

**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.

If you have sold or otherwise transferred all your Ordinary Shares in the Company, please send this document 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.

# CLS Holdings plc

## Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company convened for 10.00 a.m. on Tuesday 11 May 2010 is set out in Part II of this document.

A Form of Proxy for use at the Annual General Meeting is enclosed. To be valid, the Form of Proxy 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 (the "Registrars") by no later than 10.00 a.m. on Sunday 9 May 2010. As an alternative to completing the hard copy form, shareholders can appoint proxies electronically via [www.clsholdings.com/evoting](http://www.clsholdings.com/evoting) so that it is received by the Registrar by no later than 10.00 a.m. on Sunday 9 May 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 no later than 10.00 a.m. on Sunday 9 May 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.

**PART I**  
**LETTER FROM THE CHAIRMAN OF CLS HOLDINGS PLC**  
**CLS HOLDINGS PLC (THE "COMPANY")**  
(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

Registered and Head Office:  
86 Bondway  
London  
SW8 1SF

**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)

23 March 2010

Dear Shareholder,

**INTRODUCTION**

The purpose of this circular is to give you details of the Company's Annual General Meeting ("AGM") which is to be held on 11 May 2010 and the resolutions to be proposed at it. I am pleased to enclose a copy of the Company's Annual Report & Accounts for the year ended 31 December 2009 (the "Annual Report").

As reported in our Annual Report, it is your directors' intention to propose a distribution by way of a Tender Offer in lieu of a final dividend for the year ended 31 December 2009. A notice of General Meeting containing full details of the Tender Offer will be circulated to shareholders under separate cover.

In accordance with the ABI guidelines, if the Tender Offer proceeds and the Company's issued share capital is reduced as a result, the directors undertake not to exceed the appropriate limits in relation to the new issued share capital referred to in Resolutions 10, 11 and 13.

**ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS**

You may be aware that the Companies Act 2006 aims to encourage use of electronic communications with shareholders and enables companies, if their shareholders agree to it, to supply documents to their shareholders by email or by use of website access instead of posting documents to them. As we currently have under 1,000 shareholders, the Company intends to continue to post documents to all the names on the share register, but would like to inform you that we would also be pleased to notify you via email. Please request this service by writing to CLS for the attention of the Company Secretary or by emailing [enquiries@cls Holdings.com](mailto:enquiries@cls Holdings.com).

**ANNUAL GENERAL MEETING – EXPLANATORY NOTES**

The AGM is to be held at 86 Bondway, London, SW8 1SF on Tuesday, 11 May 2010 at 10.00 a.m. You will find on pages 5 to 6 of this document the Notice convening the AGM. A form of proxy for use in connection with the AGM is enclosed with this document.

Resolutions 1 to 10 are ordinary resolutions; resolutions 11 to 15 are special resolutions. I set out below further information on certain of the resolutions proposed.

### **Resolutions 3 to 7 (Re-election of Directors)**

Biographies of all the Directors proposed to be re-elected are set out on pages 21 to 22 of the Annual Report.

As the 2010 AGM is the first annual general meeting since his appointment to the Board, in accordance with the Company's articles of association (the "Articles of Association"), John Whiteley, Chief Financial Officer, will stand for appointment by shareholders and resolution 3 proposes his election. Also in accordance with the Articles of Association, Sten Mortstedt will retire by rotation.

Thomas Lundqvist and Bengt Mörtstedt, both Non-Executive Directors, have served more than nine years as Directors.

As recommended under the provision A.7.2 of the Combined Code, both Thomas Lundqvist and Bengt Mörtstedt, and, as reported in the 2006 Remuneration Report, Thomas Thomson, will retire annually, all of whom, being eligible, are seeking re-election to the Board.

I can confirm to shareholders that, following formal performance evaluation, the performance of the Non-Executive Directors seeking re-election (Thomas Lundqvist, Bengt Mörtstedt and Thomas Thomson) continue to be effective and to demonstrate commitment to their roles.

### **Resolution 10 (Renewal of the Board's authority to allot shares)**

It is proposed to authorise the Board to allot up to 15,977,085 ordinary shares of 25 pence each in the Company ("Ordinary Shares"), representing one-third of the issued share capital of the Company excluding treasury shares and an amount equal to options granted over unissued Ordinary Shares (as set out in the paragraph entitled "Further information" below). This authority will expire five years from the date on which the Resolution is passed. Your Directors have no present intention of exercising this authority. The resolution replaces a similar resolution passed at last year's Annual General Meeting of the Company held on 19 May 2009.

### **Resolution 11 (Disapplication of pre-emption rights)**

It is proposed to empower the Board to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings, subject to certain limits which comply with accepted guidelines. This resolution will enable the Board, in appropriate circumstances, to allot for cash (other than in connection with a rights issue or open offer) equity securities with an aggregate nominal value of up to £602,890, being up to 2,411,560 Ordinary Shares and representing approximately five per cent. of the issued equity share capital of the Company (excluding treasury shares). The resolution also disapplies the statutory pre-emption provisions in connection with a rights issue or open offer and allows the Directors, in the case of a rights issue or open offer, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems. This will replace the equivalent resolution passed at the last annual general meeting and will expire at the conclusion of the next annual general meeting or on 11 November 2011, whichever is the earlier. It is intended that in any three year period no more than seven and a half per cent. of the issued share capital (excluding treasury shares) will be issued on a non-pre-emptive basis.

This Resolution is proposed so as to give your Board flexibility to take advantage of business opportunities as they arise.

### **Resolution 12 (Renewal of authority to offer scrip dividends)**

The Directors have again decided to seek Shareholders' authority to offer a scrip dividend option in respect of any dividend declared or paid during or in respect of the Company's current financial year. The Directors have no present intention of exercising this authority.

### **Resolution 13 (Renewal of authority to make market purchases of Ordinary Shares)**

It is proposed to renew the authority to make market purchases of Ordinary Shares, such authority being limited to the purchase of 10 per cent. of the Ordinary Shares in issue as at 19 March 2010. Shares purchased further to this authority will be cancelled, unless the Company has scope within the limit of 10 per cent. of its own shares that it is permitted to hold as treasury shares, in which case the shares will be retained as treasury shares.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority is the par value of such shares from time to time. The maximum price which may be paid for any Ordinary Share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS, in each case exclusive of expenses.

The authority to purchase the Company's own shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time.

During the year the Company made no market purchases.

### **Resolution 14 (Ability to hold general meeting on 14 clear days' notice)**

Resolution 14 to be proposed at the Annual General Meeting seeks authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 clear days' notice. This is permissible under the existing Articles of Association of the Company and the Companies Act 2006. However, pursuant to the EU Shareholders' Rights Directive and in accordance with guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually in order to retain this option. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

## **Resolution 15 (Amendments to the Articles of Association of the Company)**

It is proposed in resolution 15 to adopt new articles of association (the "New Articles") in order to update the Company's current Articles of Association primarily to take account of the implementation on 1 October 2009 of the last parts of the Companies Act 2006 and also the coming into force of The Companies (Shareholders' Rights) Regulations 2009.

The principal changes introduced in the New Articles are summarised in the Appendix. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation have not been noted in the Appendix.

The New Articles showing all the changes to the current Articles of Association are available for inspection at CLS Holdings plc, 86 Bondway, London SW8 1SF during normal business hours only on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the AGM and will be available for inspection at the AGM for at least 15 minutes prior to and during the AGM.

### **VOTING**

You will find enclosed with this document a Form of Proxy for use in respect of the AGM. Whether or not you intend to be present at the AGM, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH (the "Registrar") as soon as possible and, in any event, to arrive by no later than 10.00 a.m. on Sunday 9 May 2010.

As an alternative to completing the Form of Proxy, you can appoint proxies electronically via [www.clsholdings.com/evoting](http://www.clsholdings.com/evoting) to be received by the Registrar by no later than 10.00 a.m. on Sunday 9 May 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 issuer's agent (under ID 3RA50) by no later than 10.00 a.m. on Sunday 9 May 2010. The time of receipt will be taken to be the time from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Appointment of a proxy will not prevent you from attending the Meeting and voting in person should you wish to do so.

### **ACTION TO BE TAKEN**

Shareholders will find enclosed a form of proxy for use at the AGM. 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 10.00 a.m. on Sunday 9 May 2010. Completion and return of the form of proxy will not prevent Shareholders from attending and voting at the meeting should they so wish.

### **FURTHER INFORMATION**

At 19 March 2010 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 53,024,256 Ordinary Shares, of which 4,793,000 Ordinary Shares are held by the Company as treasury shares. At 19 March 2010, there were 300,000 share options outstanding under the Company's Share Option Schemes, equivalent to 0.62 per cent. of the Company's issued share capital (excluding treasury shares). These options will represent approximately 0.69 per cent. of the Company's issued share capital (excluding treasury shares) if the Company purchases the maximum number of shares pursuant to the market purchase authority proposed in Resolution 13.

### **RECOMMENDATION**

Your Directors consider that the proposals in this document are in the best interests of shareholders as a whole and unanimously recommend that shareholders vote in favour of the Resolutions proposed in the Notice as they intend to do in respect of their own shareholdings (except that they will not vote for their own re-election) of 29,293,788 Ordinary Shares, representing approximately 60.74 per cent. of the Company's issued share capital (excluding treasury shares).

Yours sincerely

**Sten Mortstedt**  
Executive Chairman

## PART II

### CLS HOLDINGS PLC

(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of CLS Holdings plc ("the Company") will be held at 86 Bondway, London, SW8 1SF on 11 May 2010 at 10.00 a.m. for the following purposes:

#### ORDINARY RESOLUTIONS:

1. To receive and adopt the Company's Annual Report & Accounts for the year ended 31 December 2009 together with the Directors' Report and the Independent Auditors' Report on those Accounts and on the auditable part of the Directors' Remuneration Report.
2. That the Directors' Remuneration Report, as set out on pages 30 to 33 of the Annual Report & Accounts (as referred to in 1 above), be and is hereby approved.
3. To re-appoint John Whiteley as a director.
4. To re-elect Sten Mortstedt as a director.
5. To re-elect Thomas Lundqvist as a director.
6. To re-elect Thomas Thomson as a director.
7. To re-elect Bengt Mörststedt as a director.
8. To re-appoint Deloitte LLP as auditors to hold office until the conclusion of the next annual general meeting.
9. To authorise the Directors to fix the remuneration of the auditors.
10. THAT for the purposes of section 551 Companies Act 2006 (and so that expressions used in this resolution shall bear the same meanings as in the said section 551) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act 2006 respectively up to a maximum nominal amount of £3,994,271 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of the passing of this resolution (unless previously revoked or varied by the Company in general meeting); and further the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution; so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

#### SPECIAL RESOLUTIONS:

11. THAT, subject to the passing of resolution 10 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with section 570 Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution, as if section 561(1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:
  - a. the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
  - b. the allotment (otherwise than pursuant to paragraph 11a above) of equity securities up to an aggregate nominal value not exceeding £602,890;and this power, unless renewed, shall expire at the end of five years from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
12. That, in place of the equivalent authority conferred on the Directors at the last annual general meeting, the Directors be generally and unconditionally authorised:
  - a. to exercise the power contained in the articles of association of the Company as from time to time varied so that, to the extent and in the manner determined by the Directors, the holders of ordinary shares of 25p each in the capital of the Company be permitted to elect to receive new ordinary shares credited as fully paid, instead of the whole or any part of any dividends (including interim dividends) paid by the Directors or declared by the Company in general meeting (as the case may be) during or in respect of the financial year of the Company ending on 31 December 2010; and
  - b. to capitalise the appropriate nominal amount of the new ordinary shares failing to be allotted pursuant to any elections made as aforesaid out of the amount standing to the credit of any reserve or fund (including the profit and loss account, share premium account, capital redemption reserve or any other non-distributable reserve), whether or not the same is available for distribution, as the Directors may determine, to apply such sum in paying up such ordinary shares in full and to allot such ordinary shares to the shareholders of the Company validly making such elections in accordance with their respective entitlements.

13. That the Company be generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares of 25p each in the capital of the Company provided that:
  - a. the maximum aggregate number of ordinary shares hereby authorised to be purchased is 4,823,125 ordinary shares;
  - b. the minimum price which may be paid for any ordinary shares is the par value of such share from time to time;
  - c. the maximum price which may be paid for any ordinary share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List ("SEDOL") for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS, in each case exclusive of expenses;
  - d. unless previously revoked or varied, the authority hereby conferred shall, subject as provided in paragraph (e) of this resolution, expire at the conclusion of the annual general meeting of the Company next following the passing of this resolution (or, if earlier, 18 months from the date of the passing of this resolution); and
  - e. the Company may contract to purchase its own ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiry of such authority, and may purchase its own ordinary shares pursuant to any such contract as if such authority had not expired.
14. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.
15. That the Articles of Association of the Company be deleted in their entirety and the regulations contained in the document submitted to the meeting, and for the purposes of identification signed by the Chairman, be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

**David Fuller**

Company Secretary

Dated 23 March 2010

86 Bondway  
London  
SW8 1SF

**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 Annual 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 10.00 a.m. on Sunday 9 May 2010; or
  - (b) appoint proxies electronically via [www.clsholdings.com/evoting](http://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 10.00 a.m. on Sunday 9 May 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](http://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 6.00 p.m. on Sunday 9 May 2010 shall be entitled to attend and vote at the Annual General 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 6.00 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 Annual General 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](http://www.euroclear.com/CREST)). The message must be transmitted so as to be received by the issuer's agent (ID 3RA50), by 10.00 a.m. on Sunday 9 May 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](http://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. The following documents are available for inspection at the registered office of the Company, CLS Holdings plc, 86 Bondway, London SW8 1SF, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
  - (a) copies of the terms and conditions of appointment of the non-executive directors; and
  - (b) existing and proposed Articles of Association.
9. As at 19 March 2010 (being the last business 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.
10. 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](http://www.cls Holdings.com).
11. Members representing 5% or more of the total voting rights of all the members or at least 100 persons (being either members who have a right to vote at the Meeting and hold shares on which there has been paid up an average sum, per member, of £100 or persons satisfying the requirements set out in s.153(2) of the 2006 Act) may:
  - (a) require the Company, under s.338 of the 2006 Act, to give notice of a resolution which may properly be moved at the Meeting. Any such request, which must comply with s.338(4) of the 2006 Act, must be received by the company no later than 6 weeks before the date fixed for the Meeting;
  - (b) require the company, under s.338A of the 2006 Act to include a matter (other than a proposed resolution) in the business to be dealt with at the Meeting. Any such request, which must comply with s.338A(3) of the 2006 Act, must be received by the Company no later than 6 weeks before the date fixed for the Meeting; and
  - (c) require the Company, under s.527 of the 2006 Act to publish on a website a statement setting out any matter relating to:
    - (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or
    - (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.
12. 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.
13. 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.

## APPENDIX

### EXPLANATORY NOTES OF PRINCIPAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

#### 1. The Company's Objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The memorandum of association contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum of association. It provides that a memorandum of association will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum of association, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association but the company can remove some of these provisions by special resolution.

The Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. The Company therefore proposes to remove its objects clause which, by virtue of the Companies Act 2006, is to be treated as forming part of the Company's Articles of Association as of 1 October 2009. Resolution 15 approves the New Articles incorporating these changes, along with others as identified below. The provisions in the Company's memorandum of association relating to limited liability and the location of the Company's registered office, that were also deemed to be part of the Company's Articles of Association as of 1 October 2009, will be expressly retained in the New Articles.

#### 2. Change of Name

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

#### 3. Authorised Share Capital and Unissued Shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

#### 4. Redeemable Shares

Under the Companies Act 1985 if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority under section 551 of the Companies Act 2006 to issue new shares in the usual way.

#### 5. Authority to purchase own Shares, consolidate and sub-divide Shares, and reduce Share Capital

Under the Companies Act 1985 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The current Articles of Association include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the New Articles.

#### 6. Adjournments for lack of quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The current Articles of Association have been changed to reflect this requirement.

#### 7. Voting by proxies on a show of hands

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the current Articles of Association dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006.

#### 8. Vacation of Office by Directors

The current Articles of Association specify the circumstances in which a director must vacate office. The New Articles update these provisions to reflect the approach taken on mental and physical incapacity in the model articles for public companies set out in secondary legislation.

#### 9. Use of Seals

Under the Companies Act 1985 a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006 such authority is no longer required. Accordingly, the relevant authorisation has been removed in the New Articles.

#### 10. Directors Indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. This is reflected in the New Articles.

#### 11. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles with that used in the model articles for public companies set out in secondary legislation.