

Company Registration No. 02879688 (England and Wales)

CLSH MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

THURSDAY



A9AET3GW

A19 30/07/2020 #187
COMPANIES HOUSE

CLSH MANAGEMENT LIMITED

CONTENTS

	Page
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 - 21

CLSH MANAGEMENT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present the strategic report, annual report and financial statements for the year ended 31 December 2019.

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 Directors do not intend to change the principal activities of the Company 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, political and economic risk, and COVID-19 pandemic 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 a potential adverse risk to the overall economy, which may affect 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.

COVID-19 Pandemic Risk

The COVID-19 pandemic presents several potential economic impacts including a potentially adverse risk to collectability of future contracted rental income. To mitigate this risk, the Company will continue to leverage the in-house management model to maintain close links with our customers. Furthermore, the Company's policy of collecting rent in advance assists management identify which customers are most significantly impacted and where mitigating action may be required.

The Directors have considered the risks attached to the Company's financial instruments. The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not considered material to the assessment of assets and liabilities in the financial statements. Further discussion of risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report and can be found on www.clsholdings.com or from its registered address (see note 19).

Key performance indicators

The following are key performance indicators of the business:

- Turnover for the year £9,958,150 (2018: £6,873,992)
- Operating profit for the year £34,960 (2018: operating loss for the year £845,868)
- Net assets at the balance sheet date £5,428,010 (2018: £5,245,077)

CLSH MANAGEMENT LIMITED

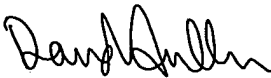
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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. The Company is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the Group to continue as a going concern. The Company has the ability to seek alternate funding from within the Group. Thus the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

17 July 2020

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their annual report and financial statements for the year ended 31 December 2019.

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 (2018: nil).

Directors

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

Andrew Kirkman	(Appointed 1 July 2019)
Henry Klotz	(Resigned 14 August 2019)
Alain Millet	
John Whiteley	(Resigned 30 June 2019)
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 2019. 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 2019

Auditor

The auditor, Deloitte LLP, has indicated their willingness to continue in office. Under the provisions of the Companies Act 2006, the Company is not required to hold an annual general meeting and accordingly the auditors, Deloitte LLP, will therefore be deemed to be reappointed for each succeeding financial year.

Statement of disclosure to auditor

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

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

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

Approved by the Board and signed on its behalf



David Fuller

Company Secretary

17 July 2020

16 Tinworth Street, London, SE11 5AL

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

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 2019 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 19.

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

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. 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have 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 Strategic report or the Directors' report.

CLSH MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CLSH MANAGEMENT LIMITED

Matters on which we are required to report by exception

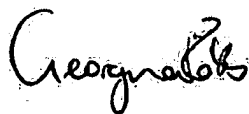
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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

17 July 2020

CLSH MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	4	9,958,150	6,873,992
Administrative expenses		(9,923,190)	(7,719,860)
Operating profit/(loss)	5	34,960	(845,868)
Foreign exchange losses	5	(45,914)	(1,823)
Interest receivable and similar income	8	4,408	3,858
Interest payable and similar expenses	9	(101,125)	-
Profit on sale of fixed assets		-	683
Loss before taxation		(107,671)	(843,150)
Tax on loss	10	40,626	23,256
Loss and total comprehensive income for the financial year attributable to the owners of the Company		(67,045)	(819,894)

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 19 form part of these financial statements.

CLSH MANAGEMENT LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
Fixed assets			
Tangible fixed assets	11	5,039,783	1,940,105
Current assets			
Deferred tax asset	12	44,679	37,584
Debtors	13	22,207,178	17,775,710
Current tax recoverable		459,479	556,484
Cash at bank and in hand		6,577,912	9,532,763
		<u>29,289,248</u>	<u>27,902,541</u>
Creditors: amounts falling due within one year			
Lease liabilities	14	(240,236)	-
Trade and other payables	15	(25,425,921)	(24,597,569)
		<u>(25,666,157)</u>	<u>(24,597,569)</u>
Net current assets		<u>3,623,091</u>	<u>3,304,972</u>
Total assets less current liabilities		<u>8,662,874</u>	<u>5,245,077</u>
Creditors: amounts falling due after one year			
Lease liabilities	14	(3,234,864)	-
Net assets		<u>5,428,010</u>	<u>5,245,077</u>
Capital and reserves			
Called up share capital	16	2,000,000	2,000,000
Share-based payment reserve	16	507,780	257,802
Profit and loss account		2,920,230	2,987,275
Total equity		<u>5,428,010</u>	<u>5,245,077</u>

The financial statements were approved by the Board of Directors and authorised for issue on 17 July 2020 and are signed on its behalf by:



Andrew Kirkman
Director

Company Registration No. 02879688

CLSH MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Share-based payment reserve	Profit and loss account	Total
Notes	£	£	£	£
Balance at 1 January 2018	2,000,000	-	3,807,169	5,807,169
Year ended 31 December 2018:				
Loss and total comprehensive income for the year	-	-	(819,894)	(819,894)
Share-based payment charge	-	257,802	-	257,802
Balance at 31 December 2018	<u>2,000,000</u>	<u>257,802</u>	<u>2,987,275</u>	<u>5,245,077</u>
Year ended 31 December 2019:				
Loss and total comprehensive income for the year	-	-	(67,045)	(67,045)
Share-based payment charge	-	249,978	-	249,978
Balance at 31 December 2019	<u><u>2,000,000</u></u>	<u><u>507,780</u></u>	<u><u>2,920,230</u></u>	<u><u>5,428,010</u></u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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 and leasing transactions that are measured at revalued amounts. The principal accounting policies adopted are set out below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell the asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

Where required, equivalent disclosures are given in the group accounts of CLS Holdings plc. The group accounts of CLS Holdings plc are available to the public and can be obtained as set out in note 19.

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. The Company is part of a large group of companies ultimately headed by CLS Holdings plc. The Board of Directors of CLS Holdings plc have assessed the resilience of the Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the Group to continue as a going concern. The Company has the ability to seek alternate funding from within the Group. Thus the Directors 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

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

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 or loss 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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

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.

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. Subsequently they are measured at amortised cost with a recognised loss allowance for expected credit losses which is measured at an amount equal to the lifetime expected credit loss. An impairment provision is created where there is objective evidence that the Company will not be able to collect the receivable in full.

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.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

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

When the Company is a lessee, a right-of-use asset and a lease liability is recognised for all leases except leases with a lease term of less than 12 months or with a low underlying asset value.

When the Company is a lessor, 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.

In relation to financial assets measured at fair value through other comprehensive income, exchange differences on the amortised cost of the financial assets are recognised in profit or loss in the 'interest receivable and similar income or interest payable and similar expenses' line item. Other exchange differences are recognised in other comprehensive income in the fair value reserve. For financial assets measured at fair value through profit and loss, exchange differences are recognised in profit or loss in the 'interest receivable and similar income or interest payable and similar expenses' line item.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Where the Company is a lessor, all leases were previously classified as operating leases therefore no changes have been made to the financial statements for the year to 31 December 2019. As at 31 December 2019, where the Company is a lessee, the Company has applied the modified retrospective approach and has used the following practical expedient:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

No other new accounting standards, amendments to accounting standards or IFRIC interpretations that were effective for the year ended 31 December 2019 have had an impact on the Company.

3 Critical accounting estimates and judgements

The Directors have considered the judgements that have been made in the process of applying the Company's accounting policies, which are described in note 1, and which of those judgements have the most significant effect on amounts recognised in the financial statements.

In the Directors' opinion for the year ended 31 December 2019 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 land, see note 11.

4 Turnover

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

	2019	2018
	£	£
Property related services and trading income	9,872,440	6,739,541
Income from insurance commissions	85,710	134,451
	<u>9,958,150</u>	<u>6,873,992</u>

Geographical market

Revenue arose wholly within the United Kingdom.

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5	Loss for the year	2019	2018
		£	£
	Loss for the year is stated after charging/(crediting):		
	Net foreign exchange losses	45,914	1,823
	Depreciation of tangible fixed assets	647,441	145,854
	Profit on disposal of tangible fixed assets	-	(683)
	Staff costs	6,116,175	5,632,512
		<u>6,116,175</u>	<u>5,632,512</u>

6	Auditor's remuneration	2019	2018
		£	£
	Fees payable to the Company's auditor:		
	For audit services		
	Audit of the Company's financial statements	15,000	15,000
		<u>15,000</u>	<u>15,000</u>

No fees were payable to Deloitte LLP for non-audit services to the Company during the year (2018: nil).

7 Employees

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

	2019	2018
	Number	Number
Administration	56	58
	<u>56</u>	<u>58</u>

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	5,266,523	4,839,005
Social security costs	555,975	521,693
Pension costs	293,677	271,814
	<u>6,116,175</u>	<u>5,632,512</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

	2019	2018
	£	£
Interest income		
Interest on bank deposits	4,408	3,858
	<u>4,408</u>	<u>3,858</u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on lease liabilities	101,125	-

10 Tax on loss

	2019	2018
	£	£
Current tax		
Current year taxation	(33,531)	(23,426)
Deferred tax		
Origination and reversal of temporary differences	(7,095)	170
Total tax credit	(40,626)	(23,256)

The rate of corporation tax for the year beginning 1 January 2019 was 19.00%. The weighted average corporation tax rate for the year ended 31 December 2019 was 19.00% (2018: 19.00%). Deferred tax has been calculated at a rate of 17.00% (2018: 17.00%) and has been based on the rates applicable under legislation substantively enacted at the balance sheet date. Legislation was subsequently enacted on 19 March 2020 to amend the rate of corporation tax to 19.00% from 1 April 2020.

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

	2019	2018
	£	£
Loss before taxation	(107,671)	(843,150)
Expected tax credit based on a corporation tax rate of 19.00% (2018: 19.00%)	(20,457)	(160,199)
Expenses not deductible for tax purposes	13,876	16,657
Adjustment in respect of prior years	(34,880)	120,306
Change in tax rate	835	(20)
Tax credit for the year	(40,626)	(23,256)

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

11 Tangible fixed assets

	Leasehold land	Office fit out	Fixtures and fittings	Computers	Right-of-Use Asset	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	150,000	1,451,936	286,616	387,353	3,373,975	5,649,880
Additions	-	309,521	20,844	42,779	-	373,144
At 31 December 2019	150,000	1,761,457	307,460	430,132	3,373,975	6,023,024
Accumulated depreciation and impairment						
At 1 January 2019	-	47,877	25,031	262,892	-	335,800
Charge for the year	-	164,905	74,760	62,818	344,958	647,441
At 31 December 2019	-	212,782	99,791	325,710	344,958	983,241
Carrying amount						
At 31 December 2019	150,000	1,548,675	207,669	104,422	3,029,017	5,039,783
At 31 December 2018	150,000	1,404,059	261,585	124,461	-	1,940,105

The total cash outflow for leases associated with Right-of-Use-Assets amount to nil due to a rent-free period.

The leasehold land was revalued at 31 December 2019 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 (2018: £147,367).

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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	Share based payments	Total
	£	£	£
Deferred tax asset at 1 January 2018	(37,754)	-	(37,754)
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	8,242	(8,072)	170
Deferred tax asset at 1 January 2019	(29,512)	(8,072)	(37,584)
Deferred tax movements in current year			
Charge/(credit) to profit or loss	85,092	(92,187)	(7,095)
Deferred tax liability/(asset) at 31 December 2019	<u>55,580</u>	<u>(100,259)</u>	<u>(44,679)</u>

	2019 £	2018 £
Deferred tax asset	<u>44,679</u>	<u>37,584</u>

13 Debtors

	Current 2019 £	2018 £
Trade debtors	520	140
Other receivables	65,942	34,583
Amounts due from fellow group undertakings	21,033,929	16,898,083
Prepayments	1,106,787	842,904
	<u>22,207,178</u>	<u>17,775,710</u>

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

14 Lease liabilities

	2019	2018
	£	£
Lease liabilities	3,475,100	-

Analysis of lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£	£
Current liabilities	240,236	-
Non-current liabilities	3,234,864	-
	3,475,100	-

15 Trade and other payables

	Current 2019	2018
	£	£
Trade creditors	127,734	157,497
Amounts due to fellow group undertakings	21,205,128	21,204,975
Accruals	789,833	647,373
Tax and social security	1,609,299	1,124,593
Other creditors	1,693,927	1,463,131
	25,425,921	24,597,569

Payables include a balance of £21,204,988 (2018: £21,204,975) 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% (2018: LIBOR plus a margin of 2.50%).

16 Share capital

	2019	2018
	£	£
Ordinary share capital		
Authorised, issued and fully paid		
2,000,000 ordinary shares of £1 each	2,000,000	2,000,000

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

CLSH MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

17 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, are as follows:

	2019 £	2018 £
Minimum lease payments under operating leases	67,318	520,097

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:

	2019 £	2018 £
Within one year	506,044	74,336
Between two and five years	1,947,489	1,852,236
In over five years	1,787,986	2,019,738
	<u>4,241,519</u>	<u>3,946,310</u>

18 Events after the reporting date

Since the year end, the COVID-19 pandemic has given rise to material economic and financial uncertainties. This is considered to be a non-adjusting post balance sheet event for the Company. The impact has been considered by the Directors as set out on pages 1 and 2.

19 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 2019, 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.