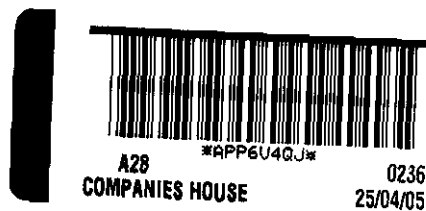


MIRENWEST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2004

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
1 Embankment Place
London
WC2N 6RH



Company No 2991340

MIRENWEST LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2004

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MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004

The Directors are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2004

1 PRINCIPAL ACTIVITY

The principal activity of the Company is to invest in shares, fixed interest investments 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 annual report. 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 2004. (2003: nil).

4 DIRECTORS

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

Mr T J Thomson
Mr D Bäverstam

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

MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

5 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.

6 AUDITORS

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

Mr T J Thomson
Director

31 March 2005



REGISTERED OFFICE:

One Citadel Place
Tinworth Street
London
SE11 5EF

MIRENWEST LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIRENWEST LIMITED

We have audited the financial statements which comprise the profit and loss account, the 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. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 Company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

*Chartered Accountants and
Registered Auditors*
LONDON

31 March 2005

MIRENWEST LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2004**

	NOTES	2004 £	2003 £
Turnover	(1,2)	1,381	42,696
Administrative expenses		(36,947)	(15,117)
Exceptional charges			
Provisions on equity investments		-	(668,000)
Operating loss		(35,566)	(640,421)
Profit/(loss) on sale of investments	(3)	1,230,792	(127,453)
Profit/(loss) before interest and taxation		1,195,226	(767,874)
Interest payable and similar charges	(4)	(448,073)	(386,467)
Profit/(loss) on ordinary activities before taxation	(6)	747,153	(1,154,341)
Tax on profit/(loss) on ordinary activities - deferred	(7)	(22,295)	-
Retained profit/(deficit) for the financial year	(13)	724,858	(1,154,341)

The Company has no other recognised gains or losses other than those reported in the above profit and loss account.

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

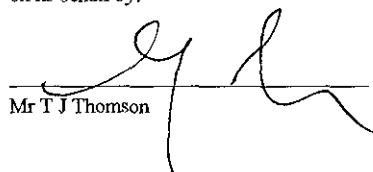
All items included in the above profit and loss account are part of continuing operations.

MIRENWEST LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	NOTES	2004 £	2003 £
FIXED ASSETS			
Investments	(8)	2,298,088	2,159,904
CURRENT ASSETS			
Debtors amounts falling due after more than one year	(9)	3,448,471	3,299,470
Debtors amounts falling due within one year	(9)	2,837,810	38,317
Total debtors		6,286,281	3,337,787
Cash at bank and in hand		77,375	75,998
CREDITORS: amounts falling due within one year	(10)	6,363,656 (8,551,611)	3,413,785 (8,960,707)
NET CURRENT LIABILITIES		(2,187,955)	(5,546,922)
TOTAL ASSETS LESS CURRENT LIABILITIES		110,133	(3,387,018)
PROVISIONS FOR LIABILITIES AND CHARGES	(11)	(22,295)	
NET ASSETS/(LIABILITIES)		87,838	(3,387,018)
CAPITAL AND RESERVES			
Called up share capital	(12)	2,750,000	2
Profit and loss account	(13)	(2,662,162)	(3,387,020)
EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)		87,838	(3,387,018)

The financial statements on pages 4 to 9 were approved by the Board of Directors on 31 March 2005 and signed on its behalf by:


 DIRECTOR
 Mr T J Thomson

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

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 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.

The Company has received assurances from fellow group companies that sufficient funds will be made available to meet the Company's requirements for at least twelve months from the date of these accounts. Accordingly, these financial statements have been prepared on a going concern basis.

1.2 *Tangible fixed assets*

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.

1.4 *Deferred taxation*

Deferred taxation is recognised in respect of timing differences arising from differences in the treatment for accounts and tax purposes of transactions or events recognised in the financial statements except that:

- Provision is not made in respect of property revaluation gains and losses, and
- Deferred tax assets are recognised only to the extent that suitable taxable profits are considered sufficiently certain to arise which could be set against these assets when they reverse.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse.

MIRENWEST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)
2 TURNOVER

	2004 £	2003 £
Investment income	1,381	42,696
	<u>1,381</u>	<u>42,696</u>

3 PROFIT ON SALE OF INVESTMENTS

During the year one of the company's equity investments was sold and the Company realised a profit of £1,230,792 (2003: Loss £127,453)

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2004 £	2003 £
On loans from group undertaking	610,302	345,000
Foreign Exchange (gain)/loss	(162,229)	41,467
	<u>448,073</u>	<u>386,467</u>

5 DIRECTORS' EMOLUMENTS & EMPLOYEE INFORMATION

None of the Directors received emoluments for their services during the year (2003: nil). 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. The Company had no employees during the year (2003: nil).

6 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £	2003 £
This is stated after charging/(crediting)		
Auditors' remuneration	1,176	1,176
Provision/write-off in respect of value of investment	1,600	668,000
(Profit)/loss on sale of investments	(1,230,792)	127,453
	<u></u>	<u></u>

7 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2004 £	2003 £
UK corporation tax at 30% (2003 - 30%)	-	-
Deferred tax charge:		
Origination and reversal of timing differences	22,295	-
	<u>22,295</u>	<u>-</u>

No provision for corporation tax has been made in 2003 due to the availability of losses arising in the year. Losses are available from one or more of the following sources: losses arising in the year or losses brought forward. Losses arising in the period have been surrendered free of charge.

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30% (2003: 30%)	224,146	(346,302)
Effect of:		
Differences due to expenses non-deductible and items not included in profit for tax purposes	480	-
Amounts taxable as capital gains	(7,292)	-
Losses carried forward or surrendered to group	(217,334)	346,302
	<u></u>	<u></u>
Current tax charge in profit and loss account	-	-

The Company expects to be able to shelter any future taxable profits in a similar manner.

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)

8 INVESTMENTS

	2004 £ Investments
Balance at 1 January 2004	2,159,904
Additions	954,257
Disposals	(814,473)
Provision against investment	(1,600)
	<hr/>
Balance at 31 December 2004	2,298,088
	<hr/>

The investments include gilts which were purchased at a cost of £20,000. Market value at 31 December 2004 was £18,536 (2003:£19,061). The Directors do not consider this impairment to be material, therefore no provision has been made in the accounts.

The investments include listed equities which were purchased at a cost of £540,480. Market value at 31 December 2004 was £614,795.

9 DEBTORS

	2004 £	2003 £
Amounts falling due within one year:		
Prepayments and accrued income	38,564	38,317
Amounts due from group undertakings	2,799,246	-
	<hr/>	<hr/>
	2,837,810	38,317
	<hr/>	<hr/>
Amounts falling due after more than one year:		
Other Debtors	3,448,471	3,299,470
	<hr/>	<hr/>

Other debtors are amounts owed by undertakings in which the Company has a participating interest. These loans are generally repayable within 5 years and attract interest at a commercial rate.

10 CREDITORS: amounts falling due within one year

	2004 £	2003 £
Accruals and deferred income	5,264	-
Amounts due to group undertakings	8,546,347	8,960,707
	<hr/>	<hr/>
	8,551,611	8,960,707
	<hr/>	<hr/>

MIRENWEST LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004 (CONTINUED)
11 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation liabilities/(assets) are provided as follows:

	2004	2004	2003	2003
	Provision	Amount	Provision	Amount
	£	unprovided	£	unprovided
		£		£
Capital allowances in excess of depreciation	-	-	-	-
Losses	22,295	(11,622)	-	-
Taxation on revaluation surplus	-	-	-	-
	<u>22,295</u>	<u>(11,622)</u>	<u>-</u>	<u>-</u>
At 1 January	-			
Amount charged to profit and loss	<u>22,295</u>			
At 31 December	<u>22,295</u>			

12 CALLED UP SHARE CAPITAL

	2004	2003
	£	£
Authorised		
Ordinary shares of £1 each	<u>2,750,098</u>	<u>100</u>
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>2,750,000</u>	<u>2</u>

During the year 2,749,998 shares of £1 each were issued at nominal value. Consideration was satisfied by cash.

13 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS/(DEFICIT)

	Share	Profit &	2004	2003
	Capital	Loss Account	Total	Total
	£	£	£	£
Balance at 1 January	2	(3,387,020)	(3,387,018)	(2,232,677)
Issue of share capital	2,749,998	-	2,749,998	-
Retained profit/(deficit) for the financial year	-	724,858	724,858	(1,154,341)
Balance at 31 December	<u>2,750,000</u>	<u>(2,662,162)</u>	<u>87,838</u>	<u>(3,387,018)</u>

14 CONTINGENT LIABILITIES

In the Directors' opinion, no contingent liabilities exist.

15 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.