CLS HOLDINGS PLC

INTERIM FINANCIAL STATEMENTS

UNCONSOLIDATED & UNAUDITED

FOR THE PERIOD OF 10 MONTHS ENDED

31 OCTOBER 2007

Company No 2714781

19/11/07 122

CLS HOLDINGS PLC

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General Information

These interim financial statements are for the 10 months ended 31 October 2007 The information for the 10 months ended 31 October 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 but constitutes interim accounts which have been prepared in contemplation of a proposed tender offer buyback of shares by the Company A copy of the statutory accounts for the year ended 31 December 2006, which were prepared in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice, has been delivered to the Registrar of Companies The auditors report under Section 235 of the Companies Act 1985 in relation to those accounts was unqualified and did not make any statements under Section 237 of the Act

Basis of preparation

These interim financial statements have been prepared pursuant to Section 270 and 272 of the Companies Act 1985 and have not been audited These are the separate interim financial statements of CLS Holdings plc, the parent company of the CLS Holdings group They are not consolidated group financial statements

In preparing these financial statements disclosure is made of those items relevant to the distributable reserves of the Company Comparative figures have not been provided as they are not relevant The financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company s annual financial statements for the year ended 31 December 2006

Accounting convention

These interim financial statements are prepared under the historical cost convention

Accounting standards

These interim financial statements are prepared in accordance with applicable UK accounting standards and the Companies Act 1985

Changes in accounting policies

These interim financial statements have been prepared in accordance with accounting policies which are consistent with those followed in the preparation of the Company s annual financial statements for the year ended 31 December 2006

CLS HOLDINGS PLC
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE PERIOD OF TEN MONTHS ENDED 31 OCTOBER 2007

	Period from 1 January to 31 October 2007 £000
Turnover	121
Administrative expenses	(2,273)
Operating loss before gains on investments	**(2,152)**
Dividends received from subsidiaries	11,420
Profit on sale of investments	19,514
Operating profit	**28,782**
Interest receivable and similar income	12
Profit before tax	**28,794**
Taxation	0
Profit after taxation for the period	**28,794**

CLS HOLDINGS PLC
UNCONSOLIDATED BALANCE SHEET AS AT 31 OCTOBER 2007

	NOTES	As at 31 October 2007 £000
ASSETS		
Non-current assets		
Investments in subsidiary undertakings		109,024
		109,024
Current assets		
Trade and other receivables		5,770
Cash and cash equivalents		21,374
Total current assets		27,144
Total assets		136,168
LIABILITIES		
Current liabilities		
Trade and other payables		990
Total liabilities		990
Net assets		135,178
EQUITY		
Capital and reserves attributable to the Company's equity holders		£000
Share capital	(2)	19,390
Other reserves	(3)	88,686
Profit and loss account		27,102
Total equity		135,178

The financial statements on pages 2 to 6 were approved by the Board of Directors on 1 November 2007 and signed on its behalf by

Mr S F Board
Director

Mr P Sjoberg
Director

CLS HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS AS AT 31 OCTOBER 2007

1 Accounting policies

1.1 - Investment in Group Companies

Investments have been valued at cost If the equity value of the investment is lower than the cost price, this valuation will be adjusted accordingly, provided that the Management considers this to be a permanent diminution in value Dividend income will be recognised when received

1.2 - Turnover

Turnover comprises recharge of professional and other fees received by the Company but applicable to Group undertakings

1.3 - Pension costs

The Company operates a defined contribution pension scheme for all eligible employees The pension costs charged to the profit and loss account represent the contributions payable

1 4 - Share-based compensation

The Company operates an equity-settled, share-based compensation plan The fair value of the employee services received in exchange for the grant of the options is recognised as an expense The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, the employee remaining in the Company's employment) Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable It recognises the impact of revising original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period
The proceeds received net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium when the options are exercised

1.5 - Share capital

Ordinary shares are classified as equity
Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds
Where any Group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders

1.6 - Tender offer buy-backs

In lieu of paying dividends, a distribution by way of a tender offer buy-back is made twice yearly Shares purchased by way of the tender offer are retained as treasury shares but only to a maximum of 10 per cent of the issued share capital

Where the Company purchases its own shares out of free reserves and the shares are subsequently cancelled, a sum equal to the nominal value of the shares so purchased shall be transferred to the capital redemption reserve account
The total cost of a tender offer buy-back is charged to retained earnings

2 SHARE CAPITAL

	Number of shares (thousands)	Ordinary shares in circulation £000	Treasury shares £000	Total ordinary shares £000
At 1 January 2007	80 082	18 151	1 870	20 021
Purchase of own shares				
- pursuant to market purchase	-	(103)	103	-
Cancelled pursuant to tender offer	(1 771)	(443)	-	(443)
Cancellation of treasury shares	(750)	-	(188)	(188)
Employee share option scheme				
Shares issued		8	(8)	-
Balance at 31 October 2007	**77,561**	**17,613**	**1,777**	**19,390**

The total number of authorised ordinary shares at 31 October 2007 is 160 000 000 shares with a par value of 25 pence per share All shares issued are fully paid

Treasury shares

Treasury shares held at 31 October 2007 were 7 109 279 During the period of ten months ended 31 October 2007 the company acquired and added to shares held in treasury 412 111 of its own shares all of which were purchased through the market During the period of ten months to 31 October 2007 the company re-issued 30 000 of its own shares from treasury shares on exercise of share options 750 000 treasury shares were cancelled during the period

Share options

The number of shares subject to option the period in which they were granted and the periods in which they may be exercised is given below

Date of grant	Exercise price (pence)	Exercise period	October 2007
20 December 2001	212 5	2004 - 2008	311 000
20 December 2001	212 5	2004 - 2011	14 000
27 September 2005	458 25	2008 - 2012	73 500
21 December 2005	492 75	2008 - 2012	6 500
Total			**405,000**

The following options were exercised during the period

Date of exercise	Number of shares	Exercise price (pence)
29 June 2007	30 000	240
Total	**30,000**	

In addition during the period no options were surrendered and no new options were granted

3 PROFIT AND LOSS ACCOUNT AND OTHER RESERVES

	Other reserves				
	Share premium reserve £000	Capital redemption reserve £000	Other £000	Total £000	Profit and loss account £000
At 1 January 2007	69 712	13 663	4 615	87 990	13 557
Employee share option scheme – shares issued	65	-	-	65	-
Cancellation of treasury shares	-	188	-	188	-
Purchase and cancellation of own shares	-	443	-	443	(15 170)
Purchase of own shares expense	-	-	-	-	(79)
Retained profit for the period	-	-	-	-	28 794
Balance at 31 October 2007	**69,777**	**14,294**	**4,615**	**88,686**	**27,102**