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If you have sold or otherwise transferred all of your Ordinary Shares in Western Selection P.L.C., you should deliver this document, together with the other enclosed documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have only sold some of your Ordinary Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

Application has been made for the New Shares and New Warrants to be admitted to trading on AIM. Subject to the passing of the relevant resolution at the Extraordinary General Meeting to be held on 27th June 2005, it is expected that such Admission will become effective, and dealings in the New Shares and New Warrants will commence on 28th June 2005.

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## **Western Selection P.L.C.**

*(Incorporated in England and Wales, registered number 234871)*

### **Proposed Share Consolidation and Sub-division, Proposed Waivers of the Requirements of Rule 9 of the City Code on Takeovers and Mergers**

**and**

### **Notice of Extraordinary General Meeting**

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Ruegg & Co Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser to the Company. Ruegg & Co Limited is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Ruegg & Co Limited, or for advising any other person in connection with this document. The responsibilities of Ruegg & Co Limited, as nominated adviser, are owed solely to the London Stock Exchange.

The Directors of the Company whose names appear on page 1 of this document accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and there are no other facts the omission of which would affect the import of such information. All the Directors accept responsibility accordingly.

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Copies of this circular may be obtained from the offices of City Group P.L.C. at the address set out in the section headed “Corporate Information” on page 1 of this circular for one month from the date of the circular.

## CORPORATE INFORMATION

### **Directors:**

D.C. Marshall (Chairman)  
A.R.C. Barclay, FCA  
A.J. Hall  
J.M. Robotham, OBE, FCA

### **Company Secretary and Registered office**

City Group P.L.C.  
25 City Road  
London  
EC1Y 1BQ

Tel: 020 7448 8950

### **Website:**

[www.westernselection.co.uk](http://www.westernselection.co.uk)

### **E-mail:**

[western@city-group.com](mailto:western@city-group.com)

### **Registrars**

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

Tel: 0870 162 3131

### **Auditors**

BDO Stoy Hayward LLP  
69 Tweedy Road  
Bromley  
Kent  
BR1 3WA

### **Bankers**

Bank of Scotland plc  
50 St. John Street  
Perth  
PH1 5SL

### **Nominated Adviser**

Ruegg & Co Limited  
39 Cheval Place  
London  
SW7 1EW

### **Brokers**

J.M. Finn & Co.  
Salisbury House  
London Wall  
London  
EC2M 5TA

## DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

|   |  |
|---|--|
| “Act”                                       | the Companies Act 1985, as amended;  |
| “AIM”                                       | the AIM market, operated by the London Stock Exchange;   |
| “Auditors”                                  | BDO Stoy Hayward LLP;  |
| “City Code”                                 | the City Code on Takeovers and Mergers;  |
| “Concert Party”                             | Lonfin and Mr. J.M. Robotham, who together are deemed to be a concert party for the purposes of this circular;   |
| “Consolidation”                             | the consolidation of the share capital of Western on the basis of one Consolidated Share for every 1,000 ordinary shares of 10p held at the Record Date;                 |
| “Consolidated Shares”                       | the shares arising from the Consolidation;   |
| “Directors” or the “Board”                  | the directors of Western, whose names appear on page 1 of this document;   |
| “EGM” or<br>“Extraordinary General Meeting” | the extraordinary general meeting of the Company convened for 3.00 p.m. on 27th June 2005 by the notice set out at the end of this document and any adjournment thereof; |
| “Form of Proxy”                             | the form of proxy accompanying this document for use at the EGM;   |
| “Fractional Holdings”                       | holdings of less than one Consolidated Share arising from the Consolidation;   |
| “London Stock Exchange”                     | London Stock Exchange plc;   |
| “Lonfin”                                    | London Finance & Investment Group P.L.C., which owns 40.48 per cent. of Western shares and 54.71 per cent. of the Western warrants;                                      |
| “New Shares”                                | shares of 40p each in the Company arising from the Sub-Division;   |
| “New Warrants”                              | warrants to subscribe for New Shares in Western at a price of 64p;   |
| “Nominated Adviser” or “Ruegg”              | Ruegg & Co Limited;  |
| “Notice of EGM”                             | the notice of the EGM set out at the end of this document;   |
| “Panel”                                     | the Panel on Takeovers and Mergers;  |
| “Record Date”                               | the close of business on 27th June 2005;   |
| “Small Shareholders”                        | any shareholder, or shareholders in a joint account, with a holding of 999 Shares or less;   |
| “Sub-Division”                              | the sub-division of the Consolidated Shares on the basis of 250 New Shares for every Consolidated Share held;  |

|  |   |
|--|---|
| “Terms and Conditions”                               | the terms and conditions of the Warrants published on 21st December 1995, as amended at a separate general meeting of Warrant holders held on 2nd October 2002; |
| “Western Shareholders” and “Western Warrant holders” | holders of, respectively, Western shares and Western warrants or New Shares and New Warrants as the context may require;  |
| “Western shares” or “Shares”                         | the 43,512,379 ordinary shares of 10p each of Western in issue at the date of this document;  |
| “Western warrants” or “Warrants”                     | warrants to subscribe for ordinary shares of 10p each in Western at a price of 16p each;  |
| “Western” or the “Company”                           | Western Selection P.L.C.  |

### EXPECTED TIMETABLE

|  |                        |
|--|------------------------|
|  | 2005                   |
| Latest time and date for the receipt of the Form of Proxy for the EGM                                      | 3.00 p.m. on 25th June |
| EGM  | 3.00 p.m. on 27th June |
| Record Date  | 5.00 p.m. on 27th June |
| Effective date of the Consolidation  | 28th June              |
| Effective date of the Sub-Division   | 28th June              |
| First day of dealings in New Shares  | 28th June              |
| Despatch of cheques in respect of the Fractional Holdings  | By 5th July            |
| Despatch of certificates for New Shares and New Warrants resulting from the Consolidation and Sub-Division | By 5th July            |

# Western Selection P.L.C.

*(Incorporated in England – No. 234871)*

**Registered Office**  
25 City Road  
London EC1Y 1BQ

10th June 2005

*To the shareholders and, for information only, the warrant holders*

Dear Shareholder,

**Proposed Share Consolidation and Sub-Division  
Proposed Waivers of the Requirements of Rule 9 of the City Code on Takeovers and Mergers  
and  
Notice of Extraordinary General Meeting**

On 10th June 2005 your Board announced that Western proposed to consolidate its share capital to remove small shareholdings, pay compensation for Fractional Holdings arising and then sub divide the Consolidated Shares into New Shares and to seek shareholders' approval for waivers for the Concert Party from the requirements of Rule 9 of the City Code.

The purpose of this document is to provide you with details of the Company's proposals, the effects of those proposals and to convene an Extraordinary General Meeting to seek your approval of these proposals.

Section 1 of this circular explains the Consolidation and the Sub-Division. Section 2, on pages 7 and 8 is a letter from Andrew Hall, who is the only Western director independent of the Concert Party, explaining the proposal to approve waivers granted to the Concert Party by the Panel of any obligation on the Concert Party to make a bid for the Company pursuant to Rule 9 of the City Code which would otherwise arise as a result of any percentage increase in the Concert Party's interest in Western that may result from Western exercising its power to buy shares in the market and hold them in treasury or cancel them or from the Concert Party exercising all of the Warrants that it currently holds.

David Marshall  
*Chairman*

## 1. THE CONSOLIDATION AND SUB-DIVISION

### 1.1 Introduction

The Board has been concerned for some time about the discount between the market price and the net asset value of Western's shares. They are also concerned at the cost of servicing a large number of small shareholdings. They believe that many small shareholders are, in effect, locked into their holdings because the cost of dealing in small parcels of shares is disproportionately high in relation to their realisable value. The Board also believe that the "penny stock" nature of the share price leads to an unduly wide dealing spread between bid and offered prices in the market and thus further detracts from the value of the shares and the ability to deal in them. Consequently, having discussed these issues with their advisers, the Board proposes that Western consolidates and then sub-divides its Shares so as to increase the nominal value of each Share from 10p to 40p and thereby encourage a narrower dealing spread, and to eliminate shareholdings of less than 1,000 Shares by paying compensation to the shareholders affected, at 17p per Share which represents a premium of 21.4 per cent. over the mid-market closing price at the close of business on 7th June 2005.

At 7th June 2005, the Company's issued share capital was held by 1,189 shareholders. Of that number 477 shareholders owned between 1 and 999 Shares, representing 40.12 per cent. of Western's shareholders by number but only 0.37 per cent. of Western's issued share capital. The cost of maintaining a large number of small holdings on the register is disproportionate to their value. Based on costs incurred by the Company in the calendar year 2004, it is estimated that the average cost of maintaining a holding on the register, printing and posting the annual and interim reports and printing and posting a dividend cheque exceeds £7 per shareholder per annum.

### 1.2 Share price

Western's Share price has been at a significant discount to the net asset value of the Shares for a number of years. The table below shows the difference between the net asset value per Share and the Share price at the year-end and half-year end for the last three years.

| Per Share         | 31.12.04 | 30.06.04 | 31.12.03 | 30.06.03 | 31.12.02 | 30.06.02 |
|-------------------|----------|----------|----------|----------|----------|----------|
| Net asset value * | 23.80p   | 23.17p   | 24.40p   | 20.10p   | 19.20p   | 22.10p   |
| Share price †     | 13.75p   | 13.25p   | 13.50p   | 12.50p   | 11.25p   | 12.50p   |

#### Notes

\* Net asset values per Share are taken from the audited annual report and accounts and the unaudited interim report and accounts for the period ends shown above.

† Share prices are the closing middle market prices for the date shown, or the nearest business day if the date is a weekend, as published in the Stock Exchange Daily Official List.

### 1.3 Consolidation

The Consolidation and Sub-Division will have the effect of removing Small Shareholders from Western's register; after discussion with our advisers, we believe that Western will be of interest to a wider cross section of the market, as the price of the New Shares will be significantly higher and it is hoped that the share price will eventually trade at less of a discount to the net asset value per share.

The first step of this exercise, proposed by your Board, is to consolidate the share capital of the Company on the basis of one Consolidated Share for every 1,000 Shares held at the Record Date. Small Shareholders, who will be left with Fractional Holdings, will then be removed from the Company's share register and compensation paid to them.

### 1.4 Compensation for Fractional Holdings

Payment for the Fractional Holdings arising on the Consolidation, equivalent to 17p for each old Share, will be paid to all Small Shareholders as compensation for the loss of their Shares. The directors believe this figure of 17p to be a fair and appropriate compensation for the Small Shareholders

removed from the register in this way as it offers a 21.4 per cent. premium to the current Share price of 14p per Share at the close of business on 7th June 2005, the latest practical date before posting this circular. In addition, the Company feels justified in paying this compensation in view of the cost savings that will arise from this exercise and it is anticipated that this will benefit the remaining shareholders.

Based on the share register at 7th June 2005, the cost to the Company of paying compensation to the Small Shareholders for their Fractional Holdings for the total of 160,592 shares held by them at the Record date is expected to be approximately £27,300.

The Fractional Holdings arising from the Consolidation will be aggregated and will be sold in the market for the benefit of the Company.

### **1.5 Sub-division**

After the Fractional Holdings have been aggregated and sold in the market by the Company, the Consolidated Shares will then be sub-divided by 250 to create the New Shares. For all shareholders holding 1,000 Shares and over at the Record Date, the effect of the Consolidation and Sub-Division will be that of a 1 for 4 consolidation.

Fractions of a New Share arising from the Consolidation and Sub-Division will not be allotted but will be sold in the market for the benefit of the Company. No compensation will be paid for these fractions, as the maximum amount arising of 42p would exceed the cost of paying such amounts to the Shareholders affected.

### **1.6 Effect on the Issued Share Capital**

The table below sets out authorised and issued share capital of the Company before and after the proposed Consolidation and Sub-Division:

|                          | Prior to Consolidation         | Following the Sub-Division        |
|--------------------------|--------------------------------|-----------------------------------|
| Authorised share capital | 100,000,000 Shares of 10p each | 25,000,000 New Shares of 40p each |
| Issued share capital     | 43,512,379 Shares of 10p each  | 10,878,094 New Shares of 40p each |

Resolution 1, to be proposed at the EGM, deals with the Consolidation, payment of compensation and the Sub-Division.

### **1.7 Effect on Warrant holders**

As a result of the Consolidation and Sub-Division, the number of Warrants in issue and the exercise price will be amended in accordance with paragraph 2.1 of the Terms and Conditions. The effect of the Consolidation and Sub-Division will be that for every four Warrants held at the Record Date, Warrant holders will receive one New Warrant. Each New Warrant will entitle the holder to subscribe for one New Share at a price of 64p. This adjustment to the Warrants has been certified by the Auditors in accordance with paragraph 2.1 of the Terms and Conditions. Fractions of New Warrants arising from the Consolidation and Sub-Division will be cancelled.

With effect from 27th June 2005, existing Warrant certificates will cease to be of value and the Company's Registrars will send certificates for New Warrants to those entitled to them by 5th July 2005.

## 2. APPROVAL OF WAIVERS BY THE PANEL ON TAKE-OVERS AND MERGERS

# Western Selection P.L.C.

*(Incorporated in England – No. 234871)*

**Registered Office**  
25 City Road  
London EC1Y 1BQ

10th June 2005

*To the shareholders and, for information only, the warrant holders*

Dear Shareholder,

### **Proposed Waivers of the Requirements of Rule 9 of the City Code on Takeovers and Mergers**

The City Code is issued and administered by the Panel. It applies to all takeovers and merger transactions, however effected, where the offeree company is a listed or unlisted public company resident in the UK and to certain categories of private limited companies. Western is such a company and its shareholders are entitled to the protections afforded by the City Code.

Under Rule 9, any person who acquires shares which taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company that is subject to the City Code, is normally required to make a general offer to all remaining shareholders to acquire their shares. Similarly, where any person, together with persons acting in concert with him, already holds shares carrying more than 30 per cent. but not more than 50 per cent. of such company's voting rights, and such person, or any, other person acting in concert with him, acquires additional shares that increase his or their percentage of the voting rights of such company, a general offer will normally be required.

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any persons acting in concert with him.

Under Rule 37, when a company redeems or purchases its own voting shares, any resulting increase in the percentage of voting rights held by a shareholder or group of shareholders acting in concert will be treated as an acquisition for the purposes of Rule 9.

Lonfin has been a substantial shareholder in Western for over 40 years and regards Western as a strategic investment. At present Lonfin owns 17,611,928 Shares, representing 40.48 per cent. of the issued share capital of the Company, and 3,238,072 warrants to subscribe for Shares in the Company, representing 54.71 per cent. of the Warrants currently in issue; at present Mr. J.M. Robotham owns 100,000 Shares, representing 0.23 per cent. of the issued share capital of the Company; at present the Concert Party owns 17,711,928 Shares representing 40.71 per cent. of the issued share capital of the Company, and 3,238,072 Warrants to subscribe for Shares in the Company, representing 54.71 per cent. of the warrants in issue. These Warrants were issued to all subscribers for the then new Shares issued by way of rights in 1996, pro rata to the number of Shares subscribed for.

Under the City Code, Lonfin and Mr. J.M. Robotham are deemed to be acting in concert.

There are two ways that the Concert Party's percentage interest in the share capital of Western may increase:

### **2.1 Exercise of Warrants**

If Lonfin were the only Warrant holder to exercise its Warrants, its interest in the Company would increase from 40.48 per cent. to 44.60 per cent.; and, if the Concert Party were the only Warrant holder to exercise its Warrants, its interest in the Company would increase from 40.71 per cent. to

44.81 per cent. If all outstanding Warrants were exercised, Lonfin's interest would increase to 42.18 per cent. and the Concert Party's interest would increase to 42.38 per cent. Consequently, the Concert Party would be unable to exercise all its Warrants without triggering the requirement to make a bid for those Shares it did not own. At the time of the issue of the Warrants in 1996, given the Concert Party's then percentage shareholding in Western, no whitewash was required. However in light of the Concert Party's current shareholding a whitewash is now required.

## **2.2 Authority to make market purchases of Shares**

At each of the Annual General Meetings held in 2003 and 2004 the Company was authorised by shareholders to make one or more market purchases of its own shares in accordance with section 166 of the Act, subject to certain conditions. The Board plan to continue proposing such resolutions in future years as it is useful to have such power should a suitable opportunity to make such a purchase arise. If such a purchase was made and the Shares so purchased held in treasury or cancelled, the effect would be to increase the Concert Party's percentage interest in the Company and trigger the requirement for the Concert Party to make a bid for those Shares that it does not already own.

If Lonfin were the only Warrant holder to exercise its Warrants and the Company exercised its power to purchase 4,350,000 shares in the market (the maximum number currently permitted) then Lonfin's interest in the Company would increase to 49.17 per cent. (assuming that no shares were purchased from Lonfin). If the Concert Party was the only Warrant holder to exercise its Warrants and the Company exercised its power to purchase 4,350,000 shares in the market (the maximum number currently permitted) then the Concert Party's interest in the Company would increase to 49.41 per cent. (assuming that no shares were purchased from the Concert Party).

## **2.3 Waivers**

The Panel has agreed, however, to waive the obligations for the Concert Party to make a general offer that would otherwise arise: (a) if Western shares are issued to the Concert Party as a result of it exercising its Warrants; or (b) if Western exercising its authority to purchase Shares in the market caused an increase in the Concert Party's percentage interest in Western's shares. These waivers are conditional on being approved by the independent shareholders of the Company on a poll in general meeting and such approvals will be sought at the EGM.

Resolution 2, to be proposed at the EGM, will, if passed, approve a waiver for the Concert Party to make an offer for those Shares not already owned by the Concert Party if it exercises all or some of its Warrants. The waiver by the Panel is only in respect of any holding of Shares issued on the exercise of warrants currently held. Any acquisition of Western shares by other means will be subject to the normal provisions of Rule 9 of the Code.

Resolution 3, to be proposed at the EGM, will, if passed, approve a waiver for the Concert Party to make an offer for those Shares not already owned by it in the event that Western makes any market purchases of its own shares, and then either holds such Shares in treasury or cancels them, thereby increasing the aggregate percentage holding of voting rights of the Concert Party.

## **2.4 Recommendation**

As the only director independent of the Concert Party, I, having been so advised by Ruegg, believe that the approval of the waivers by the Panel on Takeovers and Mergers is fair and reasonable and is in the best interests of the Company and its shareholders. Accordingly I recommend that you vote in favour of resolutions 2 and 3 to be proposed at the EGM as I intend to do in respect of my holding of 200,000 Shares, representing 0.78 per cent. of the independent Shares that can vote on these resolutions.

Yours faithfully

Andrew Hall  
*Director*

### 3. ADDITIONAL INFORMATION

#### 3.1 Western

The Directors of Western intend to continue running the business without any changes.

#### 3.2 Lonfin

Lonfin is a public company, registered in England and listed on the London Stock Exchange and the JSE Securities Exchange South Africa and has approximately 2,400 shareholders. In addition to the interests of directors detailed in 3.3 below, the following interests in 3 per cent. or more of Lonfin's share capital have been notified to Lonfin under Section 211 of the Act:

|                               | <i>Shareholding</i> | <i>% interest</i> |
|-------------------------------|---------------------|-------------------|
| W.T. Lamb Holdings Limited    | 4,400,000           | 16.78             |
| Philip J Milton & Company Plc | 1,309,601           | 4.99              |

If Lonfin exercises its Warrants the Company will receive from Lonfin a total of £518,091.52. The directors intend to invest these funds, as and when they are received, in line with the Company's investment policy, most recently set out in the interim report for the six months ended 31st December 2004.

Western does not have any interest in the share capital of Lonfin and has not dealt in Lonfin shares in the 12 months prior to the posting of this circular.

There are no agreements or understandings whereby any legal or beneficial interest in Western held by Lonfin will be transferred to any other party.

#### 3.3 Directors

The interests of the directors of the Company and of Lonfin in both companies at the date of this circular are as follows:

|  | <i>Western</i> |                 | <i>Lonfin</i> |                 |
|--|----------------|-----------------|---------------|-----------------|
|  | <i>Shares</i>  | <i>Warrants</i> | <i>Shares</i> | <i>Warrants</i> |
| <i>Directors of Western and Lonfin</i> |                |                 |               |                 |
| D.C. Marshall – Beneficial             | –              | –               | 2,301,000     | –               |
| – Non-beneficial *                     | –              | –               | 8,964,670     | 2,034,134       |
| J.M. Robotham – Beneficial             | 100,000        | –               | 10,000        | –               |
| – Non-beneficial *                     | –              | –               | 4,662,670     | 2,034,134       |
| <i>Directors of Western</i>            |                |                 |               |                 |
| A.R.C. Barclay                         | 20,000         | 1,904           | 1,000         | 200             |
| A.J. Hall                              | 200,000        | –               | –             | –               |
| <i>Directors of Lonfin</i>             |                |                 |               |                 |
| F.W.A.A. Lucas                         | –              | –               | 50,000        | –               |
| J.H. Maxwell                           | –              | –               | 50,000        | –               |

\* These holdings arise as the individuals concerned are trustees and/or directors of entities that hold shares in the Company.

There have been no dealings by any of the above in the shares of the Company at any time during the 12 months prior to the date of this circular.

There are no service contracts between the Company and any of its directors.

There are no agreements or understandings whereby any legal or beneficial interest in Western held by Mr. J.M. Robotham will be transferred to any other party.

### 3.4 Substantial Interests

The Company has been notified under section 211 of the Companies Act 1985 of the following interests in 3 per cent. Or more of its shares:

|  | <i>Shareholding</i> | <i>% interest</i> |
|--|---------------------|-------------------|
| London Finance & Investment Group P.L.C. | 17,611,928          | 40.48             |
| W.T. Lamb Holdings Limited               | 5,000,000           | 11.49             |
| T.W.G. Charlton                          | 1,625,832           | 3.76              |
| J.A. Whybrow and S.R.M. Wilson           | 1,410,339           | 3.24              |

There are other substantial holdings on the register, but the Company has not been notified of any other interests in excess of 3 per cent.

There have been no dealings by Lonfin in the shares of the Company at any time during the 12 months prior to the date of this circular.

There are no relationships, arrangements or understandings between any of the above parties and any other shareholders of the Company, save for the fact that W.T. Lamb Investments Limited is also a substantial shareholder in Lonfin as disclosed in 3.2 above.

There are no other holdings or dealings in the share capital of the Company that are required to be disclosed.

### 3.5 Material Contracts

Other than as shown below, the Company has not entered into any material contracts during the period beginning two years before the date of this document:

1. A Nominated Adviser Agreement between the Company, the Directors of the Company and Ruegg & Co. Limited dated 27th April 2005. The agreement is for a minimum period of six months and is terminable thereafter on the giving of three months notice by either party. The annual fee payable by the Company to Ruegg is £10,000 p.a.

### 3.6 Share price

The middle market quotation for the Shares for the first business day of each of the last six months and for the latest business day prior to posting this circular are set out below:

| <i>Date</i>       | <i>Price – p</i> |
|-------------------|------------------|
| 4th January 2005  | 13.75            |
| 1st February 2005 | 14.50            |
| 1st March 2005    | 15.50            |
| 1st April 2005    | 15.50            |
| 2nd May 2005      | 13.75            |
| 1st June 2005     | 13.75            |
| 7th June 2005     | 14.00            |

### 3.7 Financial information

Summary financial information for Western is set out in Appendix 1 on page 13 and for Lonfin in Appendix 2 on page 27. In both cases this information is in the form of the audited accounts for the three years ended 30th June 2004, 2003 and 2002 and the unaudited interim accounts for the six months to 31st December 2004. There have been no material changes in the financial or trading position of either Western or Lonfin since the last published audited accounts of Western and Lonfin.

### 3.8 Responsibility

The directors of Western accept responsibility for the information contained in this document and confirm that, to the best of their knowledge and belief (having taken all reasonable care to ensure that

such is the case) the information contained in this document is in accordance with the facts and that it does not omit anything likely to affect the import of such information.

### **3.9 Extraordinary General Meeting**

To implement the Consolidation, payment of compensation for Fractional Holdings and the Sub-Division and to approve the waivers, an Extraordinary General Meeting of shareholders will be held to approve the ordinary resolutions set out in the Notice of Meeting on page 44 of this letter.

An irrevocable undertaking to vote in favour of resolution 1 to be proposed at the EGM has been received from Lonfin in respect of its holding of 17,611,928 Shares, representing 40.48 per cent. of the issued share capital. As explained in Mr. Hall's letter on page 8, Lonfin and the Directors, other than Mr. Hall, will not vote on resolutions 2 and 3 to be proposed at the EGM and voting on these resolutions will be means of a poll and the Company Secretaries, City Group P.L.C. will act as Scrutineers for the poll.

### **3.10 Listing, Settlement and Dealings**

Application has been made to AIM for the New Shares and New Warrants to be admitted to trading on AIM. The last day of dealing in Shares of 10p each is expected to be 27th June 2005. The last time for registration of transfers of Shares of 10p each is expected to be 5.00 p.m. on 27th June 2005. It is expected that dealing in the New Shares and New Warrants will commence at 8.00 a.m. on 28th June 2005.

### **3.11 Consents**

Ruegg and BDO Stoy Hayward LLP have each given and not withdrawn their written consents to the issue of this document and the references to their names in the form and context in which they appear.

### **3.12 Documents available for inspection**

Copies of the following documents are available for inspection at the offices of City Group P.L.C., 5th Floor, 25 City Road, London, EC1Y 1BQ during usual business hours on any weekday (Saturdays, Sundays and any public holidays excluded) until the date of the EGM and will also be available at the EGM:

- (a) the Memorandum and Articles of Association of Western;
- (b) the audited consolidated accounts of Western and Lonfin for the financial years ended 30th June 2002, 30th June 2003 and 30th June 2004;
- (c) the interim accounts of Western and Lonfin for the six months ended 31st December 2002, 31st December 2004 and 31st December 2004;
- (d) the written consents of Ruegg and BDO Stoy Hayward LLP referred to above;
- (e) the letter by BDO Stoy Hayward LLP on the amendment to the Terms and Conditions of the Warrants referred to on page 6;
- (f) the irrevocable undertaking from Lonfin to vote in favour of resolution 1 and the irrevocable undertaking from Mr. Hall to vote in favour of resolutions 2 and 3;
- (g) the Nominated Adviser Agreement between the Company, the Directors and Ruegg.

### **3.13 Action to be taken**

Shareholders are requested to complete the enclosed Form of Proxy in accordance with the instructions printed thereon and return it to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU at least 48 hours before the date fixed for the meeting. The return of the Form of Proxy will not prevent you from attending the meeting and voting in person if you so wish.

### **3.14 Recommendations**

The Directors consider the Consolidation and Sub-Division to be fair and reasonable for shareholders. The Directors recommend that you vote in favour of resolution 1 to be proposed at the EGM as they intend to do in respect of their own holdings totalling 320,000 Shares, representing 0.74 per cent. of the issued share capital.

As explained on pages 7 and 8, Andrew Hall, the only director independent of the Concert Party, who has been so advised by Ruegg, believes that the approval of the waivers by the Panel on Takeovers and Mergers is in the interests of the Company and its shareholders. Accordingly he recommends that you vote in favour of resolutions 2 and 3 to be proposed at the EGM, as he intends to do in respect of his holding of 200,000 Shares, representing 0.78 per cent. of the independent shares that can vote on these resolutions

## APPENDIX 1

### FINANCIAL INFORMATION ON WESTERN

Summary financial information for Western is set out below in the form of the audited results for the three years ended 30th June 2004, 2003 and 2002 and the interim report for the six months ended 31st December 2004.

#### PROFIT AND LOSS ACCOUNT

For the year ended 30th June

|  | Notes | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--|-------|--------------|--------------|--------------|
| <b>Income from investments in:</b>                         |       |              |              |              |
| Listed strategic undertakings                              |       | 56           | 21           | 29           |
| Other listed undertakings                                  |       | 212          | 188          | 194          |
| Other unlisted undertakings                                |       | –            | 3            | 5            |
| (Loss)/surplus on disposal of listed undertakings – normal |       | (248)        | 341          | 222          |
| – exceptional  | 4A    | –            | –            | (542)        |
|  |       | (248)        | 341          | 320          |
| Net release of provisions against investments              | 4B    | 570          | –            | –            |
| Interest receivable  |       | 2            | 1            | 2            |
|  |       | <u>592</u>   | <u>554</u>   | <u>550</u>   |
| Administrative expenses                                    | 2     | (250)        | (249)        | (249)        |
| <b>Operating profit</b>                                    |       | <u>342</u>   | <u>305</u>   | <u>301</u>   |
| Interest payable   |       | (30)         | (39)         | (24)         |
| <b>Profit on ordinary activities before taxation</b>       |       | <u>312</u>   | <u>266</u>   | <u>277</u>   |
| Taxation   | 5     | (5)          | (6)          | (10)         |
| <b>Profit on ordinary activities after taxation</b>        |       | <u>307</u>   | <u>260</u>   | <u>267</u>   |
| Dividends  |       | (239)        | (226)        | (218)        |
| <b>Retained profit for the year</b>                        | 7     | <u>68</u>    | <u>34</u>    | <u>49</u>    |
| <b>Basic earnings per share</b>                            | 6     | 0.71p        | 0.60p        | 0.61p        |
| <b>Diluted earning per share</b>                           | 6     | 0.71p        | 0.60p        | 0.61p        |
| <b>Earnings/(loss) per share before exceptional items</b>  | 6     | 0.71p        | 0.60p        | (0.63)p      |

There are no recognised gains or losses other than the above profit for the year and accordingly no separate statement of recognised gains and losses is shown.

All profits and losses are on continuing activities.

The notes on pages 17 to 23 form part of these accounts.

## BALANCE SHEET

| At 30th June   | Notes | 2004<br>£000 | 2003<br>£000 | 2002<br>£000   |
|--|-------|--------------|--------------|----------------|
| <b>Fixed Assets</b>                                    |       |              |              |                |
| Investments  | 8     | <u>9,674</u> | <u>9,604</u> | <u>10,094</u>  |
| <b>Current Assets</b>                                  |       |              |              |                |
| Debtors  | 9     | 100          | 44           | 84             |
| Cash at bank and in hand                               |       | <u>10</u>    | <u>3</u>     | <u>54</u>      |
|  |       | 110          | 47           | 138            |
| <b>Creditors</b> (amounts falling due within one year) | 10    | <u>(607)</u> | <u>(542)</u> | <u>(1,157)</u> |
| <b>Net Current Liabilities</b>                         |       | <u>(497)</u> | <u>(495)</u> | <u>(1,019)</u> |
| <b>Net Assets</b>                                      |       | <u>9,177</u> | <u>9,109</u> | <u>9,075</u>   |
| <br>   |       |              |              |                |
| <b>Capital and Reserves</b>                            |       |              |              |                |
| Called up share capital                                | 11    | 4,351        | 4,351        | 4,351          |
| Share premium account                                  | 12    | 1,646        | 1,646        | 1,646          |
| Warrants reserve                                       | 13    | 355          | 355          | 355            |
| Profit and loss account                                | 7     | <u>2,825</u> | <u>2,757</u> | <u>2,723</u>   |
| <b>Shareholders' Funds (all equity)</b>                | 14    | <u>9,177</u> | <u>9,109</u> | <u>9,075</u>   |

The notes on pages 17 to 23 form part of these accounts.

## CASH FLOW STATEMENT

| For the year ended 30th June                                | 2004    | 2004         | 2003    | 2003         | 2002    | 2002         |
|---|---------|--------------|---------|--------------|---------|--------------|
| Notes   | £000    | £000         | £000    | £000         | £000    | £000         |
| <b>Net cash (outflow)/inflow from operating activities</b>  | (a)     | (23)         |         | 20           |         | (68)         |
| <b>Returns on investments and servicing of finance</b>      |         |              |         |              |         |              |
| Interest paid   | (30)    |              | (39)    |              | (24)    |              |
| Interest received   | 2       |              | 1       |              | 2       |              |
|   |         | (28)         |         | (38)         |         | (22)         |
| <b>Taxation paid</b>  |         | (5)          |         | (6)          |         | (9)          |
| <b>Financial investment</b>                                 |         |              |         |              |         |              |
| Proceeds of disposal of fixed asset investments             |         |              |         |              |         |              |
| – Normal  | 2,639   |              | 2,388   |              | 2,747   |              |
| – Exceptional   | –       |              | –       |              | 709     |              |
| Purchase of fixed asset investments                         | (2,386) |              | (1,557) |              | (3,246) |              |
| <b>Net cash inflow from financial investment activities</b> |         | 253          |         | 831          |         | 210          |
| <b>Equity dividend paid</b>                                 |         | (226)        |         | (218)        |         | (200)        |
| <b>(Increase)/Decrease in net debt</b>                      |         | (29)         |         | 589          |         | (89)         |
| Net debt at start of year                                   |         | (239)        |         | (828)        |         | (739)        |
| <b>Net debt at end of year</b>                              | (b)     | <u>(268)</u> |         | <u>(239)</u> |         | <u>(828)</u> |

Notes:

### (a) Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

|  | 2004        | 2003      | 2002        |
|--|-------------|-----------|-------------|
|  | £'000       | £'000     | £'000       |
| <b>Operating profit</b>                                    | 342         | 305       | 300         |
| Loss/(profit) on sale of investments                       | 248         | (341)     | (320)       |
| Net release of provisions against investments              | (570)       | –         | –           |
| Interest received  | (2)         | (1)       | (2)         |
| (Increase)/decrease in debtors and accrued income          | (57)        | 40        | (61)        |
| Increase in creditors                                      | 16          | 17        | 15          |
| <b>Net cash (outflow)/inflow from operating activities</b> | <u>(23)</u> | <u>20</u> | <u>(68)</u> |

**(b) Analysis of net debt**

|                  | At start<br>of period<br>£000 | Cash<br>Flow<br>£000 | At end<br>of period<br>£000 |
|------------------|-------------------------------|----------------------|-----------------------------|
| <b>2003/2004</b> |                               |                      |                             |
| Cash at bank     | 3                             | 7                    | 10                          |
| Bank overdraft   | <u>(242)</u>                  | <u>(36)</u>          | <u>(278)</u>                |
|                  | <u>(239)</u>                  | <u>(29)</u>          | <u>(268)</u>                |
| <b>2002/2003</b> |                               |                      |                             |
| Cash at bank     | 54                            | (51)                 | 3                           |
| Bank overdraft   | <u>(882)</u>                  | <u>640</u>           | <u>(242)</u>                |
|                  | <u>(828)</u>                  | <u>589</u>           | <u>(239)</u>                |
| <b>2001/2002</b> |                               |                      |                             |
| Cash at bank     | 52                            | 2                    | 54                          |
| Bank overdraft   | <u>(791)</u>                  | <u>(91)</u>          | <u>(882)</u>                |
|                  | <u>(739)</u>                  | <u>(89)</u>          | <u>(828)</u>                |

## NOTES TO THE ACCOUNTS

For the year ended 30th June 2004

### 1. Accounting Policies

- (i) These accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.
- (ii) Dividends receivable in respect of associated and other undertakings are taken to the credit of the profit and loss account, in respect of listed shares, when the shares are quoted ex-dividend and, in respect of unlisted shares, when the dividend is declared.
- (iii) Investments are stated at cost less provision. Provision against the value of fixed asset investments is charged to profit and loss when, in the opinion of the directors, the decline below cost is significant and unlikely to be recovered in the foreseeable future.
- (iv) Deferred tax balances are recognised on all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing difference.

### 2. Administrative expenses

|  | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|--------------|
| Bank charges                               | 6            | 6            | 6            |
| Auditors' remuneration – for audit work    | 6            | 6            | 7            |
| Directors' emoluments as set out in Note 3 | 45           | 45           | 45           |
| Other administrative expenses              | 193          | 192          | 191          |
|  | <u>250</u>   | <u>249</u>   | <u>249</u>   |

### 3. Directors' emoluments and related party disclosures

The emoluments of the directors who were the only employees of the company were:

|                               |           |           |           |
|-------------------------------|-----------|-----------|-----------|
| D.C. Marshall                 | nil       | nil       | nil       |
| A.J. Hall                     | nil       | nil       | nil       |
| A.R.C. Barclay                | 10        | 10        | 10        |
| J.M. Robotham                 | 10        | 10        | 10        |
|                               | <u>20</u> | <u>20</u> | <u>20</u> |
| Amounts paid to third parties | 25        | 25        | 25        |
|                               | <u>45</u> | <u>45</u> | <u>45</u> |

The services of Mr. Marshall were supplied by an overseas company, in which none of the Directors are beneficially interested, for £15,000 (2003 – £15,000, 2002 – £15,000). The services of Mr. Hall were supplied by his primary employer for £10,000 (2003 – £10,000, 2002 – £10,000).

The section on Related Party Disclosures below gives details of the interests of the Directors in any material transactions. Other than as disclosed there and above no Director was interested in any contract between the Directors, the Company and any other related parties which subsisted during or at the end of the financial year.

#### Related party disclosures

London Finance & Investment Group P.L.C. ("Lonfin") has a 40.48 per cent. interest in the Company. Mr. Marshall and Mr. Robotham are directors of Lonfin and Mr. Marshall has an interest in Lonfin

through family trusts, which hold 11,265,670 shares, representing 42.97 per cent. of Lonfin's issued share capital. Of this figure he has a beneficial interest in 2,301,000 shares (8.78 per cent.) and a non-beneficial interest in the balance as a trustee of the family trusts. At 30th June 2004, the balance owing to Lonfin was £ Nil (2003 – £ Nil, 2002 – £ Nil).

The Company owns 48.57 per cent. of City Group P.L.C. ("CGL"). The remaining 51.43 per cent. is owned by Lonfin. Mr. Marshall and Mr. Robotham are directors of CGL. CGL provides office and secretarial services to the Company, Lonfin and other companies. During the year under review the Company paid rent of £27,000 (2003 – £27,000, 2002 – £27,000) to CGL and secretarial management fees of £91,000 (2003 – £83,000, 2002 – £84,000).

Mr. Robotham is an associate of J.M. Finn & Co. who are the nominated brokers of the Company. As an associate, he receives 32 per cent. of the commission on transactions introduced by him. During the year the Company paid £21,750 (2003 – £10,900, 2002 – £23,400) in commission to J.M. Finn & Co.

#### 4A Exceptional items

|  | 2004<br>£'000 | 2003<br>£'000 | 2002<br>£'000 |
|--|---------------|---------------|---------------|
| Profit on disposal of part of holding in The Sanctuary Group PLC | –             | –             | 542           |
|  | –             | –             | 542           |
|  | <u>–</u>      | <u>–</u>      | <u>542</u>    |

#### 4B Net release of provisions

|   |            |          |          |
|---|------------|----------|----------|
| Creston plc provision written back          | 1,040      | –        | –        |
| Doctors Direct plc, provision on investment | (470)      | –        | –        |
|   | 570        | –        | –        |
|   | <u>570</u> | <u>–</u> | <u>–</u> |

### 5. Taxation

#### The tax charge for the year comprises:

|                                   |          |          |           |
|-----------------------------------|----------|----------|-----------|
| Tax on overseas investment income | <u>5</u> | <u>6</u> | <u>10</u> |
|-----------------------------------|----------|----------|-----------|

The tax assessed for the year is lower than the standard rate of corporation tax in the U.K. The differences are explained below:

|   |            |            |            |
|---|------------|------------|------------|
| Profit on ordinary activities before taxation         | <u>312</u> | <u>266</u> | <u>277</u> |
| Taxation at 30%                                       | 94         | 80         | 83         |
| <b>Effects of:</b>                                    |            |            |            |
| Tax losses carried forward/(brought forward utilised) | 83         | (18)       | (15)       |
| Non-taxable franked and other income                  | (172)      | (56)       | (58)       |
|   | <u>5</u>   | <u>6</u>   | <u>10</u>  |

All of the tax charge for the year is tax deducted from the dividends of overseas companies. Dividends received from U.K. companies are recognised in the profit and loss account net of their associated tax credit. The Company has estimated Corporation Tax losses carried forward of £827,000 and Capital Tax losses of £1.1 million subject to agreement of tax computations with the Inland Revenue.

## 6. Earnings/(loss) per share

Earnings/(loss) per share are based on the profit on ordinary activities after taxation including and excluding exceptional items and on 43,511,862 (2003 – 43,511,641, 2002 – 43,511,373) being the weighted average number of shares in issue during the period. The basic loss per share for 2002 is calculated using the loss before exceptional items of £275,000 (being profit after tax of £267,000 less the exceptional profit of £542,000 (as disclosed in Note 4A above).

|  | 2004         | 2003         | 2002           |
|--|--------------|--------------|----------------|
| Basic earnings per share after exceptional items   | <u>0.71p</u> | <u>0.60p</u> | <u>0.60p</u>   |
| At 30th June 2004, 2003 and 2002 the warrants in issue were not dilutive and the diluted earnings per share were | <u>0.71p</u> | <u>0.60p</u> | <u>0.61p</u>   |
| Basic earnings/(loss) per share before exceptional items   | <u>0.71p</u> | <u>0.60p</u> | <u>(0.63)p</u> |

## 7. Statement of retained profits

|  | 2004<br>£000   | 2004<br>£000 | 2003<br>£000   | 2003<br>£000 | 2002<br>£000   | 2002<br>£000 |
|--|----------------|--------------|----------------|--------------|----------------|--------------|
| <b>Retained profits at beginning of year</b> |                |              |                |              |                |              |
| Realised profits                             | 3,797          |              | 3,763          |              | 3,714          |              |
| Provision for unrealised capital losses      | <u>(1,040)</u> |              | <u>(1,040)</u> |              | <u>(1,040)</u> |              |
| Retained profit for year                     |                | 2,757<br>68  |                | 2,723<br>34  |                | 2,674<br>49  |
| <b>Retained profits at end of year</b>       |                |              |                |              |                |              |
| Realised profits                             | 3,295          |              | 3,797          |              | 3,763          |              |
| Provision for unrealised capital losses      | <u>(470)</u>   |              | <u>(1,040)</u> |              | <u>(1,040)</u> |              |
|  |                | <u>2,825</u> |                | <u>2,757</u> |                | <u>2,723</u> |

## 8. Fixed assets

|  | Strategic<br>Listed<br>Investments<br>£000 | Other<br>Listed<br>Investments<br>£000 | AIM, Ofex<br>& Unlisted<br>Companies<br>£000 | Unlisted<br>Associated<br>Companies<br>£000 | Total<br>£000 |
|--|--|--|--|---|---------------|
| <b>Shares and warrants at cost:</b>            |  |  |  |   |               |
| Balance at 1st July 2002                       | 4,892                                      | 5,567                                  | 592  | 83  | 11,134        |
| Additions                                      | 418  | 1,093                                  | 46   | –   | 1,557         |
| Disposals                                      | (50)                                       | (1,900)                                | (97)   | 1   | (2,047)       |
| Balance at 30th June 2003                      | 5,260                                      | 4,760                                  | 541  | 83  | 10,644        |
| Balance at 1st July 2003                       | 5,260                                      | 4,760                                  | 541  | 83  | 10,644        |
| Re-classified                                  | (1,187)                                    | 1,187                                  | –  | –   | –             |
| Additions                                      | 452  | 2,958                                  | 382  | –   | 3,792         |
| Disposals                                      | –  | (4,056)                                | (236)  | –   | (4,292)       |
| Balance at 30th June 2004                      | 4,525                                      | 4,849                                  | 687  | 83  | 10,144        |
| <b>Provisions for impairment in value:</b>     |  |  |  |   |               |
| Balance at 1st July 2002 and<br>30th June 2003 | (1,040)                                    | –                                      | –  | –   | (1,040)       |
| <b>Balance at 30th June 2003</b>               | <u>4,220</u>                               | <u>4,760</u>                           | <u>541</u>                                   | <u>83</u>                                   | <u>9,604</u>  |
| Balance at 1st July 2002                       | <u>3,852</u>                               | <u>5,567</u>                           | <u>592</u>                                   | <u>83</u>                                   | <u>10,094</u> |
| Balance at 1 July 2003                         | (1,040)                                    | –                                      | –  | –   | (1,040)       |
| Charge   | (470)                                      | –                                      | –  | –   | (470)         |
| Release  | 1,040                                      | –                                      | –  | –   | 1,040         |
| Balance at 30th June 2004                      | (470)                                      | –                                      | –  | –   | (470)         |
| <b>Balance at 30th June 2004</b>               | <u>4,055</u>                               | <u>4,849</u>                           | <u>687</u>                                   | <u>83</u>                                   | <u>9,674</u>  |
| Balance at 1st July 2003                       | <u>4,220</u>                               | <u>4,760</u>                           | <u>541</u>                                   | <u>83</u>                                   | <u>9,604</u>  |

The market value of the listed investments, all of which are either listed on the London Stock Exchange or dealt in on a recognised stock exchange, was £10,176,000 at 30th June 2004 (2003 – £8,841,000, 2002 – £10,178,000).

### ASSOCIATED COMPANY

City Group P.L.C. (“CGL”) is incorporated and operating in Great Britain and its prime activity is the provision of Corporate Services. CGL’s year end is 30th June. It has 70,000 ordinary £1 shares in issue of which the Company owns 34,000 shares (48.57 per cent.).

|   | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|--------------|
| Tangible assets                         | –            | 5            | 14           |
| Net current assets                      | 172          | 149          | 118          |
| Operating income/turnover               | 627          | 606          | 604          |
| Profit before taxation                  | 19           | 21           | 14           |
| Taxation                                | –            | –            | –            |
| Aggregate capital and reserves          | 172          | 154          | 133          |
| Share of net assets                     | 84           | 75           | 64           |
| Share of profit before tax for the year | 9            | 10           | 7            |
| Share of post acquisition profits       | 19           | 10           | –            |

## 9. Debtors

|                                | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--------------------------------|--------------|--------------|--------------|
| Prepayments and accrued income | 51           | 44           | 35           |
| Stock settlements              | 49           | –            | 49           |
|                                | <u>100</u>   | <u>44</u>    | <u>84</u>    |

## 10. Creditors: amounts falling due within one year

|                          |            |            |              |
|--------------------------|------------|------------|--------------|
| Bank facility drawn down | 278        | 242        | 882          |
| Other creditors          | 90         | 74         | 57           |
| Proposed dividend        | 239        | 226        | 218          |
|                          | <u>607</u> | <u>542</u> | <u>1,157</u> |

The revolving £2 million credit facility is secured by a charge over the Company's General Portfolio of listed investments. Interest is charged at 1 per cent. over the Bank of Scotland PLC's base rate fluctuating from time to time.

## 11. Share capital

### Authorised:

|   |               |              |              |
|---|---------------|--------------|--------------|
| 100,000,000 (2003 and 2002 – 50,000,000) shares of 10p each | <u>10,000</u> | <u>5,000</u> | <u>5,000</u> |
|---|---------------|--------------|--------------|

### Allotted, called up and fully paid equity share capital:

|   |              |              |              |
|---|--------------|--------------|--------------|
| At 1st July 2002 – 43,511,532                                 | 4,351        | 4,351        | 4,351        |
| Warrants exercised during the year – 248 (2002 – 454)         | –            | –            | –            |
| At 1st July 2003 – 43,511,780                                 | 4,351        | 4,351        | 4,351        |
| Warrants exercised during the year – 123 (2003 – 248)         | –            | –            | –            |
| <b>Balance carried forward at 30th June 2004 – 43,511,903</b> | <u>4,351</u> | <u>4,351</u> | <u>4,351</u> |

## 12. Share Premium Account

|  |              |              |              |
|--|--------------|--------------|--------------|
| Balance brought forward at 1st July 2002         | 1,646        | 1,646        | 1,646        |
| Premium on warrants exercised                    | –            | –            | –            |
| <b>Balance carried forward at 30th June 2004</b> | <u>1,646</u> | <u>1,646</u> | <u>1,646</u> |

### 13. Warrants reserve

|  | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|--------------|
| Balance brought forward at 1st July 2002         | 355          | 355          | 355          |
| Warrants exercised                               | –            | –            | –            |
| Balance brought forward at 30th June 2003        | 355          | 355          | 355          |
| Warrants exercised                               | –            | –            | –            |
| <b>Balance carried forward at 30th June 2004</b> | <b>355</b>   | <b>355</b>   | <b>355</b>   |

There are 5,919,044 (2003 – 5,919,167, 2002 – 5,919,415) warrants to subscribe for Shares outstanding. Each warrant gives the holder the right to subscribe for one share of 10p each in the Company at a fixed price of 16p per share. Warrants are exercisable 28 day after any of the Annual General Meetings of the Company in the years to 2006, after which time all outstanding subscription rights shall lapse. The warrants reserve represents deferred premium in respect of the free issue of warrants at the time of the rights issue in 1995. The reserve is transferred to share premium account when the warrants are exercised.

### 14. Reconciliation of movement in shareholders' funds

|   |              |              |              |
|---|--------------|--------------|--------------|
| Profit for financial year                 | 307          | 260          | 267          |
| Proposed dividend                         | (239)        | (226)        | (218)        |
| Net addition to shareholders' funds       | 68           | 34           | 49           |
| Opening equity shareholders' funds        | 9,109        | 9,075        | 9,026        |
| <b>Closing equity shareholders' funds</b> | <b>9,177</b> | <b>9,109</b> | <b>9,075</b> |

### 15. Financial Instruments

The Directors' Report, set out in the full Report and Accounts, provides an explanation of the role that financial instruments have had during the period in creating or changing the risks the company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving the objectives that have been followed during the year.

The Company has taken advantage of the option under Financial Reporting Standard 13 – "Derivatives and Other Financial Instruments: Disclosures" (FRS13) to exclude short-term debtors and creditors, other than those relating to currency exposure, from the detailed disclosures.

#### Interest Rate Risk Profile

The company's principle financial asset is its investment portfolio.

There are no investments in fixed interest stock and the majority of the company's investment portfolio consists of equity investments, for which an interest rate profile is not relevant.

Borrowings represent a Sterling revolving credit facility at a variable interest rate.

### Currency Exposures

The table below shows the Company's currency exposures. Such exposures comprise the financial assets (investments) at book values that are not traded in Sterling.

|             | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|-------------|--------------|--------------|--------------|
| Euro        | 112          | 681          | 737          |
| Swiss franc | 530          | 727          | 926          |
| U.S. dollar | –            | 196          | 335          |
|             | <u>642</u>   | <u>1,604</u> | <u>1,998</u> |

### Borrowing Facilities

The company has a five-year revolving credit facility of £2 million, renegotiable in April 2006. At 30th June 2004, the company had drawn down £278,000 (2003 – £242,000) of this facility. Interest is charged at 1 per cent. over the Bank of Scotland PLC's base rate fluctuating from time to time.

### Fair values

The fair value of the investment portfolio is determined by the prices available from the markets on which the instruments involved are traded. The differences between book value and market value are disclosed in Note 6 to these financial statements.

## INTERIM REPORT FOR THE SIX MONTHS TO 31ST DECEMBER 2004

### UNAUDITED PROFIT AND LOSS ACCOUNT

|   | Half year ended<br>31st December |                   | Year ended<br>30th June |
|---|----------------------------------|-------------------|-------------------------|
|   | 2004                             | 2003              | 2004                    |
|   | £000                             | £000              | £000                    |
| Interest receivable                                       | –                                | 1                 | 2                       |
| <b>Income from investments in:</b>                        |                                  |                   |                         |
| Listed strategic undertakings                             | 36                               | 52                | 56                      |
| Other listed investments                                  | 51                               | 51                | 212                     |
| Surplus on disposal of listed undertakings                | 212                              | 130               | (248)                   |
| Net (increase)/decrease in provisions against investments | (27)                             | –                 | 570                     |
|   | <u>272</u>                       | <u>234</u>        | <u>592</u>              |
| Administrative expenses                                   | (135)                            | (118)             | (250)                   |
| <b>Operating profit</b>                                   | <u>137</u>                       | <u>116</u>        | <u>342</u>              |
| Interest payable and similar charges                      | (23)                             | (12)              | (30)                    |
| <b>Profit on ordinary activities before taxation</b>      | <u>114</u>                       | <u>104</u>        | <u>312</u>              |
| Taxation  | –                                | –                 | (5)                     |
| <b>Profit on ordinary activities after taxation</b>       | <u>114</u>                       | <u>104</u>        | <u>307</u>              |
| Dividends   | –                                | –                 | (239)                   |
| <b>Retained profit for the period</b>                     | <u><u>114</u></u>                | <u><u>104</u></u> | <u><u>68</u></u>        |
| Basic earnings per share                                  | 0.26p                            | 0.24p             | 0.71p                   |
| Diluted earnings per share                                | 0.26p                            | 0.24p             | 0.71p                   |
| Dividend per share  | Nil                              | Nil               | 0.55p                   |

## UNAUDITED BALANCE SHEET

|   | 31st December  |               | 30th June    |
|---|----------------|---------------|--------------|
|   | 2004           | 2003          | 2004         |
|   | £000           | £000          | £000         |
| <b>Fixed assets</b>                                 | <u>10,316</u>  | <u>10,041</u> | <u>9,674</u> |
| Current assets                                      | 81             | 82            | 100          |
| Cash at bank and in hand                            | 11             | 3             | 10           |
| Bank overdraft                                      | (865)          | (871)         | (278)        |
| Current liabilities                                 | <u>(251)</u>   | <u>(42)</u>   | <u>(329)</u> |
| <b>Net current liabilities</b>                      | <u>(1,024)</u> | <u>(828)</u>  | <u>(497)</u> |
| <b>Total assets less current liabilities</b>        | <u>9,292</u>   | <u>9,213</u>  | <u>9,177</u> |
| <b>Capital and Reserves</b>                         |                |               |              |
| Called up share capital                             | 4,351          | 4,351         | 4,351        |
| Share premium account                               | 1,647          | 1,646         | 1,646        |
| Warrants reserve                                    | 355            | 355           | 355          |
| Profit and loss account                             | <u>2,939</u>   | <u>2,861</u>  | <u>2,825</u> |
|   | <u>9,293</u>   | <u>9,213</u>  | <u>9,177</u> |
| <b>Net Assets at market value – £000</b>            | 10,343         | 10,608        | 10,081       |
| <b>Net Assets at market value per share – pence</b> | 23.8p          | 24.4p         | 23.2p        |

### Notes:

1. The results for the half-year are unaudited. They have been prepared on the basis of the accounting policies adopted in the accounts for the year ended 30th June 2004. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The statutory accounts of Western Selection P.L.C. for the year ended 30th June 2004 have been reported on by the company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or 272(3) of the Companies Act 1985.
2. The calculation of earnings per share is based on the weighted average number of shares in issue for the period and the profit on ordinary activities after tax.

## CASH FLOW STATEMENT

|   | Notes | Half year ended<br>31st December 2004 |              | Year ended<br>30th June 2004 |              |
|---|-------|---------------------------------------|--------------|------------------------------|--------------|
|   |       | £000                                  | £000         | £000                         | £000         |
| <b>Net cash inflow/(outflow) from operating activities</b>            | (a)   |                                       | 134          |                              | (23)         |
| <b>Returns on investments and servicing of finance</b>                |       |                                       |              |                              |              |
| Interest paid   |       | (23)                                  |              | (30)                         |              |
| Interest received   |       | —                                     |              | 2                            |              |
|   |       |                                       | (23)         |                              | (28)         |
| <b>Taxation paid</b>  |       |                                       | —            |                              | (5)          |
| <b>Financial investment</b>   |       |                                       |              |                              |              |
| Proceeds of disposal of fixed asset investments                       |       | 1,237                                 |              | 2,639                        |              |
| Purchase of fixed asset investments                                   |       | (1,695)                               |              | (2,386)                      |              |
| <b>Net cash (outflow)/inflow from financial investment activities</b> |       |                                       | (458)        |                              | 253          |
| <b>Equity dividend paid</b>   |       |                                       | (239)        |                              | (226)        |
| <b>Increase in debt</b>   |       |                                       | (586)        |                              | (29)         |
| Net debt at start of year   |       |                                       | (268)        |                              | (239)        |
| <b>Net debt at end of year</b>  | (b)   |                                       | <u>(854)</u> |                              | <u>(268)</u> |

Notes:

### (a) Reconciliation of operating profit to net cash inflow from operating activities

|  |            |             |
|--|------------|-------------|
| <b>Operating profit</b>                                    | 137        | 342         |
| (Profit)/loss on sale of investments                       | (212)      | 248         |
| Net increase/(release) of provisions against investments   | 27         | (570)       |
| Interest received  | —          | (2)         |
| Decrease/(increase) in debtors and accrued income          | 20         | (57)        |
| Increase in creditors                                      | 162        | 16          |
| <b>Net cash (outflow)/inflow from operating activities</b> | <u>134</u> | <u>(23)</u> |

### (b) Reconciliation to movements in net debt

|                  | At start<br>period<br>£000 | Cash<br>flow<br>£000 | At end<br>period<br>£000 |
|------------------|----------------------------|----------------------|--------------------------|
| <b>2004/2005</b> |                            |                      |                          |
| Cash at bank     | 10                         | 1                    | 11                       |
| Bank overdraft   | (278)                      | (587)                | (865)                    |
|                  | <u>(268)</u>               | <u>(586)</u>         | <u>(854)</u>             |
| <b>2003/2004</b> |                            |                      |                          |
| Cash at bank     | 3                          | 7                    | 10                       |
| Bank overdraft   | (242)                      | (36)                 | (278)                    |
|                  | <u>(239)</u>               | <u>(29)</u>          | <u>(268)</u>             |

## APPENDIX 2

### FINANCIAL INFORMATION ON LONFIN

Summary financial information for Lonfin is set out below in the form of the audited results for the three years ended 30th June 2004, 2003 and 2002 and the interim report for the six months ended 31st December 2004.

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June

|  | Notes | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--|-------|--------------|--------------|--------------|
| <b>Operating Income</b>                                      |       |              |              |              |
| Investment operations  | 2     | 407          | 314          | 276          |
| Management services  | 2     | 533          | 520          | 495          |
| <b>Administrative expenses</b>                               |       |              |              |              |
| Investment operations  | 3-5   | (281)        | (277)        | (263)        |
| Management services  | 3-5   | (518)        | (505)        | (481)        |
| <b>Operating profit</b>                                      |       | 141          | 52           | 27           |
| Share of result of associated undertaking – normal           | 13(c) | 139          | 124          | (98)         |
| – exceptional  |       | –            | –            | 219          |
| Interest payable   | 6     | (72)         | (63)         | (88)         |
| <b>Profit on ordinary activities before taxation</b>         |       | 208          | 113          | 60           |
| Tax on result of ordinary activities                         | 7     | (9)          | (10)         | (9)          |
| <b>Profit on ordinary activities after taxation</b>          |       | 199          | 103          | 51           |
| Equity minority interest                                     |       | (9)          | (10)         | (7)          |
| <b>Profit attributable to members of the holding company</b> | 8     | 190          | 93           | 44           |
| Proposed dividend  |       | (233)        | (218)        | (205)        |
| <b>Retained loss for the financial year</b>                  | 9     | (43)         | (125)        | (161)        |
| <b>Earnings per share</b>                                    | 10    | 0.74p        | 0.36p        | 0.17p        |
| <b>Headline earnings/(loss) per share</b>                    | 10    | 0.74p        | 0.36p        | (0.68)p      |
| <b>Fully diluted earnings per share</b>                      | 10    | 0.73p        | 0.36p        | 0.17p        |

There are no recognised gains or losses other than the above profits and accordingly no separate statement of recognised gains and losses is shown.

All profits and losses are on continuing activities.

There is no difference in either year between the above profit and the profit on an historical cost basis.

The notes on pages 30 to 40 form part of these accounts.

## BALANCE SHEETS

| at 30th June                                 |       | 2004         | Group<br>2003 | 2002         | 2004         | Company<br>2003 | 2002         |
|--|-------|--------------|---------------|--------------|--------------|-----------------|--------------|
|  | Notes | £000         | £000          | £000         | £000         | £000            | £000         |
| <b>Fixed Assets</b>                          |       |              |               |              |              |                 |              |
| Tangible assets                              | 11    | 437          | 451           | 471          | 437          | 447             | 457          |
| Investments in Group companies               | 12    | –            | –             | –            | 5,855        | 5,755           | 6,127        |
| Investments                                  | 13(a) | 7,390        | 7,358         | 7,741        | –            | –               | –            |
|  |       | <u>7,827</u> | <u>7,809</u>  | <u>8,212</u> | <u>6,292</u> | <u>6,202</u>    | <u>6,584</u> |
| <b>Current Assets</b>                        |       |              |               |              |              |                 |              |
| Listed investments                           | 13(b) | 3,077        | 2,685         | 2,743        | 3,077        | 2,685           | 2,743        |
| Unlisted investments                         |       | –            | –             | 43           | –            | –               | 43           |
| Debtors                                      | 14    | 272          | 167           | 187          | 43           | 79              | 45           |
| Bank balance and deposits                    |       | 30           | 28            | 26           | 25           | 27              | 20           |
|  |       | <u>3,379</u> | <u>2,880</u>  | <u>2,999</u> | <u>3,145</u> | <u>2,791</u>    | <u>2,851</u> |
| <b>Current Liabilities</b>                   |       |              |               |              |              |                 |              |
| Creditors: falling due within one year       | 15    | (1,655)      | (1,176)       | (1,583)      | (1,591)      | (1,198)         | (1,551)      |
|  |       | <u>1,724</u> | <u>1,704</u>  | <u>1,416</u> | <u>1,554</u> | <u>1,593</u>    | <u>1,300</u> |
| <b>Net Current Assets</b>                    |       |              |               |              |              |                 |              |
|  |       | <u>9,551</u> | <u>9,513</u>  | <u>9,628</u> | <u>7,846</u> | <u>7,795</u>    | <u>7,884</u> |
| <b>Total Assets less Current Liabilities</b> |       |              |               |              |              |                 |              |
| <b>Capital and Reserves</b>                  |       |              |               |              |              |                 |              |
| Called up share capital                      | 17    | 1,295        | 1,281         | 1,281        | 1,295        | 1,281           | 1,281        |
| Share premium account                        | 18    | 1,033        | 975           | 975          | 1,033        | 975             | 975          |
| Reserves                                     | 19    | 361          | 361           | 361          | 480          | 480             | 480          |
| Profit and loss account                      | 9     | 6,780        | 6,823         | 6,948        | 5,038        | 5,059           | 5,148        |
|  |       | <u>9,469</u> | <u>9,440</u>  | <u>9,565</u> | <u>7,846</u> | <u>7,795</u>    | <u>7,884</u> |
| <b>Equity shareholders' funds</b>            | 20    | 9,469        | 9,440         | 9,565        | 7,846        | 7,795           | 7,884        |
| Minority equity interests                    |       | 82           | 73            | 63           | –            | –               | –            |
|  |       | <u>9,551</u> | <u>9,513</u>  | <u>9,628</u> | <u>7,846</u> | <u>7,795</u>    | <u>7,884</u> |

The notes on pages 30 to 40 form part of these accounts.

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June

|   | Notes | 2004<br>£000    | 2003<br>£000    | 2002<br>£000      |
|---|-------|-----------------|-----------------|-------------------|
| <b>Cash outflow on operating activities</b>                                 | 22    | <u>(479)</u>    | <u>(74)</u>     | <u>(71)</u>       |
| <b>Returns on investments and servicing of finance</b>                      |       |                 |                 |                   |
| Dividends received  |       | 246             | 211             | 243               |
| Interest paid   |       | <u>(60)</u>     | <u>(47)</u>     | <u>(78)</u>       |
| <b>Net cash inflow from returns on investments and servicing of finance</b> |       | <u>186</u>      | <u>164</u>      | <u>165</u>        |
| <b>Taxation</b>   |       | <u>(9)</u>      | <u>(7)</u>      | <u>(5)</u>        |
| <b>Investing activities</b>   |       |                 |                 |                   |
| Fixed asset investments – purchased   |       | –               | (138)           | (107)             |
| – proceeds on disposal  |       | –               | 662             | 3                 |
| <b>Net cash inflow/(outflow) from investment activities</b>                 |       | <u>–</u>        | <u>524</u>      | <u>(104)</u>      |
| <b>Equity dividend paid – Company</b>                                       |       | <u>(218)</u>    | <u>(205)</u>    | <u>(307)</u>      |
| <b>Financing</b>  |       |                 |                 |                   |
| Share capital issued  |       | 72              | –               | 16                |
| Net draw down/(repayment) of loan facility                                  |       | <u>450</u>      | <u>(400)</u>    | <u>300</u>        |
| <b>Net cash inflow/(outflow) from financing</b>                             |       | <u>522</u>      | <u>(400)</u>    | <u>316</u>        |
| <b>Increase/(decrease) in cash</b>  | 23    | <u><u>2</u></u> | <u><u>2</u></u> | <u><u>(6)</u></u> |

The notes on pages 30 to 40 form part of these accounts.

## NOTES TO THE ACCOUNTS

For the year ended 30th June 2004

### 1. Accounting Policies

- (i) These accounts have been prepared under the historical cost convention including the revaluation of investments transferred within the group, in accordance with all applicable accounting and financial reporting standards.
- (ii) These consolidated accounts include the results of the subsidiaries (all of which are companies) for the year to 30th June 2004. Results of subsidiaries are included from their effective date of acquisition to their effective dates of disposal. The minority interests are wholly attributable to equity interests in subsidiaries. Under Section 230(4) of the Companies Act, the Company is exempt from the requirement to present its own profit and loss account.
- (iii) The consolidated accounts include the group share of the undistributed profits of its associated companies ("equity accounting"). Results of associates are included from their effective date of acquisition to their effective dates of disposal.
- (iv) Dividends receivable are taken to the credit of the profit and loss account in respect of listed shares when the shares are quoted ex dividend, and in respect of unlisted shares when the dividend is declared.
- (v) Depreciation is provided on fixed assets so as to write them off over their estimated useful lives. Computer and electronic equipment expenditure of less than £2,500 is written off in the year of acquisition. The annual rates of depreciation are
  - Leasehold property                      2% straight line
  - Equipment                                      25% straight line
  - Motor vehicles                                33 $\frac{1}{3}$ % reducing balance
- (vi) Fixed asset investments are shown at cost less amounts written off and are written down below cost where the market value has depreciated substantially and in the opinion of the directors is unlikely to recover. Current asset investments are shown at the lower of individual cost and market value.
- (vii) Deferred taxation is provided on the full liability method for timing differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.
- (viii) The Group makes pension contributions to the pension schemes of certain employees which are money purchase schemes and to which it has no responsibility for unfunded liabilities.
- (ix) Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities at the year-end are translated at year-end exchange rates.

## 2. Operating profit – Segmental Analysis

|   | Investment Operations |                  |                  | Management Services |                  |                  |
|---|-----------------------|------------------|------------------|---------------------|------------------|------------------|
|   | 2004                  | 2003             | 2002             | 2004                | 2003             | 2002             |
|   | £000                  | £000             | £000             | £000                | £000             | £000             |
| Dividends   |                       |                  |                  |                     |                  |                  |
| – Listed investments                                  | 154                   | 118              | 153              | –                   | –                | –                |
| – Unlisted investments                                | –                     | 5                | 9                | –                   | –                | –                |
| Interest receivable                                   | 1                     | –                | 1                | 24                  | 9                | –                |
| Rental and other income                               | 27                    | 27               | 27               | 4                   | 8                | 9                |
| Profits on sales of investments, including provisions | 225                   | 164              | 86               | –                   | –                | –                |
| Management services fees                              | –                     | –                | –                | 505                 | 503              | 486              |
| <b>Operating income</b>                               | <u>407</u>            | <u>314</u>       | <u>276</u>       | <u>533</u>          | <u>520</u>       | <u>495</u>       |
| Administration expenses                               | (281)                 | (277)            | (263)            | (518)               | (505)            | (481)            |
| <b>Operating profit</b>                               | <u><u>126</u></u>     | <u><u>37</u></u> | <u><u>13</u></u> | <u><u>15</u></u>    | <u><u>15</u></u> | <u><u>14</u></u> |

## 3. Administration Expenses

|  | 2004              | 2003              | 2002              |
|--|-------------------|-------------------|-------------------|
|  | £000              | £000              | £000              |
| <b>Administrative expenses include:</b>    |                   |                   |                   |
| Depreciation                               | 15                | 20                | 22                |
| Auditors' remuneration – audit services    | 14                | 15                | 14                |
| – non-audit services                       | 3                 | 2                 | 2                 |
| Directors' emoluments as set out in Note 4 | 48                | 48                | 46                |
| Staff costs as set out in Note 5           | 472               | 486               | 431               |
|  | <u><u>472</u></u> | <u><u>486</u></u> | <u><u>431</u></u> |

## 4. Directors' Emoluments and Related Party Disclosures

The Director's emoluments are detailed in the Remuneration Report which was set out in the full Report and Accounts. A summary is shown below:

The remuneration of the directors during the years comprised:

|  | 2004   | 2003   | 2002   |
|--|--------|--------|--------|
|  | £      | £      | £      |
| <b>Executive chairman</b>                      |        |        |        |
| Mr. D.C. Marshall (note 1)                     | 15,000 | 15,000 | 15,000 |
| <b>Non-executive directors</b>                 |        |        |        |
| Mr. R.A. Good (retired 2nd October 2003)       | 1,875  | 7,500  | 7,500  |
| Dr. F.W.W. Lucas (note 2)                      | 7,500  | 7,500  | 7,500  |
| Mr. J.H. Maxwell (appointed 1st November 2003) | 5,625  | –      | –      |
| J.M. Robotham (note 3)                         | 17,500 | 17,500 | 15,900 |

### Notes

- Mr. Marshall ceded his fees of £15,000 (2003 – £15,000, 2002 – £15,000) to an overseas company which supplies his services and in which none of the directors are beneficially interested. The Chairman receives no other payment or benefits from the Company.
- Dr. Lucas ceded his fees of £7,500, (2003 – £7,500, 2002 – £7,500) to his primary employer.
- Of this sum, £7,500 (2003 – £7,500, 2002 – £7,500) relates to Mr. Robotham's fees paid by the Company and the balance is in respect of fees received from the subsidiary, City Group P.L.C.

## Related Party Disclosures

London Finance & Investment Group P.L.C. and its wholly owned subsidiary (“Lonfin”), holds 40.48 per cent. of its associate Western Selection P.L.C. (“Western”) of which Mr. Marshall and Mr. Robotham are directors. Mr. Marshall and Mr. Robotham’s shareholdings in Lonfin are set out on page 9 of this circular.

Lonfin and/or Western hold shares in Marylebone Warwick Balfour Group Plc, Finsbury Food Group plc, Creston plc, Doctors Direct plc and The Sanctuary Group PLC. Mr. Marshall and Mr. Robotham are directors of Marylebone Warwick Balfour Group Plc and Mr. Marshall is a director of Creston plc, Doctors Direct plc and Finsbury Food Group plc. Mr. Marshall was a director of The Sanctuary Group PLC until 31st July 2003.

Mr. Marshall is a director and Mr. Robotham is the chairman of Monteagle Holdings S.A., and both are shareholders in Monteagle, which in turn is a substantial shareholder in Falcon Investment Holdings S.A. and Conafex Holdings S.A. Mr. Marshall is chairman of Falcon and a director of Conafex and Mr. Robotham is a director of Falcon. These companies are all registered in Luxembourg and operate internationally. Monteagle pays an annual rental of £27,000 (2003 – £27,000, 2002 – £27,000) in respect of a leasehold property owned by Lonfin.

Lonfin and Western own City Group P.L.C. in the ratio 51.43 per cent. and 48.57 per cent. respectively. City Group P.L.C. provides offices and secretarial and administrative services to various companies in the United Kingdom and abroad which are either associated with Lonfin and Western and/or Mr. Marshall and Mr. Robotham, including all of the above companies. The various secretarial and accounting fees received by City Group P.L.C. from those companies, their associates and subsidiaries, total £503,000 (2003 – £501,000, 2002 – £482,000) for the year under review. At the balance sheet date the aggregate balance due in respect of fees invoiced was £193,000 (2003 – £90,000, 2002 – £105,000) and advance fees paid were £7,800 (2003 – £295, 2002 – £2,000), settlement of which is within normal credit terms.

Mr. Robotham is an associate of J.M. Finn & Co., who are the Company’s stockbrokers. As an associate, Mr. Robotham receives 32 per cent. of the commission on transactions introduced by him. During the year the Company paid £12,500 (2003 – £9,200, 2002 – £16,000) commission to J.M. Finn & Co.

Other than as disclosed above no director was interested in any contract between the directors, the company and any other related party that subsisted during or at the end of the financial year.

### 5. Staff Costs

|   | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|--------------|
| <b>Staff costs, excluding those relating to the Directors shown in Note 4, are:</b> |              |              |              |
| Salaries  | 421          | 441          | 390          |
| Social security costs   | 51           | 45           | 41           |
|   | <u>472</u>   | <u>486</u>   | <u>431</u>   |
| <br>  |              |              |              |
| The average weekly number of staff employed, including directors, was:              | <u>13</u>    | <u>13</u>    | <u>13</u>    |

## 6. Interest payable

|  | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|--|--------------|--------------|--------------|
| Bank interest                                      | 60           | 47           | 79           |
| Share of associated undertakings' interest payable | 12           | 16           | 9            |
|  | <u>72</u>    | <u>63</u>    | <u>88</u>    |

## 7. Taxation

### The tax charge for the period comprises:

|  |            |             |            |
|--|------------|-------------|------------|
| Tax on overseas investment income          | (7)        | (7)         | (5)        |
| Share of associated undertaking's taxation | (2)        | (3)         | (4)        |
|  | <u>(9)</u> | <u>(10)</u> | <u>(9)</u> |

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

The differences are explained below:

|   |            |             |            |
|---|------------|-------------|------------|
| Profit on ordinary activities before taxation | 208        | 113         | 60         |
| Taxation at 30%                               | (62)       | (34)        | (18)       |
| Effects of:                                   |            |             |            |
| Non taxable and franked income                | 195        | 53          | 66         |
| Other rates of taxes                          | (3)        | (4)         | (2)        |
| Depreciation in excess of capital allowances  | (3)        | (4)         | (5)        |
| Loss carried forward                          | (135)      | (20)        | (49)       |
| Permanent differences                         | (1)        | (1)         | (1)        |
|   | <u>(9)</u> | <u>(10)</u> | <u>(9)</u> |

All of the tax charge for the year is tax deducted from the dividends of overseas companies. Dividends received from U.K. companies are recognised in the profit and loss account net of their associated tax credit.

## 8. Profit attributable to members of the holding company

Dealt with in the accounts of:

|                                      |            |           |           |
|--------------------------------------|------------|-----------|-----------|
| The holding company                  | 212        | 129       | (123)     |
| The subsidiary undertakings          | (55)       | (53)      | 140       |
| Western as an associated undertaking | 33         | 17        | 27        |
|                                      | <u>190</u> | <u>93</u> | <u>44</u> |

## 9. Statement of retained profit

|   | 2004<br>£000        | 2003<br>£000        | 2002<br>£000        |
|---|---------------------|---------------------|---------------------|
| <b>Retained profit at beginning of year</b> |                     |                     |                     |
| Company                                     | 5,059               | 5,148               | 5,477               |
| Subsidiary undertakings                     | 1,823               | 1,876               | 1,735               |
| Associated undertakings                     | (59)                | (76)                | (103)               |
|   | <u>6,823</u>        | <u>6,948</u>        | <u>7,109</u>        |
| Retained loss for the year                  | (43)                | (125)               | (161)               |
| <b>Retained profit at end of year</b>       | <u><u>6,780</u></u> | <u><u>6,823</u></u> | <u><u>6,948</u></u> |
| <br>  |                     |                     |                     |
| Company                                     | 5,038               | 5,059               | 5,148               |
| Subsidiary undertakings                     | 1,768               | 1,823               | 1,876               |
| Associated undertakings                     | (26)                | (59)                | (76)                |
|   | <u>6,780</u>        | <u>6,823</u>        | <u>6,948</u>        |

## 10. Earnings per share

|   | 2004         | 2003         | 2002           |
|---|--------------|--------------|----------------|
| Earnings per share are based on the profit on ordinary activities after taxation and minority interests and on 25,809,406 (2003 – 25,615,862, 2002 – 25,592,026) shares being the weighted average of number of number of shares in issue during the year.  | <u>0.74p</u> | <u>0.36p</u> | <u>0.17p</u>   |
| Excluding exceptional items of nil (2003 – nil, 2002 – £219,000)  | <u>–</u>     | <u>–</u>     | <u>(0.68)p</u> |
| <br>  |              |              |                |
| Diluted earnings per share are calculated on the results on ordinary activities after taxation and minority interests and on 25,809,406 (2003 – 25,615,862, 2002 – 25,879,413) shares, being the weighted average of ordinary shares, together with the weighted average of dilutive outstanding warrants in issue. | <u>0.73p</u> | <u>0.36p</u> | <u>0.17p</u>   |

## 11. Tangible assets

|                                       | Long<br>Leasehold<br>Residential<br>Property<br>£000 | Office<br>Equipment<br>£000 | Motor<br>Vehicles<br>£000 | Total<br>£000     |
|---------------------------------------|--|-----------------------------|---------------------------|-------------------|
| At valuation – 1st July 2002          | 500  | –                           | –                         | 500               |
| At cost – 1st July 2002               | –  | 189                         | 35                        | 224               |
| Additions                             | –  | –                           | –                         | –                 |
| Disposals                             | –  | –                           | (23)                      | (23)              |
| 30th June 2003                        | <u>500</u>   | <u>189</u>                  | <u>12</u>                 | <u>701</u>        |
| <b>Depreciation</b>                   |  |                             |                           |                   |
| Balance 1st July 2002                 | 43   | 175                         | 35                        | 253               |
| Charges for year                      | 10   | 10                          | –                         | 20                |
| Disposals                             | –  | –                           | (23)                      | (23)              |
| 30th June 2002                        | <u>53</u>  | <u>185</u>                  | <u>12</u>                 | <u>250</u>        |
| Net book amount 30th June 2003        | <u>447</u>   | <u>4</u>                    | <u>–</u>                  | <u>451</u>        |
| Net book amount 30th June 2002        | <u>457</u>   | <u>14</u>                   | <u>–</u>                  | <u>471</u>        |
| At Valuation – 1st July 2003          | 500  | –                           | –                         | 500               |
| At cost – 1st July 2003               | –  | 189                         | 12                        | 201               |
| Additions                             | –  | –                           | –                         | –                 |
| Disposals                             | –  | –                           | –                         | –                 |
| <b>30th June 2004</b>                 | <u><u>500</u></u>                                    | <u><u>189</u></u>           | <u><u>12</u></u>          | <u><u>701</u></u> |
| <b>Depreciation</b>                   |  |                             |                           |                   |
| Balance – 1st July 2003               | 53   | 185                         | 12                        | 250               |
| Charges for the year                  | 10   | 4                           | –                         | 14                |
| Disposals                             | –  | –                           | –                         | –                 |
| 30th June 2003                        | <u>63</u>  | <u>189</u>                  | <u>12</u>                 | <u>264</u>        |
| <b>Net book amount 30th June 2004</b> | <u><u>437</u></u>                                    | <u><u>–</u></u>             | <u><u>–</u></u>           | <u><u>437</u></u> |
| Net book amount 30th June 2003        | <u><u>447</u></u>                                    | <u><u>4</u></u>             | <u><u>–</u></u>           | <u><u>451</u></u> |

The long leasehold residential property is situated in the United Kingdom and held by the parent company. The long lease was acquired on 24th February 1998 and runs for 999 years from 24th June 1991. The property was valued by Frank Morris Associates, surveyors on 18th September 1997 at £450,000. The directors are of the opinion that the value of this property, following the acquisition of the long leasehold, is £500,000. The group has adopted the transitional provisions of FRS 15 such that it will retain the current valuation of the long leasehold property and hence no future revaluations will be incorporated in the accounts. The other fixed assets are held by a subsidiary company. The historical cost of the long leasehold property is £214,000 and the accumulated depreciation is £59,000.

## 12. Investment in group companies

Operating subsidiaries, incorporated and operating in England and consolidated in these financial statements.

|                        | Percentage<br>of equity | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 | Principal activities |
|------------------------|-------------------------|--------------|--------------|--------------|----------------------|
| Held by the Company    |                         |              |              |              |                      |
| – at cost              |                         |              |              |              |                      |
| City Group PLC         | 51.4                    | 89           | 89           | 89           | Management services  |
| Lonfin Investments Ltd |                         |              |              |              |                      |
| Loan to subsidiary     | 100.0                   | 5,766        | 5,666        | 6,038        | Investment holding   |
|                        |                         | <u>5,855</u> | <u>5,755</u> | <u>6,126</u> |                      |

## 13. Investments

| (a) held as Fixed Assets  | 2004<br>£000        | Group               |                     |                     | Company             |                     |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   |                     | 2003<br>£000        | 2002<br>£000        | 2004<br>£000        | 2003<br>£000        | 2002<br>£000        |
| <i>(i) Listed associated undertaking</i>  |                     |                     |                     |                     |                     |                     |
| Shares at cost  | 4,298               | 4,298               | 4,298               | –                   | –                   | –                   |
| Fair value adjustment brought forward   | (150)               | (150)               | (150)               | –                   | –                   | –                   |
| Shares of post acquisition losses   | (59)                | (76)                | (103)               | –                   | –                   | –                   |
| Share of retained results for the year  | 32                  | 17                  | 27                  | –                   | –                   | –                   |
| <b>(Market value £2,463,000<br/>(2003 – £2,315,000,<br/>2002 – £2,380,000))</b> | <u>4,121</u>        | <u>4,089</u>        | <u>4,072</u>        | <u>–</u>            | <u>–</u>            | <u>–</u>            |
| <i>(ii) Other listed investments</i>  |                     |                     |                     |                     |                     |                     |
| At cost, 1st July 2003  | 3,269               | 3,669               | 3,562               | –                   | –                   | –                   |
| Additions during the year   | –                   | 138                 | 107                 | –                   | –                   | –                   |
| Disposals during the year   | –                   | (538)               | –                   | –                   | –                   | –                   |
| <b>(Market value £4,118,000<br/>(2003 – £3,863,000,<br/>2002 – £4,520,000))</b> | <u>3,269</u>        | <u>3,269</u>        | <u>3,669</u>        | <u>–</u>            | <u>–</u>            | <u>–</u>            |
| <b>Total at 30th June 2004</b>  | <u><u>7,390</u></u> | <u><u>7,358</u></u> | <u><u>7,741</u></u> | <u><u>–</u></u>     | <u><u>–</u></u>     | <u><u>–</u></u>     |
| <b>(b) Held as Current Assets</b>   |                     |                     |                     |                     |                     |                     |
| <i>(i) Listed investments</i>   |                     |                     |                     |                     |                     |                     |
| At cost   | 3,137               | 3,013               | 2,890               | 3,137               | 3,013               | 2,890               |
| Reduction in value  | (60)                | (328)               | (147)               | (60)                | (328)               | (147)               |
| <b>Total at 30th June 2004</b>  | <u><u>3,077</u></u> | <u><u>2,685</u></u> | <u><u>2,743</u></u> | <u><u>3,077</u></u> | <u><u>2,685</u></u> | <u><u>2,743</u></u> |
| <b>(Market value £3,679,000<br/>(2003 – £2,938,000,<br/>2002 – £3,542,000))</b> |                     |                     |                     |                     |                     |                     |
| <i>(ii) Unlisted investments</i>  |                     |                     |                     |                     |                     |                     |
| Shares at cost  | –                   | 43                  | 43                  | –                   | 43                  | 43                  |
| Disposals during period   | –                   | (43)                | –                   | –                   | (43)                | –                   |
| <b>Total at 30th June 2004</b>  | <u><u>–</u></u>     | <u><u>–</u></u>     | <u><u>43</u></u>    | <u><u>–</u></u>     | <u><u>–</u></u>     | <u><u>43</u></u>    |

### (c) Associated undertaking

Western Selection P.L.C., the associated undertaking, is a strategic investment company incorporated and operating in Great Britain with a financial year-end of 30th June 2004

It has 43,511,903 ordinary shares in issue with a nominal value of 10p each, of which 40.48 per cent. are owned by the Company's wholly owned subsidiary, Lonfin Investments Limited.

|   | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|--------------|
| <b>Group share of:</b>                        |              |              |              |
| Net release of provisions against investments | 231          | –            | –            |
| Operating profit/(loss) – normal              | 139          | 124          | (98)         |
| – exceptional                                 | –            | –            | 219          |
| Fixed asset investments                       | 3,916        | 3,888        | 4,086        |
| Current assets                                | 45           | 19           | 56           |
| Liabilities due within one year               | (246)        | (219)        | (486)        |

The company's wholly owned subsidiary, Lonfin Investments Limited, owns 4,500,000 shares and 3,000,000 warrants in Finsbury Food Group plc ("Finsbury Food"), representing 21.29 per cent. of the issued share capital of that company. The investment is not accounted for as an associated company because the disposition of the other shareholdings does not give a significant influence. The aggregate share capital and reserves of Finsbury Food at 31st December 2003 were £6,207,000 and its loss for the six months then ended was £203,000.

#### 14. Debtors

|                                | Group        |              |              | Company      |              |              |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
| Trade debtors                  | 192          | 90           | 107          | –            | –            | –            |
| Other debtors                  | 6            | 18           | 26           | 4            | 16           | 23           |
| Prepayments and accrued income | 62           | 59           | 54           | 27           | 27           | 22           |
| Settlements                    | 12           | –            | –            | 12           | –            | –            |
| Group relief receivable        | –            | –            | –            | –            | 36           | –            |
|                                | <u>272</u>   | <u>167</u>   | <u>187</u>   | <u>43</u>    | <u>79</u>    | <u>45</u>    |

#### 15. Creditors – amounts falling due within one year

|                   |              |              |              |              |              |              |
|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Bank loan         | 1,250        | 800          | 1,200        | 1,250        | 800          | 1,200        |
| Group companies   | –            | –            | –            | 48           | 136          | 112          |
| Other taxes       | 25           | 30           | 16           | 2            | 2            | 2            |
| Other creditors   | 21           | 26           | 38           | 20           | 25           | 14           |
| Trade creditors   | 68           | 48           | 60           | 18           | 2            | 3            |
| Accruals          | 58           | 54           | 64           | 20           | 15           | 15           |
| Proposed dividend | 233          | 218          | 205          | 233          | 218          | 203          |
|                   | <u>1,655</u> | <u>1,176</u> | <u>1,583</u> | <u>1,591</u> | <u>1,198</u> | <u>1,551</u> |

The Company's loan facility (see note 25) is secured by a charge over part of the Company's General Portfolio of listed investments.

#### 16. Deferred taxation

The Group has unrecognised deferred tax assets in respect of Advanced Corporation Tax and Corporation Tax losses and Capital Tax losses of £227,000 and £41,000 respectively carried forward, subject to agreement of tax computations with the Inland Revenue. No provision has been made for the excess arising on the revaluation of leasehold property or for unrealised capital losses on investments. At current rates these would amount to approximately £26,000 and £64,000 respectively.

## 17. Share Capital

|   | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|---|--------------|--------------|--------------|
| Authorised: 35,000,000 (2003 – 35,000,000, 2002 – 30,000,000) |              |              |              |
| Ordinary shares of 5p each                                    | <u>1,750</u> | <u>1,750</u> | <u>1,500</u> |
| Allotted, issued and fully paid shares of 5p each             |              |              |              |
| 25,615,394 At 1st July 2002                                   | 1,281        | 1,281        | 1,277        |
| <u>720</u> Warrants exercised during the year                 | <u>–</u>     | <u>–</u>     | <u>4</u>     |
| 25,616,114 At 1st July 2003                                   | 1,281        | 1,281        | 1,281        |
| <u>288,755</u> Warrants exercised during the year             | <u>14</u>    | <u>–</u>     | <u>–</u>     |
| <u>25,904,869</u> At 30th June 2004                           | <u>1,295</u> | <u>1,281</u> | <u>1,281</u> |

There are 4,055,151 (2003 – 4,343,906, 2002 4,343,626) Warrants to subscribe for shares outstanding. Each Warrant gives the holder the right to subscribe for one share of 5p each in the Company at a fixed price of 25p per share. Warrants are exercisable on a date falling 28 days after the Annual General Meeting of the Company in the years to 2005, after which time all outstanding subscription rights shall lapse.

There are no outstanding options.

## 18. Share Premium Account

|                               |              |            |            |
|-------------------------------|--------------|------------|------------|
| Balance at 1st July           | 975          | 975        | 962        |
| Premium on warrants exercised | <u>58</u>    | <u>–</u>   | <u>13</u>  |
| Balance at 30th June          | <u>1,033</u> | <u>975</u> | <u>975</u> |

## 19. Reserves

|   | Group        |              |              | Company      |              |              |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
|   | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
| <b>Revaluation reserve:</b>                 |              |              |              |              |              |              |
| Balance brought forward and carried forward | <u>330</u>   | <u>330</u>   | <u>330</u>   | <u>330</u>   | <u>330</u>   | <u>330</u>   |
| <b>Other reserves:</b>                      |              |              |              |              |              |              |
| Balance brought forward and carried forward | <u>31</u>    | <u>31</u>    | <u>31</u>    | <u>150</u>   | <u>150</u>   | <u>150</u>   |
| Total reserves                              | <u>361</u>   | <u>361</u>   | <u>361</u>   | <u>480</u>   | <u>480</u>   | <u>480</u>   |

## 20. Reconciliation of movement in shareholders' funds

|                                    | 2004         | Group<br>2003 | 2002         |
|------------------------------------|--------------|---------------|--------------|
|                                    | £000         | £000          | £000         |
| Profit for the financial year      | 190          | 93            | 44           |
| Proposed dividend                  | (233)        | (218)         | (205)        |
| Shares issued during the year      | 72           | –             | 17           |
|                                    | <u>29</u>    | <u>(125)</u>  | <u>(144)</u> |
| Opening equity shareholders' funds | 9,440        | 9,565         | 9,709        |
| Closing equity shareholders' funds | <u>9,469</u> | <u>9,440</u>  | <u>9,565</u> |

## 21. Pension Schemes

The Group makes pension contribution to the pension schemes of certain employees which are money purchase schemes and for which it has no responsibility for unfunded liabilities.

## 22. Reconciliation of operating profit to net cash flow from operating activities

|   |              |             |             |
|---|--------------|-------------|-------------|
| Operating profit                                  | 141          | 52          | 27          |
| Dividends receivable                              | (154)        | (123)       | (162)       |
| Depreciation charges                              | 15           | 20          | 22          |
| Profit on sales of fixed assets investments       | –            | (124)       | (3)         |
| (Increase)/decrease in debtors                    | (105)        | 21          | (30)        |
| Increase/(decrease) in creditors                  | 16           | (20)        | (625)       |
| (Increase)/decrease in current asset investments  | (392)        | 100         | 700         |
| <b>Net cash outflow from operating activities</b> | <u>(479)</u> | <u>(74)</u> | <u>(71)</u> |

## 23. Reconciliation of net cash flow to movement in net debt

|                  | At start<br>of year<br>£000 | Cash<br>flow<br>£000 | At end<br>of year<br>£000 |
|------------------|-----------------------------|----------------------|---------------------------|
| <b>2003/2004</b> |                             |                      |                           |
| Cash at bank     | 28                          | 2                    | 30                        |
| Bank loan        | (800)                       | (450)                | (1,250)                   |
|                  | <u>(772)</u>                | <u>(448)</u>         | <u>(1,220)</u>            |
| <b>2002/2003</b> |                             |                      |                           |
| Cash at bank     | 26                          | 2                    | 28                        |
| Bank loan        | (1,200)                     | 400                  | (800)                     |
|                  | <u>(1,174)</u>              | <u>402</u>           | <u>(772)</u>              |
| <b>2001/2002</b> |                             |                      |                           |
| Cash at bank     | 32                          | (6)                  | 26                        |
| Bank loan        | (900)                       | (300)                | (1,200)                   |
|                  | <u>(868)</u>                | <u>(306)</u>         | <u>(1,174)</u>            |

## 24. Operating lease

The group has an operating lease commitment in respect of an office property as follows:

|           |   |
|-----------|---|
| 2-5 years | Term of lease: from 8th August 1999 to 25th March 2008, with an option to break on 8th August 2004.<br>Minimum amount payable in the next 12 months: £30,000. |
|-----------|---|

## 25. Financial Instruments

In the Company's Annual Report and Accounts, the Directors Report provides an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving their objectives that have been followed during the year.

The Company has taken advantage of the option under Financial Reporting Standard 13 – "Derivatives and Other Financial Instruments: Disclosures" to exclude short-term debtors and creditors, other than those relating to currency exposure, from the detailed disclosures.

### Interest Rate Profile

The Group's principle financial assets are its investment portfolios. The investment portfolios consist of equity investments, for which an interest rate profile is not relevant.

Borrowings represent a Sterling loan at a variable interest rate.

### Currency Exposures

The table below shows the Group's currency exposures. Such exposures comprise the monetary assets, at book values, that are not traded in Sterling.

|                 | 2004<br>£000 | 2003<br>£000 | 2002<br>£000 |
|-----------------|--------------|--------------|--------------|
| <b>Currency</b> |              |              |              |
| Euro            | 230          | 229          | 198          |
| Swiss franc     | 514          | 628          | 644          |
| Danish Kroner   | 79           | –            | –            |
| US Dollar       | –            | –            | 157          |
|                 | <u>823</u>   | <u>857</u>   | <u>999</u>   |

### Borrowing Facilities

The company has a loan facility of £2,000,000. At 30 June 2004, the company had drawn down £1,250,000 of this facility.

### Fair values

The fair value of the Investment Portfolio is determined by the prices available from the markets on which the instruments involved are traded. The differences between book value and market value are disclosed in Note 13 to these financial statements.

## INTERIM REPORT FOR THE SIX MONTHS TO 31ST DECEMBER 2004

### UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT

|  | Half year ended<br>31st December |              | Year ended<br>30th June |
|--|----------------------------------|--------------|-------------------------|
|  | 2004                             | 2003         | 2004                    |
|  | £000                             | £000         | £000                    |
| <b>Operating Income</b>                                      |                                  |              |                         |
| Dividends received   | 96                               | 80           | 154                     |
| Interest and sundry income                                   | 14                               | 14           | 28                      |
| Profit on sales of investments                               | 180                              | 189          | 225                     |
|  | <u>290</u>                       | <u>283</u>   | <u>407</u>              |
| Management services income                                   | 234                              | 275          | 533                     |
|  | <u>524</u>                       | <u>558</u>   | <u>940</u>              |
| <b>Administrative expenses</b>                               |                                  |              |                         |
| Investment operations  | (150)                            | (140)        | (281)                   |
| Management services  | (256)                            | (282)        | (518)                   |
| Total administrative expenses                                | <u>(406)</u>                     | <u>(422)</u> | <u>(799)</u>            |
| <b>Operating profit</b>                                      | 118                              | 136          | 141                     |
| Share of result of associated undertaking                    | 55                               | 47           | 139                     |
| Interest payable   | (52)                             | (32)         | (72)                    |
|  | <u>121</u>                       | <u>151</u>   | <u>208</u>              |
| <b>Profit on ordinary activities before taxation</b>         | 121                              | 151          | 208                     |
| Tax on result of ordinary activities                         | (1)                              | (1)          | (9)                     |
|  | <u>120</u>                       | <u>150</u>   | <u>199</u>              |
| <b>Profit on ordinary activities after taxation</b>          | 120                              | 150          | 199                     |
| Minority interest  | 10                               | 2            | (9)                     |
|  | <u>130</u>                       | <u>152</u>   | <u>190</u>              |
| <b>Profit attributable to members of the holding company</b> | 130                              | 152          | 190                     |
| Proposed dividend  | –                                | –            | (233)                   |
|  | <u>130</u>                       | <u>152</u>   | <u>(43)</u>             |
| <b>Retained profit/(loss) for the period</b>                 | <u>130</u>                       | <u>152</u>   | <u>(43)</u>             |
| Earnings per share   | 0.50p                            | 0.59p        | 0.74p                   |
| Headline earnings per share                                  | 0.50p                            | 0.59p        | 0.74p                   |
| Fully diluted earnings per share                             | 0.50p                            | 0.58p        | 0.73p                   |
| Dividend per share   | Nil                              | Nil          | 0.90p                   |

## UNAUDITED CONSOLIDATED BALANCE SHEET

|  | 31st December       |                     | 30th June           |
|--|---------------------|---------------------|---------------------|
|  | 2004                | 2003                | 2004                |
|  | £000                | £000                | £000                |
| <b>Fixed assets</b>                          |                     |                     |                     |
| Tangible assets                              | 432                 | 442                 | 437                 |
| Investments                                  | 7,440               | 7,308               | 7,390               |
|  | <u>7,872</u>        | <u>7,750</u>        | <u>7,827</u>        |
| <b>Current assets</b>                        |                     |                     |                     |
| Listed investments                           | 3,218               | 2,928               | 3,077               |
| Debtors                                      | 121                 | 171                 | 272                 |
| Cash, bank balances and deposits             | 79                  | 81                  | 30                  |
|  | <u>3,418</u>        | <u>3,180</u>        | <u>3,379</u>        |
| Creditors falling due within one year        | (1,540)             | (1,195)             | (1,655)             |
| <b>Net Current Assets</b>                    | <u>1,878</u>        | <u>1,985</u>        | <u>1,724</u>        |
| <b>Total Assets less Current Liabilities</b> | <u><u>9,750</u></u> | <u><u>9,735</u></u> | <u><u>9,551</u></u> |
| <b>Capital and Reserves</b>                  |                     |                     |                     |
| Called up share capital                      | 1,311               | 1,295               | 1,295               |
| Share premium account                        | 1,096               | 1,033               | 1,033               |
| Reserves                                     | 361                 | 361                 | 361                 |
| Profit and loss account                      | 6,910               | 6,975               | 6,780               |
|  | <u>9,678</u>        | <u>9,664</u>        | <u>9,469</u>        |
| <b>Shareholders funds</b>                    | <u>9,678</u>        | <u>9,664</u>        | <u>9,469</u>        |
| Minority equity interest                     | 72                  | 71                  | 82                  |
|  | <u>9,750</u>        | <u>9,735</u>        | <u>9,551</u>        |

### Notes:

1. The results for the half-year are unaudited and have been prepared on the basis of the accounting policies adopted in the accounts for the year ended 30th June 2004. The financial information in this interim report does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The audited accounts of the Group for the year ended 30th June 2004 have been reported on by the Group's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under Section 237(2) or 272(3) of the Companies Act 1985.
2. Earnings per share are based on the profit after taxation and minorities, and on the average number of shares 25,960,112 (December 2003 – 25,714,981 and June 2004 – 25,809,406), in issue during the period.

## CONSOLIDATED CASH FLOW STATEMENT

|   | Half year ended<br>31st December<br>2004<br>£000 | 2003<br>£000     | Year ended<br>30th June<br>2004<br>£000 |
|---|--|------------------|---|
| <b>Cash inflow/(outflow) on operating activities</b>                        | <u>5</u>   | <u>(194)</u>     | <u>(479)</u>                            |
| <b>Returns on investments and servicing of finance</b>                      |  |                  |   |
| Dividend received   | 193  | 172              | 246                                     |
| Interest paid   | <u>(43)</u>                                      | <u>(28)</u>      | <u>(60)</u>                             |
| <b>Net cash inflow from returns on investments and servicing of finance</b> | <u>150</u>                                       | <u>144</u>       | <u>186</u>                              |
| <b>Taxation paid</b>  | <u>(1)</u>                                       | <u>(1)</u>       | <u>(9)</u>                              |
| <b>Investing activities</b>   |  |                  |   |
| Fixed assets investments purchases  | <u>(100)</u>                                     | <u>–</u>         | <u>–</u>                                |
| <b>Net cash outflow from investment activities</b>                          | <u>(100)</u>                                     | <u>–</u>         | <u>–</u>                                |
| <b>Equity dividend paid – Company</b>                                       | <u>(233)</u>                                     | <u>(218)</u>     | <u>(218)</u>                            |
| <b>Financing</b>  |  |                  |   |
| Share capital issued  | 78   | 72               | 72                                      |
| Net drawdown of loan facility   | <u>150</u>                                       | <u>250</u>       | <u>450</u>                              |
| <b>Net cash inflow from financing</b>                                       | <u>228</u>                                       | <u>322</u>       | <u>522</u>                              |
| <b>Increase in cash</b>   | <u><u>49</u></u>                                 | <u><u>53</u></u> | <u><u>2</u></u>                         |

### (a) Reconciliation of operating profit to net cash flow from operating activities

|                                       | 31st December<br>2004<br>£000 | 30th June<br>2004<br>£000 |
|---------------------------------------|-------------------------------|---------------------------|
| Operating profit                      | 118                           | 141                       |
| Dividends receivable                  | (96)                          | (154)                     |
| Depreciation charges                  | 5                             | 15                        |
| Decrease/(increase) in debtors        | 151                           | (105)                     |
| (Decrease)/increase in creditors      | (32)                          | 16                        |
| Increase in current asset investments | <u>(141)</u>                  | <u>(392)</u>              |
|                                       | <u><u>5</u></u>               | <u><u>(479)</u></u>       |

### (b) Reconciliation of net cash flow to movement in net debt

|                  | At start<br>of period<br>£000 | Cash<br>flow<br>£000 | At end of<br>period<br>£000 |
|------------------|-------------------------------|----------------------|-----------------------------|
| <b>2004/2005</b> |                               |                      |                             |
| Cash at bank     | 30                            | 49                   | 79                          |
| Bank loan        | <u>(1,250)</u>                | <u>(150)</u>         | <u>(1,400)</u>              |
|                  | <u><u>(1,220)</u></u>         | <u><u>(101)</u></u>  | <u><u>(1,321)</u></u>       |
| <b>2003/2004</b> |                               |                      |                             |
| Cash at bank     | 28                            | 2                    | 30                          |
| Bank loan        | <u>(800)</u>                  | <u>(450)</u>         | <u>(1,250)</u>              |
|                  | <u><u>(772)</u></u>           | <u><u>(448)</u></u>  | <u><u>(1,220)</u></u>       |

# Western Selection P.L.C.

(Registered in England – No 234871)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at the offices of City Group P.L.C. 5th Floor, 25 City Road, London, EC1Y 1BQ on 27th June 2005 at 3.00 p.m. for the purpose of considering, and if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions:

1. THAT the Company's share capital be consolidated on the basis of one share for every 1,000 ordinary shares, that compensation be paid for all holdings of less than one share arising from such consolidation and that each share arising from such consolidation be sub-divided into 250 ordinary shares of 40p each.
2. THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on London Finance & Investment Group P.L.C. and Mr. J.M. Robotham (together "the Concert Party") to make a general offer to the Shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the allotment and issue by the Company of up to 809,518 Shares of 40p each in the Company to the Concert Party on the exercise by them of an equivalent number of warrants in any or each of the years 2005 and 2006 be and is hereby approved.
3. THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the Concert Party to make a general offer to the Shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the Company exercising its authority to make market purchases of up to 4,350,000 Shares be and is hereby approved.

*Registered Office*  
25 City Road,  
London, EC1Y 1BQ

*By Order of the Board*  
City Group P.L.C.  
*Secretaries*

10th June 2005

### *Notes*

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the Company's registrars not less than 48 hours before the time appointed for the holding of the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

