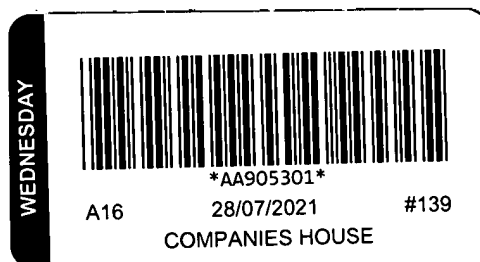


Company Registration No. 03358043 (England and Wales)

CITADEL HOLDINGS PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



Citadel Holdings plc

Report and Financial Statements 2020

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Registered office:

16 Tinworth Street
London
SE11 5AL

Citadel Holdings plc

Strategic Report

The principal activity of Citadel Holdings plc and its subsidiary undertakings (the "Group") is the investment in commercial property across France.

Investment property portfolio

The French economy and GDP fell by 8% in 2020 and is forecast to expand by 6% in 2021. As a result of the second national lockdown in November, the forecast for economic growth is a gradual improvement as the vaccine is rolled out across the population. Temporary emergency measures and the medium-term recovery plan announced by the French government provide strong fiscal support, balancing measures on the supply and demand sides. Investment volumes in 2020 was relatively stable at €23 billion, which is in-line with long-term averages, but below the record level in 2019 of €36 billion. However, letting activity was substantially down at 1.3 million sqm (2019: 2.7 million sqm).

Fractional ownership of buildings is especially common in Lyon and our strategy is to wholly own all our buildings at the right price. In September 2020, to increase our ownership in Rhône-Alpes in Lyon, we completed the acquisition of an extra floor of 1,722 sq. ft (160 sqm) for €0.6 million at a net initial yield of 4.9%. In the same vein, in December 2020, we acquired two additional floors in Park Avenue in Lyon-Villeurbanne. The purchase for €3.3 million was of 10,301 sq. ft (957 sqm) of offices which are single-let with a net initial yield of 4.7%. This acquisition allows us to own 100% of the building.

The disposal of Foch in Paris for €0.9 million, which exchanged in December 2019, completed in February 2020.

The vacancy rate in France increased to 5.1% (2019: 3.1%) from the impact of Covid-19 and the resulting reduced letting activity. In 2020, we let or renewed leases on 121,146 sq. ft (11,255 sqm) and lost 180,034 sq. ft (17,315 sqm) of space from expiries or new vacancies. Excluding those arising from contractual indexation uplifts, 28 rent reviews, lease extensions and new leases added €2.6 million of rent at 31 December 2020 ERVs. On a like-for-like basis, ERVs was up 0.2%.

A series of important refurbishments took place in 2020 and will be continued in 2021 to upgrade our buildings such as the refurbishment of Park Avenue which is now ongoing after we secured full ownership. Sustainability is a priority for the Group and in 2020, 14 assets achieved successfully BIU certification and the co-owned assets in Lyon will shortly be assessed. In 2021, we are also targeting to install smart meters across all the French property portfolio ensuring compliance with the new French regulation "Décret Tertiaire" and energy audits will also be undertaken to identify energy efficiency and carbon reduction opportunities.

The French portfolio was valued at €346.3 million at the year end, split between net acquisitions of €3.4 million, capital expenditure of €4.7 million and a valuation uplift of €0.9 million. The valuation uplift represents a 0.3% year-on-year valuation increase in local currency (like-for-like 0.6%). A significant uplift (12.4% in local currency or €2.1 million) was achieved for our sole central Parisian building "Petits-Hôtels" due to the completion of a new nine-year lease above previous rent. The valuation increase drove a reduction in the net initial yield to 4.7% (2019: 5.2%).

Financing

The Group is financed in part by bank loans of €157.1 million (2019: €161.6 million) which are secured on the freehold properties.

The Group is also financed by term loans from fellow group undertakings and as at 31 December 2020 the Group had drawn €0.4 million (2019: €0.4 million) on these facilities. Interest on this debt is charged at a floating rate of EURIBOR plus a margin of 3%.

Results for the year

The results for the year are shown on page 12.

Group revenue for 2020 was €23.4 million (2019: €24.8 million) and Group revenue less costs was €12.3 million (2019: €14.3 million). Investment properties were revalued upwards by €0.6 million (2019: €11.4 million) and finance costs for the year were €3.1 million (2019: €3.2 million). Profit before tax was €14.5 million (2019: €34.5 million).

Citadel Holdings plc

Strategic Report (continued)

Outlook

As the Group has secure rental streams and long-term financing in place, the Directors expect it 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 to the boards of the investing entities for investment decisions to be 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 1.32% and 1.92% and which expire between June 2021 and March 2026. Additional finance has been secured in the form of term loans from fellow group-undertakings at a rate of EURIBOR plus a margin of 3.00%.

- Investments retain a strong core income stream.

The Group seeks customers with strong covenant strength and looks to secure them for extended lease periods. The majority of the Group's contracted rent is derived from Government departments and major corporates and the weighted average lease term is 5.16 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

- The properties yield 5.3% which will rise as the vacancies are relet, whereas the cost of debt is 4.2%.

Maintain vacancy rates of below 5.0%

- The vacancy rate at 31 December 2020 was 5.1% which was above target.

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.

Citadel Holdings plc

Strategic Report (continued)

Principal Risks and Uncertainties (continued)

- 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 majority of the Group's investment property is let to Government occupiers and the weighted-average unexpired lease term is 5.16 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.

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: 76% of the Group's debt is at fixed rates. Exposure to changes in prevailing market rates is limited to the remainder, which is subject to floating rates of EURIBOR plus a margin of 3% and EURIBOR plus a margin ranging from 0.61% to 1.65%.
- 3 *Risk:* Breach of borrowing covenants.
Areas of impact: Cost of borrowing.
Mitigation: Financial covenants are monitored and regularly reported to the Board.

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.

Citadel Holdings plc

Strategic Report (continued)

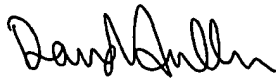
Principal Risks and Uncertainties (continued)

COVID-19 Pandemic Risk

- 1 *Risk:* The COVID-19 pandemic presents several potential economic impacts.
Areas of impact: Potentially adverse risk to collectability of future contracted rental income.
Mitigation: The Group 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.

Approved by the Board of Directors

On behalf of the Board



David Fuller
Company Secretary
14 June 2021

Citadel Holdings plc

Directors' Report

The Directors' present their annual report and the audited financial statements for the year ended 31 December 2020.

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
- Future developments
- Principal risks and uncertainties

Results and dividends

The results for the year are set out on page 12.

No dividends were paid. The Directors do not recommend payment of a final dividend (2019: 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
Alain Millet
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 2020. The ultimate parent company CLS Holdings plc maintains liability insurance for its Directors and Directors of its associated companies.

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 s418 of the Companies Act 2006.

Citadel Holdings plc


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. The Group 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 CLS Holdings plc Group particularly with reference to the impact of COVID-19. This assessment supports the ability of the CLS Holdings plc Group to continue as a going concern. The Group has the ability to seek alternate funding from within the CLS Holdings plc Group. Thus the Directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors

On behalf of the Board



David Fuller
Company Secretary
14 June 2021

Citadel Holdings plc

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 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 and of the profit or loss of the Company for that period.

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

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Citadel Holdings plc

Independent Auditor's Report to the members of Citadel Holdings plc

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Citadel Holdings plc (the "parent company") and its subsidiaries (the "group"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (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, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group and Company balance sheets;
- the Group and Company statements of changes in equity;
- the Group statement of cash flows; and
- the related notes 1 to 23 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 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, 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 Group and the parent 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Citadel Holdings plc

Independent Auditor's Report to the members of Citadel Holdings plc

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

Responsibilities of Directors

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, 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 Group's and the parent 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 group or the parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and the parent company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax and real estate specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Valuation of the investment property portfolio: We obtained an understanding of the relevant controls in place and assessed management's process for reviewing the valuations of the property portfolio. We obtained the external valuation reports and met with the external valuers of the property portfolio to

Citadel Holdings plc

Independent Auditor's Report to the members of Citadel Holdings plc

- understand and challenge the valuation process, to discuss performance of the portfolio, and for a sample of properties discuss significant assumptions and critical judgement areas, including estimated rental values, yields and occupancy rates. We utilised the expertise of a real estate specialist, a chartered surveyor, for our challenge of the investment property valuations, in particular to analyse those assumptions applied in the valuation performed by the Group's valuers as well as the inputs used in the data supplied to the Group's valuers for the valuation process. We assessed, on a sample basis, the integrity of information provided to the valuers, relating to rental income, to evaluate whether it was consistent with the relevant leases.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

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 Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

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 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.

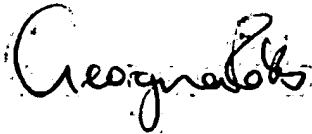
We have nothing to report in respect of these matters.

Citadel Holdings plc

Independent Auditor's Report to the members of Citadel Holdings plc

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.

A handwritten signature in black ink, appearing to read 'Georgina Robb', with a stylized flourish at the end.

Georgina Robb FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 June 2021

Citadel Holdings plc

Group Income Statement for the year ended 31 December 2020

	Notes	2020 €	2019 €
Continuing operations			
Group revenue		23,373,951	24,826,494
Net rental income	3	16,713,186	18,510,679
Administration expenses		(2,909,019)	(3,198,439)
Other expenses		(1,524,406)	(1,039,716)
Group revenue less costs		12,279,761	14,272,524
Net movements on revaluation of investment properties	9	553,527	11,452,193
(Loss)/profit on sale of investment properties		(24,300)	6,916,424
Operating profit		12,808,988	32,641,141
Finance income	6	4,761,887	5,103,949
Finance costs	7	(3,117,711)	(3,221,037)
Profit before tax	4	14,453,164	34,524,053
Taxation	8	(4,230,092)	(10,352,696)
Profit for the year		10,223,072	24,171,357
Other comprehensive income			
Foreign exchange differences	19	(4,716,954)	5,135,560
Profit and total comprehensive income for the year		5,506,118	29,306,917

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.

The notes on pages 16 to 34 are an integral part of these group financial statements.

Citadel Holdings plc

Group Balance Sheet at 31 December 2020

	Notes	2020 €	2019 €
Non-current assets			
Investment properties	9	337,497,851	334,267,317
Property, plant and equipment	10	2,300,468	2,197,590
Goodwill and intangibles		948,883	988,958
Deferred tax	14	11,000	9,000
Trade and other receivables	11	193,597,817	209,059,375
		<u>534,356,019</u>	<u>546,522,240</u>
Current assets			
Trade and other receivables	11	2,715,551	2,750,007
Properties held for sale		6,520,000	900,000
Cash and cash equivalents	12	3,124,021	3,780,333
		<u>12,359,572</u>	<u>7,430,340</u>
Total assets		<u>546,715,591</u>	<u>553,952,580</u>
Current liabilities			
Trade and other payables	13	(9,942,686)	(10,828,710)
Current tax		(419,286)	(9,453,553)
Borrowings	15	(8,947,374)	(29,010,498)
		<u>(19,309,346)</u>	<u>(49,292,761)</u>
Non-current liabilities			
Deferred tax	14	(64,454,298)	(62,680,507)
Borrowings	15	(148,107,984)	(132,641,467)
		<u>(212,562,282)</u>	<u>(195,321,974)</u>
Total liabilities		<u>(231,871,628)</u>	<u>(244,614,735)</u>
Net assets		<u>314,843,963</u>	<u>309,337,845</u>
Equity			
Share capital	17	12,281,953	12,281,953
Share premium	18	35,198,116	35,198,116
Other reserves	19	(36,937,196)	(32,220,242)
Retained earnings		304,301,090	294,078,018
Total equity		<u>314,843,963</u>	<u>309,337,845</u>

The notes on pages 16 to 34 are an integral part of these group financial statements.

The financial statements of Citadel Holdings plc (registered number: 03358043) were approved by the Board of Directors and authorised for issue on 14 June 2021. Signed on its behalf by:



Andrew Kirkman
Director

Citadel Holdings plc

Group Statement of Changes in Equity for the year ended 31 December 2020

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total equity €
Arising in 2020:					
Total comprehensive (expense)/income for the year	-	-	(4,716,954)	10,223,072	5,506,118
Total changes arising in 2020	-	-	(4,716,954)	10,223,072	5,506,118
At 1 January 2020	12,281,953	35,198,116	(32,220,242)	294,078,018	309,337,845
At 31 December 2020	12,281,953	35,198,116	(36,937,196)	304,301,090	314,843,963
	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total equity €
Arising in 2019:					
Total comprehensive income for the year	-	-	5,135,560	24,171,357	29,306,917
Total changes arising in 2019	-	-	5,135,560	24,171,357	29,306,917
At 1 January 2019	12,281,953	35,198,116	(37,355,802)	269,906,661	280,030,928
At 31 December 2019	12,281,953	35,198,116	(32,220,242)	294,078,018	309,337,845

The notes on pages 16 to 34 are an integral part of these group financial statements.

Citadel Holdings plc

Group Statement of Cash Flows for the year ended 31 December 2020

	Notes	2020 €	2019 €
Cash flows from operating activities			
Cash generated from operations	20	11,524,861	14,177,139
Interest received		4,753,835	5,042,212
Interest paid		(2,633,463)	(2,768,305)
Income tax paid		(3,215,668)	(2,287,643)
Net cash inflow from operating activities		10,429,565	14,163,403
Cash flows from investing activities			
Purchase of investment properties		(4,214,574)	(15,124,893)
Capital expenditure on investment properties		(5,270,509)	(1,241,913)
Income tax paid on sale of properties		(8,276,900)	(1,118,500)
Purchases of property, plant and equipment		(129,458)	(7,730)
Proceeds from sale of investment properties		875,700	41,586,960
Costs on foreign currency transactions		(76,683)	-
Net cash (outflow) / inflow from investing activities		(17,092,424)	24,093,924
Cash flows from financing activities			
New loans		18,973,776	7,400,000
Issue costs of new loans		(471,663)	(64,404)
Settlement of external and internal loans		(8,254,141)	(52,179,819)
Net cash outflow from financing activities		10,247,972	(44,844,223)
Cash flow element of net Increase / (decrease) in cash and cash equivalents		3,585,113	(6,586,896)
Foreign exchange (loss) / gain		(4,241,425)	5,046,354
Net (decrease)/increase in cash and cash equivalents		(656,312)	(1,540,542)
Cash and cash equivalents at the beginning of the year		3,780,333	5,320,875
Cash and cash equivalents at the end of the year	12	3,124,021	3,780,333

The notes on pages 16 to 34 are an integral part of these group financial statements.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies

Citadel Holdings plc (the "Company") and its subsidiaries (together the "Group") is an investment property group which is principally involved in the investment and management of commercial properties in France. Company is incorporated in England, registration number 03358043 with its registered office at 16 Tinworth Street, London, SE11 5AL.

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 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 Board of Directors of CLS Holdings plc have assessed the resiliences of the Group with reference to the impact of COVID-19. The impact has been considered in Principal Risks and Uncertainties sections in the Strategic report as set out on page 2.

The financial statements are presented in Euros because that is the currency of the primary economic environment in which the Group operates.

New standards and interpretations

In the current year, the Group has applied a number of new standards and amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. These new standards and amendments are listed below:

- IAS 1 and IAS 8 (amendments) Definition of Material
- IFRS 3 (amendments) Definition of Business
- IFRS 9, IAS 39 and IFRS 7 (amendments) Interest Rates Benchmark Reform
- IFRS 16 (amendments) Covid-19 Related Rent Concessions
- Conceptual framework amendments to references to the conceptual frameworks in IFRS standards

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IAS 1 (amendments) Classification of Liabilities as Current or Non-current
- IAS 16 (amendments) Property, Plant and Equipment – Proceeds before Intended Use
- IAS 37 (amendments) Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
- IFRS 3 (amendments) Reference to the Conceptual Framework
- IFRS 10 and IAS 28 (amendments) Sale or contribution of assets between investors and its associate or joint venture
- IFRS 17 Insurance Contracts

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies (continued)

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.

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 or loss 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
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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

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies (continued)

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.

(ii) Trade and other receivables and payables

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. 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.

(iv) 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 risks. Derivative financial instruments are recorded, and subsequently revalued, at fair value. Revaluation gains and losses are recognised in finance income or finance cost in the income statement, 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.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

1. Significant accounting policies (continued)

1.8 Income tax (continued)

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.

1.9 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

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 2020 there are no accounting judgements that are material to the financial statements.

Key sources of estimation uncertainty

The Group uses the valuations performed by its independent external valuers as the fair value of its investment properties and those properties held at valuation and classified as property, plant and equipment. The valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and an appropriate discount rate (see note 9 for more detail). 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 France. The majority of the investment property portfolio is let to government departments and major corporations.

	2020 €	2019 €
Rental income	16,938,547	18,314,803
Other property related income	199,553	199,900
Service charge income	6,235,851	6,311,791
Service charges and similar expenses	(6,660,765)	(6,315,815)
Net rental income	16,713,186	18,510,679

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

4. Profit for the year

	2020 €	2019 €
Profit for the year has been arrived at after charging:		
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the group accounts	57,564	57,583
Depreciation of property, plant and equipment (note 10)	26,580	29,406
Employee benefits expense (note 5)	<u>1,307,709</u>	<u>1,323,283</u>

No fees were payable to Deloitte LLP 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 (2019: €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 10 (2019: 11).

	2020 €	2019 €
Wages and Salaries	909,660	895,813
Social security costs	214,286	226,529
Pension costs	135,306	137,151
Other employee-related expenses	<u>48,457</u>	<u>63,790</u>
	<u>1,307,709</u>	<u>1,323,283</u>

6. Finance income

	2020 €	2019 €
Interest income	18	1,522
Interest on amounts due from group undertakings	4,744,584	5,095,529
Movement in fair value of interest rate caps	-	6,898
Foreign exchange variances	<u>17,285</u>	<u>-</u>
	<u>4,761,887</u>	<u>5,103,949</u>

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

7. Finance costs

	2020 €	2019 €
Interest expense on bank loans	2,633,463	2,768,305
Amortisation of loan issue costs	407,565	409,970
Movement in fair value of interest rate caps	76,683	-
Foreign exchange variances	-	42,762
	<u>3,117,711</u>	<u>3,221,037</u>

8. Taxation

	2020 €	2019 €
Current tax charge	2,458,301	11,445,188
Deferred tax credit (note 14)	1,771,791	(1,092,492)
	<u>4,230,092</u>	<u>10,352,696</u>

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:

	2020 €	2019 €
Profit before tax	<u>14,453,164</u>	<u>34,524,052</u>
Expected tax charge at the weighted average applicable tax rate	4,010,031	10,472,590
Non taxable income	(12,322)	(145,355)
Non-deductible expenses	245,513	-
Adjustment in respect of prior periods	(13,130)	25,461
Tax charge for the year	<u>4,230,092</u>	<u>10,352,696</u>

The weighted average applicable tax rate for the year was 27.80% (2019: 30.33%).

The rate of corporation tax for the year beginning 1 January 2020 was 19%. The weighted average corporation tax rate for the year ended 31 December 2020 was 19% (2019: 19%). Deferred tax has been calculated at a rate of 19% (2019: 17%), being the rate expected to apply in the period when the liability is settled or the asset is realised, and has been based upon rates applicable under legislation substantively enacted at the balance sheet date. In the March 2021 Budget it was announced that the headline UK corporation tax rate would increase from 19% to 25% from April 2023.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

9. Investment properties

	2020 €	2019 €
At 1 January 2020	334,267,317	342,680,000
Acquisitions	4,214,574	15,124,893
Capital expenditure	4,739,347	1,828,463
Disposals	-	(34,670,536)
Net movement on revaluation of investment properties	553,527	11,452,193
Transfer to properties held for sale	(6,520,000)	(900,000)
Reclassification to owner – occupied property	-	(2,142,682)
Lease incentive debtor adjustment	243,086	894,986
At 31 December 2020	337,497,851	334,267,317

The investment properties were revalued at 31 December 2020 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.

Key inputs to the valuation

	ERV		True equivalent yield	
	Average € per sq ft	Range per sq ft	Average %	Range %
France	21.52	11.22-37.68	4.60%	3.58%-6.26%

A decrease in the true equivalent yield by 25 basis points would result in an increase in the fair value of the Group's investment property by €17.3 million whilst a 25 basis point increase would reduce the fair value by €15.6 million. A decrease in the ERV by 5% would result in a decrease in the fair value of the Group's investment property by €2.8 million whilst an increase in the ERV by 5% would result in an increase in the fair value of the Group's investment property by €2.8 million.

Investment properties include leasehold properties with a carrying amount of €34,210,000 (2019: €32,610,000).

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.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

10. Property, plant and equipment

	2020 €	2019 €
Cost		
At 1 January	2,299,693	149,281
Additions	129,458	7,730
Reclassification from the investment property	-	2,142,682
At 31 December	2,429,151	2,299,693
Accumulated depreciation		
At 1 January	(102,103)	(72,697)
Depreciation charge	(26,580)	(29,406)
At 31 December	(128,683)	(102,103)
Net book value		
At 31 December	2,300,468	2,197,590

11. Trade and other receivables

	2020 €	2019 €
Trade receivables	236,039	303,909
Prepayments	81,191	117,828
Accrued income	47,514	56,747
Other debtors	750,039	474,182
Social security and other taxes	1,103,440	1,091,258
Amounts due from group undertakings	497,328	706,083
	2,715,551	2,750,007

At 31 December 2020 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 (2019: €nil).

In addition to amounts due from group undertakings within trade and other receivables above, included within non-current trade and other receivables are amounts due from group undertakings of €193,597,817 (2019: €209,059,375) due after more than one year. The loans are due for repayment ranging between 31 December 2023 and 31 December 2028. Interest is charged on the non – current amounts receivable from group undertakings at a rate which ranges between LIBOR plus a margin of 2.25% and EURIBOR plus a margin of 2.50%.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

12. Cash and cash equivalents

	2020 €	2019 €
Cash at bank and in hand	3,124,021	3,780,333

At 31 December 2020, Group cash at bank and in hand included €4,592,811 (2019: €4,933,999) which was restricted by a third-party charge. Restricted cash is held by another connected undertaking and forms part of the intercompany receivables balance (note 23).

13. Trade and other payables

	2020 €	2019 €
Trade payables	277,663	188,012
Social security and other taxes	283,302	211,483
Other payables	5,021,643	5,376,416
Accruals	3,007,495	2,883,334
Deferred income	1,212,123	864,530
Amounts due to group undertakings	140,460	1,304,935
	<u>9,942,686</u>	<u>10,828,710</u>

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

14. Deferred tax

	2020 €	2019 €
Deferred tax assets		
- after more than 12 months	(11,000)	(9,000)
Deferred tax liabilities		
- after more than 12 months	64,454,298	62,680,507
Net deferred tax liability	<u>64,443,298</u>	<u>62,671,507</u>

The movement in deferred tax was as follows:

	2020 €	2019 €
At 1 January	62,671,507	63,764,000
Charged/(credited) to income statement	1,771,791	(1,092,493)
At 31 December	<u>64,443,298</u>	<u>62,671,507</u>

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

	Fair value adjustment to interest rate caps €
Deferred tax assets	
At 1 January 2020	(9,000)
Credited to income statement	(2,000)
At 31 December 2020	<u>(11,000)</u>

	Fair value adjustment to interest rate caps €
Deferred tax assets	
At 1 January 2019	(17,000)
Charged to income statement	8,000
At 31 December 2019	<u>(9,000)</u>

	Other €	Fair value adjustment to investment properties €	Total €
Deferred tax liabilities			
At 1 January 2020	169,558	62,510,949	62,680,507
Charged to income statement	65,833	1,707,958	1,773,791
At 31 December 2020	<u>235,391</u>	<u>64,218,907</u>	<u>64,454,298</u>

	Other €	Fair value adjustment to investment properties €	Total €
Deferred tax liabilities			
At 1 January 2019	375,000	63,406,000	63,781,000
Credited to income statement	(205,442)	(895,051)	(1,100,493)
At 31 December 2019	<u>169,558</u>	<u>62,510,949</u>	<u>62,680,507</u>

Deferred tax assets are recognised in respect of tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2020 the Group did not recognise deferred tax assets of €177,000 (2019: €106,000) in respect of losses amounting to €708,000 (2019: €424,000) which can be carried forward against future taxable income or gains.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

15. Borrowings

	Current €	Non-current €	Total €
At 31 December 2020			
Bank loans	8,523,848	148,107,984	156,631,832
Intra-group loans	423,526	-	423,526
	<u>8,947,374</u>	<u>148,107,984</u>	<u>157,055,358</u>
At 31 December 2019			
Bank loans	28,611,114	132,641,467	161,252,581
Intra-group loans	399,384	-	399,384
	<u>29,010,498</u>	<u>132,641,467</u>	<u>161,651,965</u>

Arrangement fees of €1,520,881 (2019: €1,456,783) have been offset in arriving at the balances above.

Bank loans

Interest on bank loans is charged at fixed rates ranging between 1.32% and 1.92% (2019: 1.32% and 1.90%) and floating rates ranging between 1.08% and 1.65% (2019: between 0.61% and 1.90%). 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.

Intra-group loans

Interest on intra-group loans is charged at floating rates of LIBOR plus a margin of 3% (2019: LIBOR plus a margin of 3% or EURIBOR plus a margin of 5.5%).

Loan covenants

There were no covenant breaches at 31 December 2020 or 31 December 2019.

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

	Intra-group loans €	Bank Loans €	Total €
At 31 December 2020			
Within one year or on demand	423,526	8,948,077	9,371,603
More than one year but not more than two years	-	30,416,834	30,416,834
More than two but not more than five years	-	102,101,773	102,101,773
More than five years	-	16,686,029	16,686,029
	<u>423,526</u>	<u>158,152,713</u>	<u>158,576,239</u>
Unamortised issue costs	-	(1,520,881)	(1,520,881)
	<u>423,526</u>	<u>156,631,832</u>	<u>157,055,358</u>
Borrowings	(423,526)	(8,523,848)	(8,947,374)
Less amounts due for settlement within 12 months			
	<u>-</u>	<u>148,107,984</u>	<u>148,107,984</u>
Amounts due for settlement after 12 months			

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

15. Borrowings (continued)	Intra-group loans €	Bank loans €	Total €
At 31 December 2019			
Within one year or on demand	399,384	28,990,588	29,389,972
More than one year but not more than two years	-	8,377,410	8,377,410
More than two but not more than five years	-	86,699,142	86,699,142
More than five years	-	38,642,223	38,642,223
	<u>399,384</u>	<u>162,709,364</u>	<u>163,108,748</u>
Unamortised issue costs	-	(1,456,783)	(1,456,783)
	<u>399,384</u>	<u>161,252,581</u>	<u>161,651,965</u>
Borrowings	(399,384)	(28,611,114)	(29,010,498)
Less amounts due for settlement within 12 months			
	<u>-</u>	<u>132,641,467</u>	<u>132,641,467</u>
Amounts due for settlement after 12 months			

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

	2020		2019	
	Weighted average interest rate (%)	Weighted average period (years)	Weighted average interest rate (%)	Weighted average period (years)
Fixed rate borrowings	<u>1.7</u>	<u>3.3</u>	<u>1.7</u>	<u>4.3</u>

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

	2020		2019	
	Average capped interest rate %	Average tenure years	Average capped interest rate %	Average tenure years
Floating rate borrowings	<u>0.8</u>	<u>4.6</u>	<u>0.8</u>	<u>1.8</u>

The percentage of net floating rate loans capped was 20.0% (2019:13.6%).

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

15. Borrowings (continued)

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

	Carrying amounts		Fair values	
	2020 €	2019 €	2020 €	2019 €
Current borrowings	8,947,374	29,010,498	8,947,374	29,010,498
Non-current borrowings	148,107,984	132,641,467	151,594,223	135,556,363
	<u>157,055,358</u>	<u>161,651,965</u>	<u>164,541,597</u>	<u>164,566,861</u>

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 €1,520,881 (2019: €1,465,783) 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:

	2020 €	2019 €
Floating rate: expiring after one year	<u>111,850,00</u>	<u>118,250,000</u>

16. Financial instruments

Categories of financial instruments

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

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

16. Financial instruments (continued)

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:

	2020 €	2019 €
Debt	158,576,239	163,108,748
Cash and cash equivalents	(3,124,021)	(3,780,333)
Net debt	155,452,218	159,328,415
Equity	314,843,963	309,337,845
Net debt to equity ratio	49.4%	51.5%

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.

(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.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

16. Financial instruments (continued)

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	2020 €	2019 €
Variable borrowings +50 basis points	(377,829)	(498,364)
Variable borrowings -50 basis points	377,829	498,364

(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.

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 2020.

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.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

16. Financial instruments (continued)

At 31 December 2020	Less than one year €	One to two years €	Two to five years €	Over five years €
Financial liabilities:				
Trade and other payables	9,942,686	-	-	-
Borrowings	9,371,603	30,416,834	102,101,773	16,686,029
Interest payments on borrowings †	2,441,518	2,289,943	3,790,215	6,387,010
	<u>21,755,807</u>	<u>32,706,777</u>	<u>105,891,988</u>	<u>23,073,039</u>
At 31 December 2019	Less than one year €	One to two years €	Two to five years €	Over five years €
Financial liabilities:				
Trade and other payables	10,828,710	-	-	-
Borrowings	29,389,972	8,377,410	86,699,142	38,642,223
Interest payments on borrowings †	2,470,430	2,835,329	3,123,539	3,147,654
	<u>42,689,112</u>	<u>11,212,739</u>	<u>89,822,681</u>	<u>41,789,877</u>

†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.

17. Share capital

	2020		2019	
	Ordinary shares in circulation Number	Ordinary shares in circulation €	Ordinary shares in circulation Number	Ordinary shares in circulation €
At 1 January	<u>33,516,056</u>	<u>12,281,953</u>	<u>33,516,056</u>	<u>12,281,953</u>
At 31 December	<u>33,516,056</u>	<u>12,281,953</u>	<u>33,516,056</u>	<u>12,281,953</u>

33,516,056 authorised, issued and fully paid ordinary shares have a nominal value of 25p each.

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

18. Share premium

	2020 €	2019 €
At 1 January	35,198,116	35,198,116
At 31 December	35,198,116	35,198,116

19. Other reserves

	Cumulative translation reserve €
At 1 January 2020	(32,220,242)
Exchange rate variances	(4,716,954)
At 31 December 2020	(36,937,196)

	Cumulative translation reserve €
At 1 January 2019	(37,355,802)
Exchange rate variances	5,135,560
At 31 December 2019	(32,220,242)

20. Cash generated from operations

	2020 €	2019 €
Operating profit	12,808,988	32,641,141
Adjustments for:		
Net movements on revaluation of investment properties	(553,527)	(11,452,193)
Depreciation and amortisation	26,580	29,406
Loss/(profit) on sale of investment properties	24,300	(6,916,424)
Non-cash rental income	(243,086)	(894,986)
Changes in working capital:		
(Increase)/decrease in debtors	(183,523)	918,918
Decrease in creditors	(354,871)	(148,723)
Cash generated from operations	11,524,861	14,177,139

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

21. Commitments

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

	2020 €	2019 €
Operating lease commitments – where the Group is the lessor		
Within one year	17,430,162	17,913,562
More than one but not more than five years	53,388,929	58,661,290
More than five years	17,421,841	17,336,238
	<u>88,240,932</u>	<u>93,911,090</u>

Other commitments

At 31 December 2020 the Group had contracted capital expenditure of €2,520,086 (2019: €778,888).

22. Subsidiaries

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

France

Registered Office: 120 Rue Jean Jaurès, 92300 Levallois, Paris

120 Jean Jaures Sàrl	Immobilière V SA	Parc SCI
Avenue du Park SCI	Immobilière 6 Sàrl	Petits Champs Sàrl
BV France Sàrl	Immobilière 8 Sàrl	Petits Hotels Sàrl
Capitaine Guynemer Sàrl	Immobilière 10 Sàrl	Rhone Alpes Sàrl
Chorus Sàrl	Immobilière 12 Sàrl	Rue Stephenson Sàrl
CLS Management Sàrl	Jean Walters Sàrl	Scala Sàrl
CLS France Sàrl	Leclerc SCI	SCI Frères Peugeot
Debussy SCI	Le D'Aubigny SCI	SCI Pierre Valette
De Musset Sàrl	Le Quatuor SCI	Sego Sàrl
Foch SCI	Le Sigma Sàrl	Solferino SCI
Forum France SCI	Mission Marchand Sàrl	
Georges Clemençeau Sàrl	Panten Sàrl	

Netherlands

Registered Office: Burgemeester van Reenensingel 101, 2803 DA Gouda

Petits Champs BV

Chorus BV

CLS Management BV

Citadel Holdings plc

Notes to the Group Financial Statements 31 December 2020

22. Subsidiaries (continued)

United Kingdom

Registered Office: 16 Tinworth Street, London, SE11 5AL

Brent House Limited

Luxembourg

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

Hermalux 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 CLS Holdings plc group.

At 31 December 2020, the Group owed NYK Investments Limited €270,568 (2019: €250,827), CLS One Limited €16,595 (2019: €12,194), CLS Holdings plc €19,718 (2019: €642,192) and CLSH Management Limited €108,497 (2019: €729,659) in relation to management charges or cost recharges for the year. No interest is charged on these balances and they are repayable within one year. For the year ended 31 December 2020 a total of €860,723 (2019: €955,369) was charged to the Group's income statement in relation to these costs.

As at 31 December 2020, the Group was owed €28,960 (2019: €29,988) by NYK Investments and €24,011 (2019: €24,011) from Rasstaf BV. At 31 December 2020 interest charges of €444,357 (2019: €652,084) were outstanding in the Group's balance sheet.

At 31 December 2020, the Group was owed €181,212,607 (2019: €196,243,479) by NYK Investments Limited. Interest is charged at a rate of LIBOR plus a margin of 2.25% and EURIBOR plus a margin of 2.50%. The year ended 31 December 2020 a total of €4,717,406 (2019: €4,717,406) in interest relating to these balances was included in the Group's income statement.

Citadel Holdings plc

Company Balance Sheet at 31 December 2020

	Notes	2020 €	2019 €
Non-current assets			
Investment in subsidiaries	6	11,126,576	11,763,233
Current assets			
Trade and other receivables	7	101,470,583	80,150,795
Cash and cash equivalents		374	43,939
		<u>101,470,957</u>	<u>80,194,734</u>
Current liabilities			
Trade and other payables	8	(85,298)	(1,462,928)
Corporation tax payable		(724,635)	(386,805)
		<u>(809,933)</u>	<u>(1,849,733)</u>
Net current assets		<u>100,661,024</u>	<u>78,345,001</u>
Total assets less current liabilities		<u>111,787,600</u>	<u>90,108,234</u>
Net assets		<u>111,787,600</u>	<u>90,108,234</u>
Equity			
Share capital	9	12,281,953	12,281,953
Share premium	10	35,198,116	35,198,116
Other reserves	11	(11,249,712)	(9,176,629)
Profit and loss account	12	75,557,243	51,804,794
Total equity		<u>111,787,600</u>	<u>90,108,234</u>

The Company reported a profit for the financial year ended 31 December 2020 of €23,752,449 (2019: €10,427,468).

These financial statements of Citadel Holdings plc (registered number: 03358043) were approved by the Board of Directors and authorised for issue on 14 June 2021 and were signed on its behalf by:

Andrew Kirkman

Director

The notes on pages 37 to 40 are an integral part of these financial statements.

Citadel Holdings plc

Company Statement of Changes in Equity For year ended 31 December 2020

	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Arising in 2020:					
Total comprehensive (expense)/income for the year	-	-	(2,073,083)	23,752,449	21,679,366
Total changes arising in 2020	-	-	(2,073,083)	23,752,449	21,679,366
At 1 January 2020	12,281,953	35,198,116	(9,176,629)	51,804,794	90,108,234
At 31 December 2020	12,281,953	35,198,116	(11,249,712)	75,557,243	111,787,600
	Share capital €	Share premium €	Other reserves €	Retained earnings €	Total €
Arising in 2019:					
Total comprehensive income for the year	-	-	2,277,152	10,457,468	12,734,620
Total changes arising in 2019	-	-	2,277,152	10,457,468	12,734,620
At 1 January 2019	12,281,953	35,198,116	(11,453,781)	41,347,326	77,373,614
At 31 December 2019	12,281,953	35,198,116	(9,176,629)	51,804,794	90,108,234

The notes on pages 37 to 40 are an integral part of these financial statements.

Citadel Holdings plc

Notes to the Company Financial Statements at 31 December 2020

1. General information

Citadel Holdings plc (the "Company") is incorporated in the United Kingdom, registration number 03358043 with its registered office at 16 Tinworth Street, London, SE11 5AL.

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 in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

CLS Holdings plc is the ultimate parent company of Citadel Holdings plc and the primary activity of Citadel Holdings plc (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. 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 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.

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.

3.4 Foreign currencies

The financial statements are presented in Euro, 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.

Citadel Holdings plc

Notes to the Company Financial Statements at 31 December 2020

3. Significant accounting policies (continued)

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. Profit for the financial year

As permitted by s408 Companies Act 2006, the Company's income statement account has not been presented in these financial statements. The Company's retained profit for the financial year was €23,752,449 (2019: €10,457,468).

Audit fees for the Company were €12,000 (2019: €4,000).

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

5. Employee benefits expense

The Company did not have any employees in the current year

No fees or other emoluments were paid to the Directors of the Company during the year (2019: nil) in respect of their services to the Company. The Directors were paid by another entity within the Group.

6. Investment in subsidiary undertakings

	2020 €	2019 €
Investment in subsidiaries	11,126,576	11,763,233
	<u>11,126,576</u>	<u>11,763,233</u>

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

Luxembourg

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

Hermalux Sàrl

The investments in subsidiary undertakings were reviewed for any indications of impairment. No impairment was required in the year to 31 December 2020 (2019: none).

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

7. Trade and other receivables

	2020 €	2019 €
VAT recoverable	183,992	195,127
Amounts owed by group undertakings	101,286,591	79,955,668
	<u>101,470,583</u>	<u>80,150,795</u>

In addition to amounts due from group undertakings within trade and other receivables above, included within non-current trade and other receivables are amounts due from group undertakings of €101,286,591.

Citadel Holdings plc

Notes to the Company Financial Statements at 31 December 2020

7. Trade and other receivables (continued)

(2019: €79,955,668) due after more than one year. Interest is charged on the non – current amounts receivable from group undertakings at a rate which ranges between LIBOR plus a margin of 2.25% and EURIBOR plus a margin of 2.50%.

8. Trade and other payables

	2020 €	2019 €
Amounts due to group undertakings	85,298	1,462,928
	<u>85,298</u>	<u>1,462,928</u>

9. Share capital

	2020		2019	
	Ordinary shares in circulation Number	Ordinary shares in circulation Number	Ordinary shares in circulation Number	Ordinary shares in circulation €
At 1 January	33,516,056	12,281,953	33,516,056	12,281,953
At 31 December	<u>33,516,056</u>	<u>12,281,953</u>	<u>33,516,056</u>	<u>12,281,953</u>

Ordinary shares have a nominal value of 25p each.

10. Share premium

	2020 €	2019 €
At 1 January	35,198,166	35,198,166
At 31 December	<u>35,198,116</u>	<u>35,198,116</u>

11. Other reserves (Cumulative translation reserve)

	2020 €	2019 €
At 1 January	(9,176,629)	(11,453,781)
Exchange rate variances	(2,073,083)	2,277,152
At 31 December	<u>(11,249,712)</u>	<u>(9,176,629)</u>

Citadel Holdings plc

Notes to the Company Financial Statements at 31 December 2020

11. Other reserves (Cumulative translation reserve) (continued)

The cumulative translation reserve comprises the aggregate effect of translating net assets of overseas subsidiaries into sterling since acquisition.

12. Profit and loss account

	2020 €	2019 €
At 1 January	51,804,794	41,347,326
Profit for the financial year	23,752,449	10,457,468
At 31 December	75,557,243	51,804,794

13. Parent undertaking

The Directors consider that the immediate parent undertaking is CLS One Limited with registered address of 16 Tinworth Street, London SE11 5AL. The financial statements of the Company are publicly available through Companies House. The 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 2020, 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, 16 Tinworth Street, London SE11 5AL.