

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to the action you should take you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000. All Shareholders are advised to consult their own professional advisers regarding their own tax position.

If you have sold or otherwise transferred all your Ordinary Shares, please send this Circular and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, South Africa or Japan.

Kinmont, which is authorised and regulated by the Financial Services Authority, is acting for the Company and for no one else in connection with the Tender Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Kinmont or for affording advice in relation to the Tender Offer, the contents of this document or any transaction, arrangement or other matter referred to in this document.

CLS Holdings plc

Proposed purchase of 1 in every 48 Ordinary Shares at 600 pence per share pursuant to a Tender Offer and Notice of General Meeting

The Tender Offer will close at 3.00 p.m. on 7 April 2010 unless extended in accordance with paragraph 7 of Part II of this Circular. The procedure for tendering Ordinary Shares is set out in Part II of this Circular. Further copies of this Circular and the accompanying forms are available from the Receiving Agent at the addresses set out on pages 4, 9 and 12. Unless you have sold or transferred all your Ordinary Shares you are recommended to retain this Circular for reference.

Notice of the General Meeting of the Company convened for 11.00 a.m. on 8 April 2010 is set out at the end of this Circular. To be valid, the accompanying form of proxy for use at the General Meeting must be completed and returned so as to reach the Registrars by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH by not later than 11.00 a.m. on 6 April 2010.

As an alternative to completing the enclosed form of proxy, shareholders can appoint proxies electronically via www.clsholdings.com/evoting so that it is received by the Registrar by not later than 11.00 a.m. on 6 April 2010. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant 3RA50) by not later than 11.00 a.m. on 6 April 2010. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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EXPECTED TIMETABLE OF EVENTS

Latest time and date for receipt of forms of proxy for the General Meeting	11.00 a.m. on 6 April 2010
Latest time and date for receipt of Tender Forms and TTE instructions from CREST Shareholders	3.00 p.m. on 7 April 2010
Tender Offer closes	3.00 p.m. on 7 April 2010
Record Date for the Tender Offer	5.00 p.m. on 7 April 2010
General Meeting	11.00 a.m. on 8 April 2010
Outcome of Tender Offer announced by	8.30 a.m. on 9 April 2010
Cheques despatched for certificated Ordinary Shares purchased pursuant to the Tender Offer and payment through CREST for uncertificated Ordinary Shares purchased pursuant to the Tender Offer	14 April 2010
CREST accounts credited with uncertificated Ordinary Shares unsuccessfully tendered and despatch of balance share certificates for unsold certificated Ordinary Shares and share certificates for unsuccessful tenders of certificated Ordinary Shares	14 April 2010

DEFINITIONS

The following definitions apply throughout this Circular and the accompanying Tender Form and form of proxy unless the context otherwise requires:

“1985 Act”	the UK Companies Act 1985, as amended
“2006 Act”	the UK Companies Act 2006
“Adjusted Net Asset Value”	the Company’s net assets per share adjusted to exclude the full provision for deferred tax required by IAS12
“Board”	the board of directors of the Company as constituted from time to time
“Business Day”	any day other than a Saturday, Sunday or bank holiday in England
“Circular”	this document
“Code”	The City Code on Takeovers and Mergers
“CLS” or “Company”	CLS Holdings plc
“Concert Party”	the concert party of Sten Mortstedt and Bengt Mörtstedt and their respective interests in the share capital of CLS
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations)
“CREST Regulations”	Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member
“Directors”	the directors of the Company as at the date of this Circular
“DTR”	the Disclosure Rules and Transparency Rules published by the FSA
“Euroclear”	Euroclear UK & Ireland Limited (previously CRESTCo Limited)
“FSA”	the UK Financial Services Authority
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 8 April 2010, notice of which is set out at the end of this Circular

“Group”	the Company and its subsidiaries
“Kinmont”	Kinmont Limited, financial adviser to CLS
“Member account ID”	identification code or number attached to any member account in CREST
“NCB”	NCB Stockbrokers Limited, stockbroker to CLS
“North American person”	has the meaning given to it in paragraph 9 of Part II of this Circular
“Ordinary Shares”	ordinary shares of 25p each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Receiving Agent”	Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH
“Registrars”	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
“Record Date”	5.00 p.m. on 7 April 2010
“SEDOL”	the Stock Exchange Daily Official List
“Shareholders”	holders of Ordinary Shares from time to time
“Share Option Schemes”	the Company’s 1994 Inland Revenue Approved Executive Share Option Scheme, the Unapproved Share Option Scheme and the Company’s 2005 Company Share Option Plan
“Tender Form”	the tender form accompanying this Circular issued for use by Shareholders in connection with the Tender Offer
“Tender Offer”	the invitation by the Company to Shareholders to tender Ordinary Shares on the terms and subject to the conditions set out in the Circular and the Tender Form
“Tender Offer Resolution”	the special resolution set out in the notice of General Meeting at the end of this Circular to approve the Tender Offer
“TFE instruction”	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear)
“TTE instruction”	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear)

PART I

LETTER FROM THE CHAIRMAN OF CLS HOLDINGS PLC

CLS Holdings plc

(Incorporated and Registered in England No. 2714781)

Directors

Sten Mortstedt (*Executive Chairman*)
E. Henry Klotz (*Chief Executive Officer*)
John Whiteley (*Chief Financial Officer*)
Thomas Lundqvist (*Non-Executive Vice Chairman*)
Malcolm Cooper (*Non-Executive Director*)
Joseph Crawley (*Non-Executive Director*)
Christopher Jarvis (*Non-Executive Director*)
Bengt Mörtstedt (*Non-Executive Director*)
Thomas Thomson (*Non-Executive Director*)

Registered and Head Office:

86 Bondway
London SW8 1SF

23 March 2010

Dear Shareholder

Proposed purchase of 1 in every 48 Ordinary Shares at 600 pence per share by way of a Tender Offer and Notice of General Meeting

Introduction

On 11 March 2010, the Board announced that the Company intended to offer to purchase 1 in every 42 Ordinary Shares by way of a Tender Offer at 525p per share. However, since that date the share price of CLS has risen and the Board has amended the Tender Offer so that it now intends to offer to purchase 1 in every 48 Ordinary shares at 600p per share. The background and reasons for this Tender Offer are set out below.

If the maximum number of shares under the Tender Offer is acquired this will result in an amount of £6.03 million being paid by the Company to participating Shareholders.

Shareholder approval is required for the Tender Offer and accordingly a General Meeting is being convened at the offices of CLS, 86 Bondway, London SW8 1SF at 11.00 a.m. on 8 April 2010. The Notice of General Meeting is set out at the end of this Circular.

Shareholders should read the whole of this Circular and not just rely on the summarised information set out in this letter.

Background to and reasons for the Tender Offer

As set out in our Annual Results for the year ended 31 December 2009, our net assets per share, adjusted Net Asset Value, rose to 767.5p. In addition, CLS continues to enjoy cash balances of approximately £70 million and is well placed to take advantage of future investment opportunities as they arise. Although markets remain uncertain and we remain cautious, we believe that the most critical period of the financial crisis has passed.

Following the substantial returns of cash to Shareholders in late 2008 and early 2009, and with the share price at a significant discount to adjusted Net Asset Value, we believe that this is an appropriate time to restore our regular distribution policy. Accordingly we are proposing to return up to £6.03 million to Shareholders by way of a tender offer.

The Tender Offer

Your Board is proposing that the Company should make a Tender Offer to purchase up to 1,004,817 Ordinary Shares, representing approximately 2.08 per cent. of the Company's current issued

ordinary share capital (excluding treasury shares), at 600p per Ordinary Share. This represents a premium of 17.4 per cent. to the average closing middle market price of the Ordinary Shares of 511p per share as derived from SEDOL for the five Business Days ended on 19 March 2010 (being the latest practicable date prior to the posting of this Circular).

The Tender Offer will be open to all Shareholders on the Company's share register on the Record Date. Shareholders may participate in the Tender Offer by tendering either all or a proportion of their registered holdings of Ordinary Shares. Each Shareholder will be entitled to sell under the Tender Offer, 1 Ordinary Share for every 48 Ordinary Shares registered in his name on the Record Date, rounded down to the nearest whole number of Ordinary Shares. The Tender Offer will also present tendering Shareholders with an opportunity to sell more than their *pro rata* entitlement of Ordinary Shares to the extent that other Shareholders tender less than their *pro rata* entitlement. If the number of Ordinary Shares validly tendered exceeds 1,004,817 and if and to the extent that any Shareholders have tendered less than their *pro rata* entitlement under the Tender Offer, surplus tenders will be accepted in proportion to the number of additional Ordinary Shares tendered so that the total number of Ordinary Shares purchased pursuant to the Tender Offer does not exceed 1,004,817. The Ordinary Shares purchased under the Tender Offer will be cancelled.

No Ordinary Shares will be purchased in relation to the Tender Offer unless the Tender Offer Resolution to be proposed at the General Meeting to be held on 8 April 2010 is passed. The Tender Offer will be void if less than 0.1 per cent. of the issued Ordinary Shares (excluding treasury shares) are, in aggregate, tendered.

If you hold Ordinary Shares in certificated form, tenders may only be made on the accompanying Tender Form, which is personal to the Shareholder(s) named on it and may not be assigned or transferred.

If you hold Ordinary Shares in uncertificated form, tenders may only be made by way of an electronic tender.

Unless the Board of CLS determines to vary the tender price in accordance with paragraph 8 of Part II of this Circular, a Tender Form and/or electronic tender once submitted cannot be withdrawn. To be valid, Tender Forms and/or electronic tenders must be received by the Receiving Agent no later than 3.00 p.m. on 7 April 2010.

Further information relating to the Tender Offer is set out in Part II of this Circular.

Overseas Shareholders

The attention of Shareholders who are citizens, residents or nationals of countries outside the UK wishing to participate in the Tender Offer is drawn to paragraph 9 of Part II of this Circular.

Taxation

A summary of the taxation consequences of the Tender Offer for UK resident Shareholders is set out in paragraph 10 of Part II of this Circular. **It should be noted that this refers to the current system of taxation. Shareholders are advised to consult their own professional advisers regarding their own tax position.**

Notification of interests

Under section 5.1.2 of the DTR, certain substantial Shareholders are required to notify the Company and the FSA of the percentage of voting rights they hold as Shareholders or through their direct or indirect holding of financial instruments within the limits referred to in the DTR. Following the Company's purchase of Ordinary Shares in relation to the Tender Offer, the percentage of voting rights held by a Shareholder may change, giving rise to an obligation on the Shareholder to notify the Company and the FSA within two trading days of becoming aware or being deemed to have become aware of such change. If you are in any doubt as to whether you should notify the Company and the FSA or as to the form of that notification, please consult your solicitor or other professional adviser.

Substantial shareholders

The respective interests of Sten Mortstedt and Bengt Mörtstedt in the Company as at 19 March 2010 (being the latest practicable date prior to the posting of this Circular) are set out in the table below together with details of the maximum percentage of the Company's voting rights that would be represented by their respective interests in the Company assuming that the Company purchases the maximum of 1,004,817 Ordinary Shares pursuant to the Tender Offer and assuming that the Company purchases the maximum of 4,802,425 Ordinary Shares pursuant to the additional authority of the Company to purchase Ordinary Shares that was granted to the Company at the Annual General Meeting in May 2009 and that in each case neither Sten Mortstedt nor Bengt Mörtstedt nor their respective interests sells any of the Ordinary Shares in which they are beneficially interested pursuant to the Tender Offer or otherwise.

	<i>Number of Ordinary Shares</i>	<i>Percentage of current issued Ordinary Share capital³</i>	<i>Maximum percentage after Tender Offer³</i>	<i>Maximum percentage after Tender Offer and full exercise of general authority³</i>
Sten Mortstedt ¹	25,450,176	52.77	53.89	59.99
Bengt Mörtstedt ²	3,628,898	7.52	7.68	8.55
	<u>29,079,074</u>	<u>60.29</u>	<u>61.57</u>	<u>68.54</u>

- 1 The Ordinary Shares of the Company in which Sten Mortstedt is beneficially interested are held in trust apart from 291 Ordinary Shares held in the name of Mrs Karin Mortstedt.
- 2 Bengt Mörtstedt is the brother of Sten Mortstedt.
- 3 Excluding treasury shares.
- 4 The Company and the Concert Party will seek to ensure that a minimum of 25 per cent. of the Ordinary Shares are held in public hands.

Action to be taken

General Meeting

The Tender Offer Resolution is a special resolution and accordingly will only be passed if at least 75 per cent. of the votes cast at the General Meeting are in favour.

Shareholders will find enclosed a form of proxy for use at the General Meeting. Whether or not Shareholders intend to be present at the meeting, Shareholders are requested to complete and return the form of proxy in accordance with the instructions printed thereon so that it arrives at the Registrars as soon as possible and in any event so as to be received by the Registrars not later than 11.00 a.m. on 6 April 2010. Completion and return of the form of proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

Shareholders can appoint proxies electronically via www.clsholdings.com/evoting so that it is received by the Registrar by not later than 11.00 a.m. on 6 April 2010. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant 3RA50) by not later than 11.00 a.m. on 6 April 2010. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Tender Offer

Further details of the procedure for tendering and settlement are set out in Part II of this Circular and the accompanying Tender Form.

The procedure for tendering Ordinary Shares depends on whether Ordinary Shares are held in certificated or uncertificated form and is summarised below.

(a) Shares held in certificated form

Qualifying Shareholders who hold Ordinary Shares in certificated form and who wish to participate in the Tender Offer should follow the instructions on the accompanying Tender Form and return it to the Receiving Agent to arrive by no later than 3.00 p.m. on 7 April 2010. Shareholders who hold their Ordinary Shares in certificated form should also send their share certificate(s) in respect of the Ordinary Shares tendered with their Tender Form.

(b) Shares held in uncertificated form

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) and who wish to tender all or any of their existing holdings of Ordinary Shares should tender electronically through CREST so that the TTE instruction settles no later than 3.00 p.m. on 7 April 2010. Further details of the procedures for tendering and settlement are set out in Part II.

Shareholders who do not wish to participate in the Tender Offer should not complete the Tender Form and will not be required to make a TTE instruction.

Further information

The Tender Offer will be financed solely from the Company's existing cash resources. No liability will be incurred by the Company in respect of the Tender Offer.

At 19 March 2010 (being the latest practicable date prior to the posting of this Circular) the issued share capital of the Company was 53,024,256 Ordinary Shares, of which 4,793,000 Ordinary Shares were held by the Company as treasury shares. At 19 March 2010, there were 300,000 share options outstanding in respect of Ordinary Shares granted under the Share Option Schemes, equivalent to 0.62 per cent. of the Company's issued share capital (excluding treasury shares). These options will represent approximately 0.64 per cent. of the Company's issued share capital (excluding treasury shares) if the Company purchases the maximum number of shares pursuant to the Tender Offer and 0.71 per cent. if the maximum number of shares are also purchased pursuant to the existing market purchase authority.

Your attention is drawn to the Terms of the Tender Offer set out in Part II of this Circular.

Recommendation

Your Directors consider that the Tender Offer is in the best interests of Shareholders as a whole and unanimously recommend that Shareholders vote in favour of the Tender Offer Resolution.

If you are in any doubt as to the action you should take, you are recommended to seek your own independent advice.

Yours sincerely

Sten Mortstedt

(Executive Chairman)

PART II

TERMS OF THE TENDER OFFER

1. Introduction

Shareholders are invited to tender Ordinary Shares on the terms and subject to the conditions set out in this Circular and the accompanying Tender Form. The Company will only acquire Ordinary Shares pursuant to the Tender Offer if the Tender Offer Resolution is passed at the General Meeting and at least 0.1 per cent. of the issued ordinary share capital of the Company is tendered.

The Board is proposing that the Company should purchase from Shareholders up to 1,004,817 Ordinary Shares at 600p per Ordinary Share. The Tender Offer is open to all Shareholders on the Company's share register on the Record Date, who may participate by tendering all or a proportion of their holdings of Ordinary Shares at that price.

Each Shareholder will be entitled to sell up to 1 Ordinary Share for every 48 Ordinary Shares registered in his name on the Record Date under the Tender Offer, rounded down to the nearest whole number of Ordinary Shares. Any resulting fractional entitlements of Shareholders will be aggregated and used to satisfy surplus tenders. The Tender Offer will also present tendering Shareholders with an opportunity to sell more than their *pro rata* entitlement of Ordinary Shares to the extent that other Shareholders tender less than their *pro rata* entitlement of Ordinary Shares. If the number of Ordinary Shares validly tendered exceeds 1,004,817 and if and to the extent that any Shareholders have tendered less than their *pro rata* entitlement under the Tender Offer, surplus tenders will be accepted in proportion to the number of additional Ordinary Shares tendered so that the total number of Ordinary Shares purchased pursuant to the Tender Offer does not exceed 1,004,817.

Ordinary Shares purchased pursuant to the Tender Offer will be acquired free of all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto. Ordinary Shares purchased by the Company will be cancelled and will not be available for re-issue.

2. Procedures for tendering Ordinary Shares

Different procedures apply for Ordinary Shares in certificated and uncertificated form.

If you hold Ordinary Shares in certificated form, you may only tender such Ordinary Shares by completing and returning the Tender Form in accordance with the instructions set out in paragraph 2(i) below and the instructions printed thereon.

If you hold Ordinary Shares in certificated form, but under different designations, you should complete a separate Tender Form in respect of each designation. Additional Tender Forms are available from Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH.

If you hold Ordinary Shares in uncertificated form (that is, in CREST) you may only tender such Ordinary Shares by TTE instruction in accordance with the procedure set out in paragraph 2(iii) below and, if those Ordinary Shares are held under different member account IDs, you should send a separate TTE instruction for each member account ID.

(i) *Ordinary Shares held in certificated form*

If you wish to participate in the Tender Offer you should complete, if relevant, Boxes 4, 6, 7 and 8, sign Box 5 of the accompanying Tender Form in accordance with the instructions printed on it. Tenders may only be made on the accompanying Tender Form, which is personal to the

Shareholder(s) named on it and may not be assigned or transferred. The Tender Form represents a right to tender Ordinary Shares. It is not a document of title.

If you hold Ordinary Shares in both certificated and uncertificated forms, you should complete a Tender Form for the certificated holding/s and tender your Ordinary Shares held in uncertificated form by TTE instruction in accordance with the procedure set out in paragraph 2(ii) below. In addition you should complete separate Tender Forms for Ordinary Shares held in certificated form but under different designations, Additional Tender Forms can be obtained from the Receiving Agent.

If you wish to participate in the Tender Offer the completed and signed Tender Form, together with your share certificate(s) and/or other documents of title in respect of your Ordinary Shares tendered, should be returned by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand only to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and, in any event, so as to be received not later than 3.00 p.m. on 7 April 2010. No acknowledgement of receipt of documents will be given. The instructions printed on the Tender Form shall be deemed to form part of the terms of the Tender Offer.

Box 2 of the accompanying Tender Form shows your entire registered shareholding in the Company on 19 March 2010 (being the latest practicable date prior to the posting of this Circular) under the name and address specified in Box 1. If you buy or sell any Ordinary Shares in certificated form between 19 March 2010 and the Record Date you should amend Box 2 with the new number of Ordinary Shares in certificated form held by you.

Box 3 shows the number of Ordinary Shares in certificated form you are entitled to sell pursuant to the Tender Offer calculated on the basis of 1 Ordinary Share for every 48 Ordinary Shares in certificated form registered in your name on 19 March 2010, rounded down to the nearest whole number of Ordinary Shares. If you buy or sell any Ordinary Shares in certificated form between 19 March 2010 and the Record Date, the Ordinary Shares in certificated form you are entitled to sell pursuant to the Tender Offer will be adjusted accordingly and you should enter your amended entitlement (based on the new number to be entered by you in Box 2) in Box 3.

To accept the Tender Offer, insert in Box 4 the total number of Ordinary Shares in certificated form that you wish to tender under the Tender Offer if different from the number shown in Box 3 (amended, as appropriate). If no number of Ordinary Shares in certificated form is inserted in Box 4, and you have signed Box 5, you will be deemed to have inserted in Box 4 the number of Ordinary Shares in certificated form shown in Box 3 (amended, as appropriate) or, if less, your entire holding of Ordinary Shares in certificated form. If a number greater than your entire holding of Ordinary Shares is inserted in Box 4 and you have signed Box 5, you will be deemed to have inserted in Box 4 the number of Ordinary Shares shown in Box 2 (amended, as appropriate) representing the whole of your registered holding of Ordinary Shares in certificated form on the Record Date.

All Tender Forms are issued only to the addressees and are specific to the classes of security and the unique designated accounts printed on the Tender Forms. These personalised forms are not transferable between different (i) account holders; (ii) classes of security; or (iii) uniquely designated accounts. The Company, Kinmont and Computershare Investor Services PLC accept no responsibility for any instruction that does not comply with these instructions.

(ii) *Ordinary Shares in uncertificated form (that is, in CREST)*

If the Ordinary Shares that you wish to tender are in uncertificated form you should take (or procure to take) the action set out below to transfer to escrow (by means of a TTE instruction) the total number of Ordinary Shares that you wish to tender under the Tender Offer, specifying the Receiving Agent (in its capacity as a CREST participant under the participant ID referred

to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than 3.00 p.m. on 7 April 2010.

The input and settlement of a TTE instruction in accordance with this paragraph (ii) shall constitute an offer to sell the number of Ordinary Shares at the price indicated on the terms of the Tender Offer, by transferring such Ordinary Shares to the relevant escrow account as detailed below (an "Electronic Tender").

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your Participant ID and the Member account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the TTE instruction to Euroclear in relation to your Ordinary Shares.

To tender Ordinary Shares in uncertificated form you should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for the TTE instruction to settle in CREST, the following details:

- the number of Ordinary Shares to be transferred to an escrow balance;
- your Member account ID;
- your Participant ID;
- the Participant ID of the escrow agent, the Receiving Agent, in its capacity as a CREST receiving agent. This is: 3RA43;
- the Member account ID of the escrow agent. This is: CLSHOLD;
- the Corporate Action Number of the Tender Offer, which is allocated by CREST and which will be available on screen from Euroclear;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than 3.00 p.m. on 7 April 2010;

After settlement of the TTE instruction, you will not be able to access the Ordinary Shares concerned in CREST for any transaction or charging purposes, notwithstanding that they will be held by the Receiving Agent as your agent until they are transferred to itself, as escrow agent for the Company. On the first Business Day after the closing of the Tender Offer, the Receiving Agent will transfer the Ordinary Shares that are accepted by the Company to itself, as escrow agent for the Company.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE instruction relating to your Ordinary Shares to settle prior to 3.00 p.m. on 7 April 2010. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

An appropriate announcement will be made if any of the details contained in this subparagraph (ii) are altered in any material respect for any reason.

Withdrawals of Electronic Tenders are not permitted once submitted.

(iii) *Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offer. Shareholders who are proposing to convert any such shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable them to take all necessary steps in connection with any participation in the Tender Offer (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 3.00 p.m. on 7 April 2010.

(iv) *Share certificates and documents of title not readily available or lost*

If your Ordinary Shares are in certificated form but your share certificate(s) and/or other document(s) of title is/are not readily available or are lost, the Tender Form should nevertheless be completed, signed and returned as described in sub-paragraph (i) above so as to be received not later than 3.00 p.m. on 7 April 2010 together with any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter stating that the balance will follow and the share certificate(s) and/or other document(s) of title should be forwarded as soon as possible thereafter and, in any event, so as to arrive by not later than 3.00 p.m. on 7 April 2010.

If you have lost your share certificate(s) and/or other document(s) of title, you should write to the Registrars at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ for a letter of indemnity in respect of the lost share certificate(s) and/or other document(s) of title that, when completed in accordance with the instructions given, should be returned by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or by hand only to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE to be received no later than 3.00 p.m. on 7 April 2010.

You should note that no payment will be made until satisfactory documentation has been received as described above.

(v) *Miscellaneous*

If the Tender Offer Resolution is not passed or the Tender Offer is terminated or void, all documents lodged pursuant to the Tender Offer will be returned promptly by post not later than five Business Days after such date or, in the case of Ordinary Shares held in uncertificated form, the escrow agent will provide instructions to Euroclear to transfer all Ordinary Shares held in escrow balances by TFE instruction to the original available balances from which those Ordinary Shares came within such time. In any of these circumstances, Tender Forms will cease to have any effect.

Tendering Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or duty in the UK on the sale of Ordinary Shares in relation to the Tender Offer.

The delivery of share certificates for Ordinary Shares and all other required documents and all remittances will be at the risk of the tendering Shareholder.

All trade reporting and transaction reporting in respect of the purchases and sales of Ordinary Shares in relation to the Tender Offer will be executed by NCB as agent for CLS.

If you are in any doubt as to the procedure for acceptance, please contact the Receiving Agent by telephone on 0870 889 3286 or at either of the addresses set out on page 1 of the accompanying Tender Form. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

3. Settlement

Unless the Tender Offer Resolution is not passed or the Tender Offer becomes void or is terminated or is extended, the outcome of the Tender Offer and (if applicable) the extent to which tenders will be scaled down will be announced by no later than 8.30 a.m. on the Business Day following the General Meeting. The payment of any consideration for Ordinary Shares pursuant to the Tender Offer will be made only after the relevant TTE instruction has settled or (in the case of Ordinary Shares in certificated form which are tendered) timely receipt by the Receiving Agent of share certificate(s) and/or other document(s) of title, a properly completed and duly executed Tender Form and any other documents required by the Tender Form.

If any tendered Ordinary Shares are not purchased by the Company pursuant to the terms of the Tender Offer, relevant share certificate(s) evidencing any such Ordinary Shares and/or other document(s) of title will be returned or sent as promptly as practicable without expense to, but at the risk of, the tendering Shareholder. In the case of any tendered Ordinary Shares held in uncertificated form (that is, in CREST) which are not purchased by the Company pursuant to the terms of the Tender Offer, the escrow agent will provide instructions to Euroclear to transfer all Ordinary Shares held in escrow balances by TFE instruction to the original available balances from which those Ordinary Shares came.

Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by the Company, will be made as follows:

(i) Ordinary Shares in uncertificated form (that is, in CREST)

Where an accepted tender relates to Ordinary Shares in uncertificated form, any cash consideration will be paid by means of CREST by the Company procuring the creation of an assured payment obligation in favour of the payment banks of tendering Shareholders in accordance with the CREST assured payment arrangements, not later than twelve Business Days after the day that the outcome of the Tender Offer is announced.

The Company reserves the right to settle all or any part of the consideration referred to in this paragraph (i), for all or any accepted tenders, in the manner referred to in paragraph (ii) below, if, for any reason, it wishes to do so.

(ii) Ordinary Shares in certificated form

Where an accepted tender relates to Ordinary Shares in certificated form, cheques for the consideration will be despatched by first class post not later than twelve Business Days after the day that the outcome of the Tender Offer is announced at the risk of the person entitled thereto. All cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

Delivery of cash for the Ordinary Shares to be purchased by the Company pursuant to the Tender Offer will be made by the Receiving Agent. The Receiving Agent will act as agent for tendering Shareholders for the purpose of receiving the cash and transmitting such cash to tendering Shareholders. Under no circumstances will interest be paid on the cash to be paid by the Company or the Receiving Agent regardless of any delay in making such payment.

4. Tender Form

Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with CLS and Kinmont, for itself and as agent for CLS, so as to bind such holder and their personal or legal representatives, heirs, successors and assigns to the following effect:

- (i) that the execution of the Tender Form shall constitute an irrevocable offer to sell to the Company the total number of Ordinary Shares inserted or deemed to have been inserted in

Box 4 of the Tender Form on and subject to the terms and conditions set out or referred to in this Circular and the Tender Form;

- (ii) that such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such irrevocable offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Ordinary Shares free and clear from all liens, charges, restrictions, claims, equitable interests and encumbrances and together with all rights attaching thereto and such representation and warranty will be true in all respects at the time the Company purchases such Ordinary Shares as if it had been entered into anew at such time and shall not be extinguished by such purchase;
- (iii) that the execution of the Tender Form will, upon acceptance of such irrevocable offer, constitute the irrevocable appointment of any director of, or other person nominated by, CLS or Kinmont as such Shareholder's attorney and agent ("attorney"), and an irrevocable instruction to the attorney, to complete and execute all or any contracts and/or other documents at the attorney's discretion in relation to the Ordinary Shares referred to in sub-paragraph (i) above for the purchase of such shares by the Company and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offer;
- (iv) that such Shareholder agrees to ratify and confirm each and every act or thing that may be done or effected by CLS or Kinmont or any of its directors or any person nominated by CLS or Kinmont in the proper exercise of its or his or her powers and/or authorities hereunder;
- (v) that in respect of tendered Ordinary Shares held in certificated form, such Shareholder will deliver to the Receiving Agent their share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares referred to in sub-paragraph (i) above, or an indemnity acceptable to CLS in lieu thereof, or will procure the delivery of such documents to such person as soon as possible thereafter and, in any event, before the closing of the Tender Offer;
- (vi) that the terms of this Part II shall be deemed to be incorporated in, and form part of, the Tender Form, which shall be read and construed accordingly;
- (vii) that such Shareholder shall do all such acts and things as shall be necessary and execute any additional documents deemed by CLS to be desirable to complete the purchase of the Ordinary Shares referred to in sub-paragraph (i) above and/or to perfect any of the authorities expressed to be given hereunder;
- (viii) that the execution of a Tender Form constitutes, subject to the Tender Offer becoming unconditional, irrevocable authorisations and requests if the Ordinary Shares concerned are in certificated form to the Company to procure the despatch by post of a cheque drawn in pounds sterling at a branch of a UK clearing bank for the cash consideration to which a tendering Shareholder is entitled, at the risk of such Shareholder, to the personal agent whose name and address outside the United States, Canada, Australia, South Africa or Japan is set out in Box 8 of the Tender Form, or if no such name and address is set out in Box 8, to the first named holder at his registered address outside the United States, Canada, Australia, South Africa or Japan; or
- (ix) that such Shareholder is not a North American person (as defined in paragraph 9 below) or a resident of Australia, South Africa or Japan, does not hold any Ordinary Shares that he has tendered on behalf of any North American person or any resident of Australia, South Africa or Japan and (save as set out below) is not acting on behalf of a North American person or a resident of Australia, South Africa or Japan and has not received or sent copies of this Circular, the Tender Form or any related documents in, into or from the United States, Canada, Australia, South Africa or Japan, has not utilised in connection with the Tender Offer, directly or indirectly, the mails of, or any means or instrumentality (including, without limitation, facsimile transmissions, telex and telephone) of interstate or foreign commerce of,

or any facilities of a national securities exchange of, the United States, was outside the United States, Canada, Australia, South Africa or Japan when the Tender Form was delivered and is not an agent or fiduciary acting on a non-discretionary basis for a principal unless such agent or fiduciary is an authorised employee of such principal and such authorised employee is outside the United States, Canada, Australia, South Africa or Japan or such principal has given any instructions with respect to the Tender Offer from outside the United States, Canada, Australia, South Africa or Japan.

The failure of any person to receive a copy of this Circular or the Tender Form shall not invalidate any aspect of the Tender Offer. Additional copies of this Circular and the Tender Forms can be obtained from the Receiving Agent. No acknowledgement of receipt of any Tender Forms, share certificates and/or other documents of title will be given.

All powers of attorney and authorities conferred by or referred to in this Circular or in the Tender Forms are given by way of security for the performance of the obligations of the Shareholders concerned and are irrevocable in accordance with Section 4 of the Powers of Attorney Act 1971.

The Tender Offer, all Tender Forms and all contracts resulting therefrom shall be governed by and construed in accordance with English law. Execution on behalf of a Shareholder of a Tender Form constitutes his or her submission, in relation to all matters arising out of or in connection with the Tender Offer and the Tender Form, to the jurisdiction of the English courts.

References in this paragraph to a holder of Ordinary Shares or a Shareholder shall include references to the person or persons executing a Tender Form and, in the event of more than one person executing a Tender Form, the provisions of this paragraph shall apply to them jointly and to each of them.

5. Allocation policy

Each Shareholder will be entitled to sell up to 1 Ordinary Share for every 48 Ordinary Shares registered in his name on the Record Date under the Tender Offer, rounded down to the nearest whole number of Ordinary Shares. Tendering Shareholders may sell more than their *pro rata* entitlement of Ordinary Shares to the extent that other Shareholders tender less than their *pro rata* entitlement of Ordinary Shares. If the number of Ordinary Shares validly tendered exceeds 1,004,817 and if and to the extent that any Shareholders have tendered less than their *pro rata* entitlement under the Tender Offer, surplus tenders will be accepted in proportion to the number of additional Ordinary Shares tendered so that the total number of Ordinary Shares purchased pursuant to the Tender Offer does not exceed 1,004,817.

6. Invalid tenders

Kinmont and CLS reserve the absolute right to inspect (either themselves or through their agents) all Tender Forms, and may consider void and reject any tender that does not in the sole judgment of Kinmont and CLS meet the requirements of the Tender Offer. None of Kinmont, CLS, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Kinmont and CLS reserve the right, in their sole discretion, to treat as valid in whole or in part any Tender Form that is not entirely in order or that is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, however, the consideration under the Tender Offer will only be dispatched when the Tender Form is entirely in order, when the relevant TTE instruction has been settled or (as the case may be) the relevant share certificate(s) and/or other documents of title or indemnities satisfactory to CLS and Kinmont has/have been received.

- (i) All tenders received in respect of Ordinary Shares held in certificated form must be made on a Tender Form delivered to the Receiving Agent.
- (ii) **A Tender Form which is received in respect of Ordinary Shares held in uncertificated form will not constitute a valid tender and will be disregarded.** Holders of Ordinary Shares in

uncertificated form who wish to tender any such Ordinary Shares should note that a TTE Instruction submitted will only be a valid tender as at the Closing Date, 7 April 2010, if it has settled on or before 3.00 p.m. on that date.

7. Closing Date and right to extend

The Tender Offer will close at 3.00 p.m. on 7 April 2010 (the "Closing Date") and no tenders that are received after that time will be accepted unless Kinmont and CLS, in their sole and absolute discretion, shall have extended the period during which the Tender Offer is open, in which event the term "Closing Date" shall mean the latest time and date at which the Tender Offer, as so extended by Kinmont and CLS, shall close. Kinmont shall notify the Receiving Agent of any extension of the Closing Date by oral or written notice and shall notify holders of Ordinary Shares of such extension by public announcement not later than 8.30 a.m. on the Business Day following the day on which the General Meeting is held.

8. Right to terminate or amend the Tender Offer

- (i) If at any time prior to the Closing Date there shall occur any change in the financial position or prospects and/or circumstances of CLS or there shall occur any change in national or international, financial, economic, political or market conditions which, in the opinion of CLS (acting in its absolute discretion), renders the Tender Offer temporarily or permanently impracticable or inadvisable (taking into account the background to and reasons for the Tender Offer) CLS shall be entitled to determine that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired. If it is determined that the Tender Offer is terminated, it shall cease and determine absolutely and CLS shall, as soon as practicable thereafter, notify Shareholders in writing.
- (ii) If at any time prior to the Closing Date there shall occur an increase in the market price of an Ordinary Share from 511p, (which is the average closing middle market price of an Ordinary Share for the five Business Days ended on 19 March 2010, being the latest practicable date prior to the posting of this Circular) which, in the opinion of CLS (acting in its absolute discretion), renders the tender price per Ordinary Share of 600p under the Tender Offer less attractive to Shareholders, CLS shall be entitled to determine either that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired or that the price per Ordinary Share, at the sole discretion of CLS, be increased up to an amount equal to no more than 10 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the Directors set the increased tender price. If the tender price is increased the ratio of the terms of the Tender Offer shall be amended so that the consideration payable to a Shareholder pursuant to the Tender Offer will, so far as practicable, remain the same or increase slightly. Unless CLS specifies otherwise, all tenders will remain valid if the terms of the Tender Offer are amended to increase the tender price per Ordinary Share. The benefit of any increase to the tender price per Ordinary Share pursuant to the Tender Offer will be made available to all Shareholders whose tenders have been accepted at the original tender price of 600p per Ordinary Share. If it is determined that the Tender Offer is terminated, it shall cease and determine absolutely and CLS shall, as soon as practicable thereafter, notify Shareholders in writing. If any such determination to increase the tender price per Ordinary Share is made, CLS shall, as soon as practicable thereafter, notify Shareholders in writing.
- (iii) If at any time prior to the Closing Date there shall occur a decrease in the market price of an Ordinary Share from 511p, (which is the average closing middle market price of an Ordinary Share for the five Business Days ended on 19 March 2010, being the latest practicable date prior to the posting of this Circular) which, in the opinion of CLS (acting in its absolute discretion), renders the tender price per Ordinary Share of 600p under the Tender Offer to be too high, CLS shall be entitled to determine either that the Tender Offer is terminated and that no Ordinary Shares tendered under the Tender Offer shall be acquired or that the tender price

per Ordinary Share, at the sole discretion of CLS, be decreased provided that the revised tender price shall be above the average of the closing middle market quotations for the Ordinary Shares as derived from SEDOL for the five dealings days immediately preceding the day on which the Directors set the decreased tender price. If the tender price is decreased the ratio of the terms of the Tender Offer may at the discretion of CLS be amended, provided that the maximum number of Ordinary Shares to be tendered under the Tender Offer shall not exceed 1,004,817 Ordinary Shares (being 2.08 per cent. of the issued share capital (excluding treasury shares)). If it is determined that the Tender Offer is terminated, it shall cease and determine absolutely and CLS shall, as soon as practicable thereafter, notify Shareholders in writing. If any such determination to decrease the tender price per Ordinary Share is made, CLS shall, as soon as practicable thereafter, notify Shareholders in writing providing details of the procedure to follow to withdraw or amend Tender Forms or (as the case may be) TTE instructions prior to the Closing Date. If Shareholders are notified of the decreased tender price less than five Business Days before the Closing Date, CLS will extend the Closing Date so that Shareholders have at least five Business Days to withdraw or amend Tender Forms.

9. Overseas Shareholders

- (i) The making of the Tender Offer in, or to certain persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom may be affected by the laws of the relevant overseas jurisdiction. Shareholders who are citizens, residents or nationals, of other countries should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents that may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any such Shareholder will be responsible for payment of any such issue, transfer or other taxes or other requisite payments due by whomsoever payable and Kinmont and CLS and any person acting on either's behalf shall be entitled to be fully indemnified and held harmless by such Shareholder for any such issue, transfer or other taxes as such person may be required to pay.
- (ii) In particular, the Tender Offer is not being made directly or indirectly in, or by use of the mails of, or by any means or instrumentality of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, South Africa or Japan. This includes, but is not limited to, facsimile transmission, telex and telephone. Copies of this Circular, the Tender Form and any related documents are not being mailed or otherwise distributed or sent in or into the United States, Canada, Australia, South Africa or Japan, including to Shareholders with registered addresses in these jurisdictions or to persons whom CLS knows to be trustees, nominees or custodians holding Ordinary Shares for such persons. Persons receiving such documents (including, without limitation trustees, nominees or custodians) must not distribute or send them in or into the United States, Canada, Australia, South Africa or Japan or use such mails or any such means or instrumentality for any purpose directly or indirectly in connection with the Tender Offer, and so doing may invalidate any purported tender pursuant to the Tender Offer. Persons wishing to tender pursuant to the Tender Offer must not use such mails or any such means or instrumentality for any purpose directly or indirectly related to any tender pursuant to the Tender Offer. Envelopes containing Tender Form(s) should not be postmarked in the United States, Canada, Australia, South Africa, or Japan or otherwise despatched from the United States, Canada, Australia, South Africa, or Japan, and all acceptors must provide addresses outside the United States, Canada, Australia, South Africa or Japan for the remittance of cash, or for the return of Tender Form(s), share certificates and/or other document(s) of title.
- (iii) The provisions of this paragraph 9 and/or any other terms of the Tender Offer relating to overseas shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by Kinmont and CLS in their absolute discretion. Subject to this, the

provisions of this paragraph 9 supersede any terms of the Tender Offer inconsistent herewith. References in this paragraph 9 to a Shareholder shall include references to the persons executing a Tender Form and, in the event of more than one person executing a Tender Form, the provisions of this paragraph 9 shall apply to them jointly and severally.

- (iv) A Shareholder will be deemed not to have offered Ordinary Shares pursuant to the Tender Offer if (i) such Shareholder is unable to make the representations and warranties set out in paragraph 4(ix) above.

As used in this Circular and in the Tender Form, the "United States" means the United States of America (including the District of Columbia), its territories, its possessions and all other areas subject to its jurisdiction and "US person" means (i) any individual who is a resident or citizen of the United States and (ii) a corporation, partnership or other entity created or organised in or under the laws of the United States or an estate or trust the income of which is subject to United States federal income taxation regardless of its source and "North American person" means a US person and any individual, corporation, partnership, trust or other entity resident in Canada or receiving the Circular in Canada, provided, however, that the terms "North American person" and "US person" shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reason as a locally registered branch or agency engaged in the banking or insurance business and not solely for the purpose of investing in securities not registered under the United States Securities Act 1933 (as amended).

10. Tax Consequences of the Tender Offer

The Board has been advised that, under current UK legislation and HM Revenue & Customs ("HMRC") practice, the taxation consequences of a purchase by CLS of its Ordinary Shares from Shareholders are broadly as outlined below.

This summary is not exhaustive and, among other issues, it does not consider the position of any Shareholder not resident or ordinarily resident in the UK or who holds his shares otherwise than as an investment. This summary is based on current UK tax law and the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. Any Shareholder who is in any doubt as to his tax position should consult his professional adviser.

The position of CLS

When CLS purchases Ordinary Shares from Shareholders, it will be treated as repaying all the amount of capital that is treated as paid up on each Ordinary Share for tax purposes. To the extent that the amount paid by CLS for the purchase of a share exceeds this amount, CLS will be treated as making a distribution for tax purposes of the amount of the excess.

Stamp duty at the rate of 0.5 per cent. of the purchase price will be payable by CLS in respect of the repurchase of shares held in certificated form (rounded up to the nearest £5) and at the rate of 0.5 per cent. of the purchase price for shares held within CREST.

The position of Shareholders

In the same way as the Company is treated as partly repaying capital and partly making a distribution, so an individual Shareholder will be treated as receiving partly a capital sum for the disposal of the Ordinary Shares equal to the amount treated as paid up on each Ordinary Share and partly a distribution to the extent of any excess. The whole payment, including the distribution element, may be treated as a capital receipt where the Shareholder is a company (see below).

Distribution

(i) UK resident individual and trustee Shareholders

An individual Shareholder, resident for tax purposes in the UK, will be entitled to a tax credit equal to one ninth of the amount of the net distribution, which is also equivalent to a tax credit of 10 per cent. of the sum of the net distribution and the tax credit (the gross distribution).

Individual Shareholders resident for tax purposes in the UK will be liable to income tax on the amount of the gross distribution. The tax credit referred to above will discharge the liability to income tax in respect of the distribution to an individual Shareholder who is subject to UK income tax at the basic rate only. A higher rate taxpayer will be liable to income tax on the gross distribution at a rate of 32.5 per cent. Higher rate taxpayers will be able to offset the tax credit against their liability to tax on the gross distribution. As a result, after setting off the tax credit, a higher rate taxpayer will be liable to additional income tax at an effective rate of 25 per cent. of the net distribution. If an individual UK resident Shareholder's total tax credit on the distribution exceeds his overall tax liability, he may not claim repayment of the excess from HMRC.

Trustees of UK resident trusts should take appropriate advice on the tax consequences of the Tender Offer. Generally, UK resident trusts that are regarded as discretionary or accumulation trusts may be subject to tax at the 32.5 per cent. dividend trust rate on the total of the distribution element of the sum received plus the tax credit. As for individuals, this normally results in an effective rate of tax of 25 per cent. on the net distribution received. Certain trusts with up to £1,000 of total income may have no further tax to pay.

It is anticipated that the highest rate of income taxation for those with taxable income in excess of £150,000 per annum will be increased to 50 per cent. with effect from 6 April 2010. The rate of tax on the gross distribution for an individual or trustee Shareholder resident in the UK for tax purposes whose taxable income exceeds this threshold will increase to 42.5 per cent. such that after taking into account the tax credit, the effective rate of tax on the distribution will be 36 per cent.

(ii) UK resident corporate Shareholders

For a corporate Shareholder, in respect of distributions paid on or after 1 July 2009, it is likely that the distribution will fall to be treated as exempt from the charge to corporation tax. Consequently the whole of the purchase price on a buy-back of a corporate Shareholder's shares should be brought into account in the calculation of any chargeable gain on the disposal. Only if a corporate Shareholder receives a non-exempt distribution will the element of the consideration representing a distribution be excluded in the computation, as it will have been taken into account for the purposes of computing income.

(iii) Non-UK resident Shareholders

Non-UK resident Shareholders should clarify their position with their professional adviser.

Taxation of Capital Gains

To the extent the sum received by a Shareholder is a capital payment, a liability to tax on chargeable gains may, depending on the Shareholder's circumstances, arise. In the UK individuals and trustees are subject to a flat rate of tax on capital gains arising after 5 April 2008. The rate of tax on any chargeable gains after adjusting for any other reliefs is currently 18 per cent.

For a corporate Shareholder that is liable to UK corporation tax on chargeable gains, indexation relief continues to be available. The comment at (ii) above regarding the chargeable gain computation should be noted.

The comments above refer to the current system of taxation. All shareholders are advised to consult their professional advisers regarding their own tax position.

CLS Holdings plc

(Incorporated and Registered in England No. 2714781)

Notice of General Meeting

Notice is hereby given that a General Meeting of CLS Holdings plc (the "Company") will be held at 86 Bondway, London SW8 1SF on 8 April 2010 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

Special Resolution

1. That, in addition to the authority granted at the Annual General Meeting of the Company held on 19 May 2009 to make market purchases of up to 4,802,425 ordinary shares of 25p each in the capital of the Company ("Ordinary Shares"), the Company be and is hereby unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares pursuant to tenders made in relation to the Tender Offer (as defined in the circular to shareholders of the Company dated 23 March 2010) provided that:
 - (a) the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 1,004,817 (representing approximately 2.08 per cent. of the Company's issued share capital excluding treasury shares);
 - (b) the minimum price (exclusive of expenses) which shall be paid for an Ordinary Share pursuant to this authority shall be 25p, being the nominal value of an Ordinary Share;
 - (c) the maximum price (exclusive of expenses) which shall be paid for an Ordinary Share pursuant to this authority shall be 600p or, if the Directors determine to increase the price to be paid per share, an amount equal to not more than 10 per cent. above the average of the closing middle market quotations for the Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the Directors set the increased price;
 - (d) unless previously revoked or varied, the authority hereby conferred shall, subject as provided in paragraph (e) of this resolution, expire on the date which is 18 months from the date of passing this resolution;
 - (e) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts.

Dated 23 March 2010
Registered Office
86 Bondway
London SW8 1SF

BY ORDER OF THE BOARD
David Fuller
Secretary

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf, A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person").

2. To appoint a proxy you may:
 - (a) use the Form of Proxy enclosed with this Notice of General Meeting, To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH in each case no later than 11.00 a.m. on 6 April 2010; or
 - (b) appoint proxies electronically via www.clsholdings.com/evoting. For an electronic proxy appointment to be valid, the appointment must be received by the Company's Registrars by no later than 11.00 a.m. on 6 April 2010. Any electronic communication sent by a member to the Company's Registrars which is found to contain a virus will not be accepted by the Company; or
 - (c) If you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 6 below. Completion of the Form of Proxy or the appointment of a proxy electronically via www.clsholdings.com/evoting or through CREST will not prevent a member from attending and voting in person.
3. Any member attending the Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the Meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
4. Pursuant to section 360B of the Companies Act 2006 (the "2006 Act") and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 5.00 p.m. on 7 April 2010 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 5.00 p.m. on the date that is two days prior to the adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com/CREST). The message must be transmitted so as to be received by the issuer's agent (ID 3RA50), by 11.00 a.m. on 6 April 2010. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended). Please refer to the CREST Manual at www.euroclear.com/CREST.

7. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.

8. As at 19 March 2010 (being the latest practicable day prior to the publication of this Notice) the Company's issued share capital consists of 53,024,256 ordinary shares (of which 4,793,000 ordinary shares are held by the Company as treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at 19 March 2010 are 48,231,256.
9. The information required to be published by s.311(A) of the 2006 Act (information about the contents of this notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.cls Holdings.com.
10. A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
11. If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

