Company Registration No. 04729592 (England and Wales)

CLS GERMANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

CLS Germany Limited

Report and Financial Statements 2016

Contents

Registered office:

86 Bondway
London
SW8 1SF

CLS Germany Limited

Strategic Report

The principal activity of CLS Germany Limited and its subsidiary undertakings (the "Group") is the investment in commercial property across Germany.

Investment property portfolio

At the start of the year, the Group had a portfolio of 19 investment properties located throughout Germany. During the year, the Group acquired 2 properties.

The Group has contracted rent of €26.1 million per annum which represents a EPRA net initial yield of 5.8%. The properties have a total lettable area of 206,355 sqm and are 63% let to Government departments and major corporations. The weighted average lease length of these properties is 7.2 years, or 7.0 years to the first break and €16.3m of the contracted rent is subject to indexation.

At 31 December 2016 the investment property portfolio was valued at €413.4 million (2015: €347.1 million) with the key movements in the year due to property acquisitions of €48.2 million, capital expenditure of €3.1 million and an upward revaluation of €14.9 million.

Financing

The Group is financed in part by bank loans of €223.7 million which are secured on the freehold properties.

The Group is also financed by term loans from a fellow group undertaking. At 31 December 2016 the Group had drawn €69.1 million (2015: €47.6) of an aggregated €126.1 million facility; interest on this debt is at a floating rate between 2.5% - 6.0% above EURIBOR, and the facilities expire between December 2018 and July 2025.

Results for the year

The results for the year are shown on page 9.

Group revenue for 2016 was €30.2 million (2015: €26.5 million) and Group revenue less costs was €18.8 million (2015: €17.5 million). Investment properties were revalued upwards by €14.9 million (2015: €25.7 million) and finance costs for the year were €5.8 million (2015: €5.8 million). Profit before tax was €28.0 million (2015: €36.8 million).

Outlook

As the Group has secure rental streams and long-term financing in place, the Directors expect the Group to continue to be profitable. The asset management focus will be on renegotiating leases with existing tenants, and in the event of voids arising, on exploring opportunities to refurbish and redevelop the investment property.

Business Strategy

Corporate Objective

To generate returns for the CLS Holdings plc group through the payment of dividends.

Business Model

- Investments are required to make a high cash-on-cash return.
Focus is on cash returns and on high yielding office properties, financed by a cost of debt well below the net initial yield of the properties.

- Invest in modern, high quality, well-let properties in good locations.
Investments are appraised by local property teams and presented at Board level before investment decisions are made. The Group looks to create extra value via developments when letting risk and financing risk have been in large part mitigated.

- Secure long-term finance to reduce risk.
The Group has long term loans from different lenders secured externally at a fixed rate of between 0.8% and 1.7% and which expire between May 2021 and July 2023. Additional finance has been secured in the form of term loans from a fellow group-undertaking at a rate of 2.5% and 6.0% above EURIBOR and which expire between December 2018 and July 2025.

CLS Germany Limited

Strategic Report (continued)

Business Strategy (continued)

- Investments retain a strong core income stream.
The Group seeks customers with strong covenant strength and looks to secure them for extended lease periods. Currently 63% of the Group's contracted rent is derived from Government departments and major corporates and the weighted average lease term is 7.2 years.

- Maintain low vacancy rates.
In-house property managers maintain close links with occupiers to understand their needs, focusing on the quality of service and accommodation for our customers.

Performance against KPI's

Cash-on-cash returns
- Rental growth of over 5% in major cities whereas the cost of debt remains low.

Maintain vacancy rates of below 5.0%
- Low vacancy rate of 1.7%.

Principal Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause the results to differ materially from expected or historical results. The management and mitigation of these risks are the responsibility of the Board.

PROPERTY INVESTMENT RISKS

1 *Risk:* Underperformance of investment portfolio due to cyclical downturn in property market.
Areas of impact: Cash flow, profitability, net asset value, banking covenants.
Mitigation: Senior management has detailed knowledge of core markets and experience gained through many market cycles. This experience is supplemented by external advisors and financial models used in capital allocation decision-making.

2 *Risk:* Changes in supply of space and/or occupier demand.
Areas of impact: Rental income, cash flow, vacancy rate, void running costs, Property values, net asset value.
Mitigation: The Group's investment property is let to Government and major corporations and the weighted-average unexpired lease term is 7.2 years.

3 *Risk:* Poor asset management
Areas of impact: Rental income, cash flow, vacancy rate, void running costs, property values, net asset value.
Mitigation: Property teams proactively manage customers to ensure changing needs are met, and review the current status of all properties weekly. Written reports are submitted on a monthly basis to senior management on, inter alia, vacancies, lease expiry profiles and progress on rent reviews.

SUSTAINABILITY RISKS

1 *Risk:* Increasing building regulation and obsolescence
Areas of impact: Rental income, cash flow, vacancy rate, net asset value, profitability, liquid resources.
Mitigation: Continual assessment of all properties against emerging regulatory changes. Fit-out and refurbishment projects benchmarked against third-party schemes.

2 *Risk:* Increasing energy costs and regulation
Areas of impact: Net asset value, profitability, liquid resources
Mitigation: Investment in energy efficient plant and building mounted renewable energy systems.

CLS Germany Limited

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

FUNDING RISKS

1 *Risk:* Unavailability of financing at acceptable prices
Areas of impact: Cost of borrowing, ability to invest or develop
Mitigation: The Group has a dedicated treasury team and relationships are maintained with the banks thus reducing the credit and liquidity risk.

2 *Risk:* Adverse interest rate movements
Areas of impact: Cost of borrowing, cost of hedging.
Mitigation: The majority of the Group's debt is fixed and exposure to changes in prevailing market rates is limited to a minority of the Group's debt, which is subject to floating rates of EURIBOR plus margins of 2.5% - 6%.

3 *Risk:* Breach of borrowing covenants
Areas of impact: Cost of borrowing
Mitigation: Financial covenants are monitored and regularly reported to the Board.

TAXATION RISK

1 *Risk:* Increases in tax rates or changes to the basis of taxation
Areas of impact: Cash flow, profitability, net asset value
Mitigation: The Group monitors legislative proposals and consults external advisors to understand and mitigate the effects of any such change.

POLITICAL AND ECONOMIC RISK

1 *Risk:* Break-up of the Euro
Areas of impact: Net asset value, Profitability
Mitigation: Euro-denominated resources are kept to a minimum. Euro property assets are largely financed with euro borrowings in the countries in which they are situated.

GOING CONCERN RISK

1 *Risk:* The Group will not have adequate working capital to remain a going concern for the next 12 months
Areas of impact: Pervasive.
Mitigation: The Directors regularly stress-test the business model to ensure the Group has adequate working capital.

Approved by the Board of Directors

On behalf of the board

David Fuller
Secretary
30 June 2017

CLS Germany Limited

Directors' Report

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

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of:

- Review of the business
- Business strategy
- KPI's and performance against KPI's
- Principal risks and uncertainties

Dividends

The results for the year are set out on page 9.

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 John Whiteley
Mr Fredrik Widlund
Mr 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 2016.

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.

CLS Germany Limited

Directors' Report (continued)

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future despite the net current liability position at 31 December 2016. Furthermore, at the balance sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

On behalf of the Board

David Fuller
Secretary
30 June 2017

CLS Germany Limited

Directors' Responsibilities Statement

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

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

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

Independent Auditor's Report to the members of CLS Germany Limited

We have audited the financial statements of CLS Germany Limited for the year ended 31 December 2016 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 24 for the Group and notes 1 to 13 for the Company. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent 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 Group's and of the parent company's affairs as at 31 December 2016 and of the Group's profit and the parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion 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 and the Directors' Report.

In our opinion 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.

Independent Auditor's Report to the members of CLS Germany 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Mark Beddy

Mark Beddy FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom

30 June 2017

CLS Germany Limited

Group Income Statement
for the year ended 31 December 2016

	Notes	2016 €	2015 €
Continuing operations			
Group revenue		30,215,615	26,530,427
Net rental income	3	23,425,423	21,765,529
Administration expenses		(2,941,821)	(2,907,169)
Other expenses		(1,644,202)	(1,362,627)
Group revenue less costs		18,839,400	17,495,733
Net movements on revaluation of investment properties	9	14,908,000	25,665,017
Loss on sale of investment properties		-	(519,458)
Operating profit		33,747,400	42,641,292
Finance income	6	54,826	10,778
Finance costs	7	(5,789,838)	(5,803,513)
Profit before tax	4	28,012,388	36,848,557
Taxation	8	(4,545,458)	(5,151,130)
Profit for the year		23,466,930	31,697,427
Attributable to:			
Owners of the Company		23,278,541	31,559,581
Non-controlling interests		188,389	137,846
Profit for the year		23,466,930	31,697,427

The group income statement 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 and consequently no statement of other comprehensive income is presented.

The notes on pages 13 to 29 are an integral part of these group financial statements.

CLS Germany Limited

Group Balance Sheet
at 31 December 2016

	Notes	2016 €	2015 €
Non-current assets			
Investment properties	9	413,385,000	347,078,000
Property, plant and equipment	10	103,806	108,012
Other financial investments		3,843	5,462
Deferred tax	14	100,000	49,000
		413,592,649	347,240,474
Current assets			
Trade and other receivables	11	2,851,729	1,926,558
Cash and cash equivalents	12	4,632,701	4,440,353
		7,484,430	6,366,911
Total assets		421,077,079	353,607,385
Current liabilities			
Trade and other payables	13	(5,804,923)	(3,644,243)
Current tax		(174,494)	(10,978)
Borrowings	15	(14,014,010)	(72,137,159)
		(19,993,427)	(75,792,380)
Non-current liabilities			
Deferred tax	14	(14,616,000)	(10,597,000)
Derivative financial instruments		(633,029)	(246,777)
Borrowings	15	(278,334,864)	(183,296,011)
		(293,583,893)	(194,139,788)
Total liabilities		(313,577,320)	(269,932,168)
Net assets		107,499,759	83,675,217
Equity			
Share capital	17	147,394	147,394
Share premium	18	60,360,251	60,360,251
Other reserves	19	(4,399,424)	(4,757,036)
Retained earnings		50,920,834	27,642,293
Equity attributable to owners of Company		107,029,055	83,392,902
Non-Controlling interests		470,704	282,315
Total equity		107,499,759	83,675,217

The financial statements of CLS Germany Limited (registered number: 04729592) were approved by the Board of Directors and authorised for issue on 30 June 2017.

Signed on its behalf by:

Mr John Whiteley
Director

The notes on pages 13 to 29 are an integral part of these group financial statements.

CLS Germany Limited

Group Statement of Changes in Equity for the year ended 31 December 2016

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Arising in 2016:							
Total comprehensive income for the year	-	-	357,612	23,278,541	23,636,153	188,389	23,824,542
Total changes arising in 2016	-	-	357,612	23,278,541	23,636,153	188,389	23,824,542
At 1 January 2016	147,394	60,360,251	(4,757,036)	27,642,293	83,392,902	282,315	83,675,217
At 31 December 2016	**147,394**	**60,360,251**	**(4,399,424)**	**50,920,834**	**107,029,055**	**470,704**	**107,499,759**

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Arising in 2015:							
Total comprehensive income for the year	-	-	(3,281,850)	31,559,581	28,277,731	137,846	28,415,577
Issue of share capital	126,076	43,904,961	-	-	44,031,037	-	44,031,037
Total changes arising in 2015	126,076	43,904,961	(3,281,850)	31,559,581	72,308,768	137,846	72,446,614
At 1 January 2015	21,318	16,455,290	(1,475,186)	(3,917,288)	11,084,134	144,469	11,228,603
At 31 December 2015	**147,394**	**60,360,251**	**(4,757,036)**	**27,642,293**	**83,392,902**	**282,315**	**83,675,217**

The notes on pages 13 to 29 are an integral part of these group financial statements.

CLS Germany Limited

Group Statement of Cash Flows
for the year ended 31 December 2016

	Notes	2016 €	2015 €
Cash flows from operating activities			
Cash generated from operations	20	20,118,650	7,002,072
Interest received		356	372
Interest paid		(3,268,053)	(3,528,161)
Income tax paid		(413,942)	(545,699)
Net cash inflow from operating activities		16,437,011	2,928,584
Cash flows from investing activities			
Purchase of investment properties		(48,169,720)	(25,454,844)
Capital expenditure on investment properties		(3,136,876)	(685,509)
Purchases of property, plant and equipment		(16,825)	(3,938)
Proceeds from sale of investment properties		-	3,680,542
Net cash outflow from investing activities		(51,323,421)	(22,463,749)
Cash flows from financing activities			
New loans		123,320,115	94,474,652
Issue costs of new loans		(146,227)	(281,469)
Repayment of loans		(88,492,973)	(71,137,621)
Net cash inflow from financing activities		34,680,915	23,055,562
Cash flow element of net (decrease) / increase in cash and cash equivalents		(205,495)	3,520,397
Foreign exchange gain / (loss)		397,843	(3,271,443)
Net increase in Cash and cash equivalents		192,348	248,954
Cash and cash equivalents at the beginning of the year		4,440,353	4,191,399
Cash and cash equivalents at the end of the year	12	4,632,701	4,440,353

The notes on pages 13 to 29 are an integral part of these group financial statements.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these Group financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group is an investment property group which is principally involved in the investment and management of commercial properties in Germany.

The company is a public Company limited by shares and is registered in England and Wales.

1.1 Basis of preparation

The financial statements have been prepared on a going concern basis as explained in the Directors' Report on page 5 and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, International Financial Reporting Interpretations Committee ("IFRIC") interpretations, and the provisions of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are presented in Euros as that is the currency in which the Group operates.

New standards and interpretations

In the current year, the Group has adopted the following amendment for the first time which has not had a material impact on the results for the year:

- Annual improvements to IFRSs: 2011-2013 cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective. In some cases these standards and guidance have not been endorsed by the European Union:

- IFRS 9 Financial Instruments (2009, 2010 and 2014)
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)
- Equity Method in Separate Financial Statements (Amendments to IAS 27)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Disclosure Initiative (Amendments to IAS 1)
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)
- Disclosure Initiative (Amendments to IAS 7)
- Annual Improvements to IFRSs: 2010-2012 Cycle
- Annual Improvements to IFRSs: 2012-2014 Cycle

These pronouncements, when applied, either will result in changes to presentation and disclosure, or are not expected to have a material impact on the financial statements. In respect of IFRS 15, the Group's contracts with customers are all within the scope of IAS 17.

1.2 Subsidiary undertakings

Subsidiary undertakings are those entities controlled by the Group. Control is assumed when the Group has the power to govern the financial and operating policies of an entity or business to benefit from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group until the date control ceases. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1. **Significant accounting policies (continued)**

1.2 Subsidiary undertakings (continued)

Subsidiary Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values, at the date of completion, of assets acquired and liabilities assumed. Acquisition-related costs are recognised in the group income statement as incurred.

1.3 Investment properties

Investment properties are those properties held for long-term rental yields or for capital appreciation or both. Investment properties are measured initially at cost, including related transaction costs. Additions to investment properties comprise costs of a capital nature. The acquisition of an investment property is recognised when the risks and rewards of ownership have been transferred to the Group, typically on unconditional exchange of contracts or when legal title passes.

Investment properties are carried at fair value, based on market value as determined by professional external valuers at the balance sheet date. Changes in fair values are recognised in profit before tax.

Profit on sale of an investment property is recognised when the risks and rewards of ownership have been transferred to the buyer, typically on unconditional exchange of contracts or when legal title passes.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any recognised impairment loss.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost less estimated residual values over the estimated useful lives, as follows:

Fixture and fittings	4 – 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the profit before tax.

1.5 Foreign currency

(i) Foreign currency translation

Transactions in foreign currencies are translated into euro 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 euro at the exchange rate ruling at that date, and differences arising on translation are recognised in profit before tax

(ii) Consolidation of foreign entities

The results and financial position of all Group entities which have a functional currency different from euro are translated as follows:

(a) assets and liabilities are translated at the closing rate at the date of the balance sheet

(b) income and expenses are translated at the average exchange rates; and

(c) all resulting exchange differences are recognised directly in equity in the cumulative translation reserve

1.6 Financial instruments

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on 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. **Significant accounting policies (continued)**

1.6 Financial instruments (continued)

(ii) Trade and other receivables and payables

Trade and other receivables are recognised initially at fair value. An impairment provision is created where there is objective evidence that the Group will not be able to collect the receivable in full. Trade and other payables are stated at cost, which equates to fair value.

(iii) Borrowings

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit before tax over the period of the borrowings, using the effective interest rate method.

(iii) Derivative financial instruments

The Group uses derivative financial instruments, including swaps and interest rate caps, to help manage its interest rate and foreign exchange rate risk. Derivative financial instruments are recorded, and subsequently revalued, at fair value. Revaluation gains and losses are recognised in profit before tax, except for derivatives which qualify as effective cash flow hedges, the gains and losses relating to which are recognised in other comprehensive income.

1.7 Revenue

(i) Rental income

Rental income from operating leases is recognised on a straight-line basis over the lease term. The cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

(ii) Service charge income

Service charge income is recognised on a gross basis in the accounting period in which the services are rendered.

1.8 Income 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 is provided using the balance sheet liability method on temporary differences between the carrying value of assets and liabilities for financial reporting purposes and the values used for tax purposes. Temporary differences are not provided for when they arise from initial recognition of goodwill or from the initial recognition of assets and liabilities in a transaction that does not affect accounting or taxable profit.

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, in the tax jurisdiction in which the temporary differences arise. 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 also recognised in other comprehensive income, in which case the deferred tax is also 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 they relate to income taxes levied by the same taxation authority, there is a legally enforceable right of set-off and the Group intends to settle its current tax assets and liabilities on a net basis.

2. **Critical accounting judgements and key sources of estimation uncertainty**

In accordance with IAS 1, the Directors have considered the judgements that have been made in the process of applying the Group'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.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty properties

The Group uses the valuations performed by its independent external valuers as the fair value of its investment properties. 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.

3. Segment information

The Group has a single operating segment as all income is derived from its investment properties within Germany. The majority of the investment property portfolio is let to government departments and major corporations.

	2016 €	2015 €
Rental income	24,606,804	21,920,439
Other property related income	1,650	34,228
Service charge income	5,607,161	4,575,760
Service charges and similar expenses	(6,790,192)	(4,764,898)
Net rental income	23,425,423	21,765,529

4. Profit for the year

Profit for the year has been arrived at after charging:	2016 €	2015 €
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the group accounts	36,600	35,900
Depreciation of property, plant and equipment (note 10)	21,031	23,086
Employee benefits expense (note 5)	963,711	976,751

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

5. Employee benefits expense

None of the Directors received any emoluments during the year in respect of services as Directors to the Group (2015: €nil). The emoluments of the Directors of the Group, who are also Directors of the CLS Holdings plc Group, are disclosed in that Group's financial statements in respect of their services to the CLS Holdings plc Group as a whole.

The monthly average number of employees of the Group in continuing operations was 11 (2015: 10)

	2016 €	2015 €
Wages and Salaries	885,093	706,652
Social security costs	(5,913)	54,643
Other employee-related expenses	84,531	215,456
	963,711	976,751

CLS Germany Limited

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31 December 2016

6. Finance income

	2016	2015
	€	€
Interest income	356	372
Interest on amounts due from group undertakings	14,239	-
Foreign exchange variances	40,231	10,406
	54,826	10,778

7. Finance expense

	2016	2015
	€	€
Interest expense on bank loans	3,164,821	3,484,966
Amortisation of loan issue costs	168,616	204,207
Movement in fair value of interest rate swaps	3,976	20,561
Movement in fair value of interest rate caps	386,252	(256,177)
On amounts owed to group undertakings	2,066,173	2,349,956
	5,789,838	5,803,513

8. Taxation

	2016	2015
	€	€
Current tax charge	577,458	332,312
Deferred tax charge (note 14)	3,968,000	4,818,818
	4,545,458	5,151,130

The charge for the year differs from the theoretical amount which would arise using the weighted average tax rate applicable to profits and losses of group companies as follows:

	2016	2015
	€	€
Profit before tax	28,012,388	36,848,557
Tax calculated at applicable tax rate	4,434,361	5,831,284
Adjustment in respect of prior periods	(34,911)	-
Losses not recognised	240,744	(736,493)
Non-taxable income	(94,736)	-
Non-deductible expense	-	56,339
Tax charge for the year	4,545,458	5,151,130

The weighted average applicable tax rate for the year was 15.825% (2015: 15.825%).

9. Investment properties

	€
At 1 January 2016	347,078,000
Acquisitions	48,169,720
Capital expenditure	3,136,876
Net movement on revaluation of investment properties	14,908,000
Rent-free period debtor adjustments	92,404
At 31 December 2016	413,385,000

The investment properties were revalued at 31 December 2016 to their fair value. Valuations were based on current prices in an active market for all properties. The property valuations were carried out by Cushman and Wakefield who are external, professionally qualified valuers.

Property valuations are complex and require a degree of judgement and are based on data which is not publicly available. We have classified the valuations of our property portfolio as level 3 as defined by IFRS 13. In addition to note 1.3, inputs into the valuations include equivalent yields and rental income and are described as 'unobservable' as per 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.

Investment properties do not include any leasehold properties.

When the Group leases out an investment property under operating leases the duration is typically three years or more. No contingent rents have been recognised in either the current or the comparative year.

All investment properties are secured against debt.

10. Property, plant and equipment

	€
Cost	
At 1 January 2016	268,968
Additions	16,825
At 31 December 2016	285,793

	€
Accumulated depreciation	
At 1 January 2016	(160,956)
Depreciation charge	(21,031)
At 31 December 2016	(181,987)

Net book value	
At 31 December 2016	103,806
At 31 December 2015	108,012

11. Trade and other receivables

	2016 €	2015 €
Trade receivables	494,438	-
Prepayments	-	1,360
Accrued income	407,242	118,294
Other debtors	709,783	33,445
Social security and other taxes	66,711	-
Amounts due from group undertakings	1,173,555	1,773,459
	2,851,729	1,926,558

At 31 December 2016 the Directors do not consider the Group to be exposed to a significant credit risk as the majority of the portfolio is let to Government departments and major corporations.

There were no material trade and other receivables classified as past due but not impaired (2015: €nil).

No trade and other receivables were due after more than one year (2015: €nil).

12. Cash and cash equivalents

	2016 €	2015 €
Cash at bank and in hand	4,632,701	4,440,353

At 31 December 2016, Group cash at bank and in hand included €395,979 (2015: €436,603) which was restricted by a third-party charge.

13. Trade and other payables

	2016 €	2015 €
Trade payables	758,034	358,514
Social security and other taxes	-	44,412
Accruals	2,798,807	1,622,002
Amounts due to group undertakings	2,248,082	1,619,315
	5,804,923	3,644,243

The Directors consider that the carrying amount of trade payables approximates to their fair value.

14. Deferred tax

	2016 €	2015 €
Deferred tax assets		
- after more than 12 months	(100,000)	(49,000)
Deferred tax liabilities		
- after more than 12 months	14,616,000	10,597,000
Net deferred tax liability	14,516,000	10,548,000

The movement in deferred tax was as follows:

	2016 €	2015 €
At 1 January	10,548,000	5,728,000
Charged in arriving at profit after tax	3,968,000	4,820,000
At 31 December	14,516,000	10,548,000

Deferred tax assets	**Fair value adjustment to interest rate swaps €**
At 1 January 2016	(49,000)
Credited in arriving at profit after tax	(51,000)
At 31 December 2016	(100,000)

Deferred tax assets	**Fair value adjustment to interest rate swaps €**
At 1 January 2015	(80,000)
Charged in arriving at loss after tax	31,000
At 31 December 2015	(49,000)

14. Deferred tax (continued)

Deferred tax liabilities	Capital allowances €	Fair value adjustment to investment properties €	Total €
At 1 January 2016	266,000	10,331,000	10,597,000
Charged in arriving at profit after tax	32,000	3,987,000	4,019,000
At 31 December 2016	298,000	14,318,000	14,616,000

Deferred tax liabilities	Capital allowances €	Fair value adjustment to investment properties €	Total €
At 1 January 2015	64,000	5,744,000	5,808,000
Charged in arriving at loss after tax	202,000	4,587,000	4,789,000
At 31 December 2015	266,000	10,331,000	10,597,000

15. Borrowings

At 31 December 2016	Current €	Non-current €	Total €
Bank loans	14,014,010	209,239,583	223,253,593
Intra-group loans	-	69,095,281	69,095,281
	14,014,010	278,334,864	292,348,874

At 31 December 2015	Current €	Non-current €	Total €
Bank loans	71,953,231	135,871,752	207,824,983
Intra-group loans	183,928	47,424,259	47,608,187
	72,137,159	183,296,011	255,433,170

Arrangement fees of €455,971 (2015: €478,360) have been offset in arriving at the balances above.

Bank loans

Interest on bank loans is charged at fixed rates ranging between 0.8% and 1.7% (2015 1.4% and 1.7%). All bank loans are secured by legal charges over the respective properties and in most cases a floating charge over the remainder of the assets held in the company which owns the property. In addition, the share capital of some of the subsidiaries within the Group has been charged.

15. Borrowings (continued)

Intra-group loans

Interest on intra-group loans is charged at floating rates of EURIBOR plus a margin ranging between 2.5% and 6.0% (2015: EURIBOR plus a margin ranging between 2.5% and 6.0%).

Loan covenants

There were no covenant breaches at 31 December 2016 or 31 December 2015.

The maturity profile of the carrying amount of the Group's borrowings was as follows:

	Intra–group loans	**Bank Loans**	**Total**
At 31 December 2016	**€**	**€**	**€**
Within one year or on demand	-	14,129,288	14,129,288
More than one year but not more than two years	6,169,229	54,681,007	60,850,236
More than two but not more than five years	36,266,976	55,989,267	92,256,243
More than five years	26,659,076	98,910,002	125,569,078
	69,095,281	223,709,564	292,804,845
Unamortised issue costs	-	(455,971)	(455,971)
Borrowings	69,095,281	223,253,593	292,348,874
Less amounts due for settlement within 12 months	-	(14,014,010)	(14,014,010)
Amounts due for settlement after 12 months	69,095,281	209,239,583	278,334,864

	Intra–group loans	Bank loans	Total
At 31 December 2015	€	€	€
Within one year or on demand	183,928	72,085,190	72,269,118
More than one year but not more than two years	-	12,819,070	12,819,070
More than two but not more than five years	21,773,559	53,210,409	74,983,968
More than five years	25,650,700	70,188,674	95,839,374
	47,608,187	208,303,343	255,911,530
Unamortised issue costs	-	(478,360)	(478,360)
Borrowings	47,608,187	207,824,983	255,433,170
Less amounts due for settlement within 12 months	(183,928)	(71,953,231)	(72,137,159)
Amounts due for settlement after 12 months	47,424,259	135,871,752	183,296,011

15. Borrowings (continued)

The interest rate risk profile of the Group's fixed rate borrowings was as follows:

	2016		2015	
	Weighted average interest rate (%)	Weighted average period (years)	Weighted average interest rate (%)	Weighted average period (years)
Fixed rate borrowings	1.3	5.7	1.6	6.5

The interest rate risk profile of the Group's floating rate borrowings was as follows:

	2016		2015	
	Average capped interest rate %	Average tenure years	Average capped interest rate %	Average tenure years
Floating rate borrowings	3.3	1.0	2.9	1.0

The percentage of net floating rate loans capped was 10.5% (2015: 33.3%)

The carrying amounts and fair values of the Group's borrowings were as follows:

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	€	€	€	€
Floating rate borrowings	69,095,281	47,608,187	69,095,281	47,608,187
Fixed rate borrowings	223,253,593	207,824,983	225,420,674	209,327,536
	292,348,874	255,433,170	294,515,955	256,935,723

The valuation methods used to measure the fair values of the Group's borrowings were derived from inputs were either observable as prices or derived from prices (Level 2).

Arrangement fees of €455,971 (2015: €478,360) have been offset in arriving at the balances in the above table.

The fair value of non-current borrowings represents the amount at which a financial instrument could be exchanged at an arms length transaction between informed and willing parties, discounted at the prevailing market rate, and excludes accrued interest.

The Group had the following undrawn committed facilities available from group companies at 31 December:

	2016	2015
	€	€
Floating rate: expiring after one year	57,005,000	78,492,000

16. Financial instruments

Categories of financial instruments

Financial assets of the Group comprise; interest rate caps, trade and other receivables, intra-group loans, current tax assets, and cash and cash equivalents.

Financial liabilities of the Group comprise; interest rate swaps, bank loans, trade and other payables and intra-group loans.

The fair values of interest rates swaps and caps are measured at the present value of future cash flows based on applicable yield curves derived from quoted interest rates.

Except for fixed rate loans, the carrying amounts of all financial assets and liabilities recorded at amortised costs approximate to their fair value.

Capital risk management

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity balances. The capital structure of the Group consists of debt, cash and cash equivalents, and equity attributable to the owners of the parent, comprising issued capital, reserves and retained earnings. Management perform "stress tests" of the Group's business model to ensure that the Group's objectives can be met. The objectives have been met in the year.

The Directors regularly review the capital structure to ensure that key strategic goals are being achieved. As part of this review they consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2016	2015
	€	€
Debt	292,804,845	255,911,530
Cash and cash equivalents	(4,632,701)	(4,440,353)
Net debt	288,172,144	251,471,177
Equity	107,594,759	83,675,217
Net debt to equity ratio	267.8%	300.5%

Debt is defined as interest bearing long and short-term borrowings before unamortised issue costs as detailed in note 15. Equity includes all capital and reserves of the Group attributable to the owners of the Company.

Externally imposed capital requirement

The Group was subject to externally imposed capital requirements to the extent that debt covenants may require it to maintain required ratios of debt to equity and interest cover.

Risk management objectives

The Group's activities expose it to a variety of financial risks, which can be grouped as:

• market risk
• credit risk
• liquidity risk

The Group's overall risk management approach seeks to minimise potential adverse effects on the Group's financial performance whilst maintaining flexibility.

Risk management is carried out by the Board of Directors. The Board regularly assesses and reviews the financial risks and exposures of the Group.

16. Financial instruments (continued)

(a) Market risk / Interest rate risk

The Group's activities expose it primarily to the financial risks of changes in interest rates.

The Group's interest rate risk arises from its long-term variable rate borrowings. Interest rate risk is regularly monitored by the Board. The Board's policy is to mitigate variable interest rate exposure whilst maintaining the flexibility to borrow at the best rates and with consideration to potential penalties..

To manage its exposure the Group is able to use a range of hedging strategies including interest rate swaps, and interest rate caps. In assessing risk, a range of scenarios is taken into consideration such as refinancing, renewal of existing positions and alternative financing and hedging. Under these scenarios, the Group calculates the impact on the group income statement for a defined movement in the underlying interest rate. The impact of a reasonably likely movement in interest rates is set out below:

Scenario	2016 €	2015 €
Variable borrowings +50 basis points	(601,648)	(657,547)
Variable borrowings -50 basis points	-	-

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from the ability of customers to meet outstanding receivables and future lease commitments, and from financial institutions with which the Group places cash and cash equivalents. The maximum exposure to credit risk is partly represented by the carrying amounts of the financial assets which are carried in the balance sheet. For credit exposure other than to occupiers, the Directors believe that counterparty risk is minimised to the fullest extent possible as the Group has policies which limit the amount of credit exposure to any individual financial institution.

The Group has policies in place to ensure that rental contracts are made with customers with an appropriate credit history. Credit risk to customers is assessed by a process of internal and external credit review, and is reduced by obtaining bank guarantees from the customer or its parent, and rental deposits. The overall credit risk in relation to customers is monitored on an ongoing basis. Moreover, a proportion of the Group's portfolio is let to Government occupiers which can be considered financially secure.

(c) Liquidity risk

Liquidity risk management requires maintaining sufficient cash, other liquid assets and the availability of funding to meet short, medium and long-term requirements. Management monitors rolling forecasts of the Group's liquidity on the basis of expected cash flows so that future requirements can be managed effectively.

16. Financial instruments (continued)

(c) Liquidity risk (continued)

Loan covenant compliance is closely monitored. Potential covenant breaches can ordinarily be avoided by placing additional security or a cash deposit with the lender or by partial repayment before an event of default takes place. There were no potential loan-to-value covenant breaches at 31 December 2016.

The table below analyses the Group's contractual undiscounted cash flows payable under financial liabilities and derivative assets and liabilities at the balance sheet date, into relevant maturity groupings based on the period remaining to the contractual maturity date. Amounts due within one year are equivalent to the carrying values in the balance sheet as the impact of discounting is not significant.

At 31 December 2016	**Less than one year** €	**One to two years** €	**Two to five years** €	**Over five years** €
Financial liabilities:				
Trade and other payables	5,804,923	-	-	-
Borrowings	14,129,288	60,850,236	92,256,243	125,569,078
Interest payments on borrowings †	2,930,000	2,974,000	2,914,000	2,859,000
	22,864,211	63,824,236	95,170,243	128,428,078

At 31 December 2015	**Less than one year** €	**One to two years** €	**Two to five years** €	**Over five years** €
Financial liabilities:				
Trade and other payables	2,215,214	-	-	-
Borrowings	72,269,118	12,819,070	74,983,968	95,839,374
Interest payments on borrowings †	2,343,000	2,381,000	2,432,000	2,860,000
	76,827,332	15,200,070	77,415,968	98,699,374

†Interest payments on borrowings are calculated without taking into account future events. Floating rate interest is estimated using a future interest rate curve as at 31 December.

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31 December 2016

17. Share capital

	2016 Ordinary shares in circulation Number	2016 Ordinary shares in circulation €	2015 Ordinary shares in circulation Number	2015 Ordinary shares in circulation €
At 1 January	109,850	147,394	18,318	21,318
Issued	-	-	91,532	126,076
At 31 December	109,850	147,394	109,850	147,394

Ordinary shares have a nominal value of £1 each.

18. Share premium

	2016 €	2015 €
At 1 January	60,360,251	16,455,290
Issued	-	43,904,961
At 31 December	60,360,251	60,360,251

19. Other reserves

	Cumulative translation reserve €	Total €
At 1 January 2016	(4,757,036)	(4,757,036)
Exchange rate variances	357,612	357,612
At 31 December 2016	(4,399,424)	(4,399,424)

	Cumulative translation reserve €	Total €
At 1 January 2015	(1,475,186)	(1,475,186)
Exchange rate variances	(3,281,850)	(3,281,850)
At 31 December 2015	(4,757,036)	(4,757,036)

20. Cash generated from operations

	2016 €	2015 €
Operating profit	33,747,400	42,641,292
Adjustments for:		
Net movements on revaluation of investment properties	(14,908,000)	(25,665,020)
Depreciation and amortisation	21,031	23,086
Loss on disposal of Investment Property	-	519,458
Non-cash rental income	(92,404)	(42,631)
Changes in working capital:		
Increase in debtors	(844,221)	(1,625,154)
(Decrease) / increase in creditors	2,194,844	(8,848,959)
Cash generated from operations	20,118,650	7,002,072

21. Commitments

At the balance sheet date the Group had contracted with customers for the following future minimum lease payments:

Operating lease commitments – where the Group is the lessor	2016 €	2015 €
Within one year	24,572,189	23,595,331
More than one but not more than five years	71,190,145	73,208,511
More than five years	71,063,124	79,554,413
	166,825,458	176,358,255

22. Subsidiaries

The Group financial statements include the financial statements of CLS Germany Limited and all of its subsidiaries, which are listed below. All are 100% owned unless otherwise stated:

Germany

Registered Office: Brodschrangen 4, D-20457 Hamburg

CLS Germany Management GmbH

Jarrestrasse Immobilien GmbH (90%)

Luxembourg

Registered Office: 55 Avenue de la Gare, L-1611 Luxembourg

Adlershofer Sàrl	Freepost Sàrl	Naropere Sàrl
Cavernet Sàrl	Frohbösestrasse Sàrl	Prater Sàrl
Chronotron Sàrl	Garivet Sàrl	Salisbury Hill Sàrl
CLS Investments Sàrl	Grossglockner Sàrl	Satimood Sàrl
CLS Luxembourg Sàrl	Haydn Sàrl	Schönbrunn Sàrl
CLS Palisade Sàrl	Kapellen Sàrl	St Stephan Sàrl
CLS Tangentis Sàrl	Lipizzaner Sàrl	Zillertal Sàrl

The principal activity of these subsidiaries is property investment.

23. Related party transactions

The Group is part of the CLS Holdings plc group and incurs expenses from, and retains balances with, other subsidiaries within this group.

At 31 December 2016, the Group owed NYK Investments Limited €169,095,281 (2015: €47,608,187) under facilities which are due for repayment between December 2018 and July 2025. Interest is charged on these loans at a rate of EURIBOR plus a margin of between 2.5% - 6.0%. For the year ended 31 December 2016 a total of €2,013,411 (2015: €2,285,760) in interest relating to this loan was charged to the Group's income statement. At 31 December 2016 interest charges of €137,526 (2015: €167,411) were outstanding in the Group's balance sheet.

At 31 December 2016, the Group owed CLS Holdings plc €1,070,853 (2015: €354,448) and CLSH Management Limited €888,734 (2015: €1,094,069) in relation to management charges for the year. No interest is charged on these balances. For the year ended 31 December 2016 a total of €1,224,526 (2015: €948,199) in management charges was charged to the Group's income statement.

At 31 December 2016, the Group was owed €1,014,348 (2015: €1,656,661) by NYK Investments Limited. Interest is charged at a rate of EURIBOR plus a margin of between 2.25% (2015: No interest was charged). For the year ended 31 December 2016 a total of €14,239 (2015: €nil) in interest relating to these balances was included in the Group's income statement.

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24. Post-Balance Sheet Events

Aquisitions

On 19 May 2017, the Group acquired a multi-let office property in Perlach, in the south-east of Munich, Germany, for €15.3 million.

On 30 May 2017 the Group exchanged contracts to acquire a multi-let office property in Dortmund, Germany, for €35.6 million.

On 14 June, the Group exchanged contracts to acquire a portfolio of twelve properties in Germany for a gross asset value of €152.2 million.

Disposals

On 23 March 2017, the Group exchanged contracts to sell the E.ON Allee office campus in Landshut for €30.2 million.

CLS Germany Limited

Company Balance Sheet at 31 December 2016

	Notes	2016 €	2015 €
Fixed assets			
Investments	6	53,353,687	61,723,179
Current assets			
Trade and other receivables	7	66,043	81
Corporation tax recoverable		3,815	6,224
Cash and cash equivalents		1,581	737
		71,439	7,042
Current liabilities			
Trade and other payables	8	(816,779)	(967,516)
Net current liabilities		(745,340)	(960,474)
Total assets less current liabilities		52,608,347	60,762,705
Net assets		52,608,347	60,762,705
Equity			
Share capital	9	147,394	147,394
Share premium	10	60,360,251	60,360,251
Other reserves	11	(6,389,364)	1,739,272
Retained earnings	12	(1,509,934)	(1,484,212)
Total equity		52,608,347	60,762,705

The Company reported a loss for the financial year ended 31 December 2016 of £25,722 (2015: £190,993).

These financial statements of CLS Germany Limited (registered number: 04729592) were approved by the Board of Directors and authorised for issue on 30 June 2017 and were signed on its behalf by:

Mr John Whiteley

Director

CLS Germany Limited

Company Statement of Changes in Equity at 31 December 2016

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Arising in 2016:					
Total comprehensive income for the year	-	-	(8,128,636)	(25,722)	(8,154,358)
Total changes arising in 2016	-	-	(8,128,636)	(25,722)	(8,154,358)
At 1 January 2016	147,394	60,360,251	1,739,272	(1,484,212)	60,762,705
At 31 December 2016	**147,394**	**60,360,251**	**(6,389,364)**	**(1,509,934)**	**52,608,347**

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Arising in 2015:					
Total comprehensive income for the year	-	-	(25,123)	(190,993)	(216,116)
Issue of share capital	126,076	43,904,961	-	-	44,031,037
Total changes arising in 2015	126,076	43,904,961	(25,123)	(190,993)	43,814,921
At 1 January 2015	21,318	16,455,290	1,764,395	(1,293,219)	16,947,784
At 31 December 2015	**147,394**	**60,360,251**	**1,739,272**	**(1,484,212)**	**60,762,705**

The notes on pages 32 to 34 are an integral part of these financial statements.

CLS Germany Limited

Notes to the Company Financial Statements
31 December 2016

1. General information

These separate financial statements are presented as required by the Companies Act 2006 and prepared on the historical cost basis.

The Company has applied UK GAAP Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS 101") as issued by the FRC.

CLS Holdings plc is the ultimate parent company of the CLS Germany Limited and its primary activity (which occurs exclusively within the United Kingdom) is to hold shares in subsidiary companies.

2. Basis of accounting information

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

3. Significant accounting policies

The principal accounting policies are summarised below.

3.1 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 despite the net current liability position at 31 December 2016. Furthermore, at the balance sheet date, the Company has net assets which are expected to generate positive cash flows in addition to the ability to seek alternate funding from within the Group of the Parent Company. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3.2 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment. Dividend income is recognised when received.

3.3 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Where a Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and are included in equity attributable to the owners of the Company.

3.3 Foreign currencies

The financial statements are presented in sterling, which is the currency of the primary economic environment in which the Company operates, known as its functional currency. Transactions in currencies other than the Company's functional currency are recognised at the rates of exchange prevailing at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in other currencies are translated into Euro at the rates prevailing at that date.

4. Loss for the financial year

As permitted by s408 Companies Act 2006, the Company's profit and loss account has not been presented in these financial statements. The Company's retained loss for the financial year was €25,722 (2015: loss of €190,993).

Audit fees for the Company were €2,938 (2016: €3,306).

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

5. Employee benefits expense

None of the Directors received any emoluments during the year in respect of services as Directors to the Company (2015: £nil). The emoluments of the Directors of the Company, who are also Directors of the CLS Holdings plc Group, are disclosed in that Group's financial statements in respect of their services to the CLS Holdings plc Group as a whole.

The Directors are considered to be key management of the Company.

The Company had no employees (2015: none) during the year.

6. Investment in subsidiary undertakings

	2016 €	2015 €
Investment in subsidiaries	53,349,844	61,717,734
Gilts	3,843	5,445
	53,353,687	61,723,179

The subsidiary of the Company is 100% owned and is listed below:

Luxembourg

Registered Office: 55 Avenue de la Gare, L-1611 Luxembourg

CLS Luxembourg Sàrl

The investments in subsidiary undertakings were reviewed for any indications of impairment. No impairment was required in the year to 31 December 2016 (2015: none).

Please refer to note 22 of the Group financial statements for a list of all indirect shareholdings.

7. Trade and other receivables

	2016 €	2015 €
Prepayments and accrued income	94	81
Amounts owed by group undertakings	65,949	-
	66,043	81

8. Trade and other payables

	2016 €	2015 €
Amounts due to group undertakings	816,779	967,516

9. Share capital

	2016 Ordinary shares in circulation Number	2016 Ordinary shares in circulation €	2015 Ordinary shares in circulation Number	2015 Ordinary shares in circulation €
At 1 January	109,850	147,394	18,318	21,318
Issued	-	-	91,532	126,076
At 31 December	109,850	147,394	109,850	147,394

Ordinary shares have a nominal value of £1 each.

10. Share premium

	2016 €	2015 €
At 1 January	60,360,251	16,455,290
Issued	-	43,904,961
At 31 December	60,360,251	60,360,251

11. Other reserves (Cumulative translation reserve)

	2016 €	2015 €
At 1 January	1,739,272	1,764,395
Exchange rate variances	(8,128,636)	(25,123)
At 31 December	(6,389,364)	1,739,272

12. Retained earnings

	2016 €	2015 €
At 1 January	(1,484,212)	(1,293,219)
Loss for the financial year	(25,722)	(190,993)
At 31 December	(1,509,934)	(1,484,212)

13. Parent undertaking

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.