

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should immediately consult an independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

If you have sold or transferred all of your Ordinary Shares in Emess plc, please send this document, together with the accompanying documents, immediately to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you have sold part of your registered holding of Ordinary Shares in Emess plc, please contact your stockbroker, bank or agent with whom the sale or transfer was effected immediately and refer to the instructions regarding split applications set out on the Application Form. The accompanying Application Form must not be forwarded into the United States, Canada, Australia or Japan.

A copy of this document, which comprises a prospectus relating to the issue of 86,916,300 new Ordinary Shares in the share capital of the Company prepared in accordance with the Prospectus Rules made under section 84 of the Financial Services and Market Act 2000, has been made available to the public as required by the Prospectus Rules. This document has been approved by the Financial Services Authority under sections 87 A-D of the Financial Services and Markets Act 2000. Application will be made for the New Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange plc.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

EMESS PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 00164213)

Approval of Change of Business

Open Offer of 56,916,300 new Ordinary Shares at 8.875p per share

Placing of 30,000,000 new Ordinary Shares at 8.875p per share

Approval of Rule 9 Waiver by the Takeover Panel

Proposed Capital Reorganisation and Capital Reduction

Approval of 2006 Share Option Scheme

Change of Name

and

Notice of Extraordinary General Meeting

This document does not constitute an offer to sell, or the solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Open Offer is only being made in the United Kingdom and the Republic of Ireland. The New Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, or under the applicable securities laws of any state of the United States or any province or territory of Canada, Japan or Australia. Accordingly, unless a relevant exemption from such requirements is available, the New Ordinary Shares may not, subject to certain exceptions, be offered, sold, taken up, re-sold or delivered, directly or indirectly, within the United States, Canada, Japan or Australia or in any other country, territory or possession where to do so may contravene local securities laws or regulations. Shareholders who believe that they, or persons on whose behalf they hold Ordinary Shares, are eligible for an exemption from such requirements should refer to Part II of this document to determine whether and how they may participate. Overseas Shareholders and any person (including, without limitation, nominees, custodians and trustees) who has a contractual or other legal obligation to forward this document or an Application Form to a jurisdiction outside the UK should read paragraph 6 of Part II of this document.

KBC Peel Hunt, which is regulated by the Financial Services Authority, is acting as Nominated Adviser for Emess plc and is not acting for any other person and will not be responsible to any other person for providing the protections afforded to customers of KBC Peel Hunt or for advising any other person on the contents of this document.

The latest time for application and payment in full under the Open Offer is 11.00 a.m. on 25 July 2006 and the procedure for application and payment is set out in Part II of this document. Applications under the Open Offer may only be made on the enclosed Application Form which is personal to the person(s) named thereon and may not be assigned or transferred except to satisfy bona fide market claims.

Notice of an Extraordinary General Meeting of Emess plc to be held at 21 Tudor Street, London EC4Y 0DJ on 27 July 2006 at 11.00a.m. is set out at the end of this document.

Shareholders are requested to complete and return the enclosed form of proxy to the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA as soon as possible but in any event, to be valid, so as to arrive no later than 11.00a.m., on 25 July 2006, whether or not they propose to be present at the Extraordinary General Meeting. The return of the form of proxy will not preclude a member from attending and voting at the Extraordinary General Meeting.

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SUMMARY

This summary should be read as an introduction to the prospectus. Any decision to invest in transferable securities should be based on consideration of the prospectus as a whole by the investor.

Where a claim relating to the information contained in a prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches to those persons who are responsible for the summary, including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the prospectus.

Key Information

As announced on 1 March 2006, it is proposed that the business of Emess should, subject to the approval of Shareholders, be changed to that of a property and property-related investment, development and management company. In order to implement this change, subject to the passing of the Resolutions, Emess and Sturdon, a division of the Stonehage Group, have agreed to establish a Property Fund in which both parties will make an investment on the basis that Emess will match the investment made by Sturdon up to £20 million. As at the date of this document, neither the Company nor Sturdon have identified properties that the Property Fund will definitely invest in. Sturdon and Emess will be at liberty to put further funds into the Property Fund. Emess will establish a property division through the employment of Ira Rapp, son of Michael Rapp, and certain other employees of the Westcity Group and Emess has also agreed to assume part of the Westcity Group's infrastructure and related costs. As part of these proposals, the Company intends to change its name to Westcity plc and to introduce the 2006 Share Option Scheme.

Further to the announcements on 1 March 2006 and 2 May 2006, the Company intends to raise £7,713,822 million before expenses (approximately £7.3 million net of expenses) by way of a placing of 30,000,000 new Ordinary Shares at a price of 8.875p per new Ordinary Share with Ira Rapp and Sir Harry Solomon and a fully underwritten Open Offer of 56,916,300 new Ordinary Shares at the same price to Qualifying Shareholders. Chapman has agreed to underwrite £5,051,322 being the full amount to be raised under the Open Offer. Chapman will not charge an underwriting fee.

Chapman together with Ira Rapp and Michael Rapp (father of Ira Rapp) constitute a concert party for the purposes of the City Code due to Ira Rapp's beneficial interest in Chapman by virtue of him being a beneficiary under a trust which has an interest in Chapman. Chapman currently has a beneficial interest in 84,693,250 Ordinary Shares representing 29.8 per cent. of the issued share capital of the Company. Ira Rapp and Michael Rapp currently have no direct beneficial interest in the share capital of the Company. Under Rule 9 of the Takeover Code, when (i) a person acquires an interest in shares which, taken together with shares in which he and persons acting in concert with him are interested in, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him, or any persons acting in concert with him, for shares in the company during the 12 months prior to the announcement of the offer for all the remaining equity share capital of the company.

Depending on the levels of take up by Qualifying Shareholders of their entitlements to Offer Shares under the Open Offer, the aggregate interests of the Concert Party in the voting rights of the Company following the Open Offer may increase to a maximum of approximately 41.5 per cent., (assuming Chapman have to subscribe for all of the Offer Shares pursuant to the Underwriting) before the Placing, to a maximum of approximately 43.5 per cent. after the Placing (on the same assumption) and to 45.5 per cent. upon the exercise of the Share Options. Normally, they would be obliged to make a general offer to all Shareholders to acquire their shares but in this instance the Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders voting on a poll.

The Company has applied to the Panel for a waiver of Rule 9 of the Takeover Code in order to permit the Underwriting, the Placing and the exercise of the Share Options to take place (if such waiver is approved by Shareholders) without triggering an obligation on the part of the Concert Party to make a general offer to Shareholders. The Panel has agreed, subject to Independent Shareholders' approval on a poll, to waive the

possible requirement for the Concert Party to make a general offer to all Shareholders where such an obligation would arise as a result of the Underwriting, Placing and the exercise of the Share Options.

The Independent Directors are therefore seeking the approval of the Panel's waiver by the Independent Shareholders and this is Resolution 1 which is to be proposed at the Extraordinary General Meeting to be held at 21 Tudor Street, London EC4Y 0DJ on 27 July 2006.

As part of the Company's strategy, the Board believes that it is now appropriate to re-base the Company's share price and is accordingly proposing the Capital Reorganisation, the effect of which will be to consolidate every 5 Existing Ordinary Shares into 1 Ordinary Share of 5p, each of which will be immediately subdivided into 1 Ordinary Share of 1p and 1 Deferred Share of 4p. The effect of the Capital Reorganisation will be that any Shareholder currently holding fewer than 5 Existing Ordinary Shares will not hold any interest in the Company following the Capital Reorganisation becoming effective. The Capital Reorganisation will be carried out after the opening of business on the day after the Extraordinary General Meeting. The Capital Reorganisation will apply to all the share capital of the Company at that time including the Offer Shares and the Placing Shares.

The Company is also seeking to restore its ability to pay dividends. Under section 263 of the Act the Company can only pay dividends out of profits available for the purpose. It is proposed to create distributable reserves through the cancellation of the Deferred Shares and the Company's capital redemption reserve and share premium account.

The Open Offer

The Open Offer is being made to Qualifying Shareholders on the following basis:

1 Offer Share for every 5 Existing Ordinary Shares

held at close of business on the Record Date, at a price of 8.875 pence per share, rounded down to the nearest whole number of Offer Shares. Fractions of Offer Shares will not be allotted to Qualifying Shareholders under the Open Offer but will be aggregated for the purposes of the Underwriting.

Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements which are shown on the Application Form. The Excess Application Facility enables Qualifying Shareholders to apply for Offer Shares in excess of their Open Offer Entitlement, subject to the total number of Offer Shares applied for not exceeding 56,916,300, in which case applications may be scaled back. The latest time and date for receipt of completed Application Forms and payment in respect of the Open Offer is 11.00 a.m. on 25 July 2006. Neither the Placing nor the Open Offer is being made directly or indirectly in or into the United States, Canada, Australia or Japan or their respective territories or possessions.

Application will be made for the New Ordinary Shares to be admitted to AIM and dealings are expected to commence on 8.00 a.m. 28 July 2006.

The Open Offer is conditional, *inter alia*, on the passing of the resolutions to be proposed at the Extraordinary General Meeting, receipt by the Company of the Sturdon Notification and Admission occurring by no later than 8.00 a.m. on 28 July 2006 or such later time and/or date as the Company may determine- (but, in any event, not later than 8.00 a.m. on 11 August 2006).

The Placing

The Company has entered into agreements with Ira Rapp and Sir Harry Solomon to conditionally place 20,000,000 new Ordinary Shares and 10,000,000 new Ordinary Shares respectively at a price of 8.875p per share with them. This Placing is conditional, *inter alia*, on the same conditions as those relating to the Open Offer.

Change of Name

In order to reflect the change in the Company's business and Ira Rapp's involvement in the Company with the new property division it is proposed to change the name of the Company to Westcity plc.

2006 Share Option Scheme

The Company is proposing to adopt a new share option scheme. The Company has one existing scheme, which will terminate during 2006. In order to provide long term incentives to the Company's executives the Company will adopt the 2006 Share Option Scheme once the Resolutions are passed.

Expected timetable of principal events**2006**

Record date for the Open Offer	Close of business on 3 July
Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders in CREST	5 July
Recommended latest time for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m., 18 July
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m., 20 July
Latest time for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m., 21 July
Latest time for receipt of completed Application Forms and payment in full	11.00 a.m., 25 July
Latest time for receipt of Forms of Proxy	11.00 a.m., 25 July
Extraordinary General Meeting	11.00 a.m., 27 July
Admission to AIM effective and dealings commence in New Ordinary Shares	8.00 a.m., 28 July
Crediting of CREST accounts	28 July
Record date for the Capital Reorganisation	Opening of business on 28 July
Expected date of despatch of share certificates for Offer Shares	By 4 August

Statistics

Offer Price	8.875p
Number of Ordinary Shares in issue on the Record Date	284,581,499
Number of New Ordinary Shares to be issued pursuant to the Placing	30,000,000
Maximum number of New Ordinary Shares to be issued pursuant to the Open Offer	56,916,300
Maximum number of Ordinary Shares in issue on Admission	371,497,799
Gross proceeds of the Placing and Open Offer	£7.7 million (approx)
Net proceeds of the Placing and Open Offer	£7.3 million (approx)
Market capitalisation on completion of the Placing and Open Offer at the Offer Price	£33.0 million

Directors of the Company

The Directors of the Company are as follows:

Rex Leslie Wood-Ward (Executive Director and Chairman)

Raymond Stanley Philip Davies (Non-Executive Director)

Geoffrey David Gahan (Non-Executive Director)

Michael Rapp (Non-Executive Director)

Proposed Director of the Company

The Proposed Director of the Company is:

Ira Rapp (Proposed Director)

The Business of the Group

As announced on 1 March 2006, it is proposed that the Company should become a property-related investment, development and management company. As such, the entrepreneurial focus of the Company will be to seek out property opportunities for investment, co-investment, development and management. Following the disposal of its last remaining trading business in September 2003 the Group has had no trading business, so that income comprises only interest received on the Group's cash resources. Once the Resolutions are passed and the change to the Company's business is fully implemented, the Group's income stream will include (i) fees receivable for sourcing and acquiring property investments on behalf of the Property Fund, (ii) the Group's 50 per cent. share of net fees received by the management company to the Property Fund and (iii) income distributions relating to the Group's investment in the Property Fund together with any capital appreciation relating to the Group's investment in the Property Fund.

Financial information on the Group

Consolidated profit and loss account

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover	15,782	—	—
Changes in stocks of finished goods and work in progress	697	—	—
Other operating income	43	68	—
Raw materials and consumables	(7,999)	—	—
Profit on sale of investment	—	—	318
Staff costs	(3,375)	(526)	(499)
Depreciation and other amounts written off tangible fixed assets	(224)	(9)	(9)
Other operating charges			
Exceptional provision for onerous leases	—	(362)	(4,812)
Exceptional impairment loss on investment property	—	—	(650)
Other	<u>(5,872)</u>	<u>(728)</u>	<u>(776)</u>
Operating Loss	(948)	(1,557)	(6,428)
Profit on sale of subsidiaries	<u>1,600</u>	<u>—</u>	<u>—</u>
Profit/(Loss) on ordinary activities before taxation and interest	652	(1,557)	(6,428)
Interest received less payable	511	768	791
Finance charge on non-equity shares	<u>(800)</u>	<u>(381)</u>	<u>—</u>
Profit/(Loss) on ordinary activities before taxation	363	(1,170)	(5,637)
Tax	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(Loss) attributable to ordinary shareholders	<u>363</u>	<u>(1,170)</u>	<u>(5,637)</u>
Earnings/(Loss) pre share (basic and diluted)	0.2p	(0.5p)	(0.2p)

Risk Factors

The following risk factors should be carefully considered by the Qualifying Shareholders when deciding what action to take in relation to the Open Offer and the Resolutions to be proposed at the Extraordinary General Meeting.

- The valuation of property and property-related assets is inherently subjective. As a result, valuations are subject to uncertainty.
- Properties such as those in which the Property Fund intends to invest are relatively illiquid. Such illiquidity may affect the Property Fund's ability to vary its portfolio or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions or the exercise by tenants of their contractual rights such as those which enable them to vacate properties occupied by them prior to, or at, the expiry of the originally agreed term.
- Property investments are subject to varying degrees of risks. Rents and values are affected (among other things) by changing demand for real estate, changes in general economic conditions, changing supply with a particular area of competing space and attractiveness of real estate relative to other investment choices.
- The Property Fund may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned or leased by it.
- The Company changed its business on 1 March 2006 subject to Shareholder approval and has not yet commenced new operations. Therefore, it is difficult to evaluate the Company's future prospects and an investment in New Ordinary Shares. There can be no guarantee that the Company's objectives will be achieved.
- The Group's ability to implement its strategy and achieve its desired returns may be limited by its ability to identify and acquire suitable properties at satisfactory yields on behalf of the Property Fund.
- The Property Fund may not manage or control the portfolios of assets itself and may rely on property management service providers to perform the day-to-day management of its property portfolio.
- The Group or the Property Fund may take on mismatched lease liabilities and obligations

- The Group's or Property Fund's ability to generate their desired returns will also depend on their ability to lease properties to appropriate tenants on appropriate terms and to dispose of properties on appropriate terms
- The Group and/or the Property Fund may be subject to increases in operating and other expenses
- The Group or the Property Fund may suffer material losses in excess of insurance proceeds
- The Group or the Property Fund may be subject to liability following the disposal of investments
- The Group or the Property Fund may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that any such representations or warranties turn out to be inaccurate.
- The Group is reliant on the property expertise of key executives, particularly in relation to sourcing and acquiring property and property-related investments.
- The Group's share of net income from agreements with the Property Fund may fluctuate due to changes in the levels of fee revenues and operating expenses.
- Surplus funds arising in the Property Fund may not be invested appropriately by the Property Fund, resulting in the lower than expected returns on the Group's investment in the Property Fund.
- Investment in shares traded on AIM is perceived to involve a higher degree of risk and can be less liquid than investment in companies whose shares are listed on the Official List.
- The market price of the Ordinary Shares may fluctuate widely in response to different factors
- Dividends may only be paid out of the Company's distributable reserves

DIRECTORS, SECRETARY AND ADVISERS

Directors

Rex Leslie Wood-Ward
Raymond Stanley Philip Davies
Geoffrey David Gahan
Michael Rapp

Proposed Director

Ira Rapp

Registered Office

4 Prince Albert Road
London
NW1 7SN

Website

www.emess.co.uk

Company Secretary

Jerome Fester

Legal Advisers to the Company

Jones Day
21 Tudor Street
London EC4Y 0DJ

Nominated Adviser and Broker

KBC Peel Hunt Ltd
111 Old Broad Street
London EC2N 1PH

Auditors to the Company

Horwath Clark Whitehall LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Registrars

Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH

RISK FACTORS

Shareholders should consider carefully the risk factors described below, together with all the other information set out in this document and their own circumstances, before deciding to invest in the Company. The investment offered in this document may not be suitable for all of its recipients. An investment in the Company is only suitable for Shareholders who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Should any of the following events or circumstances occur, the Company's business, financial condition and results of operations could be materially affected. In such circumstances, the market price of the Ordinary Shares could decline and Shareholders could lose all or part of the value of their investment. If you are in any doubt about the action you should take, you should consult a professional adviser who specialises in advising on the acquisition of shares and other securities.

An investment in the Company is subject to a number of risk factors, in part because of the nature of the property business and the unspecified geographical locations in which the Group is aiming to invest through the Property Fund. The paragraphs below set out what the Company believes to be the material risks involved in an investment in the Company but are not the only risks relating to the Group or an investment in the Company and are not intended to be presented in any order of priority. There may be additional risks that the Company does not currently consider to be material or of which it is not aware which may also have an adverse effect upon the Company.

Shareholders should be aware that the value of the Ordinary Shares and the income from them may decrease and that they may not realise their initial investment.

Risks relating to investing in real estate

Property valuation is inherently subjective and uncertain

The valuation of property and property-related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all property valuations are made on the basis of assumptions which may not prove to reflect the true position. There is no assurance that the valuations of the properties and property-related assets will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date.

Real estate investments are relatively illiquid

Properties such as those in which the Property Fund and the Group intends to invest are relatively illiquid. Such illiquidity may affect the Property Fund's and the Group's ability to vary their portfolios or dispose of or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic, real estate market or other conditions or the exercise by tenants of their contractual rights such as those which enable them to vacate properties occupied by them prior to, or at, the expiry of the originally agreed term. This could have an adverse effect on the Group's financial condition and results of operations, with a consequential adverse effect on the market value of the Ordinary Shares or on the Company's ability to make expected distributions to its shareholders.

The value of any property portfolio may fluctuate as a result of factors outside the owner's control

Property investments are subject to varying degrees of risks. Rents and values are affected (among other things) by changing demand for real estate, changes in general economic conditions, changing supply with a particular area of competing space and attractiveness of real estate relative to other investment choices. The value of any property portfolio may also fluctuate as a result of other factors outside the owner's control, such as changes in regulatory requirements and applicable laws (including in relation to taxation and planning), political conditions, the condition of financial markets, the financial condition of lessees, potentially adverse tax consequences, interest and inflation rate fluctuations and higher accounting and internal expenses. The Property Fund's and the Group's operating performance would be likely to be adversely affected by a downturn in the property market in terms of capital and/or rental values.

The Property Fund may incur environmental liabilities

The Property Fund and the Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property owned or leased by them. The costs of any required removal, investigation or remediation of such substances may be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect the Property Fund's and the Group's ability to sell or lease the real estate or to borrow using the real estate as security. Laws and regulations, as these may be amended over time, may also impose liability for the release of certain materials into the air or water from

a real estate investment, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species.

Risks relating to the Group's business

The Company's business was recently changed subject to Shareholder Approval and there can be no assurance that it will achieve its objectives

The Company changed its business on 1 March 2006 subject to Shareholder Approval and has not yet commenced new operations. Therefore, it is difficult to evaluate the Company's future prospects and an investment in the Ordinary Shares. There can be no guarantee that the Company's objectives will be achieved.

The results of the Company's operations will depend on many factors, including, but not limited to, the availability of opportunities for the acquisition of assets, the level and volatility of interest rates, readily accessible funding alternatives, conditions in the financial markets and general economic conditions.

The Group's ability to generate its desired returns will depend on its ability to identify and acquire suitable properties on behalf of the Property Fund (or itself) and to overcome potentially significant competition in doing so

The Group's ability to implement its strategy and achieve its desired returns may be limited by its ability to identify and acquire suitable properties at satisfactory yields on behalf of the Property Fund (or itself). In addition, the Group may face significant competition in identifying and acquiring suitable properties from other investors, including competitors who may have greater resources. Competition in the property market may lead to prices for properties identified by the Group as suitable being driven up through competing bids by potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Group's ability to acquire properties on behalf of the Property Fund (or itself) at satisfactory prices and otherwise on satisfactory terms. Additionally, if increasing competition for properties from public or private buyers causes the Group's volumes to slow or leads to a reduction in the number or quality of investment opportunities available to the Property Fund or the Group or leads to a reduction in yield expectations, it is likely to have negative implications for the Company's earnings and dividend growth rates.

The performance of many of the investments of the Property Fund or the Group may depend to a significant extent upon the performance of the property management service providers

The Property Fund and the Group may not manage or control the portfolios of assets themselves and may rely on property management service providers to perform the day-to-day management of their property portfolios. Relationships with the Property Fund's tenants may be significantly influenced by the performance of these property managers. The Property Fund's and the Group's return on their investments may depend on the quality of service and performance of such service providers. In addition, concentration of a significant number of the Property Fund's or the Group's investments with one service provider could affect the Property Fund adversely in the event that the service provider fails to fulfil its function effectively or at all.

The Group may take on mismatched lease liabilities and obligations

The Group and the Property Fund may in future acquire lease liabilities and obligations in connection with portfolio acquisitions. The Group's and the Property Fund's earnings may be adversely affected to the extent that the Group and/or the Property Fund is not able to manage mismatches between its liabilities and obligations and the corresponding liabilities and obligations of the Group's or Property Fund's tenants.

The Group's or Property Fund's ability to generate its desired returns will also depend on its ability to lease its properties to appropriate tenants on appropriate terms and to dispose of properties on appropriate terms

The Group's or Property Fund's ability to implement its strategy and achieve its desired returns may be limited by its ability to lease its properties to, and manage them for (together with providing related services to), appropriate tenants on satisfactory terms, and to dispose of them on appropriate terms. Revenue earned from, and the value of, properties held by the Group or Property Fund may be adversely affected by a number of factors, including:

- (a) vacancies that lead to reduced occupancy rates which would reduce the Group's or Property Fund's revenue and its ability to recover certain operating costs such as local taxes and service charges and would

result in it incurring additional expenses until the property is re-let, including legal and surveying fees and marketing costs;

- (b) the Group's or Property Fund's ability to obtain adequate management, maintenance or insurance services on commercial terms or at all;
- (c) the Group's or Property Fund's ability to collect rent and service charge payments from tenants and other contractual payments under real estate outsourcing contracts, on a timely basis or at all;
- (d) tenants seeking the protection of bankruptcy laws which could result in delays in receipt of rental and other contractual payments, inability to collect such payments at all or the termination of a tenant's lease, all of which could hinder or delay the sale of a property;
- (e) the amount of rent and the terms on which lease renewals and new leases are agreed being less favourable than current leases;
- (f) the amount of rents may not be agreed at the estimated rental value of any particular property;
- (g) a competitive rental market which may affect rental levels or occupancy levels at the Property Fund's or the Group's properties; and
- (h) changes in laws and governmental regulations in relation to real estate, including those governing permitted and planning usage, taxes and government charges. Such changes may lead to an increase in management expenses or unforeseen capital expenditure to ensure compliance. Rights related to particular properties may also be restricted by legislative actions, such as revisions to existing laws or the enactment of new laws.

The Group and/or the Property Fund may be subject to increases in operating and other expenses

The Group's and the Property Fund's operating and other expenses could increase without a corresponding increase in turnover or tenant reimbursements of operating and other costs. Factors which could increase operating and other expenses include:

- (a) increases in the rate of inflation and currency fluctuation;
- (b) increases in payroll expenses and energy costs;
- (c) increases in property taxes and other statutory charges;
- (d) changes in laws, regulations or government policies (including those relating to health and environmental compliance safety) which increase the costs of compliance with such laws, regulations or policies;
- (e) increases in insurance premiums;
- (f) unforeseen increases in the costs of maintaining properties; and
- (g) unforeseen capital expenditure may arise as a result of defects affecting the properties which need to be rectified, failure to perform by sub-contractors or increases in operating costs. Such increases could have a material adverse effect on the Company's financial position and its ability to make distributions to its Shareholders.

The Group or the Property Fund may suffer material losses in excess of insurance proceeds

The Group's or the Property Fund's properties could suffer physical damage caused by fire or other causes, resulting in losses (including loss of rent) which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds may be inadequate to restore the Group's or Property Fund's economic position with respect to the affected real estate. Should an uninsured loss or a loss in excess of insured limits occur, the Group or the Property Fund could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Group or the Property Fund could be liable to repair damage caused by uninsured risks. The Group or the Property Fund would also remain liable for any debt or other financial obligation related to that property. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

The Group or Property Fund may be subject to liability following the disposal of investments

The Group or Property Fund may dispose of investments in certain circumstances and may be required to give representations and warranties about those investments and to pay damages to the extent that any such representations or warranties turn out to be inaccurate. The Group or Property Fund may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation. If the Group or Property Fund does not have cash available to conduct such litigation or make such payments it may be required to borrow funds. Any such payments and borrowings to finance those payments could have an adverse impact on the Group's or Property Fund's ability to pay dividends. In addition, if the Group or Property Fund is unable to borrow funds to make such payments, it may be forced to sell investments to obtain funds. There can be no assurance that any such sales could be effected on satisfactory terms.

The Property Fund's Currency is Euro

The currency of the Property Fund is Euro and the Group may be exposed to fluctuations in the value of its investment in the Property Fund due to variations in the £/Euro exchange rate. In addition, the Property Fund may invest in geographical locations where the investment currency is one other than Euro or £.

Reliance on Key Executives

The Group is reliant on the property expertise of key executives, particularly in relation to sourcing and acquiring property and property-related investments. Although the key executives have entered into service contracts with the Company, there can be no certainty that the key executives will perform under those service contracts. Any non-performance may result in a reduction of the level of acquisition fees received from the Property Fund.

Income from Agreements that the Property Fund have entered into may fluctuate

The Group's share of net income arising from agreements with the Property Fund may fluctuate due to changes in the levels of fee revenues and operating expenses. The Group's acquisition fees may fluctuate according to the sourcing and acquisition of suitable investments on behalf of the Property Fund.

Surplus funds arising from the Property Fund may not be invested appropriately

Surplus funds arising in the Property Fund may not be invested appropriately by the Property Fund, resulting in lower than expected returns on the Group's investment in the Property Fund.

Risks relating to the Ordinary Shares

Investment in securities traded on AIM

Investment in shares traded on AIM is perceived to involve a higher degree of risk and can be less liquid than investment in companies whose shares are listed on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors may therefore realise less than, or lose all of, their investments.

The market price of the Ordinary Shares may fluctuate widely in response to different factors

The market price of the Ordinary Shares may not wholly or mainly reflect the value of the underlying investments of the Company, but may also be subject to wide fluctuations in response to many factors (some of which are beyond the Company's control), including variations in the operating results of the Group, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, a perception that other market sectors may have higher growth prospects, general economic conditions, legislative changes in the Company's sector and other events and factors outside the Company's control. The market value of an Ordinary Share may vary considerably from its underlying net asset value.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price for the Ordinary Shares. To optimise returns, Shareholders may need to hold the Ordinary Shares on a long-term basis and they may not be suitable for short-term investment. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the Offer Price. The value of Ordinary Shares may go

down as well as up and the market price of the Ordinary Shares may not reflect the underlying value of the Group's business.

There are restrictions on the payment of dividends by the Company

Shareholders should note that payment of any dividends by the Company out of the returns from the Property Fund, the level of income received by the Group from its agreements with the Property Fund and the performance of the Group's other investments will be at the discretion of the Board after taking into account many factors, including the Company's and the Group's ability to buy and sell properties, operating results, financial condition and current and anticipated cash needs.

Dividends may only be paid out of the Company's distributable reserves

The Company may not have sufficient distributable reserves out of which to pay dividends.

The Ordinary Shares are subject to restrictions on transfers

The Ordinary Shares have not been registered in the United States under the Securities Act or under other applicable securities law and are subject to restrictions on transfer contained in such law. They may not be resold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act and applicable state securities law.

Under the Australian Corporations Act, when securities are issued by a company without an Australian disclosure document (as is the case with the Ordinary Shares), the resale of such securities within 12 months will require the preparation of a disclosure document (such as a prospectus) unless:

- the shares were not issued with the purpose of resale; or
- the resale itself falls within one of the specific exemptions regarding the need for disclosure (such as "sophisticated" or "professional" investors in Australia).

Investors must provide a bona fide warranty that they have no intention at the time of purchase from the Company to dispose of the Ordinary Shares in Australia for at least 12 months. Prospective Investors should refer to paragraph 6 of Part II of this document entitled "Overseas Shareholders".

Share price effect of sales of Ordinary Shares

The market price of Ordinary Shares could decline significantly if Shareholders wish to sell more shares than investors wish to buy or as a result of any sales of Ordinary Shares.

Limited liquidity

There may not be a liquid market in the Ordinary Shares. Liquidity in the Ordinary Shares has been limited in the past and holders of the Ordinary Shares may not be able to easily realise their holding of Ordinary Shares in the Company through trading on AIM, or may receive less than the amount paid.

Substantial sales of Ordinary Shares could cause the price of Ordinary Shares to decline

There can be no assurance that certain Directors and executive officers of the Company or other Shareholders will not elect to sell their Ordinary Shares. The market price of Ordinary Shares could decline as a result of any sales of such Ordinary Shares or as a result of the perception that these sales may occur. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling Ordinary Shares at the time or at a price it deems appropriate.

The risk factors listed above are not presented in any order of priority and do not necessarily comprise all those risks faced by the Group but are the ones judged as material by the Directors.

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Admission”	the admission of the Offer Shares and the Placing Shares to trading on AIM
“AIM”	the AIM market, regulated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies as published by the London Stock Exchange
“Application Form”	the application form in respect of the Open Offer which accompanies this document
“Board”	the board of directors of the Company
“Capital Reduction”	the proposed cancellation of the Deferred Shares and the capital redemption reserve and share premium account as more fully explained in this document
“Capital Reorganisation”	the proposed consolidation and sub-division of share capital as fully explained in this document
“Chapman”	Chapman International Investments Limited
“City Code” or “Takeover Code”	The City Code on Takeovers and Mergers published by the Panel
“Code Waiver”	the waiver, referred to in the letter from the Independent Directors, which forms Part I of this document, of Rule 9 of the City Code in connection with the Underwriting and/or the Open Offer
“Colmar Undertaking”	the irrevocable undertaking given by Colmar Investment Holdings Limited to, <i>inter alia</i> , vote in favour of the Resolutions at the EGM
“Concert Party”	Chapman, Ira Rapp and Michael Rapp
“CREST”	the system for trading shares in uncertificated form
“CRESTCo”	CRESTCo Limited, the operator of CREST
“Deferred Shares”	the new deferred shares of 4p each arising on the Capital Reorganisation
“Directors”	the directors of the Company, whose names are set out in paragraph 1(a) of Part VII of this document
“EEA States”	the states which are contracting parties to the agreement on the European Economic Area signed at Oporto on 2 May 1992, as it has effect for the time being
“Emess” or “the Company”	Emess plc
“Enlarged Share Capital”	the issued Ordinary Shares following the Placing and Open Offer
“Exclusive Acquisition Agreement”	the agreement to be entered into between the Property Fund, the manager of the Property Fund and the Company as more fully explained at paragraph 15 of Part VII of this document
“Excess Application Facility”	the arrangement pursuant to which Qualifying Shareholders may apply for Offer Shares in excess of their Open Offer Entitlement as detailed in Part II of this document and on the Application Form
“Excess CREST Application Form”	the blue excess CREST application form accompanying this document on which Qualifying CREST Shareholders may apply for Offer Shares in excess of their Open Offer Entitlement.
“Existing Ordinary Shares”	the 284,581,499 existing issued Ordinary Shares

“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 27 July 2006, or any adjournment thereof, notice of which is set out at the end of this document
“Fee Letter”	a letter agreement between the Manager and the Company
“Fund Agreements”	the Integration and Transfer Agreement, the Exclusive Acquisition Agreement, the Westcity Agreement, the Management Company Shareholders Agreement, the Subscription Agreement and the Fee Letter
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	the Company and its subsidiary undertakings
“Independent Directors”	the Directors other than Michael Rapp
“Independent Shareholders”	the Shareholders other than Chapman
“Integration and Transfer Agreement”	The agreement dated 4 July 2006 between Westcity Properties Limited, Ira Rapp and the Company as more fully explained at paragraph 15 of Part VII of this document
“Irrevocable Undertaking”	the irrevocable undertaking given by Chapman to underwrite all of the Offer Shares offered under the Open Offer
“KBC Peel Hunt”	KBC Peel Hunt Ltd
“London Stock Exchange”	London Stock Exchange plc
“Management Company Shareholders Agreement”	the agreement dated 4 July 2006 and made between Sturdon, the Company and the manager of the Property Fund relating to the management of the Property Fund as more fully explained in paragraph 15 of Part VII of this document
“Manager”	Stonehage Westcity Management Company Limited
“New Ordinary Shares”	the Offer Shares and the Placing Shares
“Offer Price”	8.875p per Offer Share
“Offer Shares”	the 56,916,300 new Ordinary Shares proposed to be issued pursuant to the Open Offer
“Official List”	the official list maintained by the Financial Services Authorities
“Open Offer”	the conditional invitation to Qualifying Shareholders to subscribe for the Offer Shares on the terms and subject to the conditions set out in Part II of this document and the Application Form
“Open Offer Entitlement”	the basic entitlement of Qualifying Shareholders to subscribe for Offer Shares according to the number of Existing Ordinary Shares held by them on the Record Date
“Option Scheme”	2006 Share Option Scheme
“Ordinary Shares”	ordinary shares in the capital of the Company which have a nominal value of 1p each
“Overseas Shareholders”	holders of Existing Ordinary Shares with registered addresses outside the United Kingdom or who are citizens of, incorporated in, registered in or otherwise resident in, countries outside the United Kingdom
“Panel” or “Takeover Panel”	The Panel on Takeovers and Mergers
“Placing”	the conditional placing of 20,000,000 new Ordinary Shares with Ira Rapp and 10,000,000 new Ordinary Shares with Sir Harry Solomon at a price of 8.875p per share

“Placing Letters”	the letters between the Company and Ira Rapp and Sir Harry Solomon pursuant to which Ira Rapp agrees to conditionally subscribe for 20,000,000 new Ordinary Shares and Sir Harry Solomon agrees to conditionally subscribe for 10,000,000 new Ordinary Shares as part of the Placing
“Placing Shares”	the 30,000,000 new Ordinary Shares proposed to be issued pursuant to the Placing
“Property Fund”	Stonehage Westcity Property Fund Limited
“Proposals”	the Placing, the Open Offer, the Code Waiver and the Capital Reorganisation and Capital Reduction
“Proposed Director”	Ira Rapp in his capacity as a proposed director of the Company
“Prospectus Rules”	the prospectus rules brought into effect on 1 July 2005 and made by the Financial Services Authority pursuant to FSMA
“Qualifying CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in uncertificated form
“Qualifying non-CREST Shareholders”	Qualifying Shareholders holding Ordinary Shares in certificated form
“Qualifying Shareholders”	holders of Ordinary Shares whose names appear on the register of members of the Company on the Record Date, other than certain Overseas Shareholders referred to in the paragraph headed “Overseas Shareholders” in Part II of this document
“Record Date”	the close of business on 3 July 2006
“Registrars” and “Receiving Agent”	Computershare Investor Services PLC
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting
“Shareholders”	holders of Ordinary Shares
“Share Options”	the 14,000,000 share options to be granted to Ira Rapp pursuant to the 2006 Share Option Scheme.
“Stonehage Group”	Stonehage Trust Holdings (Jersey) Limited and its subsidiary undertakings
“Sturdon”	Sturdon Offshore Holdings (Jersey) Limited
“Sturdon Notification”	notification from Sturdon pursuant to the Subscription Agreement that it has raised the minimum amount of funds that it is required to raise pursuant to such agreement
“Subscription Agreement”	an agreement dated 4 July 2006 between Sturdon, the Company, the Property Fund and the Manager
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VII of FSMA
“Underwriting”	the proposed underwriting of all of the Offer Shares by Chapman on the terms of the Irrevocable Undertaking
“Westcity Agreement”	the agreement dated 4 July 2006 between Westcity Holdings, Westcity Properties, Ira Rapp and the Company as more fully explained at paragraph 15 of Part VII of this document
“Westcity Group”	Westcity Holdings and its subsidiaries from time to time
“Westcity Holdings”	Westcity Holdings Limited, registered in England with number 2018017
“Westcity Properties”	Westcity Properties Limited, registered in England with number 1110686

PART I

LETTER FROM THE INDEPENDENT DIRECTORS

EMESS Plc

(Incorporated and registered in England and Wales — No. 00164213)

Directors:

Rex Leslie Wood-Ward (*Executive Director and Chairman*)
Raymond Stanley Philip Davies (*Non-Executive Director*)
Geoffrey David Gahan (*Non-Executive Director*)
Michael Rapp (*Non-Executive Director*)

Registered and head office:

4 Prince Albert Road
London
NW1 7SN

4 July 2006

Dear Shareholder,

CHANGE OF BUSINESS, 1 FOR 5 OPEN OFFER, PLACING, APPROVAL OF RULE 9 WAIVER BY THE TAKEOVER PANEL, CAPITAL REORGANISATION AND CAPITAL REDUCTION, OPTION SCHEME, CHANGE OF NAME

1. Introduction

As announced on 1 March 2006, it is proposed that the business of Emess should, subject to the approval of Shareholders, be changed to that of a property and property-related investment, development and management company. In order to implement this change, Emess and Sturdon, a division of the Stonehage Group, have agreed to establish a Property Fund, in which both parties will make an investment on the basis that Emess will match the investment made by Sturdon up to £20 million. As at the date of this document, neither the Company nor Sturdon have identified properties that the Property Fund will definitely invest in. Sturdon and Emess will be at liberty to put further funds into the Property Fund. Emess will establish a property division through the employment of Ira Rapp, son of Michael Rapp, and certain other employees of the Westcity Group and Emess has agreed to assume part of the Westcity Group's infrastructure and related costs. Further details of the Westcity Group are set out below. As part of these proposals, the Company intends to change its name to Westcity plc and to introduce the 2006 Share Option Scheme.

Further to the announcements on 1 March 2006 and 2 May 2006, the Company intends to raise £7,713,822 million before expenses (approximately £7.3 million net of expenses) by way of a placing of 30,000,000 new Ordinary Shares at a price of 8.875p per new Ordinary Share with Ira Rapp and Sir Harry Solomon and a fully underwritten Open Offer of 56,916,300 new Ordinary Shares at the same price to Qualifying Shareholders. The Open Offer is being made on the basis of 1 Offer Share for every 5 Existing Ordinary Share held at the close of business on the Record Date. Qualifying Shareholders will also be offered the opportunity to apply for Offer Shares in excess of their Open Offer Entitlement. Chapman has agreed to underwrite £5,051,322 being the full amount to be raised under the Open Offer. Chapman will not charge an underwriting fee.

Chapman together with Ira Rapp and Michael Rapp (father of Ira Rapp) constitute a concert party for the purposes of the City Code due to Ira Rapp's beneficial interest in Chapman by virtue of him being a beneficiary under a trust which has an interest in Chapman. Chapman currently has a beneficial interest in 84,693,250 Ordinary Shares representing 29.8 per cent. of the issued share capital of the Company. Ira Rapp currently has no direct beneficial interest in the share capital of the Company. Under Rule 9 of the Takeover Code, when (i) a person acquires an interest in shares which, taken together with shares in which he and persons acting in concert with him are interested in, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him, or any persons acting in concert with him, for shares in the company during the 12 months prior to the announcement of the offer, for all the remaining equity share capital of the company.

Depending on the levels of take up by Qualifying Shareholders of their entitlements to Offer Shares under the Open Offer, the aggregate interests of the Concert Party in the voting rights of the Company following the Open Offer may increase to a maximum of approximately 41.5 per cent., before the Placing and to a maximum of approximately 43.5 per cent. after the Placing. Normally, they would be obliged to make a general offer to all Shareholders to acquire their shares but in this instance the Panel (as detailed below) has agreed to waive this obligation subject to the approval of the Independent Shareholders voting on a poll.

Due to the interests of Michael Rapp's son, Ira Rapp, in Chapman (as set out above) it has been determined that he is not an independent director for the purpose of, and he has not participated in, the Independent Directors' recommendation in relation to the Code Waiver or the Placing. In addition, given the size of the Underwriting, it will, on the basis that Chapman is a substantial shareholder of the Company, constitute a related party transaction under the AIM Rules. Further, given that the Ira Rapp is an associate of Michael Rapp, the Placing with Ira Rapp will also constitute a related party transaction under the AIM Rules.

Of the approximately £7.3 million (net of expenses), to be raised under the Placing and Open Offer, approximately £1.2 million will be invested together with the existing cash resources of £18.8 million in the Property Fund and the balance of approximately £6.1 million will provide additional working capital for the Group.

The purpose of this document is to provide you with information on the Proposals and seek your approval for them at the Extraordinary General Meeting. This document also explains how Qualifying Shareholders may participate in the Open Offer.

Details of the Open Offer and the Code Waiver are set out in paragraphs 3 and 9 respectively of this Part I. The Open Offer is described in more detail in Part II of this document, which also includes the terms and conditions of the Open Offer. Details of the Underwriting and placing arrangements are set out in paragraph 15 of Part VII of this document.

2. Change of Business

The proposed new business of Emess is property and property-related investment, property development and property management.

As such the entrepreneurial focus of Emess will be on seeking out global property opportunities for investment, co-investment, development and management. Through this process it is intended that Emess will become an earnings driven business with strong asset backing. Emess is proposing to implement this change in two ways.

First it is proposing to establish the Property Fund with Sturdon, a division of the Stonehage Group. The Stonehage Group is an international wealth management and fiduciary services business founded in 1976. Both parties have committed to invest (or in the case of Sturdon, to procure investment by its clients of) up to a maximum of £20 million each in the Property Fund. It is intended that Emess and the other investors in the Property Fund will receive income distributions and capital distributions from the Property Fund. It is intended that the Property Fund will raise debt finance to supplement its equity base and that it will acquire a substantial asset base of opportunistic global property investments, principally but not exclusively in Continental Europe.

It is expected that the Property Fund will have a six year life, after which its assets will be sold and funds will be returned to Emess and the other investors in the Property Fund. The Property Fund will seek to acquire a diversified portfolio for investment and development, including land and property in the residential, retail and commercial sectors. It is anticipated that the Property Fund will:

- (a) access international property opportunities through Sturdon and Westcity Holdings' networks of UK and international contacts and through the formation of appropriate joint venture arrangements with international partners and advisors;
- (b) be opportunistic in its approach, seeking to identify value opportunities with exit strategies aligned with the life of the Property Fund;
- (c) not be constrained by geography or sector (however, it is expected that no more than 25 per cent. of the Property Fund's equity will be invested in a single property and no more than 40 per cent. will be invested in any specific sector);
- (d) to make indirect property investments through, amongst other things, real estate investment trusts, listed vehicles, property funds, mezzanine and other debt instruments, to capitalise on opportunities, fulfil strategic asset allocation objectives and manage liquidity;

- (e) aim to limit overall gearing to 80 per cent. loan to value. It is anticipated that gearing on specific projects will not be constrained, but will be recouped to that investment only;
- (f) use tax efficient structures to maximise returns; and
- (g) aim to achieve a competitive IRR.

The Board anticipates that the Company may enter into further joint property investment projects with the Stonehage Group in the future, using the property investment, development and management experience of the Group.

As well as benefiting from its investment in the Property Fund, Emess will also own 50% of the share capital of the Manager, which will act as the manager of the Property Fund. The other 50% of the share capital will be owned by Sturdon. The Manager will earn management fees from the Property Fund under the terms of a management agreement between the Property Fund and the management company. The Management Company Shareholders Agreement between Sturdon and Emess relating to the management company provides that any profits earned by the management company from the fees charged by it to the Property Fund (after payment of the management company's expenses) will be distributed to Sturdon and Emess by way of dividends. The Manager combines the experience of Westcity Properties, Ira Rapp and the network of relationships which Stonehage has established. Westcity Properties has been responsible for over £600 million gross development value of residential and mixed use properties over the last six years. Ira Rapp is the CEO of Westcity Properties and has over 16 years of experience in UK property market where he has created a reputation as a leading developer of specialist upmarket residential and mixed use property developments. The Manager also has management company advisory experience provided by Gerald Leissner, chief executive officer of ApexHi, a South African listed loan stock company and a director of the Manager. The Directors believe that the property related experience of the contributing team of the Manager will assist in identifying value opportunities in the targeted sectors.

Further details of the agreements relating to the Property Fund to which Emess is a party are set out at paragraph 15 of Part VII of this document.

Secondly, Emess will establish a property division headed by Mr Ira Rapp. Since 1988 Ira Rapp has built Westcity Properties into one of the United Kingdom's leading niche developers of upmarket residential developments. Subject to the passing of the Resolutions, Ira Rapp will enter into a service contract under which he will become a director and the chief executive officer of Emess. Under an agreement between Westcity Holdings, Westcity Properties, Ira Rapp and Emess, the right to use the name "Westcity" will be transferred to Emess and Emess will assume some of the employees and administrative infrastructure of Westcity Properties. Ira Rapp, son of Michael Rapp, currently controls Westcity Properties.

Emess has entered into an Exclusive Acquisition Agreement with the Property Fund and the Manager of the Property Fund under which Emess will be appointed exclusively to source property and property related investments and developments for acquisition by the Property Fund. The Property Fund will pay to Emess an acquisition fee of 1.5% of the purchase price of property investments which are sourced by Emess under the terms of the Exclusive Acquisition Agreement. The agreement permits Emess to take advantage of any such opportunities which the Property Fund declines.

Further details of the agreements relating to Emess' property division are set out in paragraphs 7 and 15 of Part VII of this document.

3. Details of the Open Offer

The Open Offer is intended to raise up to approximately £5.05 million by the issue of up to 56,916,300 new Ordinary Shares. Qualifying Shareholders are being given the opportunity to subscribe for Offer Shares under the Open Offer at a price of 8.875p per share, payable in full on acceptance. The minimum, pro rata entitlement of Qualifying Shareholders under the Open Offer is calculated on the following basis:

1 Offer Share for every 5 Existing Ordinary Shares

and so in proportion for any greater number of Ordinary Shares held on the Record Date. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of Offer Shares. The fractional entitlements which would otherwise have arisen will not be issued to Qualifying Shareholders but will be aggregated for the purposes of the Underwriting or else ignored.

Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements as shown on the Application Form. The Excess Application Facility enables Qualifying Shareholders to apply for Offer Shares

in excess of their Open Offer Entitlement, subject to the total number of Offer Shares applied for not exceeding 56,916,300. However, applications under the Excess Application Facility may be scaled back in such manner as the Directors determine if applications are received for more than the available Offer Shares.

Application has been made for the Open Offer Entitlements for Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements will be admitted to CREST on 5 July 2006. The Open Offer Entitlements will also be enabled for settlement in CREST on 5 July 2006. Applications through the CREST system may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of bona fide market claims. The Offer Shares must be paid in full on application. The latest time and date for receipt of completed Application Forms and payment in respect of the Open Offer is 11.00 a.m. on 25 July 2006. The Open Offer is not being made to certain Overseas Shareholders, as outlined in Part II of this document.

Qualifying Shareholders should note that the Open Offer is not a rights issue and therefore the Offer Shares which are not applied for by Qualifying Shareholders will not be sold in the market for the benefit of the Qualifying Shareholders who do not apply. The Application Form is not a document of title and cannot be traded.

The Offer Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The Offer Price represents the mid-market closing price of the Company's shares as at 28 February 2006, the day prior to the date on which the proposals were first announced and a discount of approximately 4.1 per cent, to the closing middle market price of 9.25 pence per Ordinary Share on 3 July 2006 (the last practicable date prior to the date of publication of this document).

Further information on the Open Offer, including its terms and conditions and the detailed procedure for application and payment, is set out in Part II of this document. Further details of the Irrevocable Undertaking are set out in paragraph 15 of Part VII of this document.

4. Background to and principal terms of the Placing

Ira Rapp has agreed, subject to the passing of the Resolutions, to his appointment as Chief Executive Officer of Emess. In order to procure his agreement to this appointment, the Company and Ira Rapp have agreed that Ira Rapp or his nominee (Ira Rapp will retain the beneficial interest) may subscribe under the Placing for 20,000,000 new Ordinary Shares at a price of 8.875p per share, being the mid-market closing price of the Company's shares as at 28 February 2006, the day prior to the date on which the proposals were first announced and a discount of approximately 4.1 per cent, to the closing middle market price of 9.25 pence per Ordinary Share on 3 July 2006 (the last practicable date prior to the date of publication of this document).

Further, Sir Harry Solomon has agreed to subscribe under the Placing for 10,000,000 new Ordinary Shares on the same terms as apply to Ira Rapp above.

Sir Harry Solomon has been offered these shares because the Board believes that the Company will benefit from Sir Harry's long experience in business. Sir Harry qualified as a solicitor in 1960 and remained in practice until 1977. In 1976, he was one of the two joint founders of Hillsgate Holdings plc, which became one of the largest food groups in Europe with a turnover of over £3 billion, employing approximately 45,000 people. Sir Harry occupied various executive positions in Hillsgate including chairman and chief executive. He retired from executive duties in 1992. Since then he has been involved in various other business enterprises. He currently has interests in a number of companies both public and private in the UK and in the US. He was awarded his Knighthood in 1991 for services to the food industry. Sir Harry is also an Honorary Fellow of the Royal College of Physicians. Subject to his availability, consideration may be given by the Board to the appointment of Sir Harry as a non-executive director of the Company in due course.

The issue of 30,000,000 new Ordinary Shares in the Placing will raise approximately £2.66 million. The Placing Shares will be issued free of all liens, charges and encumbrances and will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

It is expected that, subject to Admission, dealings in the Placing Shares will commence on 28 July 2006.

The Placing is conditional, *inter alia*, on the passing of the Resolutions, receipt by the Company of the Sturdon Notification and Admission becoming effective by no later than 8.00 a.m. on 28 July 2006 or such later time and/or date as the Company may determine- (but, in any event, not later than 8.00 a.m. on 11 August 2006).

5. Reasons for the Placing and Open Offer and use of the proceeds

In order to fund part of the Company's proposed investment of up to £20 million into the Property Fund and to provide additional working capital, the Company is raising approximately £7.7 million before expenses (approximately £7.3 million after expenses) under the Placing and Open Offer. Approximately £1.2 million of the net proceeds will be invested (in conjunction with the Group's existing cash resources of £18.8 million) in the Property Fund. The balance of the net proceeds, amounting to approximately £6.1, million will be used as working capital to fund operating expenses and to settle any liabilities and provisions as these fall due.

6. Change of Name

In order to reflect the changes to the Company's business referred to in paragraph 2 above it is proposed to change the name of the Company to Westcity plc.

7. Share Option Scheme

The Company is proposing to adopt a new share option scheme. The Company's previous option scheme, the Emess plc 1995 Share Option Scheme terminated during 2005 and has 600,000 options outstanding which are exercisable at any time up until the end of 2014. No further options may be granted under that scheme. In order to provide long term incentives to the Company's executives the Company will adopt the 2006 Share Option Scheme once the Resolutions are passed.

The Company will grant options to the Company's executives on the passing of the Resolutions. The options will be granted on the following terms:

Each executive will be granted options to acquire new Ordinary Shares at an Option Price of 8.875p per share. The Option Price represents the mid-market closing price of the Company's shares as at 28 February 2006, the day prior to the date on which the proposals were first announced and a discount of approximately 4.1 per cent, to the closing middle market price of 9.25 pence per Ordinary Share on 3 July 2006 (the last practicable date prior to the date of publication of this document). Half of the options granted to each executive will vest and be exercisable two years after grant provided that certain conditions are met and the remaining half will vest and be exercisable three years after grant again provided that certain conditions are met. The options may be exercised at any time after vesting for a period of up to ten years from grant. The Directors will be granted the options as follows:

- a) Ira Rapp will be granted options over 14,000,000 new Ordinary Shares; and
- b) Rex Wood-Ward will be granted options over 4,500,000 new Ordinary Shares.

Further details of the options and the Option Scheme are set out in paragraph 8 of Part VII of this document.

8. Current trading and prospects

Subsequent to 31 December 2005, as announced on 2 May 2006, the Group has disposed of its wholly owned subsidiary Victoria Heights Corporation Limited (which owns the Hixon property that was formerly occupied by a subsidiary of the Group) and redeemed the £5.9 million bank loan which was secured on the property. Provision was made in the financial statements at 31 December 2005 for the loss of £872,000 realised on the sale with the result that this transaction will be neutral as regards its effects on the Group's net assets.

The Group's trading businesses had all been disposed of prior to 2003. In terms of the various sales agreements, the leases for the various businesses were assigned to the purchasers of the businesses, and in some cases the Company remains exposed under the terms of those respective leases. A net provision for onerous leases of £4,812,000 was made in the financial statements at 31 December 2005 as a result of the potential default of its lease obligations by the assignee under the largest of these potential lease obligations subsequent to 31 December 2005. The remaining lengths of other leases range from 3 to 8 years and the current annual rent obligations for all such leases (which may be subject to periodic reviews), before allowing for any mitigating activities, are approximately £400,000.

As a result of the change in the business of the Group, once the Resolutions are passed and the Company's investment strategy is fully implemented, the Company will invest £20 million in the Property Fund and the Group's income stream going forward will include fees receivable for sourcing and acquiring property investments on behalf of the Property Fund, the Group's 50% share of net fees received by the management company to the Property Fund and income distributions on the Group's investment in the Property Fund. It is

anticipated that in subsequent years, the Company's income will include any capital appreciation on the investment in the Property Fund.

The Property Fund aims to invest in property transactions on an international basis, diversified across different jurisdictions and property sectors and primarily focused in Europe and the UK. The Property Fund will seek to generate a competitive income stream for investors, but will place emphasis on capital growth over the life of the fund, which is expected to be six years, subject to a potential extension of up to two years.

The Directors believe that property has been repositioned as an asset class, with increased portfolio allocation providing diversification with lower volatility to investment portfolios. The global securitised property sector has witnessed returns in excess of 15% per annum in the current decade (as shown by FTSE, NEPRA, NAREIT INDEX and Bloomberg). Despite the recent growth in European property-related investment this sector should continue to be supported in the near term. The opportunities provided by potential REIT vehicles in France, Spain, the UK and Germany should assist in absorbing a portion of the weight of capital and increasing availability of debt finance. Investors are increasingly looking at broader investment segments within the property markets, as well as development. As yields continue to move lower in the major established Europe markets, investors are expected to increase their investment focus to the emerging markets in Eastern Europe and Asia.

9. The Takeover Code

Chapman, Ira Rapp and Michael Rapp constitute a concert party with regard to the Company's share capital for the purposes of the Takeover Code. Chapman currently has a beneficial interest in 84,693,250 Ordinary Shares representing 29.8 per cent. of the issued share capital of the Company. Ira Rapp and Michael Rapp currently have no direct beneficial interest in the share capital of the Company.

Under Rule 9 of the Takeover Code, when (i) a person acquires an interest in shares which, taken together with shares in which he and persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code, or (ii) any person who, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company, but does not hold shares carrying more than 50 per cent. of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he is interested, then in either case, that person together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him, or any persons acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer, for all the remaining equity share capital of the company.

Depending on the levels of take up by Qualifying Shareholders of their entitlements to Offer Shares under the Open Offer, the aggregate interests of the Concert Party in the voting rights of the Company following the Open Offer may increase to a maximum of approximately 41.5 per cent (assuming Chapman have to subscribe for all of the Offer Shares pursuant to the Underwriting) before the Placing, to a maximum of approximately 43.5 per cent after the Placing (on the same assumption) and to 45.5 per cent. upon the exercise of the Share Options. Normally, they would be obliged to make a general offer to all Shareholders to acquire their shares but in this instance the Panel has agreed to waive this obligation subject to the approval of the Independent Shareholders.

The Company has applied to the Panel for a waiver of Rule 9 of the City Code in order to permit the Underwriting, the Placing and the exercise of the Share Options to take place (if such waiver is approved by Shareholders) without triggering an obligation on the part of the Concert Party to make a general offer to Shareholders. The Panel has agreed, subject to Independent Shareholders' approval on a poll, to waive the possible requirement for the Concert Party to make a general offer to all Shareholders where such an obligation would arise as a result of the Underwriting, the Placing or the exercise of the Share Options.

Following the Placing and Open Offer and any exercise of the Share Options, members of the Concert Party will be interested in shares which carry more than 30 per cent. but will not hold more than 50 per cent. of the Company's voting share capital and whilst they continue to be acting in concert any further increase in the number of shares in which they are interested will be subject to the provisions of Rule 9 of the Takeover Code.

The current interests of the Concert Party in the voting rights of the Company and their expected maximum interests following the Underwriting, on the basis that Chapman is obliged to take up its underwriting commitments in full, are set out in paragraph 11(c) of Part VII.

Chapman is owned as to fifty per cent. by a discretionary trust, the beneficiaries of which are members of the family of Michael Rapp, including Ira Rapp (other than Michael Rapp himself and his wife, who are excluded as beneficiaries). An interest in the remaining fifty per cent. of Chapman is held by a discretionary trust, the beneficiaries of which are members of the Simchowitz family. Chapman, a limited company incorporated in the British Virgin Islands, acts as an investment vehicle for its shareholders. The director of Chapman is Montblanc (Directors) Limited in its capacity as a corporate director. Further information on Chapman, Ira Rapp and Michael Rapp is set out in paragraph 11(d) of Part VII of this document.

As mentioned, it is proposed that Ira Rapp will be appointed Chief Executive of the Company on Admission. Ira Rapp has confirmed to the Board that he is not presently proposing any changes to the Board, changes to the employment rights of employees of the Company or changes to the locations of the Company's place of business and that his intention is that the business of the Company should continue to be run in substantially the same manner as at present. Ira Rapp has also confirmed that he has no intention of redeploying any of the Company's fixed assets.

Chapman has also confirmed to the Board that it is not presently proposing any changes to the Board, changes to the employment rights of employees of the Company or changes to the locations of the Company's place of business and that its intention is that the business of the Company should continue to be run in substantially the same manner as at present. Chapman has also confirmed that it has no intention of redeploying any of the Company's fixed assets. Chapman also confirms that, with respect to itself, its intention is that its business should continue to be run in substantially the same manner as at present and that, strategically or otherwise, no changes are or have been proposed regarding its own business.

In addition, Michael Rapp has confirmed to the Board that he is not presently proposing any changes to the Board or changes to the employment rights of employees of the Company or changes to the locations of the Company's place of business and that his intention is that the business of the Company should continue to be run in substantially the same manner as at present. Michael Rapp has also confirmed that he has no intention of redeploying any of the Company's fixed assets.

10. Capital Reorganisation

As part of the Company's strategy, the Board believes that it is now appropriate to re-base the Company's share price and is accordingly proposing the Capital Reorganisation, the effect of which will be to consolidate every 5 Existing Ordinary Shares into 1 Ordinary Share of 5p, each of which will be immediately subdivided into 1 Ordinary Share of 1p and 1 Deferred Share of 4p. The effect of the Capital Reorganisation will be that any Shareholder currently holding fewer than 5 Existing Ordinary Shares will not hold any interest in the Company following the Capital Reorganisation becoming effective. The Capital Reorganisation will be carried out after the opening of business on 28 July 2006.

The Deferred Shares arising on the Capital Reorganisation will have no voting or dividend rights and, on a return of capital, the right only to receive the amount paid up thereon after the holders of Ordinary Shares have received the aggregate amount paid up thereon plus £1 million per Ordinary Share. Consequently, the Deferred Shares will effectively be valueless. The Company intends to cancel all of the Deferred Shares pursuant to section 135 of the Act, subject to Shareholder approval and the sanction of the High Court.

Pending the cancellation by the Company of the Deferred Shares, no share certificates will be issued in respect of them, nor will CREST accounts of Shareholders be credited in respect of any entitlement to Deferred Shares. The Deferred Shares will not be admitted to AIM.

11. Capital Reduction

The Company is also seeking to restore its ability to pay dividends. Under section 263 of the Act the Company can only pay dividends out of profits available for the purpose. It is proposed to create distributable reserves through the cancellation of the Deferred Shares and the Company's capital redemption reserve and share premium account. The effect of the cancellation will be to eliminate the deficit which the Company currently has on its profit and loss account. Therefore any profits which the Company makes in the future should be available for distribution to shareholders.

The Capital Reduction described above requires the approval of Shareholders and is also subject to the confirmation of the High Court. The Company intends to apply to the High Court for such confirmation as soon as possible. The Capital Reduction will only become effective following registration of the relevant court order with the Registrar of Companies in England and Wales. The Company will give such undertakings to the High Court, including undertakings as to the use of any special reserve arising out of the reduction of capital and the protection of the Company's creditors as it may be advised are appropriate. Subject to Shareholders' approval at

the Extraordinary General Meeting and the sanction of the High Court, it is expected that the Capital Reduction will become effective by the end of September 2006.

12. Board Structure

Mr. Geoff Gahan has announced his intention to retire from the Board at the conclusion of the next Annual General Meeting. In light of the change in business focus of the Company the board has reviewed the composition of the board. Mr Michael Rapp (non-executive director) and Mr Rex Wood-Ward will be standing for re-election at the forthcoming Annual General Meeting of the Company, which will be held immediately following the Extraordinary General Meeting on 27 July 2006. Mr Raymond Davies will remain on the board as a non-executive director. It is intended, should the Resolutions be passed, that Mr Ira Rapp would be invited to join the board of Emess and become CEO of the Company. In addition, it is also intended that at least one independent non-executive director will be invited to join the Board in due course.

13. Extraordinary General Meeting

Notice of the Extraordinary General Meeting, which is to be held at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ at 11.00 a.m. on 27 July 2006, is set out at the end of this document. At this Extraordinary General Meeting, the Resolutions will be proposed as follows:

- (i) Resolution 1: an ordinary resolution to approve the change in the business of the Company.
- (ii) Resolution 2: an ordinary resolution will be proposed to approve the Code Waiver. As required by the Panel, the members of the Concert Party will abstain from exercising their voting rights in relation to Resolution 2 at the Extraordinary General Meeting in respect of their holdings of Ordinary Shares which amount in aggregate to approximately 29.8 per cent. of the Ordinary Shares;
- (iii) Resolution 3: an ordinary resolution will be proposed to authorise the allotment of the Offer Shares and the Placing Shares;
- (iv) Resolution 4: a special resolution to disapply statutory pre-emption rights in respect of the Offer Shares and the Placing Shares;
- (v) Resolution 5: a special resolution to approve the consolidation of the ordinary shares in issue.
- (vi) Resolution 6: a special resolution to approve the creation by the Company of the Deferred Shares;
- (vii) Resolution 7: a special resolution to approve the cancellation of the capital redemption reserve and share premium account and the Deferred Shares;
- (viii) Resolution 8: a special resolution to approve the change in the name of the Company to Westcity plc;
- (ix) Resolution 9: an ordinary resolution to approve and adopt the 2006 Option Scheme.

Irrevocable undertakings to vote in favour of Resolution 2 have been received in respect of 30,120,000 Ordinary Shares, representing 15.1 per cent. of the total shares eligible to vote. Irrevocable undertakings to vote in favour of Resolutions 1 and 3 to 9 have been received in respect of 114,813,250 Ordinary Shares, representing 40.3 per cent of the total shares eligible to vote on each resolution.

14. Action to be taken

14.1 Action to be taken in respect of the Extraordinary General Meeting

A Form of Proxy is enclosed with this document for use at the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete and return this form in accordance with the instructions printed thereon as soon as possible. To be valid, completed Forms of Proxy must be received by the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA no later than 11 a.m. on 25 July 2006. The completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person if you so wish.

14.2 Action to be taken in respect of applications for Offer Shares

The action to be taken in respect of the Open Offer depends on whether, at the time at which the application and payment is made, you have an Application Form in respect of your Open Offer Entitlements or have your Open

Offer Entitlement credited to your CREST stock account. For details on the action to be taken in relation to the Open Offer, please refer to paragraph 2 of Part II of this document.

15. Further information

Your attention is drawn to the further information set out in Parts II to VII of this document.

16. Board recommendations and voting intentions

The Independent Directors, who have consulted with KBC Peel Hunt in its capacity as Nominated Adviser to the Company, consider the Open Offer, the Underwriting and the participation of Ira Rapp in the Placing to be fair and reasonable insofar as Shareholders are concerned. Accordingly, the Independent Directors recommend that you vote in favour of Resolutions 3 and 4 to be proposed at the Extraordinary General Meeting as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 365,000 Ordinary Shares representing approximately 0.13 per cent, of the existing issued ordinary share capital of the Company. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account the Board's commercial assessments.

In addition, the Independent Directors, who have been so advised by KBC Peel Hunt, consider the Code Waiver, the Underwriting and the Placing to be fair and reasonable insofar as Shareholders are concerned and, accordingly, recommend that you vote in favour of Resolution 2 to be proposed at the Extraordinary General Meeting, as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 365,000 Ordinary Shares representing approximately 0.13 per cent. of the existing issued ordinary share capital of the Company. In providing advice to the Independent Directors, KBC Peel Hunt has taken into account the commercial assessments of the Independent Directors.

Further, the Board recommend that you vote in favour of Resolution 1, 5, 6, 7, 8 and 9 as they and Shareholders connected with them intend to do in respect of their aggregate beneficial holdings of 365,000 Ordinary Shares representing approximately 0.13 per cent, of the existing issued ordinary share capital of the Company.

Yours faithfully

The Independent Directors

PART II

TERMS AND CONDITIONS OF THE OPEN OFFER

OPEN OFFER OF UP TO 56,916,300 OFFER SHARES AT A PRICE OF 8.875P PER SHARE

1. Introduction

As the letter from the Independent Directors set out in Part I explains, the Company proposes to raise up to approximately £5.05 million before expenses by way of the Open Offer.

Pursuant to the Open Offer, 56,916,300 Offer Shares are being offered to Qualifying Shareholders at 8.875p per share. All of the proceeds to be received under the Open Offer have been underwritten by Chapman.

2. The Open Offer

Qualifying Shareholders, are hereby invited, subject to the terms and conditions set out below and in the Application Form, to apply for Offer Shares at a price of 8.875p per share payable in full on application. The minimum, pro rata entitlement of Qualifying Shareholders under the Open Offer is shown in Box 2 on the Application Form, calculated on the basis of:

1 Offer Share for every 5 Existing Ordinary Shares

held at the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held.

Entitlements of Qualifying Shareholders to Offer Shares will be rounded down to the nearest whole number of shares. Fractions of Offer Shares will not be allotted to Qualifying Shareholders but will be aggregated for the purposes of the Underwriting or else ignored.

Qualifying Shareholders may apply for their Open Offer Entitlement in full or, if they so wish less than their Open Offer Entitlement by inserting the number of Offer Shares being applied for in the relevant box on the Application Form. Alternatively, the Excess Application Facility allows Qualifying Shareholders to apply for Offer Shares in excess of their Open Offer Entitlement. Applications under the Excess Application Facility may be scaled back in such manner as the Directors determine if applications are received from Qualifying Shareholders for more than the available number of Offer Shares.

Qualifying Shareholders' Open Offer Entitlements are shown on the Application Form. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer as will holdings under different designations and in different accounts.

Application may only be made on the enclosed Application Form, which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy bona fide market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or by whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offer may be claimed from them by purchasers under the rules of the London Stock Exchange.

Subject to statutory withdrawal rights (reference is made to paragraph 7 of this Part II), applications to Offer Shares will be irrevocable. The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects and carry the same voting rights as the Existing Ordinary Shares.

The action to be taken in relation to the Open Offer depends on whether, at the time at which application and payment is made, you have an Application Form in respect of your entitlement under the Open Offer or have Open Offer Entitlements credited to your stock account in CREST in respect of such entitlement.

If you have received an Application Form with this document, please refer to paragraph 3 of this Part II.

If you hold your Ordinary Shares in CREST and have received a credit of Open Offer Entitlements to your CREST stock account, please refer to paragraph 4 of this Part II and also to the CREST Manual for further information on the CREST procedures referred to below.

Shareholders should be aware that the Open Offer is not a rights issue. Qualifying CREST Shareholder should note that although the Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying CREST Shareholder originally entitled or by a person entitled by virtue of a bona fide market

claim raised by CRESTCo's Claims Processing Unit. Qualifying non-CREST Shareholders should note that the Application Form is not a negotiable document and cannot be traded.

Entitlements to Offer Shares will neither be tradeable nor sold in the market for the benefit of Qualifying Shareholders who do not apply for them in the Open Offer. Instead, any Offer Shares not taken up by Qualifying Shareholders will be issued at the Offer Price to Chapman.

Before making any decision to acquire Offer Shares, you are asked to read and carefully consider all the information in this document, including in particular the important information set out in the letter from the Independent Directors of the Company in Part I of this document, as well as this paragraph 2 of this Part II and the Risk Factors set out in this document. Shareholders who do not participate in the Open Offer will experience dilution of their shareholdings. The material terms of the Open Offer are contained in this document.

The Open Offer is subject to the satisfaction of the following conditions by no later than 8.00 a.m. on 28 July 2006 or such later time and/or date as the Company may determine (but, in any event, not later than 8.00 a.m. on 11 August 2006):

- (i) the passing of the Resolutions at the Extraordinary General Meeting;
- (ii) Admission becoming effective; and
- (iii) receipt by the Company of the Sturdon Notification.

Application has been made for the Offer Shares to be admitted to AIM. It is expected that Admission will become effective and that dealings will commence in the Offer Shares on 28 July 2006. The Offer Shares will, when issued and fully paid, rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after the date of their issue.

The result of the Open Offer is expected to be announced on 27 July 2006.

The attention of Shareholders who have registered addresses outside the UK or any other Overseas Shareholder (including, without limitation, nominees, custodians or trustees of any such person) is drawn to paragraph 6 below.

3. Action to be taken if you have an Application Form in respect of your entitlement under the Open Offer

The action to be taken by you in respect of the Open Offer depends on whether at the relevant time you have an Application Form in respect of your entitlement under the Open Offer or you have Open Offer Entitlements credited to your CREST stock account in respect of such entitlement.

CREST sponsored members should refer to their CREST sponsor, as only their CREST sponsor will be able to take the necessary action specified below to apply under the Open Offer in respect of the Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below.

3.1 General

Each Qualifying non-CREST Shareholder will have received an Application Form enclosed with this document. The Application Form shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date. It also shows the number of Offer Shares for which you are entitled to apply under the Open Offer, as shown by the total number of Open Offer Entitlements allocated to you. You may apply for more than your maximum entitlement should you wish to do so. If there is an over-subscription resulting from excess applications in respect of such excess, applications will be made pro rata to the number of excess Offer Shares applied for.

The Application Form has not been sent to Overseas Shareholders with registered addresses in the United States, Australia, Canada or Japan and brokers/dealers and other parties may not submit Application Forms on behalf of Overseas Shareholders with registered addresses in any of these countries.

3.2 Procedure for application and payment

Applications for Offer Shares may only be made on the Application Form, which is personal to the Qualifying Shareholder(s) named on it and is not capable of being split assigned or transferred except in the circumstances described below. The Application Form represents a right personal to the Qualifying Shareholder to apply to

subscribe for Offer Shares; it is not a document of title and it cannot be traded. It is assignable or transferable only to satisfy bona fide market claims in relation to purchases in the market pursuant to the rules and regulations of the London Stock Exchange. Application Forms may be split up to 3.00 p.m. on 21 July 2006 but only to satisfy such bona fide market claims. Qualifying Shareholders who have before 3 July 2006 sold or transferred all or part of their shareholdings are advised to consult their stockbroker, bank or agent through whom the sale or transfer was effected or another professional adviser authorised under the FSMA as soon as possible, since the invitation to apply for Offer Shares may represent a benefit which can be claimed from them by the purchaser(s) or transferee(s) under the rules of the London Stock Exchange.

Your Application Form shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date and the number of Offer Shares (rounded down to the nearest whole number) for which you may apply under the Offer, as shown by the total number of Open Offer Entitlements allocated to you. Fractions (if any) of Offer Shares will be aggregated and placed for the benefit of the Company with Chapman. You may apply for fewer Offer Shares than your entitlement should you so wish. The instructions and other terms which are set out in the Application Form constitute part of the terms of the Open Offer.

Qualifying Shareholders who submit a valid application using the Application Form and accompanying payment will (subject to the terms and conditions set out in this letter and in the Application Form) be allocated the Offer Shares applied for in full at the Offer Price.

Subject to statutory withdrawal rights (reference is made to paragraph 9 of this Part II), applications will be irrevocable and, once submitted, may not be withdrawn and their receipt will not be acknowledged. The Company reserves the right to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

If you are a Qualifying non-CREST Shareholder and wish to apply for all or more of the Offer Shares to which you are entitled you should complete and sign the Application Form in accordance with the instructions printed on it and return it, either by post or by hand (during normal business hours only), together with a pounds sterling cheque or banker's draft to the value of the Offer Shares applied for on the Application Form, to Computershare Investor Services PLC PO Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ as soon as practicable and, in any event, so as to be received not later than 11.00 a.m. on 25 July 2006, after which time Application Forms will not be accepted. The cheque or banker's draft must be drawn on a United Kingdom branch of a qualifying bank or building society, as further described below. Your Application Form will not be valid unless you sign it. If you post your Application Form by first class post in the UK, or in the reply-paid envelope provided for use by Qualifying non-CREST Shareholders, you are advised to allow at least four business days for delivery.

The Company reserves the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 11.00 a.m. on 25 July 2006 from an authorised person (as defined in the FSMA) specifying the Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

3.3 Payments

Your cheque or banker's draft should be crossed "account payee" and made payable to "The Royal Bank of Scotland plc A/C Emess plc". Payments must be made by cheque or banker's draft in pounds sterling drawn on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank or building society which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through facilities provided by either of these companies and must bear the appropriate sorting code in the top right-hand corner. Any application or purported application may be rejected unless these requirements are fulfilled.

Cheques and banker's drafts will be presented for payment on receipt and it is a term of the Open Offer that cheques and banker's draft will be honoured on first presentation. The Company may elect to treat as valid or invalid any applications made by Qualifying Shareholders in respect of which cheques are not so honoured. If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate non-interest bearing bank account. In the event that the Open Offer does not become unconditional, all monies will be returned (without payment of interest) to applicants as soon as practicable.

3.4 Effect of Application

By completing and delivering an Application Form you (as the applicant(s)):

- (a) agree that your application, the acceptance of your application and the contract resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, English law;
- (b) confirm that in making the application you are not relying on any information or representation other than those contained in this document and the Application Form and you, accordingly, agree that no person responsible solely or jointly for this document or any part of it shall have any liability for any information or representation not contained in this document and that having had the opportunity to read this document you will be deemed to have notice of all the information concerning the Group and the Property Fund contained within this document;
- (c) represent and warrant that you are not resident(s) of Australia, the United States, Japan, Canada and are not applying on behalf of, or with a view to the re-offer, re-sale or delivery of the Offer Shares directly or indirectly in, into or within the United States, Japan, Australia or Canada, or to a resident of the United States, Japan, Australia or Canada or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery;
- (d) represent and warrant that you are not otherwise prevented by legal or regulatory restrictions from applying for Offer Shares or acting on behalf of such person(s) on a non-discretionary basis; and
- (e) will also be asked whether or not you can represent and warrant as follows: (i) you have not received the Application Form or any other document relating to the Open Offer in the United States or in Japan, nor have you mailed, transmitted or otherwise distributed or forwarded any such document in or into the United States or in or into Japan; (ii) you are not and were not located in the United States or in Japan at the time you accepted the Application Form or at the time you returned the Application Form; (iii) if you are acting in a fiduciary, agency or other capacity as an intermediary, then either (A) you have full investment discretion with respect to the Offer Shares covered by the Application Form or (B) the person on whose behalf you are acting was located outside the United States and Japan at the time he or she instructed you to submit the Application Form; and (iv) you are acquiring the Offer Shares in an “offshore transaction” as defined for purposes of Regulation S of the Securities Act.

If you are unable to provide such representations and warranties you will be deemed not to have validly submitted an application for Offer Shares, save in the discretion of the Company and subject to certain conditions.

You should note that subject to statutory withdrawal rights (reference is made to paragraph 9 of this Part II), applications will be irrevocable. The Company reserves the right (but shall not be obliged) to treat any application not strictly complying in all respects with the terms and conditions of application as nevertheless valid. If you do not wish to apply for Offer Shares under the Open Offer you should not complete or return the Application Form.

If you have any doubt as to the procedure for acceptance and payment for Qualifying non-CREST Shareholders, you should contact Computershare Investor Services on telephone number 0870 702 0100 or, from outside the UK, +44 870 702 0100. This helpline will not provide any financial or tax advice or advice concerning the merits of the Open Offer or whether or not you should make an application under the Open Offer.

All enquiries in connection with the Application Form should be addressed to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1ZZ.

4. Action to be taken if you have Open Offer Entitlements credited to your stock account in CREST in respect of your entitlement under the Open Offer

4.1 General

Each Qualifying CREST Shareholder will receive a credit to his stock account in CREST of his Open Offer Entitlements equal to the maximum number of Offer Shares for which he is entitled to apply under the Open Offer.

The CREST stock account to be credited will be an account under the Participant ID and Member ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements have been allocated.

If for any reason the Open Offer Entitlements cannot be admitted to CREST by, 3.00 p.m. or such later time as the Company may decide, on 5 July 2006, an Application Form will be sent out to each Qualifying CREST Shareholder in substitution for

the Open Offer Entitlements credited to his stock account in CREST. In these circumstances the expected timetable as set out in this document will be adjusted as appropriate and the provisions of this document applicable to Qualifying non-CREST Shareholders with Application Forms will apply to Qualifying CREST Shareholders who receive Application Forms.

CREST members who wish to apply for some or all of their entitlements to Offer Shares should refer to the CREST Manual for further information on the CREST procedures referred to below. Should you need advice with regard to these procedures, please contact Computershare Investor Services (tel: 0870 7020100 or, from outside the UK, +44 870 702 0100). Computershare Investor Services cannot give financial advice in relation to the Open Offer. If you are a CREST sponsored member you should consult your CREST sponsor if you wish to apply for Offer Shares as only your CREST sponsor will be able to take the necessary action to make this application in CREST.

4.2 Procedure for application and payment

The Open Offer Entitlements will constitute a separate security for the purposes of CREST. Although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim transaction. Transactions identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlement will generate an appropriate market claim transaction and the relevant Open Offer Entitlement(s) will thereafter be transferred accordingly.

4.3 USE Instructions

CREST members who wish to apply for Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an Unmatched Stock Event (USE) instruction to CRESTCo which, on its settlement, will have the following effect:

- (a) the crediting of a stock account of the Registrars under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Offer Shares applied for; and
- (b) the creation of a CREST payment in accordance with the CREST payment arrangements, in favour of the payment bank of the Registrars in respect of the amount specified in the USE instruction which must be the full amount payable on application for the number of Offer Shares referred to in (a) above.

4.4 Content of USE Instructions

The USE instruction must be properly authenticated in accordance with CRESTCo’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (a) the number of Offer Shares for which application is being made (and hence the number of the Open Offer Entitlement(s) being delivered to the Registrars);
- (b) the ISIN of the Open Offer Entitlement. This is GB00B188SK81;
- (c) the Participant ID of the accepting CREST member;
- (d) the Member Account ID of the accepting CREST member from which the Open Offer Entitlements are to be debited;
- (e) the Participant ID of Computershare Investor Services, in its capacity as a CREST receiving agent. This is 3RA42;
- (f) the Member Account ID of Computershare Investor Services, in its capacity as a CREST receiving agent. This is EMESSPLC;
- (g) the amount payable by means of a CREST payment on settlement of the USE instruction. This must be the full amount payable on application for the number of Offer Shares referred to in (a) above;
- (h) the intended settlement date. This must be on or before 11 a.m. on 25 July 2006; and
- (i) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST.

In order for an application under the Open Offer to be valid, the USE instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11.00 a.m. on 25 July 2006.

In order to assist prompt settlement of the USE instruction, CREST members (or their sponsors, where applicable) may consider adding the following non-mandatory fields to the USE instruction:

- (i) a contact name and telephone number (in the free format shared note field); and
- (ii) a priority of at least 80.

CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE instruction may settle on 25 July 2006 in order to be valid is 11.00 a.m. on that day.

In the event that the Open Offer does not become unconditional by 8.00 a.m. on 28 July 2006 or such later time and date as the Company shall agree (being no later than 11 August 2006), the Open Offer will lapse, the Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest, within 14 days thereafter. The interest earned on such monies will be retained for the benefit of the Company. The Open Offer cannot be revoked once all conditions have been satisfied.

4.5 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying non-CREST Shareholder's entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in his Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a bona tide market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form, Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, subject (in the case of a deposit into CREST) as set out in the Application Form.

A holder of an Application Form who is proposing so to deposit the entitlement set out in such form is recommended to ensure that the deposit procedures are implemented in sufficient time to enable the person holding or acquiring the Open Offer Entitlements following their deposit into CREST to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 25 July 2006.

In particular, having regard to normal processing times in CREST and on the part of the Registrars, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the entitlement under the Open Offer set out in such Application Form as Open Offer Entitlements in CREST, is 3.00 p.m. on 20 July 2006, and the recommended latest time for receipt by CRESTCo of a dematerialised instruction requesting withdrawal of Open Offer Entitlements from CREST is 4.30 p.m. on 18 July 2006, in either case so as to enable the person acquiring or (as appropriate) holding the Open Offer Entitlements following the deposit or withdrawal (whether as shown in an Application Form or held in CREST) to take all necessary steps in connection with applying in respect of the Open Offer Entitlements prior to 11.00 a.m. on 25 July 2006.

Delivery of an Application Form with the CREST Deposit Form duly completed whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and the Registrar by the relevant CREST member(s) that it/they is/are not in breach of the provisions of the notes under the paragraph headed "Instructions for Depositing entitlements under the Open Offer into CREST" on page 2 of the Application Form, and a declaration to the Company and the Registrar from the relevant CREST member(s) that it/they is/are not citizen(s) or resident(s) of the United States, Australia, Canada or Japan and, where such deposit is made by a beneficiary of a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a bona tide market claim.

4.6 Validity of application

A USE instruction complying with the requirements as to authentication and contents set out above which settles by no later than 11.00 a.m. on 25 July 2006 will constitute a valid application under the Open Offer.

4.7 CREST procedures and timings

CREST members and (where applicable) their CREST sponsors should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE instruction and its settlement in connection with the Open Offer. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action as shall be necessary to ensure that a valid application is made as stated above by 11.00 a.m. on 25 July 2006. In this connection CREST members and (where applicable) their CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.8 Incorrect or incomplete applications

If a USE instruction includes a CREST payment for an incorrect sum, the Company through the Registrars reserves the right:

- (a) to reject the application in full and refund the payment to the CREST member in question;
- (b) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question;
- (c) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE instruction refunding any unutilised sum to the CREST member in question.

4.9 Effect of valid application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures will thereby:

- (a) pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Registrar's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay to the Company the amount payable on application);
- (b) request that the Offer Shares to which he will become entitled be issued to him on the terms set out in this document and subject to the memorandum and articles of association of the Company;
- (c) agree that all applications and contracts resulting therefrom under the Open Offer shall be governed by, and construed in accordance with, the laws of England;
- (d) represent and warrant that he is not applying on behalf of any Shareholder, who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada or Japan and he is not applying with a view to reoffering, reselling, transferring or delivering any of the Offer Shares which are the subject of this application to, or for the benefit of, a Shareholder who is a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws of the United States, Australia, Canada or Japan nor acting on behalf of any such person on a non-discretionary basis nor (a) person(s) otherwise prevented by legal or regulatory restrictions from applying for Offer Shares under the Open Offer;
- (e) represent and warrant that he is not and nor is he applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in Section 93 (depository receipts) or Section 96 (clearance services) of the Finance Act 1986;
- (f) confirm that in making such application he is not relying on any information or representation other than that contained in this document and agrees that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof, shall have any liability for any information or representation not contained in this document and further agree that having had the opportunity to read this document he will be deemed to have had notice of all the information concerning the Group contained therein; and
- (g) represent and warrant that he is the Qualifying Shareholder originally entitled to the Open Offer Entitlements or that he has received such Open Offer Entitlements by virtue of a bona fide market claim.

4.10 Company's discretion as to rejection and validity of applications

The Company may in its sole discretion:

- (a) treat as valid (and binding on the CREST member concerned) an application which does not strictly comply in all respects with the requirements as to validity set out or referred to in this paragraph 4 of this Part II;
- (b) accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor as constituting a valid application in substitution for or in addition to a USE instruction and subject to such further terms and conditions as the Company may determine;
- (c) treat a properly authenticated dematerialised instruction (in this subparagraph the "first instruction") as not constituting a valid application if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction or thereafter, either the Company or the Registrar have received actual notice from CRESTCo of any of the matters specified in Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (d) accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a USE instruction or any alternative instruction or notification, in the event that for reasons or due to circumstances outside the control of any CREST member or CREST sponsored member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable validly to apply for Open Offer Shares by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

If you have any doubt as to the procedure for acceptance and payment you should contact Computershare Investor Services on telephone number 0870 702 0100 or, from outside the UK, +44870 702 0100. This helpline will not provide any financial or tax advice or advice concerning the merits of the Open Offer or whether or not you should make an application under the Open Offer.

4.11 Issue of Open Offer Shares in CREST

Open Offer Entitlements held in CREST are expected to be disabled in all respects after the close of business on 25 July 2006. If the conditions to the Open Offer described above are satisfied, Offer Shares will be issued in uncertificated form to those persons who submitted a valid application for Offer Shares by utilising the CREST application procedures and whose applications have been accepted by the Company on the day on which such conditions are satisfied. On this day, the Receiving Agent will instruct CRESTCo to credit the appropriate stock accounts of such persons with such persons' entitlements to Offer Shares with effect from the next business day (expected to be 28 July 2006). The stock accounts to be credited will be accounts under the same Participant IDs and Member Account IDs in respect of which the USE instruction was given.

4.12 Excess applications

Qualifying CREST Shareholders may apply for Offer Shares in excess of their Open Offer Entitlement to Offer Shares. Applications for Offer Shares in excess of a Qualifying CREST Shareholder's Open Offer Entitlement will be satisfied to the extent that correspondent applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlement. If there is an oversubscription resulting from excess applications, allocations in respect of such excess applications will be made pro rata to the number of excess Offer Shares applied for. Qualifying CREST Shareholders who wish to apply for Offer Shares in excess of their Open Offer Entitlement must complete the enclosed blue Excess CREST Application Form in accordance with the instructions set out therein. The blue Excess CREST Application Form is to be used by Qualifying CREST Shareholders only for those Offer Shares they wish to apply for in excess of their Open Offer Entitlement. Applications for the Offer Shares comprised in their Open Offer Entitlement must be made in accordance with the procedures set out above. Applications under the blue Excess CREST Application Form will not be acknowledged and receipts will not be issued.

The Company reserves the right to treat a blue Excess CREST Application Forms as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or not accompanied by a power of attorney (when required) or does not strictly comply with the terms and conditions of application.

4.13 Payments in respect of excess applications

Cheques or banker's drafts should be made payable to The Royal Bank of Scotland plc re "Emess plc A/C Open Offer" and crossed "A/C payee only". Cheques or banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom, the Channel Islands or in the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of those companies. Such cheques or banker's drafts must bear the appropriate sort code at the top right hand corner and must be for the full amount payable on application. A blue Excess CREST Application Form may be rejected unless these requirements are fulfilled.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Computershare Investor Services PLC to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Any person returning a blue Excess CREST Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. The Company may elect at its sole discretion to treat as valid any acceptance in respect of which remittance is notified to it as not having been so honoured. If cheques or banker's drafts are presented before the conditions of the Open Offer are fulfilled, the application monies will be held in a separate interest bearing account, with any interest being retained for the benefit of the Company, until all conditions are met.

All enquiries in connection with the procedure for excess application and completion of the blue Excess CREST Application Form and/or any requests for additional blue Excess CREST Application Forms should be referred to Computershare Investor Services PLC. The telephone number of Computershare Investor Services PLC is +44 (0)870 702 0100. Computershare Investor Services PLC cannot give financial advice in relation to the Open Offer.

5. Money Laundering Regulations 2003

5.1 General

The verification of identity requirements pursuant to the Money Laundering Regulations 2003 will apply to applications with a value of £9,000 (approximately €15,000) or greater, or to one of a series of linked applications whose aggregate value exceeds that amount, which are to be settled by way of a third party payment, and verification of the identity of applicant(s) for Offer Shares may be required. If within a reasonable period of time following a request for verification of identity, but in any event by 3.00 p.m. on 25 July 2006, the Registrar has not received evidence satisfactory to it, the Company may, in its absolute discretion, elect not to treat as valid the relevant acceptance, in which event the money payable or paid in respect of the acceptance will be returned (without interest and at the applicant's risk) to the account of the drawee bank or building society from which sums were originally debited (but in each case without prejudice to any rights the Company may have to take proceedings in respect of loss or damage suffered or incurred by it as a result of the failure to produce satisfactory evidence as aforesaid).

In order to avoid the operation of the provisions of the Money Laundering Regulations 2003 described above, payment should be made by means of a cheque drawn by the applicant named in the enclosed Application Form or (where an Application Form has been transferred and/or split to satisfy bona fide market claims in relation to transfers of Ordinary Shares through the market prior to 3.00 p.m. on 21 July 2006), by the person named in Box 8 on the Application Form. If this is not practicable and the applicant uses a cheque drawn on a building society or a bankers' draft, the applicant should:

- (i) ask the building society or bank to endorse on the cheque or draft the name and account number of the person whose building society or bank account is being debited;
- (ii) if the applicant is making the application as agent for one or more persons, indicate on the Application Form whether it is a United Kingdom or EU regulated person or institution (e.g. a bank or broker), and specify its status. If it is not a United Kingdom or EU regulated person or institution, the applicant should contact the Registrars on telephone number 0870 702 0100 or, if calling from outside the UK +44870 702 0100 and seek guidance. The Registrars will not be able to provide advice on the merits of the Open Offer or any of the other Proposals nor give any investment or financial advice; and
- (iii) if the applicant delivers the Application Form by hand, bring with them the appropriate photographic evidence of identity, such as a passport or driver's licence.

In any event, if it appears to the Registrars that an applicant is acting on behalf of some other person, further verification of the identity of any person on whose behalf the applicant appears to be acting will be required.

Neither the Registrars, KBC Peel Hunt nor the Company will be liable to any person for any loss suffered or incurred as a result of the exercise of any discretion to require verification.

By lodging an Application Form, each Qualifying Shareholder undertakes to provide evidence of his identity at the time of lodging the Application Form, or, at the absolute discretion of the Company and KBC Peel Hunt, at such specified time thereafter as may be required to ensure compliance with the Money Laundering Regulations 2003.

5.2 Open Offer Entitlements in CREST

If you hold your Open Offer Entitlements in CREST and apply for Offer Shares in respect of all or some of your Open Offer Entitlements as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a UK financial institution), then, irrespective of the value of the application, the Receiving Agent is obliged to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. You must therefore contact the Receiving Agent before sending any USE or other instruction so that appropriate measures may be taken.

Submission of a USE instruction which on its settlement constitutes a valid application as described above constitutes a warranty and undertaking by the applicant to provide promptly to the Receiving Agent such information as may be specified by the Receiving Agent as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to the Receiving Agent as to identity, the Receiving Agent may in its absolute discretion take, or omit to take, such action as it may determine to prevent or delay issue of the Offer Shares concerned. If satisfactory evidence of identity has not been provided within a reasonable time, then the application for the Offer Shares represented by the USE instruction will not be valid. This is without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence.

6. Overseas Shareholders

(a) General

It is the responsibility of any Overseas Shareholder (including, without limitation, nominees, custodians and trustees) wishing to apply for Offer Shares under the Open Offer to satisfy himself as to full observance of the laws of any relevant territory in connection with such application, including obtaining any requisite governmental or other consent or approval, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. **Shareholders who are in any doubt as to their position should consult a professional adviser.**

No person receiving this document and/or an Application Form in any territory other than the UK may treat it as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used by him without contravention of any registration or other regulatory or legal requirement. In such circumstances, the document and/or the Application Form are sent for information only, are confidential and should not be copied or distributed. Shareholders located in the Republic of Ireland should refer to paragraph (e) below.

The Company reserves the right to treat as invalid any application or purported application for Offer Shares under the Open Offer made by or on behalf of a person outside the UK or if the Company is not given the relevant warranty set out in the Application Form or if it appears that the application may constitute a breach of such warranty or any relevant securities legislation. Notwithstanding any other statement in this document, the Company reserves the right to permit a Shareholder to take up Offer Shares under the Open Offer if the Company is satisfied in its sole and absolute discretion that such action would not result in contravention of any applicable legal or regulatory requirements.

(b) North America

Neither this document, the Application Form nor the Offer Shares have been or will be registered under the United States Securities Act of 1933, as amended, or any applicable securities laws of any state of the United States, nor have they been, nor will they be qualified for sale under the securities law of any province or territory of Canada and the relevant exemptions are not being obtained from the Securities Commission of any province or territory of Canada. Except in a transaction which is exempt from the registration requirements of such laws, the Offer Shares may not be, directly or indirectly, offered, sold, taken up or delivered in North America, or to or for the benefit of a North American Person (as defined below). Application Forms are not being

sent to any Shareholder with a registered address in North America or who is known or believed by the Company to be a North American Person, unless such Shareholder satisfies the Company (in its sole discretion) that an allotment is permitted under an exemption from the securities laws referred to above.

In this letter “North America” means the United States of America and Canada, their respective states, provinces, territories and possessions and all areas subject to their respective jurisdictions and any political subdivision thereof and “North American Person” means any person who is in North America, or any citizen or resident of North America, who receives any Application Form in North America or who executes, authorises the execution of or sends in any Application Form from within North America and shall include the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America. References in this letter to “in North America” shall mean at the time the Open Offer is received and at the time any relevant Application Form is executed or authorised to be executed and returned.

(c) *Australia*

Neither this document nor the Application Form nor the Offer Shares will be lodged or registered with the Australian Securities and Investments Commission under Australia’s Corporations Law and Offer Shares are not being offered for subscription or sale and may not be offered, sold or delivered in or into Australia or for the account or benefit of any person or corporation in Australia. No Application Form will be sent to any person or corporation in Australia, including any Shareholder with a registered address in Australia. This document is being sent to such Shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares. Payment under an Application Form will constitute a representation or warranty that the person entitled to the same has not received, sent or forwarded the Application Form in or into Australia or to any person or corporation in Australia, and is not subscribing for any of the Offer Shares for the account or benefit of any person or corporation in Australia or with a view to their offer, sale or delivery directly or indirectly in or into Australia or to or for the account of any person or corporation in Australia.

(d) *Japan*

The relevant clearances have not been, and will not be, obtained from the Ministry of Finance of Japan, no document in relation to the Open Offer has been or will be lodged with or registered by the Ministry of Finance of Japan and no steps have been taken to enable the Offer Shares to be offered, sold, accepted, or otherwise delivered in Japan, its territories and possessions and any areas subject to its jurisdiction (“Japan”) in compliance with applicable laws of Japan. The Offer Shares may not therefore be offered, sold or accepted or otherwise delivered directly, or indirectly, in or into Japan.

Accordingly, Application Forms are not being sent to Qualifying Shareholders who have registered addresses in Japan. This document is being sent to such shareholders for information purposes only and does not constitute an offer or invitation to apply for Offer Shares.

(e) *Republic of Ireland*

Pursuant to Regulation 9(1)(b) of the Prospectus (Directive 2003/71/EC) Regulations 2005, as the Open Offer is being addressed to fewer than 100 persons in the Republic of Ireland, the obligation to publish a prospectus does not apply to the Open Offer being made in the Republic of Ireland. Accordingly, in the Republic of Ireland, no document in relation to the Offer Shares has been or will be filed with the Central Bank and Financial Services Authority of Ireland or lodged for registration with the Registrar of Companies in the Republic of Ireland.

7. Withdrawal Rights

Qualifying Shareholders wishing to exercise statutory withdrawal rights after publication by the Company of a prospectus supplementing this document must do so by lodging a written notice of withdrawal (such notice shall include a notice sent by facsimile), which must include the full name and address of the person wishing to exercise statutory withdrawal rights and, if such person is a CREST member, the Participant ID and the Member Account ID of such CREST member, with Computershare Investor Services PLC at PO Box 1075, The Pavillions, Bridgwater Road, Bristol BS99 3FA or by facsimile to +44 (0) 870 703 6113 so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by the Registrars after expiry of such period will not constitute a valid withdrawal, provided that the Company will not permit the exercise of withdrawal rights after payment by the relevant Qualifying Shareholder of its subscription in full and the allotment of Offer Shares to such Qualifying Shareholder becoming unconditional. In such event Shareholders are advised to seek independent legal advice.

8. Taxation

The attention of Shareholders is drawn to the advice on United Kingdom taxation received by the Company set out in paragraph 25 of Part VII of this document.

If you are in any doubt about your tax position, you should consult your independent professional adviser immediately.

9. Further information

The attention of the Qualifying Shareholders is drawn to the further information set out in this document including the additional information set out in Part VII and the risk factors set out on pages 2-6 and the notice of Extraordinary General Meeting set out at the end of this document and to the terms and conditions set out on the Application Form.

PART III

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this document:

(a) the auditor's report and statutory annual financial statements for the financial year ended 31 December 2004; and

(b) the auditor's report and statutory annual financial statements for the financial year ended 31 December 2003.

Copies of documents incorporated by reference in this document can be obtained from the registered office of the Company and from the Company's website at www.emess.co.uk.

The following sections can be found in the documents incorporated by reference:

Annual Financial Statements 2004

- Auditors Report, page 8
- Consolidated Profit and Loss Account, page 9
- Balance Sheet, page 11
- Cash Flow Statement, page 12
- Notes to the Financial Statements, page 15

Annual Financial Statements 2003

- Auditors Report, page 9
- Consolidated Profit and Loss Account, page 10
- Balance Sheet, page 11
- Consolidated Cash Flow Statement, page 12
- Notes to the Financial Statements, page 13

PART IV

OPERATING AND FINANCIAL REVIEW OF EMESS PLC

The financial information in this Part IV has been extracted without material adjustment from the financial information included in the published audited financial accounts of the Company for the periods ended 31 December 2005, 31 December 2004 and 31 December 2003.

Investors should read the whole of this document and not just rely on the key or summarised information below.

Financial information on the Group

Consolidated profit and loss account

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Turnover	(i) 15,782	—	—
Changes in stocks of finished goods and work in progress	697	—	—
Other operating income	43	68	—
Raw materials and consumables	(7,999)	—	—
Profit on sale of investment	(ii) —	—	318
Staff costs	(3,375)	(526)	(499)
Depreciation and other amounts written off tangible fixed assets	(224)	(9)	(9)
Other operating charges			
Exceptional provision for onerous leases	(iii) —	(362)	(4,812)
Exceptional impairment loss on investment property	(ii) —	—	(650)
Other	(5,872)	(728)	(776)
Operating Loss	(948)	(1,557)	(6,428)
Profit on sale of subsidiaries	(ii) 1,600	—	—
Profit/(Loss) on ordinary activities before taxation and interest	652	(1,557)	(6,428)
Interest received less payable	511	768	791
Finance charge on non-equity shares	(800)	(381)	—
Profit/(Loss) on ordinary activities before taxation	363	(1,170)	(5,637)
Tax	—	—	—
Profit/(Loss) attributable to ordinary shareholders	363	(1,170)	(5,637)
Earnings/(Loss) pre share (basic and diluted)	0.2p	(0.5p)	(0.2p)

(i) Revenue and income

Following the disposal of its last remaining trading business in September 2003 the Group has had no trading business, so that since that disposal the Group has not generated turnover and income comprises only interest received on the Group's cash resources.

Once the Resolutions are passed and the change to the Company's business is fully implemented, the Group's income stream will include fees receivable for sourcing and acquiring property investments on behalf of the Property Fund, the Group's 50% share of net fees received by the management company to the Property Fund and income distributions on the Group's investment in the Property Fund together with any capital appreciation on the investment in the Property Fund.

(ii) Profits and losses on investments

The disposal of the trading subsidiaries in September 2003 resulted in a profit of £1.6 million. In 2005, the company realised a gain of £318,000 on the disposal of its investment in a listed entity.

Subsequent to 31 December 2005, the date of the Group's latest financial statements, the Group has disposed of the Hixon property and redeemed the £5.9 million bank loan which was secured on the property. Provision was

made in the financial statements at 31 December 2005 for the loss of £872,000 realised on the sale. The impact on the salient balance sheet items as a result of this disposal is summarised below:

- The bank and cash balance will reduce from £24.5m to approximately £18.8 million, due mainly to the repayment of the £5.9 million long-term bank loan secured on the Hixon property (please see the pro forma financial information at Part VI).
- The balance sheet will no longer include any investment property (31 December 2005: £4.95 million) but will have a secured loan receivable in 2011 of £4.5 million.

(iii) *Onerous lease provisions*

The Group's trading businesses had all been disposed of prior to 2003. In terms of the various sales agreements, the leases for the various businesses were assigned to the purchasers of the businesses, and in some cases the Company remains exposed under the terms of those respective leases. In 2004, a provision of £362,000 was made for an onerous lease. A net provision for onerous leases of £4,812,000 was made in the financial statements at 31 December 2005 as a result of the potential default of its lease obligations by the assignee under the largest of these potential lease obligations subsequent to 31 December 2005. The remaining lengths of these leases range from 3 to 8 years and the current annual rent obligations for all such leases (which may be subject to periodic reviews), before allowing for any mitigating activities, are approximately £400,000.

Consolidated balance sheets

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non Current Assets	(iv) 6,229	6,218	4,983
Current Assets	26,560	25,412	24,564
Current Liabilities	(1,705)	(1,521)	(1,678)
Non Current Liabilities	(v) (7,184)	(7,173)	(11,170)
Net assets	<u>23,900</u>	<u>22,936</u>	<u>16,699</u>
Capital & Reserves			
Called up Share Capital	3,831	2,846	2,846
Share Premium Account	17,016	16,841	16,841
Revaluation Reserve	(iv) 600	600	—
Other Capital Reserves	2,991	3,976	3,976
Distributable Reserves	(538)	(1,327)	(6,964)
	<u>23,900</u>	<u>22,936</u>	<u>16,699</u>

(iv) *Non Current Assets*

In 2005 a provision of £650,000 against non current assets was made for the loss on disposal of the property at Hixon and £222,000 was provided in current liabilities for costs relating to the disposal. The Group retains freehold ownership of approximately 7 acres of vacant land adjacent to the Hixon property, which was valued at £600,000 in 2003. Although the land is allocated in the local plan as land that is acceptable for further industrial development, there can be no certainty as to if, or when, or at what cost, relevant detailed planning consent for development can be obtained. In light of this, the board reversed the £600,000 of revaluation reserve that relates to this vacant land.

The Company will invest £20 million in the Property Fund, which aims to invest in property transactions on an international basis, diversified across different jurisdictions and property sectors and primarily focussed in Europe and the UK. It is intended that the vast majority of the Property Fund's equity will be invested in direct property holdings with an allocation ultimately going into indirect property assets to gain diversified exposure and manage liquidity. The Property Fund will be "opportunity value driven" giving cognisance to the fact that the global and international property sector is diverse and recognising the different markets in different cycles. The Property Fund will seek to generate a competitive income stream for Investors, but will place emphasis on capital growth over the life of the Fund, which is expected to be 6 years, subject to a potential further extension of up to 2 years.

(v) *Non Current Liabilities*

The £3,997,000 increase in non current liabilities reflects the additional net provision made for onerous leases as described more fully in (iii) above.

Consolidated cash flow statements

	<i>Years ended 31 December</i>		
	<i>2003</i>	<i>2004</i>	<i>2005</i>
	<u><i>£'000</i></u>	<u><i>£'000</i></u>	<u><i>£'000</i></u>
Net cash outflow from operating activities	(4,408)	(2,008)	(512)
Returns on investment and servicing of finance	424	673	791
Taxation refund	—	64	—
Capital Expenditure	(11)	2	(18)
Acquisitions and disposals	8,037	490	—
Management of liquid resources	(3,740)	764	(94)
Financing	<u>(881)</u>	<u>(192)</u>	<u>(79)</u>
Increase (decrease) in cash	<u>(579)</u>	<u>(207)</u>	<u>88</u>

PART V

FINANCIAL INFORMATION RELATING TO THE GROUP
FOR THE YEAR ENDED 31 DECEMBER 2005

The financial information on the Group set out below does not constitute statutory accounts within the meaning of section 240 of the Act. The financial information relating to the year ended 31 December 2005 has been extracted without material adjustment from the audited consolidated financial statements of the Group for the year ended 31 December 2005, in respect of which, the Company's auditors, Horwath Clark Whitehill LLP, have made a report under section 235 of the Act which was not qualified (within the meaning of section 262(1) of the Act), and did not contain any statements made under section 237(2) of the Act.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>Notes</u>	2005 £'000	<i>2004</i> <i>restated</i> <i>£'000</i>
Other operating income		—	68
Profit on sale of investment		318	—
Staff costs	2	(499)	(526)
Depreciation		(9)	(9)
Other operating charges			
— Exceptional provision for onerous lease		(4,812)	(362)
— Exceptional impairment loss on investment property		(650)	—
— Other		(776)	(728)
Operating loss	1	(6,428)	(1,557)
Interest receivable less payable	3	791	768
Finance charge on non-equity shares	4	—	(381)
Loss on ordinary activities before taxation		(5,637)	(1,170)
Tax	5	—	—
Loss attributable to ordinary shareholders		(5,637)	(1,170)
Loss per ordinary share — basic and diluted	7	(2.0p)	(0.5p)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £'000	<i>2004</i> <i>£'000</i>
Loss for the year	(5,637)	(1,170)
Reversal of valuation surplus	(600)	—
Total recognised gains and losses since last annual report	(6,237)	(1,170)

The notes numbered 1 to 25 form part of these financial statements

BALANCE SHEETS
AT 31 DECEMBER 2005

	Notes	Group 2005 £'000	<i>Group 2004 £'000</i>	Company 2005 £'000	<i>Company 2004 £'000</i>
Fixed assets					
Tangible assets	8	33	18	33	18
Investment property	9	4,950	6,200	—	—
Investments in subsidiaries	10	—	—	22,261	22,580
		<u>4,983</u>	<u>6,218</u>	<u>22,294</u>	<u>22,598</u>
Current assets					
Debtors	11	91	121	284	276
Investments	12	—	1,000	—	1,000
Cash at bank and in hand		24,473	24,291	24,451	24,126
		<u>24,564</u>	<u>25,412</u>	<u>24,735</u>	<u>25,402</u>
Creditors: due within one year	13	<u>(1,678)</u>	<u>(1,521)</u>	<u>(1,527)</u>	<u>(1,226)</u>
Net current assets		<u>22,886</u>	<u>23,891</u>	<u>23,208</u>	<u>24,176</u>
Total assets less current liabilities		<u>27,869</u>	<u>30,109</u>	<u>45,502</u>	<u>46,774</u>
Creditors: due after one year					
Bank Loans	14	(5,825)	(5,904)	—	—
Amounts owed to subsidiary undertakings		—	—	(23,708)	(23,568)
Provisions for liabilities	15	<u>(5,345)</u>	<u>(1,269)</u>	<u>(5,095)</u>	<u>(270)</u>
		<u>16,699</u>	<u>22,936</u>	<u>16,699</u>	<u>22,936</u>
Capital and reserves					
Called up share capital	17	2,846	2,846	2,846	2,846
Share premium account	18	16,841	16,841	16,841	16,841
Revaluation reserve	18	—	600	—	—
Other capital reserves	18	3,976	3,976	3,976	3,976
Distributable reserves	18	<u>(6,964)</u>	<u>(1,327)</u>	<u>(6,964)</u>	<u>(727)</u>
Shareholders' funds	19	<u>16,699</u>	<u>22,936</u>	<u>16,699</u>	<u>22,936</u>

These financial statements were approved and authorised for issue by the Board on 30 June 2006

Director R Wood-Ward

The notes numbered 1 to 25 form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005**

	<u>Notes</u>	2005 £'000	<i>2004</i> <i>£'000</i>
Net cash outflow from operating activities	20	(512)	<i>(2,008)</i>
Returns on investment and servicing of finance			
Finance charge paid on non-equity shares		—	<i>(92)</i>
Interest received		1,157	<i>1,120</i>
Interest paid		(366)	<i>(355)</i>
Net cash inflow from returns on investments and servicing of finance		791	<i>673</i>
Taxation			
Refund		—	<i>64</i>
Net cash inflow from taxation		—	<i>64</i>
Capital expenditure			
Purchase of tangible fixed assets		(24)	—
Sale of tangible fixed assets		6	<i>2</i>
Net cash (outflow)/inflow from capital expenditure		(18)	<i>2</i>
Acquisitions and disposals			
Disposal of Poole Lighting Limited		—	<i>490</i>
Net cash inflow from acquisitions and disposals		—	<i>490</i>
Net cash inflow/(outflow) before management of liquid resources and financing		261	<i>(779)</i>
Management of liquid resources			
Cash (placed on)/withdrawn from short term deposit		(94)	<i>764</i>
Financing			
Net decrease in loans		(79)	<i>(17)</i>
Costs associated with issue of ordinary share capital		—	<i>(175)</i>
Net cash outflow from financing		(79)	<i>(192)</i>
Increase/(decrease) in cash	21	88	<i>(207)</i>

The notes numbered 1 to 25 form part of these financial statements

ACCOUNTING POLICIES

31 DECEMBER 2005

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with applicable accounting standards as modified by the revaluation of investment properties.

The principal accounting policies, which have not changed in the period, are as follows:

Basis of consolidation

The consolidated accounts incorporate the financial statements of Emess plc and all of its subsidiaries made up to 31 December 2005.

The Group has used the acquisition method to consolidate the results of subsidiaries. The results of subsidiaries are included from the date of acquisition.

On adoption of FRS 10 (Goodwill and Intangible Assets), the Group took advantage of the transitional rules and did not reinstate goodwill previously written off to reserves. This goodwill has been charged in the profit and loss account on disposal of the related businesses.

As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented for Emess Plc.

Tangible fixed assets

All tangible fixed assets, other than investment property, are stated at cost less provisions for depreciation and any impairment in value.

Depreciation

Depreciation is provided on tangible fixed assets to write off the cost, less estimated residual values, over their estimated useful lives on a straight line basis at the following principal rates per annum:

Equipment and motor vehicles 20% to 33 $\frac{1}{3}$ %

Deferred tax

Deferred tax is recognised on an undiscounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, subject to the following.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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 future reversal of underlying timing differences can be deducted.

Leased assets

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

Financial Instruments

The disclosure made in Note 16 exclude short-term debtors and creditors which are not treated for disclosure purposes, other than currency disclosures, as financial assets or financial liabilities.

The Group does not trade in derivative financial instruments.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Investment property

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, unless a deficit (or its reversal) is expected to be permanent, in which case, it is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes in that current value, are of prime importance rather than a calculation of systematic annual depreciation.

Pension costs

Contributions to the employees' personal pension schemes are charged to the profit and loss account in the year in which they arise.

When defined benefit schemes are closed to new members and benefits but not fully wound up, the statutory debt is recognised based on the latest actuarial advice available.

Liquid resources

Management of liquid resources in the cash flow statement comprises movement in short-term bank deposits which have maturity dates of up to one year.

Onerous lease provisions

Provision is made for all future rental liabilities less any anticipated rental income on leased properties not being utilised by Group companies discounted at the estimated cost of funds.

Redemption cost of preference shares

In accordance with FRS 4, the premium on the redemption of the preference shares was charged to the profit and loss account on a straight line basis over the period from issue to 1 January 2009. These shares were cancelled under the scheme of arrangement which became effective on 21 June 2004 and thereafter no further charge to the profit and loss account was made.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2005

1. Operating Loss

	<u>£'000</u>	<u>£'000</u>
Operating loss is stated after charging:		
Operating lease rentals for properties	18	167
Audit fees	<u>20</u>	<u>45</u>
Fees to the auditors for non-audit services amounted to £15,000 (2004: £14,393) in respect of:		
	<u>£'000</u>	<u>£'000</u>
Company secretarial services	—	1
Acquisition and disposal	10	3
Accounting advice	<u>5</u>	<u>10</u>
	<u>15</u>	<u>14</u>

2. Staff Costs

	<u>£'000</u>	<u>£'000</u>
Wages and salaries	407	465
Social security costs	80	50
Other pension costs	<u>12</u>	<u>11</u>
	<u>499</u>	<u>526</u>
	<u>No.</u>	<u>No.</u>
The average number of persons employed during the period was:	<u>2</u>	<u>3</u>

3. Interest

	2005	<i>2004</i>
	<u>£'000</u>	<u>£'000</u>
Payable on bank loans and overdrafts	(366)	(352)
Receivable	<u>1,157</u>	<u>1,120</u>
	<u>791</u>	<u>768</u>

4. Finance Charge On Non-Equity Shares

The prior period profit and loss account figures for 2004 have been restated to reclassify the amount of £381,000 relating to the redemption of the redeemable preference shares as a financial charge in accordance with FRS25. The finance charge was in respect of the redemption of the redeemable preference shares made up to 21 June 2004, the date a scheme of arrangement to cancel those shares became effective.

5. Tax

	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
UK corporation tax at 30%		
Current period	—	—
The difference between the loss on ordinary activities at the corporation tax rate of 30% ruling in the UK and the actual current tax shown above is explained below:		
Loss on ordinary activities before taxation	<u>(5,637)</u>	<u>(1,170)</u>
Tax on profit/loss on ordinary activities at standard rate 30%	<u>(1,691)</u>	<u>(351)</u>
Factors affecting tax charge for the year:		
Disallowable expenses	(19)	216
Utilisation of prior year capital losses	(95)	—
Losses not recognised	1,933	135
Capital allowances in excess of depreciation	(1)	—
Utilisation of prior year losses	<u>(127)</u>	<u>—</u>
	<u>—</u>	<u>—</u>

Deferred tax

The deferred tax asset of the Group of £1,923,000 (2004:£156,000) is not recognised as there is no certainty that suitable taxable profits will be made in the foreseeable future.

In addition, the Company has surplus ACT carried forward of £3.7m (2004:£3.7m) and UK capital tax losses of £44m (2004:£44m) which can be used against any future capital gains. The total potential capital tax losses amounts to £76m (2004:£76m).

6. Dividends

No dividends have been paid or declared during the year (2004: Nil).

7. Loss Per Ordinary Share

Loss per ordinary share (basic and diluted) has been calculated on the Group's loss attributable to shareholders of £5,637,000 (2004:loss of £1,170,000) and on the weighted average number of ordinary shares in issue during the year which was 284,581,499 (2004:257,549,727).

8. Tangible Fixed Assets

<u>Group and company</u>	<u>Motor vehicles & office equipment £'000</u>
Cost	
At 1 January 2005	71
Additions	24
Disposals	<u>(32)</u>
At 31 December 2005	<u>63</u>
Accumulated depreciation	
At 1 January 2005	53
Charge for the period	9
Disposals	<u>(32)</u>
At 31 December 2005	<u>30</u>
Net book value	
At 31 December 2005	<u>33</u>
At 31 December 2004	<u>18</u>

9. Investment Property at Valuation

	£'000
Freehold at valuation	
At 1 January 2005	6,200
Revaluation deficit	<u>(1,250)</u>
At 31 December 2005	<u>4,950</u>

The Freehold is the Hixon Property and land valued on a vacant possession basis by the Directors at £4,950,000.

10. Fixed Asset Investments

	Company Total £000
<u>Investments in subsidiaries</u>	
Cost	
At 1 January 2005 and 31 December 2005	<u>140,900</u>
Provisions	
At 1 January 2005	118,320
Increase in provision for impairment	319
At 31 December 2005	<u>118,639</u>
Cost less provisions for impairment in value	
At 31 December 2005	<u>22,261</u>
At 31 December 2004	<u>22,580</u>

Details of the principal subsidiary undertakings are as follows:	% owned at year end	Activity
Victoria Heights Corporation Limited (registered in The British Virgin Islands) (sold on 12 May 2006 — see note 25)	100	Property investment
Emess Overseas Limited	100	Non-trading
Emess United Kingdom Limited	100	Non-trading
Emess Europe Limited	100	Non-trading

11. Debtors

	2005 Group £'000	<i>2004 Group £'000</i>	2005 Company £'000	<i>2004 Company £'000</i>
Amounts due within one year:				
Other debtors	50	85	50	63
Prepayments and accrued income	41	<u>36</u>	234	<u>213</u>
	<u>91</u>	<u>121</u>	<u>284</u>	<u>276</u>

12. Current Asset Investments

At 31 December 2005 the group and company had no current asset investments. At 31 December 2004 the group and company had investments in a listed company which had a market value at 31 December 2004 of £1,285,000.

13. CREDITORS: Amounts Due in One Year

	2005	<i>2004</i>	2005	<i>2004</i>
	Group	<i>Group</i>	Company	<i>Company</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Amounts due within one year:				
Bank loan	79	79	—	—
Corporation tax	93	93	93	100
Other taxes and social security costs	78	58	44	19
Other creditors	1,023	1,069	1,033	929
Accruals and deferred income	405	222	169	178
Amount owed to subsidiary undertaking	—	—	188	—
	<u>1,678</u>	<u>1,521</u>	<u>1,527</u>	<u>1,226</u>

14. Financing

Group	2005	<i>2004</i>
	£'000	<i>£'000</i>
Analysis of borrowings:		
Bank loans and overdrafts repayable:		
In more than 1 year but not more than 2 years — secured	88	88
In more than 2 years but not more than 5 years — secured	308	308
In more than 5 years — secured	<u>5,429</u>	<u>5,508</u>
	<u>5,825</u>	<u>5,904</u>
Total borrowings due within one year	79	79
Total borrowings due after one year	<u>5,825</u>	<u>5,904</u>
Total borrowings	5,904	5,983
Cash at bank and in hand	<u>(24,473)</u>	<u>(24,291)</u>
Net (Funds) (note 23)	<u>(18,569)</u>	<u>(18,308)</u>

A bank loan totalling £5.9m was secured on the Group's freehold investment property. The loan was repayable by October 2025 but was redeemed on 12 May 2006 on the sale of Victoria Heights Corporation Limited (see note 25).

15. Provisions for Liabilities

	Group Pension Scheme deficit	Group Onerous property leases	Group Total	Company Total
	£'000	£'000	£'000	£'000
Provision at 1 January 2005	250	1,019	1,269	270
Provision utilised	—	(736)	(736)	(675)
Increase in provision (see note 23)	—	<u>4,812</u>	<u>4,812</u>	<u>5,500</u>
Provision at 31 December 2005	<u>250</u>	<u>5,095</u>	<u>5,345</u>	<u>5,095</u>

Provisions anticipated to fall due within 12 months of £623,000 are included in other creditors due in one year.

16. Financial Instruments

Treasury Policy

Interest rate, foreign exchange risk and financing is managed centrally and reviewed by the Board. The Group's financial instruments comprise borrowings, cash and liquid resources, and various items such as debtors, creditors and listed investments. The main purpose of these financial instruments is to manage the interest rate risk of the Group.

Interest rate profile of financial liabilities

The interest rate risk profile of the group's financial liabilities as at 31 December 2005 was:

<u>Currency</u>	<u>Floating rate financial liabilities £'000</u>	<u>Fixed rate financial liabilities £'000</u>	<u>Total £'000</u>
2005			
Sterling	<u>5,904</u>	<u>—</u>	<u>5,904</u>
2004			
<i>Sterling</i>	<u>5,983</u>	<u>—</u>	<u>5,983</u>

Floating rate liabilities comprise a mortgage loan of £5.9m bearing interest at a rate of LIBOR plus 1.2%. This loan was redeemed on 12 May 2006 (see note 25).

Interest rate risk of financial assets

Interest bearing financial assets comprise cash at bank, in hand and short term deposits. Cash on short term deposit yields interest based on the prevailing base rate.

<u>Currency</u>	<u>Cash at bank and in hand (Interest free) £'000</u>	<u>Short term deposits (floating rate) £'000</u>	<u>Total £'000</u>
2005			
Sterling	<u>201</u>	<u>24,272</u>	<u>24,473</u>
2004			
<i>Sterling</i>	<u>113</u>	<u>24,178</u>	<u>24,291</u>

Borrowing facilities

The group had no undrawn committed borrowing facilities available at 31 December 2005.

Fair values of financial assets and liabilities

There is no material difference between the fair value and book value of the Group's financial instruments.

Currency exposures

At 31 December 2005 the Group had no monetary assets in currencies other than Sterling.

17. Share Capital

	<u>31 December 2005 No.</u>	<u>31 Dec 2004 No.</u>	<u>31 December 2005 £'000</u>	<u>31 Dec 2004 £'000</u>
Authorised				
Ordinary shares of 1p each	<u>438,991,964</u>	<u>438,991,964</u>	<u>4,390</u>	<u>4,390</u>
Allotted, called up and fully paid				
Ordinary shares of 1p each	<u>284,581,499</u>	<u>284,581,499</u>	<u>2,846</u>	<u>2,846</u>

Share option schemes

At 31 December 2005 the following options over 600,000 ordinary shares in the Company were outstanding pursuant to the terms of the Emess Share Option Schemes:

<u>Year of grant</u>	<u>Number of shares at 31 December 2004</u>	<u>Number of shares at 31 December 2005</u>	<u>Latest date exercisable</u>	<u>Price per share</u>
2004	600,000	600,000	23 June 2014	8.5p

These options are subject to performance criteria based upon growth in earnings per share.

The market price of the Company's ordinary shares at 31 December 2005 was 8.75p and the range during the period was 7.38p to 10.88p .

The Company holds 730,952 ordinary shares through the Emess Equity Partnership Plan. An option over these shares was granted to Mr Wood-Ward on 30 June 2004 at NIL price. The award is exercisable between 27 June 2007 and 24 June 2011 and subject to meeting specified performance criteria based upon total shareholder return.

18. Reserves

	<u>Share premium account £'000</u>	<u>Revaluation reserve £'000</u>	<u>Capital redemption reserve £'000</u>	<u>Special reserve £'000</u>	<u>Profit and loss account £'000</u>	<u>Total reserves £'000</u>
Group						
At 1 January 2005	16,841	600	3,784	192	(1,327)	20,090
Loss for the period	—	—	—	—	(5,637)	(5,637)
Revaluation deficit	—	(600)	—	—	—	(600)
At 31 December 2005	<u>16,841</u>	<u>—</u>	<u>3,784</u>	<u>192</u>	<u>(6,964)</u>	<u>13,853</u>
Company						
At 1 January 2005	16,841	—	3,784	192	(727)	20,090
Loss for the period	—	—	—	—	(6,237)	(6,237)
At 31 December 2005	<u>16,841</u>	<u>—</u>	<u>3,784</u>	<u>192</u>	<u>(6,964)</u>	<u>13,853</u>

19. Reconciliation of Movements in Shareholders Funds (All Equity)

	<u>Group £'000</u>	<u>Company £'000</u>
At 1 January 2005	22,936	22,936
Loss for the period	(5,637)	(6,237)
Revaluation deficit	(600)	—
At 31 December 2005	<u>16,699</u>	<u>16,699</u>

20. Net Cash Outflow from Operating Activities

	2005	<i>2004</i>
	£'000	<i>£'000</i>
Operating Loss	(6,428)	<i>(1,557)</i>
Provision for onerous leases	4,812	<i>362</i>
Revaluation deficit on property	650	<i>—</i>
Profit on sale of fixed assets	(6)	<i>—</i>
Depreciation	9	<i>9</i>
Decrease in debtors	30	<i>177</i>
Decrease/(increase) in trade investments	1,000	<i>(1,000)</i>
(Decrease)/increase in creditors	(467)	<i>278</i>
Decrease in provisions for liabilities and charges	(112)	<i>(277)</i>
	<u>(512)</u>	<i><u>(2,008)</u></i>

21. Analysis of Net Funds

	1 January	Cashflow	31 December
	2005	£'000	2005
	£'000	£'000	£'000
Net cash:			
Cash at bank and in hand	24,291	182	24,473
Less deposits treated as liquid resources	<u>(24,178)</u>	<u>(94)</u>	<u>(24,272)</u>
	113	88	201
Liquid resources:			
Deposits	24,178	94	24,272
Debt:			
Loans	<u>(5,983)</u>	<u>79</u>	<u>(5,904)</u>
Net funds (note 16)	<u>18,308</u>	<u>261</u>	<u>18,569</u>

22. Group Financial Commitments

	2005	<i>2004</i>	2005	<i>2004</i>
	Group	<i>Group</i>	Company	<i>Company</i>
	Land and	<i>Land and</i>	Land and	<i>Land and</i>
	buildings	<i>buildings</i>	buildings	<i>buildings</i>
	£'000	<i>£'000</i>	£'000	<i>£'000</i>
Annual commitments under non-cancellable operating lease which expire:				
In the second to fifth years	—	—	—	—
Over five years	<u>—</u>	<u>68</u>	<u>—</u>	<u>771</u>
	<u>—</u>	<u>68</u>	<u>—</u>	<u>771</u>

23. Provisions for Liabilities and Contingent Liabilities

Provisions for liabilities

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.

A number of contingent liabilities relating to assigned leases exist and the Company is aware that the assignee under the largest of these potential lease obligations is failing to comply with its lease obligations. This lease, which was assigned in July 2001, expires in December 2023 and the current rent is

£765,500 per annum. The rent is subject to an increase to £887,500 per annum from December 2008. Having considered professional advice, the Directors have made a provision of £5.5 million against this potential onerous lease. The provision does not take account of the Company's contractual and legal rights and remedies against the assignee which will be aggressively pursued.

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.

24. Related Party Transactions

During the year the Company paid £18,846 (2004: £9,000) in respect of office accommodation to Westcity Holdings Limited, a company of which Mr Michael Rapp is a director. No amounts were outstanding at 31 December 2005 (2004:nil).

25. Post balance sheet event

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 per cent. p.a. over base rate, from the Company to Victoria Heights Corporation Limited secured by a first charge over the Hixon property 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 £5.9m secured on the property.

The following is the text of the independent auditor's report in relation to the Company's Annual Report and Accounts for the year ended 31 December 2005 which has been extracted without adjustment (save for the deletion of references to page numbers) from the Company's Annual Report and Accounts for that year

AUDITOR'S REPORT

Independent Auditors' Report to the Shareholders of Emess plc

We have audited the financial statements of Emess Plc for the year ended 31 December 2005 which comprise the consolidated profit and loss account, consolidated statement of recognised gains and losses, consolidated and company balance sheets, consolidated cash flow statement, accounting policies and supporting notes to the financial statements numbered 1 to 25. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purposes. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Financial Statements and the Directors' Remuneration Report. As described on page 7, this includes responsibility for preparing the financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We read the other information contained in the Annual Report, comprising only the Chairman's Statement, the Directors' Report, the corporate governance statement and the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Unqualified Opinion

In our opinion the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Company and the Group as at 31 December 2005 and of the loss of the Group for the year then ended, and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditor
St Bride's House
10 Salisbury Square
London EC4Y 8EH
30 June 2006

PART VI

PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma statement of net assets at 31 December 2005 is based on the audited balance sheet of the Company as at 31 December 2005.

The unaudited pro forma statement has been prepared to show the effect on the net assets of the Company of (i) the sale of Victoria Heights Corporation, (ii) the issue of the New Ordinary Shares pursuant to the Placing and Open Offer (assuming full subscription) and (iii) the transactions pursuant to the Fund Agreements with Westcity Properties and (iv) the investment in the Property Fund (together the “Adjustments”) as if these transactions had occurred on 31 December 2005.

The unaudited pro forma statement of net assets has been prepared on a basis consistent with the accounting policies of the Company and for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Company’s actual financial position or results. It may not give a true picture of:

- The financial position of Emess plc had these transactions occurred on the date assumed.
- The financial position of Emess plc at any future date.

As the Property Fund has no trading history the Company has not prepared any pro forma adjustment to the Group’s reported profit and loss results as any adjustments would not be factually supportable.

EMESS PLC

Net Assets

	As at 31 December 2005 £000	Adjustments ⁽²⁾			Pro forma £000
		Disposal of Victoria Heights Corporation ⁽ⁱ⁾ £000	Share Issue ⁽ⁱⁱ⁾ £000	Transaction with Westcity Properties Ltd ⁽ⁱⁱⁱ⁾ £000	
TANGIBLE ASSETS	33	—	—	20	53
INVESTMENTS					
Property	4,950	(4,950)	—	—	—
Secured loan	—	4,500	—	—	4,500
Property fund	—	—	—	—	20,000
TOTAL FIXED ASSETS	4,983	(450)	—	20	24,553
CURRENT ASSETS					
Debtors and prepayments	91	—	—	—	91
Cash at bank and in hand	24,473	(5,676)	7,314	(20)	6,091
TOTAL CURRENT ASSETS	24,564	(5,676)	7,314	(20)	6,182
CREDITORS : Amounts falling due within one year	(1,678)	301	—	—	(1,377)
NET CURRENT ASSETS	22,886	(5,375)	7,314	(20)	4,805
TOTAL ASSETS LESS CURRENT LIABILITIES	27,869	(5,825)	7,314	—	29,358
CREDITORS : Amounts falling due after more than one year	(5,825)	5,825	—	—	—
PROVISIONS	(5,345)	—	—	—	(5,345)
NET ASSETS	16,699	—	7,314	—	24,013

(1) The net assets of Emess plc are extracted without material adjustment from the audited balance sheet as at 31 December 2005 as shown in the Annual Report on Emess plc as set out in Part V of this document.

(2) Adjustments have been made to reflect the following:

- i) The sale of a 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 from the Company to Victoria Heights Corporation Limited, secured by a first charge over the Hixon property and repayable no later than 12 May 2011. As part of the transaction, and immediately prior to completion of the sale, Victoria Heights Corporation redeemed a long-term bank loan of £5.9m secured on the property;
- ii) Capital raised (net of costs) by the issue of the New Ordinary Shares pursuant to the Placing and Open Offer (assuming full subscription);

- iii) The acquisition of fixed assets from Westcity Properties pursuant to the Fund Agreements (summarised in paragraph 15 of Part VII of this document);
 - iv) Investment in the Property Fund.
- (3) No adjustments have been made to reflect the trading results of Emess plc since 31 December 2005.

4 July 2006

The Directors
Emess plc
4 Prince Albert Road
London
NW1 7SN

and

The Directors
KBC Peel Hunt Ltd
62 Threadneedle Street
London
EC2R 8HP

Dear Sirs

Emess Plc (the “Company”) Pro forma statement of net assets

We report on the pro forma statement of net assets (the “Pro forma financial information”) set out in part VI of the prospectus dated 4 July 2006, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the disposal of Victoria Heights Corporation Limited, the open offer and placing, the transaction with Westcity Properties Limited and the investment in Stonehage Westcity Property Fund Limited might affect the financial information presented based on the accounting policies adopted by the Company in preparing the financial statements for the 12 months ended 31 December 2005.

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Pro forma financial information in accordance with paragraph 20.2 of Annex I of the Prospectus Regulations.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Regulations, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated.

Opinion

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Horwath Clark Whitehill LLP

PART VII

ADDITIONAL INFORMATION

1. Persons Responsible

- (a) The Company, the Proposed Director and the Directors, whose names and functions are set out in paragraph 6 of this Part VII accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company, the Proposed Director and 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 contains no omission likely to affect the import of such information.
- (b) The members of the Concert Party who are not also Directors accept responsibility for the information contained in this document relating to them. To the best of the knowledge and belief of the members of the Concert Party who are not also Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and contains no omission likely to affect the import of such information.
- (c) Horwath Clark Whitehill LLP Chartered Accountants and Registered Auditors of St Bride's House, 10 Salisbury Square, London EC4Y 8EH accepts responsibility for its report on the financial information relating to the Group contained in Part V of this document. To the best of the knowledge and belief of Horwath Clark Whitehill (which has taken all reasonable care to ensure that such is the case), the information contained in such report is in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company and the Company's share capital

- (a) The Company was incorporated and registered in England and Wales, as a private company limited by shares on 18 February 1920 under the Companies Act 1908 to 1917 with the name Era Ring Mill Limited and with registered number 00164213. On 8 January 1980, the Company changed its name to Emess Lighting Limited. The Company was re-registered as a public limited company on 20 November 1981 under the Companies Act 1948 to 1980 as Emess Lighting Plc. On 26 October 1987 the Company changed its name to Emess Plc. The principal legislation under which the Company acts is the Act. The liability of the members of the Company is limited. The Company's registered and principal place of business is at 4 Prince Albert Road, London, NW1 7SN and its telephone number is 0207 482 0022.
- (b) As background, the following are the recent important events in the development of the Company's business:

March 2003

The Group completes the purchase of the issued share capital of Victoria Heights Corporation, which owned the Hixon property, for £2.3 million.

September 2003

The Company announces the disposal of the Group's remaining trading business, Poole Lighting Limited to National Lighting Company Limited for an initial consideration of £11million with an additional earn-out payment of £1million received in March 2004.

June 2004

Reconstruction of the Company's share capital by a Court approved scheme of arrangement including a buyback of the non-voting deferred shares and conversion of the preference shares into ordinary shares.

March 2005

The Company delists from the Official List and commences trading on AIM.

January 2006

The Company appoints KBC Peel Hunt Limited as its sole nominated adviser and broker.

March 2006

The Company changes its investment business and enters into various non-binding memoranda of understanding aimed at transforming the Company into a property and property-related investment, development and management company.

May 2006

The Company completes the sale of the entire issued share capital of Victoria Heights Corporation Ltd, which owns the Hixon property for £4.95 million

- (c) The authorised and issued share capital of the Company as at the date of this document is as follows:

	<u>No.</u>	<u>£</u>
Authorised Ordinary Shares	438,991,964	4,389,920
Existing Ordinary Shares (fully paid)	284,581,499	2,845,815

- (d) Resolution 3 to be proposed at the Extraordinary General Meeting seeks to authorise the Directors pursuant to section 80 of the Act to allot the Offer Shares and the Placing Shares up to an aggregate nominal amount of £869,163 for the period expiring on the earlier of 15 months from the date of the resolution and the commencement of the next annual general meeting of the Company.

- (e) The provisions of section 89(1) of the Act which, to the extent not disapplied pursuant to section 95 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash, apply to the authorised but unissued share capital of the Company. Resolution 4 to be proposed at the Extraordinary General Meeting seeks to empower the Directors pursuant to section 95 of the Act to allot the Offer Shares and the Placing Shares as if section 89 of the Act did not apply to such allotment.

- (f) The authorised and issued share capital of the Company as it is expected to be following the Placing and Open Offer is as follows:

	<u>No.</u>	<u>£</u>
Authorised Ordinary Shares	438,991,964	4,389,920
Issued and fully paid Ordinary Shares	371,497,799	3,714,978

- (g) There have been the following changes to the amount of authorised Ordinary Shares during the three years ended 31 December 2005 (being the period covered by the financial information set out in this document):

<u>Year end</u>	<u>Cum.Red. Preference Shares</u>	<u>Ordinary Shares</u>	<u>Non voting deferred</u>	<u>£</u>
31 December 2003	55,336,012	438,991,964	79,327,976	7,950,000
31 December 2004	Nil	438,991,964	79,327,976	5,183,199
31 December 2005	Nil	438,991,964	Nil	4,389,920

- (h) The table below sets out the changes to the allotted, called up and fully paid Ordinary Shares in the capital of the Company for the three year period ended 31 December 2005 (being the period covered by the financial information in this document):

<u>Year end</u>	<u>Cum.Red. Preference Shares</u>	<u>Ordinary Shares</u>	<u>Non voting deferred</u>	<u>£</u>
31 December 2003	15,338,985	227,060,402	79,327,976	3,217,273
31 December 2004	Nil	284,581,499	Nil	2,845,815
31 December 2005	Nil	284,581,499	Nil	2,845,815

- (i) As at the date of this document, the Company has no outstanding convertible securities, exchangeable securities or securities with warrants.

- (j) As at the date of this document, save as disclosed below, no options over Ordinary Shares are outstanding to employees or former employees of the Group:

<u>Name</u>	<u>No. of Ordinary Shares</u>	<u>Exercise Price</u>
R. Wood-Ward	300,000	8.5p
J. Fester	300,000	8.5p
R. Wood-Ward	730,952	Nil ⁽¹⁾

(1) The Company holds 730,952 Ordinary Shares through the Emess Equity Partnership Plan. An option over these shares was granted to Mr Wood-Ward on 30 June 2004 at NIL price. The award is exercisable between 27 June 2007 and 24 June 2011 and subject to meeting specified performance criteria based upon total shareholder return.

3. Memorandum of Association

The Memorandum of Association provides that the principal object of the Company is to carry on the business of an investment holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association.

4. Articles of Association

The Articles of Association of the Company contain provisions to the following effect:

4.1 Voting

Subject to any rights or restrictions as to voting attached to any class of shares at any general meeting:

- (A) on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and
- (B) on a poll every member who is present in person or by proxy and entitled to vote has one vote for every share of which he is the registered holder.

A member is not entitled to vote either in person or by proxy if any calls or other monies due in respect of any share upon which any call or other monies due and payable have not been paid.

4.2 Dividends and distributions

Dividends may be declared by ordinary resolution but shall in no event exceed the amount recommended by the Directors.

Subject to the rights of persons (if any) entitled to shares with special dividend rights, all dividends will be paid according to the amounts paid up (other than amounts paid up in advance of calls) on the shares in respect of which the dividend is paid.

The Board of Directors may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the Company. No such dividend shall be payable otherwise than out of the profits of the Company available for the purpose in accordance with the statutes.

The Board may, in its absolute discretion withhold the payments of any dividend to a member in respect of any share held by him in relation to which he or any other person has been duly served with a notice under section 212 of the Act or any other statutory provision or provision within the articles of the Company for the time being in force enabling the Company by notice in writing to require any person to give any information regarding that share.

4.3 Unclaimed dividends

Any dividends unclaimed may be used for the benefit of the Company until claimed. The payment of any such dividend into a separate account or the investment of such dividend shall not constitute the Company a trustee in respect thereof. No unclaimed dividend shall bear interest against the Company. Any dividend which is still unclaimed twelve years after having become due for payment shall be forfeited and shall revert to the Company absolutely.

4.4 Untraced shareholders

The Company may sell, at the best price reasonably obtainable, any shares in the Company of a member if and provided that:

- (A) during the period of 12 years prior to the date of publication of the advertisements referred to below, at least three dividends in respect of the shares in question have become payable and all warrants and cheques in respect of the shares in question sent in the manner authorised have remained uncashed; and
- (B) the Company on the expiry of the said period of 12 years inserted advertisements in both a leading London daily newspaper and a newspaper circulating in the area of the registered address of the member or other address at which service of notices may be effected; and
- (C) during the said period of 12 years and a period of three months following the publication of the said advertisements, the Company has not received any indication either of the existence or the whereabouts of such member or person; and
- (D) notice has been given to the Quotations Department of the Stock Exchange in London of its intention to make such a sale.

4.5 Variation of rights

None of the rights, privileges or conditions attached or belonging to any class of shares forming part of the issued share capital of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class or the sanction of an extraordinary resolution passed at a separate meeting of the members of that class and then on subject to the provisions of section 127 of the Act. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the articles of the Company or by the terms of issue of the shares of that class, be deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *par passu* therewith.

4.6 Alteration of capital

The Company may by ordinary resolution:

- (A) increase its share capital;
- (B) consolidate and divide all or any of its share capital;
- (C) cancel any shares where at the date of passing of the resolution no person has taken, or agreed to take, such shares and diminish the amount of its capital by the amount of shares so cancelled; and/or
- (D) sub-divide its shares or any of them into shares of smaller amounts.

The Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner and with and subject to any conditions, authorities and consents required by law.

4.7 Transfer of shares

All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors, duly stamped (if required by law) and shall be signed by or on behalf of the transferor (and, if the share is partly paid, by the transferee). The Directors may, in their absolute discretion and without assigning any reason therefore, decline to register any transfer of a share:

- (A) to more than four joint holders (not being a share which is fully paid up) on which the Company has a lien;
- (B) if it is made in favour of an infant, a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which remains undischarged or a person who is then suffering from a mental disorder and which the events specified in Article 110 have occurred in relation to him.

The Articles contain no restrictions on the free transferability of fully paid shares (unless to an infant or a person in respect of whom a receiving order or adjudication order in bankruptcy has been made which

remains undischarged or a person who is a patient within Part VII of the Mental Health Act 1983) provided that the instrument of transfer is in favour of not more than four transferees, is duly stamped (if so required), the provisions in the Articles relating to the execution and deposit of instruments of transfer, relevant share certificates and other evidence as to title reasonably required by the Board of Directors have been complied with and the member is not in default of any notice duly served under section 212 of the Act in circumstances described in the Articles.

4.8 Directors

- (A) Each of the Directors is entitled to receive by way of ordinary remuneration for his services in each year such sum as the Board may determine provided that such fees shall not exceed in aggregate £100,000 per annum as the Board may determine. However, the Board may increase the amount of the fees payable. The Directors are also entitled to be repaid for all travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. The Board may also grant additional special remuneration to any Director who, being called upon, performs any special duties outside his ordinary duties as a Director.
- (B) A Director shall not be disqualified from his office by contracting with the Company, nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be avoided, nor is any Director so contracting or being so interested liable to account to the Company for the profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board.
- (C) Save as provided below, a Director may not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum for a meeting in relation to any resolution on which he is debarred from voting.
- (D) A Director shall (in the absence of a material interest other than those indicated above) be entitled to vote (and be counted in a quorum) in respect of any resolution concerning any of the following matters:
 - (1) the giving of any security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (2) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (3) any proposal concerning an offer of shares or debentures or other securities in or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (4) any proposal concerning any other company in which he and any persons connected with him within the meaning of section 346 of the Act do not to his knowledge hold an interest in shares (as defined in sections 198 to 211 of the Act) representing 1 per cent. or more of any class of share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to the members of the relevant company;
 - (5) the purchase and/or maintenance of insurance for the benefit of the Directors or for the benefit of persons including Directors; or
 - (6) any contract, arrangement, scheme or proposal for the benefit of the employees of the Group under which the Director benefits in a similar manner as the employees and does not accord to any Director as such, any privilege or advantage not generally accorded to the employees to which the contract, arrangement, scheme or proposal relates.
- (E) There is no requirement for Directors to hold qualification shares.
- (F) The Articles do not specify any age limit for Directors, who may remain in office when they are over 70.

4.9 Borrowing powers

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge the whole or any part of its undertaking, property and uncalled capital, and, subject to section 80 of the Act, to issue debentures and other securities. The Directors must ensure that the aggregate amount for the time being all borrowings of the Company and its subsidiaries of all borrowing of the Company and its subsidiaries (other than owing by the Company and any of its subsidiary undertakings in respect of intra group borrowings) shall not at the date of any such borrowings, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the aggregate of:

- (A) the nominal amount of the issued and paid up share capital of the Company; and
- (B) the amounts standing to the credit of the capital and revenue reserves of the Group including share premium account, capital redemption reserve fund and profit and loss account (but deducting therefrom the amount, if any, standing to the debit of the profit and loss account) all as shown in the consolidation of the latest audited balance sheets of the Group, but:
 - (1) adjusted in respect of any variations in the issued and paid-up share capital, share premium account or capital redemption reserve fund of the Company effected since the date of such balance sheets;
 - (2) after deducting an amount equal to any distributions declared, recommended or made since the date of such balance sheets (otherwise than within the Group) except insofar as provided for therein; and
 - (3) excluding therefrom any amounts set aside for taxation (other than in respect of tax equalisation) and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries.

4.10 Disclosure of interests in shares

Sections 198 to 210 inclusive of the Act make provision regarding disclosure of interests in shares. Where a person has a material interest in shares and the aggregate nominal value of such shares is equal to or more than 3 per cent of the nominal value of the Company's share capital then the person has an obligation to disclose such interest to the Company. A similar obligation arises where a person has any interest whatsoever in shares representing in aggregate 10 per cent or more of the nominal value of the Company's share capital. Where a person's notifiable interest changes, then further disclosure obligations arise.

5. **Group Description, Subsidiary Undertakings and Investments**

- (a) The Group has no trading business and the income it receives comprises only interest received on the Company's cash resources. The Company is the holding company of the Group.
- (b) The significant subsidiaries of the Company and other undertakings in which the Company holds, directly or indirectly, a proportion of the capital likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses are as follows:

<u>Company Name</u>	<u>Percentage Interest</u>	<u>Country of Incorporation</u>	<u>Principal Activity</u>
Emess Overseas Limited	100%	England and Wales	Non Trading
Emess United Kingdom Limited	100%	England and Wales	Non Trading
Emess Europe Limited	100%	England and Wales	Non Trading

- (c) As at 31 December 2005, the Group had no current asset investments.
- (d) The principal investment in progress and the principal future investment on which firm commitments have been made is the investment in the Property Fund, more particularly described in Part I of this document.

6. Directors and Proposed Director

(a) *Directors of the Company*

The directors of the Company are:

Rex Leslie Wood-Ward (Executive Director and Chairman)
Raymond Stanley Philip Davies (Non-Executive Director)
Geoffrey David Gahan (Non-Executive Director)
Michael Rapp (Non-Executive Director)

The business address of each of the Directors in respect of the Company is 4 Prince Albert Road, London, NW1 7SN.

(b) *Proposed Director of the Company*

The proposed director of the Company is:

Ira Rapp

(c) *Interests in the share capital of the Company*

As at the close of business on 3 July 2006 (being the latest practicable date prior to the publication of this document), the interests of the Directors and the Proposed Director and persons connected with them in the share capital of the Company which had been notified to the Company pursuant to sections 324 or 328 of the Act or which are required to be entered into a register maintained by the Company under section 325 of the Act or which are (so far as is known or could with reasonable due diligence be ascertained by the relevant Director or Proposed Director) interests of a person connected (within the meaning of section 346 of the Act) with a Director or Proposed Director and which would be required to be disclosed if they were interests of that Director or Proposed Director are and, immediately following the Placing and Open Offer, are expected to be as follows:

	On the basis of existing ordinary share capital			On the basis of issued share capital immediately following the Placing and Open Offer ⁽¹⁾		
	No. of Existing Ordinary Shares	%	Share Options	No. of Ordinary Shares	%	Share Options ⁽²⁾
R L Wood-Ward	365,000	0.13	1,030,952	438,000	0.12	5,530,952
I Rapp	NIL	NIL	NIL	20,000,000	5.38	14,000,000 ⁽³⁾

Note:

- (1) The interests immediately following the Placing and Open Offer are based on the assumption that the Directors subscribe for their full Open Offer Entitlement.
- (2) The share options are granted subject to Admission.
- (3) Ira Rapp has been granted 14,000,000 share options conditional on Admission.
- (d) In respect of any Director, save as disclosed at paragraph 1 of Part I of this document, there are no conflicts of interest between any duties they may have to the Company and their private interest and/or other duties they may have.
- (e) *Interests in transactions*

Save as disclosed at paragraph 26 of this Part VII, no Director or Proposed Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Group and which was effected by the Company in the current or immediately preceding financial year of the Company or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

(f) *Directorships and partnerships*

The following are directorships and partnerships of which any of the Directors or Proposed Director are currently directors or partners or have been directors or partners at any time in the five years prior to the date of this document:

Raymond Stanley Philip Davies

Current directorships

I.S.A. Management (UK) Limited
Oceana Investment Corporation Limited
Oceana Retail Holdings Limited
Peltours Limited
Peltours.com Limited
Amalgamated Leisure Holdings BV
Peltours Travel and Tourism Limited
StrandBags Group Pty Limited

Former directorships held in last five years

Faraday Investments Limited
Pan European Restaurants Limited
Symphony Corporation Limited
American Swiss Holdings BV

Geoffrey David Gahan

Current directorships

Birmingham Mint Employee Trustees Limited
BMG 1 Limited
Cooper (2003) Limited
Cooper (2005) Limited
Cooper (MF) Limited
Frederick Cooper Limited
Groupco Limited
The Birmingham Mint Group Limited
Tommico Limited

Former directorships

BMG 2 Limited
BMIL Realisations Limited
BML Realisations Limited
Happich Profiles Limited
LMNP Limited

Michael Rapp

Current directorships

Capital & Counties Limited
Capital Shopping Centres Plc
Evenland Limited
Grandbridge Limited
Liberty International Plc
LR Footwear Limited
New & Lingwood Holdings Limited
Phillimore Hill Limited
Princedale Group Plc
Regime Developments (Finchley Road) Limited
Westcity (QEC) Limited
Westcity Holdings Limited
Westcity Properties Limited

Westcity Residential Limited

Former directorships held in the last five years

Capital Prime Properties Limited
Capital Prime Properties Plus Limited
Capital Prime Properties Plus II Limited
Dutyrange Limited
Kanel Limited
Regime Limited
Westcity Kent Limited
7/8 Ennismore Gardens (1998) Company Limited
7/8 Ennismore Gardens Residents Association Limited
Liberty Group Limited
Liberty Holdings Limited
Liberty Life Association of Africa Limited
Standard Bank Investment Corporation Limited
Standard Bank of South Africa Limited
The World Resident Holdings, Limited
Apartments of the World Limited
The World of Residensea II, Limited

Rex Leslie Wood-Ward

Current directorships

Coats Holdings Limited
Coats Plc
Lighting Corporation Ltd
Skydome Holdings Ltd

Former directorships held in the last five years

Anglo Pacific Group Plc
Coats International Plc
Dorma Group Limited
Corporate Express Australia Ltd
Pracom Ltd

Ira Sheldon Rapp

Current directorships

Candice Limited
Evenland Limited
Gilbert Scott (Whitelands) Management Limited
Grandbridge Limited
Lucca Limited
Maafrika Tikkun UK
Phillimore Hill Limited
Phillimore Hill (SJA) Limited
Phillimore Square Estate Management Limited
Phillimore Square (Block B) Management Limited
Phillimore Square (Block C) Management Limited
Phillimore Square (Block D) Management Limited
Phillimore Square (Block E) Management Limited
Selpro Systems Limited
Sir John Atkins Limited
The Phillimores Management Limited
West End Quay Limited
West End Quay (Commercial)Limited
Westcity Consultants Limited
Westcity Partners (St. John's Wood) Limited

Westcity Properties Limited
Westcity (QEC) Limited
Westcity Wates (Kensington) Limited
Westcity Wates (Paddington) Limited
Westcity Wates Property Development Limited
Westcity Whitelands Limited
Westcity Whitelands Investment Limited

Former directorships held in the last five years

100 Blandford Street Management Limited
104 Blandford Street Management Limited
Bourchier Street Management Company Limited
Capital Prime Properties Limited
Capital Prime Properties Plus Limited
Capital Prime Properties Plus II Limited
Fareham Heights Management Company Limited
Kanel Limited
Omega Three Limited
Slate Properties Limited
The Pavilions Limited
Westcity Homes (Southgate) Limited
Westcity Partners (Balvaired) Limited

(g) *Receiverships, liquidations and administrations*

Rex Wood-Ward was a director in Emess Group Trading Limited. The company entered into a voluntary liquidation with its creditors on 9 May 2005. The deficiency as to unsecured creditors was £550,893 made up of £63,908 owed to the Company and £514,268 as a provision for onerous leases.

Other than as described above, none of the Directors have, in the five years immediately preceding the date of this document:

- (i) received any convictions in relation to fraudulent offences;
- (ii) been declared bankrupt or been the subject of an individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in his capacity as a director or senior manager of another company;
- (iii) been a partner or senior manager in a partnership which has been subject to a compulsory liquidation, administration or a partnership voluntary arrangement; or
- (iv) been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director or member of the administrative, management or supervisory bodies of a company or entity or from acting in the management or conduct of the affairs of any company or entity.

Other than as described above, none of the directors:

- (i) has unspent convictions for any indictable offences or has been declared bankrupt or has made any individual voluntary arrangement with his creditors;
- (ii) has been a partner in a partnership at the time of or within the 12 months preceding any compulsory liquidation, administration or voluntary arrangement of that partnership;
- (iii) has been a director of a company which, while he was a director or within 12 months of his ceasing to be a director, had a receiver appointed, entered into any compulsory liquidation, entered into any creditors voluntary liquidation, entered into administration, entered into any voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors;
- (iv) has had any asset which has been subject to a receivership or has been a partner in a partnership at the time or within the 12 months preceding an asset of the partnership being subject to a receivership; or

- (v) has been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or has been disqualified by a court from acting as a director or, in the management or conduct of the affairs of any company.

7. Directors' Remuneration and Benefits

Rex Wood-Ward is employed by the Company under a letter of appointment dated 13 October 2003 with a commencement date of 1 September 2003 and an initial term of 2 years. Pursuant to that letter, he is currently entitled to an annual salary of £250,000 which is reviewed annually by the Company's Remuneration Committee. The Company does not make any contributions to a pension scheme on his behalf.

No non-executive Directors have entered into contracts of service with the Company or any of its subsidiaries. The remuneration of non-executive Directors is determined by the Board within the limits set out in the Articles and £72,000 was paid to three non-executive Directors in relation to the financial year ended 31 December 2005.

There have been no changes to the emoluments or other terms of employment of the Directors within the six months prior to the date hereof.

Ira Rapp has entered into a service agreement with the Company (the "Service Agreement"). The Service Agreement is effective from Admission. The Service Agreement is for an initial term of two years and thereafter may be terminated by 12 months' written notice from either party. The Company may at its discretion make a payment in lieu of notice equal to the basic annual salary and benefits for the notice period (or any unexpired part thereof).

The Service Agreement may also be terminated without notice or payment in lieu of notice in certain circumstances, and terminate automatically if Ira Rapp resigns his directorship or is disqualified from holding such office. Ira Rapp's initial salary shall be £300,000 and is subject to an annual salary review effective on or around 1 July 2007. The Company does not currently have a pension scheme in place and does not provide life assurance cover. However, the Company will provide Ira Rapp with access to a designated stakeholder pension scheme as required by law.

Ira Rapp is entitled to 25 working days' paid holiday per calendar year (plus bank and public holidays). He is also entitled to receive full salary for up to a maximum of 130 working days absence due to sickness, injury or other incapacity in aggregate in any period of 12 consecutive months. Ira Rapp is subject to a contractual duty of confidentiality to the Company and is subject to a non-competition covenant and non-solicitation covenant in relation to certain persons employed or engaged by the Company and certain customers, clients and suppliers in contact with the Company during the period of 12 months prior to such termination which lasts for a period of up to 12 months after termination of employment.

In addition, the Company has established a short term incentive plan for the benefit of Ira Rapp under which he will be entitled to an annual cash bonus of between 6.4% and 8% of the Group's pre-tax profits if the Group achieves between 80% and 100% of its annual budgeted pre-tax profit capped at six times his basic salary. Notwithstanding Michael Rapp's position on the Company's Remuneration Committee, Michael Rapp did not participate in the discussions regarding Ira Rapp's remuneration.

8. Share Option Scheme for employees

The 2006 Share Option Scheme (the "Scheme") was adopted by the Board on 19 May 2006 subject to the passing of the Resolutions and is divided into two sections. Section A of the Scheme is designed for approval by HM Revenue & Customs (the "Revenue") under the Income Tax (Earnings and Pensions) Act 2003 and has been adopted subject to Revenue approval. Section B of the Scheme is not designed for Revenue approval and is to be used to grant options to employees in excess of the individual limits permitted under Revenue approved schemes or to employees who cannot benefit from such schemes. The Scheme will be administered by the Remuneration Committee of the Board and its principal terms are summarised below.

(a) Section A — Revenue approved section of Scheme

(i) Eligibility

At the discretion of the Board, all employees of the Company (provided that if they are directors, they are required to work not less than 25 hours per week excluding meal breaks) who are more than two years from their normal retirement date are eligible to participate.

(ii) *Grant of options*

Options may be granted (or invitations to apply for options may be issued) within 42 days of the approval of Section A of the Scheme by the Revenue and, thereafter, options may only be granted within 42 days after the announcement by the Company of its annual or interim results or the date on which listing particulars or a prospectus or a document containing equivalent information in relation to shares in the Company is published. Options may also be granted at any other time when the circumstances are considered by the Board to be exceptional. No options may be granted later than ten years after the adoption of the Scheme by the Company.

(iii) *Exercise price*

The price per share payable upon the exercise of an option may not be less than its market value at the time of grant (or its nominal value, if higher).

(iv) *Scheme limits on share issues*

The total number of shares (including treasury shares) issued and issuable under options granted under the Scheme over any ten year period, together with shares issued and issuable under any other employees' share schemes of the Company, may not exceed ten per cent. of the issued ordinary share capital of the Company.

(v) *Individual limits*

Grants of options must be limited to £30,000 worth of ordinary shares per employee, under all Revenue approved employees' share schemes other than approved savings related schemes, calculated by reference to the market value of the Company's shares at the time the options are granted.

(vi) *Exercise of options*

An option will normally be exercisable no more than ten years following its grant.

The exercise of an option may be made wholly or partly conditional upon the performance of any one or more participating companies and/or the optionholder as determined by the Board. Performance conditions may be amended provided that the Board reasonably considers that amended conditions would be a fairer measure of performance and would be no more difficult to satisfy than the original conditions. The Board may design different performance conditions for subsequent option grants.

Options will normally lapse on cessation of employment. Options will, however, become exercisable immediately (irrespective of the period for which the option has been held or whether any performance condition has been satisfied) on the death of an optionholder or cessation of employment by reason of injury, disability, redundancy, retirement or on the optionholder ceasing to be an eligible employee by reason of the sale of his employing company or the business in which he is employed. Options will also become exercisable in the event of a takeover, amalgamation, reconstruction or winding up of the Company. The Board also has discretion to permit the exercise of an option where the optionholder ceases to be an eligible employee for any other reason.

(vii) *Rights attaching to shares*

Ordinary shares allotted under the Scheme will rank *pari passu* with the ordinary shares of the Company already in issue (save as regards any rights attaching to such shares by reference to a record date which precedes the date of exercise of the option).

Options are not transferable and benefits under the Scheme will not be pensionable.

(viii) *Adjustment of options*

In the event of any variation in the Company's share capital, the Board may, with the consent of the Company's auditors, make such adjustments as it considers appropriate to the total number of shares subject to options and the price payable on exercise of options. Any such adjustments must receive the prior approval of the Revenue.

(ix) *Amendments to Scheme*

The Board may at any time alter or add to the Scheme in any respect provided that the prior approval of the Company in general meeting is obtained for amendments to the advantage of optionholders to the provisions relating to eligibility, the overall limit on the issue of new shares and transfer of treasury shares, the maximum entitlement for any optionholder and the basis of determining that entitlement (save for minor amendments to benefit the administration of the Scheme, to take account of changes in legislation or to obtain or maintain favourable tax or regulatory treatment for optionholders or for the Company or its subsidiaries). Once the Scheme has been approved by the Revenue, no alteration for which prior Revenue approval is required will take effect until so approved.

(b) **Section B — Unapproved section of Scheme**

The terms of Section B of the Scheme are broadly similar to the terms of Section A of the Scheme, as summarised in paragraph 8(a) above save that in addition the following provisions apply:

(i) *Eligibility and grant*

Options may, at the discretion of the Board, be granted (or invitations to apply for options may be issued) within three months of the adoption of the Scheme to any employees of participating companies in the Group.

(ii) *Individual limits*

There are no prescribed limits on the number of shares over which options may be granted for any individual.

(iii) *Exercise price*

The price per share payable upon the exercise of an option granted within three months of Admission may be the Placing Price.

(iv) *Adjustments and amendments*

Revenue approval is not required to the adjustment of options or to amendments to Section B of the Scheme.

9. Information regarding the Directors and Proposed Director

(i) **Rex Wood-Ward** *aged 57 (Executive Chairman)*

Mr Wood-Ward was appointed as an executive Director of the Company under a letter dated 29 April 2003, with effect at 1 May 2003. The terms of Mr Wood-Ward's appointment as Group Chief Executive with effect from 1 September 2003 are contained in a service agreement dated 13 October 2003.

The agreement provides for an initial term of two years from 1 September 2003, during which Mr Wood-Ward is to be paid a salary of £175,000 per annum plus benefits not exceeding £75,000 per annum.

During his 30 years of general management, mergers, acquisition and finance experience, Mr Wood-Ward has served on the boards of listed companies in South Africa, England and Australia. He is a non-executive director of Lighting Corporation Limited and Skydome Holdings Limited both of which are listed on the Australian Stock Exchange.

(ii) **Raymond Davies** *aged 64 (Non-Executive Director)*

Following his resignation as an Executive Director on 30 April 2003, Mr Davies was appointed as a non-executive Director of the Company with effect from 1 May 2003. For the non-executive role Mr Davies will be paid Director's fees at rate of £24,000 per annum. Mr Davies will also receive additional Director's fees at the rate of £2,400 per day for work commitments which exceed 10 days in any one year.

In the event that a Director's appointment as a non-executive Director is terminated as a result of a change of control before his term of office ceases, he will be entitled to a payment on termination equivalent to 18 months' Directors' fees.

Mr Davies has served on the boards of listed companies in South Africa and the UK and is a member of the Audit and Remuneration Committees.

(iii) **Geoffrey Gahan** *aged 62 (Non-Executive Director)*

The terms of Mr Gahan's appointment as a non-executive Director, which took effect on 2 October 2002, are confirmed by a letter dated 29 January 2003. Mr Gahan will be paid Director's fees at the rate of £24,000 per annum for a commitment of up to 10 days per year. Should Mr Gahan's work commitments exceed 10 days in any one year, he will be paid additional Director's fees at the rate of £2,400 per day.

In the event that a Director's appointment as a non-executive Director is terminated as a result of a change of control before his term of office ceases, he will be entitled to a payment on termination equivalent to 18 months' Directors' fees.

Mr Gahan was formerly Chief Executive of Newman Tonks Group Plc, Peerless Plc and Executive Chairman of Frederick Cooper Plc. He is currently Executive Chairman of Tommico Limited and a director of a number of private companies. He is also Chairman of the Remuneration Committee and a member of the Audit Committee.

(iv) **Michael Rapp** *aged 70 (Non-Executive Director)*

The terms of Mr Rapp's appointment as a non-executive Director, which took effect on 2 October 2002, are confirmed by a letter dated 29 January 2003. Mr Rapp will be paid Director's fees at the rate of £24,000 per annum for a commitment of up to 10 days per year. Should Mr Rapp's work commitments exceed 10 days in any one year, he will be paid additional Director's fees at the rate of £2,400 per day.

In the event that a Director's appointment as a non-executive Director is terminated as a result of a change of control before his term of office ceases, he will be entitled to a payment on termination equivalent to 18 months' Directors' fees.

Mr Rapp's career has been focused on real estate. He was responsible for the real estate development of the Liberty Life Group in South Africa until 1985. Mr Rapp remains a non-executive director of Liberty International Plc. Mr Rapp is Chairman of the Audit Committee and a member of the Remuneration Committee.

(v) **Ira Rapp** *aged 47 (Proposed Director)*

Ira Rapp, son of Michael Rapp, has since 1988, built the Westcity Group into one of the leading niche developers of upmarket residential developments. He has over 16 years experience of the UK's property development sector and one of his strengths is his ability to create and manage successful joint venture opportunities. Prior to founding Westcity Properties in 1988, Ira established and developed a restaurant group comprising numerous restaurants within the Harrods Department Store and House of Fraser Group.

Westcity Properties is a leading specialist residential developer, currently active on a number of high profile sites within central London and the south of England. Westcity Properties' expertise lies in the delivery of high quality conversion and new build schemes.

The company was set up in 1988 by Michael and Ira Rapp and has a preference for opportunities where it can be an excellent partner — bringing the full range of expert development management skills to joint ventures. Some recent projects include (i) Whitelands College, Putney (2005-2006), (ii) Queen Elizabeth College and Sir John Atkins Building (1996-2006) and (iii) West End Quay, Paddington Basin (2001-2005).

10. Compliance with Corporate Governance

(a) *Board Practices*

At the date of this document, the Board consisted of one executive and three non-executive Directors.

The Board meets approximately 8 times a year and comprehensive papers are prepared and issued prior to each meeting. These include regular business and financial progress reports and discussion documents regarding specific matters. Certain matters are reserved for the Board.

There is a facility for Directors to take independent professional advice if necessary at the Company's expense. This is in addition to the access which every Director has to the Company Secretary. The Secretary is charged by the Board with ensuring that Board procedures are followed.

Although there is no formal training course in place for any newly appointed Director, advice from the Company's solicitors in respect of their role and duties as a public company director would be provided as appropriate.

The Board believes that the roles of Chairman and Chief Executive should be combined until such time as a suitable transaction or transactions, such as the Proposals, is or are completed and at that time the Board structure should be reviewed. It is intended that Ira Rapp will become the Chief Executive following Admission and that Rex Wood-Ward will remain as Executive Chairman.

The Company has only a small Board and has established no formal Nominations Committee. All appointments to the Board of both executive and non-executive Directors are considered by the Board as a whole.

Any Director appointed during the year is required, under the provisions of the Company's Articles of Association, to retire and seek election by shareholders at the next Annual General Meeting. All Directors are subject to retirement by rotation at least every three years.

(b) *Internal Control*

The Board considers risk management and internal control matters at their regular Board meetings. However, in view of the size of the business, formal annual reviews of risk management and internal control were not carried out in 2005 and to this extent the Group has not complied with the requirements of the Combined Code. It is intended that such a review will be undertaken in the next two years.

The Directors have overall responsibility for the Group's system of internal financial controls. The Group maintains a control framework comprising clear structures and accountabilities, policies and procedures as well as budgeting and review processes adequate for the size of the business. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established to provide effective internal financial control include a comprehensive system of reporting to the Board of the monthly financial results and cash management.

Given the size and relative lack of complexity of the Group, the Board believes that an internal audit function is not required. The Audit Committee, having considered the matter, is satisfied that an internal audit department is not required at this stage of the Group's development.

(c) *Audit Committee*

The Audit Committee is comprised of the Company's three non-executive Directors, Michael Rapp, Chairman of the Committee, Geoff Gahan and Raymond Davies. The Audit Committee keeps the scope and cost-effectiveness of the external audit under review. The independence and objectivity of the external auditors is considered on a regular basis, with particular regard to the level of non-audit fees.

(d) *Remuneration Committee*

The Remuneration Committee meets at least once a year to establish the Remuneration Policy within the Group. The Committee is comprised of the non-executive Directors, namely Geoff Gahan (Chairman of the Committee), Michael Rapp and Raymond Davies. The Company Secretary acts as Secretary to the Committee.

Executive Directors' remuneration is determined on behalf of the Board by the Remuneration Committee (after reviewing publicly available information concerning the remuneration scales of other similar companies). The remuneration of the non-executive Directors is determined by the Board as a whole. The basic annual fee for non-executive Directors is £24,000, which has not changed since 1 January 2000.

None of the Directors participates in any discussion or votes on any proposal relating to his own remuneration. The Company's policy is to remunerate the Group's senior executives fairly in such manner as to facilitate the recruitment, retention and motivation of suitably qualified personnel.

(e) *Communication*

The Company recognises the importance of communication with its shareholders. The full report and accounts are sent to all shareholders and, upon request, to other parties who have an interest in the Group's performance.

All shareholders have the opportunity to put questions at the Company's Annual General Meeting.

(f) *Corporate Governance*

As the Ordinary Shares are traded on AIM, the Company is not obliged to comply with UK corporate governance rules and regulations contained in The Combined Code on Corporate Governance (dated July 2003 and published by the Financial Reporting Council). Nonetheless, the Board does have regard to the provisions of the Combined Code and seeks to comply with so far as the Board considers practicable (taking into account the size, structure and resources of the Company).

In accordance with the guidance of the Turnbull Committee on internal controls, the Board has identified and set out procedures for managing risks faced by the Group. These procedures have been implemented during the financial year and up to the date of this document the financial statements were approved. The risk management procedures and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

Risk management and evaluation takes place as part of the regular Board meetings. The Board then monitors and reviews the identified risks on a regular basis. A further review is carried out bi-annually by the Audit Committee.

The Board has also reviewed the need for an internal audit function and concluded that such a function is presently unwarranted by the Group's size. The Board will review the situation on an ongoing basis.

11. Information on Concert Party

- (a) As at 3 July 2006 (the latest practicable date prior to the publication of this document) the Concert Party's interest in Relevant Securities (as detailed in paragraph 12 below) is as follows:

<u>Shareholder</u>	<u>No. of Ordinary Shares</u>	<u>%</u>
Chapman International Investments Limited	84,693,250	29.8
Ira Rapp	Nil	Nil
Michael Rapp	Nil	Nil

- (b) During the period beginning 12 months preceding the close of business on 3 July 2006 (being the latest practicable date prior to the publication date of this document) no member of the Concert Party had dealt in Relevant Securities (as defined in paragraph 12 below).

- (c) As at close of business on 3 July 2006 (being the latest practicable date prior to the publication of this document), the interest of the members of the Concert Party in Ordinary Shares is and, immediately following the Placing and Open Offer, is expected to be as follows:

	<u>On the basis of existing ordinary share capital</u>			<u>On the basis of issued share capital immediately following the Placing and Open Offer⁽¹⁾</u>		
	<u>No. of Existing Ordinary Shares</u>	<u>%</u>	<u>Share Options</u>	<u>No. of Ordinary Shares</u>	<u>%</u>	<u>Share Options⁽²⁾</u>
Chapman	84,693,250	29.8	Nil	141,609,550	38.1	Nil
Ira Rapp	Nil	Nil	Nil	20,000,000	5.4	14,000,000
Michael Rapp	Nil	Nil	Nil	Nil	Nil	Nil

Note:

- (1) The interests following the Placing and Offer are based on the assumption that Chapman is required to subscribe for its Underwriting commitment in full.
- (2) Ira Rapp has been granted 14,000,000 share options conditional on Admission.

(d) The details of the Concert Party are as follows:

(i) *Chapman*

Chapman was incorporated in the British Virgin Islands on 9 April, 1999 as a limited company under its present name. The registered office of Chapman is at GTS Chambers, PO Box 3471, Road Town, Tortola, British Virgin Islands and its registered number is 319961. The director of Chapman is Montblanc (Directors) Limited in its capacity as a corporate director. The business address of the director of Chapman is at Sir Walter Raleigh House, 40-50 Esplanade, JE1 4HH, St Helier, Jersey, Channel Islands.

The issued share capital of Chapman comprises 1,320 ordinary shares of US\$1.00 each. Novatrust Limited as corporate trustee of The Millenium Trust has an indirect interest as to 660 shares and 660 shares are owned by Novatrust Limited as corporate trustee of the Westbury Trust. The Millennium Trust is a discretionary trust established for the benefit of the Simchowitz family. The Millennium Trust has a number of investments in quoted companies in the UK. The Westbury Trust is a discretionary trust, the beneficiaries of which include members of the family of Michael Rapp including Ira Rapp, other than Michael Rapp and his spouse who are excluded as beneficiaries.

As a private company incorporated in the British Virgin Islands, Chapman is not obliged to, and does not, publish financial information. Chapman acts as an investment vehicle for its shareholders.

(ii) *Ira Rapp*

Ira Rapp's address is 52 Hamilton Terrace, London NW8 9UJ. Further details of Ira Rapp are set out in paragraph 9(v) of this Part VII.

(iii) *Michael Rapp*

Michael Rapp's address is 7 Ennismore Gardens, London SW7 1NL. Further details of Michael Rapp are set out in paragraph 9(iv) of this Part VII.

12. Interests and Dealings

Save as disclosed in paragraphs 6 and 11 of Part VII of this document:

- (a) no member of the Concert Party, or any person acting in concert with any member of the Concert Party, or any director of any member of the Concert Party which is a company, has any interest in, right to subscribe in respect of or short position in relation to any Relevant Securities;
- (b) no member of the Concert Party or any person acting in concert with any member of the Concert Party, or any director of any member of the Concert Party which is a company, has dealt in Relevant Securities during the period of 12 months ended on 3 July 2006 (being the latest practicable date prior to the publication of this document);
- (c) there are no Relevant Securities which any member of the Concert Party or any person acting in concert with any member of the Concert Party has borrowed or lent (excluding any borrowed Relevant Securities which have either been on lent or sold);
- (d) none of:
 - (i) the Directors or any of their close relatives or related trusts;
 - (ii) any associated company of the Company;
 - (iii) any pension fund or employee benefit trust of the Company or of any associated company of the Company;
 - (iv) any connected adviser to the Company, or any company which is an associated company of the Company, or to a person acting in concert with the Directors or the Proposed Director; or
 - (v) any person controlling, controlled by or under the same control as any connected adviser falling within (iv) above (except for an exempt principal trader or exempt fund manager)

has as at 3 July 2006 (being the latest practicable date prior to the publication of this document) any interest in, right to subscribe in respect of or short position in relation to any Relevant Securities;

- (e) there are no Relevant Securities which the Company or any person acting in concert with the Director or the Proposed Director has borrowed or lent (excluding any borrowed Relevant Securities which have either been on lent or sold);

- (f) neither the Company nor any of the Directors or the Proposed Director has as at 3 July 2006 (being the latest practicable date prior to the publication of this document) has any interest in, right to subscribe in respect of or short position in relation to any equity share capital of Chapman (being those members of the Concert Party which are companies) or any securities of any such company carrying conversion or subscription rights into any such equity share capital; and
- (g) no member of the Concert Party, or any person acting in concert with any member of the Concert Party, has with any person any indemnity or option arrangement, or any agreement or understanding, formal or informal, of whatever nature, relating to Relevant Securities which may be an inducement to deal or refrain from dealing.

In this paragraph 12, reference to:

- (1) “Relevant Securities” means Ordinary Shares and securities carrying conversion or subscription rights into, options (including traded options) in respect of or derivatives referenced to, Ordinary Shares;
- (2) “derivatives” include any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security but which does not include the possibility of delivery of such underlying security;
- (3) “short position” means a short position, whether conditional or absolute and whether in the money or otherwise, and includes any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery;
- (4) “associated company” means in relation to any company, that company’s parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies. For these purposes, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status;
- (5) “connected adviser” means:
 - (i) in relation to the Company, (a) an organisation which is advising the Company in relation to the Open Offer; and (b) a corporate broker to the Company;
 - (ii) in relation to a person who is acting in concert with any member of the Concert Party or with the Directors, an organisation (if any) which is advising that person either (a) in relation to the Open Offer; or (b) in relation to the matter which is the reason for that person being a member of the relevant concert party; and
 - (iii) in relation to a person who is an associated company of any member of the Concert Party which is a company or of the Company, an organisation (if any) which is advising that person in relation to the Open Offer;
- (6) “control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding, or holdings, gives de facto control; and
- (7) “dealing” or “dealt” includes the following:
 - (i) the acquisition or disposal of securities;
 - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities;
 - (iii) subscribing or agreeing to subscribe for securities;
 - (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
 - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position.

For the purposes of this paragraph 12, a person is treated as “interested” in securities if he has long economic exposure, whether absolute or conditional, to changes in the price of those securities (and a

person who only has a short position in securities is not treated as interested in those securities). In particular, a person is treated as “interested” in securities if:

- (i) he owns them;
- (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, he:
 - (a) has the right or option to acquire them or call for their delivery; or
 - (b) is under an obligation to take delivery of them,
 whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) he is party to any derivative:
 - (a) whose value is determined by reference to their price; and
 - (b) which results, or may result, in his having a long position in them.

13. Significant shareholders

- (a) As at 3 July 2006 (being the latest practicable date prior to publication of this document) the Company is aware of the following persons who, directly or indirectly, were interested in 3 per cent., or more of the Company’s issued ordinary share capital:

	On the basis of existing ordinary share capital		On the basis of issued share capital immediately following the Placing and Open Offer ⁽¹⁾	
	No. of Existing Ordinary Shares	%	No. of Ordinary Shares	%
Chapman International Investments Limited	84,693,250	29.8	101,631,900	27.4
Colmar Investment Holdings Limited	29,755,000	10.5	35,706,000	9.6
Boma Global Investment L.P.	12,000,000	4.2	14,400,000	3.9
Gartmore UK & Irish Smaller Co Fund	9,173,470	3.2	11,008,164	3.0

(1) The interests following the Placing and Open Offer are based on the assumption that all Qualifying Shareholders take up their Open Offer Entitlements in full.

- (b) None of the Company’s major holders of Ordinary Shares listed in paragraph (a) above have voting rights different from other holders of Ordinary Shares.
- (c) As far as the Company is aware, as at 3 July 2006 (being the last practicable date prior to the publication of this document) there are no arrangements the operation of which may at a later date result in a change of control of the Company.
- (d) So far as the Company is aware, on the basis of the interests in Ordinary Shares set out in paragraph 11(c) above, the Company is controlled by the Concert Party. The Company’s articles of association contain provisions restricting (subject to certain exceptions) the participation of directors in considering and approval of matters in which they are otherwise interested as described in paragraph 4.8(C) of this Part VI.

14. Legal and arbitration proceedings

No member of the Group is, or has been during the 12 months preceding the date of this document, involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past a significant effect on the Group’s financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened.

15. Material Contracts

The following contracts are all the material contracts (not being contracts entered into in the ordinary course of business) which have been entered into within the two years prior to the date of this document by members of the Group and the contracts (not being contracts entered into in the ordinary course of business) entered into at any time by members of the Group which contain provisions under which any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

- (a) the Irrevocable Undertaking and the Colmar Undertaking which is summarised in paragraph 15 (i) of this Part VII;
 - (b) the Placing Letters which are summarised in paragraph 15 (ii) of this Part VII;
 - (c) the Integration and Transfer Agreement which is summarised in paragraph 15 (iii) of this Part VII;
 - (d) the Westcity Agreement which is summarised in paragraph 15 (iv) of this Part VII;
 - (e) the Exclusive Acquisition Agreement which is summarised in paragraph 15 (v) of this Part VII;
 - (f) the Management Company Shareholders Agreement which is summarised in paragraph 15(vi) of this Part VII;
 - (g) the Subscription Agreement which is summarized in paragraph 15 (vii) of this Part VII; and
 - (h) the Fee Letter which is summarized in paragraph 15 (viii) of this Part VII.
- (i) *Irrevocable Undertaking and Colmar Undertaking*

On 4 July 2006 Chapman irrevocably undertook to;

- (i) take up all of its entitlements under the Open Offer;
- (ii) subscribe as principal for all the Offer Shares at the Offer Price not taken up by Qualifying Shareholders pursuant to the Open Offer;
- (iii) make payment in respect of such subscription by no later than 3 days following the Extraordinary General Meeting; and
- (iv) vote in favour of the Resolutions to be proposed at the EGM.

The obligations of Chapman pursuant to the irrevocable undertaking are conditional upon the passing of the Resolutions at the Extraordinary General Meeting, receipt by the Company of the Sturdon Notification and Admission occurring by no later than 8.00 a.m. on 28 July 2006 or such later time and/or date as the Company may determine (but, in any event, not later than 8.00 a.m. on 11 August 2006).

In addition, on 4 July 2006, Colmar Investment Holdings Limited irrevocably undertook to vote in favour of the Resolutions to be proposed at the EGM on the terms that the undertaking would be irrevocable before the earlier of (i) Admission and (ii) 11 August 2006.

(ii) *Placing Letters*

Pursuant to the terms of the placing letters sent by the Company to Ira Rapp and Sir Harry Solomon dated 4 July 2006, both Ira Rapp and Sir Harry Solomon signed letters of confirmation forming part of the Placing Letters confirming their wish to participate in the Placing either themselves or through companies nominated by them by subscribing or procuring the subscription for a total of 30 million new Ordinary Shares such placing being conditional on the Resolutions being passed, receipt by the Company of the Sturdon Notification and, Admission having become effective by no later than 8.00 a.m. on 28 July 2006 or such later time and/or date as the Company may determine (but, in any event, not later than 8.00 a.m. on 11 August 2006). The Placing Letters required both Ira Rapp and Sir Harry Solomon to make several confirmations and warranties as to their own status.

(iii) *Integration and Transfer Agreement*

On 4 July 2006, Westcity Properties, Ira Rapp and the Company entered into an agreement pursuant to which:

- (i) the Company will be entitled to use the computer and office equipment and six accounting and administrative staff of Westcity Properties until 31 December 2006 in return for the monthly payments which reflected the costs of such equipment and staff;
- (ii) on 1 January 2007, the Company will assume the computer and office equipment referred to in (i) above at net book value and become the employer of the six employees referred to in (i) above. Westcity Properties will be

responsible for paying all of the costs of employing the employees up to 1 January 2007 and the Company will be responsible for those costs thereafter;

(iii) after 1 January 2007, Westcity Properties will reimburse the Company for the costs of its staff and other overheads in relation to the time spent by them on the developments conducted by Westcity Properties at Phillimore Square, Kensington and Whitelands, Putney.

The agreement is subject to certain conditions precedent being (a) all of the Resolutions being passed, (b) Ira Rapp being appointed as a director of the Company on the terms of the service agreement at paragraph 7 of this Part VII, (c) Admission and (d) receipt by the Company of the Sturdon Notification.

(iv) Westcity Agreement

On 4 July 2006, Westcity Properties, Westcity Holdings, Ira Rapp and the Company entered into a name and lease agreement under which conditionally upon the Integration and Transfer Agreement becoming unconditional:

(i) Westcity Holdings, Westcity Properties and Ira Rapp undertook to use their best endeavours to change the names of all companies which use the name "Westcity" by 26 July 2006 except for Westcity Properties, Westcity (QEC) Limited, Westcity Wates Property Development Limited, Westcity Whitelands Limited and Westcity Whitelands Investments Limited, in which cases the names will be changed within two years of the date of the agreement;

(ii) the Company and Westcity Holdings agreed to enter into a lease subject to receiving landlord consent under which the Company will be entitled to occupy approximately 2,600 sq. ft. of fully furnished space at 3 Prince Albert Road, London in return for an annual rent of £124,407.50 per year (exclusive of council tax, water and utilities, garden maintenance, cleaning, repairs, maintenance and insurance but inclusive of parking) for a period of thirty months commencing on 1 January 2007 and thereafter on not less than six months' notice from either side served after the end of the period;

(iii) Westcity Holdings and Westcity Properties undertake not to compete with Emess for a period of two years from 1 January 2007.

(v) Exclusive Acquisition Agreement

Pursuant to the Subscription Agreement referred to at paragraph (vi) below, the Company, the Property Fund and the Manager have agreed to enter into an exclusive acquisition agreement at the same time as the Company makes its investment into the Property Fund under which:

(i) the Company will be appointed as the exclusive property adviser to the Property Fund;

(ii) the Company will agree to use its reasonable endeavours to source properties and property investments for the Property Fund;

(iii) a procedure will be established for the Manager and the Property Fund to approve the acquisition of any property or property investments identified by the Company;

(iv) it will be agreed that the Company will receive a fee of 1.5 per cent. of the gross purchase price of any property acquired by the Property Fund which has been sourced by the Company and a fee of 1.15 per cent. of the gross purchase price of any property acquired by the Property Fund which has been sourced by Sturdon;

(v) the Company will recover any third party expenses incurred by it in relation to the acquisition of a property or property investment by the Property Fund except where the proposal is declined by the Manager;

(vi) the Company will be prohibited during the term of the agreement from sourcing properties or property investments for other parties except where the Manager has declined an opportunity presented to it by the Company, in which case, the Company will be permitted to take advantage of the opportunity or to refer it to someone else so long as it does so on terms which are no better than those offered to the Manager.

(vi) Management Company Shareholders Agreement

On 4 July 2006, Sturdon, the Company and the Manager entered into a shareholders agreement regulating the terms upon which Sturdon and the Company will participate in the Manager as shareholders. Under the terms of the agreement, it was agreed:

- (i) that the Manager will act only as a manager of property investment funds;
- (ii) that Sturdon and Emess will agree a business plan for the Manager in due course;
- (iii) that at least 90% of the profits of the Manager will be distributed as dividends;
- (iv) the Company would enforce its rights against Ira Rapp under his service agreement if required to do so by the directors appointed to the Manager's board by Sturdon;
- (v) Sturdon and the Company would each have three representatives on the board of the Manager;
- (vi) there would be an Advisory Committee consisting of two representatives from each of Sturdon and the Company and an independent member appointed by the Manager itself;
- (vii) that if a matter could not be determined by the board of the Manager, there would be provisions under which one party could acquire the shares of the other party;
- (viii) if either Sturdon or the Company wishes to sell its shares to a third party, the other party can either buyout those shares or force the shareholder to buy the other party's shares failing which the shareholder can sell his shares to the third party;
- (ix) the shareholders agreed certain restrictions on their freedom to compete with the Manager whilst they were shareholders of the Manager.

(vi) Subscription Agreement

On 4 July 2006, Sturdon, the Company, the Property Fund and the Manager entered into a subscription agreement pursuant to which:

- (i) Sturdon undertook to use its reasonable endeavours to raise Euros 30 million for investment into the Property Fund;
- (ii) if Sturdon succeeded in raising a minimum of Euros 30 million for investment into the Property Fund, the Company would invest into the Property Fund an amount equal to the amount raised by Sturdon up to a maximum of £20 million, conditionally only upon

- a) all of the Resolutions being passed; and
- b) Admission

in each case by not later than 11 August 2006.

(vii) Fee Letter

On 4 July 2006, the Company and the Manager entered into a fee letter under which the Manager agreed to pay to the Company a fraction of one quarter of the equity raising fee paid by the Property Fund to the Manager (such fee being 2% of the amount of equity raised by the Property Fund) and a fraction of one quarter of the annual management fee paid by the Property Fund to the Manager (such fee being 2% of the Property Fund's invested equity). The part of those fractions will be equal to the proportion of the total equity raised by the Property Fund provided by the Company.

16. Market quotations

The Existing Ordinary Shares are listed on AIM. The closing middle market quotations for the Ordinary Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the first dealing

day in each of the six months before the date of this document and 3 July 2006 (the last practicable date prior to the date of publication of this document) are as follows:

Date	Price per share (p)
1 December 2005	9
2 January 2006	8.75
1 February 2006	8.875
1 March 2006	9.625
3 April 2006	9.875
2 May 2006	12.50
1 June 2006	10.50
3 July 2006	9.25

17. Property Plant and Equipment of the Group

Save as disclosed in this document, the Group does not have, and has no current intention to acquire, any material tangible fixed assets (including leased properties).

18. Employees

Set out below are the average number of employees employed by the Company for the period covered by the financial information contained in this document. The total number of staff decreased between 2003 and 2005 from 158 employees to 2 employees.

Annual average employee numbers (including executive directors) were as follows:

	<i>Years ended</i>		
	<i>31 December</i>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total Staff	2	3	158

19. Dilution

On Admission, assuming all of the Placing Shares are issued pursuant to the Placing, the Existing Ordinary Shares will be diluted by the allotment and issue of 30,000,000 new Ordinary Shares which will represent 9.54 per cent. immediate dilution of the holders of the Existing Ordinary Shares.

If none of the Qualifying Shareholders take up their entitlements under the Open Offer, they will be diluted by the issue of 56,916,300 new Ordinary Shares, which will represent a 16.67 per cent. immediate dilution of the holders of the Existing Ordinary Shares.

Assuming all of the new Ordinary Shares are issued pursuant to the Placing and the Open Offer is fully subscribed, the Existing Ordinary Shares will be diluted by the allotment and issue of 86,916,300 New Ordinary Shares which will represent a 8.08 per cent. immediate dilution to the holders of the Existing Ordinary Shares.

20. Capitalisation and Indebtedness

The capitalisation and indebtedness of the Group as at 31 December 2005 and 31 May 2006 is set out below.

The information relating to 31 December 2005 has been extracted from the audited accounts of the Group as at 31 December 2005 and the information relating to 31 May 2006 extracted from unaudited management accounts as at 31 May 2006.

	<i>As at 31 December 2005</i>	<i>As at 31 May 2006</i>
	<u>£'000</u>	<u>£'000</u>
Total current debt		
Secured on freehold property	79	—
Unguaranteed/unsecured	<u>—</u>	<u>—</u>
	<u>79</u>	<u>—</u>
Total non-current current debt (excluding current proportion of long-term debt)		
Secured on freehold property	5,825	—
Unguaranteed/unsecured	<u>—</u>	<u>—</u>
Shareholders' equity		
Share capital	2,846	2,846
Legal reserve	20,817	20,817
Other reserves	<u>(6,964)</u>	<u>(6,974)</u>
	<u>16,699</u>	<u>16,689</u>

The net indebtedness of the Group in the short and medium terms is as follows:

	<i>As at 31 December 2005</i>	<i>As at 31 May 2006</i>
	<u></u>	<u></u>
Cash	24,473	18,788
Trading securities	<u>—</u>	<u>—</u>
Liquidity	<u>24,473</u>	<u>18,788</u>
Current financial receivable		
Current bank debt	—	—
Current portion of non-current debt	(79)	—
Other current financial debt	<u>—</u>	<u>—</u>
Current Financial debt	<u>(79)</u>	<u>—</u>
Net current financial indebtedness	<u>24,394</u>	<u>18,788</u>
Non current bank loans	(5,825)	—
Bonds issued	—	—
Other non-current loans	<u>—</u>	<u>—</u>
Non current financial indebtedness	<u>(5,825)</u>	<u>—</u>
Net financial indebtedness	<u>18,569</u>	<u>18,788</u>

Since 31 December 2005, save for Victoria Heights Corporation Limited, a wholly owned subsidiary of the Company, redeeming a £5.9 million bank loan which was secured on a freehold property, there has been no material change in the capitalisation of the Group since 31 December 2005. The Group does not have any indirect or contingent indebtedness as at 31 December 2005.

21. Capital resources

The following table extracted from unaudited management accounts sets out the unaudited capital resources of the Company as at 31 May 2006:

	<u>£'000</u>
Cash at bank	18,788
Loan receivable after more than one year	<u>4,500</u>
	<u>23,288</u>

Cash outflow from operating activities in the year ended 31 December 2005 was £512,000 (2004: £2,008,000), overall net funds increased during the period by £261,000 due largely to interest earned on cash deposits of £1,157,000.

Since 31 December 2005, Victoria Heights Corporation, a subsidiary of the Company which owns the Hixon property, repaid its mortgage of £5.9 million. Victoria Heights Corporation was funded by a loan from the Company and was subsequently sold for a consideration of £4,950,000 of which £450,000 was received on 12 May 2006 and £4,500,000 will be received as a loan repayment on 12 May 2011. The loan is secured by a first charge over the property and interest is charged on this loan at 1% over base.

Subject to the proposed Placing and Open Offer being completed, the Group will have cash at bank of £26 million of which it is intended that £20 million will be invested in the Property Fund and the balance used for working capital and to settle any liabilities for provisions as these fall due.

The Group does not currently have any bank overdraft facilities and since 12 May 2006, no longer has any long term debt finance. It is the intention to negotiate new bank facilities once the company begins trading. In view of the company's cash position there is currently no requirement for overdraft facilities.

The Group's financial instruments comprise cash, a loan to Victoria Heights Corporation and various items such as trade debtors, trade creditors etc, that arise directly from operations. The main purpose of these financial instruments is to finance the Groups operations.

Interest rate, foreign exchange risk and financing is managed centrally and reviewed by the Board. There is little foreign exchange exposure on day to day activities as most goods and services are bought and sold in sterling with cash passing through the sterling bank account. With respect to £20 million that will be invested in a Euro Fund, the Group has not entered into any foreign exchange hedging arrangements but will review this position on a regular basis and, if appropriate, will hedge this potential foreign exchange exposure.

The Group has not entered into currency swaps, commodity contracts or financial forward contracts.

22. Dividend policy

No dividend had been proposed by the Company in respect of the year ended 31 December 2005. However, the Director's hope to implement a dividend policy once the Group has distributable reserves out of which dividends may be declared.

23. Significant Change

Save as disclosed at paragraph 8 of Part I of this document with regards to the disposal of the property at Hixon and the provision made for onerous leases, there has been no significant or material change in the financial or trading position of the Group since 31 December 2005.

24. Working Capital

For the purposes of the Prospectus Rules, it is the opinion of the Company that, after taking into account the available facilities of the Group and the net proceeds of the Placing and Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

For the purposes of the AIM Rules, the Directors and the Proposed Director confirm that in their opinion, having made due and careful enquiry, the working capital available to the Company and the Group will be sufficient for their present requirements, that is for at least twelve months from the date of Admission.

25. Taxation

The following statements are intended only as a general guide to the current tax position under current UK taxation law and published HMRC practice. They do not apply to certain classes of Shareholders such as dealers in securities, or Shareholders who are not absolute beneficial owners of their shares. Any person who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the UK should consult his or her professional adviser without delay.

Dividends

Individual Shareholders resident in the UK for tax purposes (“Resident Industrial Shareholders”) whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their gross dividend income. Resident Individual Shareholders are entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit. The effect of this is that the tax credit attaching to the dividend will satisfy the income tax liability on UK dividends of a Resident Individual Shareholder whose income is within the lower or basic rate bands. Resident Individual Shareholders liable to higher rate tax (currently at a rate of 40 per cent. for income other than dividends) have a liability to income tax of 32.5 per cent. After setting off the tax credit, a higher rate taxpayer will be liable to additional income tax equal to 25 per cent. of the net dividend. If the Resident Individual Shareholder’s total tax credit on such dividends exceeds his overall United Kingdom tax liability, he may no longer claim repayment of the excess from H.M. Revenue & Customs.

A corporate Shareholder resident for tax purposes in the UK will not be chargeable to UK corporation tax on any dividend received from the Company and will normally be able to treat any such dividend as franked investment income.

Individual Shareholders who are resident for tax purposes in countries other than the UK and who are Commonwealth citizens and citizens of countries within the European Union, Iceland, Liechtenstein and Norway, residents of the Isle of Man or Channel Islands and certain others, are entitled to a tax credit as if they were resident for tax purposes in the UK. They may set this tax credit off against their total UK income tax liability. Such shareholders will generally not be able to claim repayment of the tax credit from the HM Revenue & Customs.

UK resident trustees of discretionary or accumulation trusts are liable to income tax on UK company dividends at 32.5 per cent. of the gross dividend, which after setting off the tax credit equal to 10 per cent. of the gross dividend, will result in additional income tax equal to 25 per cent. of the net dividend.

Taxation of chargeable gains

HM Revenue & Customs takes the view that in circumstances such as these the issue of Offer Shares under the Open Offer by the Company to Qualifying Shareholders up to each such shareholder’s minimum entitlement will amount to a reorganisation of the share capital of the Company for the purposes of UK taxation of capital gains. Accordingly, Offer Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer up to each such shareholder’s minimum entitlement will be treated as the same asset as such shareholder’s existing holding, and the price paid by such shareholder for such Offer Shares will be added to the base cost of his existing holding. In the case of a non-corporate Qualifying Shareholder, taper relief (if applicable) will be applied on both the existing holding and the Offer Shares by reference to the date of acquisition of the existing holding, subject to transitional rules for shares acquired prior to 6 April 1998. For Offer Shares issued in excess of the minimum pro rata entitlement, taper relief will apply from the date of their acquisition. In the case of a corporate Qualifying Shareholder, indexation allowance on the subscription price for the Offer Shares will be calculated from the date of subscription for the Offer Shares. The capital gains tax consequence of any future disposal of any shares in the Company by a Qualifying Shareholder will depend upon that Qualifying Shareholder’s circumstances.

Stamp duty and stamp duty reserve tax

The issue of Offer Shares by the Company to Qualifying Shareholders pursuant to the Open Offer will not be subject to any stamp duty or stamp duty reserve tax (save, in limited circumstances were the Offer Shares are issued to a person operating a clearance system or issuing depositary receipts). Any further dealings in these shares will be subject to stamp duty or stamp duty reserve tax in the normal way (unless issued to a person to whom the depositary receipts or clearance services charge to SDRT applies at a rate of 1.5 per cent.).

Tax Consequences of receiving Ordinary Shares under the Capital Reorganisation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. They relate only to certain limited aspects of the UK tax position of Shareholders who are the beneficial owners of the Ordinary Shares who are resident or (in the case of individuals) ordinarily resident in the UK for tax purposes and who hold their shares in the Company beneficially as an investment (and not as securities to be realised in the course of a trade). A Shareholder who is in any doubt as to his or her tax position or is subject to tax in any jurisdiction other than the United Kingdom should consult his or her professional adviser without delay.

The Capital Reorganisation should constitute a reorganisation of the Company's share capital for the purposes of section 126 of the Taxation of Chargeable Gains Act 1992. For the purposes of UK taxation of chargeable gains, to the extent that you receive Ordinary Shares in the Company under proposed Capital Reorganisation you should not be treated as making a disposal of any of your Existing Ordinary Shares in the Company or an acquisition of Ordinary Shares. The Ordinary Shares will be treated as the same asset as, and as having been acquired at the same time and at the same aggregate cost as, the holding of the Existing Ordinary Shares from which they derive. No liability to stamp duty or stamp duty reserve tax will be incurred by a holder of Existing Ordinary Shares in the Company as a result of the proposed Capital Reorganisation.

26. Related party transactions

Save as mentioned below and at paragraph 15 of this Part VII in respect of agreements with Westcity Holdings, the Company has not entered into any related party transactions during the financial years ended 31 December 2003, 2004 and 2005 and during the period between 1 January 2006 and the date of this prospectus:

- (i) During 2003, the Company paid £26,870 in respect of office accommodation and related services to Oceana Investment Corporation Limited, a company of which Mr Raymond Davies is a director.
- (ii) During 2004, the Company paid £9,000 in respect of office accommodation to Westcity Holdings, a company of which Mr Michael Rapp is a director.
- (iii) During 2005, the Company paid £18,846 in respect of office accommodation to Westcity Holdings, a company of which Mr Michael Rapp is a director.
- (iv) During 2006, the Company has paid £9,000 in respect of office accommodation to Westcity Holdings, a company of which Michael Rapp is a director.

27. General

- (a) There is no agreement, arrangement or understanding whereby the beneficial ownership of the Ordinary Shares held by the members of the Concert Party or the Offer Shares to be held by them following the Open Offer will be transferred to any other persons.
- (b) Save for the Irrevocable Undertaking, no agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Concert Party or any person acting in concert with them and any of the Directors, recent directors, Shareholders or recent shareholders of the Company, or any person interested or recently interested in the Ordinary Shares of the Company, having any connection with or dependence on the Proposals set out in this document. Chapman has confirmed that it will fund the payment to be made by it for Offer Shares from its own resources. Ira Rapp has confirmed that he will fund the payment to be made by him for his Placing Shares from his own resources.
- (c) The proposals as described in this document involve no arrangements whereby the payment of interest on, repayment of or security for any liability (contingent or otherwise) incurred in connection with the Open Offer will depend to any significant extent on the business of the Company.
- (d) The expenses of the Placing and Open Offer are estimated at approximately £400,000 (excluding VAT) and are payable by the Company. The minimum net cash proceeds of the Placing and Open Offer accruing to the Company are estimated at £7.3 million and will be used for the purposes described in Part I of this document.
- (e) The Offer Shares will, when issued, be in registered form and in certificated form unless requested by Shareholders to be in uncertificated form.
- (f) The Directors believe that there are no patents, licences, contracts or new manufacturing processes which are of fundamental importance to the Group's business or profitability.

- (g) The Offer Shares will be and the Existing Ordinary Shares of the Company are subject to the rules regarding mandatory takeover offers set out in the City Code as described in paragraph 9 of Part I of this document.
- (h) The Offer Shares and Placing Shares will be created and allotted under the laws of England and Wales pursuant to the Resolutions to be proposed at the Extraordinary General Meeting and the currency of the New Ordinary Shares will be pounds sterling.
- (i) The percentage of the enlarged issued share capital represented by the Offer Shares (if all the Offer Shares are subscribed for) would be 15.32 per cent. The percentage of the enlarged issued share capital represented by the Placing Shares would be 8.07 per cent.
- (j) KBC Peel Hunt, of 111 Old Broad Street, London EC2N 1PH, is the Company's nominated adviser and broker. KBC Peel Hunt is regulated in the UK by the Financial Services Authority.
- (k) As at the date of this document, there are no agreements, arrangements or understandings (including any compensation arrangements) existing between either of the members of the Concert Party and any of the Directors, recent directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company, having any connection with or dependence upon the Proposals.
- (l) None of the securities acquired by either member of the Concert Party in pursuance of the Placing and Open Offer will be transferred to any other persons.

28. Consents

- (a) KBC Peel Hunt has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in this document and references to its name in the form and context in which they appear.

29. Documents available for inspection

Copies of the following documents may be inspected at the offices of Jones Day, 21 Tudor Street, London EC4Y 0DJ during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of publication of this document until the later of the closing of the Open Offer and the closing of the Extraordinary General Meeting:

- (a) the memorandum and articles of association of the Company;
- (b) the audited consolidated accounts of the Group for the three financial years ended 31 December 2005, 31 December 2004 and 31 December 2003;
- (c) the material contracts referred to in paragraph 15 above;
- (d) the consent letters referred to in paragraph 25 above;
- (e) the service agreements of Rex Wood-Ward and Ira Rapp referred to in paragraph 7 above; and
- (f) the rules of the 2006 Share Option Scheme.

Date

4 July, 2006

EMESS PLC

(Registered in England and Wales — No. 00164213)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING (the “Meeting”) of Emess Plc (the “Company”) will be held at 11.00 a.m. at the offices of Jones Day on 27 July 2006 at 21 Tudor Street, London EC4Y 0DJ, for the purpose of considering and, if thought fit, passing the following resolutions of which numbers 1, 2, 3 and 9 will be proposed as ordinary resolutions of the Company and numbers 4 to 8 will be proposed as special resolutions:

ORDINARY RESOLUTIONS

1. That the business of Company be changed to that of a property and property-related investment, development and management company.
2. That, the waiver by the Panel on Takeovers and Mergers, conditional on the passing of this resolution on a poll, of any requirement under Rule 9 of the City Code on Takeovers and Mergers for the Concert Party (as defined in the prospectus dated 4 July 2006 containing the notice of this Meeting (the “Prospectus”)) to make a general offer to the shareholders of the Company if its aggregate shareholding of 29.8 per cent is increased to a maximum of 45.5 per cent. as a result of the issue of ordinary shares in the Company pursuant to the Underwriting, the Placing, the Open Offer and/or the exercise of the Share Options (as each is defined in the Prospectus) be and is hereby approved.
3. That, subject to and conditionally upon (but effective immediately prior to) (i) admission to trading on the London Stock Exchange plc’s Alternative Investment Market of the new ordinary shares to be issued pursuant to the Placing and Open Offer (“Admission”) the directors of the Company (the “Directors”), be and are hereby generally authorised for the purposes of Section 80 of the Companies Act 1985 (the “Act”) to exercise all powers of the Company to allot relevant securities (within the meaning of the said Section 80) of the Company up to a maximum aggregate nominal value of £869,163 in connection with the Placing and the Open Offer provided that this authority shall expire on 31 August 2006 unless previously renewed, varied or revoked by the Company in general meeting, and provided that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL RESOLUTIONS

4. That, subject to and conditionally upon the passing of resolution 3 and upon (but effective immediately prior to) (i) Admission pursuant to section 95 of the Act, the Directors be and are hereby empowered to allot equity securities (within the meaning of sections 94(2) to 94(3A) of the Act) for cash pursuant to the authority conferred by resolution 3 as if section 89) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to a maximum aggregate nominal value of £869,163 in accordance with the terms of the Placing and Open Offer and the Underwriting and (unless previously revoked, varied or renewed) this power shall expire on 31 August 2006, save that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred hereby had not expired.
5. That, with effect from the close of business on the day following the date of the passing of this resolution every 5 of the ordinary shares of 1p each in the capital of the Company already in issue be consolidated into one ordinary share of 5p.
6. That following consolidation of shares pursuant to resolution 5 above, each ordinary share of 5p in the capital of the Company already in issue be sub-divided and re-designated into one ordinary share of 1p and into one Deferred Share of 4p carrying the following rights and subject to the following restrictions:
 - (i) the Deferred Shares shall not entitle the holders of them to receive notice of nor to attend or vote at any general meeting of the Company by virtue of or in respect of their holding of Deferred Shares;
 - (ii) the Deferred Shares shall not entitle the holders of them to participate in any dividend;

- (iii) on a return of capital on liquidation or otherwise, the surplus assets of the Company (after payment of its liabilities) shall be applied so that any such surplus assets are distributed first to holders of the ordinary shares of 1p each pari passu up to a maximum of £1,000,000 per ordinary share, secondly to holders of Deferred Shares of 4p each pari passu up to a maximum of 4p each and finally, subject thereto, the balance of such assets shall belong to and be distributed pari passu amongst the holders of the ordinary shares of 1p each.
7. That, subject to confirmation by the Court:
- (i) all of the Deferred Shares of 4p each created pursuant to paragraph 6(b) above be cancelled;
- (ii) the amount standing to the credit of the capital redemption reserve of the Company at the close of business on the day following the passing of this resolution be cancelled.
- (iii) the amount standing to the credit of the share premium account of the Company at the close of business on the day following the passing of this resolution be cancelled.
8. That the name of the Company be changed to “Westcity plc”.

ORDINARY RESOLUTION

9. That the 2006 Share Option Scheme (as defined and described in the Prospectus) be and is hereby approved and adopted and the directors be and hereby authorised to do all acts and things necessary or desirable to adopt and implement the 2006 Share Option Scheme.

Registered office:

4 Prince Albert Road London NW1 7SN

By Order of the Board

Jerome Fester

Secretary

Dated 4 July 2006

Notes:

- (1) A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- (2) Voting on resolution 2 will be conducted on a poll of independent shareholders in order to comply with the requirements of the Panel on Takeovers and Mergers.
- (3) A prepaid form of proxy is enclosed. To be valid, the form of proxy (together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such authority) must be deposited at the offices of the Company's Registrars, Computershare Investor Services PLC, PO Box 1075, The Pavilions, Bridgwater Road, Bristol BS99 3FA, not later than 48 hours before the time appointed for holding the above Meeting or any adjournment thereof. Completion of the form of proxy will not preclude a member from attending and voting in person.
- (4) The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those shareholders entered in the register of members of the Company as at 11.00 a.m. on 25 July 2006 or, if the meeting is adjourned, members entered on the register of members of the Company not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend or vote at the Meeting in respect of the number of ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

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