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If you have sold or otherwise transferred all of your Shares, please forward this document, together with the other enclosed documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have only sold some of your Shares, please consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an admission document for the purposes of the PLUS Rules for Issuers. This document does not constitute a prospectus for the purposes of the Prospectus Rules. Therefore this document is not an approved prospectus for the purposes of, and as defined in, section 85 Financial Services and Markets Act 2000, has not been prepared in accordance with the Prospectus Rules, and has not been approved by the FSA or by any other authority which could be a competent authority for the purposes of the Prospectus Directive.

Application will be made for the 2007 Warrants and the 2010 Warrants to be admitted to trading on PLUS, a market operated by PLUS Markets plc. Subject to the passing of the relevant resolution at the Extraordinary General Meeting to be held on 9 August 2007 and the completion of the Offer, it is expected that such admission to trading will become effective and dealings in the Warrants will commence on 17 September 2007.

PLUS is a market operated by PLUS Markets plc incorporating a primary market for the shares of small and medium companies (known as PLUS-quoted securities). PLUS-quoted securities are not listed and the market is not classified as a Regulated Market under EU financial services law. An investment in the shares of smaller companies tends to involve a higher investment risk than more mature companies. If you are in any doubt about the contents of this document you should consult a person authorised and regulated by the FSA to provide investment advice.

It is the responsibility of any person outside the UK wishing to purchase Warrant Units to satisfy themselves as to the full observance of the laws of any relevant territory outside the UK in connection with such purchase, including obtaining any required governmental or other consents or observing any other applicable formalities. This document does not constitute an offer, or the solicitation of an offer to subscribe for any of the Warrant Units, to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The Offer is not being made, directly or indirectly, in or into the United States of America, Canada, or Australia or their respective territories and this document should not be distributed, forwarded or transmitted in or into such territories.

Western Selection P.L.C.

(Incorporated in England and Wales, registered number 234871)

Proposed Offer of Warrant Units on the basis of 1 Warrant Unit for every 5 Shares

Proposed admission of the 2007 Warrants and the 2010 Warrants to trading on PLUS

Approval of Waiver of the Requirements of Rule 9 of the City Code on Takeovers and Mergers

and

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of Western Selection P.L.C., to be held at the Honourable Artillery Company, Armoury House, City Road, London EC1Y 2BQ at 12.30 p.m. on 9 August 2007, is set out at the end of this document. A Proxy Form for use at the Extraordinary General Meeting is enclosed. To be valid, the Proxy Form should be completed and returned, in accordance with the instructions printed on it, to City Group P.L.C., 30 City Road, London EC1Y 2AG as soon as possible and in any event so as to arrive no later than 12.30 p.m. on 7 August 2007. The completion and return of the Proxy Form will not preclude Shareholders from attending and voting at the Extraordinary General Meeting.

Ruegg & Co Limited, which is authorised and regulated by the FSA, is acting as Nominated Adviser to the Company for the purposes of the AIM rules only and is not advising on the Offer, the Code Waivers or the contents of this document. 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.

Loeb Aron & Company Ltd., which is authorised and regulated by the FSA, is acting as PLUS Markets Corporate Adviser and lead financial adviser to the Company. Loeb Aron & Company Ltd. is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of Loeb Aron & Company Ltd., or for advising any other person in connection with this document. The responsibilities of Loeb Aron & Company Ltd., as PLUS Markets Corporate Adviser, are owed solely to the Company.

The Directors of the Company whose names appear on page 3 of this document accept responsibility for the information contained in this document (other than the information relating to the Concert Party). 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.

The directors of Lonfin, whose names appear on page 5 of this document, accept responsibility for the information relating to Lonfin and themselves and their immediate families, related trusts and connected persons contained in this document. To the best of the knowledge and belief of the directors of Lonfin (who have taken all reasonable care to ensure that such is the case) the information contained in this document relating to Lonfin and themselves and their immediate families, related trusts and connected persons is in accordance with the facts and does not omit anything likely to affect the import of such information. All the directors of Lonfin accept responsibility accordingly.

The directors of City Group, whose names appear on page 5 of this document, accept responsibility for the information relating to City Group and themselves and their immediate families, related trusts and connected persons contained in this document. To the best of the knowledge and belief of the directors of City Group (who have taken all reasonable care to ensure that such is the case) the information contained in this document relating to City Group and themselves and their immediate families, related trusts and connected persons is in accordance with the facts and does not omit anything likely to affect the import of such information. All the directors of City Group accept responsibility accordingly.

CONTENTS

	Page
Corporate information	3
Expected timetable	4
Offer Statistics	4
Definitions	5
Part 1 Letter from the Chairman of Western	8
Part 2 The Offer of Warrant Units	10
Part 3 Approval of waiver by the Panel on Takeovers and Mergers	13
Part 4 Additional information	17
Part 5 Terms of the Offer and Application Process	24
Appendix 1 – Summary financial information on Western	31
Appendix 2 – Summary financial information on Lonfin	43
Appendix 3 – Terms and Conditions of the Warrants	56
Appendix 4 – Information on the Directors of Western, Lonfin and City Group	62
Notice of Extraordinary General Meeting	66
Proxy Form for the Extraordinary General Meeting	Enclosed
Application Form	Enclosed

Copies of this circular may be obtained, free of charge, from the offices of City Group P.L.C. at the address set out in the section headed “Corporate Information” on page 3 of this circular for one month from the admission of the 2007 Warrants to trading on PLUS.

CORPORATE INFORMATION

Directors:

D.C. Marshall, Non-executive Chairman
A.R.C. Barclay, FCA, Non-executive director
A.J. Hall, Non-executive director
J.M. Robotham, OBE, FCA, Non-executive director
all of 30 City Road, London, EC1Y 2AG

Company Secretary and Registered office

City Group P.L.C.
30 City Road
London
EC1Y 2AG

Tel: 020 7448 8950

Solicitors

Joelson Wilson & Co
30 Portland Place
London
W1B 1LZ

Registrars

Capita Registrars
The Registry,
34 Beckenham Road,
Beckenham,
Kent,
BR3 4TU

Tel: 0870 162 3131

Brokers

J.M. Finn & Co.
4 Coleman Street
London,
EC2R 5TA

Public Relations Advisers

Redleaf Communications Limited
9-13 St. Andrew Street
London,
EC4A 3AF

Website:

www.westernselection.co.uk

PLUS Corporate Adviser and Lead Financial Adviser

Loeb Aron & Company Ltd.
Georgian House
63 Coleman Street,
London,
EC2R 5BB

Joint Financial Adviser and Rule 3 Adviser

Orange Corporate Finance Limited
10 Orange Street,
Haymarket,
London
WC2H 7DQ

Nominated Adviser

Ruegg & Co Limited
39 Cheval Place
London
SW7 1EW

Bankers

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

Auditors

BDO Stoy Hayward LLP
2 City Place,
Beehive Ring Road,
Gatwick,
West Sussex,
RH6 0PA

EXPECTED TIMETABLE

Record Date for Offer of Warrant Units	5.00 p.m. on 13 July 2007
Latest time and date for the receipt of the Proxy Form	12.30 p.m. on 7 August 2007
Extraordinary General Meeting	12.30 p.m. on 9 August 2007
First closing date for receipt of applications for Warrant Units	10.00 a.m. on 17 August 2007
Final closing date for receipt of applications for Warrant Units	10.00 a.m. on 10 September 2007
Admission effective and commencement of dealings on PLUS in the 2007 Warrants	8.00 a.m. on 17 September 2007
Admission effective and commencement of dealings on PLUS in the 2010 Warrants	8.00 a.m. on 17 September 2007
Despatch of definitive certificates for the 2007 Warrants and the 2010 Warrants	By 24 September 2007
Final and only exercise date for 2007 Warrants	10 December 2007

OFFER STATISTICS

Number of Warrant Units	2,565,044
Warrant Unit Offer Price	34p
Proceeds of the Offer of Warrant Units (net of expenses)	£672,000
Number of 2007 Warrants	5,130,088
Exercise price of 2007 Warrants	33p
Proceeds of exercise of 2007 Warrants	£1,692,929
Number of Shares in issue following exercise in full of 2007 Warrants	17,955,309
Number of 2010 Warrants	7,695,133
Exercise price of 2010 Warrants	50p
Proceeds of the exercise of 2010 Warrants over the years 2008 – 2010	£3,847,567
Number of Shares in issue following exercise in full of 2010 Warrants	25,650,442

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;
“Application Form”	the application form for Warrant Units accompanying this document;
“City Code”	the City Code on Takeovers and Mergers;
“City Group”	City Group P.L.C.;
“Code Waivers”	the Rule 9 Waiver A and the Rule 9 Waiver B;
“Concert Party”	Lonfin, Mr. J.M. Robotham, a director of Lonfin who owns shares in Western, and the other directors of Lonfin, Mr D.C. Marshall, Dr F.W.A. Lucas, Mr J.H. Maxwell, City Group and its directors Mr. E.J. Beale and Mr. L.H. Marshall who do not own shares in Western, who are deemed to be a concert party, which owns 41.42 per cent. of the issued share capital of Western at the date of this circular;
“Directors” or the “Board”	the directors of Western, whose names appear on page 3 of this document;
“EBT” or “Employee Benefit Trust”	the City Group Employee Benefit Trust constituted by a Trust Deed dated 24th November 2006;
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, notice of which is set out at the end of this document, and any adjournment thereof;
“Enlarged Share Capital”	the enlarged share capital of the Company after the exercise of Warrants;
“Excess Application”	application by Shareholders for Warrant Units in excess of their entitlement under the Offer;
“FSA”	the UK Financial Services Authority;
“IFRS”	International Financial Reporting Standards;
“Independent Shareholders”	the Shareholders excluding those who are members of the Concert Party;
“Joint Financial Advisers”	Loeb Aron, who are lead financial advisers, and Orange Corporate Finance;
“Loeb Aron”	Loeb Aron & Company Ltd.;
“London Stock Exchange”	London Stock Exchange plc;
“Lonfin”	London Finance & Investment Group P.L.C., which owns 41.23 per cent. of Western shares, prior to the exercise of any of the Warrants, and whose address is 30 City Road, London, EC1Y 2AG;

“Nominated Adviser” or “Ruegg”	Ruegg & Co Limited;
“Notice of EGM”	the notice of the EGM set out at the end of this document;
“Offer”	the offer of 2,565,044 Warrant Units to be made to Shareholders and others;
“Orange Corporate Finance”	Orange Corporate Finance Limited, who are acting as Joint Financial Advisers and Rule 3 Adviser, who are independent of, and have no arrangement with, any member of the Concert Party;
“Panel”	the Panel on Takeovers and Mergers;
“PLUS”	PLUS Markets, a market operated by PLUS Markets plc.;
“PLUS Corporate Adviser” or “Loeb Aron”	Loeb Aron & Company Ltd.;
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003;
“Prospectus Rules”	the Rules made by the FSA pursuant to sections 73A (1) and (4) of the Financial Services and Markets Act 2000;
“Proxy Form”	the form of proxy accompanying this document for use in connection with the EGM or any adjournment thereof;
“Record Date”	the close of business on 13 July 2007;
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting;
“Rule 9 Waiver A”	the proposed waiver of the obligations of Rule 9 of the City Code by the Panel arising on exercise of Warrants as described in this document;
“Rule 9 Waiver B”	the proposed waiver of the obligations of Rule 9 of the City Code by the Panel arising on the purchase by the Company of its own Shares as described in this document;
“Terms and Conditions”	the terms and conditions of the 2007 Warrants and 2010 Warrants, set out in Appendix 3 of this circular;
“Shareholders” or “Warrantholders”	holders of Western shares or Warrants as the context may require;
“UK GAAP”	United Kingdom Generally Accepted Accounting Practice;
“Underwriter”	CaptiveVision Capital Limited, a company incorporated under the laws of Singapore and with address at 510, Thomson Road, #12-04 5LF Building, Singapore 298135;
“Underwriting Agreement”	an agreement between the Company and the Underwriter dated 13 July 2007;
“Warrant Units”	a unit which upon issue immediately separates into two 2007 Warrants and three 2010 Warrants which may be transferred and registered independently;

“Western shares” or “Shares”	the 12,825,221 ordinary shares of 40p each of Western in issue at the date of this document;
“Western Warrants” or “Warrants”	the 2007 Warrants and the 2010 Warrants;
“Western” or the “Company”	Western Selection P.L.C., a public limited company incorporated on 16th November 1928 in England and Wales as Gold Coast Selection Trust Limited and operating under the Companies Act 1985;
“2007 Warrants”	Warrants in the Company entitling the holders thereof to subscribe for Shares as constituted by the 2007 Warrant Instrument, further details of which are set out in Section 1 of Appendix 3;
“2007 Warrant Instrument”	the Warrant instrument constituting the 2007 Warrants dated 13 July 2007;
“2010 Warrants”	Warrants in the Company entitling the holders thereof to subscribe for Shares as constituted by the 2010 Warrant Instrument, further details of which are set out in Section 2 of Appendix 3; and
“2010 Warrant Instrument”	the Warrant instrument constituting the 2010 Warrants dated 13 July 2007.

PART 1

LETTER FROM THE CHAIRMAN

Western Selection P.L.C.

Incorporated in England – No. 234871

Directors:

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

Registered Office

30 City Road
London EC1Y 2AG

16 July 2007

Dear Shareholder,

**Proposed Offer of Warrant Units on the basis of 1 Warrant Unit for every 5 Shares
Proposed admission of the 2007 Warrants and the 2010 Warrants to trading on PLUS
Approval of Waiver of the Requirements of Rule 9 of the City Code on Takeovers and Mergers
and
Notice of Extraordinary General Meeting**

Introduction

The Company has today announced that it proposes to raise £872,000 by the issue of 2,565,044 Warrant Units to Shareholders at a price of 34p each. The Warrant Units will comprise two 2007 Warrants which are exercisable on 10 December 2007 at a price of 33p each and three 2010 Warrants which are exercisable between 2008 and 2010 at a price of 50p each. If all of the 2007 Warrants are exercised £1,693,000 will be made available to the Company on 10 December with a further amount of up to £3,848,000 available from the exercise of the 2010 Warrants.

Resolutions will be proposed at the EGM to be held on 9 August 2007 to seek Shareholders' approval for admission of the 2007 Warrants and the 2010 Warrants to trading on PLUS (as explained in paragraph 2.6 on page 11), and for approval by Independent Shareholders of two waivers for the Concert Party from the requirements of Rule 9 of the City Code (as described in Part 3 on page 13).

The purpose of this document is to explain why the Directors consider the proposals to be in the interests of the Company and the Shareholders as a whole and to provide you with details of the proposals and the Resolutions to be proposed at the Extraordinary General Meeting.

To facilitate full subscription under this offer, subject to Independent Shareholder approval of Rule 9 Waiver A by the Panel, Lonfin will submit an excess application which might increase its interest to 48 per cent. of the Enlarged Share Capital. Lonfin has undertaken that it will not exercise any Warrants if, and to the extent that the exercise of those Warrants would take its interests above 48 per cent. of the Enlarged Share Capital at any time.

Part 2 of this circular, on pages 10 to 12, explains the Offer of Warrant Units. **Part 3**, on pages 13 to 16, is a letter from Mr. A. R. C. Barclay and Mr. A. J. Hall, who are the Western directors independent of the Concert Party. It explains the proposal to approve the Code Waivers granted to the members of the Concert Party by the Panel waiving any obligation on the Concert Party to make a bid for the Company pursuant to Rule 9 of the City Code. Rule 9 of the City Code would otherwise require an offer to be made for the Company as a result of any percentage increase in the Concert Party's interest in Western that may result from the Concert Party exercising 2007 Warrants or 2010 Warrants, or as a result of Western purchasing its own shares.

Recommendation

The Board considers the proposals (other than those referred to in Part 3 of this circular in relation to which neither I nor Mr Robotham are making a recommendation) set out in this circular to be fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Board recommends that you vote in favour of the Resolutions numbered 1, 2, 5 and 6 as those members of the Board who hold shares and Lonfin have irrevocably agreed to do in respect of their beneficial holdings of, in aggregate, 5,406,721 shares, representing 42.16 per cent. of the current issued share capital of the Company.

Your faithfully

David Marshall

Chairman

PART 2

THE OFFER OF WARRANTS

2.1 Introduction

The Board believes that it will be in the best interests of Shareholders to improve the ratio of assets invested to operating expenses. In part this can, and will, be done by controlling costs, but a more significant improvement in this ratio can be achieved by increasing funds invested. The Board believes that any increase in funds invested is best achieved by issuing new shares rather than by taking on additional debt.

The primary application of any funds raised will be to invest in new strategic investments whenever one is identified. At present Western only has unused banking facilities of approximately £465,000, which may not be sufficient to make a new strategic investment. The Board believes that Western should be in a position to make new strategic investments without the risk of having to liquidate a significant part of its general portfolio at a possibly inopportune moment.

The Board intends that the funds to be raised will be used to acquire new strategic investments, as and when suitable opportunities arise, and may also be used to increase the Company's interest in one or more of its existing strategic investments. Some of the funding may be used to take advantage of tactical investment opportunities identified in smaller UK quoted companies. Prior to the identification and investment in new strategic investments, the intention is to use funds raised to reduce bank borrowings.

The Board has considered how best to proceed with the fund raising in a manner that is equitable for all Shareholders and believes that the proposed Offer is an effective way of achieving this aim. By structuring the Offer as set out in this circular, the Company has sought to minimise the costs of the fund raising while offering all Shareholders a priority opportunity to participate in the growth of the Company.

2.2 The Offer

Shareholders will be offered the opportunity to subscribe for Warrant Units at 34p each based on an entitlement of *one* Warrant Unit for every *five* Shares owned at the Record Date. Each Warrant Unit will comprise *two* 2007 Warrants and *three* 2010 Warrants.

Shareholders owning 5,406,721 shares have given irrevocable undertakings to take up their full entitlement to, and make Excess Applications for, a total of 1,428,898 Warrant Units. The balance of the Offer (1,136,146 Warrant Units) will be underwritten by the Underwriter to ensure that all 2,565,044 Warrant Units are issued, raising £872,000 before costs.

All Shareholders on the register at the Record Date will be given the opportunity to acquire an unlimited number of additional Warrant Units through an Excess Application process. Excess Applications will be scaled back if demand exceeds the number of Warrant Units authorised for issue. The Directors reserve the right to determine the manner of any such scaling back, but are inclined to treat Excess Applications from smaller Shareholders more favourably.

To facilitate full subscription under this Offer, subject to Independent Shareholder approval of Rule 9 Waiver A by the Panel, Lonfin will submit an Excess Application which might increase its interest to 48 per cent. of the Enlarged Share Capital. Lonfin has undertaken that it will not exercise any Warrants if exercise of those Warrants would take its interest above 48 per cent. of the Enlarged Share Capital at any time.

2.3 The 2007 Warrants

On the basis that all the Warrant Units are taken up, there will be 5,130,088 of the 2007 Warrants in issue. Each 2007 Warrant entitles the holder to subscribe for one Share at an exercise price of 33p on 10 December 2007. On the basis that all of the 2007 Warrants are exercised, the Company will receive

£1,693,000, making a total of £2,565,000 raised in 2007 before expenses. A summary of the terms and principal conditions of the 2007 Warrants can be found in section 3.1 of Appendix 3 on page 56 of this circular.

2.4 The 2010 Warrants

On the basis that all Warrant Units are taken up, there will be 7,695,132 of the 2010 Warrants in issue. Each 2010 Warrant entitles the holder to subscribe for one Share at an exercise price of 50p on the date falling 28 days after the dispatch of the interim report and the annual report of the Company for each of the financial years ending in 2008 to 2010. On the basis that all 2010 Warrants are exercised, the Company will receive a total of £3,848,000 over the three years 2008 to 2010. A summary of the terms and principal conditions of the 2010 Warrants can be found in section 3.2 of Appendix 3 on page 59 of this circular.

2.5 Effect on the issued share capital

The table below sets out authorised and issued share capital of the Company before and after the exercise of the 2007 Warrants and 2010 Warrants, on the basis that all Warrants are exercised:

	Authorised share capital	Issued share capital
Before the Offer	25,000,000 Shares	12,825,221 Shares
After the Offer and exercise of the 2007 Warrants	30,000,000 Shares*	17,955,309 Shares
After the exercise of the 2010 Warrants	30,000,000 Shares*	25,650,442 Shares

* assuming that Resolution 1 to be proposed at the EGM approving the increase in authorised share capital is passed

2.6 PLUS Markets

PLUS is an independent UK provider of primary and secondary equity market services and currently trades over 1,000 small and mid-cap company shares, representing a combined market capitalisation of over £195 billion. Application will be made for all Warrants to be admitted to trading on PLUS to give investors the opportunity to trade in the Warrants, and Resolution 2 seeks Shareholders' approval accordingly. No application is being made or will be made for admission of any of the Warrants to the Official List of the UK Listing Authority or to trading on AIM. Subject to the passing of Resolution 2, it is anticipated that the 2007 Warrants and the 2010 Warrants will be admitted to trading on PLUS on 17 September 2007. Most brokers will deal in securities quoted on PLUS, if any Warrant holders have problems dealing in any of the Warrants they should contact City Group.

2.7 Application and Underwriting

Mr. A.R.C. Barclay, Mr. A.J. Hall and Mr. J.M. Robotham have given irrevocable undertakings to take up their entitlements totaling 23,900 Warrant Units under the Offer. Lonfin has given the Company an irrevocable undertaking to take up its entitlement to 1,057,444 Warrant Units, and subject to the passing of Resolution 3 to be proposed at the EGM it has undertaken to make an Excess Application for up to 347,554 Warrant Units.

Lonfin has given an irrevocable undertaking that it will not exercise any Warrants if and to the extent that such exercise would result in its interest in Western exceeding 48 per cent. of the Enlarged Share Capital. On the basis that the members of the Concert Party take up their entitlement and that Lonfin takes up its Excess Application then the maximum shareholding of the Concert Party will be 48.34 per cent. of the Enlarged Share Capital. Should Lonfin exercise any Warrants which would increase its interest in shares in the Enlarged Share Capital above 48.0 per cent., this would fall under the provisions of Rule 9 of the City Code. Rule 9 of the City Code is summarised on Page 13 of this circular.

The first closing date for applications for Warrant Units from Shareholders will be 17 August 2007. Applications for Warrant Units received from Shareholders after this date will not necessarily be given the same priority as those applications received before the first closing date. If Shareholders have not applied

for all Warrant Units by the first closing date, Loeb Aron will attempt to place any remaining Warrant Units in the period ending on 10 September 2007, the final closing date.

In order to ensure that the Company receives the expected proceeds of the Offer of £872,115, the 1,136,146 Warrant Units not covered by undertakings referred to above have been underwritten by the Underwriter. A copy of the Underwriting Agreement will be available for inspection at the registered office of the Company during the period from the posting of this document to the date of the EGM and a summary is set out in section 4.3.3 of Part 4 below.

2.8 Cost of the Offer

The cost of the Offer will depend upon the number of Warrant Units taken up by Shareholders, allotted under the Excess Application process or taken up by Underwriters, but is expected to be approximately £200,000. This cost is equivalent to approximately 3 per cent. of the total amount to be raised assuming full exercise of the 2007 Warrants and the 2010 Warrants.

2.9 Accounting treatment

The amount to be raised by the issue of Warrant Units will be credited to a Warrant Reserve within shareholder funds. On exercise of a Warrant an amount proportionate to the difference between the share price and the exercise price of the Warrant will be released to share capital and share premium. The amount to be released will depend on the share price on the date of issue of the Warrant Units. Assuming that the share price is 67p, then 10p will be released on exercise of a 2007 Warrants and 5p will be released on exercise of a 2010 Warrant.

2.10 Dividends

The Board intends to maintain its progressive dividend policy, dependent on market conditions.

2.11 Financing

Western's shares do not form part of any security for any loans provided to the Concert Party nor is repayment of, or the payment of interest on, any such loans dependent to any significant extent on the business of Western.

2.12 Share price

The middle market quotation for the Shares and the net asset value per Share for the last business day of each quarter since January 2006 are set out below:

Date	Share Price – p	NAV – p	Discount %
31st March 2006	60.5	96	37
30th June 2006	57.5	90	36
29th September 2006	58.5	95	39
29th December 2006	67.0	100	33
30th March 2007	63.5	99	36
29th June 2007	66.0	100	34

The net asset values per share are derived from the Company's management accounts and are unaudited.

PART 3

APPROVAL OF WAIVER BY THE PANEL ON TAKE-OVERS AND MERGERS

Letter from the independent non-executive directors of Western:
A.R.C. Barclay FCA, and A.J. Hall

Western Selection P.L.C.
Incorporated in England – No. 234871

Registered Office
30 City Road
London EC1Y 2AG

16 July 2007

Dear Shareholder,

**Approval of Waiver of the Requirements of Rule 9 of the
City Code on Takeovers and Mergers**

In his letter, on page 8, the Chairman refers to this letter from us, the directors independent of the Concert Party, to explain the resolution to be proposed at the EGM that the Independent Shareholders approve two waivers of the requirements of Rule 9 of the City Code on Takeovers and Mergers. As set out in paragraph 3.3 below, the Panel has agreed, subject to the approval of the Independent Shareholders on a poll at the Extraordinary General Meeting, to waive the Rule 9 requirements. Brief details of the Panel, the City Code, and the protection they afford are given below. We also give details in paragraphs 3.1 and 3.2 below of the circumstances that may arise in the context of the proposals in the Chairman's letter, so far as applications for Excess Warrants and the authority for Western to make market purchases of its shares are concerned. Details of our recommendation that the Resolutions be approved is set out in paragraph 3.4 of this letter.

The City Code is issued and administered by the Panel. It applies to Western and as such its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which, (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or any person, together with persons acting in concert with him is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of such voting rights and such person or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, he is normally required by the Panel to make a general offer in cash to all remaining shareholders to acquire their shares.

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

Under the City Code, persons acting in concert comprise persons who, pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. A person and each of its affiliated persons will be deemed to be acting in concert all with each other. Control means an interest or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give *de facto* control.

In the context of the proposals set out in this circular, the Panel, which has been consulted on behalf of the Company, considers that Lonfin and its directors and also City Group and its directors are persons acting in concert for the purposes of the City Code in relation to the Company. The interests

in Western of the Concert Party are set out in paragraph 4.3.1 of Part 4 of this document. The Concert Party consists of Lonfin, its subsidiary City Group, and their directors Mr D.C. Marshall, Mr J.M. Robotham, Dr. F.W.A. Lucas, Mr J.H. Maxwell, Mr E.J. Beale and Mr L.H. Marshall.

Brief details of these individuals can be found in Appendix 4.

Lonfin has been a substantial shareholder in Western for over 40 years and regards Western as a strategic investment. The Board has been informed by Lonfin that it has no intention of Western becoming a subsidiary and has undertaken not to exercise Warrants if such exercise would increase its interest in Western above 48 per cent. of the Enlarged Share Capital. At present Lonfin owns 5,287,221 Shares, representing 41.23 per cent. of the issued share capital of the Company and the Concert Party owns 5,312,221 Shares representing 41.42 per cent. of the issued share capital of the Company. City Group, Mr E.J. Beale and Mr L.H. Marshall do not have any interests in Western. Upon the exercise of Warrants, pursuant to the Concert Party's entitlement to Warrant Units and any Excess Applications as referred to below, the maximum holding of the Concert Party will be 48.34 per cent. of the Enlarged Share Capital.

There are two ways that Lonfin's percentage interest in the share capital of Western may increase which are described in 3.1 and 3.2 in more detail.

3.1 Excess Application

Subject to the passing of Resolution 3 to be proposed at the EGM, Lonfin has undertaken to make an Excess Application for up to 347,554 Warrant Units. Lonfin has given an irrevocable undertaking that it will not exercise any Warrants if and to the extent that such exercise would result in its interest in Western exceeding 48 per cent. of the Enlarged Share Capital. Should Lonfin exercise any Warrants which would increase its interest in shares in the Enlarged Share Capital above 48.0 per cent., this would fall under the provisions of Rule 9 of the City Code. Rule 9 of the City Code is summarised on Page 13 of this circular.

Mr. J.M. Robotham, a member of the Concert Party who is a Shareholder, has undertaken to take up his entitlement to Warrant Units, and not to submit an Excess Application.

Mr. D.C. Marshall, Dr. F.W.A. Lucas, Mr. J.H. Maxwell, Mr. E.J. Beale, Mr. L.H. Marshall and City Group do not hold any shares in Western and have undertaken not to subscribe for Warrant Units under the Offer.

Assuming that no one other than the Concert Party exercises Warrants, Lonfin's interest in Western would only increase to 6,981,230 Shares (48 per cent.) because of the irrevocable undertaking entered into by Lonfin and Mr. J. M. Robotham's interest would increase to 50,000 Shares (0.34 per cent.) representing in aggregate 48.34 per cent. of the Enlarged Share Capital after the Offer. If all Warrants were to be issued and exercised Lonfin's interest in Western would increase to 12,312,212 Shares (48 per cent.) and Mr. J.M. Robotham's interest would increase to 50,000 Shares (0.19 per cent.) representing in aggregate 48.19 per cent. of the Enlarged Share Capital after the Offer and exercise of Warrants.

3.2 Authority to make market purchases of Shares

In recent years, at its Annual General Meeting, the Company has been authorised by Shareholders to make one or more market purchases of Shares in accordance with section 166 of the Act, subject to certain conditions. The Board plans 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 were made and the Shares so purchased were held in treasury or cancelled, the effect could be to increase the Concert Party's percentage interest in the Company and trigger the requirement for the Concert Party to make a general offer under Rule 9 of the City Code for those Shares that it did not already own.

The interest of the Concert Party could be increased by the purchase by Western of its own Shares. Such authority to repurchase Shares is limited to 10 per cent. of the issued share capital of the Company. If the Concert Party exercised sufficient Warrants to take its stake to 48.34 per cent. of the

Enlarged Share Capital, and Western bought back 10 per cent. of its Shares, the Concert Party's maximum holding would increase to 53.72 per cent. of the Enlarged Share Capital.

However, if this were to happen, Lonfin has irrevocably undertaken to sell a sufficient number of its Shares to reduce its interest in Western to 48 per cent. and the interests of the Concert Party to 48.38 per cent. of the Enlarged Share Capital.

At present, the Directors have no intention of exercising this authority.

3.3 Code Waivers and approval of Independent Shareholders

3.3.1 Rule 9 Waiver A

The Panel has agreed, subject to the approval of the Independent Shareholders on a poll at the Extraordinary General Meeting, to waive ("Rule 9 Waiver A") the obligation for the Concert Party to make a general offer that would otherwise result on the exercise of Warrants which would give the Concert Party and aggregate interest in shares of up to 48.34 per cent. of the enlarged share capital.

The Rule 9 Waiver A granted by the Panel is only in respect of any interest in Shares pursuant to the terms of the 2007 Warrant Instrument and 2010 Warrant Instrument.

Following completion of the proposed transaction the members of the Concert Party will between them be interested in Shares carrying 30 per cent. or more of the Company's voting capital, but will not hold Shares carrying more than 50 per cent. of such voting rights and for as long as they continue to be treated as acting in concert any further increases in their aggregate interest will be subject to the provisions of Rule 9.

Accordingly, Resolution 3 is being proposed at the EGM, and will be taken on a poll of Independent Shareholders.

3.3.2 Rule 9 Waiver B

The Panel has agreed, subject to the approval of Independent Shareholders on a poll at the Extraordinary General Meeting, to waive ("Rule 9 Waiver B") the obligation for the Concert Party to make a general offer that might otherwise arise as a result of the exercise of the authority to purchase Western Shares by Western's Directors.

At present the Directors have no intention of exercising this authority; however, if they were to do so and if as a result the interest of the Concert Party were to increase, Lonfin has irrevocably agreed to sell sufficient Shares to ensure that its interest in Western would reduce to 48 per cent. of the Enlarged Share Capital and the Concert Party's maximum holding would reduce to 48.38 per cent. of the Enlarged Share Capital.

Following the completion of any buyback transaction and prior to the sale by Lonfin to reduce the interest of the Concert Party to 48.38 per cent., the members of the Concert Party may between them hold interests of more than 50 per cent. (up to 53.72 per cent.) of the Enlarged Share Capital. For so long as they continue to be treated as acting in concert, the Concert Party may accordingly increase their aggregate interest in Shares without incurring any obligation under Rule 9 to make a general offer, although the individual members of the Concert Party will not be able to increase their percentage interest in Shares through or between a Rule 9 threshold without Panel consent.

Following the completion of any buyback transaction and subsequent sale of Shares by Lonfin, the members of the Concert Party might between them be interested in Shares carrying 30 per cent. or more of the Company's voting share capital, but would not hold Shares carrying more than 50 per cent. of such voting rights and, for as long as they continue to be treated as acting in concert and the Concert Party's interest is between the thresholds as described in this paragraph above, any further increases in their aggregate interest will be subject to the provisions of Rule 9 of the City Code.

Accordingly, Resolution 4 is being proposed at the EGM, and will be taken on a poll of Independent Shareholders

3.4 Independent Directors' Recommendation

Lonfin is a related party for the purpose of the AIM Rules and the proposed offer of Warrant Units to Lonfin constitutes a related party transaction. We, the directors independent of Lonfin, having consulted the Company's Nominated Adviser consider the terms of the offer to be fair and reasonable in so far as Shareholders are concerned.

As the directors of Western independent of the Concert Party, we, having been so advised by Orange Corporate Finance Ltd., consider that the approval of the proposals to issue Warrant Units, to retain the authority to buy back Shares and the Code Waivers by the Panel are fair and reasonable, and are in the best interests of the Company and its Shareholders as a whole. Accordingly we recommend that you vote in favour of Resolutions 3 and 4 to be proposed at the EGM as we intend to do in respect of our holdings totalling 94,500 Shares, representing in aggregate 1.26 per cent. of the Shares held by Shareholders entitled to vote on those resolutions.

Yours faithfully

Alastair Barclay
Director

Andrew Hall
Director

PART 4

ADDITIONAL INFORMATION

4.1 Western

The Directors intend to continue running the business of the Company without any changes. The Company is an investment finance company and the investment policy is to hold strategic stakes in a few smaller UK quoted companies and maintain a diversified portfolio of U.K. listed equities, together with a few holdings on AIM, PLUS and some unlisted shares. Strategic investments are minority positions where the Board seeks to maintain a close working relationship with the management of the investee. Western is represented on the boards of two of its three strategic investments. The general portfolio is managed by two non-executive directors, Andrew Hall and Michael Robotham, and the Board as a whole takes decisions in relation to both strategic and unlisted investments.

The principal object of the Company may be found on page (ii) of the Company's Memorandum of Association, and is to carry on the business of financial and commercial trading.

4.2 Lonfin

Lonfin is a public company, registered in England and listed on the London Stock Exchange and the JSE Limited in South Africa and has approximately 2,000 shareholders. Lonfin is an investment finance company and the investment policy is to hold strategic stakes in a few smaller quoted UK companies and maintain a diversified portfolio of primarily major U.K. and European listed equities. In addition to the interests of directors detailed in 4.3.1 below, the following interests in 3 per cent. or more of Lonfin's share capital have been notified to Lonfin.:

	Shareholding	% interest
W.T. Lamb Holdings Limited	4,400,000	16.78
Philip J Milton & Company Plc	1,309,601	4.99
Langtry Trust Company (Channel Islands) Limited	1,200,000	3.85

On the basis that Lonfin exercises all of its entitlement to Warrants the Company will receive from Lonfin a total of £2,643,610 over the period 2007 to 2010. Additionally, on the basis that Lonfin is allotted and exercises all Warrants applied for through the Excess Application the Company will receive a further £868,885 from Lonfin.

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, or whereby legal or beneficial interest in any of the Warrants proposed to be acquired by the Concert Party will be transferred to any other person.

City Group, a company 51.43 per cent. owned by Lonfin and 48.57 per cent. owned by Western, has established an employee benefit trust whose trustees are Langtry Trust Company (Channel Islands) Limited and Mr R.C. Kerr, both of whom are independent of Lonfin, City Group and Western. The trust is a discretionary trust expressly giving the trustees absolute and uncontrolled discretion in the exercise of the powers conferred by the trust deed or by law. The potential beneficiaries of the trust are the employees and former employees (and their spouses and issue) of City Group and its subsidiaries. The trust owns shares in both Lonfin and Western and may use those shares to grant incentive awards to the employees or directors of City Group and its subsidiaries. The trustees have absolute discretion over the terms and conditions (if any) attached to such incentive awards. No incentive awards have been made to date. Further details are set out on pages 24 to 26 of Western's Report and Accounts for the year ended 30th June 2006.

4.3 Disclosure of interests and dealings in shares

Definitions

For the purposes of this section 4.3:

- (a) "acting in concert" has the meaning attributed to it in the City Code;
- (b) "arrangement" includes in addition to any indemnity or option arrangements, any agreement, undertaking or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;

- (c) “**associate**” of any company means:
 - (i) its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
 - (ii) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
 - (iii) its directors and the directors of any company covered in (i) above (together in each case with their close relatives and related trusts); and
 - (iv) its pension funds or the pension funds of a company covered in (i) above;
- (d) “**connected adviser**” has the meaning attributed to it in the City Code;
- (e) “**connected person**” has the meaning attributed to it in section 346 of the Act;
- (f) “**control**” means an interest , or aggregate interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests gives de facto control;
- (g) “**dealing**” or “**dealt**” includes the following:
 - (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
 - (iii) subscribing or agreeing to subscribe for relevant securities;
 - (iv) the exercise or conversion of any relevant securities carrying conversion or subscription rights;
 - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (h) “**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- (i) “**disclosure date**” means 13 July 2007, being the latest practicable date prior to the posting of this document;
- (j) “**disclosure period**” means the period commencing on 13 July 2006, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;
- (k) “**exempt principal trader**” or “**exempt fund manager**” has the meaning attributed to it in the City Code;
- (l) being “**interested**” in relevant securities includes where a person:
 - (i) owns relevant securities;
 - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
 - (iv) is party to any derivative whose value is determined by reference to its price and which results, or may result, in his having a long position in it;
- (m) “**paragraph 1 associate**” means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (n) “**relevant Lonfin securities**” means shares in Lonfin (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
- (o) “**relevant Western securities**” means shares in Western (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;

- (p) “**relevant securities**” means relevant Western securities or relevant Lonfin securities; and
- (q) “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

4.3.1 Directors and corporate adviser

The interests of the directors of the Company and of Lonfin and their respective immediate families, related trusts and connected persons in relevant Western securities and in relevant Lonfin securities at the date of this circular are as follows:

	Western Shares*	Lonfin Shares*
Directors of both Western and Lonfin		
D.C. Marshall – Beneficial	–	2,301,000
– Non-beneficial **	–	10,589,693
J.M. Robotham – Beneficial	25,000	30,000
– Non-beneficial **	–	6,961,693
Directors of Western		
A.R.C. Barclay	7,500	–
A.J. Hall	87,000	–
Directors of Lonfin		
F.W.A. Lucas	–	65,000***
J.H. Maxwell	–	65,000

* There are no warrants or options in either Western or Lonfin in issue to any of their respective directors.

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

*** Loeb Aron is considered to be a connected adviser and Dr. F.W.A. Lucas is a director and the controlling shareholder of Loeb Aron. F.W.A. Lucas owns 50,000 shares in Lonfin and Loeb Aron owns 15,000 shares in Lonfin.

On 2nd October 2006, Mr Barclay purchased 2,024 Shares. On 10th November 2006 Mr Barclay and Mr Hall were respectively allotted 476 Shares and 12,000 Shares on the exercise of warrants. There have been no other dealings by any of the above in the Shares 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 the Directors.

Brief details of the Directors of Western, Lonfin and City Group are set out in Appendix 4.

4.3.2 Substantial interests

The Company has been notified of the following interests in 3 per cent. or more of the Shares:

	Shareholding	% interest
Lonfin	5,287,221	41.23
W.T. Lamb Holdings Limited	1,250,000	9.75
Suffolk Life Annuities Limited	591,334	4.61
T.W.G. Charlton	506,576	3.95
Langtry Trust (Channel Islands) Limited*	467,530	3.65
P.S. Alan	395,000	3.08

* These Shares are held on behalf of the EBT described further in paragraph 4.2 of this Part 4.

On 10th November 2006, Lonfin exercised 74,721 warrants in the Company, thus increasing its shareholding by 74,721 Shares, but not changing its percentage interest as other shareholders also exercised warrants at the same time. Other than that there have been no dealings by any members of the Concert Party in the Shares 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. W.T. Lamb Investments Limited and Langtry Trust Company (Channel Islands) Limited are also substantial shareholders in Lonfin as disclosed in 4.2 above.

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

4.3.3 Material contracts

Other than the contracts summarised below, the Company has not entered into any material contracts (being contracts outside the ordinary course of business) during the period beginning two years before the date of this document:

1. Loeb Aron Corporate Advisory Agreement – Pursuant to a letter dated 15th May 2007 (as amended by a letter dated 11th June 2007) the Directors appointed Loeb Aron as Corporate Adviser. The Company has agreed to pay Loeb Aron a commission of 4 per cent. on funds raised pursuant to the offer and a further 4 per cent. commission of all amounts taken up in excess of pro rata entitlement by persons holding less than 3 per cent. of the Shares in issue as at the date of the Offer, and a Corporate Finance fee of £18,000. The Company has also agreed to pay Loeb Aron an annual PLUS Markets Corporate Advisory fee of £6,000 a year.
2. Underwriting Agreement – Pursuant to the Underwriting Agreement dated 13 July CaptiveVision Capital Limited has agreed to underwrite £392,206 of the offer conditional upon both Lonfin investing and a minimum of £70,000 being raised in the Offer, for which CaptiveVision Capital Limited will receive an underwriting fee of 4 per cent. of the amount underwritten. Pursuant to the letter dated 15th May 2007 (as amended by a letter dated 11th June 2007) the Directors have agreed to pay Loeb Aron a fee of 2.5 per cent. of the amount underwritten for arranging the underwriting.

Lonfin has not entered into any material contracts, being contracts outside the ordinary course of business, during the period beginning two years before the date of this document.

4.3.4 Other disclosures

As at the close of business on the disclosure date, save as disclosed elsewhere in this document:

- (a) the Concert Party had no interest in or right to subscribe for, or had any short position in relation to, any relevant Western securities, nor had it dealt in any relevant Western securities during the disclosure period;
- (b) none of the Concert Party directors (including any members of such directors' respective immediate families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant Western securities, nor had any such person dealt in any relevant Western securities during the disclosure period;
- (c) no person acting in concert with Lonfin had an interest in or a right to subscribe for, or had any short position in relation to, any relevant Western securities, nor had any such person dealt in any relevant Western securities during the disclosure period;
- (d) no person referred to in 4.3.4(a), (b) or (c) has dealt in any relevant Western securities in the disclosure period;
- (e) none of the Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant Western securities;
- (f) no paragraph 1 associate of Western had any interest in, or right to subscribe for, or had any short position in relation to, any relevant Western securities;
- (g) no pension fund of Western or of a paragraph 1 associate of Western had any interest in or right to subscribe for, or had any short position in relation to, any relevant Western securities;
- (h) no employee benefit trust of Western or of a paragraph 1 associate of Western had any interest in or right to subscribe for, or had any short position in relation to, any relevant Western securities;
- (i) no connected adviser to Western or to a paragraph 1 associate of Western or to a person acting in concert with Western, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant Western securities;
- (j) neither Western nor any of the Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had any interest in or right to subscribe for, or had any short position in relation to, any relevant Lonfin securities;
- (k) Western has not redeemed or purchased any relevant Western securities during the disclosure period;
- (l) there were no arrangements which existed between Western or any associate of Western and any other person;

- (m) there were no arrangements which existed between Lonfin, or any person acting in concert with Lonfin, and any other person;
- (n) neither Lonfin nor any person acting in concert with Lonfin had borrowed or lent any relevant Western securities, save for any borrowed shares which have either been on-lent or sold; and
- (o) neither Western nor any person acting in concert with Western had borrowed or lent any relevant Western securities, save for any borrowed shares which have either been on-lent or sold.
- (p) no person (other than professional advisers or underwriters otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company fees totaling in excess of £10,000 (however satisfied) in respect of services provided to the Company during the period of twelve months preceding the date of this document.

4.4 Financial information

Summary financial information for Western is set out in Appendix 1 on page 31 of this document and for Lonfin in Appendix 2 on page 43 of this document. In both cases this information is in the form of extracts from the audited accounts for the year ended 30th June 2006 and the latest unaudited interim accounts. 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.

4.5 Related Party Transactions and disclosures

Other than as disclosed in this document 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.

The Company owns 48.57 per cent. of City Group; the remaining 51.43 per cent. is owned by Lonfin. Mr. D.C. Marshall and Mr. J.M. Robotham are directors of City Group. City Group provides office and secretarial services to the Company, Lonfin and other companies. During the 11 month period to 31st May 2007 the Company paid rent of £43,000 to City Group (year ended 30th June 2006 – £46,000) secretarial management fees of £90,000 (year ended 30th June 2006 – £97,000 and a fee of £13,000 in respect of Head Office removal costs). At 31st May 2007 there were no amounts due to or from City Group (30th June 2006 – due by City Group £1,000).

At 31st May 2007 Lonfin had a 41.23 per cent. interest in the Company. Mr. D.C. Marshall and Mr. J.M. Robotham are directors of Lonfin and Mr. D.C. Marshall has an interest in Lonfin through family trusts, which hold 12,890,693 shares, representing 41.32 per cent. of Lonfin's issued share capital. Of this figure he has a beneficial interest in 2,301,000 shares (7.38 per cent.) and a non-beneficial interest in the balance and Mr. J.M. Robotham has a non-beneficial interest in 6,961,693 shares. These non-beneficial interests arise as the individuals concerned are trustees of the family trusts. At 31st May 2007 the balance owing to Lonfin was £ Nil (at 30th June 2006: £ Nil).

Mr. J.M. Robotham is an associate of J.M. Finn & Co. who are the brokers of the Company. As an associate, he receives 32 per cent. of the commission on transactions introduced by him. During the 11 months to 31st May 2007 the Company paid £7,000 (year ended 30th June 2006: £19,000) in commission to J.M. Finn & Co. There were no amounts due to or from J.M. Finn & Co. at 31st May 2007 (at 30th June 2006: £8,000).

4.6 Responsibility

The Directors 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.

The members of the Concert Party accept responsibility for the information contained in this document relating to itself or himself. To the best of the knowledge and belief of each member of the Concert Party (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

4.7 Extraordinary General Meeting

To implement the Offer, and to approve the waivers, an Extraordinary General Meeting of Shareholders will be held to approve the Resolutions set out in the Notice of Meeting on page 66 of this document.

An irrevocable undertaking to vote in favour of Resolutions 1, 2, 5 and 6 to be proposed at the EGM has been received from Lonfin in respect of its holding of 5,287,221 Shares, representing 41.23 per cent. of the issued share capital. As explained in the independent directors letter on page 13, Lonfin and the Directors (other than Mr. A.R.C. Barclay and Mr. A.J. Hall) will not vote on Resolutions 3 and 4 to be proposed at the EGM, and

voting on this Resolution will be by means of a poll and the Company Secretaries, City Group will act as scrutineers for the poll.

4.8 Listing, settlement and dealings

Subject to the passing of Resolution 2, application will be made to PLUS for the 2007 Warrants and the 2010 Warrants to be admitted to trading on PLUS. It is expected that admission of the 2007 Warrants and of the 2010 Warrants will take place with effect from 17 September 2007.

4.9 Consents

Loeb Aron, Orange Corporate Finance and Ruegg 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.

4.10 Risk factors

The Board considers it appropriate to draw the attention of Shareholders to certain significant risks, as well as opportunities, which exist in respect of the business. Shareholders should carefully consider the risks described, as if any of the risks actually occur, the Company's business, financial condition, results or future operations could be adversely affected. In such circumstances the value of the Company's Warrants and Shares could decline and you could lose all or part of your investment. The following specific risk factors have been identified by the Board; however, there may be additional risks which have not been identified by the Board.

The success of the Company, in common with other companies of similar size is dependent upon the expertise and experience of its directors.

Notwithstanding the fact that an application for admission to trading on PLUS will be made there is no guarantee that admission will be granted and even if admission is granted continued admission to trading of the Warrants to PLUS is at the discretion of PLUS Markets plc.

Even though the Warrants comprised in the Warrant Units are to be admitted to trading on PLUS, this should not be taken as implying that there will be a "liquid" market in the Warrants. An investment in the Warrants may thus be difficult to realise. The value of the Warrants may go down as well as up, and may be more volatile than an investment in ordinary shares. Investors may therefore realise less than their original investment, or sustain a total loss of their investment. PLUS is operated by PLUS Markets plc and is not part of the London Stock Exchange or AIM. The Rules of PLUS may be less rigorous than those of AIM.

Leveraged returns are a major advantage of warrants, but can also work against investors. Warrantholders should be aware that, if the Shares decline in value the losses incurred by Warrantholders will be greater in percentage terms than those incurred by Shareholders. The prices of Warrants can therefore be volatile.

Warrants have a limited life, as denoted by the expiry date of each issue. After this date, warrants can no longer be traded or exercised. Investors should note that warrants experience erosion of their time value throughout their life. The rate of this erosion accelerates as warrants near expiry and warrants may expire worthless.

It is important to note that while changes in the price of the underlying shares are generally the most important factor for warrants, other variables – such as market volatility, interest rates, and dividends – may lead to a change in the price of a warrant even if price of the underlying share itself is unchanged.

The Company anticipates that it will raise further capital from the exercise of the Warrants; however, there is no guarantee that the then prevailing market conditions mean that the Warrants are exercised.

The investment opportunity offered in this document may not be suitable for all recipients of this document. Investors are therefore strongly recommended to consult a professional adviser who specialises in investments of this nature before making their decision to invest.

4.11 Working capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company will from the time of the admission of the 2007 Warrants to trading on PLUS be sufficient for its present requirements, that is for at least the 12 months following the date of such admission.

4.12 Litigation

There are no governmental, legal or arbitration proceedings, active, pending or threatened against, or being brought by, the Company which may have, or have had in the recent past significant effects on the Company's financial position or profitability.

4.13 Taxation

The Company understands that no Stamp Duty or Stamp Duty Reserve Tax will generally be payable on the issue of Warrant Units, Warrants or Shares. Any prospective investor who has any doubts about his tax position should consult his own professional adviser.

4.14 Documents available for inspection

Copies of the following documents are available for inspection at the offices of City Group P.L.C., 30 City Road, London, EC1Y 2AG during usual business hours on any weekday (Saturdays, Sundays and any public holidays excluded) until the date of the EGM and for 30 days thereafter and will also be available at the EGM:

- (a) the Memorandum and Articles of Association of Western and Lonfin;
- (b) the audited consolidated accounts of Western and Lonfin for the financial years ended 30th June 2004, 30th June 2005 and 30th June 2006;
- (c) the interim accounts of Western and Lonfin for the six months ended 31st December 2005 and 31st December 2006 and interim accounts of Western for the eleven months ended 31st May 2007;
- (d) the written consents of Loeb Aron, Orange Corporate Finance and Ruegg referred to above;
- (e) the irrevocable undertaking from Lonfin and the directors of Western to vote in favour of resolutions 1, 2, 5 and 6 and the irrevocable undertakings from Mr. A.R.C. Barclay and Mr. A.J. Hall to vote in favour of resolutions 3 and 4;
- (f) the irrevocable undertakings referred to on page 9 of this circular;
- (g) the Loeb Aron Corporate Adviser Agreement referred to in 4.3.3;
- (h) the Underwriting Agreement referred to in 2.7 and 4.3.3 above.

4.15 Action to be taken

Shareholders are requested to complete the enclosed Proxy Form in accordance with the instructions printed thereon and return it to City Group P.L.C., 30 City Road, London, EC1Y 2AG by no later than 48 hours before the date fixed for the meeting. The return of the Proxy Form will not prevent you from attending the meeting and voting in person if you so wish.

Shareholders wishing to take up their entitlement to Warrant Units and to submit Excess Applications should return the Application Form as directed in Part 5.

4.16 Availability of Admission Document

Copies of this document are available during business hours on any weekday (except Saturdays, Sundays and public holidays) free of charge from the Company's registered office and shall remain available for at least one month after admission of the 2007 Warrants to trading on PLUS.

4.17 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:

Date	Price – p
2nd January 2007	67.0
1st February 2007	65.0
1st March 2007	64.5
2nd April 2007	63.5
1st May 2007	65.0
1st June 2007	67.0
12th July 2007	64.5

PART 5

TERMS AND CONDITIONS AND PROCEDURE FOR APPLICATION

- 5.1 Applications for Warrant Units are subject to the terms and conditions included in the Application Form and set out below.
- 5.2 Shareholders will be entitled to apply for Warrant Units on the basis of one Warrant Unit for every five Shares held. The basis of allotment of further Warrant Units will be determined by the Directors and Loeb Aron in their absolute discretion. Dealings prior to the issue of warrant certificates will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all. The Directors and Loeb Aron & Co. reserve the right:
- (i) to reject any application in whole or in part or to scale down any applications or to accept applications on a “first come first served” basis, or to give priority to existing Shareholders;
 - (ii) to extend the period during which the subscription list remains open; and
 - (iii) to treat any application as valid and binding on an applicant even if the Application Form is not complete in all respects or is not accompanied by a power of attorney where required.
- 5.3 The Application Form should be completed in full and sent or delivered to the address set out on the Application Form together with a remittance for the full amount payable. Cheques and banker’s drafts must be payable to “Capita IRG Plc, account Western Selection P.L.C.” and crossed “Not negotiable” and should be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a settlement member of the Cheque and Clearing Company Limited or the CHAPS & Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses which has arranged for its cheques and bankers’ drafts to be cleared through the facilities provided by either of those companies or those committees (and must bear the appropriate sorting code number in the top right hand corner). Third party cheques will not be accepted with the exception of building society cheques or bankers drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers draft to such effect. Applicants are advised to allow two full business days for delivery through the post and to use first class mail. Applications will not be acknowledged.
- 5.4 The right is reserved to present all cheques and banker’s drafts on receipt and to retain certificates for Warrants and any monies returnable pending the clearance of all cheques or pending investigations of any suspected breach of the terms applying to the application. All cheques, certificates and other documents sent or returned to applicants will be sent at the risk of the person(s) entitled thereto.
- 5.5 Cheques will be presented by Capita Registrars for payment on receipt into an interest bearing collection account with Royal Bank of Scotland plc. If the Offer is not approved at the Extraordinary General Meeting all monies will be refunded to applicants within seven days thereafter without interest by crossed cheque through the post at the risk of the applicant. Any interest accruing thereon will accrue to the Company. Monies may be transferred to the Company as the Directors and Loeb Aron & Co. may determine against allotment and issue of Warrant Units. If any application is not accepted, the amount paid on application will be returned without interest in each case sent through the post at the applicant’s risk.
- 5.6 By completing and delivering an Application Form, you irrevocably undertake as follows:
- i. to subscribe for such number of Warrant Units specified in the Application Form (or such lesser number as is accepted), on the terms of, and subject to, the conditions set out in this document, including these terms and conditions;
 - ii. to accept such Warrant Units as may be allotted to you in accordance with Box 1 of the Application Form or such lesser number of Warrant Units in respect of which this application may be accepted;

- iii. that all applications, acceptances, allotments and contracts arising from it will be governed by and construed in accordance with English law;
- iv. that you are not under the age of 18 and that if you sign the Application Form on behalf of somebody else or a corporation you have the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application;
- v. you authorise the Company or any of its respective agents to send by post Warrant certificates in respect of the number of Warrant Units for which your application is accepted and/or a crossed cheque and/or return your cheque(s) or banker's draft(s) for any moneys returnable, in each case at the risk of the person(s) entitled thereto, to your address (or that of the first named applicant) as set out in the Application Form and to procure that your name (together with the name(s) of any other joint applicant(s)) is/are placed on the Register of Warrantholders of the Company in respect of such Warrants;
- vi. that you are not relying on any information or representation other than those contained in this document and accordingly you agree that neither the Company nor any person responsible solely or jointly for this Admission Document or any part thereof shall have any liability for any such other information or representation;
- vii. that the cheque or banker's draft accompanying your Application Form will be honoured on first presentation and you agree that if it is not so honoured the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the relevant Warrant Units and may allot or sell them to some other person in which case you will not be entitled to any refund or payment in respect thereof; and
- viii. that you have read and complied with paragraph 5.7 below.

5.7 Applications will not be accepted from persons resident in the United States of America, Canada or Australia and by completing and returning the Application Form the applicant warrants that he is not a person so resident. No person receiving a copy of this Admission Document and/or an Application Form in any other territory (other than the United Kingdom) may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless in the relevant territory such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any regulation or other legal requirements. It is a condition of any application by any such person outside the United Kingdom that he has satisfied himself as to the full observance of the laws of any relevant territory, including the obtaining of any governmental or other consents which may be required and has observed any other formalities in such territory and paid any issue, transfer or other taxes due in such territory. The Company reserves the right to request applicants to produce evidence satisfactory to them of their right to apply for Warrant Units under the Offer and that such application would not result in the Company, its advisors or the Directors being in breach of any laws or regulations of the relevant jurisdiction.

5.8 The Company reserves the right to treat any application, which does not comply strictly with the terms and conditions of the application as nevertheless valid.

5.9 No letters of allotment or other renounceable or temporary documents of title or receipts will be issued in respect of accepted applications but warrant certificates will be despatched within 28 days of allotment.

5.10 Applications will be irrevocable.

5.11 If the value of your application is £10,000 or more (or is one of a series of linked applications the aggregate value of which equals or exceeds that amount), the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the identity of the applicant(s) may be required. A failure to provide the necessary evidence of identity may result in the rejection of your application or in delays in the despatch of a share certificate or the return of the application monies. In order to avoid this, you should ideally make payment by means of a cheque drawn by the person named in Box 3 of the Application Form. If this is not practicable and you use a cheque drawn by a third party or a building society cheque or a bankers' draft, you should:

- i. write the name and address of the person named in Box 3 of the Application Form on the back of the cheque, building society cheque or banker's draft;
- ii. if a building society cheque or banker's draft is used, ask the building society to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited. The bank or building society endorsement should be overlaid with the branch stamp; and
- iii. if you are making the application as agent for one or more persons, indicate in the bottom of the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution, you should contact Loeb Aron and seek guidance.

If within a reasonable period of time following a request for verification of identity, Loeb Aron has not received satisfactory evidence, then Loeb Aron, acting for the Company, may at its absolute discretion reject any application in which event the application monies will be returned without interest to the account at the drawee bank from which such monies emanate.

5.12 The receiving agents in relation to the Offer are Capita Registrars.

Any applicant requiring assistance in completing the Application Form should telephone Mr. Peter Freeman at Loeb Aron on 020 7628 1128 or fax them on 020 7638 0756.

HOW TO APPLY

1. **Ensure you have read this document carefully.**
2. **Complete the Application Form overleaf, ensuring you:**
 - Enter the number of Warrant Units you are applying for
 - Enter the amount of your cheque (number of Warrant Units x 34 pence)
 - Complete the applicant details on the second page
 - Sign and date the form
 - Make your cheque payable to:

“Capita IRG Plc – a/c Western Selection”

3. **Send the completed Application Form to**

**Capita Registrars
The Registry,
34 Beckenham Road
Beckenham,
Kent
BR3 4TU**

Together with:

- **Your cheque; and**
- **If your subscription exceeds £10,000, two different original forms of identification will be required (see note below)**

Note:

If the value of your application is more than £10,000 you will need to send two different original forms of identification to Capita Registrars with your application form. These should be less than six months old and confirm your name and permanent residential address, typically a bank statement and utility bill will suffice. Please note that original forms of identification will be returned to you within 7 days of receipt.

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Western Selection P.L.C.

(Incorporated in England with Registered Number 234871)

Issue of up to 2,656,044 Warrant Units each consisting of two 2007 Warrants and three 2010 Warrants at 34p per Warrant Unit payable in full on application.

Application Form

This Application Form should be completed and sent to Capita Registrars together with your cheque or banker's draft payable to "Capita IRG Plc – a/c Western Selection" and crossed "Not Negotiable" for the amount payable (as inserted in Box 2) so as to arrive as soon as possible. The subscription list will open at 10.00 a.m. on 7 August 2007 and may be closed at any time thereafter and in any event by 3.00 p.m. on 10 September 2007 (unless extended by the Directors).

IMPORTANT – Before completing this Application Form you should carefully read the Terms and Conditions and Procedure for Application set out in Part 5 of the document dated 13 July 2007 (the "Admission Document"). If you need further copies of the Admission Document, which includes an Application Form, please call **Loeb Aron & Company Ltd. on 020 7628 1128**.

Definitions used in the Admission Document shall have the same meaning in this Application Form. This Application Form is only made available with and as an enclosure to the Admission Document. The entire contents of the section in the Admission Document headed "Terms and Conditions and Procedures for Application" is deemed to be included and set out in this Application Form.

Any person signing this Application Form under power of attorney must enclose the original power of attorney (or a copy certified by a solicitor) for inspection. If you post your Application Form, you are recommended to use first class post and allow at least two working days for delivery.

PLEASE USE BLOCK CAPITALS

Box 1a	<p style="text-align: center;">EXISTING SHAREHOLDERS ONLY</p> <p>I hereby irrevocably offer to subscribe for</p> <p style="text-align: center;">.....</p> <p>(this figure should not exceed one-fifth of the number of Shares that you hold at the Record Date)</p>		<p>Entitlement Warrant Units at 34p each</p>
Box 1b	<p>I hereby irrevocably offer to subscribe for</p> <p style="text-align: center;">.....</p>		<p>Excess Application Warrant Units at 34p Each</p>
Box 1c	<p style="text-align: center;">NON-SHAREHOLDERS ONLY</p> <p>I hereby irrevocably offer to subscribe for</p> <p style="text-align: center;">.....</p>		<p>Non-shareholder Warrant Units at 34p each</p>

in Western Selection P.L.C. on the terms and conditions set out in the Admission Document or any smaller number of Warrant Units for which this application is accepted.

Box 2	<p>I attach a cheque or banker's draft payable to Capita IRG Plc account Western Selection, for the total amount of (multiply the number of Warrant Units applied for by 34p sterling)</p>	<p>£</p>
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Box 3 Please use block capitals	Forename/s (in full)	
	Surname (Mr / Mrs / Miss or title)	
	Address (in full)	
	Postcode	
	Email address	Daytime Telephone Number
	Signature	Date

The first or sole applicant should sign and complete Box 3 only

Fill in Boxes 4 and 5 **only** if there is more than one applicant. Insert in Box 4 the names and addresses of the further joint applicants, each of whose signature is required in Box 5.

DETAILS OF JOINT APPLICANTS ONLY

Box 4	Forename/s in full	Forename/s in full	Forename/s in full
	Surname	Surname	Surname
	Mr, Mrs, Ms., Miss or title	Mr, Mrs, Ms., Miss or title	Mr, Mrs, Ms, Miss or title
	Address (in full)	Address (in full)	Address (in full)
	Postcode	Postcode	Postcode

Box 5	Signature	Signature	Signature
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I/We authorise /I /We do not authorise (delete whichever is inapplicable) the Company or its advisers to contact me by telephone in connection with any queries arising on my application.

Please make cheques payable to ‘Capita IRG Plc account Western Selection’.

If you have any queries relating to the completion of this Application Form, please telephone Loeb Aron & Company Ltd. on 020 7628 1128.

There is an additional copy of this Application Form at the rear of the Admission Document.

APPENDIX 1

SUMMARY FINANCIAL INFORMATION ON WESTERN

1. Financial information on Western

The financial information contained in this section of the document does not constitute statutory accounts within the meaning of section 240 of the Act.

1.1 Unaudited interim results of Western for the eleven months ended 31st May 2007

The results for the period are unaudited. They have been prepared under International Financial Reporting Standards and comparative figures, previously reported under UK GAAP, have been restated.

Differences between UK GAAP and IFRS affecting Western.

Under UK GAAP Western included its investments at cost less provision. Under IFRS the fair values of investments (based on market values) are now brought into the balance sheet and the fair value adjustment is recorded directly to reserves and reflected in the Statement of Changes in Shareholders' Equity. The balance sheet value of investments has been increased by £287,000 at the end of the comparable period, £589,000 at the prior year end and £3,085,000 at the end of the current period. Western has significant capital losses and therefore no deferred tax liabilities have arisen following recognition of these unrealised gains.

Unaudited Income Statement

	Eleven months ended 31st May		Year ended 30th June
	2007	2006	2006
	£000	£000	£000
Income from investments in:			
Listed strategic undertakings	104	43	43
Other listed investments	142	160	159
Interest receivable	–	–	1
Surplus on disposal of listed undertakings	517	284	335
Net release of provisions against investments	–	132	132
	<u>763</u>	<u>619</u>	<u>670</u>
Administrative expenses	<u>(267)</u>	<u>(273)</u>	<u>(292)</u>
Operating profit	496	346	378
Interest payable and similar charges	<u>(110)</u>	<u>(53)</u>	<u>(62)</u>
Profit on ordinary activities before exceptional items and taxation	386	293	316
Exceptional costs of establishing an Employee Benefit Trust	<u>(318)</u>	<u>–</u>	<u>–</u>
Profit on ordinary activities before taxation	68	293	316
Taxation	<u>–</u>	<u>–</u>	<u>(1)</u>
Profit on ordinary activities after taxation	<u>68</u>	<u>293</u>	<u>315</u>
Basic earnings per share	0.5p	2.6p	2.8p
Earnings per share excluding exceptional costs	3.1p	2.6p	2.8p
Diluted earnings per share	n/a	2.6p	2.8p
Dividend per share	Nil	Nil	2.45p

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.

1.1 Unaudited interim results of Western for the eleven months ended 31st May 2007 (continued)

Statement of Changes in Shareholders' Equity

	Ordinary Share capital £000	Share Premium account £000	Warrants Reserve £000	Fair Value Reserve £000	Retained Earnings £000	Total £000
Year ended 30th June 2006						
Balances as reported at 1st July 2005	4,351	1,646	355	–	2,951	9,303
Adjustment for fair values	–	–	–	357	–	357
Restated	4,351	1,646	355	357	2,951	9,660
Profit attributable to shareholders	–	–	–	–	315	315
Fair value adjustment on listed undertakings	–	–	–	232	–	232
New shares issued	324	195	–	–	–	519
Warrants reserve released	–	194	(194)	–	–	–
Forfeit dividends	–	–	–	–	1	1
Disposal of fractions	–	–	–	–	20	20
Dividends paid in respect of the previous year	–	–	–	–	(252)	(252)
Balances at 30th June 2006	4,675	2,035	161	589	3,035	10,495
Eleven months ended 31st May 2007						
Balances at 1st July 2006	4,675	2,035	161	589	3,035	10,495
Profit attributable to shareholders	–	–	–	–	68	68
Fair value adjustment on listed undertakings	–	–	–	2,496	–	2,496
New shares issued	455	273	–	–	–	728
Warrants reserve released	–	161	(161)	–	–	–
Dividends paid in respect of the previous year	–	–	–	–	(286)	(286)
Balances at 31st May 2007	5,130	2,469	–	3,085	2,817	13,501

1.1 Unaudited interim results of Western for the eleven months ended 31st May 2007 (continued)

Unaudited Balance Sheet

	31st May		30th June
	2007	2006	2006
		Restated	Restated
	£000	£000	£000
Non-current assets			
Strategic Investments			
Creston plc	5,280	4,725	4,845
Swallowfield plc	785	395	455
Northbridge Industrial Services PLC	2,948	1,553	1,598
General Portfolio investments – UK	6,247	4,984	4,869
– Unlisted	268	246	247
	<u>15,528</u>	<u>11,903</u>	<u>12,014</u>
Current assets			
Cash at bank and in hand	23	114	33
Bank overdraft	1	5	5
	(1,965)	(1,740)	(1,515)
Current liabilities	<u>(86)</u>	<u>(110)</u>	<u>(42)</u>
Net current liabilities	<u>(2,027)</u>	<u>(1,731)</u>	<u>(1,519)</u>
Total assets less current liabilities	<u>13,501</u>	<u>10,172</u>	<u>10,495</u>
Capital and Reserves			
Called up share capital	5,130	4,675	4,675
Share premium account	2,469	2,035	2,035
Other reserves	3,085	287	589
Warrants reserve	–	161	161
Retained earnings	2,817	3,014	3,035
	<u>13,501</u>	<u>10,172</u>	<u>10,495</u>
Net Assets at market value per share – pence	105.3p	87.0p	89.8p

1.1 Unaudited interim results of Western for the eleven months ended 31st May 2007 (continued)

Cash Flow Statement

	Eleven months ended 31st May 2007		Year ended 30th June 2006	
	£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities		30		(97)
Returns on investments and servicing of finance				
Interest paid	(110)		(63)	
Interest received	<u>–</u>		<u>1</u>	
		(110)		(62)
Taxation paid		–		(1)
Financial investment				
Proceeds of disposal of non-current asset investments	2,289		3,374	
Purchase of non-current asset investments	<u>(2,789)</u>		<u>(3,399)</u>	
Net cash outflow from financial investment activities		(500)		(25)
Equity dividend paid		(286)		(252)
Financing activities				
Proceeds of new share issues	428		519	
Proceeds from sale of treasury shares	–		20	
Professional fees re EBT	<u>(16)</u>		<u>–</u>	
Net cash inflow from financing activities		<u>412</u>		<u>539</u>
(Increase)/Decrease in debt		(454)		102
Net debt at start of year		<u>(1,510)</u>		<u>(1,612)</u>
Net debt at end of period		<u>(1,964)</u>		<u>(1,510)</u>

1.2 Extract from the audited accounts of Western for the 3 years ended 30 June 2006

Summary financial information for Western is set out below has been extracted from the consolidated statutory results of the group for the three years ended 30th June 2006. The accounts have been prepared in accordance with UK GAAP.

Profit and Loss Accounts

	Notes	2006 £000	2005 £000	2004 £000
For the years ended 30th June				
Income from investments in:				
Listed strategic undertakings		43	106	104
Other listed undertakings		<u>159</u>	<u>173</u>	<u>164</u>
		202	279	268
Interest receivable		1	–	2
Administrative expenses	2	(292)	(308)	(250)
Surplus/(loss) on disposal of listed undertakings		335	461	(248)
Net release/(charge) of provisions against investments		<u>132</u>	<u>(209)</u>	<u>570</u>
Operating profit		378	223	342
Interest payable		<u>(62)</u>	<u>(66)</u>	<u>(30)</u>
Profit on ordinary activities before taxation		316	157	312
Taxation	4	<u>(1)</u>	<u>(4)</u>	<u>(5)</u>
Profit on ordinary activities after taxation		<u>315</u>	<u>153</u>	<u>307</u>
Basic and fully diluted earnings per share		2.75p	1.40p	2.84p
Proposed dividend per share		2.45p	2.32p	2.20p

All profits and losses are on continuing activities.

1.2 Extract from the audited accounts of Western for the 3 years ended 30 June 2006 (continued)

Balance Sheets

	Notes	2006 £000	2005 £000	2004 £000
At 30th June				
Non-current Assets				
Investments	5	<u>11,425</u>	<u>10,932</u>	<u>9,674</u>
Current Assets				
Accounts receivable		33	67	100
Cash		<u>5</u>	<u>25</u>	<u>10</u>
		38	92	110
Accounts Payable (amounts falling due within one year)		<u>(1,557)</u>	<u>(1,721)</u>	<u>(368)</u>
Net Current Liabilities		<u>(1,519)</u>	<u>(1,629)</u>	<u>(258)</u>
Net Assets		<u>9,906</u>	<u>9,303</u>	<u>9,416</u>
Capital and Reserves				
Called up share capital		4,675	4,351	4,351
Share premium account		2,035	1,646	1,646
Warrants reserve		161	355	355
Profit and loss account		<u>3,035</u>	<u>2,951</u>	<u>3,064</u>
Shareholders' Funds		<u>9,906</u>	<u>9,303</u>	<u>9,416</u>

Cash Flow Statement

For the years ended 30th June	Notes	2006 £000	2006 £000	2005 £000	2005 £000	2004 £000	2004 £000
Net cash outflow from operating activities	(a)		(97)		(2)		(23)
Returns on investments and servicing of finance							
Interest paid		(63)		(66)		(30)	
Interest received		<u>1</u>		<u>–</u>		<u>2</u>	
			(62)		(66)		(28)
Taxation paid			(1)		(4)		(5)
Financial investment							
Proceeds on disposal of non-current asset investments		3,374		2,362		2,639	
Purchase of non-current asset investments		<u>(3,399)</u>		<u>(3,368)</u>		<u>(2,386)</u>	
Net cash (outflow)/inflow from financial investment activities			(25)		(1,006)		253
Equity dividend paid			(252)		(239)		(226)
Financing							
Proceeds from issue of new shares			519		–		–
Proceeds/(cost) of treasury shares arising on consolidation			<u>20</u>		<u>(27)</u>		<u>–</u>
Decrease/(Increase) in net debt			102		(1,344)		(29)
Net debt at start of year			<u>(1,612)</u>		<u>(268)</u>		<u>(239)</u>
Net debt at end of year	(b)		<u>(1,510)</u>		<u>(1,612)</u>		<u>(268)</u>

Notes:

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

Operating profit	378	223	342
(Profit)/loss on sale of investments	(335)	(461)	248
Net (decrease)/increase in provisions against investments	(132)	209	(570)
Interest received	(1)	–	(2)
Decrease/(increase) in debtors and accrued income	34	33	(57)
Decrease in creditors	<u>(41)</u>	<u>(6)</u>	<u>16</u>
Net cash outflow from operating activities	<u>(97)</u>	<u>(2)</u>	<u>(23)</u>

1.2 Extract from the audited accounts of Western for the 3 years ended 30 June 2006 (continued)

(b) Analysis of net debt

	At start of period £000	Cash Flow £000	At end of period £000
2005/2006			
Cash at bank	25	(20)	5
Bank overdraft	<u>(1,637)</u>	<u>122</u>	<u>(1,515)</u>
	<u>(1,612)</u>	<u>102</u>	<u>(1,510)</u>
2004/2005			
Cash at bank	10	15	25
Bank overdraft	<u>(278)</u>	<u>(1,359)</u>	<u>(1,637)</u>
	<u>(268)</u>	<u>(1,344)</u>	<u>(1,612)</u>
2003/2004			
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>

Notes to the Accounts

1. Accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

Following the adoption of FRS 21 “Events after the balance sheet date”, equity dividends are recognised when, following approval by shareholders at the Annual General Meeting, they become legally payable. The effect of this change has been to reverse the proposed dividends provided for in the financial years ended 30th June 2005 and 2004, to include them within the results of the year during which they were paid. The effect has been to increase shareholders funds at 30th June 2005 and 2004 by £252,000 and £239,000 respectively.

- (i) Dividends receivable in respect of associated and other undertakings are recognised in 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.
- (ii) 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 where there is considered to be a permanent diminution in value.
- (iii) 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.
- (iv) Exchange gains and losses on the translation of monetary assets and liabilities at the rates ruling at the balance sheet date are recognised in the profit and loss account.

2. Administrative expenses

	2006 £000	2005 £000	2004 £000
Bank charges	7	7	6
Auditors' remuneration – for audit work	8	8	6
Directors' emoluments as set out in Note 3	45	45	45
Cost of capital reorganisation	–	35	–
Other administrative expenses	232	213	193
	<u>292</u>	<u>308</u>	<u>250</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 (2005 – £15,000; 2004 – £15,000). The services of Mr. Hall were supplied by his primary employer for £10,000 (2005 – £10,000; 2004 – £10,000).

1.2 Extract from the audited accounts of Western for the 3 years ended 30 June 2006 (continued)

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

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 £46,000 (2005 – £27,000; 2004 – £27,000) to CGL, secretarial management fees of £97,000 (2005 – £100,000; 2004 – £83,000) and a fee of £13,000 in respect of Head Office removal costs. At 30th June 2006 the balance owing by CGL was £1,000 (2005 – due to CGL – £15,330; 2005 – £37,673; 2004 – £56,047).

London Finance & Investment Group P.L.C. (“Lonfin”) has a 44.60 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 12,899,693 shares, representing 43.00 per cent. of Lonfin’s issued share capital. Of this figure he has a beneficial interest in 2,301,000 shares (7.67 per cent.) and he and Mr. Robotham have a non-beneficial interest in 6,761,693 shares as trustees of the family trusts. At 30th June 2006, the balance owing to Lonfin was £ Nil (2005 & 2004 – £ Nil).

Mr. Robotham is an associate of J.M. Finn & Co. who are the 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 £18,762 (2005 – £13,656; 2004 – £21,750) in commission to J.M. Finn & Co.

4. Taxation

	2006 £000	2005 £000	2004 £000
The tax charge for the year comprises:			
Tax on overseas investment income	<u>1</u>	<u>4</u>	<u>5</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	<u>316</u>	<u>157</u>	<u>312</u>
Taxation at 30%	95	47	94
Effects of:			
Tax losses carried forward	67	131	83
Capital losses utilised	(101)	(122)	(97)
Non-taxable franked and other income	<u>(60)</u>	<u>(52)</u>	<u>(75)</u>
	<u>1</u>	<u>4</u>	<u>5</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 £1,829,000 (2005 – £1,479,000; 2004 – £1,119,000) and Capital Tax losses of £2,864,000 (2005 – £3,088,000; 2004 – £3,376,000) subject to agreement of tax computations with the Inland Revenue.

5. Fixed assets

	Strategic Listed Investments £000	Other Listed Investments £000	AIM, Ofex & Unlisted Companies £000	Unlisted Associated Companies £000	Total £000
Shares and warrants at cost:					
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 1st July 2004	4,525	4,849	687	83	10,144
Re-classified	(470)	–	470	–	–
Additions	1,224	1,840	304	–	3,368
Disposals	–	(1,739)	(162)	–	(1,901)
Balance at 30th June 2005	5,279	4,950	1,299	83	11,611
Additions	1,709	1,378	312	–	3,399
Reclassification	–	–	(108)	108	–
Disposals	–	(2,582)	(456)	–	(3,038)
Balance at 30th June 2006	6,988	3,746	1,047	191	11,972
Provisions for impairment in value:					
	Strategic Listed Investments £000	Other Listed Investments £000	AIM, Ofex & Unlisted Companies £000	Unlisted Associated Companies £000	Total £000
Balance at 1st July 2003	(1,040)	–	–	–	(1,040)
Charge	(470)	–	–	–	(470)
Release	1,040	–	–	–	1,040
Balance at 1st July 2004	(470)	–	–	–	(470)
Charge	–	(132)	(77)	–	(209)
Re-classified	470	–	(470)	–	–
Balance at 1st July 2005	–	(132)	(547)	–	(679)
Release	–	132	–	–	132
Balance at 30th June 2006	–	–	(547)	–	(547)
Net Balance at 30th June 2006	<u>6,988</u>	<u>3,746</u>	<u>500</u>	<u>191</u>	<u>11,425</u>
Net Balance at 1st July 2005	<u>5,279</u>	<u>4,818</u>	<u>752</u>	<u>83</u>	<u>10,932</u>
Net Balance at 1st July 2004	<u>4,055</u>	<u>4,849</u>	<u>687</u>	<u>83</u>	<u>9,674</u>

1.2 Extract from the audited accounts of Western for the 3 years ended 30 June 2006 (continued)

6. Associated Companies

1. **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.). The following amounts have been extracted from the accounts of CGL.

	2006 £000	2005 £000	2004 £000
Tangible assets	13	4	–
Net current assets	118	123	172
Operating income/turnover	688	599	627
Profit/(loss) before taxation	4	(45)	19
Taxation	–	–	–
Aggregate capital and reserves	132	128	172
Share of net assets	64	62	84
Share of profit/(loss) after tax for the year	2	(22)	9
Share of post acquisition (loss)/profit	(1)	(2)	19

2. **Industrial and Commercial Holdings P.L.C.** (“ICH”) is incorporated and operating in Great Britain and its prime activity is that of a holding company. ICH’s year end is 30th June. It has 23,997,985 ordinary 1p shares in issue of which the Company owns 7,177,762 shares (29.9 per cent.). The following amounts have been extracted from the accounts of ICH.

	2006	2005	2004
Tangible assets	42	42	n/a
Net current assets	201	217	n/a
Operating income/turnover	–	–	n/a
Profit before taxation	(16)	(16)	n/a
Taxation	–	–	n/a
Aggregate capital and reserves	243	260	n/a
Share of net assets	73	78	n/a
Share of profit after tax for the year	(5)	(5)	n/a
Share of post acquisition profit	(23)	(19)	n/a

The effect of equity accounting for the above associates on a pro forma basis would be to increase the net assets by £137,000 to £10,632,000 (2005 – increase by £140,000 to £9,800,000; 2004 – by £84,000 to £10,404,000) and decrease the profit by £3,000 to £312,000 (2005 – decrease by £27,000 to £126,000; 2004 – by £9,000 to £316,000).

APPENDIX 2

SUMMARY FINANCIAL INFORMATION ON LONFIN

2. Financial information on Lonfin

The financial information contained in this section of the document does not constitute statutory accounts within the meaning of section 240 of the Act.

2.1 Unaudited Interim results of Lonfin for the six months ended 31st December 2006

Results for the period are unaudited and have been prepared under IFRS

Unaudited Consolidated Profit & Loss Account

	Half year ended 31st December		Year ended 30th June
	2006 £000	2005 £000	2006 £000
Operating Income			
Dividends received	155	99	179
Interest and sundry income	18	15	30
Profit on sales of investments	1,337	179	401
	<u>1,510</u>	<u>293</u>	<u>610</u>
Management services income	251	285	587
	<u>1,761</u>	<u>578</u>	<u>1,197</u>
Administrative expenses			
Investment operations	(170)	(163)	(337)
Management services	(274)	(295)	(557)
Total administrative expenses	<u>(444)</u>	<u>(458)</u>	<u>(894)</u>
Operating profit	1,317	120	303
Share of result of associated undertaking			
Operating profit	9	68	169
Exceptional costs	(202)	(40)	(40)
Interest payable	(76)	(63)	(123)
Profit on ordinary activities before taxation	1,048	85	309
Tax on result of ordinary activities	(309)	(1)	(4)
Profit on ordinary activities after taxation	739	84	305
Minority interest	11	17	(2)
Profit attributable to members of the holding company	<u>750</u>	<u>101</u>	<u>303</u>
Reconciliation of headline earnings			
Earnings per share	2.5p	0.4p	1.1p
Adjustment for exceptional items, net of tax	0.5p	–	–
Headline earnings per share	<u>3.0p</u>	<u>0.4p</u>	<u>1.1p</u>
Fully diluted earnings per share	2.5p	0.4p	1.1p
Dividend per share	Nil	Nil	1.05p

2.1 Unaudited Interim results of Lonfin for the six months ended 31st December 2006 (continued)

Consolidated Statement of Recognised Gains and Losses

	31st December		30th June
	2006	2005	2006
	£000	£000	£000
Unrealised gains on investments held as:-			
Fixed assets	2,313	3,079	3,768
Current assets	364	449	427
Deferred taxation on unrealised gains	(734)	(1,036)	(1,188)
	<u>1,943</u>	<u>2,492</u>	<u>3,007</u>
Profit attributable to members	750	101	303
Share capital issued	60	954	949
Dividend paid in respect of the previous year	(315)	(262)	(262)
Total recognised gains and losses for the year	<u>2,438</u>	<u>3,285</u>	<u>3,997</u>

Unaudited Consolidated Balance Sheet

Fixed assets			
Tangible assets	423	436	430
Investments	15,382	12,473	13,247
	<u>15,805</u>	<u>12,909</u>	<u>13,677</u>
Current assets			
Listed investments	5,382	4,687	4,907
Debtors	177	239	196
Cash, bank balances and deposits	878	93	171
	<u>6,437</u>	<u>5,019</u>	<u>5,274</u>
Total Assets	<u>22,242</u>	<u>17,928</u>	<u>18,951</u>
Capital and Reserves			
Called up share capital	1,560	1,500	1,500
Share premium account	1,855	1,859	1,854
Reserves	7,186	4,729	5,244
Profit and loss account	7,468	6,831	7,033
	<u>18,069</u>	<u>14,919</u>	<u>15,631</u>
Shareholders funds	18,069	14,919	15,631
Creditors falling due within one year	2,023	1,753	1,893
Deferred taxation	2,097	1,212	1,363
Minority equity interest	53	44	64
	<u>22,242</u>	<u>17,928</u>	<u>18,951</u>

Consolidated Cash Flow Statement

	Half year ended 31st December		Year ended 30th June
	2006	2005	2006
	£000	£000	£000
Cash outflow on operating activities	<u>(305)</u>	<u>(58)</u>	<u>(120)</u>
Returns on investments and servicing of finance			
Dividend received	282	201	281
Interest paid	<u>(54)</u>	<u>(64)</u>	<u>(95)</u>
Net cash inflow from returns on investments and servicing of finance	<u>228</u>	<u>137</u>	<u>186</u>
Taxation paid	<u>(3)</u>	<u>(1)</u>	<u>(4)</u>
Investing activities			
Tangible assets purchased	–	(11)	(12)
Fixed assets investments purchases	(888)	(664)	(664)
Fixed assets investments disposals	<u>2,080</u>	<u>–</u>	<u>–</u>
Net cash inflow/(outflow) from investment activities	<u>1,192</u>	<u>(675)</u>	<u>(676)</u>
Equity dividend paid – Company	<u>(315)</u>	<u>(262)</u>	<u>(262)</u>
Financing			
Share capital issued	60	954	949
Net (repayment)/drawdown of loan facility	<u>(150)</u>	<u>(50)</u>	<u>50</u>
Net cash (outflow)/inflow from financing	<u>(90)</u>	<u>904</u>	<u>999</u>
Increase in cash	<u>707</u>	<u>45</u>	<u>123</u>

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

	31st December	30th June
	2006	2006
	£000	£000
Operating profit	1,317	303
Exceptional costs	(118)	(40)
Dividends receivable	(155)	(179)
Depreciation charges	7	13
Profit on sale of fixed asset investment	(1,239)	–
Decrease/(increase) in debtors	19	(15)
(Decrease)/increase in creditors	(25)	13
Decrease in current asset investments	<u>(111)</u>	<u>(215)</u>
	<u>(305)</u>	<u>(120)</u>

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

	At start of period	Cash flow	At end of Period
	£000	£000	£000
2006			
Cash at bank	171	707	878
Bank loan	<u>(1,650)</u>	<u>150</u>	<u>(1,500)</u>
	<u>(1,479)</u>	<u>857</u>	<u>(622)</u>
2005/2006			
Cash at bank	48	123	171
Bank loan	<u>(1,600)</u>	<u>(50)</u>	<u>(1,650)</u>
	<u>(1,552)</u>	<u>73</u>	<u>(1,479)</u>

2.1 Unaudited Interim results of Lonfin for the six months ended 31st December 2006 (continued)

Balance Sheet analysis taking investments at market value

	31st December		30th June
	2006	2005	2006
	£000	£000	£000
Principal investments at market value:			
Marylebone Warwick Balfour Group Plc	4,820	4,455	5,910
Finsbury Food Group plc	7,020	4,760	4,340
Western Selection P.L.C.	3,542	3,258	2,997
	<u>15,382</u>	<u>12,473</u>	<u>13,247</u>
General equity portfolio	5,382	4,687	4,907
Tangible fixed assets	423	436	430
Cash, bank balances and deposits	878	93	171
Bank loan	(1,500)	(1,550)	(1,650)
Other net (liabilities)/assets	(346)	35	(47)
Deferred taxation	(2,097)	(1,212)	(1,363)
Minority interests	(53)	(43)	(64)
	<u>18,069</u>	<u>14,919</u>	<u>15,631</u>
Net assets			
Net Assets per share	57.9p	49.7p	52.1p
Net Assets per share at 28th February 2007	61.7p		

Notes:

- 1 The financial results for the half-year are unaudited and have been prepared in accordance with International Financial Reporting Standards which was the basis on which the accounts for the year ended 30th June 2006 were prepared. 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 2006 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 weighted average number of shares in issue during the period – 30,065,217 (December 2005 – 26,785,377 and June 2006 – 28,672,672).

2.2 Extracts from the audited accounts of Lonfin for year ended 30th June 2006

The summary financial information for Lonfin set out below has been extracted from of the consolidated statutory results of the group for the two years ended 30th June 2006. The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS).

Income Statement

For the year ended 30th June	Notes	2006 £000	2005 £000
Operating Income			
Investment operations	2	610	572
Management services	2	587	501
Administrative expenses			
Investment operations	3-5	(350)	(294)
Management services	3-5	(584)	(551)
Operating profit		263	228
Share of result of associated undertaking		169	90
Interest payable	6	(123)	(116)
Profit on ordinary activities before taxation		309	202
Tax on result of ordinary activities		(4)	(12)
Profit on ordinary activities after taxation		305	190
Equity minority interest		(2)	22
Profit for the financial year attributable to members of the holding company		<u>303</u>	<u>212</u>
Basic earnings per share		1.06p	0.81p
Headline earnings per share		1.06p	0.81p
Diluted earnings per share		1.06p	0.80p
Consolidated Statement of Recognised Gains and Losses			
Profit attributable to members		303	212
Unrealised gains on investments held as:-			
Fixed assets		3,768	2,131
Current assets		427	130
Deferred taxation on unrealised gains		(1,188)	(176)
Total recognised gains and losses for the year		<u>3,310</u>	<u>2,297</u>
Changes in Shareholders' Equity			
Total recognised gains and losses for the year		3,310	2,297
Proceeds of new shares issued		949	77
Dividend paid in respect of the previous year		(262)	(233)
		3,997	2,141
Shareholders' funds at start of year		11,634	9,493
Provision for proposed dividends reversed		-	-
Shareholders' funds at end of year		<u>15,631</u>	<u>11,634</u>

All profits and losses are on continuing activities.

2.2 Extracts from the audited accounts of Lonfin for year ended 30th June 2006 (continued)

Consolidated Balance Sheet

At 30th June	Notes	2006 £000	2005 £000
Non-current Assets			
Tangible assets	7	430	431
Investments	8	<u>13,247</u>	<u>8,776</u>
		<u>13,677</u>	<u>9,207</u>
Current Assets			
Listed investments		4,907	4,265
Accounts receivable		196	178
Bank balance and deposits		<u>171</u>	<u>48</u>
		5,274	4,491
Current Liabilities			
Accounts payable: falling due within one year		<u>(1,893)</u>	<u>(1,827)</u>
Net Current Assets		<u>3,381</u>	<u>2,664</u>
Total Assets less Current Liabilities		17,058	11,871
Deferred taxation		<u>(1,363)</u>	<u>(176)</u>
Total Assets less Current Liabilities		<u>15,695</u>	<u>11,695</u>
Capital and Reserves			
Called up share capital		1,500	1,310
Share premium account		1,854	1,095
Reserves		5,244	2,237
Profit and loss account		<u>7,033</u>	<u>6,992</u>
Equity shareholders' funds		15,631	11,634
Minority equity interests		<u>64</u>	<u>61</u>
		<u>15,695</u>	<u>11,695</u>

Company Balance Sheet

	2006	2005
At 30th June	£000	£000
Non-current Assets		
Tangible assets	417	427
Investments in Group companies	<u>6,614</u>	<u>5,954</u>
	<u>7,031</u>	<u>6,381</u>
Current Assets		
Listed investments	4,907	4,265
Accounts receivable	27	36
Bank balance and deposits	<u>145</u>	<u>39</u>
	5,079	4,340
Current Liabilities		
Accounts payable: falling due within one year	<u>(1,815)</u>	<u>(1,798)</u>
Net Current Assets	<u>3,264</u>	<u>2,542</u>
Total Assets less Current Liabilities	10,295	8,923
Deferred Taxation	<u>(90)</u>	<u>-</u>
	<u>10,205</u>	<u>8,923</u>
Capital and Reserves		
Called up share capital	1,500	1,310
Share premium account	1,854	1,095
Reserves	1,548	1,211
Profit and loss account	<u>5,303</u>	<u>5,307</u>
Equity shareholders' funds	<u>10,205</u>	<u>8,923</u>

2.2 Extracts from the audited accounts of Lonfin for year ended 30th June 2006 (continued)

Consolidated Cash Flow Statement

For the year ended 30th June	2006 £000	2005 £000
Cash outflow on operating activities	<u>(142)</u>	<u>(244)</u>
Returns on investments and servicing of finance		
Dividends received	281	277
Interest paid	<u>(95)</u>	<u>(89)</u>
Net cash inflow from returns on investments and servicing of finance	<u>186</u>	<u>188</u>
Taxation	<u>(4)</u>	<u>(15)</u>
Investing activities		
Purchase of tangible fixed assets	(12)	(4)
Fixed asset investments – purchased	<u>(692)</u>	<u>(101)</u>
Net cash outflow from investment activities	<u>(704)</u>	<u>(105)</u>
Equity dividend paid	(262)	(233)
Financing		
Share capital issued	949	77
Net (repayment)/draw down of loan facility	<u>(50)</u>	<u>350</u>
Net cash inflow from financing	<u>999</u>	<u>427</u>
Increase in cash	<u>73</u>	<u>18</u>

Notes to the Accounts

1. Accounting Policies

- (i) These accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Acts 1985 applicable to companies reporting under IFRS. The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value, in accordance with IFRS.

Previous accounts were prepared under UK Generally Accepted Accounting Principles (UK GAAP) and reconciliations of the Group's results and the balance sheets of the Company and the Group between IFRS and UK GAAP are presented in Note 9.

- (ii) These consolidated accounts include the results of the subsidiaries (all of which are companies) for the year to 30th June 2006. 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

- (vi) Provision is made where the market value of current asset investments is below cost. Fixed and current asset investments are included in the balance sheet at fair value, being market value of listed investments and the directors' valuation of unquoted investments. Changes in unrealised gains arising between book values and fair values are recognised in equity and reported in the Statements of Recognised Gains & Losses and Changes in Equity on page 47. On the disposal of an investment the amount recognised in equity is transferred to the income statement.
- (vii) Deferred taxation is provided on the full liability method, at tax rates that are expected to apply, 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. Taxation charges or recoveries are recognised in the income statement, or directly to equity when related to items recognised directly to equity.
- (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.

2.2 Extracts from the audited accounts of Lonfin for year ended 30th June 2006 (continued)

2. Operating Profit – Segmental Analysis

	Investment Operations		Management Services	
	2006 £000	2005 £000	2006 £000	2005 £000
Dividends – Listed investments	179	179	–	–
Interest receivable	3	1	17	7
Rental and other income	27	27	41	12
Profits on sales of investments, including provisions	401	365	–	–
Management services fees	–	–	529	482
Operating income	610	572	587	501
Administration expenses	(350)	(294)	(584)	(551)
Operating profit/(loss)	260	278	3	(50)

3. Administration Expenses

Administrative expenses include:

Depreciation	13	10
Auditors' remuneration – audit services	17	15
– non-audit services	2	2
Directors' emoluments	48	48
Staff costs as set out in Note 5	510	515

4. Related Party Disclosures

London Finance & Investment Group P.L.C. and its wholly owned subsidiary (“Lonfin”), holds 44.6 per cent. of its associate Western Selection P.L.C. (“Western”) of which Mr. Marshall and Mr. Robotham are directors.

Lonfin and/or Western hold shares in Marylebone Warwick Balfour Group Plc, Finsbury Food Group plc and Creston plc. Mr. Marshall is a director of Marylebone Warwick Balfour Group Plc, Creston plc, and Finsbury Food Group plc.

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 Conafex Holdings S.A. and Halogen Holdings S.A. Mr. Marshall is chairman of Halogen and a director of Conafex and Mr. Robotham is a director of Halogen. Monteagle pays an annual rental of £27,000 (2005 and 2004 – £27,000) in respect of a leasehold property owned by Lonfin. These companies are all registered in Luxembourg and operate internationally.

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 £509,000 (2005 – £469,000, 2004 – £503,000) for the year under review. At the balance sheet date the aggregate balance due in respect of fees invoiced was £115,000 (2005 – £109,000, 2004 – £193,000) and advance fees paid were £1,000 (2005 – £36,000, 2004 – £7,800), 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 £8,800 (2005 – £9,300, 2004 – £12,500) 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

Staff costs, excluding those relating to the Directors:

	2006 £000	2005 £000
Salaries	461	461
Social security costs	49	54
	<u>510</u>	<u>515</u>
The average weekly number of staff employed, including directors, was:	<u>13</u>	<u>13</u>

6. Interest Payable

Bank interest	96	89
Share of associated undertaking's interest payable	27	27
	<u>123</u>	<u>116</u>

7. Tangible Assets

	Long Leasehold Residential Property £000	Office Equipment £000	Total £000
At Valuation – 1st July 2005	500	–	500
At cost – 1st July 2005	–	193	193
Additions	–	12	12
30th June 2006	<u>500</u>	<u>205</u>	<u>705</u>
Depreciation			
Balance – 1st July 2005	73	189	262
Charges for the year	10	3	13
30th June 2006	<u>83</u>	<u>192</u>	<u>275</u>
Net book amount 30th June 2006	<u>417</u>	<u>13</u>	<u>430</u>
Net book amount 30th June 2005	<u>427</u>	<u>4</u>	<u>431</u>

The group has adopted the transitional provisions of IFRS 15, under the cost model option, such that it will retain the valuation of the long leasehold property under UK GAAP. There will therefore be no future revaluations incorporated in the accounts. The other fixed assets are held by a subsidiary company.

2.2 Extracts from the audited accounts of Lonfin for year ended 30th June 2006 (continued)

8. Investments

(a) Held as non-current assets

	2006 £000	2005 £000
	Group	
(i) Listed associated undertaking		
Brought forward -		
Shares at cost	4,298	4,298
Fair value adjustment	(150)	(150)
Shares of post acquisition losses	(62)	(27)
	<u>4,086</u>	<u>4,121</u>
Addition during year	518	–
Share of retained results for the year	39	(35)
	<u>4,643</u>	<u>4,086</u>
Book value	<u>4,643</u>	<u>4,086</u>
Fair value adjustment – unrealised losses	(1,646)	(1,685)
Fair value – market value	<u>2,997</u>	<u>2,401</u>
(ii) Other listed investments		
At cost, 1st July	3,369	3,269
Additions during the year	146	100
Disposals during the year	–	–
	<u>3,515</u>	<u>3,369</u>
Book value	<u>3,515</u>	<u>3,369</u>
Fair value adjustment – unrealised gains	6,735	3,006
Fair value – market value	<u>10,250</u>	<u>6,375</u>
Total at 30th June	<u>13,247</u>	<u>8,776</u>

(b) Held as current assets

	Company and Group	
(i) Listed investments		
At cost	3,795	3,556
Reduction in value	(46)	(22)
	<u>3,749</u>	<u>3,534</u>
Book value	<u>3,749</u>	<u>3,534</u>
Fair value adjustment – unrealised gains	1,158	731
Fair value – market value	<u>4,907</u>	<u>4,265</u>

The comparative amounts for both non-current and current investments have been restated for the change to present these assets at fair value (market value) under IFRS (see notes 1(i) and 9).

The company's wholly owned subsidiary, Lonfin Investments Limited, owns 5,000,000 shares and 3,000,000 warrants in Finsbury Food Group Plc ("Finsbury Food"), representing 21.66 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 2005 were £9,882,000 and its profit after tax for the six months then ended was £493,000.

(c) **Associated undertaking**

Western Selection P.L.C., the associated undertaking, is a strategic investment company traded on AIM and incorporated and operating in Great Britain with a financial year end of 30th June 2006. It has 11,668,182 ordinary shares of 40p each in issue, of which 44.6 per cent. are owned by the Company's wholly owned subsidiary, Lonfin Investments Limited.

	2006 £000	2005 £000
Group share of Western:-		
Net release /(charge) of provision against investments	59	(85)
Operating profit	169	90
Fixed asset investments *	5,096	4,425
Current assets	17	37
Liabilities due within one year	694	(799)
	5,358	4,570

* Share of investments valued on an IFRS basis

9. IFRS Reconciliations

There are two adjustments arising from the change in the basis of preparation of the financial statements from UK GAAP to IFRS: (a) bringing into account the fair values of investments, and any deferred tax liability arising thereon; and (b) the timing in the recognition of dividends. The different basis has no effect on reported profit, only retained profit. This arises from the different treatment of proposed dividends, which are now not provided for until legally payable. Dividends are also now charged directly to equity and no longer appear on the face of the profit & loss account.

Group

Balance sheet

	UK GAAP 2005 £000	2005 Effect of IFRS 2005 £000	IFRS 2005 £000	UK GAAP 2004 £000	2004 Effect of IFRS 2004 £000	IFRS 2004 £000
Tangible fixed assets	431	–	431	437	–	437
Fixed asset investments	7,455	1,321	8,776	7,390	(810)	6,580
Current asset investments	3,534	731	4,265	3,077	602	3,679
Other current assets	226	–	226	302	–	302
Current liabilities	(2,089)	262	(1,827)	(1,655)	233	(1,422)
Deferred taxation	–	(176)	(176)	–	–	–
	<u>9,557</u>	<u>2,138</u>	<u>11,695</u>	<u>9,551</u>	<u>25</u>	<u>9,576</u>
Equity shareholders' funds	9,496	2,138	11,634	9,469	25	9,494
Minority interests	61	–	61	82	–	82
	<u>9,557</u>	<u>2,138</u>	<u>11,695</u>	<u>9,551</u>	<u>25</u>	<u>9,576</u>

APPENDIX 3

TERMS AND CONDITIONS OF WESTERN WARRANTS

3.1 2007 Warrants

The following is a summary of the principal terms and conditions of the 2007 Warrants:

1. Subscription rights

- 1.1 A registered holder for the time being of a warrant (“Warrantholder”) has the right on 10 December 2007 (“the Exercise Date”) to subscribe in cash for one Western Share at a price of 33p (“the Exercise Price”), payable in full on subscription.
- 1.2 In order to exercise the subscription rights in whole or in part, a Warrantholder must lodge the Warrant certificate or certificates (or such other evidence as the Directors of Western (“the Directors”) may reasonably require as proof of the title of the person exercising the subscription rights) at the offices of the Warrant Registrar (being Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU) of Western on or within 30 days prior to the Exercise Date, having completed the subscription notice on the reverse thereof (or accompanied by such other written notice as the Directors may approve) and specifying the number of Western Shares in respect of which the subscription rights are to be exercised accompanied by a remittance for the subscription price of the Western Shares in respect of which the subscription rights are exercised. Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors and shall take effect from the Exercise Date. Compliance must also be made with any statutory requirements for the time being applicable.
- 1.3 Not earlier than five weeks nor later than three weeks before the Exercise Date, Western shall give notice to the Warrantholders by means of a notice sent by post to each Warrantholder at their address as specified in the register of Warrantholders.
- 1.4 Subject to payment being timeously received in respect of the Exercise Price, Western Shares will be issued pursuant to the exercise of subscription rights not later than 14 days after and with effect from the Exercise Date and share certificates in respect of such Western Shares will be issued free of charge and dispatched (at the risk of persons entitled thereto) not later than 28 days after the Exercise Date to the persons in whose names the Warrant(s) are registered at the date of such exercise or to such other persons as may be named in a form of nomination on the reverse of the Warrant certificate. Pending the issue of certificates in respect of new Western Shares resulting from the exercise of Warrants, transfers of new Western Shares will be certified by the Warrant Registrar.
- 1.5 If any Warrants are not exercised by the Exercise Date the Directors will have the right to place such un-exercised Warrants for the benefit of the Company with institutions or individuals who may then subscribe for new Western Shares at the Exercise Price of 33p each, thus enabling the Company to maximise the amount of expected proceeds from the Warrants.
- 1.6 Western Shares allotted pursuant to the exercise of the Warrants will rank *pari passu* with any existing Western Shares for dividends or other distributions, it being, however, understood that the Western Shares issued upon the exercise of the Warrants will not rank for dividend or other distributions declared, made or paid on the Western Shares for the financial year ended 30th June 2007.
- 1.7 Applications will be made to AIM for the Western Shares issued pursuant to any exercise of subscription rights to be admitted to trading and Western shall use all reasonable endeavours to obtain the admission thereof not later than 28 days after the Exercise Date.

2. Other provisions

- 2.1 Western shall not issue securities by way of capitalisation of profits or reserves unless in either case it shall first have received the consent of Warrantholders holding at least 75 per cent. of the Warrants.

- 2.2 Western shall not in any way modify the rights attached to the Western Shares as a class (but nothing herein shall restrict the right of Western to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Western Shares unless it shall first have received the consent of Warrantheolders holding at least 75 per cent. of the Warrants.
- 2.3 Western shall not, except with the sanction of an extraordinary resolution (as hereafter described in this clause) of the Warrantheolders, reduce its share capital or any uncalled or unpaid liability in respect of its share capital or any share premium account or capital redemption reserve unless in either case the reduction does not involve either the diminution of liability of unpaid share capital or the repayment to any shareholder of any paid-up share capital. An extraordinary resolution of the Warrantheolders means a resolution proposed at a meeting of the Warrantheolders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.
- 2.4 Western shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable.
- 2.5 If at any time an offer or invitation is made by Western to the holders of Western Shares for the purchase by Western of any of its Shares, Western shall simultaneously give notice thereof to the registered holders of the Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance to exercise his subscription rights on the terms on which the same could have been exercised on the Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.
- 2.6 If at any time an offer is made to all holders of Western Shares (or all holders of Western Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of Western and Western becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of Western has or will become vested in the offeror and/or such persons or companies as aforesaid, Western shall give notice to the Warrantheolders within 14 days of it becoming so aware, and each Warrantheolder shall be entitled, at any time whilst such offer is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on the Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer. Publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued share capital of Western shall be deemed to be the making of an offer for the purposes of this sub-paragraph 2.6.
- 2.7 If an order is made or an effective resolution is passed for winding-up Western (except for the purpose of reconstruction, amalgamation or merger on terms sanctioned by an extraordinary resolution of the Warrantheolders in which case the Warrantheolders shall be entitled to be granted by the reconstructed, amalgamated or merged company a substituted Warrant of the value of the Warrants immediately prior to such reconstruction, amalgamation or merger), each Warrantheolder shall (if in such winding-up and on the basis that all Warrants then unexercised which have not lapsed had been exercised in full and the subscription moneys for the relevant Western Shares had been received in full by Western, there would be a surplus available for distribution amongst the holders of the Western Shares which, on such basis, would exceed in respect of each share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on the Exercise Date and shall, accordingly, be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Western Shares such a sum as he would have received had he exercised his subscription rights in full and become the holder of the Western Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price. Subject to the foregoing, all subscription rights shall lapse on the date that Western enters into liquidation or winding-up.

3. Modification of rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not Western is being wound-up) be altered or abrogated by Western with the sanction of an extraordinary resolution passed at a separate general meeting of the Warrantholders. The votes of Warrantholders cannot be included or taken account of in the votes cast by shareholders of Western at a duly convened meeting of shareholders. That, notwithstanding, all the provisions of the Articles of Association for the time being of Western as to general meetings shall mutatis mutandis apply to such separate general meetings as though the Warrants were a class of Western Shares forming part of the capital of Western but so that (i) the necessary quorum shall be the holders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Western shares attributable to such outstanding Warrants; (ii) every Warrantholder (present in person or by proxy) at any such meeting shall be entitled on a poll to one vote for every share for which he is entitled to subscribe; (iii) any Warrantholder (present in person or by proxy) may demand or join in demanding a poll; and (iv) at any adjourned meeting, those Warrantholders (present in person or by proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

4. Transfer

Each Warrant will be registered and will be transferable upon registration of transfer of title in the register of Warrantholders. Intention to transfer title will be evidenced by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors (signed by or on behalf of both the transferor and the transferee). Western may refuse to register any transfer of Warrants unless it is duly stamped and lodged at the office of the Warrant Registrar of Western (or such other place as the Directors may appoint) accompanied by a certificate for the Warrants to be transferred and such other evidence as the Directors may reasonably require to show the right of the intending transferor to make the transfer. A new Warrant certificate will be issued to the new Warrantholder.

5. General

Western will concurrently with the issue of the same to the holders of Western Shares, send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of Western, together with all documents required by law to be annexed thereto and copies of all other documents issued by Western to holders of Western Shares. The Warrants are governed by English Law.

3.2 2010 Warrants

The following is a summary of the principal terms and conditions of the 2010 Warrants:

1. Subscription rights

- 1.1 A registered holder for the time being of a Warrant (“Warrantholder”) has subscription rights on each date falling 28 days after the dispatch of the interim report and 28 days after the dispatch of the annual report of the Company in each of the years 2008 to 2010 (or if such date is not a Business Day, the next following Business Day) (“the Exercise Dates”), to subscribe in cash for one share at a price of 50p (“the Exercise Price”), payable in full on subscription.
- 1.2 In order to exercise the subscription rights in whole or in part a Warrantholder must lodge the Warrant certificate or certificates (or such other evidence as the Directors of Western (“the Directors”) may reasonably require as proof of the title of the person exercising the subscription rights) at the offices of the Warrant Registrar (being Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU) of Western on or within 30 days prior to the Exercise Date, having completed the subscription notice on the reverse thereof (or accompanied by such other written notice as the Directors may approve) and specifying the number of Western Shares in respect of which the subscription rights are to be exercised accompanied by a remittance for the subscription price of the Western Shares in respect of which the subscription rights are exercised. Once lodged, a subscription notice shall be irrevocable save with the consent of the Directors and shall take effect from the Exercise Date. Compliance must also be made with any statutory requirements for the time being applicable.
- 1.3 Not earlier than five weeks nor later than three weeks before an Exercise Date, Western shall give notice to the Warrantholders by means of a notice sent by post to each Warrantholder at their address as specified in the register of Warrantholders.
- 1.4 Subject to payment being timeously received in respect of the Exercise Price, Western Shares will be issued pursuant to the exercise of subscription rights not later than 14 days after and with effect from the Exercise Date and share certificates in respect of such ordinary Western Shares will be issued free of charge and dispatched (at the risk of persons entitled thereto) not later than 28 days after the Exercise Date to the persons in whose names the Warrant(s) are registered at the date of such exercise or to such other persons as may be named in a form of nomination on the reverse of the Warrant certificate. Pending the issue of certificates in respect of new Western Shares resulting from the exercise of Warrants, transfers of new Western Shares will be certified by the Warrant Registrar.
- 1.5 If any Warrants are not exercised by the final Exercise Date (being 28 days after the despatch of the annual report of the Company for the year end in 2010), the Directors will have the right to place such un-exercised Warrants for the benefit of the Company with institutions or individuals who may then subscribe for new Western Shares at the Exercise Price of 50p each, thus enabling the Company to maximise the amount of expected proceeds from the Warrants.
- 1.6 Western Shares allotted pursuant to the exercise of the Warrants will rank *pari passu* with any existing Western Shares for dividends or other distributions, it being, however, understood that the Western Shares issued upon the exercise of the Warrants will not rank for dividends or other distributions declared, made or paid on the Western Shares prior to the issue date of the Western Shares relating to the Warrants.
- 1.7 Applications will be made to AIM for the Western Shares issued pursuant to any exercise of subscription rights to be admitted to trading and Western shall use all reasonable endeavours to obtain the admission thereof not later than 28 days after the Exercise Date.

2. Other provisions

- 2.1 Western shall not issue securities by way of capitalisation of profits or reserves unless in either case it shall first have received the consent of Warrantholders holding at least 75 per cent. of the Warrants.
- 2.2 Western shall not in any way modify the rights attached to the Western Shares as a class (but nothing herein shall restrict the right of Western to increase or to consolidate or sub-divide its

share capital), or create or issue any new class of equity share capital which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Western Shares unless it shall first have received the consent of Warrantheolders holding at least 75 per cent. of the Warrants.

- 2.3 Western shall not, except with the sanction of an extraordinary resolution (as hereafter described in this clause) of the holders of the Warrants, reduce its share capital or any uncalled or unpaid liability in respect of its share capital or any share premium account or capital redemption reserve unless in either case the reduction does not involve either the diminution of liability of unpaid share capital or the repayment to any shareholder of any paid-up share capital. An extraordinary resolution of the hold Warrantheolders means a resolution proposed at a meeting of the Warrantheolders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.
- 2.4 Western shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable.
- 2.5 If at any time an offer or invitation is made by Western to the holders of the Western Shares for the purchase by Western of any of its Shares, Western shall simultaneously give notice thereof to the registered holders of the Warrants and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance to exercise his subscription rights on the terms on which the same could have been exercised on an Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.
- 2.6 If at any time an offer is made to all holders of Western Shares (or all holders of Western Shares other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued share capital of Western and Western becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of Western has or will become vested in the offeror and/or such persons or companies as aforesaid, Western shall give notice to the Warrantheolders within 14 days of it becoming so aware, and each Warrantheolder shall be entitled, at any time whilst such offer is open for acceptance, to exercise his subscription rights on the terms on which the same could have been exercised on an Exercise Date so as to take effect as if he had exercised his rights immediately prior to the record date of such offer. Publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued share capital of Western shall be deemed to be the making of an offer for the purposes of this sub-paragraph 2.6.
- 2.7 If an order is made or an effective resolution is passed for winding-up Western (except for the purpose of reconstruction, amalgamation or merger on terms sanctioned by an extraordinary resolution of the Warrantheolders in which case the Warrantheolders shall be entitled to be granted by the reconstructed, amalgamated or merged company a substituted Warrant of the value of the Warrants immediately prior to such reconstruction, amalgamation or merger), each Warrantheolder shall (if in such winding-up and on the basis that all Warrants then unexercised which have not lapsed had been exercised in full and the subscription moneys for the relevant Western Shares had been received in full by Western, there would be a surplus available for distribution amongst the holders of the Western Shares which, on such basis, would exceed in respect of each share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on an Exercise Date and shall, accordingly, be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Western Shares such a sum as he would have received had he exercised his subscription rights in full and become the holder of the Western Shares to which he would have become entitled by virtue of such subscription after deducting a sum per share equal to the subscription price. Subject to the foregoing, all subscription rights shall lapse on the date that Western enters into liquidation or winding-up.

3. Modification of rights

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not Western is being wound-up) be altered or abrogated by Western with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Warrants. The votes of Warrantheolders cannot be included or taken account of in the votes cast by shareholders of Western at a duly convened meeting of shareholders. That, notwithstanding, all the provisions of the Articles of Association for the time being of Western as to general meetings shall mutatis mutandis apply to such separate general meetings as though the Warrants were a class of Western Shares forming part of the capital of Western but so that (i) the necessary quorum shall be the holders (present in person or by proxy) entitled to subscribe for one-third in nominal amount of the Western Shares attributable to such outstanding Warrants; (ii) every Warrantheolder (present in person or by proxy) at any such meeting shall be entitled on a poll to one vote for every share for which he is entitled to subscribe; (iii) any Warrantheolder (present in person or by proxy) may demand or join in demanding a poll; and (iv) at any adjourned meeting, those Warrantheolders (present in person or by proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

4. Transfer

Each Warrant will be registered and will be transferable upon registration of transfer of title in the register of Warrantheolders. Intention to transfer title will be evidenced by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors (signed by or on behalf of both the transferor and the transferee). Western may refuse to register any transfer of Warrants unless it is duly stamped and lodged at the office of the Warrant Registrar of Western (or such other place as the Directors may appoint) accompanied by a certificate for the Warrants to be transferred and such other evidence as the Directors may reasonably require to show the right of the intending transferor to make the transfer. A new Warrant certificate will be issued to the new Warrantheolder.

5. General

Western will concurrently with the issue of the same to the holders of Western Shares, send to each registered holder of a Warrant (or in the case of joint holders to the first-named) a copy of each published annual report and accounts of Western, together with all documents required by law to be annexed thereto and copies of all other documents issued by Western to holders of Western Shares. The Warrants are governed by English Law.

APPENDIX 4

1. Brief details of directors of, Western, Lonfin and City Group

D.C. MARSHALL, Non-Executive Chairman of Western, Chairman of Lonfin and Chairman of City Group, age 62.

Mr. Marshall joined the board of Lonfin in 1971 and was appointed Chairman in 1984. He resides in South Africa where he has extensive interests in listed trading, financial and property companies. He is the Chairman of Western having joined that board in 1974. He is also chairman of Creston plc and is a non-executive director of Finsbury Food Group plc and Marylebone Warwick Balfour Group Plc. He is the Chief Executive of Marshall Monteagle Holdings S.A., Chairman of Halogen Holdings S.A. and a non-executive of Conafex Holdings S.A.

J.M. ROBOTHAM, OBE, FCA, Non-executive director of Lonfin, Western and City Group, age 74. Mr Robotham joined the board of Lonfin in 1971 and the board of Western in 1984. He is the non-executive Chairman of Marshall Monteagle Holdings S.A. and a non-executive director of Halogen Holdings S.A. He is a chartered accountant and a member of the Securities Institute. He is associated with J.M. Finn & Co who are Nominated Brokers to Western.

A.J. HALL, Non-executive director of Western, age 65.

Mr Hall joined the board of Western in 1996. Mr. A.J. Hall held senior investment management positions with the Royal Trust Company of Canada and Aitken Hume. In 1985 he joined Sarasin Investment Management Limited, a wholly owned subsidiary of Bank Sarasin et Cie, a major private Swiss bank, as a director with responsibility for expanding investment services, and was managing director from 1989 to 2003 and he is now executive vice chairman.

A.R.C. BARCLAY, FCA, Non-executive director of Western, age 67.

Mr. Barclay joined the Board of Western in 1988. He is a chartered accountant and a director of Marshall Monteagle Holdings S.A. He was Chief Executive of City Group between 1980 and 1999.

F.W.A. LUCAS, PhD, Non-executive director of Lonfin, age 39.

Dr. Lucas was appointed a director of Lonfin in 1999. He is a mining geologist by profession and is the founding shareholder and a director of Loeb Aron, an authorised and regulated investment and issuing house, which specializes in corporate finance in the natural resources sector and is a member of the London Stock Exchange and of PLUS. Loeb Aron are acting as joint financial adviser to Western and as a consequence Dr Lucas has had no involvement in Loeb Aron's role to avoid any conflict of interest which might otherwise have arisen.

J.H. MAXWELL, CA, CCMI, FRSA, Non-executive, age 62.

Mr. Maxwell who is a Chartered Accountant was appointed a director of Lonfin in 2003. He currently serves as non-executive director of Homeserve PLC, Provident Financial PLC, Royal & Sun Alliance Insurance Group PLC, The Royal Automobile Club Limited and the Motor Sports Association Limited.

E.J. BEALE, Chief Executive of City Group, age 46.

Mr Beale is a non-executive director of Finsbury Food Group plc and is Chairman of the Corporate Governance committee of the Quoted Companies Alliance. Mr. Beale was a substantial contributor to the QCA's "Corporate Governance Guidelines for AIM Companies" and is the QCA's representative on the Dematerialisation Working Party. In 2007 Mr. Beale was appointed to the Accounting Standards Board. Prior to joining City Group in 1998, Mr. Beale worked outside the city, most recently as CFO of the Malabar Cotton Company and previously as Finance Manager at Inchcape plc and

Financial Controller of the Retail Division of French Connection plc. Mr. Beale has an MA from Cambridge and qualified as a Chartered Accountant with Price Waterhouse.

L.H. MARSHALL, Director of City Group, age 35.

Mr. Marshall was educated in South Africa, following which he served his national service in the South African Marines. After completing two years accountancy training with Kidson Impey, Chartered Accountants in London, he returned to South Africa. There he joined Monteagle, where for a number of years he was responsible for various commercial property management and import finance related work. Subsequently he moved to the U.K. and in 2001 was appointed a director of City Group and has responsibility for equity portfolio management for clients of City Group.

2. Supplementary information on the directors of Western

The names and functions of the Directors are shown in Corporate Information on page 3.

The Directors hold or have held within the period of five years prior to the date of this document, the following directorships.

David Courtnall Marshall

Current directorships

Cabernet Holdings Limited
Casa Renate Limited
Chateau Gateaux Limited
City Group Asset Management Limited
City Group P.L.C.
Conafex Africa Holdings Limited
Conafex Holdings Société Anonyme
Conafex International Limited
Condor Gold Mines Limited
Creston plc
Dalsavidge Investments (Pty) Limited
Dougalston Limited
Falcon Gold (Jersey) Limited
Falcon International Finance Limited
Finsbury Food Group plc
Fullers Investments Limited
(in members' voluntary liquidation)
Global Coffee Exports (UK) Limited
Global Coffee Exports Limited [Jersey]
Global Coffee Exports Limited [South Africa]
Halogen Holdings P.L.C.
Halogen Holdings Société Anonyme
Housestaple Limited
Humberstone Holdings P.L.C.
Industrial & Commercial Holdings PLC
L & G Tool and Machinery Distributors Limited
London Finance & Investment Group P.L.C.
Londurban (Pty) Limited
Lonfin Investments Limited
Luxdurban Investment Holdings (Pty) Limited
Marshall International Corporation Limited
Marshall International Investment Holdings Limited
Marshall Metallic Holdings Limited
Marshall Monteagle Holdings Société Anonyme
Marshall Private Holdings (Pty) Limited
Marshalls Confirming Jersey Limited
Marshalls Group Limited
Marshalls Holding Co. (Pty) Limited

Past directorships

Ariston Holdings Limited
Barato Holdings Limited
Bunhill P.L.C.
Daledeed Limited
Falcon Gold Zimbabwe Limited
Falcon Mines Holdings Société Anonyme
Minera Falcon de Chile SCM
MWB (Industrial) Limited
Olympus Gold Mines Limited
Registered Offices Investments Limited
The Sanctuary Group plc

Current directorships

Marshalls Internal Limited
Marshalls Limited
Marshalls Parking (Pty) Limited
Marylebone Warwick Balfour Group Plc
Monteagle Consumer Group Limited
Monteagle Consumer Group Limited
Monteagle Consumer Group (UK) Limited
Monteagle Inc.
Monteagle Investments (Pty) Limited
Monteagle International Limited
Monteagle International Finance Limited
Monteagle International Metals Limited
Monteagle Investments 99 (Pty) Limited
Monteagle Merchant Group Limited
Monteagle Merchant Group Southern Holdings Limited
Monteagle Properties (UK) Limited
Monteagle Property Holdings Limited
Monteagle Properties (Pty) Limited
Monteagle Subscriptions Limited
Monteagle Trading SA Limited
N H Marshall & Son (Pty) Limited
Olympus Gold (Jersey) Limited
Pinebark Limited
Registered Offices Limited
Tennyson Dollar Investments Limited
Tennyson Investments (UK) Limited
Tennyson Sterling Investments Limited
Western Selection P.L.C.

Alastair Robert Christopher Barclay

Current directorships

Creston Holdings Limited
Falcon International Finance Limited
Halogen Holdings Société Anonyme
Monteagle International Finance Limited
Monteagle International Metals Limited
Marshall Monteagle Holdings Société Anonyme
The Charlie Waller Memorial Trust
Western Selection P.L.C.

Andrew John Hall

Current directorships

140 Sutherland Avenue Limited
Sarasin Asset Management Limited
Sarasin Investment Management Limited
Western Selection P.L.C.

John Michael Robotham

Current directorships

Cabernet Holdings Limited
Casa Renate Limited
City Group Nominees Limited
City Group P.L.C.
Conafex Africa Holdings Limited
Condor Gold Mines Limited

Past directorships

Past directorships

Finsbury Food Group P.L.C.
Monteagle International Limited
Monteagle Merchant Group Limited
Store Survey Limited

Past directorships

None

Past directorships

Daleded Limited
I.A.M. Fleet Training Limited
IAM Group Services Limited
Institute of Advanced Motorists Limited (The)
Institute of Advanced Motorists Services Limited
Marylebone Warwick Balfour Group plc

Current directorships

Dougalston Limited
Falcon International Finance Limited
Falcon Gold (Jersey) Limited
Fullers Investments Limited
(in members' voluntary liquidation)
Halogen Holdings Société Anonyme
Humberstone Holdings P.L.C.
Industrial and Commercial Holdings P.L.C.
London Finance and Investment Corporation Limited
London Finance and Investment Group P.L.C.
Lonfin Investments Limited
Marshall Monteagle Holdings Société Anonyme
Monteagle Consumer Group (U.K.) Limited
Monteagle International Metals Limited
Monteagle Merchant Group Southern Holdings Limited
Monteagle Property Holdings Limited
Monteagle Properties (U.K.) Limited
Olympus Gold (Jersey) Limited
Pinebark Limited
Registered Offices Limited
Tennyson Dollar Investments Limited
Tennyson Investments (U.K.) Limited
Tennyson Sterling Investments Limited
Western Selection P.L.C.

Past directorships

Monteagle International Group
Monteagle Merchant Group Limited
MWB (Industrial) Limited
Registered Offices Investments Limited
Wardlaw (1989) Limited

None of the directors is or has been a partner in a partnership in the last five years.

David Marshall and Michael Robotham were directors of the following companies:

1. Ex Lands Holdings PLC, which was placed into members' voluntary liquidation on 5th February 1996 and was dissolved on 8th July 1998; and
2. NetAsset Limited until August 1995. NetAsset Limited was put into administrative receivership on 13th August 1991 and was dissolved on 20th May 1997.

David Marshall and Michael Robotham are also directors of Fullers Investments Limited, which was placed into members' voluntary liquidation on 9th March 2004.

Other than as shown above none of the Directors have any unspent convictions in relation to fraudulent offences; have been involved in any administrations, receiverships or insolvent liquidations of a company or partnership where such person was a director or partner at the relevant time, or during the preceding twelve months; have been declared bankrupt or entered into individual voluntary arrangements or have been the subject of any official public incrimination or sanction by statutory or regulatory authorities or disqualified by a court from acting in the management or conduct of the affairs of a company.

Western Selection P.L.C.

(Incorporated in England and Wales with registered number 234871)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“Extraordinary General Meeting”) of the Company will be held at the Honourable Artillery Company, Armoury House, City Road, London, EC1Y 2BQ on 9 August 2007 at 12.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions (“Resolutions”) of which Resolutions 1, 2, 3, 4 and 5 will be proposed as Ordinary Resolutions and Resolution 6 will be proposed as a Special Resolution:

ORDINARY RESOLUTIONS

1. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed, the authorised share capital of the Company be and is hereby increased from £10,000,000 to £12,000,000 by the creation of 5,000,000 new ordinary shares of 40 pence each in the capital of the Company, having attached to them the rights, privileges and restrictions set out in the articles of association of the Company.
2. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed, the issue of the Warrants (as defined in the circular issued by the Company on 13 July 2007) by the Company and that the admission to trading on PLUS of the 2007 Warrants and the 2010 Warrants be and is hereby approved.
3. That, subject to and conditional upon both Resolutions 1 and 2 set out in the notice convening this Extraordinary General Meeting having been passed the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party to make a general offer to the members 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 7,049,991 Shares of 40 pence each in the Company to the Concert Party on exercise of the 2007 Warrants and/or 2010 Warrants as described in the Company’s circular to Shareholders of which this notice forms part and so long as the exercise of Warrants in the Company does not result in Lonfin’s interest in the Company exceeding 48 per cent. of the Enlarged Share Capital or the interests of the Concert Party exceeding 48.34 per cent. of the Enlarged Share Capital, be and is hereby approved;

Resolution 3 will be taken on a poll and each member of the Concert Party has undertaken not to vote on the Resolution.

4. That, subject to and conditional upon both Resolutions 1 and 2 set out in the notice convening this Extraordinary General Meeting having been passed, the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party to make a general offer to the members of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers in the event that the Concert Party’s interest in the Company increases as a result of the buy back of shares by the Company pursuant to section 166 of the Companies Act 1985 (“the Act”) (or any subsequent or replacement legislation relating to this section), as described in the Company’s circular to Shareholders of which this notice forms part, be and is hereby approved.

Resolution 4 will be taken on a poll and each member of the Concert Party has undertaken not to vote on the Resolution.

5. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed, pursuant to and in accordance with Section 80 of the Act:
 - (i) the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) as follows:

- (a) other than pursuant to paragraphs (b) and (c) below, up to a maximum nominal amount of £513,009 (representing up to 1,282,522 Shares) to such persons at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution;
 - (b) subject to and conditional upon Resolution 2 set out in the notice convening this Extraordinary General Meeting having been passed up to an aggregate nominal amount of £2,052,035 (representing up to 5,130,088 Shares) in connection with the exercise and subscription for Shares pursuant to the terms of the 2007 Warrants; and
 - (c) subject to and conditional upon Resolution 2 set out in the notice convening this Extraordinary General Meeting having been passed up to an aggregate nominal amount of £3,078,053 (representing up to 7,695,132 Shares) in connection with the exercise and subscription for Shares pursuant to the terms of the 2010 Warrants.
- (ii) the Company be and is hereby authorised to make prior to the expiry of such period referred to in sub-paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period that the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the directors pursuant to the said section 80 be and they are hereby revoked provided that this Resolution shall not affect the right of the directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof.

SPECIAL RESOLUTION

6. That, subject to and conditional upon each of the other Resolutions set out in the notice convening this Extraordinary General Meeting having been passed, the directors be and are hereby empowered in accordance with Section 95 of the Act to allot equity securities of the Company (as defined in Section 94(2) of the Act) for cash pursuant to the authority conferred on them to allot relevant securities pursuant to Resolution 5 above, as if Section 89(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
- (i) the allotment and issue of equity securities up to an aggregate nominal amount of £2,052,035 (representing up to 5,130,088 Shares) in connection with the exercise and subscription for Shares pursuant to the terms of the 2007 Warrants;
 - (ii) the allotment and issue of equity securities up to an aggregate nominal amount of £3,078,053 (representing up to 7,695,132 Shares) in connection with the exercise and subscription for Shares pursuant to the terms of the 2010 Warrants;
 - (iii) the allotment and issue of equity securities in connection with an issue or offering by way of rights, bonus issues or other similar issues in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory;
 - (iv) the allotment (otherwise than pursuant to sub-paragraphs (i) to (iii) above) of equity securities for cash up to an aggregate nominal value not exceeding £513,009 (representing up to 1,282,522 Shares, or approximately 5 per cent. of the Enlarged Share Capital)

and this power, save in respect of Resolution 6 (i) and (ii) above, unless renewed, shall expire at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might

require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

City Group P.L.C.
Company Secretary

Registered office:
30 City Road
London, EC1Y 2AG

Dated: 16 July 2007

Notes:

- (1) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy or proxies to attend and vote, on a poll, instead of him. A proxy need not be a member of the Company.
- (2) A Form of Proxy is enclosed for your use, if desired. The instrument appointing a proxy must reach City Group P.L.C. 30 City Road London EC1Y 2AG not less than 48 hours before the time of holding of the meeting.
- (3) Pursuant to Regulation 41 of The Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders of the Company on the register at 12.30 p.m. on 7 August 2007, shall be entitled to attend or vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at the time. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.