporary differences. According to the accounting policies in Note 1, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction either in retained earnings or a separate component of equity.

B Revaluation reserve

Under IFRS, all fair value gains and losses of investment property are included in the profit and loss. Under UK GAAP, all investment property revaluation movements were included in a revaluation reserve in equity. At the transition date, the balance of the revaluation reserve was transferred to retained earnings.

C Net movements on revaluation of investment properties

Under IFRS all fair value gains and losses of investment must be recognised on the Income Statement. Previously these amounts were recognised in a revaluation reserve.

D Taxation

The tax expense adjustments takes into account the tax effect of any UK GAAP to FRS 101 adjustments.