

Company Registration No. 02879688 (England and Wales)

**CLSH MANAGEMENT LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**



# CLSH MANAGEMENT LIMITED

## CONTENTS

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	<b>Page</b>
Strategic report	1 - 2
Directors' Report	3 - 4
Independent Auditor's Report	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 20

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# CLSH MANAGEMENT LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present the strategic report, annual report and financial statements for the year ended 31 December 2018.

### **Review of the business**

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

The principal activities of the Company continued to be that of property and asset management including managing lettings, service charges and the management of commercial and residential works.

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

### **Future developments**

At the date of approval of this report, the principal activities of the Company are not expected to change from those described above.

### **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 the CLS Holdings plc Group (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 funding risk and political and economic risk.

#### *Funding 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. In order to mitigate this risk, the Group's treasury function closely monitors the performance of the Company and looks to limit its exposure through various financial hedging instruments.

#### *Political and Economic Risk*

The impact of the exit of the United Kingdom from the European Union remains an adverse risk to the overall economy, which may impact the value of net assets and profitability. It is the Directors' view that the United Kingdom's economy remains sufficiently robust to weather any immediate adverse economic effects.

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](http://www.clsholdings.com) or from its registered address (refer note 17).

### **Key performance indicators**

The following are key performance indicators of the business:

- Turnover for the year £6,873,992 (2017: £10,080,483)
- Operating (loss)/profit for the year (£845,868) (2017: £2,544,876)
- Net assets at the balance sheet date £5,245,077 (2017: £5,807,169)

# CLSH MANAGEMENT LIMITED

## STRATEGIC REPORT (CONTINUED)

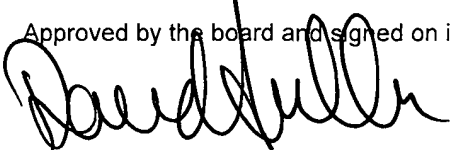
*FOR THE YEAR ENDED 31 DECEMBER 2018*

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### **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 and therefore continue to adopt the going concern basis in preparing the financial statements.

Approved by the board and signed on its behalf



David Fuller

**Secretary**

26 June 2019

16 Tinworth Street, London, SE11 5AL

# CLSH MANAGEMENT LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The Directors present their annual report and financial statements for the year ended 31 December 2018.

The Directors' Report has been prepared in accordance with the special provisions relating to medium sized companies under sections 465 - 467 of the Companies Act 2006.

Disclosure in respect of a review of the business and future developments required in the Directors' Report as per section 416 (4) of the Companies Act 2006 has been included in the Strategic Report.

### **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 (2017: nil).

### **Directors**

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

Henry Klotz  
Alain Millet  
John Whiteley  
Fredrik Widlund  
Simon Wigzell

### **Directors' insurance**

Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the Directors who held office in 2018. The ultimate parent company CLS Holdings plc maintains liability insurance for its directors and directors of its associated companies.

### **Statement of Directors' responsibilities**

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) including Financial Reporting Standard 101 *Reduced Disclosure Framework*. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company at the balance sheet date and of the profit or loss of the Company for the period ending on that date. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 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.

# CLSH MANAGEMENT LIMITED

## DIRECTORS' REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 DECEMBER 2018*

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### **Auditor**

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

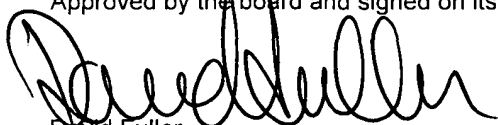
### **Statement of disclosure to auditor**

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.

Approved by the board and signed on its behalf



David Fuller

**Secretary**

26 June 2019

16 Tinworth Street, London, SE11 5AL

# CLSH MANAGEMENT LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

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#### Report on the audit of the financial statements

##### Opinion

In our opinion the financial statements of CLSH Management Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

##### 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 Financial Reporting Council's (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

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

##### Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

# **CLSH MANAGEMENT LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF CLSH MANAGEMENT LIMITED**

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#### **Responsibilities of directors**

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, 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.

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

#### **Report on other legal and regulatory requirements**

##### **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.

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 any material misstatements in the Directors' report.



# CLSH MANAGEMENT LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

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

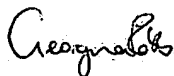
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

#### **Use of our report**

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



**Georgina Robb FCA (Senior statutory auditor)**

**for and on behalf of Deloitte LLP**

**Statutory Auditor**

**London, United Kingdom**

**26 June 2019**

# CLSH MANAGEMENT LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	4	6,873,992	10,080,483
Administrative expenses		(7,719,860)	(7,535,607)
<b>Operating (loss)/profit</b>	<b>5</b>	<b>(845,868)</b>	<b>2,544,876</b>
Foreign exchange losses	5	(1,823)	(5,433)
Interest receivable and similar income	8	3,858	376,389
Interest payable and similar expenses	9	-	(596,686)
Net movements on revaluation of investment properties		-	2,633
Profit on sale of fixed assets		683	5,669
<b>(Loss)/profit before taxation</b>		<b>(843,150)</b>	<b>2,327,448</b>
Tax on (loss)/profit	10	23,256	(292,492)
<b>(Loss)/profit and total comprehensive income for the financial year attributable to the owners of the Company</b>		<b>(819,894)</b>	<b>2,034,956</b>

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 period.

The notes 1 to 17 form part of these financial statements.

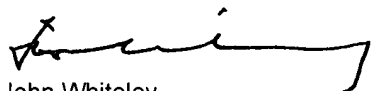
# CLSH MANAGEMENT LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
<b>Fixed assets</b>			
Tangible fixed assets	11	1,940,105	606,850
<b>Current assets</b>			
Deferred tax asset	14	37,584	37,754
Debtors	12	17,775,710	19,689,356
Current tax recoverable		556,484	6,423,897
Cash at bank and in hand		9,532,763	4,437,220
		<u>27,902,541</u>	<u>30,588,227</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	13	(24,597,569)	(25,387,908)
<b>Net current assets</b>		<u>3,304,972</u>	<u>5,200,319</u>
<b>Total assets less current liabilities</b>		<u>5,245,077</u>	<u>5,807,169</u>
<b>Net assets</b>		<u>5,245,077</u>	<u>5,807,169</u>
<b>Capital and reserves</b>			
Called up share capital	15	2,000,000	2,000,000
Share-based payment reserve		257,802	-
Profit and loss account		2,987,275	3,807,169
<b>Total equity</b>		<u>5,245,077</u>	<u>5,807,169</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2019 and are signed on its behalf by:



John Whiteley  
Director

Company Registration No. 02879688

# CLSH MANAGEMENT LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

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	Share capital	Share-based payment reserve	Profit and loss account	Total
Notes	£	£	£	£
<b>Balance at 1 January 2017</b>	2,000,000	-	1,772,213	3,772,213
<b>Year ended 31 December 2017:</b>				
Profit and total comprehensive income for the year	-	-	2,034,956	2,034,956
<b>Balance at 31 December 2017</b>	2,000,000	-	3,807,169	5,807,169
<b>Year ended 31 December 2018:</b>				
Loss and total comprehensive income for the year	-	-	(819,894)	(819,894)
Share-based payment charge	-	257,802	-	257,802
<b>Balance at 31 December 2018</b>	2,000,000	257,802	2,987,275	5,245,077

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# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

#### Company information

CLSH Management 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 leasehold land. 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.

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, 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 17.

#### 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 and therefore continue to adopt the going concern basis in preparing the financial statements.

#### 1.3 Turnover

Revenue primarily comprises property-related services supplied to group companies and other income mostly comprising insurance commissions, excluding VAT. Revenue is recognised when the underlying service (or measurable part thereof) has been provided.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Office fit out	10% straight line
Fixtures and fittings	25% straight line
Computers	25% straight line

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of comprehensive income.

#### 1.5 Leasehold land

Leasehold land is held for long-term rental yields or for capital appreciation or both. Leasehold land is measured initially at cost, including related transaction costs. Additions to leasehold land comprise of costs of a capital nature; in the case of leasehold land 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 leasehold land 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. Leasehold land is carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Changes in fair value are recognised in profit before tax.

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

#### 1.6 Impairment of tangible and intangible assets

At each reporting end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.7 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.

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies (Continued)

#### 1.8 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. 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.

##### ***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.

#### 1.9 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.

#### 1.10 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.

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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### 1 Accounting policies

(Continued)

#### 1.11 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. 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 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 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.

#### 1.12 Retirement benefits

The Company operates a defined contribution pension scheme for all eligible employees. The pension costs charged represent the contributions payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the balance sheet.

#### 1.13 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.

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

#### 1.14 Foreign exchange

Transactions in foreign currencies are translated into sterling using the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date, and differences arising on translation are recognised in profit before tax.

Changes in the fair value of monetary securities classified as available-for-sale and denominated in foreign currencies are recognised in profit before tax where the translation difference results from changes in the amortised cost of the security, and are recognised in equity where it results from other changes in the carrying amount of the security.

### 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 2018 have had an impact on the Company.



# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

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#### 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.

In the Directors' opinion for the year ended 31 December 2018 there are no accounting judgements that are material to the financial statements.

#### Key areas of estimation uncertainty

The Company uses the valuations performed by its independent external valuers as the fair value of its leasehold land. 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. Refer to note 11 for further details.

#### 4 Turnover

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

	2018	2017
	£	£
Property related services and trading income	6,739,541	9,960,543
Income from insurance commissions	134,451	119,940
	<u>6,873,992</u>	<u>10,080,483</u>

#### Geographical market

Revenue arose wholly within the United Kingdom.

#### 5 Loss for the year

	2018	2017
	£	£
Loss for the year is stated after charging/(crediting):		
Net foreign exchange losses	1,823	5,433
Depreciation of tangible fixed assets	145,854	112,444
Profit on disposal of tangible fixed assets	(683)	(5,669)
Impairment of works of art	-	950
Staff costs	5,632,512	5,929,346
	<u>5,632,512</u>	<u>5,929,346</u>

#### 6 Auditor's remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and associates:		
<b>For audit services</b>		
Audit of the Company's financial statements	<u>15,000</u>	<u>15,000</u>

No fees were payable to Deloitte LLP and its associates for non-audit services to the Company during the year (2017: nil).

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 7 Employees

The average monthly number of persons (including non-executive directors) employed by the Company during the year was:

	2018 Number	2017 Number
Administration	58	58

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	4,839,005	5,122,349
Social security costs	521,693	544,910
Pension costs	271,814	262,087
	<u>5,632,512</u>	<u>5,929,346</u>

No fees or other emoluments were paid to the Directors of the Company during either the current or preceding year in respect of their services to the Company as this was not practical to do so. The Directors were paid by another entity within the Group.

### 8 Interest receivable and similar income

	2018 £	2017 £
<b>Interest income</b>		
Interest on bank deposits	3,858	43,856
Interest receivable from group undertakings	-	331,847
Other interest income	-	686
	<u>3,858</u>	<u>376,389</u>

### 9 Interest payable and similar expenses

	2018 £	2017 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	-	596,679
Interest on other loans	-	7
	<u>-</u>	<u>596,686</u>

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2018

#### 10 Tax on profit

	2018 £	2017 £
<b>Current tax</b>		
Current year taxation	(23,426)	347,589
<b>Deferred tax</b>		
Origination and reversal of temporary differences	170	(55,097)
<b>Total tax (credit)/charge</b>	<u>(23,256)</u>	<u>292,492</u>

The rate of corporation tax for the financial year beginning 1 April 2016 was 20.00%. This fell to 19.00% on 1 April 2017 and will reduce to 17.00% on 1 April 2020 under legislation substantively enacted at the balance sheet date. The weighted average corporation tax rate for the year ended 31 December 2018 was 19.00% (2017: 19.25%). Deferred tax has been calculated at a rate of 17.00% (2017: 17.00%), being the rate expected to apply in the period when the liability is settled or the asset is realised.

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

	2018 £	2017 £
(Loss)/profit before taxation	<u>(843,150)</u>	<u>2,327,448</u>
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2017: 19.25%)	(160,199)	448,034
Expenses not deductible for tax purposes	16,657	19,136
Non-taxable income	-	(116,177)
Adjustment in respect of prior years	120,306	(58,981)
Change in tax rate	(20)	480
<b>Tax (credit)/charge for the year</b>	<u>(23,256)</u>	<u>292,492</u>

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 11 Tangible fixed assets

	Leasehold land	Office fit out	Fixtures and fittings	Computers	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2018	150,000	-	508,251	881,105	1,539,356
Reclassification of asset class	-	200,297	(200,297)	-	-
Additions	-	1,251,639	196,504	37,997	1,486,140
Disposals	-	-	(217,842)	(531,749)	(749,591)
At 31 December 2018	150,000	1,451,936	286,616	387,353	2,275,905
<b>Accumulated depreciation and impairment</b>					
At 1 January 2018	-	-	213,501	719,005	932,506
Charge for the year	-	47,877	23,947	74,030	145,854
Eliminated on disposal	-	-	(212,417)	(530,143)	(742,560)
At 31 December 2018	-	47,877	25,031	262,892	335,800
<b>Carrying amount</b>					
At 31 December 2018	150,000	1,404,059	261,585	124,461	1,940,105
At 31 December 2017	150,000	-	294,750	162,100	606,850

The leasehold land was revalued at 31 December 2018 to its fair value, based on current prices in an active market for all land. The land 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 land.

Land 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 land 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 leasehold land was £147,367 (2017: £147,367).

### 12 Debtors

	Current 2018	2017
	£	£
Trade debtors	140	740
Other receivables	34,583	99,485
Amounts due from fellow group undertakings	16,898,083	19,371,430
Prepayments	842,904	217,701
	17,775,710	19,689,356

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 13 Trade and other payables

	Current 2018 £	2017 £
Trade creditors	157,497	92,407
Amounts due to fellow group undertakings	21,204,975	21,922,594
Accruals	647,373	43,653
Tax and social security	1,124,593	1,979,992
Other creditors	1,463,131	1,349,262
	<u>24,597,569</u>	<u>25,387,908</u>

Payables include a balance of £21,204,975 (2017: £21,922,594) due on a loan from a fellow group undertaking which is repayable on demand. Interest accrued on the loan is at a rate of LIBOR plus a margin of 2.50% (2017: LIBOR plus a margin of 2.50%).

### 14 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 £	Share based payments £	Total £
Deferred tax liability at 1 January 2017	17,343	-	17,343
<b>Deferred tax movements in prior year</b>			
Credit to profit or loss	(55,097)	-	(55,097)
Deferred tax asset at 1 January 2018	(37,754)	-	(37,754)
<b>Deferred tax movements in current year</b>			
Charge/(credit) to profit or loss	8,242	(8,072)	170
Deferred tax asset at 31 December 2018	<u>(29,512)</u>	<u>(8,072)</u>	<u>(37,584)</u>
		<b>2018 £</b>	<b>2017 £</b>
Deferred tax asset		<u>37,584</u>	<u>37,754</u>

# CLSH MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

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<b>15 Share capital</b>	<b>2018</b>	<b>2017</b>
	£	£
<b>Ordinary share capital</b>		
<b>Authorised, issued and fully paid</b>		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000
	<u>2,000,000</u>	<u>2,000,000</u>

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

### 16 Operating lease commitments

#### Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements with fellow group undertakings for commercial office space and company accommodation, including the Head Office of 16 Tinworth Street, are as follows:

	<b>2018</b>	<b>2017</b>
	£	£
Minimum lease payments under operating leases	520,097	386,175
	<u>520,097</u>	<u>386,175</u>

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2018</b>	<b>2017</b>
	£	£
Within one year	74,336	133,071
Between two and five years	1,852,236	122,693
In over five years	2,019,738	-
	<u>3,946,310</u>	<u>255,764</u>

### 17 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and ultimate controlling party is CLS Holdings plc, which is incorporated in the United Kingdom. The financial statements of the Company are consolidated into the CLS Holdings plc group accounts for the year ended 31 December 2018, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from its registered address, CLS Holdings plc, 16 Tinworth Street, London, SE11 5AL.