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

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

Western Selection P.L.C.

(Incorporated in England and Wales, registered number 234871)

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

and

Notice of Extraordinary General Meeting

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

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

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

CORPORATE INFORMATION

Directors:

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

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Nominated Adviser

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Brokers

J.M. Finn & Co.
Salisbury House
London Wall
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DEFINITIONS

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

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

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

EXPECTED TIMETABLE

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

Western Selection P.L.C.

(Incorporated in England – No. 234871)

Registered Office
25 City Road
London EC1Y 1BQ

10th June 2005

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

Dear Shareholder,

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

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

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

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

David Marshall
Chairman

1. THE CONSOLIDATION AND SUB-DIVISION

1.1 Introduction

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

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

1.2 Share price

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

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

Notes

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

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

1.3 Consolidation

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

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

1.4 Compensation for Fractional Holdings

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

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

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

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

1.5 Sub-division

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

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

1.6 Effect on the Issued Share Capital

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

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

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

1.7 Effect on Warrant holders

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

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

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

Western Selection P.L.C.

(Incorporated in England – No. 234871)

Registered Office
25 City Road
London EC1Y 1BQ

10th June 2005

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

Dear Shareholder,

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

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

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

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

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

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

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

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

2.1 Exercise of Warrants

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

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

2.2 Authority to make market purchases of Shares

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

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

2.3 Waivers

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

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

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

2.4 Recommendation

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

Yours faithfully

Andrew Hall
Director

3. ADDITIONAL INFORMATION

3.1 Western

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

3.2 Lonfin

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

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

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

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

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

3.3 Directors

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

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

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

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

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

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

3.4 Substantial Interests

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

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

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

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

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

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

3.5 Material Contracts

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

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

3.6 Share price

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

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

3.7 Financial information

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

3.8 Responsibility

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

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

3.9 Extraordinary General Meeting

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

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

3.10 Listing, Settlement and Dealings

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

3.11 Consents

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

3.12 Documents available for inspection

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

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

3.13 Action to be taken

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

3.14 Recommendations

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

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

APPENDIX 1

FINANCIAL INFORMATION ON WESTERN

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

PROFIT AND LOSS ACCOUNT

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

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

All profits and losses are on continuing activities.

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

BALANCE SHEET

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

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

CASH FLOW STATEMENT

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

Notes:

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

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

(b) Analysis of net debt

	At start of period £000	Cash Flow £000	At end of period £000
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>
2002/2003			
Cash at bank	54	(51)	3
Bank overdraft	<u>(882)</u>	<u>640</u>	<u>(242)</u>
	<u>(828)</u>	<u>589</u>	<u>(239)</u>
2001/2002			
Cash at bank	52	2	54
Bank overdraft	<u>(791)</u>	<u>(91)</u>	<u>(882)</u>
	<u>(739)</u>	<u>(89)</u>	<u>(828)</u>

NOTES TO THE ACCOUNTS

For the year ended 30th June 2004

1. Accounting Policies

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

2. Administrative expenses

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

3. Directors' emoluments and related party disclosures

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

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

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

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

Related party disclosures

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

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

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

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

4A Exceptional items

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

4B Net release of provisions

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

5. Taxation

The tax charge for the year comprises:

Tax on overseas investment income	<u>5</u>	<u>6</u>	<u>10</u>
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The tax assessed for the year is lower than the standard rate of corporation tax in the U.K. The differences are explained below:

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

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

6. Earnings/(loss) per share

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

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

7. Statement of retained profits

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

8. Fixed assets

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

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

ASSOCIATED COMPANY

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

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

9. Debtors

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

10. Creditors: amounts falling due within one year

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

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

11. Share capital

Authorised:

100,000,000 (2003 and 2002 – 50,000,000) shares of 10p each	<u>10,000</u>	<u>5,000</u>	<u>5,000</u>
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Allotted, called up and fully paid equity share capital:

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

12. Share Premium Account

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

13. Warrants reserve

	2004 £000	2003 £000	2002 £000
Balance brought forward at 1st July 2002	355	355	355
Warrants exercised	–	–	–
Balance brought forward at 30th June 2003	355	355	355
Warrants exercised	–	–	–
Balance carried forward at 30th June 2004	355	355	355

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

14. Reconciliation of movement in shareholders' funds

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

15. Financial Instruments

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

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

Interest Rate Risk Profile

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

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

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

Currency Exposures

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

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

Borrowing Facilities

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

Fair values

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

INTERIM REPORT FOR THE SIX MONTHS TO 31ST DECEMBER 2004

UNAUDITED PROFIT AND LOSS ACCOUNT

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

UNAUDITED BALANCE SHEET

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

Notes:

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

CASH FLOW STATEMENT

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

Notes:

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

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

(b) Reconciliation to movements in net debt

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

APPENDIX 2

FINANCIAL INFORMATION ON LONFIN

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30th June

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

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

All profits and losses are on continuing activities.

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

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

BALANCE SHEETS

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

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

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30th June

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

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

NOTES TO THE ACCOUNTS

For the year ended 30th June 2004

1. Accounting Policies

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

2. Operating profit – Segmental Analysis

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

3. Administration Expenses

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

4. Directors' Emoluments and Related Party Disclosures

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

The remuneration of the directors during the years comprised:

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

Notes

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

Related Party Disclosures

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

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

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

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

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

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

5. Staff Costs

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

6. Interest payable

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

7. Taxation

The tax charge for the period comprises:

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

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

The differences are explained below:

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

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

8. Profit attributable to members of the holding company

Dealt with in the accounts of:

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

9. Statement of retained profit

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

10. Earnings per share

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

11. Tangible assets

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

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

12. Investment in group companies

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

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

13. Investments

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

(c) Associated undertaking

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

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

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

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

14. Debtors

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

15. Creditors – amounts falling due within one year

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

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

16. Deferred taxation

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

17. Share Capital

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

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

There are no outstanding options.

18. Share Premium Account

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

19. Reserves

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

20. Reconciliation of movement in shareholders' funds

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

21. Pension Schemes

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

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

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

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

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

24. Operating lease

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

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

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

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

Interest Rate Profile

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

Borrowings represent a Sterling loan at a variable interest rate.

Currency Exposures

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

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

Borrowing Facilities

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

Fair values

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

INTERIM REPORT FOR THE SIX MONTHS TO 31ST DECEMBER 2004

UNAUDITED CONSOLIDATED PROFIT & LOSS ACCOUNT

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

UNAUDITED CONSOLIDATED BALANCE SHEET

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

Notes:

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

CONSOLIDATED CASH FLOW STATEMENT

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

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

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

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

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

Western Selection P.L.C.

(Registered in England – No 234871)

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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

Registered Office
25 City Road,
London, EC1Y 1BQ

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

10th June 2005

Notes

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

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

