

MIRENWEST LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 1997

COOPERS & LYBRAND

Chartered Accountants and

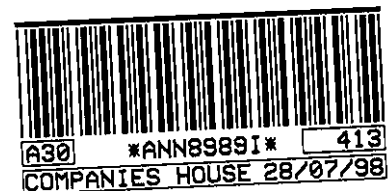
Registered Auditors

1 Embankment Place

London

WC2N 6NN

Company No. 2991340



MIRENWEST LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1997

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MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1997

The Directors are pleased to present their report and the audited financial statements of the company for the year ended 31st December 1997.

1 PRINCIPAL ACTIVITY

The principal activity of the company is to invest in commercial property.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the financial statements.

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31st December 1997. (1996: Nil)

4 FIXED ASSETS

Information relating to the changes in tangible fixed assets is given in Note 7 to the accounts.

5 DIRECTORS

The Directors of the company during the year were as follows:

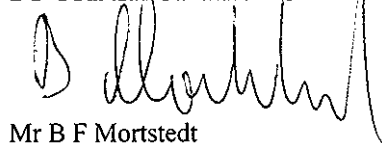
Mr B F Mörtstedt
Mr G Hirsch

The Directors had no interests in the shares of the company at any time during the year. The interests of the Directors in CLS Holdings plc are disclosed in that company's financial statements.

6 AUDITORS

A resolution to reappoint Coopers & Lybrand as auditors to the company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD



Mr B F Mörtstedt
Director

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

27 March 1998

MIRENWEST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act. 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.

MIRENWEST LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF MIRENWEST LIMITED

We have audited the financial statements on pages 4 to 10.

Respective Responsibilities of Directors and Auditors

As described on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

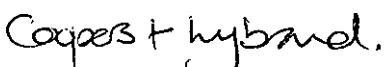
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 1997 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND

*Chartered Accountants and
Registered Auditors*
LONDON

27 March 1998

MIRENWEST LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1997

	NOTES	1997 £	1996 £
Turnover	(2)	440,000	796,950
Administrative expenses		(30,737)	(76,021)
Operating profit		409,263	720,929
Interest payable and related charges	(4)	(172,031)	(194,760)
Profit on ordinary activities before taxation	(3)	237,232	526,169
Tax on profit on ordinary activities	(6)	-	1,464
Retained profit for the year	(14)	237,232	527,633

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1997 £	1996 £
Profit for the financial year	237,232	527,633
Unrealised surplus on revaluation of properties	1,450,000	-
Total gains and losses recognised	1,687,232	527,633

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

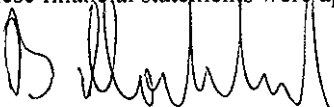
All items included in the above profit and loss account are part of continuing operations.

MIRENWEST LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	NOTES	1997 £	1996 £
FIXED ASSETS			
Tangible assets	(7)	6,450,000	5,000,000
CURRENT ASSETS			
Debtors - Amounts falling due after more than one year	(8)	13,637	22,623
Debtors - Amounts falling due within one year	(9)	9,162	9,193
		22,799	31,816
CREDITORS: amounts falling due within one year	(10)	(755,957)	(920,006)
NET CURRENT LIABILITIES		(733,158)	(888,190)
TOTAL ASSETS LESS CURRENT LIABILITIES		5,716,842	4,111,810
CREDITORS: amounts falling due after more than one year	(11)	1,917,800	2,000,000
PROVISION for liabilities and charges	(12)	-	-
CAPITAL AND RESERVES			
Called up share capital	(13)	2	2
Revaluation Reserve	(14)	2,433,420	983,420
Profit and loss account	(14)	1,365,620	1,128,388
EQUITY SHAREHOLDERS' FUNDS		3,799,042	2,111,810
		5,716,842	4,111,810

These financial statements were approved by the Board of Directors on 27 March 1998 and signed on its behalf by:


 _____ Director
 Mr B F Mortstedt

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

1.1 *Basis of preparation*

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of land and buildings and in accordance with applicable accounting standards. The company has taken advantage of the exemption in Financial Reporting Standard No. 1 as a cash flow statement has been prepared for the group. The company is a wholly owned subsidiary of CLS Holdings plc and has taken advantage of the exemption in Financial Reporting Standard No. 8 not to detail transactions with fellow Group undertakings which eliminate on consolidation.

1.2 *Tangible fixed assets*

Investment properties are revalued annually. Completed investment properties are stated at their open market value. Investment properties in the course of development are stated at open market value in their existing state. Surpluses or deficits arising on revaluation are reflected in the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses are charged to the profit and loss account.

1.3 *Depreciation*

In accordance with Statement of Standard Accounting Practice 19, no depreciation is provided on completed freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors consider that, as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view. Depreciation or amortisation is one of the many factors influencing a property valuation and if depreciation or amortisation might have been charged, it is not possible to identify or quantify this separately.

No depreciation is provided on leasehold investment properties with unexpired terms of more than 50 years. Leasehold properties having unexpired terms of less than 50 years are amortised so as to write off their cost or valuation over the unexpired period of the lease.

1.4 *Turnover*

Turnover comprises the total value of rents receivable under operating leases during the year, excluding VAT. Rents received in advance are shown as deferred income in the balance sheet.

1.5 *Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future without being replaced. It is calculated at the rate at which it is estimated that tax will be payable.

2 TURNOVER

	1997 £	1996 £
Rental income within the United Kingdom	440,000	796,950

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
This is stated after charging:		
Auditors' remuneration	806	805

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

4 INTEREST PAYABLE AND RELATED CHARGES	1997	1996
	£	£
On bank loans, overdrafts and other loans	163,045	185,758
Interest cap amortisation	8,986	9,002
	<hr/>	<hr/>
	172,031	194,760
	<hr/>	<hr/>

5 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the company who are Directors of CLS Holdings plc are disclosed in the financial statements of that company in respect of their services to the group as a whole. The company had no employees during the year. (1996: None)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES	1997	1996
	£	£
Deferred Taxation	-	1,464
	<hr/>	<hr/>

UK Corporation tax at 31.5%. (1996 : 33%)

No provision for Corporation Tax has been made for the year due to the availability of losses brought forward and to the excess of capital allowances over depreciation on which, in accordance with the company's accounting policy, no deferred tax has been provided.

7 TANGIBLE FIXED ASSETS	1997	1996
	£	£
Leasehold property		
Valuation at 1 January	5,000,000	5,000,000
Surplus on revaluation	1,450,000	-
	<hr/>	<hr/>
Valuation at 31 December	6,450,000	5,000,000
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At 31 December the leasehold investment properties were revalued at an estimate of their open market values taking into account their condition and tenancies existing at that date. The property valuations were carried out by professional valuers, Allsop & Co. Chartered Surveyors.

The historical cost of the leasehold investment properties included at valuation is £4,016,580.

8 DEBTORS - Amounts falling due after one year	1997	1996
	£	£
Other debtors	13,637	22,623
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MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

9	DEBTORS - Amounts falling due within one year	1997	1996
		£	£
	Other debtors	8,986	8,986
	Prepayment and accrued income	176	207
		<hr/>	<hr/>
		9,162	9,193
		<hr/>	<hr/>
10	CREDITORS: amounts falling due within one year	1997	1996
		£	£
	Bank loans and overdrafts	82,200	500,000
	Trade creditors	3,835	1,250
	Amounts due to group undertakings	526,218	273,773
	Accruals and deferred income	143,704	144,983
		<hr/>	<hr/>
		755,957	920,006
		<hr/>	<hr/>
11	CREDITORS: amounts falling due after more than one year	1997	1996
		£	£
	Bank loans	1,917,800	2,000,000
		<hr/>	<hr/>

Interest on the bank loan is charged at Libor plus a margin of 1.25% and is repayable within five years.
The bank loan is secured by a legal charge over the respective property to which it relates.

The loan is repayable as follows:	1997	1996
	£	£
In one year or less	82,200	500,000
Between one and two years	78,493	82,200
Between two and five years	1,839,307	1,917,800
	<hr/>	<hr/>
	2,000,000	2,500,000
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MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

12 DEFERRED TAXATION

Deferred taxation is provided as follows:

	1997		1996	
	Provision	Amount Unprovided	Provision	Amount Unprovided
	£	£	£	£
Capital allowances in excess of depreciation	-	214,063	-	171,832
Taxation on revaluation surplus	-	639,227	-	248,269
Losses brought forward	-	(31,000)	-	(64,525)
	-	822,290	-	355,576

No provision has been included in the financial statements for deferred taxation as there are no plans to sell the investment property and therefore no liability is anticipated in the foreseeable future.

13 CALLED UP SHARE CAPITAL

	1997	1996
	£	£
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	2	2

14 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Share Capital	Revaluation Reserve	Profit & Loss Account	1997 Total	1996 Total
	£	£	£	£	£
Balance at 1 January	2	983,420	1,128,388	2,111,810	1,584,177
Profit for the year	-	-	237,232	237,232	527,633
Surplus on revaluation	-	1,450,000	-	1,450,000	-
	2	2,433,420	1,365,620	3,799,042	2,111,810

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997 (CONTINUED)

15 CONTINGENT LIABILITIES

In the opinion of the Directors, no contingent liabilities exist.

16 PARENT UNDERTAKING

The Directors consider that the immediate and ultimate parent undertaking is CLS Holdings plc which is registered in England and Wales. Copies of the parent's consolidated financial statements may be obtained from The Secretary, CLS Holdings plc, 6 Spring Gardens, Citadel Place, Tinworth Street, London, SE11 5EH.