

MIRENWEST LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 1998

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 1998

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MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors are pleased to present their report and the audited financial statements of the company for the year ended 31st December 1998.

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

A dividend of £100,000 per share was proposed by the Directors for the period ended 31st December 1998 (1997: 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 YEAR 2000

The company's management is addressing the risk arising from the Millenium date change as a matter of proirity. Having taken professional advice, the company's approach to its in house systems is to carry out four essential steps. These are:

- taking an inventory of computer environments, applications and systems;
- testing microprocessor reliant equipment and computer systems and prioritising actions;
- upgrading/replacing equipment and systems where necessary;
- verifying the result.

Additionally, the company is assessing the risk that might be encountered in respect of tenants and suppliers. The cost of this work will be met from existing capital and revenue budgets and is not expected to be significant.

MIRENWEST LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

7 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:

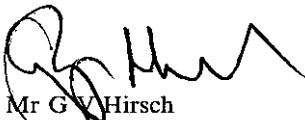
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare 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.

8 AUDITORS

Our auditors, Coopers & Lybrand merged with Price Waterhouse on 1st July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as 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 G V Hirsch
Director

19 April 1999

REGISTERED OFFICE:

6 Spring Gardens
Citadel Place
Tinworth Street
London
SE11 5EH

MIRENWEST LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF MIRENWEST LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention, as modified for revaluation of certain fixed assets and the accounting policies set out in page 6.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Annual Report, including as described on page 2, the financial statements. Our responsibilities as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 the company's affairs at 31 December 1998 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

*Chartered Accountants and
Registered Auditors*
LONDON

19 April 1999

MIRENWEST LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	NOTES	1998 £	1997 £
Turnover	(2)	1,149,854	440,000
Administrative expenses		(68,734)	(30,737)
Operating profit		1,081,120	409,263
Interest payable and related charges	(4)	(186,163)	(172,031)
Profit on ordinary activities before taxation	(3)	894,957	237,232
Tax on profit on ordinary activities	(6)	-	-
Profit on ordinary activities after taxation		894,957	237,232
Dividends		(200,000)	-
Retained profit for the year	(14)	694,957	237,232

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Profit for the financial year	894,957	237,232
Unrealised surplus on revaluation of properties	449,637	1,450,000
Total recognised gains for the year	1,344,594	1,687,232

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.

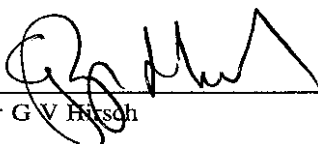
All items included in the above profit and loss account are part of continuing operations.

MIRENWEST LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	NOTES	1998 £	1997 £
FIXED ASSETS			
Tangible assets	(7)	7,000,000	6,450,000
CURRENT ASSETS			
Debtors - Amounts falling due after more than one year	(8)	4,650	13,637
Debtors - Amounts falling due within one year	(9)	92,372	9,162
		97,022	22,799
CREDITORS: amounts falling due within one year	(10)	(153,386)	(755,957)
NET CURRENT LIABILITIES		(56,364)	(733,158)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,943,636	5,716,842
CREDITORS: amounts falling due after more than one year	(11)	2,000,000	1,917,800
CAPITAL AND RESERVES			
Called up share capital	(13)	2	2
Revaluation Reserve	(14)	2,883,057	2,433,420
Profit and loss account	(14)	2,060,577	1,365,620
EQUITY SHAREHOLDERS' FUNDS		4,943,636	3,799,042
		6,943,636	5,716,842

These financial statements were approved by the Board of Directors on 19 April 1999 and signed on its behalf by:


 Director
 Mr G V Hirsch

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

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 together with other property related income. 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

	1998 £	1997 £
Rental income within the United Kingdom	374,854	440,000
Other property related income	775,000	-
	<hr/>	<hr/>
	1,149,854	440,000
	<hr/>	<hr/>

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1998	1997
		£	£
	This is stated after charging:		
	Auditors' remuneration	403	806
		<u> </u>	<u> </u>

4	INTEREST PAYABLE AND RELATED CHARGES	1998	1997
		£	£
	On bank loans, overdrafts and other loans	177,177	163,045
	Interest rate cap amortisation	8,986	8,986
		<u> </u>	<u> </u>
		186,163	172,031
		<u> </u>	<u> </u>

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. (1997: None)

6	TAX ON PROFIT ON ORDINARY ACTIVITIES	1998	1997
		£	£
	UK Corporation tax at 31 % (1997 : 31.5 %)	-	-
		<u> </u>	<u> </u>

No provision for Corporation Tax has been made for the year due to the availability of losses brought forward, to gro relief surrendered free of charge.

7	TANGIBLE FIXED ASSETS	1998	1997
		£	£
	Leasehold property		
	Valuation at 1 January	6,450,000	5,000,000
	Surplus on revaluation	449,637	1,450,000
	Additions	100,363	-
		<u> </u>	<u> </u>
	Valuation at 31 December	7,000,000	6,450,000
		<u> </u>	<u> </u>

At 31 December the leasehold investment properties were revalued at an estimate of their open market values taking 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 £4,116,943.

8	DEBTORS - Amounts falling due after one year	1998	1997
		£	£
	Other debtors	4,650	13,637
		<u> </u>	<u> </u>

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

9 DEBTORS - Amounts falling due within one year	1998	1997
	£	£
Other debtors	8,986	8,986
Prepayment and accrued income	19,180	176
Amounts due from group undertakings	64,206	-
	<hr/>	<hr/>
	92,372	9,162
	<hr/>	<hr/>
 10 CREDITORS: amounts falling due within one year	 1998	 1997
	£	£
Bank loans and overdrafts	-	82,200
Trade creditors	32,699	3,835
Amounts due to group undertakings	-	526,218
Accruals and deferred income	120,687	143,704
	<hr/>	<hr/>
	153,386	755,957
	<hr/>	<hr/>
 11 CREDITORS: amounts falling due after more than one year	 1998	 1997
	£	£
Bank loans	2,000,000	1,917,800
	<hr/>	<hr/>

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

The loan is repayable as follows:

	1998	1997
	£	£
In one year or less, or on demand;	-	82,200
In more than one year but no more than two years; and	2,000,000	78,493
In more than two years but no more than five years.	-	1,839,307
	<hr/>	<hr/>
	2,000,000	2,000,000
	<hr/>	<hr/>

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

12 DEFERRED TAXATION

Deferred taxation is provided as follows:

	1998		1997	
	Provision	Amount Unprovided	Provision	Amount Unprovided
	£	£	£	£
Capital allowances in excess of depreciation	-	245,369	-	214,063
Taxation on revaluation surplus	-	751,420	-	639,227
Losses brought forward	-	-	-	(31,000)
	-	996,789	-	822,290

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

13 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised		
Ordinary shares of £1 each	100	100
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 £	1998 Total £	1997 Total £
Balance at 1 January	2	2,433,420	1,365,620	3,799,042	2,111,810
Profit for the year	-	-	694,957	694,957	237,232
Surplus on revaluation	-	449,637	-	449,637	1,450,000
	2	2,883,057	2,060,577	4,943,636	3,799,042

MIRENWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

15 CONTINGENT LIABILITIES

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

16 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, 6 Spring Gardens, Citadel Place, Tinworth Street, London, SE11 5EH.