

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document or what action should be taken, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document is a prospectus and has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (as amended) ("POS Regulations") and the AIM Rules. A copy of this document has been delivered to the Registrar of Companies in England and Wales in accordance with Regulation 4(2) of the POS Regulations.

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's Listing Authority. A prospective investor should be aware of the 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.

The Directors and Proposed Directors of London & Boston Investments plc, whose names appear on page 3 of this document, accept responsibility individually and collectively for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed 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 does not omit anything likely to affect the import of such information.

The directors of PSG Franchising Limited, whose names appear on page 3 of this document, accept responsibility individually and collectively for the information contained in this document to the extent that it relates to PSG Franchising Limited, its directors or shareholders and, to the best of the knowledge and belief of the directors of PSG Franchising Limited (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 does not omit anything likely to affect the import of such information.

London & Boston Investments plc

(Incorporated and registered in England and Wales under the Companies Act 1985 (as amended) with Registered Number 3170812)

Proposed acquisition of PSG Franchising Limited Placing and Open Offer Admission of the Enlarged Group to trading on the Alternative Investment Market

Nominated Adviser
Matrix Corporate Finance

Broker
Keith, Bayley, Rogers & Co. Limited

SHARE CAPITAL

The following table shows the authorised and issued share capital of London & Boston Investments plc immediately following completion of the Acquisition, the Placing and the Open Offer:

	Authorised		Issued Fully Paid	
	Number	£	Number	£
Ordinary Shares of 2p each	250,000,000	5,000,000	161,648,304	3,232,966

Matrix Corporate Finance, a division of Matrix-Securities Limited, a company which is authorised and regulated by the Financial Services Authority, and Keith, Bayley, Rogers & Co. Limited, which is a member of London Stock Exchange plc and is regulated by the Financial Services Authority, are acting exclusively for London & Boston Investments plc in connection with the Admission and the Open Offer. Matrix Corporate Finance and Keith, Bayley, Rogers & Co. Limited will not be responsible to anyone other than London & Boston Investments plc for providing the protections afforded to clients of Matrix Corporate Finance and Keith, Bayley, Rogers & Co. Limited respectively nor for providing advice to any other person in connection with Admission and the Open Offer and the contents of this document. No representation or warranty, express or implied, is made by Matrix Corporate Finance or Keith, Bayley, Rogers & Co. Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

The responsibilities of Matrix Corporate Finance as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or Proposed Director or to any other person in respect of their decision to acquire shares in reliance on any part of this document.

A notice of an Extraordinary General Meeting of London & Boston Investments plc to be held at 11 a.m. on 24 June 2004 at One Portland Place, London, W1B 1PN is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed with this document. In order to be valid, Forms of Proxy must be completed and returned in accordance with the instructions printed thereon, so as to be received by the Company's Registrars, whose name and address are set out on page 3, not later than 48 hours before the time appointed for the meeting. Completion and posting of the Form of Proxy does not prevent an Existing Shareholder from attending and voting in person at the Extraordinary General Meeting.

The Open Offer expires at 3.00 p.m. on 23 June 2004 or such later date as London & Boston Investments plc may decide. The procedure for application for Offer Shares under the Open Offer is set out in Part III of this document and in the accompanying Application Form. If you have any questions on the procedure for application and payment, you should contact Capita IRG Plc on telephone number: 0870 1623100. No investment advice will be provided by Capita IRG Plc.

This document does not constitute an offer to sell, or solicitation of an offer to subscribe for, the Offer Shares in any jurisdiction in which such an offer or solicitation is unlawful. Any Shareholder or other recipient of this document who is a resident or citizen of the United States, Canada, Australia, the Republic of Ireland or Japan or holds shares on behalf of persons resident in those countries, or is a corporation, partnership or other entity created or organised under the laws of those countries should refer to paragraph 4 headed "Overseas Shareholders" in Part III of this document.

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Stephen Anton Komlósy
John Joseph May FCA
Peter Leonard George Cotgrove FCA
Barry Edward Adams

Chairman and Chief Executive
Finance Director
Non-executive Director
Non-executive Director

All of whose business address is 133 Ebury Street, London SW1W 9QU

Proposed Directors

Julie Amanda Hester
Gary William Hester
John Martin Burley

Non-executive Director
Alternate to Julie Hester
Non-executive Director

Directors of PSG Franchising Limited

Julie Amanda Hester
Gary William Hester

Joint Managing Director
Joint Managing Director

All of whose business address is 142 Trinity Street, Huddersfield, West Yorkshire HD1 4DT

Registered Office

Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

Company Secretary
John Joseph May FCA

Nominated Adviser

Matrix Corporate Finance
7-8 Savile Row
London W1S 3PE

Solicitors to the Open Offer

Campbell Hooper
29-35 Old Queen Street
London SW1H 9JD

Broker

Keith, Bayley, Rogers & Co. Limited
Sophia House
76-80 City Road
London EC1Y 2EQ

Solicitors to the Company

Wallace LLP
One Portland Place
London W1B 1PN

Auditors and Reporting Accountants to London & Boston Investments plc

Milsted Langdon
Chartered Accountants
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

Principal Bankers

Investec Bank (UK) Limited
2 Gresham Street
London EC2V 7QP

Barclays Bank plc
Bristol Business Team
P O Box 324 (Patchway)
Park House
Newbrick Road
Stoke Gifford
Bristol BS34 8ZJ

Auditors and Reporting Accountants to PSG Franchising Limited

Kirk Newsholme
Richmond House
16 Blenheim Terrace
Leeds LS2 9HN

Registrars

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

DEFINITIONS

“1st Mortgage”	1st Mortgage Company Limited
“A Warrant Instrument”	a deed poll of the Company dated 21 February 2000 which constituted the A Warrants
“A Warrants”	the warrants granted to Shareholders under the offer for subscription pursuant to the terms set out in a prospectus published on 23 February 2000, the principal terms of which are more fully described in paragraph 8 of Part VI of this document
“Act”	the Companies Act 1985, as amended
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of PSG pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 7 June 2004 between the Company and the Vendors relating to the Acquisition, which is conditional, <i>inter alia</i> , on the passing of the Resolutions at the EGM
“Admission”	the re-admission of the Existing Ordinary Shares and the A Warrants to trading on AIM and the admission of the New Ordinary Shares to trading on AIM in accordance with paragraph 6 of the AIM Rules of the London Stock Exchange
“ Admission Document”	this document which comprises a prospectus
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange or AIM companies and their nominated advisers governing admission to and operation of AIM
“Application Form”	the application form for use in connection with the Open Offer which accompanies this document
“Audiotel”	Audiotel International Limited
“Avatar”	Avatar Systems Inc
“B Warrant Instrument”	a deed poll of the Company dated 15 January 2002 which constituted the B Warrants
“B Warrants”	the warrants to subscribe for Ordinary Shares representing up to 20 per cent. of the issued Ordinary Shares at the date of exercise of such warrants, the principal terms of which are more fully described in paragraph 8 of Part VII of this document
“Board” or “Directors”	the directors of the Company, whose names are set out on page 3 of this document
“City Code”	the City Code on Takeovers and Mergers
“Company” or “London & Boston”	London & Boston Investments plc
“Concert Party”	for the purposes of the City Code, the Vendors
“Consideration Shares”	the 55,045,940 new Ordinary Shares to be issued in part consideration for the Acquisition
“CREST”	the electronic, paperless transfer and settlement mechanism for equity trades transacted on AIM and on the Official List of the UK Listing Authority
“Crest Regulations”	Uncertified Securities Regulations 2001 (SI 2001/3755)
“Croma”	Croma Group plc
“Energy Technique”	Energy Technique plc
“Enlarged Group”	the Group and PSG
“Enlarged Issued Share Capital”	the share capital of the Company as it will be following completion of the Acquisition, the Placing and the Open Offer, comprising 161,648,304 Ordinary Shares (but prior to the issue of any Ordinary Shares pursuant to the exercise of the Options or the Warrants)
“Existing Ordinary Shares”	the 85,215,370 Ordinary Shares in issue at the date of this document
“Existing Shareholder”	a holder of Existing Ordinary Shares
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held on 24 June 2004, notice of which is set out at the end of this document, or any adjournment of that meeting

“Form of Proxy”	the form of proxy for use by Existing Shareholders at the Extraordinary General Meeting
“Group”	the Company and its subsidiaries as at 31 March 2004
“Harrell”	Harrell Hospitality Group Inc
“Issue Price”	7p per share
“KBR”	Keith, Bayley, Rogers & Co. Limited
“the London Stock Exchange”	London Stock Exchange plc
“Matrix”	Matrix-Securities Limited, trading as Matrix Corporate Finance
“Merchant House”	Merchant House Group plc
“Merchant Kapital”	Merchant Kapital Holding A/S
“Moore & Buckle”	Moore & Buckle (Flexible Packaging) Limited
“Netcentric”	Netcentric Systems plc
“New Ordinary Shares”	the Consideration Shares and the new Ordinary Shares to be issued under the Placing and Open Offer
“Offer Shares”	7,101,280 New Ordinary Shares which are the subject of the Open Offer
“Open Offer”	the underwritten offer by KBR on behalf of the Company to Qualifying Shareholders to subscribe for the Offer Shares, further details of which are set out in Part III of this document
“Options”	the options to subscribe for Ordinary Shares as set out in paragraph 2 of Part VI of this document
“Ordinary Shares”	the Ordinary Shares of 2p each in the capital of the Company
“Panel”	the Panel on Takeovers & Mergers
“Placing”	the placing of 14,285,714 Ordinary Shares at the Issue Price by Williams de Broë on behalf of the Company
“POS Regulations”	the Public Offers of Securities Regulations 1995 (as amended)
“Proposed Directors”	Julie Hester, Gary Hester and John Burley
“PSG”	PSG Franchising Limited
“Qualifying Shareholders”	Shareholders on the Record Date other than certain overseas Shareholders
“Record Date”	3 June 2004
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
“Shareholder” or “Shareholders”	holders of Ordinary Shares
“United Kingdom” or “UK”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Services Authority, the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“United States”, “US” or “USA”	United States of America, each state thereof, its territories and possessions and the District of Columbia
“Vendors”	Julie Hester and Gary Hester, being the holders of the entire issued share capital of PSG, further details of whom are set out in paragraph 3 of Part VI of this document
“Warrants”	the A Warrants and the B Warrants, details of which are set out in paragraphs 4(b) and 8 of Part VII of this document
“Whitewash”	the waiver, granted by the Panel conditionally upon the passing of Resolution 2 at the EGM, of any obligations of the Concert Party to make a mandatory offer for the Company which would otherwise arise under Rule 9 of the City Code, further details of which are set out in Part I of this document
“Williams de Broë”	Williams de Broë plc
“\$”	US dollars

SHARE CAPITAL STATISTICS

Issue price per share under the Placing and Open Offer	7p
Gross proceeds of the Placing and Open Offer	£1,497,090
Number of Ordinary Shares to be placed	14,285,714
Number of Offer Shares	7,101,280
Number of Ordinary Shares to be issued pursuant to the Acquisition	55,045,940
Ordinary Shares currently in issue	85,215,370
Ordinary Shares in issue following completion of the Acquisition and the Placing and Open Offer*	161,648,304

* Subject to dilution by the Options and the Warrants, as set out in Part VII of this document

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date	3 June 2004
Latest time and date for splitting Application Forms to satisfy <i>bona fide</i> market claims only	3.00 p.m. on 21 June 2004
Latest time and date for receipt of Forms of Proxy for the EGM	11.00 a.m. on 22 June 2004
Latest time and date for receipt of Application Forms and payment in full	3.00 p.m. on 23 June 2004
Announcement of take-up under the Open Offer	24 June 2004
Extraordinary General Meeting	11.00 a.m. on 24 June 2004
Dealings in the New Ordinary Shares expected to commence on AIM	25 June 2004
Expected date for CREST accounts to be credited	25 June 2004
Definitive share certificates for the Offer Shares expected to be despatched or CREST accounts amended, as applicable	2 July 2004

PART I

Letter from the Chairman of London & Boston Investment plc

LONDON & BOSTON INVESTMENTS PLC

(Incorporated and registered in England and Wales under the Companies Act 1985
(as amended) with Registered Number 3170812)

Directors:

Stephen Anton Komlósy (*Chairman and Chief Executive*)
John Joseph May (*Finance Director*)
Peter Leonard George Cotgrove (*Non-executive Director*)
Barry Edward Adams (*Non-executive Director*)

Registered Office:

133 Ebury Street
London
SW1W 9QU

8 June 2004

To Qualifying Shareholders and, for information only, Warrant Holders

Dear Shareholder

**Proposed acquisition of PSG Franchising Limited
Placing and Open Offer
Admission of the Enlarged Group to trading on the Alternative Investment Market**

1. INTRODUCTION

It was announced earlier today that the Company had agreed, subject, *inter alia*, to Existing Shareholder approval, to acquire the entire issued share capital of PSG.

By reason of the size of PSG in relation to London & Boston, the Acquisition is classified as a reverse takeover under the AIM Rules and therefore requires the approval of Existing Shareholders in general meeting.

It was also announced today that, on behalf of the Company, Williams de Broë has agreed to place 14,285,714 Ordinary Shares at a price of 7p per share. In order to afford Qualifying Shareholders the opportunity to participate in the Company's fundraising, KBR, on behalf of the Company, is making the Open Offer on the basis of one Offer Share at the Issue Price of 7p per Share for every 12 Existing Ordinary Shares held on the Record Date. Qualifying Shareholders may make a valid application for any number of Offer Shares over and above their respective entitlement under the Open Offer. KBR is underwriting at the Issue Price of 7p per Share such of the Offer Shares as are not taken up under the Open Offer. The purpose of the Placing and Open Offer is to raise funds to assist in paying the cash consideration for the Acquisition and for working capital. Both the Placing and Open Offer are conditional on completion of the Acquisition.

Following completion of the Acquisition and the Placing and Open Offer, the aggregate shareholding in the Company of the Vendors (the Concert Party for City Code purposes) will amount to 55,045,940 Ordinary Shares representing 34.05 per cent. of the Enlarged Issued Share Capital. Normally the Concert Party would be required by Rule 9 of the City Code ("Rule 9") to make a general offer to Shareholders to acquire all of the shares of the Company. Subject to Existing Shareholders approving the Whitewash on a poll, the Panel has agreed to waive the obligations arising under the City Code for the Concert Party (as described in paragraph 6 of Part I of this document) to make a general offer to the Existing Shareholders, which would otherwise arise as a result of the Acquisition. Completion of the Acquisition is conditional, *inter alia*, on Existing Shareholders approving the Whitewash.

The purpose of this document is to give you details of the Acquisition, the Placing and the Open Offer and to ask you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, notice of which is set out at the end of this document. Pro forma consolidated financial statements for the Enlarged Group are set out in Part VI of this document.

2. INFORMATION ON THE COMPANY

Stephen Komlósy took management control of the Company in February 1999 when the Company had negative shareholders' funds and commenced the re-structuring of the Company and reconstituted the board. The reconstituted board, which included John May, oversaw the raising of £3.1 million through an offer for subscription and the re-introduction of the Company's shares to OFEX in April 2000. The strategy, to invest in technologies, assets and situations where the expertise of the Board could add value, was a success with net assets per share rising from 6.36p per Ordinary Share as at 4 April 2000 to 9.15p per Ordinary Share as at 31 December 2001. In April 2002 the Company's share capital was admitted to trading on AIM.

At the end of 2002, the Board created the present strategy to change the investment company profile of London & Boston, owning minority holdings in public companies, albeit with strong management input, to that of a holding company with wholly owned profitable subsidiaries. London & Boston's investment strategy is not sector focused.

Rather it looks to acquire companies with good management and with strong profitability and cash generation. Pursuant to this new strategy, London & Boston acquired Audiotel in January 2003 and Moore & Buckle in April 2004. The proposed acquisition of PSG is a further step in pursuit of the new strategy.

Further information on the Group and its investments is set out in Part II.

3. INFORMATION ON PSG FRANCHISING LIMITED

PSG

PSG is one of the UK's leading providers of private property searches to solicitors and conveyancers. The business operates in two ways. PSG is the franchisor and collects a 10 per cent. management fee on the turnover of all of the franchises. Additionally, PSG continues to operate the Huddersfield and Leeds franchise area. This part of the business is effectively the franchisee for the Leeds and Huddersfield areas. Both entities operate from the Head Office based in Huddersfield.

Full coverage of England and Wales was rapidly achieved through a franchise model. PSG is the only private search company which has such a franchised national footprint.

PSG's market position and its relationship with its customers means that it has a strong existing revenue stream with further growth expected over the next few years.

History

The business was established in 1997 by Julie Hester, later joined by her husband Gary, as a personal search business based in Huddersfield, and has grown strongly since then.

The Hesters' view was that the quickest way to expand geographically would be through a business franchise format whereby they could retain control of the quality of the product whilst effectively delegating responsibility for its delivery to individuals who are directly incentivised to maximise revenues. Demand for the franchises was strong and from the pilot franchise in South Yorkshire being granted in February 1999 and the full launch of the franchise network in October 1999, there are now approximately 130 franchise areas operated by some 95 franchisees covering the vast majority of England and Wales. A number of the better performing franchisees have been provided with the opportunity to take on additional franchise areas. Turnover of the entire franchisee network in the year to 31 March 2004 was approximately £23 million. PSG's own turnover was £4.5 million which included £2.5 million from PSG Huddersfield and Leeds.

Services offered

The core service offered by the network is the provision of local search information to conveyancing solicitors and companies. Additional services that have been introduced more recently include environmental searches, coal mining reports, a range of title insurances and standard drainage searches. Search information may be requested electronically, by telephone or by fax.

Customer base

Historically, solicitors and licensed conveyancers have been recruited directly by the local franchisees, usually on the basis of personal recommendations from other solicitors.

Name awareness of PSG has been raised by promotions in the Law Society Gazette and other legal publications. This route to market is expected to result in further new client wins in the future.

Awards

Since establishment in 1997, PSG has developed a high profile.

In 2001, the business won the British Franchise Association "Newcomer of the Year" award and was a finalist in the British Franchise of the Year Awards 2003 in the "HSBC Award for Enterprise" category.

A number of franchisees have also benefited from other positive publicity. For example, the franchisees who own the South Yorkshire franchise have been finalists in the Women Into Business Award.

Financial information on PSG is set out in Part V of this document.

4. PRINCIPAL TERMS OF THE ACQUISITION

Under the terms of the Acquisition, the Company has agreed to acquire the entire issued share capital of PSG for an initial consideration comprising 55,045,940 new Ordinary Shares and £4.5 million in cash. The Company will also make a cash payment of an amount equal to the net current asset value of PSG at completion as determined by a post-completion audit. In addition, in respect of each of the three financial years ending 31 March 2007, the Company will pay an additional £330,000 subject to PSG's profits before tax exceeding £1 million. In each case, the amount payable will be reduced by £1 for every £1 by which profits before tax fall below £1 million.

Pursuant to the Acquisition Agreement, each of the Vendors has given certain warranties and indemnities in relation to PSG. Following completion of the Acquisition, Julie Hester, one of the Vendors, will be appointed to the board of London & Boston and Gary Hester, the other Vendor, will be appointed as her alternate. In addition, John Burley, who introduced the Acquisition to London & Boston, will be appointed to its board.

The Acquisition is conditional, *inter alia*, on Existing Shareholders approving the Resolutions to be proposed at the EGM.

Further details of the Acquisition Agreement are set out in paragraph 10 of Part VII of this document.

5. DIRECTORS AND PROPOSED DIRECTORS

Directors

Stephen Komlósy, Chairman and Chief Executive (*aged 63*)

Stephen Komlósy has over 45 years' experience in business as a proprietor and recently was instrumental in the flotation of PremiSys Plc, Netcentric Systems Plc & London & Boston Investments Plc on AIM as well as Avatar Systems Inc on NASD Bulletin Board. He has been a director of a number of public companies such as Branon Plc, a quoted industrial holding company, which he co-founded, operating in the supply of equipment to the oil business and manufacturing for the Ministry of Defence, LPO, a West End theatre and property owner, Pavilion Leisure Plc and the Laurie Marsh Group of Companies, a property and cinema group, which he was also instrumental in floating. Additionally, since 1964, he built up two private property companies which were amalgamated with public companies. He is a director of a number of public companies operating both in the UK and the USA, including Avatar and Energy Technique, and is Chairman of Netcentric.

John May, FCA, Finance Director (*aged 55*)

John May is a Fellow of the Institute of Chartered Accountants. He is a director of the Small Business Bureau Limited and a founder director of Genesis Initiative Limited, with responsibility for policy matters. These companies lobby Government on business matters affecting small and medium sized enterprises and work closely with the All Party Parliamentary Small Business Group in the Palace of Westminster. He is also the principal of his own chartered accountancy practice specialising in small and medium size enterprises. He was previously finance director of Interactivity plc, whose shares are traded on AIM. He is a director of Netcentric and Croma, both of which are listed on AIM, and Avatar, which is listed on NASD Bulletin Board. Mr May was formerly a senior partner with Clark Whitehill for 17 years, serving for eight years on its managing board and for nine years as chairman of its Thames Valley offices. In his capacity as UK national marketing partner and head of its property consultancy arm, he was also a director of its UK and International Associations.

Peter Cotgrove, FCA, Non-executive Director (*aged 57*)

Peter Cotgrove has been involved in the City throughout his career, principally in investment management and stockbroking. He is currently Chairman of Merchant House Group plc, an AIM listed corporate and investment advisory firm. He was formerly a director of the Financial Services Group at RSM Robson Rhodes, a group which provides a variety of services to the investment management and broking community. He is also a consultant to a number of emerging information technology companies and is a non-executive director of Integrated Financial Arrangements plc. He is a Fellow of the Institute of Chartered Accountants. He has been a Vice President of PaineWebber International Limited and a director of AIB Govett Investment Management Limited, as well as a number of companies then within the S G Warburg Group. He has also been a director of several investment companies, including chairing the listed Realisation Company plc.

Edward Adams, BA, MA, Non-executive Director (*aged 44*)

Edward Adams spent the first ten years of his career working in the City as a fund manager at Touche Remnant & Co and subsequently as a corporate financier and research director at the continental European stock-broking group Carnegie International. Since 1992 he has been an active investor in a number of private and public companies. In the public sector he is the Chairman of the AIM listed Universal Direct Group Plc and RAM Investment Group Plc. He is also a director and major shareholder in a number of private companies operating in hotels, property and consumer electronics.

Proposed Directors

Julie Hester, Non-executive Director (*aged 41*)

Julie Hester is the founder of PSG. She was previously a police constable for nine years. Julie is a founder member of the Genesis Patrons Club. Genesis acts as a conduit to Government and makes its representation through the All Party Small Business Group in the Palace of Westminster. Julie is in demand as a public speaker and broadcaster on "Entrepreneurship". Julie also represents the personal search sector on a Government Working Group, which is currently producing good practice guidelines for both local authorities and personal search organisations.

Gary Hester, Non-Executive Director (*aged 40*)

Gary Hester has been involved in the financial services sector throughout his career. Prior to joining Julie in her business venture in April 1998 he was a mortgage broker with Legal and General. Gary's primary role within PSG has concentrated on business growth and development. Gary was personally responsible for the recruitment and training of the PSG franchised network and because of PSG's success through business format franchising he has become a well-respected figure in the close knit franchising community. Gary Hester will serve as an alternate director to Julie Hester.

John Burley, Non-executive Director (*aged 47*)

John Burley is a public relations consultant with more than 25 years experience in PR, marketing and design. Eleven years ago he formed John Burley Public Relations Consultants Limited working with clients such as HSBC and the Daily Express and has also been involved in the franchising sector, latterly working for the British Franchising Association. He has staged the Franchisee of the Year Awards, as well as the Franchisor of the Year Awards, for both the Daily Express and HSBC. He has helped raise PSG's profile. He has lobbied Government successfully on various issues. He continues to act for a number of blue chip clients in respect of their PR/marketing requirements.

Further information concerning the Directors and Proposed Directors is set out in paragraphs 4 and 5 of Part VII of this document.

6. THE CITY CODE ON TAKEOVERS AND MERGERS

The terms of the Acquisition give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to certain categories of private limited companies). The Company is such a company and its Shareholders are entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, any person who acquires shares which, taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Rule 9 similarly provides that where any person, together with persons acting in concert with him, already holds shares carrying not less than 30 per cent. but not more than 50 per cent. of the voting rights in such company, and such person, or any other person acting in concert with him, acquires additional shares carrying voting rights in such company, that person is normally required to make a general offer to all shareholders of that company. An offer under Rule 9 must be in cash and at the highest price paid within the preceding twelve months for any shares in the company by the person required to make the offer or any person acting in concert with him.

For the purposes of the City Code, the Vendors are deemed to be acting in concert in relation to the Company in connection with the Acquisition. Following completion of the Acquisition and the Placing and Open Offer, the members of the Concert Party will between them own 55,045,940 shares, representing in aggregate approximately 34.05 per cent. of the Company's enlarged issued voting share capital.

Details of the Concert Party and their individual holdings as they will be immediately following completion of the Acquisition are set out in paragraph 3 of Part VII of this document.

The Panel has agreed, however, to waive the obligation to make a general offer which would otherwise arise as a result of the Acquisition, subject to the approval of independent shareholders. Accordingly, Resolution 2 is being proposed at the EGM, and will be taken on a poll. If any member of the Concert Party has any shares in the Company at the time of the EGM, they will not be entitled to vote on this resolution. **Following completion of the Acquisition, the members of the Concert Party will between them hold more than 30 per cent. (but not more than 50 per cent.) of the Company's voting share capital and (for so long as they continue to be treated as acting in concert) any further increase in that aggregate shareholding will be subject to the provisions of Rule 9.**

7. LOCK-INS AND ORDERLY MARKET ARRANGEMENTS

Pursuant to the Acquisition Agreement the Vendors have agreed not to dispose of 50,045,940 of their Consideration Shares for a period of at least 12 months following completion and, for a period of 24 months following completion, only to make a disposal through the Company's broker save in limited circumstances. However, the Vendors are entitled to transfer their Ordinary Shares to one another or to a family member or a family trust either during their lifetime or on death.

The Company has agreed to use its reasonable endeavours to place 5,000,000 Ordinary Shares, being the balance of the Consideration Shares.

The lock-in arrangements above shall not prevent the Vendors from:

- (a) accepting a general offer made for all the issued share capital of the Company (other than any issued share capital held by the offeror and/or persons acting in concert with the offeror) whether or not the board of directors of the Company shall have recommended shareholders to accept such general offer or whether or not such general offer shall have become unconditional as to acceptances;

- (b) giving an irrevocable commitment to accept a general offer for the whole of the issued equity share capital of the Company (other than any equity share capital held by the offeror and/or persons acting in concert with the offeror) whether or not such general offer has been or is recommended by the board of directors of the Company; or
- (c) making a disposal or agreement to make a disposal of Ordinary Shares to an offeror or potential offeror which is named in an announcement of a firm or possible intention to make an offer under the City Code.

8. PLACING AND OPEN OFFER

The Company has entered into an agreement with Williams de Broë plc whereby, conditional upon completion of the Acquisition, Williams de Broë has agreed to place 14,285,714 Ordinary Shares at 7p per share to raise £1,000,000 before expenses.

In order to afford Qualifying Shareholders the opportunity to participate in the Company's fund raising, KBR, on behalf of the Company, is making an Open Offer of 7,101,280 Offer Shares at the Issue Price of 7p. This compares with the mid-market price of the Ordinary Shares as traded on AIM at the close of business on 4 June 2004, the latest practicable date prior to the publication of this document, of 9p. The Open Offer will raise up to £497,090 before expenses. KBR has underwritten at the Issue Price any Offer Shares not taken up under the Open Offer.

The Open Offer is conditional on completion of the Acquisition by 25 June 2004. The proceeds of the Placing and Open Offer will be used to assist in paying the cash consideration for the Acquisition and for working capital.

The Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the existing issued Ordinary Shares. Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Offer Shares will commence on 25 June 2004.

Under the Open Offer, Qualifying Shareholders may apply for any whole number of Offer Shares at the Issue Price, free of expenses, on the following basis:

One Offer Share for every 12 Existing Ordinary Shares

held on the Record Date. Qualifying Shareholders will receive an Application Form with this document containing details of their respective entitlements to subscribe for Offer Shares. Fractional entitlements will be disregarded. The terms of the Open Offer provide that each Qualifying Shareholder may make a valid application for any number of Offer Shares. However, any application for Offer Shares in excess of a Qualifying Shareholder's entitlement is subject to scaling back in the Company's absolute discretion.

Shareholders should be aware that the Open Offer is not a "rights issue" and that entitlements to Offer Shares will not be tradable or sold in the market for the benefit of those who do not apply under the Open Offer. Qualifying Shareholders should be aware that under the Open Offer, unlike a rights issue, the Offer Shares not applied for will not be sold in the market or placed for the benefit of the Qualifying Shareholders who do not apply under the Open Offer.

The attention of Shareholders who have registered addresses outside the United Kingdom or who are resident in, or citizens of, countries other than the United Kingdom is drawn to paragraph 4, "Overseas Shareholders", in Part III of this document.

Full details of the Open Offer and the procedure for acceptance are set out in Part III of this document and in the Application form.

For applications under the Open Offer to be valid, completed Application Forms and payment in full must be received by 3.00 p.m. on 23 June 2004. An application may only be made on the Application Form which is personal to the Qualifying Shareholder named thereon and may not be assigned, transferred or split except to satisfy *bona fide* market claims. To be valid, Application Forms must be returned with the appropriate remittance to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH, so as to arrive not later than 3.00 p.m. on 23 June 2004.

9. DIVIDEND POLICY

The Company intends to commence the payment of dividends when it becomes commercially prudent to do so, subject to the availability of sufficient distributable reserves and the need to retain funds to finance the requirements of the Enlarged Group.

Thereafter, it is the Company's intention to pursue a dividend policy which is both prudent and progressive.

10. CURRENT TRADING AND PROSPECTS

In the year to 31 March 2004 the Group recorded a loss before exceptional items of £252,931. This figure included 12 months profit before tax and group management charges from Audiotel of £409,980. However, exceptional losses, mainly write-downs of investments, of £1,197,624 resulted in losses before tax for the Group of £1,470,145.

These results exclude Moore & Buckle, which was acquired in April 2004, and which in the 11 month period ended 31 March 2004 achieved profits before tax (after eliminating the remuneration and other costs of the vendors who resigned from the board of Moore & Buckle following the acquisition) of £868,572.

PSG, in the year to 31 March 2004, made profits before tax (after eliminating the remuneration and other costs of the Vendors in excess of the salaries they will receive from PSG after Completion and adjusted to reflect a full year's contribution from Property Search Group, acquired on 1 March 2004) of £2,070,756.

The Directors and Proposed Directors are confident that the Enlarged Group can build upon these solid foundations and make further progress in the years to come.

Your attention is drawn to the pro forma financial statements set out in Part VI of this document.

11. CORPORATE GOVERNANCE

The Directors and Proposed Directors recognise the value of the Principles of Good Governance and the Code of Best Practice ("the Combined Code"). The Company intends to comply with the Combined Code so far as is practicable and appropriate for a public company of its size.

The Board has established an audit committee and a remuneration committee. The audit committee is chaired by John May and its other members are Edward Adams and Peter Cotgrove. The remuneration committee is chaired by John May and its other members are Edward Adams and Peter Cotgrove. Both have formally delegated duties and responsibilities.

The audit committee will examine any matters relating to the financial affairs of the Company including reviews of the annual and interim accounts, announcements, internal control procedures and accounting policies.

The remuneration committee will review the performance of the executive directors, consider and approve all Board and senior executive appointments, remuneration and benefits including share options and service contracts.

The Company has established a committee chaired by Stephen Komlósy and John May alternately and its other members being Peter Cotgrove and Edward Adams to consider all transactions which might give rise to a conflict of interest between any of the Company, the Directors and the companies in which the Company has invested. The Board reviews the level of fees paid to non-executive Directors.

The Directors and Proposed Directors recognise that a system of internal controls and reporting procedures is vital for the Enlarged Group and will therefore maintain such systems as are required to control revenues, costs and quality thresholds at each of the Enlarged Group's locations.

The Directors and Proposed Directors have also considered the guidance published by the Institute of Chartered Accountants in England and Wales (commonly known as the "Turnbull Report") concerning the internal control requirement of the Combined Code. The Board will regularly review and manage key business issues, in addition to the financial risks, facing the Company in the operation of its business.

The Company has adopted and will operate a share dealing code for directors and applicable employees on the same terms as the Model Code on Directors' Dealing in Securities as set out in the appendix to chapter 16 of the Listing Rules of the UK Listing Authority.

12. EXTRAORDINARY GENERAL MEETING

A notice is set out at the end of this document convening an Extraordinary General Meeting of the Company to be held at 11 a.m. on 24 June 2004 at One Portland Place, London, W1B 1PN.

At the EGM, the following Resolutions will be proposed:

1. a resolution to approve the Acquisition
2. a resolution to approve the Whitewash – the vote will be taken on a poll.

13. ACTION TO BE TAKEN

A Form of Proxy is enclosed for use by Existing Shareholders at the Extraordinary General Meeting. Whether or not you intend to be present in person at the EGM, you are urged to complete, sign and return the Form of Proxy by post or by hand to your Company's Registrars, Capita Registrars, (Proxy Department), P.O. Box 25, Beckenham, Kent BR3 4BR as soon as possible but in any event so as to arrive no later than 11 a.m. on 22 June 2004. The completion and return of the Form of Proxy will not preclude Existing Shareholders from attending the EGM and voting in person should they wish to do so.

14. FURTHER INFORMATION

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

15. RECOMMENDATION

The Directors, who have been so advised by Matrix Corporate Finance, believe that the Acquisition and the Whitewash, as well as the Placing and Open Offer, are fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Directors, Matrix Corporate Finance has taken into account information supplied by the Directors and the Proposed Directors and their commercial assessments. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as they themselves intend to do in respect of their holdings which, in aggregate, amount to 5,133,181 Ordinary Shares, representing 6.02 per cent. of the Existing Ordinary Share Capital. John May, John Burley and I have each agreed with KBR to sub-underwrite 714,286 Offer Shares at the Issue Price, a commitment of up to £50,000 each. In addition, we will be taking up our full entitlement under the Open Offer.

Yours sincerely

Stephen Komlósy
Chairman

PART II

Information on the Group

The Group currently has two operating subsidiaries – Audiotel and Moore & Buckle – and a number of minority investments.

OPERATING SUBSIDIARIES

Audiotel

Established in 1978, Audiotel is a leading manufacturer of countersurveillance equipment. Technical Surveillance Countermeasures are used by Governments, commercial organisations and high profile individuals to protect against the threat of electronic eavesdropping devices. The company continues to design and create new products for introduction into its field.

In the year to 31 March 2004 Audiotel recorded profits before tax and group management charges and staff profit-related bonuses of £528,856 on turnover of £2,934,092.

Moore & Buckle

Moore & Buckle has been established for over 20 years in St Helens and operates in a niche business producing short line, bespoke packaging solutions to leading UK and multinational companies.

In the 11 months to 31 March 2004 Moore & Buckle recorded profits before tax (after eliminating the remuneration and other costs of the vendors who resigned from the board of Moore & Buckle following the acquisition) of £868,572 on turnover of £1,293,020.

MINORITY INVESTMENTS

Avatar

Avatar offers flexible, state of the art, software for the USA domestic oil and gas industry. London & Boston was instrumental in floating the company on the NASD Bulletin Board in 2001.

Stephen Komlósy and John May are directors of Avatar.

As at 31 March 2004 London & Boston's 19.15 per cent. holding in Avatar was carried in the Company's financial statements at a valuation of £244,394.

Croma

Croma operates in a niche covert surveillance market. It has a proven expertise in its field and specialises in the design, development and assembly of bespoke high-tech surveillance and monitoring equipment, systems and services for military, civil and commercial organisations. In December 2003, Croma raised £1.7 million (before expenses) in conjunction with gaining admission to AIM and, in April 2004, a further £2.3 million (before expenses) to fund the acquisition of R&D Design Systems Ltd.

John May is a director of Croma.

As at 31 March 2004, London & Boston's 4.76 per cent. holding in Croma was carried in the Company's financial statements at a valuation of £152,169.

Merchant House

Merchant House has FSA approval to carry out corporate finance and investment advisory business. The company invests in publicly quoted "shell" situations and assists these companies to establish themselves on stock markets. The company is moving towards a wider activity much in the style of the old merchant banks. The company is quoted on AIM.

As at 31 March 2004, London & Boston's 12.77 per cent. holding in Merchant House was carried in the Company's financial statements at a valuation of £178,357.

Netcentric

The Company currently owns 48.94 per cent. of Netcentric, which is quoted on AIM and is a cash shell.

Stephen Komlósy is chairman and John May a director of Netcentric.

As at 31 March 2004, the investment in Netcentric was carried in the Company's financial statements as a value of £287,222.

Harrell

London & Boston owns 10.91 per cent. of Harrell. Based in Dallas and London, this company specialises in the management and value enhancement of hotels and is quoted on the NASD Bulletin Board. The company is currently managing hotels for third parties, including the highly rated Biltmore Hotel, Santa Clara, California, and the award winning Rancho Santa Barbara Marriott, also in California.

As at 31 March 2004, this investment was carried in the Company's financial statements at a valuation of £243,913.

Energy Technique

Established in 1879, Energy Technique now specialises in the design, manufacture and distribution of high quality air conditioning and heating products. With an impressive customer list, including the Houses of Parliament, The Scottish Parliament, Nat West, HSBC and Barclays Banks, Marks & Spencer, Land Securities and Hilton, The Savoy and Claridge's hotels, the company has developed a high tech air purification system, called the "Nightingale", for medical and commercial use, which has been tested by the Health Protection Agency to be 99.9 per cent. effective against airborne pathogens including MRSA, SARS and Legionnaires disease.

In April 2004, Energy Technique transferred from the Official List to AIM and raised £3 million (before expenses) to develop new business opportunities in its innovative air treatment businesses. As a result of this fund raising, the Company's holding fell from 18.45 per cent. to 9.10 per cent.

Stephen Komlósy is a director of Energy Technique.

As at 31 March 2004, London & Boston's investment in Energy Technique was carried in the Company's financial statements at a value of £692,258.

PART III

Details of the Open Offer

1. Open Offer

KBR on behalf of the Company hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out below and in the enclosed Application Form, and subject to the Articles of Association of the Company, for Offer Shares at a price of 7p per share, free from all expenses, payable in cash in full on application.

Qualifying Shareholders may apply for any whole number of Offer Shares on the basis of:

One Offer Share for every 12 Existing Ordinary Shares

held on the Record Date and so in proportion for any greater number of Existing Ordinary Shares so held. Qualifying Shareholders may make a valid application for any number of Offer Shares over and above their respective entitlement under the Open Offer.

The Issue Price represents a discount of 22.2 per cent. to the mid-market price for an Ordinary Share, as derived from the AIM Appendix to the Daily Official List at the close of business on 4 June 2004, being the latest practicable date before the publication of this document, of 7p.

Any application for Offer Shares in excess of a Qualifying Shareholder's entitlement is subject to scaling back in the Company's absolute discretion.

Holdings in certificated form and uncertificated form will be treated as separate holdings for the purposes of calculating entitlements under the Open Offer.

Shareholders should be aware that the Open Offer is not a "rights issue" and that entitlements to Offer Shares will not be tradeable. Unlike a rights issue, the Offer Shares not applied for will not be sold in the market or placed for the benefit of the Qualifying Shareholders who do not apply under the Open Offer.

Shareholders who do not participate in the Open Offer may suffer a dilution in their shareholdings.

The Open Offer is subject to the satisfaction, *inter alia*, of the following conditions on or before 25 June 2004 (or such later date, being not later than 2 July 2004, as the Company and KBR may decide):

- (i) completion of the Acquisition; and
- (ii) Admission becoming effective.

If the Open Offer does not become unconditional, no Offer Shares will be issued, and all monies received by the Registrars in connection with the Open Offer will be returned to applicants without interest as soon as practicable.

Application will be made for the Offer Shares to be admitted for trading on AIM. It is expected that the application will become effective and that dealings will commence on 25 June 2004. The Offer Shares will, when allotted and issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares. Further details of the rights attaching to the Ordinary Shares, including the Offer Shares, are set out in Part VII of this document.

2. Procedure for application and payment

The Application Form accompanying this document shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date and your pro rata entitlement to apply for Offer Shares. You may apply in respect of that entitlement or any other whole number of Offer Shares. The instructions and other terms which are set out in the Application Form constitute part of the terms of the Open Offer.

Applications to subscribe for Offer Shares may only be made on the Application Form which, subject as mentioned below, is personal to the Qualifying Holder named thereon. The Application Form represents an application to subscribe for Offer Shares. It is not a document of title and cannot be traded. The Application Form may be transferred and/or split only to satisfy *bona fide* market claims in relation to purchases and transfers of Ordinary Shares prior to the ex-entitlement date, which have not been registered at the close of business on the Record Date. Instructions with regard to transfers and splitting in such circumstances are set out in the Application Form. Qualifying Shareholders who have sold or transferred all or part of their holdings of Ordinary Shares are advised to consult their stockbroker, bank or other agent through whom the sale or transfer was effected as the benefits arising under the Open Offer are liable to be claimed from them by the purchasers or transferees of such shares.

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

The Application Form incorporates further terms of the Open Offer and must be used if you wish to subscribe for Open Offer Shares.

If you wish to apply for all or any of the Offer Shares, you should complete the Application Form in accordance with the instructions printed thereon and return it by post in the enclosed reply paid envelope or by hand to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TH with a cheque or banker's draft for the full amount payable on application, so as to arrive not later than 3.00 p.m. on 23 June 2004. Applications will be invalid if received after that time. Applications once received will be irrevocable and once submitted may not be withdrawn. If an Application Form is being sent by post in the UK, Qualifying Shareholders are recommended to allow at least four working days for delivery.

Cheques or banker's drafts should be made payable to "Capita IRG Plc A/C London & Boston Investments Plc" and crossed "Account Payee". Cheques and banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided by either of those companies or those committees. No interest will be paid on payments made. An application may not be considered unless these requirements are fulfilled. Once submitted, applications are irrevocable. The right is reserved to present cheques on receipt and to seek special clearance on cheques. If cheques are presented before the conditions of the Placing and Open Offer are fulfilled, the application monies will be kept in a separate bank account. It is a term of the Open Offer that cheques will be honoured on first presentation and the Company may elect not to treat as valid any application in respect of which a cheque is not so honoured.

The Company may, in its sole discretion, treat an Application Form as valid and binding on the person by whom or on whose behalf it is lodged, even if not completed in accordance with the relevant instructions or not accompanied by a valid power of attorney where required, or if it otherwise does not strictly comply with the terms and conditions of application. By completing and delivering an Application Form, you (as the applicant(s)):

1. 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;
2. confirm that, in making the application, you are not relying on any information or representation other than such as may be contained in this document 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 you will be deemed to have notice of all the information concerning the Company contained within this document;
3. represent and warrant that you are not, and are not applying on behalf of, a resident(s) or citizen(s) of, the United States, Canada, the Republic of Ireland, Australia or Japan and are not applying 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, Canada, the Republic of Ireland, Australia or Japan or to any person you believe is purchasing or subscribing for the purpose of such re-offer, re-sale or delivery; and
4. 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.

Further representations and warranties are contained in the Application Form.

All documents sent by or to a Qualifying Shareholder, or as he/she may direct, will be sent through the post at his/her risk. If the conditions to the Open Offer are not fulfilled by 25 June 2004 (or such later date being not later than 2 July 2004, as the Company and KBR may decide), application monies will be returned, without interest, within seven days. Any interest earned on the monies in the separate account will be retained for the benefit of the Company.

If you do not wish to apply for any of the Offer Shares and you have not sold or transferred all or part of your holding of Ordinary Shares prior to the Record Date, you should not complete or return the enclosed Application Form. Shareholders are nevertheless requested to complete and return the enclosed proxy form in respect of the EGM in accordance with the instructions thereon.

If you have any doubts as to the procedure for application and payment, you should contact Capita IRG Plc on telephone number 0870 162 3100 or from outside the UK +44 20 8639 2157. 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.

3. Money Laundering Regulations 2003

The Money Laundering Regulations 2003 (the "Regulations") may require the Registrars to verify the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the "verification of identity requirements"). If the Application Form is submitted by a UK regulated broker or intermediary acting as agent and which is itself subject to the Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of the Registrars. In such case, the lodging agent's stamp should be inserted on the Application Form.

Any person (an “applicant”) who, by lodging an Application Form with payment and in accordance with the other terms as described above, applies for Offer Shares (the “relevant Offer Shares”) comprised in such Application Form shall thereby be deemed to agree to provide the Registrars with such information and other evidence as the Registrars may require to satisfy the verification of identity requirements.

If the Registrars determine that the verification of identity requirements apply to any applicant or application, the relevant Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that application. The Registrars are entitled, in their absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and neither the Registrars nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays in the despatch of share certificates or in crediting CREST accounts. If, within a reasonable period of time and in any event by not later than 3.00 p.m. on 23 June 2004, following a request for verification of identity, the Registrars have not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, terminate the relevant allotment in which event all monies paid with the relevant application will be returned without interest to the account of the bank from which such monies were originally debited (without prejudice to the right of the Company to take proceedings to recover the amount by which the net proceeds of sale of the relevant Offer Shares fall short of the amount payable thereon).

The verification of identity requirements will not usually apply if:

- (a) the applicant is a regulated UK broker or intermediary acting as agent and itself subject to the Regulations; or
- (b) the applicant is an organisation required to comply with the Money Laundering Directive (the Council Directive on prevention of the use of the financial system for the purpose of money laundering) (91/308/EEC); or
- (c) the aggregate subscription price for the relevant Offer Shares is less than €15,000.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) by the applicant enclosing with his Application Form evidence of his/her name and address from an appropriate third party (for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant’s name and address. Originals of such documents (not copies) are required; such documents will be returned in due course); or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in (b) above or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (Argentina, Austria, Australia, Belgium, Brazil, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Gulf Co-operative Council, Hong Kong, Iceland, Ireland, Italy, Japan, Luxemburg, Mexico, Netherlands, New Zealand, Norway, Portugal, Russian Federation, Singapore, Spain, South Africa, Sweden, Switzerland, Turkey, United Kingdom and the United States), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Receiving Bank or the relevant authority.

In order to confirm the acceptability of any written assurance referred to in (iii) above or in any other case, the applicant should contact Capita IRG Plc (tel: 0870 162 3100 or from outside the UK +44 20 8639 2157).

If (an) Application Form(s) is/are in respect of shares with an aggregate subscription price of €15,000 or more and is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example, his/her passport) and evidence of his/her address.

All enquiries in connection with the Application Form should be addressed to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by telephone on 0870 162 3100 or from outside the UK +44 20 8639 2157.

4. Overseas Shareholders

The Company has not taken and will not take any action that would permit a public offering of Offer Shares in any jurisdiction where action for the purpose is required, other than in the United Kingdom.

The making of the Open Offer to persons not resident in the United Kingdom may be affected by the laws or regulatory requirements of jurisdictions outside the United Kingdom. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her nor should he/she in any event use such Application Form, unless in the relevant territory such an invitation could lawfully be made to him/her or such Application Form could be lawfully used without compliance with or offer any registration or other legal or regulatory requirements. In territories where such an invitation or offer is unlawful, the Application Form is sent for information only.

It is the responsibility of any person outside the United Kingdom wishing to make an application to subscribe for Offer Shares to consult his/her professional advisers to satisfy himself/herself as to full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including the obtaining of any necessary governmental or other consents which may be required and observing any other formalities needing to be observed in such territory.

Persons (including, without limitation, nominees and trustees) receiving this document and/or an Application Form should not distribute or send it in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If an Application Form is received by any person in any such jurisdiction or by the agent or nominee of such a person, he must not seek to apply for Offer Shares except (including in relation to those jurisdictions specified below) pursuant to an express agreement with the Company. Any person who does forward the Application Form into any such jurisdiction, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this paragraph 5.

The Company reserves the right to treat as invalid any application, or purported application, to subscribe for Offer Shares pursuant to the Open Offer which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the securities legislation or regulations of any jurisdiction or which does not include the warranties set out in the Application Form.

In particular, Overseas Shareholders should note the following:

United States and Canada

The Offer Shares have not been and will not be registered under the US Securities Act of 1933 and no clearances have been obtained from the securities commission of any province of Canada. Accordingly, subject to certain exceptions, the offer Shares are not being offered and may not be, directly or indirectly, offered, sold, transferred or delivered in or into the United States or Canada, and accordingly, the Open Offer is not being made in the United States or Canada and Application Forms are not being sent to Shareholders who have registered addresses in the United States or Canada.

Envelopes containing Application Forms should not be postmarked in the United States or Canada or otherwise despatched from the United States or Canada and all subscribers for Offer Shares must provide addresses outside the United States or Canada for the receipt of share certificates. Persons will be deemed not to have made a valid application if they submit an Application Form in an envelope postmarked in the United States or Canada, provide an address in the United States or Canada for receipt of share certificates or do not make the representation and warranty set out in the Application Form to the effect that such person is not in the United States or Canada and is not acting on a non-discretionary basis for a person in the United States or Canada.

Notwithstanding the above, Offer Shares may be allotted to certain persons in the United States at the sole discretion of the Company in a manner designed not to contravene the laws of any part of the United States or to require registration of the Offer Shares under the US Securities Act of 1933. Shareholders who wish to establish their eligibility to participate in the Open Offer on this basis must do so to the Company's satisfaction by not later than 23 June 2004.

Republic of Ireland

No prospectus in relation to Offer Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland. Accordingly, the Offer Shares may not be offered, sold, transferred or delivered in or into the Republic of Ireland and, accordingly, the Open Offer is not being made in the Republic of Ireland and copies of this document and the Application Form will not be sent to Shareholders who have registered addresses in the Republic of Ireland.

Envelopes containing Application Forms should not be postmarked in the Republic of Ireland or otherwise despatched from the Republic of Ireland and all subscribers for Offer Shares must provide addresses outside the Republic of Ireland for the receipt of share certificates.

Australia

No prospectus in relation to Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase, or issue an invitation to subscribe for or buy or sell the Offer Shares; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale, in the Commonwealth of Australia, its territories or possessions ("Australia") or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such corporation or entity located outside Australia).

Accordingly, no offer of Offer Shares is being made in Australia and Application Forms are not being sent to Shareholders who have registered addresses in Australia.

Envelopes containing Application Forms should not be postmarked in Australia or otherwise despatched from Australia and all subscribers for Offer Shares must provide addresses outside Australia for the receipt of share certificates. Persons will be deemed not to have made a valid application if they submit an Application Form in an envelope postmarked in Australia, provide an address in Australia for receipt of share certificates or do not make the representation and warranty set out in the Application Form to the effect that such person is not in Australia and is not acting on a non-discretionary basis for a person in Australia.

Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan. The Offer Shares may not be offered, sold, renounced or delivered in or into Japan and accordingly, the Open Offer is not being made in Japan and Application Forms are not being sent to Shareholders who have registered addresses in Japan.

Envelopes containing Application Forms should not be postmarked in Japan or otherwise despatched from Japan and all subscribers for Offer Shares must provide addresses outside Japan for the receipt of share certificates. Persons will be deemed not to have made a valid application if they submit an Application Form in an envelope postmarked in Japan, provide an address in Japan for receipt of share certificates or do not make the representation and warranty set out in the Application Form to the effect that such person is not in Japan and is not acting on a non-discretionary basis for a person in Japan.

Other overseas territories

Shareholders resident in other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any further formalities to enable them to apply for Offer Shares under the Open Offer.

General

All subscription monies must be in sterling and cheques should be drawn on a bank in the United Kingdom made payable to "Capita IRG Plc A/c London & Boston" and crossed "Account payee".

The provisions of this paragraph 5 and of any other terms of the Open Offer relating to Overseas Shareholders may be waived, varied or modified as regards (a) specific shareholder(s) or on a general basis by the Company in its absolute discretion. Subject to this, the provisions of this paragraph 5 supersede any terms of the Open Offer inconsistent herewith. References in this paragraph 5 to a Shareholder shall include references to the person or persons executing the Application Form and in the event of more than one person executing the Application Form, the provisions of this paragraph 5 shall apply to them jointly and to each of them.

5. Taxation

The attention of shareholders is drawn to paragraph of Part VII of this document which is a general guide to the current UK tax position.

If you are in any doubt as to your tax position you should consult your professional adviser immediately.

6. Settlement and Dealings

Application will be made to the London Stock Exchange for the Offer Shares to be admitted to trading on AIM. It is expected that dealings in the Offer Shares on AIM will commence on 25 June 2004. None of the Offer Shares are being made available to the public except under the terms of the Open Offer.

For those Qualifying Shareholders who do not hold their Ordinary Shares in the CREST settlement system definitive share certificates for the Offer Shares are expected to be despatched by first class post by 2 July 2004.

For those Qualifying Shareholders who do hold their Ordinary Shares in a CREST stock account the existing Ordinary Shares are already admitted to CREST and it is expected that the relevant account will be credited with the Offer Shares on the day of Admission.

Notwithstanding any other provision of this document, the Company reserves the right to issue any Offer Shares in certificated form. This right 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 Company's registrars in connection with CREST. This right may also be exercised if the correct details, such as participant ID and member account ID details, are not provided as requested on the Application Form, where these are required.

No temporary documents of title will be issued and pending despatch of the definitive share certificates, transfers of the Offer Shares will be certified against the register. All documents and remittances sent by or to an applicant, or his/her agent, as appropriate, will be sent through the post at the risk of the person entitled thereto.

7. Further Information

Your attention is drawn to the further information set out in the Chairman's letter in Part I, the information concerning the Group in Part II and also to Parts IV to VII of this document and the terms, conditions and other information printed on the accompanying Application Form.

PART IV

Accountants' Report on London & Boston

MILSTED LANGDON
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The Directors
London & Boston Investments Plc
133 Ebury Street
London
SW1W 9QU

Matrix Corporate Finance
Matrix-Securities Limited
Gossard House
7-8 Savile Row
London W1S 3PE

7 June 2004

Dear Sirs

LONDON & BOSTON INVESTMENTS PLC

We report on the financial information set out below. This financial information has been prepared for inclusion in the Admission document and Circular relating to the acquisition of PSG Franchising Limited dated 8 June 2004 by London & Boston Investments plc ("the Company") together with its subsidiaries ("the Group").

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of the Group for the three periods ended 31 March 2004 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Admission document and Circular relating to the acquisition of PSG Franchising Limited dated 8 June 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission document and Circular relating to the acquisition of PSG Franchising Limited dated 8 June 2004, a true and fair view of the state of affairs of the Group as at the dates stated and of its losses, cash flows and recognised gains and losses for the periods then ended.

We consent to the inclusion in the Admission document and Circular relating to the acquisition of PSG Franchising Limited dated 8 June 2004 of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) to the Public Offers of Securities Regulations 1995.

Yours faithfully

MILSTED LANGDON

FINANCIAL INFORMATION RELATING TO LONDON & BOSTON INVESTMENTS PLC

Set out below is summarised financial information relating to London & Boston Investments plc “the Company” together with its subsidiary companies ‘the Group’. The information has been extracted without material adjustment from the Group’s audited consolidated financial statements for the period ended 31 March 2002 and the two years ended 31 March 2004 and does not constitute statutory financial statements within the meaning of section 240 of the Companies Act 1985. Statutory financial statements for the Group for the period ended 31 March 2002 and year ended 31 March 2003 have been delivered to the Registrar of Companies. The auditors of the Group for the period ended 31 March 2002 and two years ended 31 March 2004, Milsted Langdon, Taunton, have reported under Section 235 of the Companies Act 1985 on the statutory accounts for those financial years; those reports were unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

The financial information relating to the Group has been prepared in accordance with generally accepted accounting practice.

GROUP PROFIT AND LOSS ACCOUNTS

	Period ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
Notes	£	£	£
TURNOVER			
Continuing operations	123,535	292,713	3,027,352
Acquisitions	22,552	753,380	—
	146,087	1,046,093	3,027,352
Discontinued operations	—	660,328	—
	146,087	1,706,421	3,027,352
Cost of sales	—	(877,157)	(968,766)
	146,087	829,264	2,058,586
GROSS PROFIT	146,087	829,264	2,058,586
Administrative expenses	(477,458)	(1,128,444)	(2,311,517)
Exceptional administrative charges	(620,777)	(847,071)	(1,197,624)
	(942,915)	(1,175,970)	(1,450,555)
OPERATING LOSS	(942,915)	(1,175,970)	(1,450,555)
Continuing operations	(9,233)	61,226	—
Acquisitions	952,148	(1,114,744)	(1,450,555)
	—	(31,507)	—
Discontinued operations	(952,148)	(1,146,251)	(1,450,555)
	—	29,637	—
Profit on sale of discontinued operations	—	29,637	—
Interest payable	(4,250)	(13,491)	(49,463)
Interest receivable	36,179	30,433	29,873
Interest from other fixed asset investments	—	12	—
	(920,219)	(1,099,660)	(1,470,145)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(920,219)	(1,099,660)	(1,470,145)
Taxation	—	—	40,212
	(920,219)	(1,099,660)	(1,429,933)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(920,219)	(1,099,660)	(1,429,933)
Minority interests	—	28,531	—
	(920,219)	(1,071,129)	(1,429,933)
RETAINED LOSS FOR THE FINANCIAL YEAR	(920,219)	(1,071,129)	(1,429,933)
BASIC LOSS PER SHARE	(1.544)p	(1.337)p	(1.678)p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Period ended	Year ended	Year ended
	31 March	31 March	31 March
	2002	2003	2004
	£	£	£
Loss for the period	(920,219)	(1,071,129)	(1,429,933)
Unrealised increase on valuation of investments	320,065	1,050,399	135
Unrealised decrease on valuation of investments	(872,206)	(2,170,504)	(1,118,150)
	<u>(1,472,360)</u>	<u>(2,191,234)</u>	<u>(2,547,948)</u>

GROUP BALANCE SHEETS 31 MARCH

	Notes	2002 £	2003 £	2004 £
FIXED ASSETS				
Intangible assets	13	—	114,783	73,137
Tangible assets	14	167,382	266,568	304,020
Investments	15	5,190,752	4,154,668	1,798,609
		<u>5,358,134</u>	<u>4,536,019</u>	<u>2,175,766</u>
CURRENT ASSETS				
Stocks	18	578,296	404,485	518,114
Debtors	19	842,511	1,404,649	2,736,663
Cash at bank and in hand		324,219	962,235	305,837
		<u>1,745,026</u>	<u>2,771,369</u>	<u>3,560,614</u>
CREDITORS: amounts falling due within one year	21	<u>(485,179)</u>	<u>(1,351,545)</u>	<u>(1,492,875)</u>
NET CURRENT ASSETS		<u>1,259,847</u>	<u>1,419,824</u>	<u>2,067,739</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,617,981	5,955,843	4,243,505
CREDITORS: amounts falling due after more than one year	22	<u>(151,439)</u>	<u>(860,470)</u>	<u>(1,696,080)</u>
NET ASSETS		<u>6,466,542</u>	<u>5,095,373</u>	<u>2,547,425</u>
Represented by:				
CAPITAL AND RESERVES				
Called up share capital	23	1,445,047	1,704,267	1,704,267
Share premium account	25	3,773,645	4,334,490	4,334,490
Revaluation reserve	25	2,490,335	1,370,230	252,215
Profit and loss account	25	<u>(1,242,485)</u>	<u>(2,313,614)</u>	<u>(3,743,547)</u>
SHAREHOLDERS' FUNDS	26	<u>6,466,542</u>	<u>5,095,373</u>	<u>2,547,425</u>

GROUP CASH FLOW STATEMENTS

		Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Net cash (outflow)/inflow from operating activities		(552,947)	982,207	(1,755,610)
Returns on investments and servicing of finance	29	31,929	18,978	(19,590)
Taxation		—	—	(132,816)
Capital expenditure and financial investment	29	(1,114,186)	(31,616)	94,220
Acquisitions		860,595	(873,157)	—
Cash (outflow)/inflow before financing		(774,609)	96,412	(1,813,796)
Financing	29	67,599	504,135	1,194,867
(Reduction)/increase in cash during period/year		(707,010)	600,547	(618,929)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

(Reduction)/increase in cash in period/year		(707,010)	600,547	(618,929)
Movement in bank loans		577	(388,475)	(113,286)
Decrease in finance leases		3,965	38,390	(1,275,449)
New finance leases		—	(28,757)	80,582
Finance leases acquired with subsidiary		—	(70,500)	—
Movement in net funds/(debt)		(702,468)	151,205	(1,927,082)
Net funds at start of period/year		738,772	36,304	187,509
Net funds/(debt) at end of period/year		36,304	187,509	(1,739,573)

RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

		Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Operating loss		(952,148)	(1,146,251)	(1,450,555)
Depreciation		30,238	23,854	130,224
Loss on disposal of tangible fixed assets		—	421	(7,500)
Impairment in the value of investments		620,777	643,348	1,071,379
Loss on disposal of investments		—	—	25,552
Amortisation of goodwill		(78,588)	965	3,883
Brokerage income received in shares		—	(20,000)	—
(Increase)/decrease in work in progress		(67,140)	502,338	(113,629)
(Increase)/decrease in debtors		(87,366)	658,111	(97,274)
(Decrease)/increase in creditors		(18,720)	319,421	(1,317,690)
Net cash (outflow)/inflow from operating activities		(552,947)	982,207	(1,755,610)

ANALYSIS OF NET FUNDS/(DEBT)

Period ended 31 March 2002

	At 5 April 2001 £	Cash flow £	At 31 March 2002 £
Cash in hand	1,032,066	(707,847)	324,219
Less deposits treated as liquid resources	(64,207)	64,207	—
Bank overdraft	(837)	837	—
	<u>967,022</u>	<u>(642,803)</u>	<u>324,219</u>
Short term deposits	64,207	(64,207)	—
Debt due within one year	(262,102)	577	(261,525)
Finance lease	(30,355)	3,965	(26,390)
	<u>738,772</u>	<u>(702,468)</u>	<u>36,304</u>

Year ended 31 March 2003

	At 1 April 2002 £	Cash flow £	Acquisitions excluding cash £	Other changes £	At 31 March 2003 £
Cash in hand	324,219	638,016	—	—	962,235
Bank overdraft	—	(37,469)	—	—	(37,469)
	<u>324,219</u>	<u>600,547</u>	<u>—</u>	<u>—</u>	<u>924,766</u>
Debt due within one year	(261,525)	261,525	—	—	—
Debt due after more than one year	—	(650,000)	—	—	(650,000)
Finance lease	(26,390)	38,390	(70,500)	(28,757)	(87,257)
	<u>36,304</u>	<u>250,462</u>	<u>(70,500)</u>	<u>(28,757)</u>	<u>187,509</u>

Year ended 31 March 2004

	At 1 April 2003 £	Cash flow £	Acquisitions excluding cash £	Other changes £	At 31 March 2004 £
Cash in hand	962,235	(656,398)	—	—	305,837
Bank overdraft	(37,469)	37,469	—	—	—
	<u>924,766</u>	<u>(618,929)</u>	<u>—</u>	<u>—</u>	<u>305,837</u>
Debt due within one year	—	—	—	(298,853)	(298,853)
Debt due after more than one year	(650,000)	(1,275,449)	—	298,853	(1,626,596)
Finance lease	(87,257)	80,582	—	(113,286)	(119,961)
	<u>187,509</u>	<u>(1,813,796)</u>	<u>—</u>	<u>(113,286)</u>	<u>(1,739,573)</u>

MAJOR NON-CASH TRANSACTIONS

The Company carried out the following non cash transactions:

Period ended 31 March 2002

The acquisition of 21.75 per cent. of the share capital of Energy Technique plc was part financed by the issue of 1,820,000 Ordinary 2p shares in the Company.

The acquisition of the entire share capital of GRO Properties plc was part financed via the issue of 2,204,080 Ordinary shares in the Company. (Note 17)

The acquisition of the entire share capital of 1st Mortgage Company Limited was part financed via the issue of 15,000,000 Ordinary 2p shares in the Company. (Note 17)

The issue of 668,964 Ordinary 2p shares in the Company in consideration of the assignment of debt due by Netcentric Systems (Europe) Limited of £66,896.

Year ended 31 March 2003

The issue of 2,510,151 Ordinary 2p shares in the Company in consideration of the assignment of debt due by Netcentric Systems (Europe) Limited of £251,051.

The acquisition of 63,786,092 Ordinary 0.5p shares in Netcentric Systems plc at par in consideration as guarantor of the debt of £317,911 of its subsidiary Netcentric Systems (Europe) Limited.

The acquisition of 382,120 Ordinary 5p shares in Cromia Group plc at 10 pence per share in consideration of £20,000 introduction fees to New Opportunities Investment Trust plc and £18,212 fees for consultancy services.

The acquisition of 350,000 Redeemable Ordinary 5p shares in New Opportunities Investment Trust plc at £1 per share by the issue of 7,000,000 Ordinary 2p shares in the Company at 5p per share.

The acquisition of a licence to occupy two floors of the premises 133 Ebury Street London for £65,000 by the issue of 650,000 Ordinary 2p shares in the Company at 10p per share.

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain investments and in accordance with applicable accounting standards in the United Kingdom.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's financial statements.

(a) Consolidation

The consolidated financial statements include those of the Company and its subsidiaries from their date of acquisition. All acquisitions of subsidiaries have been accounted for under the acquisition method of accounting.

Under Section 230 of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

(b) Goodwill

Purchased goodwill has been amortised over its useful economic life in accordance with FRS10.

(c) Turnover

Turnover represents amounts charged in respect of consultancy services, rents receivable and amounts recoverable on contracts. Turnover excludes VAT, discounts and intra-Group transactions.

(d) Fixed assets and depreciation

Depreciation is provided to write off the cost less estimated residual value (based on prices prevailing at the date of acquisition) in annual instalments over the estimated useful economic lives of the assets. The depreciation rates used are as follows:

Motor vehicles	20 per cent. straight line
Fixtures, fittings and equipment	15 per cent. straight line
Computer equipment	33.3 per cent. straight line
Leasehold property	Straight line over the life of the lease

(e) Investments

Investments held as fixed assets are stated at market value at the balance sheet date and are stated at mid market price as quoted on the relevant stock market or matched bargain facility. Where the directors consider that the market for an investment is not liquid, or that price fluctuations within the market deem the current market value inappropriate, the investment is listed at the mid market price with an appropriate adjustment to reflect these perceptions.

The aggregate surplus arising on the revaluation of an investment where there is a facility for the disposal of shares is transferred to the revaluation reserve. Any deficit arising on revaluation which is deemed to represent an impairment in value is charged to the profit and loss account unless it related to an investment whose value had been increased in a previous period in which case the deficit is netted off against that investment's revaluation reserve before any excess is charged to the profit and loss account.

Any realised gain or loss resulting from the disposal of an investment is recognised in the profit and loss account after charging the amount of any revaluation previously shown in the revaluation reserve.

Investments in subsidiary companies are valued at cost less provision for diminution in value.

(f) Investment properties

In accordance with the requirements of Statement of Standard Accounting Practice 19, investment properties owned by the Group are stated at their open market value at the balance sheet date and any aggregate surplus or deficit is transferred to the revaluation reserve. The investment properties are not subject to periodic charges for depreciation. The Companies Act 1985 would normally require such assets to be depreciated over their useful economic life. However, in the opinion of the directors this would not show a true and fair view of the value of the assets at the balance sheet date.

If this departure from the Act had not been made, the profit for the financial period would have been reduced by the depreciation on the properties concerned. However, the directors believe that the residual value of the properties concerned is greater than the historical costs and that therefore the depreciation charge for the group would have been £nil.

Rental income on investment properties is credited to the profit and loss account on a straight line basis over the term of the lease.

1. ACCOUNTING POLICIES (continued)

(g) Mortgage loans to customers

Mortgage loans to customers, relating to the activities of 1st Mortgage Company Limited, a subsidiary undertaking, are recorded within current assets, as debtors.

(h) Financial instruments

Financial instruments are accounted for and classified as equity or non-equity share capital and debt according to their form.

(i) Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

(j) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

(k) Long term contracts

Amounts recoverable on long term contracts, which are included in debtors are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account.

(l) Foreign currency transactions

Transactions in foreign currencies are recorded using the rate of exchange prevailing at the date of the transaction.

(m) Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are recoverable. No provision is made for deferred tax on the unrealised appreciation of investments.

The deferred tax balance has not been discounted.

(n) Research and development expenditure

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

(o) Liquid resources

Liquid resources are defined as short term bank deposits and cash in hand.

2. SEGMENTAL ANALYSIS

Business analysis

	Period ended 31 March 2002 £	Turnover Year ended 31 March 2003 £	Year ended 31 March 2004 £
Property development	—	651,335	—
Mortgage provision	15,492	79,126	756
Investment management	130,595	254,994	92,504
Specialist electronics	—	720,966	2,934,092
	<u>146,087</u>	<u>1,706,421</u>	<u>3,027,352</u>

	Operating profit/(loss)			Operating net assets		
	Period ending 2002 £	Year ending 2003 £	Year ending 2004 £	Period ending 2002 £	Year ending 2003 £	Year ending 2004 £
Property development	(9,429)	10,067	—	660,643	76,151	72,844
Mortgage provision	(5,802)	52,300	(124,496)	629,699	543,363	396,854
Investment management	—	—	964	—	—	—
Specialist electronics	—	60,730	98,775	—	564,690	862,593
Other	—	—	—	5,139,919	3,795,505	2,954,710
Before exceptional items	(316,140)	(422,277)	(354,419)	—	—	—
Exceptional items	(620,777)	(847,071)	(1,071,379)	—	—	—
	<u>(936,917)</u>	<u>(1,269,348)</u>	<u>(1,425,798)</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>(952,148)</u>	<u>(1,146,251)</u>	<u>(1,450,555)</u>	<u>6,430,261</u>	<u>4,979,709</u>	<u>4,287,001</u>
Interest bearing assets				324,196	962,235	305,837
Interest bearing liabilities				(287,915)	(737,257)	(2,045,413)
Net assets				<u>6,466,542</u>	<u>5,204,687</u>	<u>2,547,425</u>

Turnover by geographical destination

	Period ended 31 March 2002 £	Year ended 31 March 2003 £
United Kingdom	133,333	1,279,412
Continental Europe	—	19,271
Asia, Pacific and Africa	—	327,867
North America	12,754	79,871
	<u>146,087</u>	<u>1,706,421</u>

In the opinion of the directors, it would be seriously prejudicial to the interests of the Group to disclose turnover by geographical segment in the year ended 31 March 2004.

3. COST OF SALES AND ADMINISTRATIVE EXPENSES

	Period ended 31 March 2002			Total £
	Continuing activities	Acquisitions	Discontinued activities	
	£	£	£	
Cost of sales	—	—	—	—
Administrative expenses:				
Non exceptional	436,244	21,294	19,920	477,458
Exceptional	620,777	—	—	620,777

	Year ended 31 March 2003			Total £
	Continuing activities	Acquisitions	Discontinued activities	
	£	£	£	
Cost of sales	—	267,807	609,350	877,157
Administrative expenses:				
Non exceptional	621,612	424,347	82,485	1,128,444
Exceptional	847,071	—	—	847,071

All activities in the year ended 31 March 2004 were continuing.

4. EXCEPTIONAL CHARGES/(CREDITS)

	Period ended	Year ended	Year ended
	31 March 2002 £	31 March 2003 £	31 March 2004 £
Investment write downs			
Avatar Systems Inc.	—	214,536	659,180
Croma Group plc	9,347	146,610	45,085
Energy Technique plc	—	—	—
Harrell Hospitality Group Inc.	354,065	—	395,405
Merchant House Group plc (Formerly Airow plc)	262,986	176,117	12,740
Merchant Kapital Holding A/S	46,635	46,635	—
Netcentric Systems plc	—	171,515	—
New Opportunities Investment Trust plc	—	242,000	—
Write back of provision for investment write down no longer required			
Harrell Hospitality Group Inc.	—	(354,065)	—
Netcentric Systems plc	(52,256)	—	(41,031)
Other			
AIM listing costs	—	203,723	—
Loss on foreclosure of mortgage	—	—	126,245
	<u>620,777</u>	<u>847,071</u>	<u>1,197,624</u>

The Group accounting policy for investments is to state them at mid market price at the balance sheet date less any reduction deemed necessary by the directors to reflect their perception of the investments' value. Where this reduces the value of the investment below its cost, the deficit is reflected as a charge to the profit and loss account. Exceptional charges/(credits) represents the movement in market value of the investments below cost.

There is no tax effect of the above investment write downs.

5. OPERATING LOSS

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Operating loss is stated after charging/(crediting)			
Depreciation of tangible fixed assets	30,238	23,854	130,225
Amortisation of goodwill	(78,588)	965	3,883
Loss on disposal of fixed assets	896	421	(7,500)
Auditors' remuneration			
– audit	20,269	26,733	31,366
– other services	16,096	60,888	41,441
Exceptional charges (Note 4)	620,777	847,071	1,197,624
Research and development	—	3,523	26,079
Operating lease rentals – Plant and machinery	—	540	7,684
– Other assets	—	23,749	64,175
Loss on disposal of investment	—	—	25,552
Loss on exchange differences	—	—	322
	<u> </u>	<u> </u>	<u> </u>

Remuneration of the Group's auditors for the provision of non audit services includes accountancy, taxation and other advice.

6. STAFF COSTS

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Staff costs:			
Wages and salaries	99,561	275,420	1,011,044
Social security charges	10,394	27,842	107,103
	<u>109,955</u>	<u>303,262</u>	<u>1,118,147</u>

The average number of persons employed by the Group, including Directors, by category was:

	Period ended 31 March 2002 Number	Year ended 31 March 2003 Number	Year ended 31 March 2004 Number
Management	4	5	4
Administration	2	2	6
Production	—	3	14
Research and development	—	2	8
Sales and marketing	—	2	9
	<u>6</u>	<u>14</u>	<u>41</u>

7. DIRECTORS' EMOLUMENTS

The remuneration of the directors who served during the period ended 31 March 2002 was as follows:

	Salaries £	Consultancy £	Fees paid to third parties £	Benefits £	Total £
Executive directors					
S A Komlósy	60,000	—	24,999	13,018	98,017
J J May	2,000	42,067	—	—	44,067
G G Dart	2,000	—	36,862	—	38,862
	<u>64,000</u>	<u>42,067</u>	<u>61,861</u>	<u>13,018</u>	<u>180,946</u>
Non-executive directors					
P L G Cotgrove	—	—	6,350	—	6,350
B E Adams	—	—	2,000	—	2,000
	<u>—</u>	<u>—</u>	<u>8,350</u>	<u>—</u>	<u>8,350</u>
Former directors					
A J Lister	—	—	8,667	—	8,667
	<u>64,000</u>	<u>42,067</u>	<u>78,878</u>	<u>13,018</u>	<u>197,963</u>

The remuneration of the directors who served during the year ended 31 March 2003 was as follows:

	Salaries £	Consultancy £	Fees paid to third parties £	Benefits £	Total £
Executive directors					
S A Komlósy	60,000	—	60,000	17,574	137,574
J J May	4,800	57,000	—	—	61,800
G G Dart	2,000	—	50,593	—	52,593
	<u>66,800</u>	<u>57,000</u>	<u>110,593</u>	<u>17,574</u>	<u>251,967</u>
Non-executive directors					
P L G Cotgrove	—	—	15,000	—	15,000
B E Adams	—	—	15,000	—	15,000
	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>—</u>	<u>30,000</u>
	<u>66,800</u>	<u>57,000</u>	<u>140,593</u>	<u>17,574</u>	<u>281,967</u>

The remuneration of the directors who served during the year ended 31 March 2004 was as follows:

	Salary £	Consultancy £	Fees paid to third parties £	Compensation for loss of office £	Benefits £	Total £
Executive directors						
S A Komlósy	60,000	—	70,000	—	18,624	148,624
J J May	4,800	85,000	—	—	—	89,800
	<u>64,800</u>	<u>85,000</u>	<u>70,000</u>	<u>—</u>	<u>18,624</u>	<u>238,424</u>
Non-executive directors						
P L G Cotgrove	—	—	15,000	—	—	15,000
B E Adams	—	—	15,000	—	—	15,000
	<u>—</u>	<u>—</u>	<u>30,000</u>	<u>—</u>	<u>—</u>	<u>30,000</u>
Former directors						
G G Dart	—	—	—	15,000	—	15,000
	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,000</u>	<u>—</u>	<u>15,000</u>
	<u>64,800</u>	<u>85,000</u>	<u>100,000</u>	<u>15,000</u>	<u>18,624</u>	<u>283,424</u>

No directors received any remuneration relating to pension contributions.

8. INTEREST PAYABLE

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Interest payable on bank loans and overdrafts	52	8,688	38,877
Hire purchase interest	4,198	2,779	10,586
Interest on overdue tax	—	2,024	—
	<u>4,250</u>	<u>13,491</u>	<u>49,463</u>
Loan interest included in work in progress	<u>24,018</u>	<u>6,906</u>	<u>—</u>

9. INTEREST RECEIVABLE

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Bank interest	36,179	20,198	29,849
Other interest	—	10,235	24
	<u>36,179</u>	<u>30,433</u>	<u>29,873</u>

10. TAXATION

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
UK corporation tax at 30%	—	—	—
Overprovision in prior year	—	—	(25,889)
Loss relief against prior year profits	—	—	(12,362)
Current tax credit	—	—	(38,251)
Deferred tax credit	—	—	(1,961)
	<u>—</u>	<u>—</u>	<u>(40,212)</u>

The tax assessed for the year is higher than the standard 30 per cent. rate of corporation tax in the UK. The differences are explained below:

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Loss on ordinary activities before tax	(920,219)	(1,099,660)	(1,470,145)
Corporation tax at 30%	(276,065)	(329,898)	(441,044)
Adjusted for:			
Expenses not deductible for tax purposes	174,095	217,954	335,603
Tax losses utilised in current year	—	(2,481)	2,295
Depreciation in excess of capital allowances	—	(2,486)	(12,362)
Overprovision in prior year	—	—	(25,889)
Tax losses carried back	—	—	12,362
Losses carried forward	101,970	116,911	138,625
Other tax adjustments	—	—	(47,841)
UK corporation tax on profits for the year	<u>—</u>	<u>—</u>	<u>(38,251)</u>

The Company has a carried forward loss for capital gains tax purposes amounting to £2,292,054 and excess management charges to carry forward of 2002: £414,464, 2003: £793,286, 2004: £1,089,222.

11. LOSS ATTRIBUTABLE TO PARENT COMPANY

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
The loss for the financial year dealt with in the accounts of the Company is:	<u>(984,031)</u>	<u>(967,301)</u>	<u>(1,446,745)</u>

12. LOSS PER SHARE

The loss per share calculations have been arrived at by reference to the following earnings and weighted average number of shares in issue during the period/year.

	Period ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
Basic			
Loss after tax	<u>(920,219)</u>	<u>(1,071,129)</u>	<u>(1,429,933)</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>
Weighted average number of shares in issue	<u>59,602,100</u>	<u>80,092,737</u>	<u>85,213,370</u>

Share options and warrants do not have a dilutive effect.

13. INTANGIBLE ASSETS

	£
Goodwill	
Cost	
At 31 March 2003	115,748
Reductions to cost	<u>(37,763)</u>
At 31 March 2004	<u>77,985</u>
Amortisation	
At 1 April 2002	—
Provided in the year	<u>965</u>
At 31 March 2003	965
Provided in the year	<u>3,883</u>
At 31 March 2004	<u>4,848</u>
Net book values	
At 31 March 2004	73,137
At 31 March 2003	114,783
At 31 March 2002	<u>—</u>

14. TANGIBLE FIXED ASSETS

	Leasehold property £	Investment properties £	Computer equipment £	Fixtures fittings and equipment £	Motor vehicles £	Total £
Cost/valuation						
At 5 April 2001	—	—	1,572	1,305	65,760	68,637
Additions	—	130,000	3,854	7,405	227	141,486
Disposals	—	—	—	—	—	—
At 31 March 2002	—	130,000	5,426	8,710	65,987	210,123
Additions	75,724	—	6,924	121,244	85,865	289,757
Disposals	—	(130,000)	—	(131)	(79,236)	(209,367)
At 31 March 2003	75,724	—	12,350	129,823	72,616	290,513
Additions	—	—	75,924	91,753	—	167,677
Disposals	—	—	—	—	(18,700)	(18,700)
At 31 March 2004	75,724	—	88,274	221,576	53,916	439,490
Depreciation						
At 5 April 2001	—	—	526	17	11,960	12,503
Charge for the year	—	—	1,419	684	28,135	30,238
At 31 March 2002	—	—	1,945	701	40,095	42,741
Charge for the year	4,168	—	1,813	9,865	8,008	23,854
Disposals	—	—	—	(28)	(42,622)	(42,650)
At 31 March 2003	4,168	—	3,758	10,538	5,481	23,945
Charge for the year	4,168	—	29,426	68,145	28,486	130,225
Disposals	—	—	—	—	(18,700)	(18,700)
At 31 March 2004	8,336	—	33,184	78,683	15,267	135,470
Net book values						
31 March 2002	—	130,000	3,481	8,009	25,892	167,382
31 March 2003	71,556	—	8,592	119,285	67,135	266,568
31 March 2004	67,388	—	55,090	142,893	38,649	304,020

Included in the above are assets held under finance leases or hire purchase contracts as follows:

	2002		2003		2004	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	24,025	6,002	67,135	15,979	38,650	28,485
Fixtures, fittings and equipment	—	—	30,853	13,280	108,303	31,518
	<u>24,025</u>	<u>6,002</u>	<u>97,988</u>	<u>29,259</u>	<u>146,953</u>	<u>60,003</u>

15. FIXED ASSET INVESTMENTS

	Listed investments £	Unlisted investments £	Other investments £	Total £
Cost				
At 5 April 2001	—	2,135,598	—	2,135,598
Additions	514,588	702,920	68,088	1,285,596
Revaluations	320,065	2,170,270	—	2,490,335
At 31 March 2002	834,653	5,008,788	68,088	5,911,529
Additions	350,500	376,868	—	727,368
Revaluations	866,563	(1,986,667)	—	(1,120,104)
At 31 March 2003	2,051,716	3,398,989	68,088	5,518,793
Additions	—	16,091	—	16,091
Disposals	(424,754)	—	—	(424,754)
Revaluation	(934,413)	(183,602)	—	(1,118,015)
At 31 March 2004	692,549	3,231,478	68,088	3,992,115
Provision for reduction in value				
At 5 April 2001	—	100,000	—	100,000
Provision for year	—	586,733	34,044	620,777
At 31 March 2002	—	686,733	34,044	720,777
Provision for year	242,000	367,304	34,044	643,348
At 31 March 2003	242,000	1,054,037	68,088	1,364,125
Disposals	(242,000)	—	—	(242,000)
Provision for year	—	1,071,381	—	1,071,381
At 31 March 2004	—	2,125,418	68,088	2,193,506
Net book values				
31 March 2002	834,653	4,322,055	34,044	5,190,752
31 March 2003	1,809,716	2,344,952	—	4,154,668
31 March 2004	692,549	1,106,060	—	1,798,609

15. FIXED ASSET INVESTMENTS (continued)

Details of investments:

Period to 31 March 2002

* Name	Shares held	% holding	Average cost per share £	Cost £	Valuation 31 March 2002 £
Listed investments					
1 Energy Technique plc	15,890,727	21.75	0.032	514,588	834,263
2 Friends Provident plc	200	—	—	—	390
Total listed investments				<u>514,588</u>	<u>834,653</u>
Unlisted investments – NASD OTC Bulletin Board					
3 Avatar Systems Inc.	1,600,302	18.40	0.689	1,102,348	3,272,618
4 Harrell Hospitality Group Inc.	1,412,500	12.85	0.446	629,644	275,579
				<u>1,731,992</u>	<u>3,548,197</u>
Unlisted investments – AIM					
5 Netcentric Systems plc	23,000,000	9.03	0.006	146,644	98,900
6 Merchant House Group plc	1,698,640	24.98	0.365	619,700	356,714
				<u>766,344</u>	<u>455,614</u>
Unlisted investments – OFEX					
7 Croma Group plc	2,072,222	16.92	0.152	315,000	305,653
Unlisted investments – Other					
8 Merchant Kapital Investments A/S	300,000	50.00	0.084	25,182	12,591
Total unlisted investments				<u>2,838,518</u>	<u>4,322,055</u>
Other investments					
8 Merchant Kapital Investments A/S loan				<u>68,088</u>	<u>34,044</u>

* note reference below.

15. FIXED ASSET INVESTMENTS (continued)

* Name	Shares held	% holding	Average cost per share £	Cost £	Valuation 31 March 2003 £
Listed investments					
1 Energy Technique plc	15,890,727	21.75	0.032	514,588	1,701,060
2 Friends Provident plc	200	—	0.78	—	156
9 New Opportunities Investment Trust plc	350,000	1.49	1.000	350,000	108,500
Total listed investments				<u>864,588</u>	<u>1,809,716</u>
Unlisted investments – NASD OTC Bulletin Board					
3 Avatar Systems Inc.	1,622,502	18.66	0.686	1,112,348	897,159
4 Harrell Hospitality Group Inc.	1,412,500	12.43	0.446	629,644	813,246
				<u>1,741,992</u>	<u>1,710,405</u>
Unlisted investments – AIM					
5 Netcentric Systems plc	68,386,092	48.94	0.007	465,449	246,190
6 Merchant House Group plc	1,698,640	24.98	0.371	630,200	191,097
				<u>1,095,649</u>	<u>437,287</u>
Unlisted investments – OFEX					
7 Croma Group plc	2,454,342	14.39	0.152	353,211	197,255
Unlisted investment – Private					
Audiotel (UK) Limited	5	100.00	1.000	5	5
Unlisted investments – Other					
Merchant Kapital Investments A/S	300,000	50.00	0.084	25,182	—
Total unlisted investments				<u>3,216,039</u>	<u>2,344,952</u>
Other investments					
Merchant Kapital Investments A/S loan				<u>68,088</u>	<u>—</u>

* note reference below.

15. FIXED ASSET INVESTMENTS (continued)

* Name	Shares held	% holding	Average cost per share £	Cost £	Valuation 31 March 2004 £
Listed investments					
1 Energy Technique plc	13,485,160	18.45	0.032	440,334	692,258
2 Friends Provident plc	200	—	—	—	291
Total listed investments				<u>440,334</u>	<u>692,549</u>
Unlisted investments – NASD OTC Bulletin Board					
3 Avatar Systems Inc.	1,665,502	19.15	0.672	1,118,763	244,394
4 Harrell Hospitality Group Inc.	1,424,767	10.91	0.449	639,320	243,913
				<u>1,758,083</u>	<u>488,307</u>
Unlisted investments – AIM					
5 Netcentric Systems plc	68,386,092	48.94	0.007	465,449	287,222
6 Merchant House Group plc	1,698,640	12.77	0.371	630,200	178,357
7 Croma Group plc	2,454,342	4.76	0.152	353,221	152,169
				<u>1,448,870</u>	<u>617,748</u>
Unlisted investment – Private					
Audiotel (UK) Limited	5	100.00	1.000	5	5
Unlisted investments – Other					
Merchant Kapital Investments A/S	300,000	50.00	0.084	25,182	—
Total unlisted investments				<u>3,232,140</u>	<u>1,106,060</u>
Other investments					
Merchant Kapital Investments A/S loan				<u>68,088</u>	<u>—</u>

* note reference below.

Investment market values are quoted at the mid price value quoted on the following Stock Exchange and matched bargain facilities unless stated otherwise below:

- 1 Energy Technique plc was listed on the London Stock Exchange. Energy Technique plc was relisted on AIM on 30 April 2004. On 31 March 2002 the mid price quoted was 5.25 pence, (31 March 2003: 11.75p), (31 March 2004: 5.00p).

Stephen Komlósy, a director of the Company, holds an option, in trust for the Company, to acquire a further 4 per cent. of the nominal issued share capital of Energy Technique plc at a price of 3p. Any value that may be attributable to these options has not been included in the financial statements.

- 2 Friends Provident plc is listed on the London Stock Exchange. On 31 March 2002 the mid price quoted was 195 pence, (31 March 2003: 77.75p), (31 March 2004: 145.25p).

- 3 Avatar Systems Inc. is listed on NASD OTC Bulletin Board, a matched bargain facility. On 31 March 2002 the mid price quoted was \$3.25 per share, (31 March 2003: \$0.97) (31 March 2004: \$0.30). The directors have considered the value of Avatar Systems Inc. shares and have made a reduction of 10 per cent. from this price to reflect the illiquidity of the market in the company's shares. The exchange rate of \$1.43 to £1 as at 31 March 2002 has been used, (31 March 2003: \$1.579), (31 March 2004: \$1.84).

The Company holds the option to acquire a further 1,000,000 shares in Avatar Systems Inc. at a price of \$1.00. The options lapse on 10 July 2005. Any value that may be attributable to these options has not been included in the financial statements. Since 31 March 2004 these options have been exchanged for 50,000 further ordinary shares.

- 4 Harrell Hospitality Group Inc. is listed on NASD OTC Bulletin Board, a matched bargain facility. On 31 March 2002 the mid price quoted was \$0.31, (31 March 2003 \$1.01), (31 March 2004 \$0.35). The directors have considered the value of Harrell Hospitality Group Inc. shares and have made a reduction of 10 per cent. from this price to reflect the illiquidity of the market in the company's shares. The exchange rate of \$1.43 to £1 as at 31 March 2002 has been used, (31 March 2003: \$1.579), (31 March 2004: \$1.84).

15. FIXED ASSET INVESTMENTS (continued)

Stephen Komlósy, a director of the Company, holds an option, in trust for the Company, to acquire a further 250,000 shares of Harrell Hospitality Group Inc. at a price of \$1.25. Any value that may be attributable to these options has not been included in the financial statements.

- 5 Netcentric Systems plc is listed on AIM. On 31 March 2002 the mid price quoted was 0.43, (31 March 2003: 0.36p), (31 March 2004: 0.42p).
- 6 Merchant House Group is listed on AIM. On 31 March 2002 the mid price quoted was 21.00 pence, (31 March 2003: 11.25p), (31 March 2004: 10.50p).
- 7 Croma Group plc was listed on the matched bargain facility OFEX. Croma Group plc was relisted on AIM on 18 December 2003. On 31 March 2002 the mid price quoted was 14.75 pence, (31 March 2003: 8.75p), (31 March 2004: 6p).
- 8 The Company holds 300,000 shares, equating to 50 per cent. of the issued share capital of Merchant Kapital Holding A/S, an unlisted company, incorporated in Denmark. Each share has a nominal value of DKK 1. The directors placed a value on this investment of £46,635 as at 31 March 2002 and £nil at 31 March 2003 and 31 March 2004 which reflects provisions on the cost of shares and loan.
- 9 New Opportunities Investment Trust plc is listed on the London Stock Exchange. On 31 March 2003 the mid price quoted was 31 pence.

The directors view the company's activities as those of an investment holding company. Therefore under FRS 9 all investments have been included in the same way at market value. For this reason even in cases where significant influence is held over a company in which the company has invested the investments are not treated as associates.

16. SUBSIDIARY UNDERTAKINGS

The Company held 100 per cent. of the share capital and voting rights of the following companies over the period ended 31 March 2002 and two years ended 31 March 2004.

Name of subsidiary	Nominal value of issued ordinary capital £	Date acquired	Principal activity	Country of incorporation
Held directly				
Albion Plaza Limited	2	21 February 2000	Property development	England
1st Mortgage Company Limited	1,600,000	19 December 2001	Mortgage provider	British Virgin Isles
L & B I Holding Limited	1	31 January 2003	Holding company	England
Held indirectly				
Audiotel International Limited		31 January 2003	Electronics	England
Audiotel (UK) Limited		31 January 2003	Dormant	England

Albion Plaza Limited, 1st Mortgage Company Limited, Cybertec Holdings Limited and L & B I Holding Limited, are wholly owned subsidiaries of the Company. Audiotel International Limited is a wholly owned subsidiary of L & B I Holding Limited. Audiotel (UK) Limited is a wholly owned subsidiary of Audiotel International Limited.

17. ACQUISITIONS AND DISPOSALS

GRO Properties plc

The acquisition of GRO Properties plc was completed on 24 August 2001. The total consideration payable was £196,956 which was satisfied in whole by non cash transactions.

The fair value on acquisition to the group was as follows:

	Book value of assets acquired £	Fair value to the group £
Tangible fixed assets	130,896	130,896
Cash at bank and in hand	74,341	74,341
Creditors	(8,326)	(8,326)
Net assets acquired	<u>196,911</u>	<u>196,911</u>
Goodwill		45
		<u>196,956</u>
Satisfied by:		
		£
Issue of 2,204,080 shares at 8.5p in the Company		187,347
Costs		9,609
		<u>196,956</u>

1st Mortgage Company Limited

The acquisition of 1st Mortgage Company Limited was completed on 19 December 2001. The consideration paid or payable is as follows:

- (i) an initial consideration of £100,000 cash
- (ii) issue of 15,000,000 shares in the Company
- (iii) further payments of £75,000 cash per annum for a period of three years, payable quarterly in arrears from the purchase date

The fair value on acquisition to the group was as follows:

	Book value of assets acquired £	Fair value adjustments £	Fair value to the group £
Debtors	1,148,546	(575,522)	573,024
Cash at bank and in hand	951,016	—	951,016
Creditors	(34,000)	—	(34,000)
Net assets acquired	<u>2,065,562</u>	<u>(575,522)</u>	1,490,040
Goodwill			(78,633)
			<u>1,411,407</u>
Satisfied by:			£
Issue of 15,000,000 shares at 7p in the Company			1,050,000
Cash (including costs of the acquisition of £36,407)			136,407
Deferred consideration			225,000
			<u>1,411,407</u>

The fair value adjustments relate to specific provisions made regarding the recoverability of mortgage loans at the date of acquisition.

GRO Properties plc and 1st Mortgage Company Limited trading activities are not material to the Company, therefore no summarised profit and loss account or statement of total recognised gains and losses of the entities have been provided for the period in which acquisitions took place.

Acquisition of L & B I Holding Limited

The acquisition of L & B I Holding Limited, a company dormant since incorporation to the date of acquisition was completed on 31 January 2003. The total consideration payable was £1, which remained unpaid at 31 March 2003.

17. ACQUISITIONS AND DISPOSALS (continued)

Indirect acquisition of Audiotel International Limited

The indirect acquisition of Audiotel International Limited was completed on 31 January 2003. The consideration paid or payable is as follows:

- (i) An initial consideration of £650,000 cash.
- (ii) A loan from Audiotel of £550,000 which has been repaid by 31 March 2003.
- (iii) Further payments of £100,000 cash per annum for a period of two years, payable on 31 October 2003 and 2004.
- (iv) A further £400,000 is payable subject to an "earn out" arrangement dependent on the profits for the years ending 31 July 2003 and 2004 being in excess of £1.35 million over the two years ended 31 July 2004 or 40 per cent. of the amount by which the profits for the year ended 31 July 2004 exceed £400,000 less £200,000. The directors preliminary review of profitability of the company indicates that the "earn out" portion of the consideration will not be payable. The profit before tax and dividends for Audiotel International Limited for the eight month period ended 31 March 2003 was £783,882.

The company has been consolidated using the acquisition method. The fair value on acquisition to the group was as follows:

	Book value of assets acquired £	Fair value to the group £
Tangible fixed assets	148,500	148,500
Stocks	484,300	484,300
Debtors	1,170,951	1,170,951
Cash	339,400	339,400
Creditors	(788,723)	(788,723)
Net assets acquired	<u>1,354,428</u>	1,354,428
Goodwill		<u>77,985</u>
		<u>1,432,413</u>

Satisfied by:

	£
Cash including costs of acquisition	1,232,413
Deferred consideration	200,000
	<u>1,432,413</u>

From the date of acquisition to 31 March 2003 Audiotel International Limited contributed £720,966 to turnover, £60,730 to operating profit, and £60,708 to profit before and after taxation. In the last financial year to 31 July 2002, Audiotel International Limited, made a loss after tax of £13,360. For the period since that date to the date of acquisition, Audiotel International Limited management accounts showed:

	£
Turnover	2,933,800
Operating profit	722,309
Profit before taxation	722,209
Taxation	(207,896)
Profit attributable to shareholders	<u>514,313</u>

Disposal of GRO Properties plc

The disposal of GRO Properties plc, was completed on 30 September 2002. GRO Properties plc was acquired on 24 August 2001 by the issue of 2,204,080 shares in London & Boston Investments plc at 8.5p per share.

	£
Investment property	130,000
Debtors	2,923
Cash at bank and in hand	2,528
Creditors	(6,944)
	<u>128,507</u>
Loss on disposal	(12,106)
Cash consideration (net of costs)	<u>116,401</u>

17. ACQUISITIONS AND DISPOSALS (continued)

Acquisition and disposal of Netcentric Systems plc

By an issue of 63,765,800 0.5p ordinary shares in Netcentric Systems plc to London & Boston Investments plc on 22 July 2003 in consideration for the debt to its subsidiary Netcentric Systems (Europe) Limited, guaranteed by Netcentric Systems plc. Netcentric Systems plc became a 59.6 per cent. owned subsidiary. The company's holding in Netcentric Systems plc was reduced to below 50 per cent. by a share issue to a third party on 23 September 2003.

The acquisition and disposal value of this subsidiary has been included in the group financial statements showing the trading results for the period 23 July 2003 to 23 September 2003 and an equivalent profit on disposal when subsidiary status was lost.

	£
Loss for period as subsidiary	(70,274)
Minority interest	28,531
	<u>(41,743)</u>
Profit on disposal	41,743
Cash consideration	<u>—</u>

18. STOCKS

	2002	2003	2004
	£	£	£
Long term contracts	578,296	—	—
Raw materials and consumables	—	180,129	219,508
Work in progress	—	127,995	175,704
Finished goods and goods for resale	—	96,361	122,902
	<u>578,296</u>	<u>404,485</u>	<u>518,114</u>

The long term contract related to the Bristol property held by Albion Plaza Limited which was sold during the year ended 31 March 2003.

19. DEBTORS

	2002	2003	2004
	£	£	£
Trade debtors	35,050	264,553	531,951
Amounts recoverable on long term contracts – Albion Plaza	81,079	—	—
VAT recoverable	15,312	1,423	11,215
Deferred tax asset	—	11,713	13,674
Prepayments and accrued income	9,742	283,761	405,049
Other debtors	18,273	26,039	1,508,473
Loans to associated companies	124,809	231,797	—
Loans to customers – (1st Mortgage Company Limited)	558,246	585,363	266,301
	<u>842,511</u>	<u>1,404,649</u>	<u>2,736,663</u>

Included within prepayments is an amount totalling £232,992, (2003: £232,557, 2002: £nil) relating to monies held by the bankers under a deposit agreement in respect of foreign guarantees.

20. DEFERRED TAX

	2002	2003	2004
	£	£	£
Balance at 1 April	—	—	11,713
Acquired with subsidiary	—	11,713	—
Profit and loss account	—	—	1,961
Balance at 31 March	<u>—</u>	<u>11,713</u>	<u>13,674</u>
Accelerated capital allowances	<u>—</u>	<u>11,713</u>	<u>13,674</u>

No deferred tax is provided on investments that have been revalued. The group holds a loss for capital gains purposes amounting to £2,292,054 which may be used against the disposal of the revalued investments. No corporation tax liability would therefore arise if the group were to dispose of these investments at the 31 March values.

21. CREDITORS – amounts falling due within one year

	2002	2003	2004
	£	£	£
Bank loan and overdraft	261,525	37,469	298,853
Trade creditors	28,401	256,647	381,559
Loan from associated company	74,441	131,486	168,910
Other creditors	76,948	210,268	159,760
Other taxes and social security	3,239	29,260	76,308
Corporation tax	—	158,705	—
Hire purchase	6,205	51,787	50,477
Accruals and deferred income	34,420	475,923	357,008
	<u>485,179</u>	<u>1,351,545</u>	<u>1,492,875</u>

As part of the acquisition of 1st Mortgage Company Limited during the period ended 31 March 2002 an additional “deferred” consideration is payable of £75,000 cash per annum for a period of three years, payable quarterly in arrears from the purchase date. At 31 March 2004, three quarterly payments are due within one year, included in other creditors.

As part of the acquisition of Audiotel International Limited an additional “deferred” consideration is payable of £200,000 cash, £100,000 on 31 October 2003 and 2004.

Hire purchase liabilities are secured on the underlying assets.

The bank loan is secured as follows:

1. A cross guarantee between London & Boston Investments plc, L&BI Holding Limited and Audiotel International Limited.
2. 6,300,000 Energy Technique shares.
3. 350,000 New Opportunities Investment Trust plc shares.

Interest is charged on the bank loan at the rate of 2 per cent. over Barclays Bank plc base rate per annum.

The bank loan is repayable over ten years by equal instalments, commencing twelve months after first drawdown.

22. CREDITORS – amounts falling due after more than one year

	2002	2003	2004
	£	£	£
Bank loans	—	650,000	1,626,596
Other creditors	131,254	175,000	—
Hire purchase	20,185	35,470	69,484
	<u>151,439</u>	<u>860,470</u>	<u>1,696,080</u>

Other creditors relate to the deferred consideration due to the previous owners of 1st Mortgage Company Limited and Audiotel International Limited.

Hire purchase and finance lease liabilities are secured on the assets to which they relate.

23. SHARE CAPITAL

	2002	2003	2004
	£	£	£
Authorised			
250,000,000 ordinary shares of 2 pence each.	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,000,000</u>
	2002	2003	2004
	£	£	£
Allotted called up and fully paid			
72,252,334 ordinary shares of 2 pence each.	1,445,047	—	—
85,213,370 ordinary shares of 2 pence each.	<u>—</u>	<u>1,704,267</u>	<u>1,704,267</u>

Details:

Period ended 31 March 2002

On 27 April 2001, 2,000 ordinary shares of 2 pence were issued at a premium of 8 pence for a consideration of £200 following conversion of warrants.

23. SHARE CAPITAL (continued)

On 14 June 2001, 1,820,000 ordinary shares of 2 pence were issued at a premium of 8 pence for a consideration of £182,000, in connection with the acquisition of shares in Energy Technique plc.

On 24 August 2001, 2,204,080 ordinary shares of 2 pence were issued at a premium of 6.5 pence for a consideration of £187,347, in connection with the acquisition of GRO Properties plc.

On 19 December 2001, 15,000,000 ordinary shares of 2 pence were issued at a premium of 5 pence for a consideration of £1,050,000, in connection with the acquisition of 1st Mortgage Company Limited.

On 28 March 2002, 668,964 ordinary shares of 2 pence were issued at a premium of 8 pence in consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £66,896.

Year ended 31 March 2003

On 1 April 2002, 87,399 ordinary shares of 2 pence were issued at a premium of 8 pence in consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £8,740 to a former creditor of Netcentric Systems (Europe) Limited.

On 16 April 2002, 636,363 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £35,000.

On 10 May 2002, 525,000 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £28,875.

On 15 May 2002, 81,240 ordinary shares of 2 pence were issued at a premium of 8 pence for consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £8,124 to a former creditor of Netcentric Systems (Europe) Limited.

On 30 May 2002, 454,545 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £25,000.

On 30 May 2002, 185,000 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £10,175.

On 11 June 2002, 636,363 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £35,000.

On 16 July 2002, 11,731 ordinary shares of 2 pence were issued at a premium of 8 pence for consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £1,173 to a former creditor of Netcentric Systems (Europe) Limited.

On 31 July 2002, 650,000 ordinary shares of 2 pence were issued at a premium of 8 pence for a consideration of £65,000 in connection with the assignment of a license to occupy 133 Ebury Street, London to Albion Plaza Limited.

On 8 August 2002, 363,636 ordinary shares of 2 pence were issued at a premium of 3.5 pence for a consideration of £20,000.

On 30 September 2002, 7,000,000 ordinary shares of 2 pence were issued at a premium of 3 pence for consideration of the issue of 350,000 5p redeemable preference shares in New Opportunities Investment Trust plc.

On 30 September 2002, 1,005,743 ordinary shares of 2 pence were issued at a premium of 8 pence in consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £100,574 to former creditors of Netcentric Systems (Europe) Limited.

On 22 March 2003, 1,324,038 ordinary shares of 2 pence were issued at a premium of 8 pence in consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £132,404 to former creditors of Netcentric Systems (Europe) Limited.

24. SHARE OPTIONS AND WARRANTS

The Company has authority to grant options over up to 20 per cent. of the Ordinary shares in issue at any given time to its directors, consultants and employees as a means of motivating, retaining and/or rewarding those persons who by their efforts are most able to influence the performance and success of the Company's business. No options under this scheme have been issued during the periods covered.

The Options which remain outstanding at 31 March 2002, 31 March 2003 and 31 March 2004 are as follows:

1. The Option to subscribe for Ordinary shares to Matrix Corporate Finance Limited exercisable at any time before 21 February 2005, at a price of 10 pence per 2 pence Ordinary share over 2,349,515 shares.
2. The Option to subscribe for Ordinary shares to Tularosa Investments Limited, up to the value of £10,000 exercisable at any time before 22 February 2005 at a price of 10 pence per 2 pence Ordinary share. Tularosa Investments Limited provides corporate public relations advice to the Company.

24. SHARE OPTIONS AND WARRANTS (continued)

The main features of the options which were granted by resolution of the Board on 21 February 2000, are as follows:

An option will automatically lapse on the earliest of the following events:

- (a) the fifth anniversary of the date of grant of the option;
- (b) the option holder being adjudicated bankrupt;
- (c) the option holder (or the company through which his services are provided) committing a serious breach of the terms and conditions of his agreement with the Company, justifying summary termination of that agreement;
- (d) 90 days after the option holder's death.

In the event that the option holder ceases to be a director and/or employee of the Company other than under clauses c or d, he may retain the option to the extent of one third of the Shares covered until it lapses in the circumstances described above. The residue of the option in respect of the remaining two thirds of the Shares covered by the option shall be exercised in accordance with its terms within 30 days of the relevant event, failing which it shall lapse immediately.

If the Company issues further Ordinary shares, undertakes a capitalisation or rights issue, or any consolidation, sub-division or reduction of its Ordinary share capital, the number of Shares subject to any option and the acquisition price of those Shares is to be adjusted in such manner as the auditors of the Company determines so as to maintain the equivalent percentage and price of the options.

'A' Warrants

At 31 March 2004, 31 March 2003 and 31 March 2002 the Company had in issue 6,241,060 Warrants for Ordinary shares of 2 pence exercisable at 10 pence per Warrant prior to 31 March 2005. The Warrants are exercisable by giving written notice to the Company within the 3 week period following 31 March and 30 September in each year.

'B' Warrants

'B' Warrants on Ordinary shares, equal to 20 per cent. of the Company's Ordinary shares in issue at the time of exercise, were issued on 15 January 2002 as follows:

Name	Shares under warrant as a percentage of issued Ordinary shares at the time of exercise	Exercise price per share
S A Komlósy	10.5%	10p
G G Dart	7.0%	10p
J J May	2.5%	10p

The 'B' Warrants will be exercisable in each of the 30 day periods following the final and interim results of the Company in respect of each and any of the years 2002 onwards. Exercise will be by notice in writing lodged with the Company's registrar accompanied by a cheque or bankers' draft for the appropriate remittance.

The 'B' Warrant instrument provides that any holder of the 'B' Warrants may not exercise any subscription rights under the 'B' Warrants if such exercise would result in the holder (together with any person or person acting in concert with him for the purposes of The City Code on Takeovers and Mergers) holding more than 29.99 per cent. of the issued voting share capital of the Company at the date thereof.

The 'B' Warrant Instrument provides that the exercise terms of the 'B' Warrants are to be adjusted in certain circumstances such as in the event of a consolidation or sub-division of the ordinary share capital of the Company. If and whenever there shall be an alteration in the nominal amount of the Ordinary shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary share immediately after such alteration and the denominator shall be the nominal amount of one Ordinary share prior to such alteration, and such adjustment shall become effective on the date the alteration takes place.

If an order is made or an effective resolution is passed for the winding up of the Company (except for the purpose of a reconstruction, amalgamation or unitisation on the terms sanctioned by an extraordinary resolution of the holders of 'B' Warrants) each holder of 'B' Warrants will be treated as if he had exercised his 'B' Warrants in full immediately before passing of the order or resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the ordinary shares such sum as he would have received if he actually held such Ordinary shares less the aggregate subscription price of such Ordinary shares under the terms of the 'B' Warrants. Subject to this all unexercised 'B' Warrants shall lapse on the liquidation of the Company.

24. SHARE OPTIONS AND WARRANTS (continued)

G G Dart surrendered the 'B' Warrant held by him in the year ended 31 March 2004. S A Komlósy transferred 3.5 per cent. of his 'B' Warrants to J J May during the year ended 31 March 2004. The 'B' Warrants in ordinary shares in issue at 31 March 2004 were as follows:

Name	Shares under warrant as a percentage of issued Ordinary shares at the time of exercise	Exercise price per share
S A Komlósy	7.0%	10p
S A Komlósy	3.5%	4.1125p
J J May	6.0%	10p
J J May	3.5%	4.1125p

25. RESERVES

	Share premium account £	Investment revaluation reserve £	Profit and loss account £
At 5 April 2001	2,683,603	3,042,476	(322,266)
Loss for the period	—	—	(920,219)
Arising on shares issued in the period	1,092,542	—	—
Costs	(2,500)	—	—
Revaluation on investments during the period	—	(552,141)	—
At 31 March 2002	3,773,645	2,490,335	(1,242,485)
Loss for the period	—	—	(1,071,129)
Arising on shares issued in the period	560,845	—	—
Revaluation of investments during the period	—	(1,120,105)	—
At 31 March 2003	4,334,490	1,370,230	(2,313,614)
Loss for the period	—	—	(1,429,933)
Arising on shares issued in the period	—	—	—
Revaluation of investments during the period	—	(1,118,015)	—
At 31 March 2004	<u>4,334,490</u>	<u>252,215</u>	<u>(3,743,547)</u>

26. GROUP RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2003 £	2004 £
Loss for the financial year	(920,219)	(1,071,129)	(1,429,933)
Issue of ordinary shares	393,901	259,220	—
Increase in share premium account	1,090,042	560,845	—
Revaluation of investments	(552,141)	(1,120,105)	(1,118,015)
Movements in shareholders' funds	11,583	(1,371,169)	(2,547,948)
Shareholders' funds at beginning of year	6,454,959	6,466,542	5,095,373
Shareholders' funds at end of year	<u>6,466,542</u>	<u>5,095,373</u>	<u>2,547,425</u>

27. FINANCIAL INSTRUMENTS

Interest rate risk profile of financial liabilities

At 31 March 2003 the Group had the following financial liabilities:

	2002 £	2003 £	2004 £
At fixed interest rates:			
Net obligations under finance leases and hire purchase contracts	<u>26,390</u>	<u>87,257</u>	<u>119,961</u>

The weighted average rate of interest of the fixed rate financial liabilities for 2004 is 10.3 per cent., 2003 10.6 per cent., 2002 13.4 per cent. The weighted average period for which interest rates are fixed for 2004 is 13 months, 2003 30 months, 2002 4 months.

27. FINANCIAL INSTRUMENTS (continued)

At floating interest rates:

	2002	2003	2004
	£	£	£
Bank overdraft	—	37,469	—
Bank loan	261,525	650,000	1,926,646
	<u>261,525</u>	<u>687,469</u>	<u>1,926,646</u>

The group does not hold an overdraft facility. The above overdraft is the recording of unrepresented cheques at the balance sheet date.

The rate of interest payments for floating rate financial liabilities is based on LIBOR.

The weighted average period until maturity for floating rate financial liabilities for 2004 is 79 months, 2003 112 months, 2002 nil.

	2002	2003	2004
	£	£	£
On which no interest is payable:			
Loan from a connected company	74,441	131,486	168,910
Deferred purchase consideration	206,254	350,000	156,250
	<u>280,695</u>	<u>481,486</u>	<u>325,160</u>

The weighted average period until maturity for liabilities on which no interest is paid for 2004 is 3 months, 2003 9 months, 2002 12 months.

	2002	2003	2004
	£	£	£
At fixed interest rates:			
Loans to associated undertakings	124,809	231,797	—
Mortgage loan to customs	558,246	585,363	266,301
	<u>683,055</u>	<u>817,160</u>	<u>266,301</u>

The weighted average rate of interest charged on fixed rate financial assets for 2004 is 15.0 per cent., 2003 11.0 per cent., 2002 10.5 per cent.

The above loans are all repayable on demand.

All other Group's debtors/creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables due to the exclusion of short term items or because they do not meet the definition of a financial liability.

Interest rate risk profile of financial assets

	2002	2003	2004
	£	£	£
At floating interest rates:			
Cash at bank	<u>324,219</u>	<u>962,235</u>	<u>305,837</u>

Maturity of financial liabilities

	2002	2003	2004
	£	£	£
Bank and other loans: (excluding group debt)			
In one year or less	74,441	168,955	298,803
between one and two years	—	65,866	407,124
From two to five years	—	192,081	1,221,371
Over five years	—	392,053	131,484
	<u>74,441</u>	<u>818,955</u>	<u>2,058,782</u>
Finance leases			
In one year or less	6,205	51,787	54,859
Between one and two years	20,185	16,966	60,571
From two to five years	—	18,504	13,104
	<u>26,390</u>	<u>87,257</u>	<u>128,534</u>

27. FINANCIAL INSTRUMENTS (continued)

Borrowing facilities

The Group had a bank overdraft facility at 31 March 2004 of £nil, 31 March 2003 £nil and 31 March 2002 £nil.

Fair values of financial assets

The fair value is an amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The fair value of cash deposits approximates to the carrying amount because of the short maturity of these instruments.

Currency exposure

The Group make sales and negligible loans in foreign currency denominations.

The Group does not hedge against fluctuations in these currency rates.

At 31 March 2004, 31 March 2003 and 31 March 2002 the Group's exposure on such monetary assets that could give rise to net currency gains or losses, was negligible.

28. COMMITMENTS

	Land and buildings			Other		
	2002 £	2003 £	2004 £	2002 £	2003 £	2004 £
Annual commitments expiring:						
Within one year	—	—	—	—	3,242	3,369
Between two and five years	—	—	—	—	720	1,172
In more than five years	—	48,600	48,600	—	—	—
	<u>—</u>	<u>48,600</u>	<u>48,600</u>	<u>—</u>	<u>3,962</u>	<u>4,541</u>
				2002 £	2003 £	2004 £
Capital commitments contracted for but not provided				<u>—</u>	<u>—</u>	<u>—</u>

29. ANALYSIS OF CASH FLOWS

	2002 £	2003 £	2004 £
Returns on investment and servicing of finance			
Bank interest received	36,179	30,433	29,873
Dividends received	—	12	—
Bank interest paid	(52)	(7,004)	(38,877)
Interest element of hire purchase payments	(4,198)	(4,463)	(10,586)
	<u>31,929</u>	<u>18,978</u>	<u>(19,590)</u>
Capital expenditure and financial investment			
Payments to acquire tangible assets	(10,590)	(47,505)	(54,391)
Receipts on disposal of tangible assets	—	36,236	7,500
Payments to acquire investments	(1,103,596)	(20,347)	(16,091)
Receipts on disposal of investments	—	—	157,202
	<u>(1,114,186)</u>	<u>(31,616)</u>	<u>94,220</u>
Financing			
Issue of share capital	200	154,050	—
Cost of issuing shares	(2,500)	—	(80,582)
Capital element of finance lease contracts	(3,965)	(38,390)	1,300,000
Increase in borrowings	73,864	388,475	(24,551)
	<u>67,599</u>	<u>504,135</u>	<u>1,194,867</u>

30. RELATED PARTY TRANSACTIONS

Details for the period ended 31 March 2002:

S A Komlósý a Director of the Company was a director of General Trading Corporation Limited during the period to 31 March 2002. During the period the Company incurred costs relating to consultancy services from General Trading Corporation Limited for the sum of £67,812 for the period to 31 March 2002. This included consultancy costs regarding the acquisition of shares in Energy Technique plc and Harrell Hospitality Group Inc.

S A Komlósý, a Director of the Company was a guarantor of up to £100,000 in respect of the bank loan to Albion Plaza Limited detailed in note 18.

G G Dart a Director of the Company was a director of Apsley Estates Limited, and Glen Abbey Inc. during the period ended 31 March 2002. During the period the Company incurred costs and purchased services for the sum of £118,371 from Apsley Estates Limited. This included the purchase of costs in establishing Merchant Kapital Holding A/S.

A loan of £295,000 from 1st Mortgage Company Limited to Glen Abbey Inc is guaranteed by G G Dart. This guarantee was in place prior to the Company's acquisition of 1st Mortgage Company Limited.

A J Lister a Director of the Company until 18 June 2001 was a director of Alma Consultancy Services Limited. The Company incurred costs with, and purchased services from, Alma Consultancy Services Limited for the sum of £11,862 for the period 18 June 2001.

Details for the year ended 31 March 2003:

S A Komlósý a Director of the Company was a director of General Trading Corporation Limited during the period to 31 March 2003. During the year the Company purchased a motor vehicle from General Trading Corporation Limited at its market value of £11,250 and repaid the hire purchase outstanding on this vehicle of £11,007. The company sold a motor vehicle to General Trading Corporation Limited at its market value of £17,455 and General Trading Corporation took over its associated hire purchase outstanding of £23,043.

S A Komlósý, a Director of the Company was a guarantor of up to £100,000 in respect of the bank loan to Albion Plaza Limited. This loan was settled and the guarantee cancelled during the year.

During the year the Company incurred costs and purchased services for the sum of £12,657 from Apsley Estates Limited.

A loan of £295,000 from 1st Mortgage Company Limited to Glen Abbey Inc is guaranteed by G G Dart. This loan and guarantee was in place prior to the Company's acquisition of 1st Mortgage Company Limited and remains in place although G G Dart is no longer a director of London & Boston Investments plc.

Details for the year ended 31 March 2004:

S A Komlósý, a Director of the Company, provided a personal guarantee up to £300,000 for the company's bank loans. The company has indemnified him of any personal loss as a result of this guarantee.

J J May, a Director of the Company, was also a director of Croma Group plc. During the year the company has charged consultancy fees to Croma Group plc and its subsidiary, Croma Optical Limited, of £18,000. At 31 March 2004 the balance due from Croma Group plc was £1,175.

S A Komlósý, a Director of the Company, is also a director of Energy Technique plc. During the year the company charged consultancy fees of £30,000 to Energy Technique plc. At 31 March 2004 the balance due from Energy Technique plc was £5,875.

P L G Cotgrove, a Director of the Company, is also a director of Merchant House Group plc. At 31 March 2003 there was a balance of £3,398 due from Merchant House Group plc which was repaid during the year.

S A Komlósý and J J May, Directors of the Company, are also directors of Netcentric Systems plc. During the year the company charged Netcentric Systems plc £12,000 for administrative support. The company also purchased computer software and some other assets for £1,362. The balance due to Netcentric Systems plc at 31 March 2004 was £634.

S A Komlósý through General Trading Corporation Limited, a company in which he is a Director, and J J May, both Directors of the Company, made charges in connection with consultancy, in connection with the acquisition of Rochdale Development Company Limited of £25,000 during the year.

S A Komlósý, a Director of the Company, is also a director of Support For Africa (Limited by Guarantee), a charity. During the year the company donated £4,800.

31. CONTINGENT LIABILITIES

On 31 January 2003 the group acquired Audiotel International Limited. The consideration recorded is as set out in Note 17.

In addition, the share purchase agreement includes a further deferred consideration with a maximum of a total of £400,000 which is payable if Audiotel International Limited makes profits before tax of:

1. 50 per cent. of the profits in excess of £950,000 for the year ended 31 July 2003.

31. CONTINGENT LIABILITIES (continued)

2. 40 per cent. of the excess of profits over £1,650,000 for the combination of the two years ended 31 July 2004.
3. 40 per cent. of the amount by which profit for the year ended 31 July 2004 exceed £400,000 less £100,000.

The directors have considered the probability whether this amount will become payable and have concluded that it is unlikely that the deferred consideration will become payable.

32. POST BALANCE SHEET EVENTS

Acquisition of Rochdale Development Company Limited

On 15 April 2004 London & Boston acquired 100 per cent. of the issued share capital of Rochdale Development Company Limited, and its wholly owned, consistently profitable subsidiary, Moore & Buckle (Flexible Packaging) Limited. Moore & Buckle (Flexible Packaging) Limited specialise in short line, bespoke packaging solutions. They have been consistently profitable for the past 20 years.

The net maximum consideration is estimated to be no more than £2.975 million, payable wholly in cash. Of that amount £1.6 million was paid on completion, £1 million was deferred and a further payment will be made for the net assets of the company following a post acquisition audit. The net assets are expected to be valued at no more than £375,000.

Of the deferred consideration, £500,000 will become payable if Moore & Buckle (Flexible Packaging) Limited achieves profits before tax of £800,000 in the year ended 30 April 2004, a further £500,000 will become payable if it achieves gross profits of £1.19 million in the year ended 30 April 2005. In both cases the consideration payable will be reduced for £1 for every £1 the results fall short of the target and will be increased by 50p in the pound for every £1.

PART V

Accountants' report on PSG Franchising Limited

KIRK NEWSHOLME
Chartered Accountants
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Matrix Corporate Finance
Matrix-Securities Limited
Gossard House
7 – 8 Savile Row
London
W1S 3PE

7 June 2004

Dear Sirs

PSG FRANCHISING LIMITED

PSG Franchising Limited ("the Company") was incorporated and registered in England and Wales on 25 November 1998 as a limited company under the name of Webman Services Limited. On 15 December 1998 the Company changed its name to PSG Franchising Limited.

We report on the financial information of the Company set out below. This financial information has been prepared for inclusion in the AIM Admission Document dated 8 June 2004 of London & Boston Investments plc.

Basis of Preparation

The financial information set out below is based on the audited financial statements of the Company for the period from 6 April 2001 to 31 March 2004 ("the financial statements").

Responsibility

The financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of London & Boston Investments plc are responsible for the contents of the Admission Document dated 8 June 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information.

It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material mis-statement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Admission Document dated 8 June 2004, a true and fair view of the state of affairs of the Company as at the dates stated and of its profits/(losses) and recognised gains and losses for the periods then ended.

We consent to the inclusion of this report in the Admission Document dated 8 June 2004 and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

KIRK NEWSHOLME
Chartered Accountants and Registered Auditors
Leeds

FINANCIAL INFORMATION RELATING TO PSG FRANCHISING LIMITED

Set out below is summarised financial information relating to PSG Franchising Limited "The Company". The information has been extracted without material adjustment from the Company's audited accounts for the three years ended 31 March 2004 and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for the Company for the three years ended 31 March 2004 have been delivered to the Registrar of Companies. The auditors of the Company for the three years ended 31 March 2004, Kirk Newsholme, Leeds, have reported on the statutory accounts for those financial periods; those reports were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

On 1 March 2004 the company acquired the trade and assets of the Property Search Group, a partnership of the directors of PSG Franchising Limited, namely G W Hester and Mrs J A Hester. The summarised financial information therefore reflects one month of the trading activity of the acquisition. The financial information relating to Property Search Group is set out in note 15. The Reporting Accountants, Kirk Newsholme, Chartered Accountants, Leeds have prepared the accounts of Property Search Group for the three years ended 31 March 2004. These accounts have not been audited since being a partnership there is not statutory requirement to do so.

The financial information relating to the PSG Franchising Limited has been prepared in accordance with generally accepted accounting practice.

PROFIT AND LOSS ACCOUNTS

		Year ended 31 March 2004	Year ended 31 March 2003	Period ended 31 March 2002
	Notes	£	£	£
TURNOVER		2,363,202	1,480,456	1,161,434
Cost of sales		(668,594)	(370,347)	(227,299)
GROSS PROFIT		<u>1,694,608</u>	<u>1,110,109</u>	<u>934,135</u>
Administrative expenses		(1,000,867)	(706,922)	(648,746)
Exceptional items	2	(171,143)	(142,117)	—
OPERATING PROFIT		<u>522,598</u>	<u>261,070</u>	<u>285,389</u>
Interest payable		(319)	(292)	31
Interest receivable		<u>4,965</u>	<u>15,375</u>	<u>8,127</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>527,244</u>	<u>276,153</u>	<u>293,485</u>
Taxation	4	(162,147)	(43,674)	(65,126)
PROFIT AFTER TAX		<u><u>365,097</u></u>	<u><u>232,479</u></u>	<u><u>228,359</u></u>
DIVIDENDS		<u><u>400,000</u></u>	<u><u>300,000</u></u>	<u><u>265,624</u></u>
LOSS FOR THE PERIOD		<u><u>(34,903)</u></u>	<u><u>(67,521)</u></u>	<u><u>(37,265)</u></u>

The operating activities shown above are entirely in respect of continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Year ended 31 March 2004	Year ended 31 March 2003	Period ended 31 March 2002
	£	£	£
Loss for the period	<u><u>(34,903)</u></u>	<u><u>(67,521)</u></u>	<u><u>(37,265)</u></u>

BALANCE SHEETS

	Notes	31 March 2004 £	31 March 2003 £	31 March 2002 £
FIXED ASSETS				
Intangible assets	5	3,966,667	—	—
Tangible assets	6	300,179	261,948	247,652
		<u>4,266,846</u>	<u>261,948</u>	<u>247,652</u>
CURRENT ASSETS				
Debtors	7	1,040,387	462,291	264,066
Cash at bank and in hand		208,524	11,310	627,120
		<u>1,248,911</u>	<u>473,601</u>	<u>891,186</u>
CREDITORS: amounts falling due within one year	8	<u>(879,726)</u>	<u>(378,471)</u>	<u>(712,764)</u>
NET CURRENT ASSETS		<u>369,185</u>	<u>95,130</u>	<u>178,422</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,636,031</u>	<u>357,078</u>	<u>426,074</u>
CREDITORS: amounts falling due after more than one year	9	(15,768)	—	—
PROVISION FOR LIABILITIES AND CHARGES		<u>(12,424)</u>	<u>(4,336)</u>	<u>(5,811)</u>
NET ASSETS		<u><u>4,607,839</u></u>	<u><u>352,742</u></u>	<u><u>420,263</u></u>
Represented by:				
CAPITAL AND RESERVES				
Called up share capital	10	180	102	102
Share premium account	11	4,289,922	—	—
Profit and loss account	11	317,737	352,640	420,161
		<u>4,607,839</u>	<u>352,742</u>	<u>420,263</u>
SHAREHOLDERS' FUNDS	12	<u><u>4,607,839</u></u>	<u><u>352,742</u></u>	<u><u>420,263</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's financial statements.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

Turnover represents net invoiced fees, excluding value added tax.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2004, is being written off evenly over its estimated useful life of 10 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	– 2 per cent. on cost
Plant and machinery	– 25 per cent. on reducing balance
Motor vehicles	– 25 per cent. on reducing balance

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

2. EXCEPTIONAL ITEMS

	Year ended 31 March 2004 £	Year ended 31 March 2003 £	Period ended 31 March 2002 £
Exceptional Items relate to legal and professional fees incurred in an ongoing effort to ensure all franchisees have unrestricted access to local authority records.	171,143	142,117	—

3. OPERATING PROFIT

	Year ended 31 March 2004 £	Year ended 31 March 2003 £	Period ended 31 March 2002 £
Operating profit is stated after charging			
Auditors' remuneration	12,000	7,000	4,500
Depreciation	27,748	20,249	20,646
Goodwill written off	33,333	—	—
Directors' emoluments	600,000	503,332	464,000

4. TAXATION

	Year ended 31 March 2004 £	Year ended 31 March 2003 £	Period ended 31 March 2002 £
UK Corporation tax			
– Current year	152,381	51,336	59,315
– Prior year	1,678	(6,187)	—
Deferred tax			
– Current year	(1,407)	(1,475)	5,811
– Prior year	9,495	—	—
	<u>162,147</u>	<u>43,674</u>	<u>65,126</u>

5. INTANGIBLE FIXED ASSETS

	Goodwill £
COST:	
At 1 April 2003	—
Additions	4,000,000
Additions	
At 31 March 2004	<u>4,000,000</u>
AMORTISATION:	
At 1 April 2003	—
Charge for year	33,333
At 31 March 2004	<u>33,333</u>
NET BOOK VALUE:	
At 31 March 2004	<u>3,966,667</u>

6. TANGIBLE FIXED ASSETS

	Freehold Property £	Plant and Machinery £	Motor vehicles £	Total £
Cost				
At 6 April 2001	120,450	31,244	9,152	160,846
Additions	81,415	35,114	4,140	120,669
At 31 March 2002	<u>201,865</u>	<u>66,358</u>	<u>13,292</u>	<u>281,515</u>
Additions	—	19,245	15,300	34,545
At 31 March 2003	<u>201,865</u>	<u>85,603</u>	<u>28,592</u>	<u>316,060</u>
Additions	—	19,521	81,800	101,321
Disposals	—	—	(43,292)	(43,292)
At 31 March 2004	<u>201,865</u>	<u>105,124</u>	<u>67,100</u>	<u>374,089</u>
Depreciation				
At 6 April 2001	—	10,929	2,288	13,217
Charge for period	4,037	13,858	2,751	20,646
At 31 March 2002	<u>4,037</u>	<u>24,787</u>	<u>5,039</u>	<u>33,863</u>
Charge for year	4,037	10,689	5,523	20,249
At 31 March 2003	<u>8,074</u>	<u>35,476</u>	<u>10,562</u>	<u>54,112</u>
Charge for the year	4,037	13,509	10,202	27,748
Disposals	—	—	(7,950)	(7,950)
At 31 March 2004	<u>12,111</u>	<u>48,985</u>	<u>12,814</u>	<u>73,910</u>
Net book values				
31 March 2002	<u>197,828</u>	<u>41,571</u>	<u>8,253</u>	<u>247,652</u>
31 March 2003	<u>193,791</u>	<u>50,127</u>	<u>18,030</u>	<u>261,948</u>
31 March 2004	<u>189,754</u>	<u>56,139</u>	<u>54,286</u>	<u>300,179</u>

6. TANGIBLE FIXED ASSETS (continued)

Included in the above are assets held under finance leases or hire purchase contracts as follows:

	31 March 2004 Net book Value £	31 March 2004 Depreciation £
Motor vehicles	46,504	5,296

There were no assets held under finance leases or hire purchase contracts in the year ended 31 March 2002 and 31 March 2003.

7. DEBTORS

	31 March 2004 £	31 March 2003 £	31 March 2002 £
Trade debtors	540,091	213,023	119,162
Other debtors	21,394	14,944	40,018
Prepayments and accrued income	478,902	223,728	104,886
Taxation	—	9,030	—
Director's current account	—	1,556	—
	<u>1,040,387</u>	<u>462,291</u>	<u>264,066</u>

The above debtors without exception fall due within one year.

8. CREDITORS: amounts falling due within one year

	31 March 2004 £	31 March 2003 £	31 March 2002 £
Trade creditors	78,965	25,638	9,985
Hire Purchase	9,117	—	—
Corporation tax	152,381	51,335	59,315
Other taxes and social security	103,156	45,334	34,243
Accrued expenses	335,079	256,164	609,221
Directors' current accounts	1,028	—	—
Dividends payable	200,000	—	—
	<u>879,726</u>	<u>378,471</u>	<u>712,764</u>

9. CREDITORS: amounts falling due after more than one year

	31 March 2004 £	31 March 2003 £	31 March 2002 £
Hire purchase	15,768	—	—

10. SHARE CAPITAL

	31 March 2002 and 31 March 2003		31 March 2004	
	Number	£	Number	£
Authorised:				
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:				
Ordinary shares of £1 each	<u>102</u>	<u>102</u>	<u>180</u>	<u>180</u>

On 1 March 2004 the company issued 78 Ordinary Shares of £1 at a premium of £54,999 per share for a consideration of £4,290,000 in full consideration for the trade and assets of the Property Search Group as disclosed in note 14.

11. RESERVES

	Profit and loss account £	Share premium account £
At 6 April 2001	457,426	—
Loss for the period	(37,265)	—
At 31 March 2002	420,161	—
Loss for the year	(67,521)	—
At 31 March 2003	352,640	—
Loss for the year	(34,903)	—
Arising on shares issued in the year	—	4,289,922
At 31 March 2004	<u>317,737</u>	<u>4,289,922</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£	£
At 6 April 2001		457,528
Loss for the period		(37,265)
At 31 March 2002		420,263
Loss for the year		(67,521)
At 31 March 2003		352,742
Loss for the year	(34,903)	
Increase in share premium account	4,289,922	
Share issue	78	
Increase in shareholders' funds		<u>4,255,097</u>
At 31 March 2004		<u>4,607,839</u>

13. FINANCIAL INSTRUMENTS

Short term debtors and creditors have been excluded from the following disclosures, all of which are denominated in sterling.

Interest rate risk profile of financial liabilities

At 31 March 2004 the Company had the following financial liabilities:

	31 March 2004 £	31 March 2003 £	31 March 2002 £
Net obligations under finance leases and hire purchase contracts			
Repayable within one year	9,117	—	—
Repayable between one and five years	15,768	—	—
	<u>24,885</u>	<u>—</u>	<u>—</u>
	£	£	£
Interest rate risk profile of financial assets			
Cash at bank and in hand	<u>208,524</u>	<u>11,310</u>	<u>627,120</u>

Cash at bank includes short term deposits which earn interest at floating rates based on bank deposit rates.

Borrowing facilities

The Company had a bank overdraft facility at 31 March 2004 of £100,000 (31 March 2003: £nil, 31 March 2002: £nil).

14. RELATED PARTY TRANSACTIONS

Details for the period ended 31 March 2002:

During the period the company recharged Property Search Group (a partnership controlled by the directors) £34,566 to cover the cost of insurances paid by the company on behalf of the Partnership.

At 31 March 2002 an amount of £32,453 was owing from Property Search Group and is disclosed as other debtors in the accounts.

14. RELATED PARTY TRANSACTIONS (continued)

Details for the year ended 31 March 2003:

During the period the company recharged Property Search Group (a partnership controlled by the directors) the following.

Insurance	£120,896
Stationery	£25,690

Also during the year the company charged Property Searches the following:

Rent, rates, heat and light	£7,000
Telephone	£2,000

At 31 March 2003 an amount of £14,942 was owing from Property Search Group and is disclosed as other debtors in the accounts.

Details for the year ended 31 March 2004:

On 1 March 2004 the company acquired the trade and assets of the Property Search Group a partnership of the directors Mr G W Hester and Mrs J A Hester. The total fair value consideration of £4,290,000 was settled by the issue of 78 ordinary shares of £1 each at a premium of £54,999 per share to the directors.

During the year the company recharged Property Search Group the following:

Insurance	£159,987
Stationery	£10,620

Also during the year the company charged Property Search Group the following:

Rent, rates, heat and light	£6,417
Telephone	£2,480

15. FINANCIAL INFORMATION RELATING TO PROPERTY SEARCH GROUP

Set out below is summarised financial information relating to Property Search Group (A partnership of G W Hester and Mrs J A Hester). The information has been extracted without material adjustment from the Partnership's unaudited accounts for the three years ended 31 March 2004 and does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The accountants of the Partnership for the three years ended 31 March 2004, Kirk Newsholme, Chartered Accountants, Leeds, have not audited the accounts for those financial periods since there is no statutory requirement for this.

The financial information relating to the Partnership has been prepared in accordance with generally accepted accounting practice.

Mr G W HESTER AND Mrs J A HESTER

trading as

PROPERTY SEARCH GROUP

PROFIT AND LOSS ACCOUNTS

	Period ended 29 February 2004 £	Year ended 31 March 2003 £	Period ended 31 March 2002 £
TURNOVER	2,238,256	1,801,371	1,076,643
Cost of sales	(1,087,331)	(873,236)	(373,899)
GROSS PROFIT	1,150,925	928,135	702,744
Administrative expenses	(260,443)	(185,704)	(153,381)
OPERATING PROFIT	890,482	742,431	549,363
Interest payable	(36)	—	(2,565)
Interest receivable	6,266	2,477	36
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	896,712	744,908	546,834

15. FINANCIAL INFORMATION RELATING TO PROPERTY SEARCH GROUP (continued)

Mr G W HESTER AND Mrs J A HESTER

trading as

PROPERTY SEARCH GROUP

BALANCE SHEETS

	29 February 2004 £	31 March 2003 £	31 March 2002 £
FIXED ASSETS			
Tangible assets	41,343	52,275	38,549
CURRENT ASSETS			
Trade Debtors	280,548	243,523	174,955
Payments and accrued income	85,475	28,810	12,832
Cash at bank and in hand	28,256	200,707	121,318
	<u>394,279</u>	<u>473,040</u>	<u>309,105</u>
CREDITORS: amounts falling due within one year			
Trade creditors	(55,295)	(81,774)	(1,868)
Other creditors	(56,246)	—	(42,489)
Social security and other taxes	(25,052)	(37,430)	(48,931)
Accrued expenses	(9,029)	(37,666)	(28,616)
	<u>(145,622)</u>	<u>(156,870)</u>	<u>(121,904)</u>
NET CURRENT ASSETS	<u>248,657</u>	<u>316,170</u>	<u>187,201</u>
NET ASSETS	<u>290,000</u>	<u>368,445</u>	<u>225,750</u>
PARTNERS CAPITAL ACCOUNTS	<u>290,000</u>	<u>368,445</u>	<u>225,750</u>

PART VI

Pro Forma Consolidated Financial Statements

PRO FORMA STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 MARCH 2004

	Existing Group (i)	Moore & Buckle 11 months (ii)	Moore & Buckle April 2003 (iii)	PSG Franchising and partnership (iv)	Adjust- ments	Revised Group
Notes	£	£	£	£	£	£
TURNOVER	3,027,352	1,293,020	92,138	4,601,458	—	9,013,968
Cost of sales	(968,766)	(210,942)	(15,031)	(1,755,925)	—	(2,950,664)
GROSS PROFIT	2,058,586	1,082,078	77,107	2,845,533	—	6,063,304
Distribution expenses	—	(31,571)	(2,250)	—	—	(33,821)
Administrative expenses	(2,311,517)	(190,721)	(13,590)	(1,432,453)	676,800	(3,271,481)
Exceptional administrative expenses	(1,197,624)	(89,600)	—	—	1,287,224	—
Other operating income	—	355	25	—	—	380
OPERATING PROFIT/(LOSS)	(1,450,555)	770,541	61,292	1,413,080	1,964,024	2,758,382
Interest payable	(49,463)	—	—	(355)	—	(49,818)
Interest receivable	29,873	4,081	291	4,965	—	39,210
PROFIT/(LOSS) BEFORE TAX	(1,470,145)	774,622	61,583	1,417,690	1,964,024	2,747,774
Taxation	(5) 40,212	(244,722)	(18,475)	(431,161)	(203,040)	(857,186)
PROFIT/(LOSS) AFTER TAX	<u>(1,429,933)</u>	<u>529,900</u>	<u>43,108</u>	<u>986,529</u>	<u>1,760,984</u>	<u>1,890,588</u>

Assumptions:

1. The above pro forma profit and loss account includes the results for:
 - (i) the existing London & Boston Investments plc Group for the year ended 31 March 2004,
 - (ii) the results of Moore and Buckle (Flexible Packaging) Limited for the 11 month period ended 31 March 2004,
 - (iii) a further months results for Moore & Buckle (Flexible Packaging) Limited has been included to illustrate a full years trading. The turnover for the month of April 2003 has been included from the accounts for the year ended 30 April 2003. Expenses have been accrued at a pro rata rate with the eleven month period ended 31 March 2004,
 - (iv) the results of PSG Franchising Limited for the year ended 31 March 2004 and the results of Property Search Group Partnership for the 11 month period ended 29 February 2004. PSG Franchising Limited acquired the business of Property Search Group Partnership on 1 March 2004.
2. Directors' remuneration and National Insurance totalling £676,800 has been removed from the results for PSG Franchising Limited for the period. A corresponding increase in corporation tax at 30 per cent. totalling £203,040 has been included.
3. The exceptional expenses of £1,197,624 of London & Boston Investments plc arising from the write down of investments have been excluded for illustrative purposes. The exceptional costs of Moore & Buckle (Flexible Packaging Limited) of £89,600 arising from interest from earlier years have been excluded for illustrative purposes.
4. The results for Rochdale Development Company Limited have been excluded on the basis that the company's activities are not ongoing.
5. Corporation tax at 30 per cent. has been included on the profits for Property Search Group Partnership for the 11 month period ended 29 February 2004.

**PRO FORMA BALANCE SHEET
AS AT 31 MARCH 2004**

	Existing Group £	Moore & Buckle Flexible Packaging £	Rochdale Develop- ment Company £	PSG Franchising £	Adjust- ments £	Revised Group £
FIXED ASSETS						
Intangible assets	73,137	—	—	3,966,667	9,355,940	13,395,744
Tangible assets	304,020	43,715	—	300,179	—	647,914
Investments	1,798,609	—	—	—	—	1,798,609
	<u>2,175,766</u>	<u>43,715</u>	<u>—</u>	<u>4,266,846</u>	<u>9,355,940</u>	<u>15,842,267</u>
CURRENT ASSETS						
Stocks	518,114	126,806	—	—	—	644,920
Debtors	2,736,663	4,078,711	9,700	1,040,387	(3,853,519)	4,011,942
Cash at bank and in hand	305,837	179,038	4,652,166	208,524	(4,408,000)	937,565
	<u>3,560,614</u>	<u>4,384,555</u>	<u>4,661,866</u>	<u>1,248,911</u>	<u>(8,261,519)</u>	<u>5,594,427</u>
CREDITORS: amounts falling due within one year	<u>(1,492,875)</u>	<u>(472,451)</u>	<u>(3,941,648)</u>	<u>(879,726)</u>	<u>1,206,325</u>	<u>(5,580,375)</u>
	<u>2,067,739</u>	<u>3,912,104</u>	<u>720,218</u>	<u>369,185</u>	<u>(7,055,194)</u>	<u>14,052</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	4,243,505	3,955,819	720,218	4,636,031	2,300,746	15,856,319
CREDITORS: amounts falling due after more one year	(1,696,080)	—	—	(15,768)	(4,570,000)	(6,281,848)
PROVISIONS FOR LIABILITIES AND CHARGES	—	(7,805)	—	(12,424)	—	(20,229)
ACCRUALS AND DEFERRED INCOME	—	(2,223)	—	—	—	(2,223)
NET ASSETS	<u>2,547,425</u>	<u>3,945,791</u>	<u>720,218</u>	<u>4,607,839</u>	<u>(2,269,254)</u>	<u>9,552,019</u>
CAPITAL & RESERVES						
Called up share capital	1,704,267				1,529,490	3,233,757
Share premium account	4,334,490				5,475,104	9,809,594
Revaluation reserve	252,215				—	252,215
Profit and loss account	(3,743,547)				—	(3,743,547)
SHAREHOLDERS FUNDS	<u>2,547,425</u>				<u>7,004,594</u>	<u>9,552,019</u>

Assumptions:

- The above pro forma balance sheet includes the balance sheet at 31 March 2004 of the existing London & Boston Investments plc Group, together with the acquisition of Rochdale Development Company Limited and its subsidiary Moore and Buckle (Flexible Packaging) Limited, and the acquisition of PSG Franchising Limited.
- The pro forma balance sheet has been prepared on the basis that the enlarged group existed at 31 March 2004. The consideration paid at that time is assumed as follows:

	£
Initial cash payment for Rochdale Development Company Limited	4,408,000
Initial cash payment for PSG Franchising Limited	4,500,000
Share capital element for PSG Franchising Limited	5,504,594
- The price at which the shares in London & Boston Investments plc are issued to the vendors are 10 pence.
- The initial cash element of the acquisition of PSG Franchising Limited will be funded by a bank loan of £3,700,000. The capital repayment of this bank loan will commence six months after draw down and is repayable monthly at the rate of £123,333 per month.
- The acquisition of Rochdale Development Company Limited has been included at the consideration of £2,600,000 plus the net assets of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited. The acquisition of Rochdale Development Company Limited and its subsidiary Moore & Buckle (Flexible Packaging) Limited has been satisfied in cash.
- Included within creditors – amounts falling due within one year are capital sums for the acquisition of both Rochdale Development Company Limited and PSG Franchising Limited totalling £2,977,194.
- In conjunction with the acquisition of PSG Franchising Limited the Company has arranged a Placing of 14,285,714 Ordinary 2p shares at 7p per Ordinary share by Williams de Broë plc and an Open Offer of 7,101,280 Ordinary 2p shares at 7p per Ordinary share underwritten by Keith, Bayley, Rogers & Co. Limited.

PART VII

Additional Information

1. The Company

- (a) The Company was incorporated and registered in England and Wales as a public company limited by shares on 12 March 1996 under the Act with the name Moneyadvance Public Limited Company and with registered number 03170812. On 6 June 1996 the Company changed its name to Cybertec Holdings plc and on 28 September 2001 to London & Boston Investments plc.
- (b) The liability of the members of the Company is limited.
- (c) The Company's registered office is at Winchester House, Deane Gate Avenue, Taunton, Somerset TA1 2UH.
- (d) The Company's principal place of business is at 133 Ebury Street, London SW1W 9QU.
- (e) The principal activity of the Company is that of an investment holding company.

2. Share Capital

- (a) The following share issues have been made by the Company since 10 April 2002, the date on which it published its first AIM admission document.
 - (i) on 16 April 2002, 636,363 Ordinary Shares were issued at a premium of 3.5 pence for a consideration of £35,000;
 - (ii) on 10 May 2002, 525,000 Ordinary Shares were issued at a premium of 3.5 pence for a consideration of £28,875;
 - (iii) on 15 May 2002, 81,240 Ordinary Shares were issued at a premium of 8 pence for a consideration of the assignment to the Company at 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £8,124 to a former creditor of Netcentric Systems (Europe) Limited;
 - (iv) on 30 May 2002, 639,545 Ordinary Shares were issued at a premium of 3.5 pence for a consideration of £35,175;
 - (v) on 11 June 2002 636,363 Ordinary Shares were issued at a premium of 3.5 pence for a consideration of £35,000;
 - (vi) on 16 July 2002, 11,731 Ordinary Shares were issued at a premium of 8 pence for consideration of the assignment to the Company of 90 per cent. by value of debts due by Netcentric Systems (Europe) Limited of £1,173 to a former creditor of Netcentric Systems (Europe) Limited;
 - (vii) on 31 July 2002 650,000 Ordinary Shares were issued at a premium of 8 pence for a consideration of £65,000 in connection with the assignment of a license to occupy 133 Ebury Street, London to Albion Plaza Limited;
 - (viii) on 8 August 2002, 363,636 Ordinary Shares were issued at a premium of 3.5 pence for a consideration of £20,000;
 - (ix) on 30 September 2002, 7,000,000 Ordinary Shares were issued at a premium of 3 pence for a consideration of the issue of 350,000 5p redeemable preference shares in New Opportunities Investments Trust plc;
 - (x) on 30 September 2002, 1,005,743 Ordinary Shares were issued at a premium of 8 pence in consideration of the assignment to the Company of 90 per cent. value of debts due by Netcentric Systems (Europe) Limited of £100,574 to former creditors of Netcentric Systems (Europe) Limited;
 - (xi) on 28 March 2003, 1,324,038 Ordinary Shares were issued at a premium of 8 pence in consideration of the assignment of the Company of 90 per cent. by value of debts due by Netcentric System (Europe) Limited of £132,404 to former creditors of Netcentric Systems (Europe) Limited; and
 - (xii) on 30 April 2004 2,000 Ordinary Shares were issued at a premium of 8 pence on the exercise of A Warrants.
- (b) Resolutions were passed on 24 October 2003 whereby:
 - (i) the Directors were authorised to allot relevant securities up to the amount of the nominal value of the authorised but unissued capital (such authority to expire on 24 January 2005 or at the conclusion of the next Annual General Meeting, if earlier pursuant to section 80 of the Act); and
 - (ii) the Directors were empowered (such power to expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 24 January 2005) to allot equity securities pursuant to the authority conferred upon them by paragraph (b) (i) above as if Section 89(1) of the Act did not apply to such allotment in connection with a rights issue or Open Offer, and otherwise up to an aggregate nominal value of £3,295,733.

- (c) The Company has issued the A Warrants and the B Warrants. Details of the number of Ordinary Shares that would fall to be issued on the exercise thereof and the terms of the A Warrant Instrument and the B Warrant Instrument are set out in paragraph 8 below.
- (d) On 21 February 2000, the Company granted an option to Matrix exercisable at any time prior to 21 February 2005 to subscribe for 2,349,515 Ordinary Shares of 2p each at an exercise price of 10p per Ordinary Share.
- (e) On 22 February 2000, the Company granted an option to Tularosa Limited exercisable at any time prior to 22 February 2005 to subscribe for Ordinary Shares of 2p each to the value of £10,000 calculated at 10p per Ordinary Share.
- (f) The following table sets out the authorised and issued share capital of the Company at the date of this document and immediately following completion of the Acquisition, the Placing and Open Offer:

	At the date of this document		Following the Acquisition and the Placing and Open Offer	
	Number	£	Number	£
Authorised	250,000,000	5,000,000	250,000,000	5,000,000
Issued and fully paid	85,215,370	1,704,307	161,648,304	3,232,966

- (g) Save as disclosed above, no share or loan capital of the Company is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option.

3. The Concert Party

In this paragraph 3 references to “control” means a holding, or aggregate holding, 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 or not the holding(s) give(s) de facto control.

- (a) Following completion of the Acquisition, the Placing and Open Offer, the interests of the Concert Party, all of which are beneficial unless otherwise stated, in the share capital of the Company shall be as follows:

Name	No. of Ordinary Shares	% of Share Capital	
		Following the Acquisition but before the Placing and Open Offer	Following the Acquisition, Placing and Open Offer
Julie Hester	27,522,970	19.623	17.027
Gary Hester	27,522,970	19.623	17.027
Total	<u>55,045,940</u>	<u>39.246</u>	<u>34.054</u>

- (b) The following individuals are parties to the Concert Party:

Julie Hester, of Beachcliffe, West Bay Street, Nassau, Bahamas, is a 50 per cent. shareholder in and a director of PSG, of which she is the founder. She was previously a police constable for nine years. Julie is a founder member of the Genesis Patrons Club. Genesis acts as a conduit to Government and makes its representation through the All Party Small Business Group in the Palace of Westminster. Julie is in demand as a public speaker and broadcaster on “Entrepreneurship”. Julie also represents the personal search sector on a Government Working Group, which is currently producing good practice guidelines for both local authorities and personal search organisations. Julie is the wife of Gary Hester.

Gary Hester, of Beachcliffe, West Bay Street, Nassau, Bahamas, is a 50 per cent. shareholder in and a director of PSG. He has been involved in the financial services sector throughout his career. Prior to joining PSG in April 1998, he was a mortgage broker with Legal & General. Gary’s primary role within PSG has concentrated on business growth and development. Gary was personally responsible for the recruitment and training of the PSG franchisees and because of PSG’s success through business format franchising he has become a well-respected figure in the close knit franchising community. Gary is the husband of Julie Hester.

- (c) As at 4 June 2004 (the latest practicable date before the publication of this document), so far as the Directors and Proposed Directors are aware, the only persons who are or will be directly or indirectly interested in more than three per cent. of the issued share capital in the Company (other than the Directors and Proposed Directors) are as follows:

	Current Number of Ordinary Shares	Percentage of Existing Issued Ordinary Share Capital	Percentage following the Acquisition, the Placing and Open Offer
Southwind Limited	14,181,880	16.64	12.31*
WillBro Nominees Limited	8,189,000	9.61	5.06**
Rondene Investments Inc	6,000,000	7.04	3.71**
Frank Nominees Limited	5,650,000	6.63	3.50**
B J Lister	4,032,000	4.73	2.49**
T D Waterhouse Nominees (Europe)	2,576,812	3.02	1.59**

*Southwind will be subscribing for 5,714,286 New Ordinary Shares under the Placing

**Assuming no take up under the Placing or Open Offer

- (d) PSG does not own any shares in the Company and has not dealt for value in any such shares the period of 12 months prior to the date of publication of this document (“Disclosure Period”).
- (e) Save as disclosed in this document:
- (i) no director of PSG is interested in any shares of PSG or the Company nor has any such person dealt for value in any shares during the Disclosure Period;
 - (ii) no person acting in concert with PSG or the Vendors owns or controls any share in PSG or the Company or has dealt for value in any such shares during the Disclosure Period; and
 - (iii) there are no persons with whom PSG or any person acting in concert with PSG owns or controls shares in PSG or the Company and has dealt for value in any such shares during the Disclosure Period which requires the details of such arrangements to be publicly disclosed.
- (f) Save as disclosed in this document:
- (i) the Company does not own any shares in PSG and has not dealt for value in any such shares during the Disclosure period;
 - (ii) no Director is interested in any shares of PSG or the Company nor has dealt for value in any such shares during the Disclosure Period;
 - (iii) no shares in the Company or in PSG are owned or controlled by a subsidiary of the Company, by a pension fund of the Company or by an adviser to the Company, excluding exempt market makers, or have been dealt with for value during the Disclosure Period which requires the details of such arrangement to be publicly disclosed; and
 - (iv) there are no shares in the Company or PSG which are controlled or owned by a person who has an arrangement with the Company or have been dealt with during the Disclosure Period which requires the details of such arrangements to be publicly disclosed.
- (g) There are no shareholdings in the Company or PSG which are managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company.
- (h) Save as disclosed above the Directors and Proposed Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

4. Directors’ and Proposed Directors’ Interests

- (a) The interests of the Directors and Proposed Directors (all of which are beneficial unless otherwise stated) and their immediate families and the interests of persons connected with the Directors and Proposed Directors for the purposes of section 346 of the Act in the issued ordinary share capital of the Company (i) which have been notified by each Director or Proposed Directors to the Company pursuant to sections 324 or 328 of the Act, or (ii) which are required to be entered in the register maintained under section 325 of the Act or (iii) are interests of a connected person of a Director or Proposed Director which would, if that connected person were a Director or

Proposed Director, be required to be disclosed under (i) and (ii) above and the existence of which is known to that Director or Proposed Director, were as at 4 June 2004, the latest practicable date prior to publication of this document, and immediately following the Acquisition, the Placing and Open Offer will be, as follows:

	Current Number of Ordinary Shares	Percentage of Existing Ordinary Share Capital	Number of Ordinary Shares following the Acquisition, Placing and Open Offer	Percentage following the Acquisition, Placing and Open Offer
Stephen Komlósy*	4,519,545	5.30	4,519,545†	2.80
John May	250,000	0.29	250,000†	0.15
Peter Cotgrove	—	—	—	—
Edward Adams**	363,636	0.43	363,636	0.22
Julie Hester	—	—	27,522,965	17.03
Gary Hester	—	—	27,522,965	17.03
John Burley	—	—	—	—

* The interests of Stephen Komlósy are registered in the name of General Trading Corporation Limited and his own name.

** These shares are held by a trust of which Edward Adams is the principal beneficiary.

† Stephen Komlósy, John May and John Burley have each agreed to subscribe at the Issue Price for up to 714,286 Offer Shares not taken up under the Open Offer.

- (b) The following Directors are beneficially entitled to the following B Warrants giving the right to subscribe for Ordinary Shares representing up to 20 per cent. of the Company's Ordinary Share capital at the time of exercise:

Name	% of Ordinary Share Capital at the time of exercise for which each Director may subscribe	Exercise Price
Stephen Komlósy	7%	10p
	3.5%	4.1125p
John May	6%	10p
	3.5%	4.1125p

B Warrants representing 7 per cent. of the Ordinary Share capital at the time of exercise were previously issued to Geoffrey Dart, a former director of the Company. These B Warrants were surrendered by Geoffrey Dart and reissued to Stephen Komlosy and John May on 31 December 2003.

The terms of the B Warrants are summarised in paragraph 8(b) below.

- (c) Save as set out in this document, none of the Directors or Proposed Directors, their immediate families and persons connected with them (within the meaning of section 346 of the Act) has any interest, beneficial or non-beneficial in the share capital of the Company or any of its subsidiaries.
- (d) There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of the Directors or Proposed Directors.
- (e) (i) Stephen Komlósy holds an option to purchase up to 4 per cent. of the ordinary share capital of Energy Technique in issue at the time of exercise of the option, at an exercise price of 3p per share. This option is exercisable on or before 14 June 2006 and is held in trust for the Company as summarised in paragraph 5(g) below.
- (ii) Stephen Komlósy holds 16,000 shares of common stock of Avatar.
- (f) On 15 April 2004 Stephen Komlosy gave his personal guarantee to Barclays Bank plc in support of up to £300,000 of indebtedness incurred by the Company to fund the Acquisition of Moore & Buckle. Mr Komlosy is receiving commission at 2 per cent.
- (g) On 7 June 2004 Stephen Komlosy, John May and John Burley each entered into a sub-underwriting agreement with KBR whereby they each agreed to subscribe an aggregate sum of up to £50,000 in payment at the Issue Price for Offer Shares not taken up under the Open Offer. They will receive a commission of 1 per cent.
- (h) Edward Adams is a beneficiary of the Asvatha Trust which is providing £250,000 of the loan being made available to the Company by Allied Trust Company Limited, details of which are set out in paragraph 11 (g) below.
- (i) Save as disclosed in this document no Director or Proposed Director has any interest, whether direct or indirect, in any transaction which is or was of an unusual nature or contains or contained unusual terms or is or was significant to the business of the Group taken as a whole and which was effected by the Group during the current or immediately preceding financial year or which was effected during any earlier financial year and which remains in any respect outstanding or unperformed.

5. Directorships and Service Agreements

- (a) The current directorships and directorships held during the five years preceding the date of this document, other than of London & Boston and its current or previous subsidiaries, of each of the Directors and Proposed Directors are as follows:

Name	Current directorships	Past directorships
Stephen Komlósy	Avatar Systems Inc. Energy Technique plc Support for Africa General Trading Corporation Limited Cadogan Assets Limited Boulaye Entertainments Limited Netcentric Systems plc Stoneburn Limited SFA Enterprises Limited Boulaye Productions Limited Security Research Limited Coolcharm Gold Mining Company Limited	Harrell Hospitality Group Inc. Croma Group plc Merchant House Group plc Eurocity (Crawley) Limited General Trading Europe Limited
John May	Avatar Systems Inc. The Small Business Bureau Limited The Genesis Initiative Limited Coolcharm Gold Mining Company Limited International Entrepreneurs Academic Forum Limited The Time Traveller Company Limited Netcentric Systems plc Croma Group plc Security Research Limited Major Broadcasting Corporation Limited	Mssware Limited Creative Real Estate Asset Management Limited Lemoness Limited Manx (Central) Limited Netcentric Limited Netcentric Solutions Limited Manx Properties (Bristol) Limited Lioncrest Properties Limited Netcentric Technology Limited Healthcare Enterprise Group plc Denbrae Estates Limited
Peter Cotgrove	Novation Capital Limited Integrated Financial Arrangements plc Patersons Financial Services Limited The Latin Wine Company Limited Merchant Capital Plc	Merchant House Group plc Merchant House Securities Limited MG Global Investment Limited MG Research Limited Rectory House Associates Limited M G Capital plc Howard & Co (City) Limited U-plex plc U-plex Insurance Services Limited Value Direct (Ipswich) Limited Home Electrical Direct Limited Wholesale Supply Services Limited U-plex Insurance Services (Audit) Limited Fraudscope Limited Govett Equity Trust Limited Transact Nominees Limited Direct Supply Limited
Edward Adams	Universal Direct Group Plc Universal Consumer Products Limited Ram Investment Group Plc Paravid Research Limited Paravid Properties Limited Monitor Audio Holdings plc Monitor Audio Limited Polurrian Hotel (Mullion) Limited Universal Storage Logistics Limited UDG Limited Fullwork Limited Hannafore Point Limited	Leafcross Limited Publishing Copyrights Limited Langley & Johnson Group Limited M.Q. Cabinets Limited Pinwheel Limited Matrix Music Marketing Limited Life Magic Limited Andromeda Holdings Limited Andromeda Oxford Limited The Sitegeist.com Limited Andromeda Interactive Limited Berry Head Hotel Limited
Julie Hester	PSG Franchising Limited	
Gary Hester	PSG Franchising Limited	

Name	Current directorships	Past directorships
John Burley	John Burley Public Relations Limited The Genesis Initiative Limited The Small Business Bureau Limited The Burley Ingham Consultancy Support for Africa	

Julie Hester and Gary Hester were both partners of the Property Search Group which operated the Huddersfield and Leeds PSG franchise prior to 1 March 2004 when the business and assets of that partnership were transferred to PSG.

Save as aforesaid, no Director or Proposed Director has been a partner in a partnership at any time during the five years prior to the publication of this document.

- (b) No Director or Proposed Director has any unspent convictions relating to indictable offences or has been declared bankrupt. Save as set out below, no Director has made or been the subject of any individual voluntary arrangement.
- (c) Save as set out below, none of the Directors or Proposed Directors has been a director of any company at the time or within twelve months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, and none of the Directors or Proposed Directors has been a partner of any partnership at the time of or within twelve months preceding any compulsory liquidation, administration or partnership voluntary arrangement, or at the time of or within twelve months preceding the date of receivership of any asset of such partnership.
- (d) No Director or Proposed Director has been publicly criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (e) Stephen Komlósy was the subject of an individual voluntary arrangement in 1993 which was satisfactorily completed and discharged in 1996. In the context of that individual voluntary arrangement, a number of companies of which Stephen Komlósy was a director were placed into creditors' voluntary liquidation:
- (i) SAK Investments Limited ("SAK Investments"), a family property company incorporated in 1964, was the subject of a creditors' voluntary liquidation, with liquidators being appointed on 19 April 1993. The estimated deficiency as regards creditors as at the date of appointment of the liquidators was £5,188,520. SAK Investments was formally dissolved on 22 October 1997 and in the final statement of receipts and payments filed by the liquidators with the Registrar of Companies, the actual deficit as regards creditors, after realisation of assets and returns to creditors, was reduced to £59,988;
 - (ii) SAK Property Management Limited ("SAK Property Management") was the subject of a creditors' voluntary liquidation, with liquidators being appointed on 8 September 1994. The estimated deficiency as regards creditors as at the date of appointment of the liquidators was £18,222. SAK Property Management was formally dissolved on 20 October 1995 with no returns to creditors; and
 - (iii) Pebco Limited ("Pebco") was the subject of a creditors' voluntary liquidation, with liquidators being appointed on 21 May 1993. The estimated deficiency as regards creditors as at the date of appointment of the liquidators was £186,590 of which £150,000 related to a loan by SAK Investments to Pebco. Pebco was formally dissolved on 11 April 1994 with no returns to creditors.

In addition, Stephen Komlósy was a director of the following companies at the time of their liquidation:

- (i) Trichord Leisure Limited ("Trichord") was the subject of a creditors' voluntary liquidation, with liquidators being appointed on 2 November 1988. The estimated deficiency as regards creditors as at the date of appointment of the liquidators was £717,730. Trichord was formally dissolved on 9 May 1993 and in the final statement of receipts and payments filed by the liquidators with the Registrar of Companies, return to preferential creditors was stated to be 14.95 pence in the pound;
- (ii) Robert Stigwood Associates Limited ("RSA") was the subject of a creditors' voluntary liquidation. RSA was formally dissolved in 1975 and all the records relating to this company held by the Registrar of Companies have been destroyed. Consequently it is not possible to provide the estimated deficiency as regards creditors as at the date of appointment of the liquidators or the returns to creditors; and
- (iii) The Company holds 99.6 per cent. of the issued share capital of Merchant Kapital Holdings A/S, the holding company of Merchant Kapital A/S (together the "Danish Companies"). Both of the Danish Companies were incorporated in July 2001 and remained dormant at all times. Stephen Komlosy is a director of Merchant Kapital Holdings A/S and Peter Cotgrove is a director of Merchant Kapital A/S. On 20 October 2003 the Company was notified that the Danish Commerce and Companies Agency had requested that the Danish Companies be wound up by the Danish Bankruptcy Court and on 19 December 2003 the Danish Companies were put into liquidation.

The Company is currently negotiating with the two creditors of the Danish Companies (both professional firms) and the liquidator in an attempt to agree a solvent liquidation of the Danish Companies under the Danish Insolvency Act. The amount owing to creditors is DK760,772 (approximately £69,160) but the Danish Companies have approximately DK500,000 in their bank accounts.

- (f) Edward Adams was a director of Andromeda Oxford Limited within the twelve months preceding the company being the subject of a company voluntary liquidation, with administrators being appointed on 13 November 2003. The estimated deficiency as regards creditors as at the date of appointment of the administrators was £3,843,995.
- (g) Stephen Komlósy entered into a service agreement with the Company on 21 February 2000 to act as its chief executive. He is currently entitled to a salary of £60,000 per annum together with benefits in kind and a bonus of 5 per cent. of the profits before tax of the Group in excess of £500,000 per annum.

The Company also entered into a consultancy agreement with General Trading Corporation Limited ("GTC") on 14 September 2001, a company which is controlled by Mr. Komlósy, for the provision of the consultancy services of Mr. Komlósy. Under this agreement, GTC is currently entitled to fees of £60,000 per annum.

Stephen Komlósy is also entitled to a sum equal to fifty per cent. of the profit arising on the disposal of the shares issued on the exercise of options in Energy Technique equal to four per cent. of the share capital in issue at the time of exercise of the option being options originally held by Mr Komlósy, but assigned to London & Boston pursuant to a Declaration of Trust, dated 14 September 2001, and made between Mr Komlósy and London & Boston. This arrangement will stay in place following completion of the Acquisition.

- (h) Stephen Komlósy and GTC have on 7 June 2004 entered into a new service agreement and consultancy agreement with the Company which are conditional upon completion of the Acquisition and effective as at 1 April 2004 and which will replace the service agreement and consultancy agreement referred to in paragraph 5(g) above.
 - (i) Under the service agreement, Mr Komlósy will serve as executive chairman of the Company and will be entitled to (1) a basic salary at the rate of £70,000 per year; and (2) a bonus of an amount up to the basic salary if the underlying earnings per share ("underlying EPS") of the Company in each financial year is 2p or more. If the underlying EPS is 1p or more, the bonus is payable on a *pro rata* basis. The agreement will continue until terminated and is terminable on the provision of twelve months' written notice by either party. Following termination, Mr Komlósy will be subject to certain restrictive covenants for a period of twelve months in respect of competition with the Company or any of its subsidiaries and solicitation of any contract, project or business carried on by the Company or any of its subsidiaries which was in progress or in negotiation at the date of termination and for which Mr Komlósy had either management responsibility or personal dealing.
 - (ii) Under the consultancy agreement, Mr. Komlósy's services will be made available to the Company and any subsidiary or holding company of the Company for (1) an annual fee of £80,000 excluding VAT; and (2) a bonus of an amount up to the annual fee if the underlying EPS in each financial year is 2p or more. If the underlying EPS is 1p or more the bonus is payable *pro rata*. The agreement will continue until terminated and is terminable on the provision of twelve months' written notice by either party. It is a condition of the agreement that Mr Komlósy is and remains a director of the Company and the agreement will automatically terminate if Mr Komlósy ceases to be a director of the Company except if he resigns with the written consent of the Company. If the agreement terminates for any reason Mr Komlósy will resign from the office of director of the Company and from all offices held by him in any subsidiary or holding company of the Company.
- (i) John May entered into a service agreement and consultancy agreement with the Company on 25 January 2000 to act as its finance director. He is currently entitled to a director's salary of £4,800 per annum, together with benefits in kind and a bonus of 5 per cent. of the profits before tax of the Group in excess of £500,000. He is also entitled to consultancy fees in the sum of £75,200 for services provided to the Company by John J May Chartered Accountants ("JJMCA").
- (j) John May and JJMCA have on 7 June 2004 entered into a new service agreement and consultancy agreement with the Company which are conditional upon completion of the Acquisition and effective as at 1 April 2004 and which will replace the service agreement referred to in paragraph 5(i) above.
 - (i) Under the service agreement, John May will serve as group finance director of the Company and will be entitled to (1) a basic salary at the rate of £70,000 per year; and (2) of an amount up to his basic salary if the underlying EPS in each financial year is 2p or more. If the underlying EPS is 1p or more, the bonus is payable on a *pro rata* basis. The agreement will continue until terminated and is terminable on the provision of twelve months' written notice by either party. Following termination, Mr May will be subject to certain restrictive covenants for a period of twelve months in respect of competition with the Company or any of its subsidiaries and solicitation of any contract, project or business carried on by the Company or any of its subsidiaries which was in progress or in negotiation at the date of termination and for which Mr May had either management responsibility or personal dealing.

- (ii) Under the consultancy agreement, Mr May's services will be made available to the Company and any subsidiary or holding company of the Company for (1) an annual fee of £80,000 excluding VAT; and (2) a bonus of an amount up to the annual fee if the underlying EPS in each financial year is 2p or more. If the underlying EPS is 1p or more the bonus is payable pro rata. The agreement will continue until terminated and is terminable on the provision of twelve months' written notice by either party. It is a condition of the agreement that Mr May is and remains a director of the Company and the agreement will automatically terminate if Mr May ceases to be a director of the Company except if he resigns with the written consent of the Company. If the agreement terminates for any reason Mr May will resign from the office of director of the Company and from all offices held by him in any subsidiary or holding company of the Company.
- (k) The terms of Peter Cotgrove's appointment to act as a non-executive director of the Company are set out in the letter of appointment dated 25 January 2002 under which he is entitled to a fee of £15,000 per annum. Conditional upon completion of the Acquisition, the fee will rise to £20,000 per annum, with effect from 1 April 2004.
- (l) The terms of Edward Adams' appointment to act as a non-executive director of the Company are set out in the letter of appointment dated 25 January 2002 under which he is entitled to a fee of £15,000 per annum. Conditional upon completion of the Acquisition, the fee will rise to £20,000 per annum, with effect from 1 April 2004.
- (m) At Completion, Julie Hester and John Burley will be appointed as directors of the Company. Neither Julie Hester nor John Burley will be entitled to any fees in respect of such appointment.
- (n) Gary Hester will enter into a service agreement with PSG at completion whereby he will provide his services to PSG as an executive of PSG for a period of three years. Under the agreement, Mr Hester is entitled to (i) a salary at a rate of £15,000 per year; and (ii) a bonus for each of the financial years of PSG from the date of the service agreement equal to five per cent of the sum by which the pre-tax profits of PSG exceed the aggregate of £2,000,000 and the sum of £30,000.
- (o) Julie Hester will enter into a service agreement with PSG at completion whereby she will provide her services to PSG as an executive of PSG for a period of three years. Under the agreement, Mrs Hester is entitled to (i) a salary at a rate of £15,000 per year; and (ii) a bonus for each of the financial years of PSG from the date of the service agreement equal to five per cent of the sum by which the pre-tax profits of PSG exceed the aggregate of £2,000,000 and the sum of £30,000.
- (p) John Burley currently acts as a PR consultant to PSG and is paid a monthly retainer of £4,000 plus 10 per cent for expenses. He also negotiates additional fees for specific projects on an *ad hoc* basis.
- (q) Save as disclosed in this paragraph 5 or paragraph 10, there are no service contracts, existing or proposed between any Director or Proposed Director and the Company.
- (r) Save as disclosed in this paragraph 5 or paragraph 10, there have been no amendments to the service contracts of the existing Directors within the 12 months preceding the date of this document.
- (s) The aggregate remuneration paid and benefits in kind granted by the Company to Directors before bonuses during the last financial year was £283,444 and the aggregate remuneration to be paid and benefits in kind to be granted to the Directors or Proposed Directors is estimated to amount to approximately £340,000 (before bonuses) for the period ending 31 March 2005.

6. Memorandum of Association

The objects of the Company are set out in clause 4 of the Company's memorandum of association and its principal objects are, amongst others, to carry on the businesses of a property, asset and investment holding company.

7. Articles of Association

The articles of association of the Company were adopted by the Company by special resolution on 4 June 1996 and were amended by special resolution on 21 February 2000. The effect of certain of their provisions is summarised below:

(a) Voting

On a show of hands, every member who is present in person, or being a corporation is represented by a duly authorised representative, and in each case is entitled to vote, will have one vote and upon a poll, every member present in person or by proxy and entitled to vote shall have one vote for every Ordinary Share held by him.

(b) Dividends

Subject to any preferential or other special rights attached to any shares issued by the Company, the profits of the Company available for dividend and which the Company shall determine to distribute by way of dividend shall be apportioned and paid to the members entitled to them proportionately to the amounts paid up on their shares.

Any dividend unclaimed after a period of 12 years from the date that such dividend is payable shall be forfeited and shall revert to the Company.

(c) Distribution of assets on a winding up or return of capital

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution, subject to the Act, divide amongst the members in specie the whole or any part of the assets of the Company and may determine how such division shall be carried out as between different classes or members (if any).

(d) Variation of rights and changes in capital

Whenever the capital of the Company is divided into different classes of shares, any of the rights or privileges attached to any share may, subject to the provisions of the Act, be modified, varied or abrogated, either with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of issued shares of that class. At any such separate general meeting (other than an adjourned meeting) the necessary quorum is two persons personally present and holding or representing either by proxy or as the duly authorised representative of the corporate member, one third of the capital paid up on the issued shares of the class in question.

The Company in general meeting may:

- (i) consolidate its share capital into shares of a larger amount;
- (ii) sub-divide its share capital into shares of a smaller amount;
- (iii) cancel any shares which have not been taken up or agreed to be taken up by any person and diminish its authorised share capital by the amount of the shares so cancelled;
- (iv) increase its authorised share capital by such sum, to be divided into shares of such amount, as the resolution shall provide; and
- (v) with the sanction of a special resolution, and subject to any confirmation or consent required by law, reduce its authorised and issued share capital or any capital redemption reserve or any share premium account.

(e) Transfer of shares

A transfer of shares shall be effected by transfer in writing in the usual common form or in any other form approved by the board. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered into the register of members in respect of them.

The Board may, in its absolute discretion, and without assigning any reason refuse to register any transfer of any share (not being a fully paid share) to a person of whom it does not approve and may also refuse to register any transfer of any share (not being a fully paid share) upon which the Company has a lien. No transfer for any share shall be registered if made in favour of an infant, a person in respect of whom there exists an undischarged receiving order or adjudication order in bankruptcy or a person suffering from mental disorder or where any event specified in the Articles of Association has occurred in relation to him.

The Board may, in its absolute discretion, refuse to register any transfer of shares held by a member which does not appear to it to be a transfer pursuant to an arms length sale (namely one on a recognised investment exchange) if such member or any other person appearing to be interested in such shares has been duly served with a notice under section 212 of the Act and has failed to supply the information required within 14 days, or has made a statement in purported compliance with such notice which, in the opinion of the Board, is false or misleading in any material particular. The Board may only exercise such power if the shares specified in such notice represent at least 0.25 per cent. of the issued shares of the relevant class.

The Board may also decline to recognise any instrument of transfer unless it is:

- (i) duly stamped, is deposited at the office of the Company's registrars or such other place as the Board may appoint and is accompanied by the certificate for the shares to which it related and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (ii) in respect of only one class of share; and
- (iii) in favour of not more than four transferees (except in the case of executors or trustees of a deceased member).

Save as stated, the Articles of Association contain no restrictions as to the free transferability of the fully paid up shares.

(f) Purchase of own shares

Subject to the Act the Company may by special resolution purchase its own shares provided that where the Company has issued any convertible securities convertible into or carrying a right to subscribe for shares of the class proposed to be purchased, no purchase by the Company of its own shares will take place unless sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of each class of convertible securities. Any purchase by the Company of its own shares shall be limited to a maximum price not exceeding 5 per cent. above the average of the middle market quotations taken from the London Stock Exchange Daily Official List for the 10 business days before the purchase is made, and if by tender, the tender shall be made available to all members on the same terms.

(g) Untraced Shareholders

The Company shall be entitled to sell at the best price reasonably obtainable the shares of a member or the shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that during the period of 12 years prior to the date of the publication of an advertisement by the Company in a national daily newspaper and in a newspaper circulating in the area of the registered address of such member, at least three dividends in respect of the shares have become payable and have been returned undelivered or remain uncashed and for three months following the publication of the advertisement the Company has not received indication of the whereabouts or the existence of such member and a notice shall be given to the Quotations Department of the London Stock Exchange of its intention to make such a sale. The net proceeds of the sale shall belong to the Company which shall be obliged to account to the former Member or other person entitled for an amount equal to the proceeds as a creditor.

(h) Borrowing powers

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future.

(i) Directors

(1) Appointment and Eligibility of Directors

There shall be not less than two and no more than eight Directors at any time. Directors are not required to hold any shares in the capital in the Company and a Director who is not a member shall be entitled to attend and speak at all general meetings of the Company or of any class of shares of the Company. The Company shall maintain a register showing the interest of each Director in shares or debentures of the Company.

(2) Age of Directors

A Director shall retire at the first annual general meeting after the date of his seventieth birthday and shall be eligible for re-election for the period from that annual general meeting until the next annual general meeting when he shall again retire but be eligible for re-election for a subsequent term or terms but on each occasion only to the end of the next annual general meeting.

(3) Remuneration of Directors

The Directors shall be entitled to be paid out of the funds of the Company as directors fees in each year an aggregate sum not exceeding £50,000 or as the Directors may determine, such sum to be divided among such Directors in such proportion as they may agree or, in default of agreement, equally, provided that any Director holding the office for part of the year shall, unless otherwise agreed, be entitled only to a proportionate part of such remuneration. The Company may by ordinary resolution increase the amount of fees payable.

The Directors shall also be entitled to be repaid all travelling, hotel and other expenses properly incurred by them respectively in and about their performance of their duties as Directors, including their expenses of travelling to or from board, committee or general meetings.

The Directors may from time to time appoint one or more of their body to be the holder of any executive office on such terms and for such period as the Board may determine. A Director so appointed shall not be subject to retirement by rotation and shall receive such remuneration as the Board may determine.

(4) Powers and Duties of Directors

Subject to the Act the Directors shall manage the business of the Company and exercise all the powers of the Company that do not require authorisation by a general meeting.

Except as mentioned below, a Director shall not vote in respect of any contract or arrangement whatsoever in which he or any person connected with him has any interest (otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company). The Director shall not be counted in the quorum at a meeting in relation to any resolution in which he is debarred from voting.

A Director will be entitled to vote in and be counted in the quorum in respect of any resolution concerning any of the following matters, namely:

- (i) the giving of any security or indemnity or guarantee in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiaries;
- (ii) the giving by the Company 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 and whether alone or jointly with others under a guarantee of indemnity or by the giving of security;
- (iii) his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase any shares, debentures or other securities of the Company or any of its subsidiaries as a holder of securities or his being, or intending to become, a participant in the underwriting or sub-underwriting thereof;

- (iv) any proposal concerning any other company, being a company in which the Director is interested, directly or indirectly and whether as a shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent or more of any class of share capital;
- (v) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefit scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes, or which does not accord to any director as any additional privilege or benefit to those accorded to the employees to which the scheme or funds relate;
- (vi) any contract, arrangement or proposal for the benefit of the employees of the Group under which he benefits in a similar manner as the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to which the scheme or fund relates; and
- (vii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons including Directors.

(j) Pensions and Allowances

The Board may establish, maintain, participate in or contribute to any pension, superannuation, benevolent or life assurance fund, scheme or arrangement for the benefit of any persons who are or were at any time in the employment or service of the Company or who have been or may be directors or officers of the Company, and the wives, widows, families and dependants of any such person. The Board may establish, subsidise and subscribe to any institutions, associations, societies, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company.

The Board may establish and maintain, subject to approval by the members, any employee share scheme, share option or share incentive scheme, whereby employees of the Company or of any company which is a subsidiary of the Company are given the opportunity of acquiring shares in the capital of the Company on the terms and subject to conditions set out in such a scheme.

8. Terms of the Warrants

(a) A Warrants

The A Warrants are constituted by and have been issued subject to and with the benefit of a deed poll of the Company dated 21 February 2000. A Warrants to subscribe for 6,239,060 Ordinary Shares of 2p each at the price of 10p have been issued and remain outstanding. The A Warrants are exercisable by giving written notice to the Company within the three week period following 31 March and 30 September in each year.

(b) B Warrants

The B Warrants are constituted by and have been issued subject to and with the benefit of a deed poll of the Company dated 15 January 2002. The following is a summary of certain of the provisions of the B Warrant Instrument.

- (i) The B Warrants confer the right to subscribe in cash at 10p per share in the case of those granted prior to 29 January 2002 and otherwise the sum per share equal to the average of the mid-market price of the Ordinary Shares for each of the 10 dealing days immediately preceding the issue of the Warrants for up to such number of Ordinary Shares of 2p each as shall equal 20 per cent. of the aggregate number of Ordinary Shares of 2p each in issue at the date of the B Warrant Instrument together with any further Ordinary Shares of 2p each that are issued, after the date of the B Warrant Instrument, but prior to the date of exercise of the relevant Warrant or Warrants, excluding Ordinary Shares issued pursuant to the B Warrant Instrument itself (the "Relevant Ordinary Shares").
- (ii) B Warrants have been issued in respect of new Ordinary Shares equal to 20 per cent. of the Relevant Ordinary Shares.
- (iii) The B Warrants will be exercisable in each of the 30 day periods following the announcement of the final and interim results of the Company in respect of each and any of the years 2002 onwards. Exercise will be by notice in writing lodged with the Company's registrar accompanied by a cheque or bankers' draft for the appropriate remittance.
- (iv) The B Warrant Instrument provides that the exercise terms of the B Warrants are to be adjusted in certain circumstances such as in the event of a consolidation or sub-division of the ordinary share capital of the Company. If and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one Ordinary Share prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.

- (v) If an order is made or an effective resolution is passed for the winding up of the Company (except for the purpose of a reconstruction, amalgamation or unitisation on the terms sanctioned by an extraordinary resolution of the holders of the B Warrants) each holder of B Warrants will be treated as if he had exercised his B Warrants in full immediately before the passing of the order or resolution and will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such sum as he would have received if he had actually held such Ordinary Shares less the aggregate subscription price of such Ordinary Shares under the terms of the B Warrants. Subject to this all unexercised B Warrants shall lapse on the liquidation of the Company.

9. Subsidiaries

The principal subsidiary undertakings of the Company are as follows:

Name of Company	Country of Registration	Proportion Held	Nature of Business
L&Bi Holding Limited	England and Wales	100%	Holding company
Audiotel International Limited	England and Wales	100%	Counter surveillance
Rochdale Development Company Limited	England and Wales	100%	Holding company
Moore & Buckle (Flexible Packaging) Limited	England and Wales	100%	Flexible Packaging

Following the Acquisition, PSG Franchising Limited, registered in England and Wales and whose business is providing property searches to solicitors and conveyancers, will become a 100% subsidiary of the Company.

10. Acquisition Agreement

On 7 June 2004 the Vendors and the Company entered into the Acquisition Agreement to purchase the entire issued share capital of PSG. The Acquisition Agreement is conditional upon (i) the terms of the Acquisition Agreement being approved by Existing Shareholders; (ii) admission of the Consideration Shares to trading on AIM (subject only to allotment); and (iii) the Panel granting a Rule 9 waiver to the Vendors in respect of the Consideration Shares and such waiver being approved by a vote of independent shareholders on a poll. The consideration payable by the Company to the Vendors is (i) an initial consideration at completion of £4,500,000 in cash and the issue of the Consideration Shares; (ii) further payments over a period of fifteen months following completion of a sum equal to the net current assets of PSG at completion as determined by a post-completion balance sheet; and (iii) a performance related deferred consideration of up to £330,000 in respect of each of the three financial years of the Company ending on 31 March 2007 if PSG achieves profits before tax (subject to contractual adjustments) in each such financial year of not less than £1,000,000. The deferred consideration will be reduced £1 for every £1 by which PSG's relevant profits fall below £1,000,000.

Pursuant to the Acquisition Agreement, the Vendors have provided certain undertakings in relation to the operation of PSG prior to completion ("the Undertakings"). For example, the Vendors shall procure that PSG will carry on its business in the ordinary course. Without limit to that obligation, the Vendors shall ensure that certain events, for example the entry into contracts for amounts exceeding £10,000 or the declaration of dividends by PSG, do not take place without the prior written consent of the Company.

Undertakings have also been given by the Vendors in relation to the period after completion. The Vendors have undertaken that they will not dispose of or create any encumbrance over 50,045,940 of the Consideration Shares (the "Restricted Shares") for a period of one year following completion and for a period of two years from completion they will only dispose of Restricted Shares through the Company's nominated broker or an alternate broker if the Company's nominated broker is unable to match the price per share that such alternate broker is able to obtain. These undertakings will not apply (i) on the death of the Vendors provided that on the death of one Vendor the Restricted Shares are transferred to the other Vendor; or (ii) on the transfer of the Restricted Shares to any member of the Vendor's family or to a family trust provided that the transferees agree to be bound by the provisions of the Acquisition Agreement; or (iii) on the acceptance by the Vendors of a general offer to acquire the entire share capital of the Company or (iv) on the Vendors giving an irrevocable commitment to accept a such general offer or (v) on the Vendors making a disposal to an offeror who has made an offer under the City Code or a potential offeror who has been named in an announcement of a firm or possible intention to make an offer under the City Code. The Company has agreed to use its reasonable endeavours to place the balance of the Consideration Shares (being 5,000,000 Ordinary Shares) as soon as possible after completion.

The Acquisition Agreement contains usual warranties concerning the past and present assets and activities of PSG. These warranties are given at the date of the Acquisition Agreement and as at completion. The Company has the right to rescind the Acquisition Agreement prior to completion if there is a material breach of the Undertakings which would result in a liability being incurred by PSG in excess of £750,000.

The liability of the Vendors under the Acquisition Agreement is joint and several. Claims for breach of the warranties can be brought, in the case of a claim under the tax warranties at any time prior to the seventh anniversary of Completion and in the case of any other claim at any time prior to eighteen months following completion. No claim can be made until the aggregate of all claims exceeds £150,000. The total aggregate liability of the Vendors (absent dishonesty, fraud, wilful misconduct or wilful concealment of or by the Vendors) is £7,000,000 if the Vendors' liability exceeds £4,500,000 the only obligation of the Vendors to meet the additional £2,500,000 shall be in respect of the proceeds of a sale of the Consideration Shares.

The Company has agreed that PSG meet certain of the transaction costs of the Vendors in relation to the Acquisition. The Vendors have undertaken to comply with certain restrictive covenants. During the period from Completion until the 1 September 2007, the Vendors have undertaken that they shall not establish, be employed by, engaged or interested in any business which competes with the business of PSG or employ or solicit directors, officers or employees of PSG.

11. Material Contracts

The following contracts (not being entered into in the ordinary course of business), have been entered into by the Enlarged Group in the two years prior to the date of this document and are, or may be, material:

- (a) On 15 April 2004 the Company entered into a share purchase agreement with Michael Moore and others for the acquisition of the entire issued share capital of Rochdale Development Company Limited ("RDC"). RDC is the holding company of the wholly-owned operating subsidiary, Moore & Buckle.

The Company paid £1,600,000 at completion and agreed to pay deferred, performance-related consideration of £1,000,000. A further payment will be made for the net assets of RDC and Moore & Buckle based on a post-completion audit. The net assets are expected to be valued at no more than £375,000. The net maximum consideration for RDC is estimated to be £2,975,000. Of the deferred consideration, £500,000 will be payable if Moore & Buckle achieves profits before tax of £800,000 in the year ending 30 April 2004 and a further £500,000 if it achieves gross profits of £1,190,000 million in the year to 30 April 2005. Both tranches of deferred consideration will be reduced by £1 for every £1 by which the actual results fall short of the targets and the first deferred payment will be increased by 50 pence in the pound for every pound achieved above the relevant profit target to be counteracted by a similar reduction in subsequent deferred consideration payments.

- (b) On 14 January 2004 and 12 February 2004, the Company entered into term loan agreements for a loan of £1,300,000 with Barclays Bank plc to partially fund the acquisition of RDC. As security for the loan, the Company, RDC and Moore & Buckle granted debentures and cross-guarantees. This facility is guaranteed to £300,000 by Stephen Komlósy.
- (c) On 31 January 2003 Ever 1588 Limited ("Ever") (which has since changed its name to L&Bi Holdings Limited), a subsidiary of the Company, entered into a share purchase agreement with the trustees of the estate of the late Andrew Martin for the acquisition of the entire issued share capital of Audiotel International Limited ("Audiotel"). The consideration payable under the agreement is £1,400,000 in cash of which £100,000 was deferred until 31 October 2003, which has now been paid, and £100,000 is deferred until 31 October 2004. A further £400,000 is payable subject to an earn out arrangement which is dependent upon the profits before group management charges of Audiotel being in excess of £750,000 in the year ended 31 July 2003 or £400,000 for the year ended 31 July 2004 or in excess of £1,550,000 for the combination of the two years ending on 31 July 2004, making a maximum consideration of £1,800,000.

Under the agreement the Company guarantees the payment obligations of Ever due pursuant to the agreement.

- (d) On 7 June 2004 the Company entered into an agreement with Williams de Broë whereby, conditional on completion of the Acquisition, Williams de Broë on behalf of the Company will effect a placing of 14,285,714 Ordinary Shares at the Issue Price to raise £1,000,000 (before expenses). A commission of one per cent. will be payable to Williams de Broë.
- (e) On 7 June 2004 the Company, Stephen Komlósy and John May entered into an agreement with KBR whereby, conditional on completion of the Acquisition, KBR on behalf of the Company will make the Open Offer and place at the Issue Price such of the Offer Shares as are not taken up under the Open Offer. A commission of four per cent. will be payable to KBR out of which KBR will pay a commission to sub-underwriters of one per cent. The Company, Stephen Komlósy and John May has given customary warranties to KBR and the Company has given KBR an indemnity.
- (f) On 7 June 2004, London & Boston entered into an agreement with Barclays Bank plc ("Barclays") for the purposes of partially funding the Acquisition and paying costs of the Acquisition. Under the terms of the agreement London & Boston has borrowed £3,700,000 which will be repayable in 30 equal monthly payments commencing 6 months after drawdown. The term loan will bear interest at a rate of 2.25 per cent. above LIBOR and associated costs. A facility fee of £90,000 is payable on completion of the Acquisition and a repayment fee of £100,000 will be payable when the final payment is made. A prepayment fee of 1 per cent. of the amount prepaid will be payable by London & Boston in the event of a trade sale. The agreement contains financial covenants. The loan is secured by cross guarantees and debentures given by London & Boston, Audiotel, Moore & Buckle and PSG.
- (g) On 2 June 2004 the Company entered into a loan agreement with Allied Trust Company Limited ("Allied"). Under the agreement Allied has made available a loan facility of £450,000 for the period of 12 months from the date of the agreement. Interest is payable at a rate of 7 per cent. per annum. The loan is repayable two years from drawdown or on Allied giving 6 months' written notice, whichever is earlier. Allied may elect to be repaid in Ordinary Shares at 10p per Ordinary Share or in a combination of cash and Ordinary Shares. A facility fee of £22,500 was paid on signing of the agreement. A transaction fee equal to the sum of 20 per cent. of the loan drawn down pro rata to the amount of time the loan has been outstanding, up to a maximum of £90,000, is payable by London & Boston.

- (h) Pursuant to an agreement dated 1 March 2004 between (1) Julie Hester and Gary Hester and (2) PSG, PSG acquired the entire business and assets of the partnership, the Property Search Group. This acquisition agreement contained indemnities usual for a transaction of this nature.

12. Working Capital

The Directors and Proposed Directors are of the opinion that, having made due and careful enquiry, the Enlarged Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of this document.

13. Litigation

- (a) PSG has made an official complaint to the Office of Fair Trading in respect of uncompetitive behaviour of certain local councils. This is currently being considered by the relevant case officer for the possibility of an analysis of the property search market under the Enterprise Act 2002. Subject to the outcome of this decision, PSG may seek judicial review against the worst offending council.
- (b) Save as aforesaid, there are no legal or arbitration proceedings active, pending or threatened against, or being brought by, the Company or any member of the Enlarged Group which are having, or may have, a significant effect on the Enlarged Group's financial position.

14. Expenses

The expenses of Admission, the Acquisition and the Placing and Open Offer (including commissions payable by the Company) are together estimated to be approximately £450,000 (excluding VAT). All expenses are payable by the Company.

15. Taxation

The following statements are intended as a general guide to current UK tax legislation and to current published practice of the UK Inland Revenue (the "Inland Revenue") and may not apply to certain classes of shareholder. **Any person who is in any doubt as to his or her tax position is strongly recommended to consult his or her professional advisers immediately.**

Capital gains tax ("CGT") – individuals, trustees and personal representatives

The Finance Acts of 1998 and 2000 introduced various reforms to the taxation of gains realised by individuals, trustees and personal representatives. Affected shareholders should note the following changes introduced by those Acts:

Taper relief operates to reduce the amount of gain brought into charge to CGT by reference to the number of complete years during which assets have been held after 5 April 1998. It is a two tier system depending on whether the asset qualifies as a business or non business asset for taper relief purposes. With effect from 6 April 2000 shares in unlisted (which for this purpose includes shares quoted on AIM) trading companies generally qualify as business assets. Prior to 6 April 2000, shares in trading companies only qualified as business assets if they were held by full time employees who held at least 5 per cent. of the voting rights in the company or by a shareholder who held at least 25 per cent. of the voting rights in the company.

Once shares which qualify as business assets have been held for 2 complete years the amount of gain brought into charge to CGT is reduced to 25 per cent. (equivalent to a tax rate on the whole gain of 10 per cent. for a higher rate taxpayer, and 5 per cent. for a basic rate taxpayer).

For non business assets, the amount of gain brought into the charge to CGT is reduced by 5 per cent. for each complete year, in excess of two, that the asset is held after 5 April 1998. The maximum relief is achieved once the asset has been held for ten years when only 60 per cent. of the gain is charged to CGT (equivalent to a rate of tax of 24 per cent. for a higher rate taxpayer, and 12 per cent for a basic rate taxpayer).

Non business assets that were held before 17 March 1998 have one extra year added to their holding period. Indexation up to April 1998 is also available on shares acquired before that date. Taper relief is applied to the gain after any indexation allowance.

Where a gain is made on an asset which was a business asset for only part of the shareholder's holding period the gain is apportioned on a time basis between the period when it was a business asset and the period when it was not. Only the period of ownership after 6 April 1998 (or the last ten years of ownership if shorter) is taken into account for apportionment purposes. The gain is then treated as two separate gains with business asset taper relief applied to the business gain and non business taper relief to the non business gain.

Corporation tax on chargeable gains – companies

Subscriptions for Shares will not raise a liability to corporation tax. Shareholders which are within the charge to UK corporation tax will be subject to corporation tax on chargeable gains when disposing of Shares depending upon the shareholder's circumstances (which will include the availability of allowable losses). Indexation will be available (when calculating a chargeable gain but not an allowable loss) from the month of acquisition up to the month of disposal.

Certain disposals of substantial shareholdings (broadly a shareholding of at least 10 per cent.) on are exempt from corporation tax. In order to benefit from the exemption a number of conditions have to be satisfied. These relate to the company invested in, the shareholder and the shareholding itself and include a twelve-month holding period.

Stamp duty and stamp duty reserve tax

Subscriptions for the Shares will not normally give rise to any liability to stamp duty or stamp duty reserve tax. Sales of Shares will generally be liable to stamp duty or stamp duty reserve tax at 0.5 per cent. on the consideration paid.

Taxation of dividends

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual shareholder resident (for tax purposes) in the United Kingdom who receives a dividend from the Company will be entitled to a tax credit equal to one-ninth of the dividend which he may set off against his total income tax liability. Basic rate and lower rate taxpayers will normally have no further liability to tax on the dividend. Higher rate taxpayers will be liable to tax on the sum of the dividend plus the tax credit at the higher rate of 32.5 per cent. against which liability the tax credit can be offset. So, for example, a dividend of £90 will carry a tax credit of £10 (one-ninth of £90) and to the extent that the dividend and the related tax credit fall above the threshold for the higher rate of income tax, a taxpayer will be subject to income tax on £100 (£90 plus £10) at 32.5 per cent. i.e. £32.50 less a tax credit of £10, leaving a tax charge of £22.50. The same procedure applies for those UK resident trustees that are subject to tax at the rate applicable to trusts. The rate applicable to the trusts will be 25 per cent. (as opposed to 32.5 per cent.) although, on 10 December 2003, the Chancellor of the Exchequer announced that it is planned to increase the trust rate to 32.5 per cent. If the tax credit exceeds an individual or trustee shareholder's liability to Income Tax (taking into account other tax credits and allowances) on the gross dividend, the shareholder is not able to reclaim repayment of the excess from the Inland Revenue.

UK pension funds and most UK corporate shareholders (including authorised unit trusts and open-ended investment companies) are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

Subject to certain limited exceptions, a holder of Ordinary Shares that is a company resident (for taxation purposes) in the UK and receives a dividend paid by the Company will not be subject to tax in respect of the dividend.

The right of a holder of Ordinary Shares who is not resident (for tax purposes) in the UK to a tax credit in respect of a dividend received from the Company will depend on the existence and terms of a relevant double tax convention concluded with the UK. Shareholders who are not resident in the UK should consult their own tax advisers concerning their liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for so doing.

The above statements are intended as a general guide to certain limited aspects of United Kingdom tax law relating to the Open Offer and are based on United Kingdom legislation currently in force current published Inland Revenue practice, both of which may change. They assume that the shareholder is resident in the United Kingdom for United Kingdom taxation purposes and is not a dealer.

16. Consents

- (a) Keith, Bayley, Rogers & Co. Limited have given and not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which they appear.
- (b) Matrix Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- (c) Milsted Langdon has given and not withdrawn their written consent to the inclusion herein of their report, the references thereto and the references to their name in the form and context in which they appear. Milsted Langdon accept responsibility for such report in accordance with paragraph 45(1)(a)(iv) of Schedule 1 to the POS Regulations and have not become aware, since the date of their report, of any matter affecting the validity of their report at that date.
- (d) Kirk Newsholme have given and not withdrawn their written consent to the inclusion herein of their report, the references thereto and the references to their name in the form and context in which they appear. Kirk Newsholme accept responsibility for such report in accordance with paragraph 45(1)(a)(iv) of Schedule 1 to the POS Regulations and have not become aware, since the date of their report, of any matter affecting the validity of their report at that date.

17. General

- (a) The accounting reference date of the Company is 31 March.
- (b) There are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

- (c) No person (excluding professional advisors otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, from the Company within 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- (d) The middle market quotations for the Ordinary Shares as traded on AIM at the close of business on the first business day in each month in the six months preceding the issue of this document and on 4 June 2004 (the latest practicable date prior to the issue of this document) were as follows:

Date	Price
1 December 2003	4.250p
2 January 2004	4.125p
2 February 2004	4.125p
1 March 2004	7.000p
1 April 2004	8.000p
4 May 2004	11.250p
1 June 2004	9.500p
4 June 2004	9.000p

- (e) Save as disclosed, there have been no interruptions and there has been no significant change to the business of the Company which have or have had a significant effect on the financial position of the Company since incorporation and there are no significant investments in progress by the Company.
- (f) None of the financial information set out in Parts IV, V and VI of this document constitutes statutory accounts within the meaning of Section 240 of the Act. The financial information in Parts IV, V and VI of this document has been prepared in accordance with the applicable law and the Directors accept responsibility for that information accordingly.
- (g) Save as disclosed herein, there has been no significant change in the financial or trading positions of London & Boston or PSG since 31 March 2004, being the date to which their respective Accountants' Reports, as set out in Parts IV and V hereof, have been prepared.
- (h) 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 having any connection with or dependence upon the Acquisition.
- (i) No arrangements exist whereby the Concert Party intends that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any extent on the business of the Company.
- (j) There are no agreements, arrangements or understandings pursuant to which any of the Consideration Shares will be transferred to any other person following completion of the Acquisition.
- (k) The minimum amount which, in the opinion of the Directors, must be raised under the Placing and Open Offer to provide the sums required in respect of the matters specified in Schedule 1 of the Public Offers of Securities Regulations 1995 is £1,497,090, which will be applied as follows:
- (i) funding of the Acquisition £800,000
 - (ii) preliminary expenses and expenses of the Open Offer and Admission £425,000
 - (iii) working capital £272,090
- The balance of the funding for the Acquisition is £3.7 million and is being provided by Barclays as described in paragraph 11 (f) of Part VII.
- (l) It is expected that certificates in respect of the Offer Shares will be despatched by 2 July 2004 and CREST accounts credited on 25 June 2004.
- (m) The Issue Price of 7p per Ordinary Share represents a premium of 5p over the nominal value of 2p of each Ordinary Share.

18. Documents

Copies of the following documents will be available for inspection during any normal business hours on any weekday (public holidays excepted) at the offices of Wallace LLP, One Portland Place, London W1B 1PN from the date of this document to the date of Admission:

- (a) the memorandum and articles of association of the Company and PSG;

- (b) the acquisition agreement referred to in paragraph 10 above;
- (c) the material contracts referred to in paragraph 11 above;
- (d) the service and other agreements referred to in paragraph 5 above;
- (e) the written consents referred to in paragraph 16 above;
- (f) the A Warrant Instrument dated 21 February 2000;
- (g) the B Warrant Instrument dated 15 January 2002;
- (h) the report of Milsted Langdon set out in Part IV of this document;
- (i) the report of Kirk Newsholme set out in Part V of this document; and
- (j) the audited accounts of London & Boston and PSG for the two years ended 31 March 2004.

Copies of this document are available to the public, free of charge, at the offices of Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU and at the registered office of the Company, Winchester House, Deane Gate Avenue, Taunton, Somerset TA1 2UH for one month following the date of Admission.

8 June 2004

LONDON & BOSTON INVESTMENTS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of London & Boston Investments plc (the "Company") will be held at One Portland Place, London, W1B 1PN on 24 June 2004, commencing at 11 a.m., to consider and, if thought fit, pass the following resolutions, of which resolution 1. will be proposed as an ordinary resolution and resolution 2. will be proposed as an ordinary resolution and the vote taken on a poll.

ORDINARY RESOLUTION

RESOLUTION 1.

THAT the acquisition of the whole of the issued share capital of PSG Franchising Limited by the Company on and subject to the terms and conditions of the acquisition agreement (a copy of which is laid before the meeting and, for identification purposes only, initialled by the chairman of the meeting) be and is hereby approved and the Board (or any duly constituted committee thereof) be authorised to waive, amend, vary, increase or extend any such terms and conditions and do all such things as are necessary or desirable in connection with the acquisition of the whole of the issued share capital of PSG Franchising Limited.

ORDINARY RESOLUTION TO BE VOTED ON A POLL

RESOLUTION 2.

THAT subject to the passing of Resolution 1 set out in the notice of meeting dated 8 June 2004, the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on the members of the Concert Party (as described in the admission document dated 8 June 2004 of which this notice forms part) to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of their acquiring more than 30 per cent. of the voting rights of the Company by virtue of the acquisition referred to in such Resolution be and is hereby approved.

Dated 8 June 2004

By order of the Board

John J May
Secretary

Registered Office:
Winchester House
Deane Gate Avenue
Taunton
Somerset TA1 2UH

Registered Number 3170812

Notes:

1. A member entitled to attend and vote at that meeting may appoint a proxy to attend and, on a poll, to vote, instead of him. A proxy need not be a member of the Company.
2. A form of proxy is provided. Proxies must be received at the office of the Company's Registrars, Capita Registrars, (Proxy Department), P.O. Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time fixed for the meeting.
3. If any member of the Concert Party has any shares in the Company at the time of this EGM, they will not be entitled to vote on Resolution 2.

