

MIRENWEST LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2001



PricewaterhouseCoopers
*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 2001

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MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2001

1 PRINCIPAL ACTIVITY

The principal activity of the company is to invest in commercial properties and other forms of investments and to earn income therefrom.

2 REVIEW OF THE BUSINESS

The results for the year are shown on page 4 of the financial statements. The Directors expect the principal activity of the company to remain unchanged for the foreseeable future.

3 DIVIDENDS

The Directors do not recommend payment of any dividends for the year ended 31st December 2001. (2000: £5,000,000 per share).

4 FIXED ASSETS

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

5 DIRECTORS

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

| | |
|------------------|----------------------------|
| Mr B F Mörtstedt | (resigned 5 October 2001) |
| Mr G Hirsch | (resigned 5 October 2001) |
| Mr D Bäverstam | (appointed 5 October 2001) |
| Mr T J Thomson | (appointed 5 October 2001) |

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.

MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

6 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.

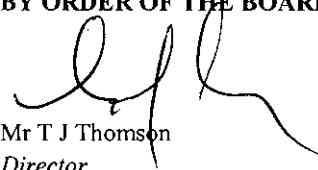
The Directors confirm that the financial statements comply with the above requirements.

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 1985. 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.

7 AUDITORS

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

BY ORDER OF THE BOARD


Mr T J Thomson
Director

10 October 2002

REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

INDEPENDENT AUDITORS' REPORT

to the members of Mirenwest Limited

We have audited the financial statements which comprise the profit and loss account, balance sheet and the related notes.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit 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 the affairs of the company at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

10 October 2002

MIRENWEST LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2001**

| | NOTES | 2001 £ | 2000 £ |
|---|-------|-----------|--------------|
| Turnover | (2) | 40,000 | (6,799) |
| Administrative expenses | | (26,658) | 5,329 |
| Operating profit/(loss) | | 13,342 | (1,470) |
| Profit on sale of investment property | | 12,259 | 1,231,060 |
| Profit before interest and taxation | | 25,601 | 1,229,590 |
| Interest receivable and similar income | | - | 543,281 |
| Interest payable and related charges | (3) | (97,032) | (216,502) |
| (Loss)/profit on ordinary activities before taxation | (5) | (71,431) | 1,556,369 |
| Tax on (loss)/profit on ordinary activities | (6) | - | - |
| (Loss)/profit on ordinary activities after taxation | | (71,431) | 1,556,369 |
| Dividends proposed | | - | (10,000,000) |
| Loss for the year | (12) | (71,431) | (8,443,631) |

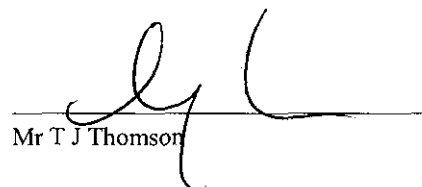
The company has no other recognised gains or losses other than those reported in the above profit and loss account. All items included in the above profit and loss account are part of continuing operations.

MIRENWEST LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

| | NOTES | 2001 £ | 2000 £ |
|---|-------|-------------|--------------|
| FIXED ASSETS | | | |
| Investments | (7) | 987,400 | - |
| CURRENT ASSETS | | | |
| Debtors amounts falling due within one year | (8) | 2,257,659 | 11,043,914 |
| Cash at bank and in hand | | 17,876 | 17,625 |
| | | 2,275,535 | 11,061,539 |
| CREDITORS: amounts falling due within one year | (9) | (2,933,669) | (10,660,842) |
| NET CURRENT (LIABILITIES)/ASSETS | | (658,134) | 400,697 |
| NET ASSETS | | 329,266 | 400,697 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | (11) | 2 | 2 |
| Profit and loss account | (12) | 329,264 | 400,695 |
| EQUITY SHAREHOLDERS' FUNDS | | 329,266 | 400,697 |

These financial statements were approved by the Board of Directors on 10 October 2002 and signed on its behalf by:


 _____ DIRECTOR
 Mr T J Thomson

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 PRINCIPAL ACCOUNTING POLICIES

Financial Reporting Standard 18 - Accounting Policies, effective for accounting periods ending on or after 22 June 2001 has been adopted. The directors have reviewed the company's accounting policies and consider that the accounts are prepared in accordance with FRS 18.

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 as the financial statements of CLS Holdings plc are publicly available.

1.2 *Tangible fixed assets*

Property

Investment properties are revalued bi-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.

Investments

Fixed asset investments are held at cost. A provision is made for any material permanent impairment in value.

1.3 *Turnover*

Turnover comprises income receivable from investments and related debt. Turnover in the previous year, related to the total value of rents receivable under operating leases, excluding VAT.

1.4 *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.

MIRENWEST LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)**

| 2 | TURNOVER | 2001 | 2000 |
|----------|---|---------------|----------------|
| | | £ | £ |
| | Other investment income | 40,000 | 2,625 |
| | Rental income within the United Kingdom | - | (9,424) |
| | | <u>40,000</u> | <u>(6,799)</u> |

| 3 | INTEREST PAYABLE AND RELATED CHARGES | 2001 | 2000 |
|----------|--|---------------|----------------|
| | | £ | £ |
| | On bank loan | - | 118,584 |
| | Other interest | - | 144 |
| | On loans from group undertaking | 97,032 | - |
| | Amortisation of refinance and arrangement fees | - | 93,123 |
| | Amortisation of interest rate caps | - | 4,651 |
| | | <u>97,032</u> | <u>216,502</u> |

4 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

The emoluments of the Directors of the company who are Directors of CLS Holdings plc, are disclosed in that company's financial statements in respect of their services to the group as a whole. None of the other Directors received emoluments for their services during the year (2000: nil). The company had no employees during the year (2000: nil).

| 5 | (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 2001 | 2000 |
|----------|---|--------------|--------------|
| | | £ | £ |
| | This is stated after charging: | | |
| | Auditors' remuneration | 1,044 | 1,000 |
| | | <u>1,044</u> | <u>1,000</u> |

| 6 | TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES | 2001 | 2000 |
|----------|--|-------------|-------------|
| | | £ | £ |
| | UK corporation tax at 30% (2000 - 30%) | - | - |
| | | <u>-</u> | <u>-</u> |

No provision for Corporation Tax has been made for the year due to the availability of losses. Losses are available from one or more of the following sources; losses arising in the year, losses brought forward and group relief surrendered free of charge.

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)

7 FIXED ASSETS

| | 2001 £ Investments | 2000 £ Freehold Investment Property |
|---|--------------------------|---|
| Valuation at 1 January | - | 18,500,000 |
| Additions | 989,104 | (313,410) |
| Disposals | - | (18,186,590) |
| Provision in respect of impairment in value | (1,704) | - |
| | <hr/> | <hr/> |
| Valuation at 31 December | 987,400 | - |
| | <hr/> <hr/> | <hr/> <hr/> |

8 DEBTORS

| | 2001 £ | 2000 £ |
|---|-------------|-------------|
| Amounts falling due within one year: | | |
| Amounts due from group undertakings | - | 11,043,281 |
| Other Debtors | 2,217,277 | - |
| Prepayments and accrued income | 40,000 | - |
| Other taxation and social security | 382 | 633 |
| | <hr/> | <hr/> |
| | 2,257,659 | 11,043,914 |
| | <hr/> <hr/> | <hr/> <hr/> |

Subsequent to the year end, one of the company's investments, Isle of Wight Cable & Telephone Company, underwent a capital restructuring, as a result of which the loans to the company amounting to £2.2 million have been written off.

9 CREDITORS: amounts falling due within one year

| | 2001 £ | 2000 £ |
|-----------------------------------|-------------|-------------|
| Amounts due to group undertakings | 2,933,669 | 595,617 |
| Accruals and deferred income | - | 65,225 |
| Dividends proposed | - | 10,000,000 |
| | <hr/> | <hr/> |
| | 2,933,669 | 10,660,842 |
| | <hr/> <hr/> | <hr/> <hr/> |

MIRENWEST LIMITED**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (CONTINUED)****10 PROVISION FOR LIABILITIES AND CHARGES**

No provision has been included in the accounts for deferred taxation as there are no liabilities are expected to arise in the foreseeable future.

11 CALLED UP SHARE CAPITAL

| | 2001 £ | 2000 £ |
|---|------------|------------|
| Authorised Ordinary shares of £1 each | <u>100</u> | <u>100</u> |
| Authorised, allotted, called up and fully paid: Ordinary shares of £1 each | <u>2</u> | <u>2</u> |

12 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

| | Share Capital £ | Profit & Loss Account £ | 2001 Total £ | 2000 Total £ |
|----------------------------|-----------------------|-------------------------------|--------------------|--------------------|
| Balance at 1 January | 2 | 400,695 | 400,697 | 8,844,328 |
| (Loss)/profit for the year | - | (71,431) | (71,431) | 1,556,369 |
| Dividends proposed | - | - | - | (10,000,000) |
| | <u>2</u> | <u>329,264</u> | <u>329,266</u> | <u>400,697</u> |
| Balance at 31 December | <u>2</u> | <u>329,264</u> | <u>329,266</u> | <u>400,697</u> |

13 CONTINGENT LIABILITIES

In the Directors opinion, no contingent liabilities exist.

14 PARENT UNDERTAKING

The Directors' consider that the immediate, ultimate parent undertaking and controlling party 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, One Citadel Place, Tinworth Street, London, SE11 5EF.