

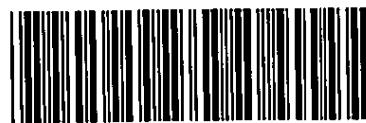
**Company Registration No. 1965907**

**Rex House Limited**

**Report and Financial Statements**

**31 December 2012**

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# **Rex House Limited**

## **Report and Financial Statements 2012**

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# Rex House Limited

## Directors' Report

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2012

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

### Principal activities

The principal activity of the Company is to invest in commercial property and to earn income therefrom

### 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

The financial statements have been prepared on a going concern basis as described in note 1 2

### Dividends

The Company did not pay a dividend for the year ended 31 December 2012 (2011 £nil)

### 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

<b>Risk</b>	<b>Mitigation</b>
• 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 covenant strength
• Credit risk – tenants	All potential tenants assessed for credit worthiness Rental deposits taken as required

# **Rex House Limited**

## **Directors' Report (continued)**

### **Directors**

The Directors of the Company during the year were as follows

Mr E H Klotz  
Mr R J S Tice  
Mr A G P Millet  
Mr J H Whiteley

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 2012

### **Auditor**

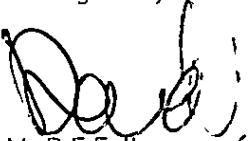
Each of the persons who is a Director at the date of approval of this report confirms that

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

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

Pursuant to section 386 Companies Act 1985, an Elective Resolution was passed on 9 October 2002 dispensing with the requirement to appoint auditors annually. In accordance with that Elective Resolution and paragraph 45(2), Schedule 3 of the Companies Act 2006 (Commencement No 3 Consequential Amendments, Transitional Provisions and Savings) Order 2007, Deloitte LLP is deemed to continue as auditor of the Company

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



Mr D F Fuller  
Company Secretary  
9 May 2013

### **Registered office.**

86 Bondway  
London  
SW8 1SF

## **Rex House 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 Rex House Limited**

We have audited the financial statements of Rex House Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. 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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the 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 2012 and of its loss 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 matters prescribed in the Companies Act 2006**

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

## **Independent Auditor's Report to the Members of Rex House 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 take advantage of the small companies exemption 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

9 May 2013

## Rex House Limited

### Profit and Loss Account Year ended 31 December 2012

	Notes	2012 £	2011 £
<b>Turnover</b>	2	(66,338)	106,900
Administrative expenses		(52,634)	(60,861)
<b>Operating (loss)/profit</b>		(118,972)	46,039
Loss on disposal of investments	9	-	(173)
Interest receivable and similar income	3	3,758	319
Interest payable and similar charges	4	(22,060)	(24,220)
<b>(Loss)/profit on ordinary activities before taxation</b>	6	(137,274)	21,965
Tax credit on (loss)/profit on ordinary activities	7	4,194	3,882
<b>(Loss)/profit for the financial year</b>	15	(133,080)	25,847

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

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



## Rex House Limited

### Statement of Total Recognised Gains and Losses Year ended 31 December 2012

	<b>Note</b>	<b>2012 £</b>	<b>2011 £</b>
(Loss)/profit for the financial year		(133,080)	25,847
Unrealised deficit on revaluation of investment property	8	<u>(183,100)</u>	<u>(6,900)</u>
<b>Total recognised (losses)/gains for the year</b>		<u><u>(316,180)</u></u>	<u><u>18,947</u></u>

# Rex House Limited

## Balance Sheet 31 December 2012

	Notes	2012 £	2011 £
<b>Fixed assets</b>			
Investment property	8	760,000	1,050,000
Investments	9	4,685	4,685
		<u>764,685</u>	<u>1,054,685</u>
<b>Current assets</b>			
Debtors due within one year	10	34	33
<b>Creditors: amounts falling due within one year</b>	11	(173,070)	(142,695)
<b>Net current liabilities</b>		<u>(173,036)</u>	<u>(142,662)</u>
<b>Total assets less current liabilities</b>		591,649	912,023
<b>Creditors: amounts falling due after more than one year</b>	12	(641,165)	(641,165)
<b>Provisions for liabilities</b>	13	(54,871)	(59,065)
<b>Net (liabilities)/assets</b>		<u>(104,387)</u>	<u>211,793</u>
<b>Capital and reserves</b>			
Called up share capital	14	600	600
Share premium account	15	499,500	499,500
Revaluation reserve	15	(632,391)	(449,291)
Profit and Loss Account	15	27,904	160,984
<b>Shareholders' (deficit)/funds</b>		<u>(104,387)</u>	<u>211,793</u>

The financial statements of Rex House Limited (registered number 1965907) were approved by the Board of Directors on 9 May 2013

Signed on behalf of the Board of Directors



Mr J H Whiteley

Director

# **Rex House Limited**

## **Notes to the Financial Statements** **31 December 2012**

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

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

#### **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 as the financial statements of CLS Holdings plc are publicly available.

#### **1.2 Going concern**

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

At 31 December 2012 the Company had a significant equity deficit. However, the Directors are in receipt of an unequivocal letter of support from the 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 the financial statements, so long as the Company is a wholly owned direct or indirect subsidiary of its current ultimate parent company (note 16). The Directors do not expect that the ownership of the Company will change in the foreseeable future and as such 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.

In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided on completed freehold 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.

# Rex House Limited

## Notes to the Financial Statements 31 December 2012

### 1. Significant accounting policies (continued)

#### 1.4 Fixed asset investments

Investments held as fixed assets are stated at cost. A provision is made for any permanent diminution in value.

#### 1.5 Turnover

Turnover comprises the total value of rents receivable under operating leases, including reverse premiums paid by tenants on surrender of leases and property-related services provided during the year, 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.

#### 1.6 Taxation

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

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

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

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

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

### 2 Turnover

	2012 £	2011 £
Rental income	(66,338)	106,900

At 1 January 2012 the Company had accrued income of £106,900 relating to a rent-free period granted to its tenant, SLAC Leisure Limited. During the year to 31 December 2012 the Directors reviewed this balance for its recoverability, and, due to the tenants financial position, impaired it to £nil. As a result, rental income for the year to 31 December 2012 has been reduced by £106,900.

Turnover arose wholly within the United Kingdom.

## Rex House Limited

### Notes to the Financial Statements 31 December 2012

#### 3 Interest receivable and similar income

	2012 £	2011 £
Other interest income	<u>3,758</u>	<u>319</u>

#### 4. Interest payable and similar charges

	2012 £	2011 £
On amounts due to group undertakings	<u>22,060</u>	<u>24,220</u>

#### 5. Directors' emoluments and employee information

None of the Directors received any remuneration during the year in respect of services as Directors to the Company (2011: £nil). 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 year (2011: none).

#### 6. (Loss)/profit on ordinary activities before taxation

	2012 £	2011 £
This is stated after charging		
Fees payable to the Company's auditor for the audit of the Company's financial statements	<u>1,800</u>	<u>1,800</u>

# Rex House Limited

## Notes to the Financial Statements 31 December 2012

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

	2012 £	2011 £
Current tax	-	-
Deferred tax credit origination and reversal of timing differences and effect of change in tax rate	(4,194)	(3,882)
Total tax credit on (loss)/profit on ordinary activities	<u>(4,194)</u>	<u>(3,882)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows

	2012 £	2011 £
(Loss)/profit on ordinary activities before tax	<u>(137,274)</u>	<u>21,965</u>
(Loss)/profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 24.5% (2011: 26.5%)	(33,632)	5,821
Effect of		
Losses surrendered/(claimed) by group/consortium relief for nil receipt/(payment) and differences between capital allowances and depreciation	<u>33,632</u>	<u>(5,821)</u>
Current tax in Profit and Loss Account	<u>-</u>	<u>-</u>

The rate of corporation tax for the financial year 2011 was 26%. This fell to 24% on 1 April 2012 and the weighted corporation tax rate for the year ended 31 December 2012 was therefore 24.5%. Deferred tax has been calculated at a rate of 23%, being the rate applicable from 1 April 2013 under legislation substantially enacted at the balance sheet date.

## Rex House Limited

### Notes to the Financial Statements 31 December 2012

#### 8. Investment property

	<b>Freehold £</b>
At 1 January 2012	1,050,000
Revaluation deficit – rent free adjustment	(106,900)
Revaluation deficit for the year	(183,100)
	<hr/>
At 31 December 2012	760,000
	<hr/>

The investment property was revalued at 31 December 2012 to its fair value. The valuation was based on current prices in an active market. The property valuation was carried out by Lambert Smith Hampton who are external, professionally qualified valuers.

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

The historical cost of the investment property included at valuation is £1,392,391 (2011: £1,392,391).

#### 9. Fixed asset investments

	<b>Gilts £</b>
At 1 January and 31 December 2012	4,685
	<hr/>

The gilts which were purchased at a cost of £4,685 (2011: £4,685), had a market value at 31 December 2012 of £4,217 (2011: £4,519).

During 2011, gilts with a cost of £5,000 were sold and a loss on disposal of £173 was realised in the Profit and Loss Account.

#### 10 Debtors due within one year

	<b>2012 £</b>	<b>2011 £</b>
Prepayments and accrued income	34	33
	<hr/>	<hr/>

## Rex House Limited

### Notes to the Financial Statements 31 December 2012

#### 11. Creditors, amounts falling due within one year

	2012 £	2011 £
Amounts due to group undertakings	111,989	80,569
Trade creditors	-	1,045
Other creditors	61,081	61,081
	<u>173,070</u>	<u>142,695</u>

#### 12 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Amounts due to group undertakings	<u>641,165</u>	<u>641,165</u>

#### 13. Provisions for liabilities

Deferred taxation is provided as follows

	Provision 2012 £	Amount unprovided 2012 £	Provision 2011 £	Amount unprovided 2011 £
Capital allowances in excess of depreciation	54,871	-	59,065	-
Deferred tax asset on revaluation	-	(90,579)	-	(26,533)
	<u>54,871</u>	<u>(90,579)</u>	<u>59,065</u>	<u>(26,533)</u>
At 1 January	59,065		62,947	
Effect of decreased tax rate on opening deferred tax liability	(4,725)		(4,663)	
Amount charged to profit and loss	531		781	
At 31 December	<u>54,871</u>		<u>59,065</u>	

No tax would arise on the disposal of the property as the current market value is below historical cost



# Rex House Limited

## Notes to the Financial Statements 31 December 2012

### 14. Called up share capital

	2012 £	2011 £
<b>Authorised, allotted, called up and fully paid</b>		
Ordinary shares of £1 each	600	600

### 15 Combined statement of reserves and reconciliation of movement in shareholders' (deficit)/funds

	Share capital £	Share premium £	Revaluation reserve £	Profit and Loss Account £	2012 Total £	2011 Total £
At 1 January	600	499,500	(449,291)	160,984	211,793	(307,154)
Share issue	-	-	-	-	-	500,000
(Loss)/profit for the year	-	-	-	(133,080)	(133,080)	25,847
Deficit on revaluation	-	-	(183,100)	-	(183,100)	(6,900)
Balance at 31 December	600	499,500	(632,391)	27,904	(104,387)	211,793

### 16. Parent undertaking

The Directors consider that the immediate and ultimate parent undertaking and controlling party is CLS Holdings plc, which is incorporated in Great Britain. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2012, 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.