



WESTCITY PLC

Westcity plc Interim report 2006

Unaudited interim results for the six months to 30 June 2006

Chairman's Statement

Change of name

In accordance with the resolution passed at the extraordinary meeting of the Company held on 27 July 2006 ("EGM"), the Company has changed its name from Emess plc to Westcity plc.

Financial review

After including the release of £1,585,000 from the onerous leases provision, the Company achieved a profit of £1,454,000 (2005: £182,000). Before this exceptional item, the Company incurred a loss of £131,000 for the six months to 30 June 2006 (2005: profit of £182,000). The only source of income for the six months was from net interest received on the Company's cash resources of £392,000 (2005: £401,000).

In the financial statements for the year ended 31 December 2005 the Directors, having considered professional advice, made a provision of £5.5m for onerous lease obligations as a result of potential default by the assignee of a lease to which the Company was a guarantor. After protracted negotiations with various parties, the Company outlaid £3.9 million including costs in August 2006 to achieve a complete release from its obligations under the lease, thus mitigating any further loss under this lease. This resulted in the net release in the financial statements for the six months to 30 June 2006 of £1,585,000 of provisions for onerous leases to the profit and loss account. In addition, under the terms of the settlement, the Company is to receive an amount of £555,000 from the assignee in November 2006. This amount, as and when received, will be credited to the profit and loss account and will further reduce the net loss incurred under this lease.

Share issue and capital reorganisation

On 27 July 2006 shareholders approved a number of initiatives which have now been implemented and are summarised below.

- The raising by the Company of £7.3 million after expenses by way of a placing of 30 million ordinary shares and a fully underwritten Open Offer of 56,916,300 ordinary shares at a price of 8.875p per ordinary share. The Open Offer was underwritten by Chapman International Holdings Limited, which took up 22,411,385 shares not taken up by qualifying shareholders.
- The Company's share capital was then consolidated so that every 5 ordinary shares in issue were converted into 1 ordinary share of 5p, each of which was immediately subdivided into 1 ordinary share of 1p and 1 deferred share of 4p. As a result, from 27 July 2006 the Company has 74,299,301 ordinary shares in issue.
- As set out in the circular to shareholders and approved at the EGM, the Company is in the process, subject to the sanction of the High Court, of cancelling all of the deferred shares, the Company's capital redemption reserve and share premium account. These cancellations will eliminate the deficit on the Company's profit and loss account so that any future profits of the Company should be available for distribution to shareholders.
- The approval by Shareholders of the Company's new Share Option Scheme. As set out in the circular to shareholders, the Company has subsequently granted a total of 4 million options to executive directors and management.

Changes in the Board

Geoffrey Gahan retired from the Board after the conclusion of the Annual General Meeting on 27 July 2006. On behalf of the Board I would like to thank Geoff for his valuable service and contribution to the Company over the past four years.

Chairman's Statement (continued)

As announced on 28 July, Ira Rapp was appointed to the Board and has assumed the position as Chief Executive Officer. We look forward to the future under Ira's management and wish him every success in his new role.

As announced on 19 September, Sir Harry Solomon has been appointed to the Board as an independent non-executive Director. I am confident that Sir Harry will add much value in the years ahead and on behalf of the Board and shareholders I welcome him to the Westcity Board.

Dividend

No dividend will be paid on the ordinary shares in respect of the period under review (2005: Nil).

Outlook

In accordance with shareholders' approval, the Company's business has changed to property and property-related investment, property development and property management. To this end, we have now completed the structural and organisational actions required to implement our strategy. The key features of these actions are summarised below.

- Ira Rapp became a full-time employee and Chief Executive Officer of the Company from 28 July.
- Michael Tannenbaum became a full-time employee and Chief Financial Officer of the Company from 1 August.
- The Company established, and now owns 50% of the share capital of, Stonehage Westcity Management Company Limited, the manager of the Stonehage Westcity Property Fund.
- The Company invested £20 million in the Stonehage Westcity Property Fund.
- The completion of an agreement with Stonehage Westcity Management Company Limited and the Stonehage Westcity Property Fund whereby, for an initial period of three years, the Company is the exclusive property adviser to the fund. The Company will receive a fee on all properties acquired by the fund that are sourced by it.

The Stonehage Westcity Property Fund has raised a total of approximately €83 million, including approximately €29 million (£20 million) invested by the Company. The Stonehage Group was successful in raising substantially more than the amount that was originally targeted. This increased equity base, together with bank or debt financing, will provide the fund with an asset base of up to approximately €400 million once fully invested.

The Company is now actively engaged in seeking investment opportunities for the fund and the Board will make further announcements in this regard as and when appropriate.

Whilst it is anticipated that some early successes in identifying and completing suitable acquisitions for the fund will be made in the remaining quarter of the year, it is not expected that the full benefits of fees flowing from acquisitions will accrue to the Company during the remainder of the current financial year.

Rex Wood-Ward

Chairman

21 September 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

UNAUDITED RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2006

	Unaudited results for six months to 30 June 2006 £000	Unaudited results for six months to 30 June 2005 £000	Audited results for the year ended 31 December 2005 £000
Profit on sale of investment _____	—	318	318
Staff costs _____	(246)	(245)	(499)
Depreciation _____	(6)	(4)	(9)
Other operating charges:			
Exceptional (increase)/decrease in provision for onerous lease (note 8) _____	1,585	—	(4,812)
Exceptional impairment loss on investment property _____	—	—	(650)
Other _____	(271)	(288)	(776)
	<hr/>	<hr/>	<hr/>
Operating profit/(loss) _____	1,062	(219)	(6,428)
Interest receivable less payable _____	392	401	791
	<hr/>	<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	1,454	182	(5,637)
Tax _____	—	—	—
	<hr/>	<hr/>	<hr/>
Attributable profit/(loss) _____	1,454	182	(5,637)
	<hr/>	<hr/>	<hr/>
Earnings/(loss) per ordinary share (see note 2)	0.5p	0.1p	(2.0p)

UNAUDITED GROUP BALANCE SHEET

AT 30 JUNE 2006

	Note	Unaudited Group 30 June 2006 £000	Unaudited Group 30 June 2005 £000	Audited Group 31 December 2005 £000
Fixed assets				
Tangible assets _____		27	14	33
Investment property _____	3	—	6,200	4,950
Long-term loan _____	3	4,500	—	—
		4,527	6,214	4,983
Current assets				
Debtors _____		43	55	91
Cash at bank and in hand _____		18,612	24,538	24,473
		18,655	24,593	24,564
Creditors: due within one year _____		(4,567)	(639)	(1,678)
		14,088	23,954	22,886
Net current assets _____		14,088	23,954	22,886
Total assets less current liabilities _____		18,615	30,168	27,869
Creditors: due after one year				
Bank loans _____		—	(5,866)	(5,825)
Provisions for liabilities and charges _____		(462)	(1,184)	(5,345)
		18,153	23,118	16,699
Capital and reserves				
Called up share capital _____		2,846	2,846	2,846
Share premium account _____	4	16,841	16,841	16,841
Revaluation reserve _____	4	—	600	—
Other capital reserves _____	4	3,976	3,976	3,976
Distributable reserves _____	4	(5,510)	(1,145)	(6,964)
Shareholders' funds _____	5	18,153	23,118	16,699

UNAUDITED CASH FLOW

FOR THE HALF YEAR ENDED 30 JUNE 2006

	Note	Unaudited six months 30 June 2006 £000	Unaudited six months 30 June 2005 £000	Audited year to 31 December 2005 £000
Net cash outflow from operating activities	6	(644)	(116)	(512)
Returns on investments and servicing of finance				
Interest received _____		518	588	1,157
Interest paid _____		(126)	(187)	(366)
Net cash inflow from returns on investments and servicing of finance _____		392	401	791
Capital expenditure				
Purchase of tangible fixed assets _____		—	—	(24)
Sale of tangible fixed assets _____		—	—	6
Net cash inflow from capital expenditure		—	—	(18)
Acquisitions and disposals				
Sale of Victoria Heights Corporation _____		295	—	—
Net cash inflow from disposals _____		295	—	—
Net cash flow before management of liquid resources		43	285	261
Management of liquid resources				
Cash withdrawn from/(placed on) short-term deposit		5,867	(346)	(94)
Financing				
Net decrease in loans _____	3	(5,904)	(38)	(79)
Net cash outflow from financing _____		(5,904)	(38)	(79)
Increase/(decrease) in cash _____		6	(99)	88

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2006

1. The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 December 2005 is extracted from the audited financial statements for that year on which the auditors gave an unqualified report and which did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985. A copy of those financial statements has been filed with the Registrar of Companies.

The Company is listed on the AIM market of the London Stock Exchange. As an AIM company, the Company is not required to adopt International Financial and Reporting Standards (IFRS) until 1 January 2007 and IFRS have not been adopted for these financial statements.

2. Earnings/(loss) per share

Basic and fully diluted earnings/(loss) per share has been calculated on the Group's profit/ (loss) attributable to shareholders of £1,454,000 (2005: £182,000) and on the weighted average number of shares in issue during the six month period which was 284,581,499 (2005: 284,581,499).

3. Long-term loan

On 12 May 2006 the Company completed the sale of its wholly owned subsidiary Victoria Heights Corporation Limited (which owns the Hixon property formerly occupied by a Group subsidiary) for £4,950,000. £450,000 of the purchase consideration was received in cash at completion and the deferred balance of £4,500,000 represented by a loan carrying interest at 1% p.a. over base rate, from the Company to Victoria Heights Corporation Limited secured by a first charge over the Hixon property. The loan is repayable no later than 12 May 2011. As part of the transaction and immediately prior to completion of the sale, Victoria Heights Corporation Limited redeemed a long-term loan of £5.9 million secured on the property.

4. Group reserves

	Share Premium Account £000	Revaluation Reserve £000'	Capital Redemption Reserve £000	Special Reserve £000	Profit & Loss Account £000	Total Reserves £000
At 1 January 2006	16,841	—	3,784	192	(6,964)	13,853
Profit for the period	—	—	—	—	1,454	1,454
At 30 June 2006	16,841	—	3,784	192	(5,510)	15,307

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2006

5. Reconciliation of movements in shareholders' funds

	£000
At 1 January 2006 _____	16,699
Profit for the period _____	1,454
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At 30 June 2006 _____	18,153
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6. Net cash outflow from operating activities

	Unaudited 6 months 30 June 2006 £000	Unaudited 6 months 30 June 2005 £000	Audited Year to 31 December 2005 £000
Operating profit/(loss) _____	1,062	(219)	(6,428)
Provision for onerous leases _____	(1,585)	—	4,812
Revaluation deficit on property _____	—	—	650
Profit on sale of fixed assets _____	—	—	(6)
Depreciation _____	6	4	9
Decrease in debtors _____	48	66	30
Decrease in trade investments _____	—	1,000	1,000
(Decrease) in creditors _____	(136)	(882)	(467)
(Decrease) in provisions for liabilities and charges _____	(39)	(85)	(112)
	<hr/> (644) <hr/>	<hr/> (116) <hr/>	<hr/> (512) <hr/>

7. Analysis of net funds

	1 January 2006 £000	Cash flow £000	30 June 2006 £000
Net cash:			
Cash at bank and in hand _____	24,473	(5,861)	18,612
Less deposits treated as liquid resources _____	(24,272)	5,867	18,405
	<hr/> 201	<hr/> 6	<hr/> 207
Liquid resources:			
Deposits _____	24,272	(5,867)	18,405
Debt:			
Loans _____	(5,904)	5,904	—
	<hr/> 18,569	<hr/> 43	<hr/> 18,612
Net funds _____	<hr/> 18,569 <hr/>	<hr/> 43 <hr/>	<hr/> 18,612 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2006

8. Provisions for liabilities and contingent liabilities

Provisions for liabilities

	Group Pension Scheme deficit £000	Group Onerous property leases £000	Group Total £000
Provision at 1 January 2006 _____	250	5,095	5,345
Provision utilised _____	—	(3,298)	(3,298)
Decrease in provision — profit and loss account	—	(1,585)	(1,585)
	<hr/>	<hr/>	<hr/>
Provision at 30 June 2006 _____	250	212	462
	<hr/>	<hr/>	<hr/>

Provisions anticipated to fall due within 12 months of £3,275,000 are included in other creditors due in one year.

Provision is made in these financial statements for all material liabilities including any legal claims which are expected to materialise and onerous lease liabilities on premises formerly occupied by Group companies.

The Directors have considered the adequacy of provisions for product liability, property lease liabilities which have materialised, trade disputes and environmental issues relating to disposed businesses and consider that adequate provision has been made, or sufficient funds held in escrow, to meet any contingent costs.

Contingent liabilities

Indemnities and warranties

The Group continues to have contingent liabilities in connection with indemnities and warranties given to the purchasers of its former businesses. As no claims have been made under these indemnities and warranties, the Directors are unable to quantify these potential liabilities.

Property lease liabilities

The Group continues to have contingent liabilities in connection with other property leases of its former businesses, for which it is exposed to lease obligations in the event of an assignee's default. The remaining lengths of these leases range from 3 to 8 years. Whilst all assignees continue to meet their obligations under these leases, the current annual rent obligations (which may be subject to periodic reviews), before allowing for any mitigating activities, for all such leases are approximately £400,000. No provision has been made in respect of these contingent matters.

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