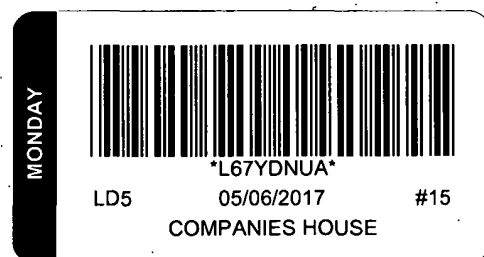


Company Registration No. 02237081 (England and Wales)

CENTRAL LONDON SECURITIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016



CENTRAL LONDON SECURITIES LIMITED

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CENTRAL LONDON SECURITIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their annual report and financial statements for the year ended 31 December 2016.

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

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

Principal activities

The principal activity of the Company continued to be that of an investment business.

On 20 January 2016, the Company transferred its entire shareholding in Great West House Limited, Three Albert Embankment Limited and Vauxhall Square Limited to CLS Holdings Plc for consideration of £85,555,735.

Results and dividends

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

No ordinary dividends were paid. The Directors do not recommend payment of a final dividend (2015: nil).

Directors

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

Mr Henry Klotz
Mr Alain Millet
Mr Fredrik Widlund
Mr Simon Wigzell
Mr John Whiteley

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 2016.

CENTRAL LONDON SECURITIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

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

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually 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 s418 of the Companies Act 2006.

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 political and economic risk.

Political and Economic Risk

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.

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

CENTRAL LONDON SECURITIES LIMITED

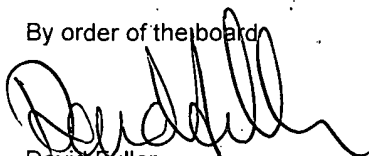
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

By order of the board



David Fuller

Secretary

17 May 2017

CENTRAL LONDON SECURITIES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CENTRAL LONDON SECURITIES LIMITED

We have audited the financial statements of Central London Securities Limited for the year ended 31 December 2016 which comprise the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.

CENTRAL LONDON SECURITIES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CENTRAL LONDON SECURITIES LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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 or from the requirement to prepare a Strategic Report.



Mark Beddy FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
17 May 2017

CENTRAL LONDON SECURITIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Administrative expenses		(3,654)	(3,030)
Other operating income		1,554	-
Operating loss		(2,100)	(3,030)
Interest receivable	5	1,745,054	270
Interest payable		(32,091)	(571,234)
Gain on disposal of investments		63,355,735	-
Profit/(loss) before taxation		65,066,598	(573,994)
Tax on profit/(loss)	6	(342,173)	116,029
Profit/(loss) for the financial year		64,724,425	(457,965)

The income statement and the statement of comprehensive income have been prepared on the basis that all operations are continuing operations.

The notes 1 to 12 form part of these financial statements.

CENTRAL LONDON SECURITIES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 £	2015 £
Profit/(loss) for the year	64,724,425	(457,965)
Other comprehensive income:		
Loss arising during the year on available for sale financial assets	(242)	(245)
Total comprehensive income/(loss) for the year	<u>64,724,183</u>	<u>(458,210)</u>

CENTRAL LONDON SECURITIES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	2015 £
Fixed assets			
Investments	7	3,273	22,203,515
Current assets			
Trade and other receivables	8	68,613,676	183,700
Current tax recoverable		-	116,235
Cash at bank and in hand		1,960	135
		<u>68,615,636</u>	<u>300,070</u>
Creditors: amounts falling due within one year			
Trade and other payables	9	-	(18,951,032)
Current tax payable		(342,173)	-
		<u>(342,173)</u>	<u>(18,951,032)</u>
Net current assets/(liabilities)		<u>68,273,463</u>	<u>(18,650,962)</u>
Total assets less current liabilities		<u>68,276,736</u>	<u>3,552,553</u>
Net assets		<u><u>68,276,736</u></u>	<u><u>3,552,553</u></u>
Equity			
Called up share capital	10	3,512,500	3,512,500
Share premium account	11	12,487,500	12,487,500
Other reserves		(735)	(493)
Retained earnings		52,277,471	(12,446,954)
Total equity		<u><u>68,276,736</u></u>	<u><u>3,552,553</u></u>

The financial statements were approved by the board of directors and authorised for issue on 17 May 2017 and are signed on its behalf by:



Mr John Whiteley
Director

Company Registration No. 02237081

CENTRAL LONDON SECURITIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Share premium account £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2015		3,512,500	12,487,500	(248)	(11,988,989)	4,010,763
Year ended 31 December 2015:						
Loss for the year		-	-	-	(457,965)	(457,965)
Other comprehensive income		-	-	(245)	-	(245)
Balance at 31 December 2015		3,512,500	12,487,500	(493)	(12,446,954)	3,552,553
Year ended 31 December 2016:						
Profit for the year		-	-	-	64,724,425	64,724,425
Other comprehensive income		-	-	(242)	-	(242)
Balance at 31 December 2016		3,512,500	12,487,500	(735)	52,277,471	68,276,736

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

Company information

Central London Securities Limited is a private company limited by shares and incorporated in Great Britain under the Companies Act 2006, and is registered in England. The registered office is 86 Bondway, London, SW8 1SF.

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 financial statements have been prepared on the historical cost basis, except for the revaluation of investments. The principal accounting policies adopted are set out below.

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 12.

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 at 31 December 2016. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1.4 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.

1.5 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.

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

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.

1.6 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.

1.7 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.

1.8 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.

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Accounting policies

(Continued)

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.

2 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 2016 there are no accounting judgements that are material to the financial statements.

3 Auditor's remuneration

	2016	2015
	£	£
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's financial statements	1,800	1,800

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

4 Employees

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

No fees or other emoluments were paid to the Directors of the Company during either the current or preceding year in respect of their services to the Company. The Directors were paid by another entity within the Group.

5 Interest receivable and similar income

	2016	2015
	£	£
Interest income		
Interest receivable from group companies	1,744,763	-
Other interest income	291	270
Total income	1,745,054	270

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

6 Income tax expense

	2016 £	2015 £
Current tax		
Current year taxation	342,173	(116,029)

The rate of corporation tax for the financial years beginning 1 April 2015 and 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 2016 was 20.00% (2015: 20.25%). Deferred tax has been calculated at a rate of 17.00% (2015: 18.00%), being the rate expected to apply in the period when the liability is settled or the asset is realised.

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

	2016 £	2015 £
Profit/(loss) before taxation	65,066,598	(573,994)
Expected tax charge/(credit) based on a corporation tax rate of 20.00% (2015: 20.25%)	13,013,320	(116,234)
Income not taxable	(12,671,147)	-
Deferred tax adjustments in respect of prior years	-	205
Tax charge/(credit) for the year	342,173	(116,029)

7 Investments

	2016 £	2015 £
Investments in subsidiaries	-	22,200,000
Other investments	3,273	3,515
	3,273	22,203,515

On 20 January 2016 the Company transferred its entire shareholding in Great West House Limited (15,000 ordinary shares), Three Albert Embankment Limited (2,000 ordinary shares) and Vauxhall Square Limited (2 ordinary shares) to CLS Holdings plc for consideration of £85,555,735. The transaction was undertaken to facilitate Great West House Limited and Three Albert Embankment Limited in entering into external debt financing facilities.

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

7 Investments (Continued)

Movements in fixed asset investments

	Gilts £	Shares £	Total £
Cost or valuation			
At 1 January 2016	3,515	22,200,000	22,203,515
Valuation changes	(242)	-	(242)
Disposals	-	(22,200,000)	(22,200,000)
At 31 December 2016	3,273	-	3,273
Carrying amount			
At 31 December 2016	3,273	-	3,273
At 31 December 2015	3,515	22,200,000	22,203,515

8 Trade and other receivables

	2016 £	2015 £
Trade debtors	-	1
Other receivables	147,974	183,699
Amounts due from fellow group undertakings	68,465,702	-
	68,613,676	183,700

9 Trade and other payables

	2016 £	2015 £
Amounts due to fellow group undertakings	-	18,951,032

10 Share capital

	2016 £	2015 £
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
3,512,500 ordinary shares of £1 each	3,512,500	3,512,500

CENTRAL LONDON SECURITIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

11 Share premium account

	2016 £	2015 £
At 1 January and 31 December	<u>12,487,500</u>	<u>12,487,500</u>

12 Controlling party

The Directors consider that the immediate and ultimate parent undertaking and ultimate 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 2016, being the largest and only Group into which the Company's financial statements are consolidated. Copies of the Group financial statements are publicly available and may be obtained from The Secretary, CLS Holdings plc, 86 Bondway, London, SW8 1SF.