

**Company Registration No. 8666120**

**CLS England and Wales Limited**

**Report and Financial Statements**

**For the period 28 August 2013**

**to 31 December 2014**

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# **CLS England and Wales Limited**

## **Report and Financial Statements 2014**

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# CLS England and Wales Limited

## Directors' Report

The Directors present their annual report together with the audited financial statements for the period 28 August 2013 to 31 December 2014.

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

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

### Principal activities

The principal activity of the Company is to invest in commercial property.

### Review of the business

The results for the year are shown on page 6.

The Directors expect the principal activity of the Company to remain unchanged for the foreseeable future.

On 25 September 2013 the Company purchased the following freehold properties:

- St Cross House, Southampton
- Hanover House, Bridgewater
- Ty Cambria, Cardiff
- Cyppa Court, Chippenham
- Foliot House, Plymouth
- Chailey House, Bedford
- St Katherines House, Northampton

On 25 September 2013 the Company purchased the following leasehold properties:

- Great Oaks House, Basildon
- Rivers House, Cardiff
- 5 Sandringham Park, Swansea

On 22 November 2013 the Company purchased the following leasehold property:

- Blackburn House, Norwich

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

### Dividends

The Company did not pay any dividends in the period ended 31 December 2014. The Directors declared a dividend of £1,800,000 which was paid on 16 April 2015. No further dividend is proposed.

### Principal risks and uncertainties

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

Risk	Mitigation
Cyclical downturn in property market	Long-term investment strategy to mitigate short-term unrealised losses.
Changes in tenant demand	Strategy of securing long-leased tenants with strong covenants.
Credit risk – tenants	All potential tenants assessed for credit worthiness. Rental deposits taken as required.

# CLS England and Wales Limited

## Directors' Report (continued)

### Directors

The Directors of the Company during the period were as follows:

Mr E H Klotz (appointed 28 August 2013)  
Mr A G P Millet (appointed 28 August 2013)  
Mr J H Whiteley (appointed 28 August 2013)  
Mr R J S Tice (appointed 28 August 2013, resigned 14 February 2014)  
Mr S L Wigzell (appointed 14 February 2014)  
Mr F Widlund (appointed 6 November 2014)

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

### Auditor

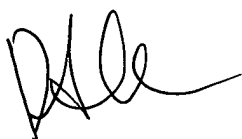
Each of the persons who is a Director at the date of approval of this report confirms that:

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

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

In accordance with section 489 (2) of the Companies Act 2006, Deloitte LLP were appointed auditors of the Company on incorporation.

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



Mr D F Fuller  
Company Secretary  
21 May 2015

**Registered office:**  
86 Bondway  
London  
SW8 1SF

# **CLS England and Wales Limited**

## **Directors' Responsibilities Statement**

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

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

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

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

## **Independent Auditor's Report to the Members of CLS England and Wales Limited**

We have audited the financial statements of CLS England and Wales Limited for the period ended 31 December 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of Directors and auditor**

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

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

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

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

### **Opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the period 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 matters prescribed in the Companies Act 2006**

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

## **Independent Auditor's Report to the Members of CLS England and Wales Limited (continued)**

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

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

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



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

## CLS England and Wales Limited

### Profit and Loss Account

For the period 28 August 2013 to 31 December 2014

	Notes	Period ended 31 December 2014 £
Turnover	2	3,908,455
Service charge expenditure		(70,030)
<b>Net rental income</b>		<b>3,838,425</b>
Administrative expenses		(363,558)
<b>Operating profit</b>		<b>3,474,867</b>
Interest receivable and financial income		769
Interest payable and similar charges	3	(920,886)
<b>Profit on ordinary activities before taxation</b>	5	<b>2,554,750</b>
Tax on profit on ordinary activities	6	(568,621)
<b>Profit for the financial period</b>	13	<b>1,986,129</b>

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

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



## CLS England and Wales Limited

### Statement of Total Recognised Gains and Losses For the period 28 August 2013 to 31 December 2014

	Note	Period ended 31 December 2014 £
Profit for the financial period		1,986,129
Unrealised deficit on revaluation of investment property	7	<u>(4,850,027)</u>
<b>Total recognised losses for the period</b>		<u><b>(2,863,898)</b></u>

# CLS England and Wales Limited

## Balance Sheet 31 December 2014

	Notes	2014 £
<b>Fixed assets</b>		
Investment property	7	<u>20,960,000</u>
<b>Current assets</b>		
Cash at bank and in hand		23,440
Debtors: due within one year	8	<u>231,782</u>
		255,222
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,199,899)</u>
<b>Net current liabilities</b>		<u>(944,677)</u>
<b>Total assets less current liabilities</b>		20,015,323
<b>Creditors: amounts falling due after more than one year</b>	10	(16,420,182)
<b>Provision for liabilities</b>	11	<u>(59,038)</u>
<b>Net assets</b>		<u>3,536,103</u>
<b>Capital and reserves</b>		
Called up share capital	12	6,401
Share premium account	13	6,393,600
Revaluation reserve	13	(4,850,027)
Profit and loss account	13	<u>1,986,129</u>
<b>Shareholders' funds</b>		<u>3,536,103</u>

The financial statements of CLS England and Wales Limited (registered number 8284323) were approved by the Board of Directors on 21 May 2015.

Signed on behalf of the Board of Directors



Mr J H Whiteley  
Director

# **CLS England and Wales Limited**

## **Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014**

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

The principal accounting policies are summarised below. They have been applied consistently throughout the period.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings and in accordance with applicable accounting standards. The Directors consider that the Company is a going concern. The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 not to prepare a cash flow statement as one has been prepared for the Group. The Company is a wholly-owned subsidiary of CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings.

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

#### **1.2 Going concern**

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

The Directors have reviewed the current and projected financial position of the Company making reasonable assumptions about the future income streams and cost base. The Company has net assets which are expected to generate positive cash flows. The Directors note that there are net current liabilities, however the Company is in receipt of an unequivocal letter of support from its immediate parent company confirming that sufficient funds will be available to ensure all liabilities are met as they fall due for a period of 12 months from the date of approval of these financial statements, so long as the Company is a wholly-owned direct or indirect subsidiary of its ultimate parent company (note 14). The Directors do not expect that the ownership of the Company will change in the foreseeable future and so have adopted the going concern basis in preparing the annual report and financial statements.

#### **1.3 Investment properties**

Investment properties are revalued annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Temporary surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Permanent revaluation deficits in excess of the amount of prior revaluation surpluses are charged to the Profit and Loss Account, unless considered temporary.

# CLS England and Wales Limited

## Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014

### 1. Significant accounting policies (continued)

#### 1.3 Investment properties (continued)

In accordance with Statement of Standard Accounting Practice No. 19 no depreciation is provided on completed freehold and leasehold investment properties. The requirement of the Companies Act 2006 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The Directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation or amortisation is one of many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

#### 1.4 Turnover

Turnover comprises the total value of rents and service charges receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the period, excluding VAT. Where there is a material rent-free period and the amount is considered to be recoverable, the income is spread evenly over the lease term. Rents received in advance are shown as deferred income in the Balance Sheet.

#### 1.5 Taxation

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

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

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

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

Provision is not made in respect of property revaluation gains and losses.

### 2. Turnover

	2014 £
Rental income	3,809,688
Service charge income	98,767
	<u>3,908,455</u>

Turnover arose wholly within the United Kingdom.

## CLS England and Wales Limited

### Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014

**3. Interest payable and similar charges**

	2014 £
On amounts due to group undertakings	920,886

**4. Directors' emoluments and employee information**

None of the Directors received any remuneration during the period in respect of services as Directors to the Company. The emoluments of the Directors of the Company, who are also directors of CLS Holdings plc, are disclosed in that company's financial statements in respect of their services to the Group as a whole. The Company had no employees during the period.

**5. Profit on ordinary activities before taxation**

	2014 £
This is stated after charging:	
Fees payable to the Company's auditor for the audit of the Company's financial statements	4,000

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

**6. Tax on profit on ordinary activities**

	2014 £
Current tax	509,583
Deferred tax	59,038
	568,621

The rate of corporation tax for the financial year beginning 1 April 2013 was 23%. This fell to 21% on 1 April 2014 and the weighted corporation tax rate for the period ended 31 December 2014 was therefore 21.88%. Deferred tax has been calculated at a rate of 20%, being the rate applicable from 1 April 2015 under legislation substantially enacted at the balance sheet date.

# CLS England and Wales Limited

## Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014

### 6. Tax on profit on ordinary activities (continued)

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit on ordinary activities before tax is as follows:

	2014 £
Profit on ordinary activities before tax	2,554,750
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 21.88%	558,979
Factors affecting charge:	
Differences between capital allowances and depreciation	(49,396)
Current tax charge for the period	509,583

### 7. Investment property

	Freehold £	Leasehold £	Total £
Additions	16,936,385	8,873,642	25,810,027
Revaluation deficit for the period	(3,736,385)	(1,113,642)	(4,850,027)
At 31 December 2014	13,200,000	7,760,000	20,960,000

The investment property was revalued at 31 December 2014 to its fair value. The valuation was based on current prices in an active market. The property valuation was carried out by DTZ who are external, professionally qualified valuers.

The Directors are satisfied that the external valuation supplied is appropriate to adopt for these financial statements without adjustment.

The historical cost of the investment property included at valuation was £25,810,027.

### 8. Debtors: due within one year

	2014 £
Trade debtors	37,273
Prepayments and accrued income	13,231
Amounts due from group undertakings	181,278
	231,782

# CLS England and Wales Limited

## Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014

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

	2014 £
Trade creditors	7,572
Amounts due to group undertakings	76,607
Accruals and deferred income	441,555
Other taxation and social security	164,582
Corporation tax	509,583
	<u>1,199,899</u>

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

	2014 £
Amounts due to group undertakings	<u>16,420,182</u>

Creditors due after more than one year include balances falling due for repayment after five years of £16,420,182 due to a fellow group undertaking, CLS UK Properties plc; a balance of £14,333,416 is due for repayment on 24 November 2022. Interest is charged on the loan at a fixed rate of 4.30%. The remaining balance of £2,086,766 is due for repayment on 31 December 2022. Interest is charged on the loan at a rate of LIBOR plus a margin of 2.65%.

### 11. Provision for liabilities

Deferred taxation is analysed as follows:

	Provision 2014 £	Amount unprovided 2014 £
Capital allowances in excess of depreciation	59,038	-
Deferred tax on revaluation deficit	-	(923,586)
	<u>59,038</u>	<u>(923,586)</u>
Amount charged to the profit and loss	<u>59,038</u>	
At 31 December	<u>59,038</u>	

## CLS England and Wales Limited

### Notes to the Financial Statements For the period 28 August 2013 to 31 December 2014

#### 12. Called up share capital

2014  
£

Allotted, called up and fully paid  
Ordinary shares of £1 each

6,401

The Company was incorporated on 28 August 2013 and issued 1 ordinary share of £1 to its immediate parent undertaking.

On 25 September 2013 the Company issued 6,400 ordinary shares of £1 each at a premium of £999 per share, which were fully subscribed for and paid up by the immediate parent undertaking.

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

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	2014 Total £
Share issues	6,401	6,393,600	-	-	6,400,001
Profit for the financial period	-	-	-	1,986,129	1,986,129
Deficit on revaluation	-	-	(4,850,027)	-	(4,850,027)
Balance at 31 December	<u>6,401</u>	<u>6,393,600</u>	<u>(4,850,027)</u>	<u>1,986,129</u>	<u>3,536,103</u>

A dividend of £1,800,000 was paid to shareholders on 16 April 2015.

#### 14. Parent undertaking

The Directors consider that the 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 period ended 31 December 2014, these accounts are the largest, and only group into which the Company is consolidated. Copies of these financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London SW8 1SF.