

Westcity PLC
Annual Report 2007

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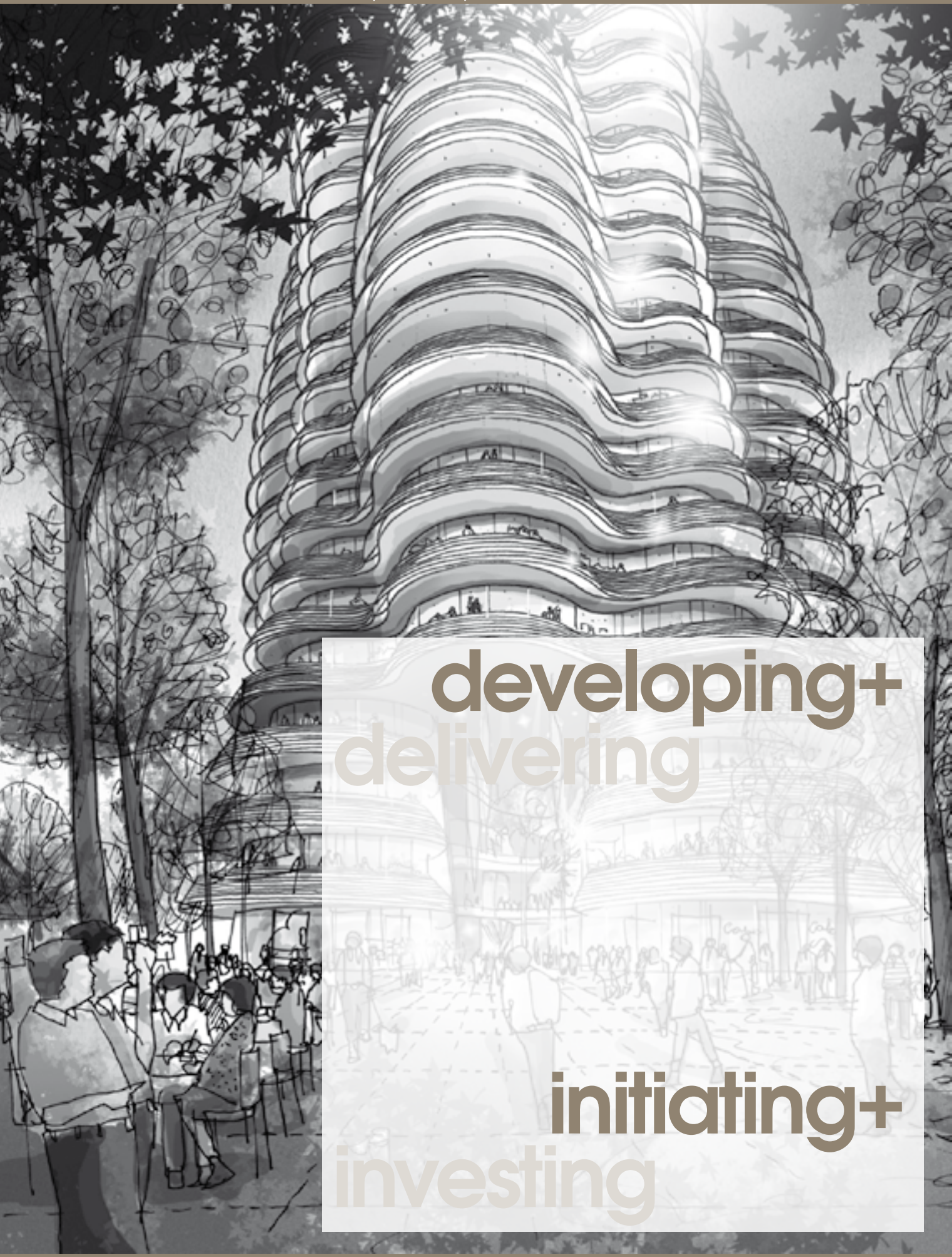
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WESTCITY PLC

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Chairman's report



The Company, as property adviser to the Stonehage Westcity Property Fund ("Fund"), completed a number of transactions for the Fund during the year whilst continuing to pursue new opportunities. However, due to delays in completing a number of transactions, the income for the year has been lower than expected.

The Company incurred a loss after tax of £1,604,000 (2006: profit £1,317,000 after including the release of £2,141,000 from provisions for onerous leases).

Westcity's major asset, its investment in the Fund, showed an increase in the carrying value of £1,570,000 (after accounting for costs, year-end valuation adjustments, exchange rate fluctuations and Westcity's share of the Fund's net asset value at 31st December 2007). However, the increase in carrying value was entirely offset by the foreign exchange loss incurred as a result of the hedging of this investment against the euro.

Review of operations

The global real estate market is experiencing a period of volatility as a result of the international banking and credit crisis, with investment financing and mortgage offers becoming increasingly difficult to obtain as a result of tighter restrictions and higher margins being imposed by lending institutions.

Despite this environment, the Company has made excellent progress during this period in completing numerous investments on behalf of the Stonehage Westcity Property Fund ("Fund").

The Fund, with equity of approximately €85m, including approximately €29m invested by the Company, had invested or committed around 75% of available equity at year end. If the Malaysian transaction completes in the latter half of 2008, the Fund will be over 90% invested.

During the year under review the Company has established a strong infrastructure of real estate investment and development managers and support staff. This will enable the Company to successfully manage its development and investment pipeline through the life of the Fund. The cost of this infrastructure was not matched by revenues in the year, so that the Company produced a loss for the period. However, this team had successfully concluded a number of transactions for the Fund by year end which will produce income to the Company in the years ahead. If the Malaysian transaction completes, in the latter part of 2008, the Fund will be almost fully invested and the Company's contracted revenue stream will match its overhead structure. Going forward, the Company's fixed cost base will provide operational leverage for additional development projects which the

Company is continually assessing, thereby increasing revenues and operational profitability.

The Company has concluded negotiations and signed a Memorandum of Understanding with Covent Garden London (part of the Liberty International Group) for project management and a profit share arrangement on its Covent Garden Limited portfolio regarding its residential assets.

Liquidity

In November 2007 the Company successfully negotiated the early repayment of a £4.5m long-term loan due to it, resulting in cash on hand at 31st December 2007 of £4.8m. However, the Company's hedging position against its euro-denominated investment in the Fund matured in June 2008, at a loss of approximately £3m. Although this loss is offset against an unrealised currency gain on the Fund investment, the hedging loss was paid in cash at maturity on 9th June 2008, reducing the Company's cash resources by that amount.

As a result of this cash outflow, the Company successfully secured a loan facility from Chapman International



Greenwich

Investment LTD (Chapman), the Company's largest shareholder, on the following terms. The loan facility is for £2m available over a two-year period. The interest rate is 2.5% above the prevailing LIBOR rate. A 1% arrangement fee is payable to Chapman and the Company will grant Chapman a charge over five million units in the Fund, as security for the loan. The loan is repayable at the end of the two-year period.

The facility will only be drawn down to the extent that the Company's remaining cash resources for working capital are insufficient.

Outlook

The Fund's portfolio is well balanced across investment and development assets, in line with the Fund manager's objectives. The Fund's investments in standing assets are in Germany and Russia and the revenue yields are all substantially above their debt interest rates which have been fixed for between five and seven years. The Fund has two development projects in London. Whilst the outlook for residential values in the UK remains negative, we anticipate prices in prime London areas are not expected to decline as much as in the rest of the UK. These development projects, which are both in the planning stage, are long-term projects and it is hoped that the residential market would have ended its anticipated decline by the time that these developments are available for sale.

The Company believes that all of its development locations are of the highest quality. In addition, the Fund has invested in the Rutley Russia Fund, providing the potential to benefit from Russia's robust resource and energy-based economy. The remaining investments are relatively liquid, providing the resource to take advantage of further opportunities as they arise.



Queen's Wharf

Investment properties

German property has not been immune to the credit crunch but yields are reported to have softened to a much lesser degree than the UK and other European countries. The Fund's Investment Portfolio, which represents approximately 30% of the total invested and committed equity, is located exclusively in Germany.

All of the properties in the investment portfolio have been purchased with revenue yields substantially above the cost of borrowing, which in all cases has been fixed for at least five years. Whilst the German portion of the Fund's total portfolio is viewed as defensive and cash generative, value enhancement will be dependent on asset management, cost control, successful tenanting of vacating leases and achieving rental escalations over the longer term in a potentially slowing economy.

Concordia Building, Hannover

The Fund has invested equity of €4.4m in a commercial property in Hannover, Germany, at an initial yield on purchase price of 7.1%. The property consists of approximately 15,678 square metres over nine floors and is 100% let to a large German insurance company on a lease which terminates in 2020 with annual CPI rent reviews. The gross cost to the fund was €20.7m, of which 78% was funded by non-recourse senior debt. Rental income has increased by approximately 2.5% since the property was acquired, with annual reviews in line with CPI going forward. This property was professionally valued at €22m at 31st December 2007, which is the carrying value as at that date.

Mustang Portfolio

In partnership with the European Added Value Fund, which is managed by AXA



Mustang Portfolio

Investment Management, the Fund acquired a portfolio of ten commercial properties in secondary/tertiary German towns and cities for €85m, at an initial yield on purchase price of 7.2%. The portfolio was professionally valued at €84.5m at year end. The Fund's equity investment after acquisition costs amounted to approximately €14.1m for its 50% share, with the Fund's portion of non-recourse secured debt of approximately €25.5m carrying interest of 5.37% fixed for seven years as well as €5.3m of mezzanine debt at a rate of 7.04%. The ten properties comprise of approximately 60,000 square metres of primarily commercial space, including a nominal element of retail and the portfolio is 85% let.

Frankfurt and Maintal

In December 2007 the Fund, together with the European Added Value Fund, had contracted for the acquisition of four properties comprising a total of 20,000 square metres in Frankfurt and Maintal at an initial yield on purchase price of 8.6%. This transaction was completed in March 2008 and these properties will be added to the Mustang Portfolio. The Fund's share of equity, after total non-recourse secured debt of €8.8m, amounts to €2.2m.

Berlin Residential Properties

The Fund invested €5.1m of equity capital into a specialist residential fund in Berlin, Germany. With approximately 28% share of the Berlin fund's equity base, the Fund is represented on the advisory board, and benefits from a significant reduction in management and ongoing fees. The Berlin fund has acquired 29 properties which comprise 750 residential units and 60 retail units with an aggregate purchase cost of €56m at an average entry yield of 7.2%. The portfolio has been funded by equity and 85% of senior non-recourse debt. The portfolio

Chairman's report continued

was professionally valued at €62m but as a result of one-off acquisition costs and operating expenses the Fund's book value of this investment at 31st December 2007 amounted to €3.5m.

Development projects

Market sentiment and current indicators point to a slowing in market activity and downturn in prices for the UK residential market over the coming years. However, due to the strong locations of the developments and the quality design that Westcity produces, we are of the opinion that our developments should be less exposed than the general market. It is widely acknowledged that with international monies still attracted to top-end residential properties in prime locations in London, the locations of the Fund's residential developments should be less exposed to any fall in house prices.

Greenwich, London

The Fund has entered into a joint venture with Capital & Counties for a mixed-use development in the centre of Greenwich, London. Subject to planning approvals, the development will comprise 129 residential units and approximately 2,500 square metres of prime retail space. The Fund's 50% share of the equity requirement is €11.2m. The Fund's book value of its share of this investment at 31st December 2007 amounted to €11.6m, reflecting an increase based on the professional valuation completed at year end.

The project has an approximate gross development value of £57m. Westcity will undertake the management of the development, utilising its core in-house development competencies. Combining the residential development skills of Westcity with the retail property skills of the Fund's JV partner, this

project should enhance the portfolio's overall returns.

Queen's Wharf, London

In December 2007 the Fund, in a 50/50 joint venture with Byrne Estates LTD (part of the Ardmore Group), contracted to purchase a property at Queen's Wharf, Hammersmith for £30.7m. The acquisition was completed in March 2008 and the purchase price has been funded by approximately 25% equity and 75% senior debt which was provided by Kaupthing Singer & Friedland. The Fund's equity investment will amount to approximately €11.8m. The gross development value of the project has been appraised at approximately £109m.

The Queen's Wharf site, located on the River Thames adjacent to Hammersmith Bridge, is a prime site enjoying excellent river views. The Company, together with Byrne Estates LTD, will jointly develop approximately 140,000 square feet of net saleable area, which will comprise of residential and retail accommodation.

The opportunity to develop this unique site fits perfectly within the core development skills of Westcity.

Kenny Heights, Kuala Lumpur

The Malaysian market, as with the rest of South East Asia, is expected to grow on the back of increasing confidence resulting from the additional provisions for infrastructure improvement and economic development. In November 2007 the Fund contracted into a Joint Venture with experienced local partners for the development of a mixed residential and retail project in an exclusive location in Kuala Lumpur, Malaysia. The consortium has instructed four of the world's leading architects (Foster, Conran, Adjaye and Benoy) to design this hugely impressive

new district. Completion of the agreement is conditional upon a number of conditions and is anticipated to close in the latter half of 2008.

The proposed development site, known as Kenny Heights, consists of a land parcel of ten acres which forms the core of an 80-acre site owned by the Fund's Joint Venture partners, which will be independently developed at a later stage. Kenny Heights is a prime residential site located close to Kuala Lumpur's Central Business District, and adjacent to the prime residential suburb of Kenny Hills. It is also the site of the new Malaysian Royal Palace which is under construction.

The scheme consists of approximately 2,500,000 square feet of development, comprising of 700 residential units, a luxury hotel with associated apartments and a retail shopping centre of approximately 300,000 square feet. Westcity will co-manage the development with the Fund's Joint Venture partner.

The three development opportunities outlined above will draw on Westcity PLC's development expertise, and should provide good development profits.

Other investments

UK care homes

The Fund has contracted as a mezzanine finance provider for the identification of sites, planning and subsequent development of care homes in the UK. This sector has been seen as demographically defensive in the current downturn.

The Fund has committed an initial €6.5m to provide mezzanine funding to a well-established UK company for the acquisition of development land



Covent Garden Portfolio



Russia

and the subsequent development of care homes throughout the UK. The Fund, which has a deal by deal veto, is entitled to a fixed return on its investment, in addition to a 30% profit share.

Demand for care beds in the UK has increased over recent years, with demand expected to increase significantly over the next few decades. At the same time, supply of care beds is falling, due to increased regulation and the subsequent closure of care homes.

Portland Fund

The listed property sector in the UK recorded substantial negative returns in 2007, with a number of securities trading currently at large discounts to net asset values. The Fund's investment in June 2007 in the Portland Global Real Estate Securities Fund has given the Fund international exposure in publicly traded real estate securities. The hedging instruments and strategies employed allow for the Fund to benefit from both the positive and negative movement in the market, especially in light of the current market conditions. This investment, as part of the Fund's indirect property instrument portfolio allocation, is liquid and provides the potential as a hedge against part of the Fund's overall portfolio.

The Portland Fund seeks superior absolute returns by investing in publicly traded real estate securities, primarily in Europe. The fund, managed by Portland Capital LLP, is targeting net returns above 15%. Capitalising on the principal's expertise in investments, real estate private equity, debt and derivative markets, the fund will have the opportunity to benefit from attractive returns in both positive and negative market environments by

applying Portland's investment skills to the real estate market.

Russia

The Russian real estate market is also expected to give the Fund the opportunity to achieve attractive returns driven by development, yield compression and rental growth. Hence, the Fund has invested in the Rutley Russia Property Fund.

As part of a portfolio, the Russian real estate market offers superior opportunity for capital appreciation through rental uplift and yield compression compared to many European markets. The Fund has invested €7.7m (US\$10m) into the Rutley Russia Property Fund, which will invest in commercial, industrial and retail standing properties and developments in St Petersburg, Moscow and larger regional Russian cities. The Rutley Fund has currently invested 30% of its equity with an extremely attractive pipeline under consideration.

The Fund also has the right of first refusal as the preferred co-investment partner of up to €150m in the Russian retail sector with our partners and has representation on the investment board of the Rutley Russia Property Fund.

Dividend

No dividend will be paid on the ordinary shares in respect of the period under review (2006: nil).

Board

As announced on 20th March 2008, the Board has been restructured with the roles of Executive Chairman and Chief Executive Officer being combined. The Board of the Company believes that this streamlining of the Company's executive management will enhance the Company's operational capability.

Rex Wood-Ward, who resigned as Executive Chairman, continues to serve on the Board as a Non-Executive Director. The Board of the Company joins me in expressing its appreciation to Rex for his contribution to the Company over the past five years.

Ira Rapp
Executive Chairman
26th June 2008

Board of Directors and Officers



Rex Wood-Ward



Ira Rapp



Michael Tannenbaum



Michael Rapp



Sir Harry Solomon



Raymond Davies

Ira Rapp**Chairman and Chief Executive Officer**

Mr Ira Rapp, 49, was appointed an Executive Director and Chief Executive on 27th July 2006 and Chairman on 20th March 2008. Since 1988 he has built the Westcity Property Group into one of the leading niche developers of upmarket residential developments. He has over 16 years' experience of the UK's property development sector and one of his strengths is his ability to create and manage successful joint venture opportunities.

Raymond Davies**Non-Executive Director**

Mr Raymond Davies, 66, was appointed to the Board in February 2000 and served as Chairman between November 2000 and April 2002. He was a part-time Executive Director becoming a Non-Executive Director with effect from 1st May 2003. He has served on the boards of listed companies in South Africa and the UK.

He is a Chairman of the Remuneration Committee and a member of the Audit Committee.

Michael Rapp**Non-Executive Director**

Mr Michael Rapp, 72, was appointed to the Board on 2nd October 2002. His career has been focused on real estate. He was responsible for the real estate development of the Liberty Life Group in South Africa until 1985. Michael remains a Non-Executive Director of Liberty International PLC. He is Chairman of the Audit Committee.

Sir Harry Solomon**Non-Executive Director**

Sir Harry Solomon, 71, qualified as a solicitor in 1960 and remained in practice until 1977. In 1976 he was one of the two joint founders of Hilldown Holdings PLC, which became one of the largest food groups in Europe with a turnover of over £3bn, employing approximately 45,000 people. He occupied various executive positions in Hilldown including Chairman and Chief Executive.

He retired from executive duties in 1992. Since then he has been involved in various other business enterprises. He currently has interests in a number of companies both public and private in the UK and in the US. He was awarded a Knighthood in 1991 for services to the food industry and is also an Honorary Fellow of the Royal College of Physicians.

Sir Harry is a member of the Audit and Remuneration Committees.

Rex Wood-Ward**Non-Executive Director**

Mr Rex Wood-Ward, 59, was appointed an Executive Director and Chief Executive with effect from 1st May 2003 and served as Chairman from 26th September 2003 until 20th March 2008, on which date he was appointed a Non-Executive Director. During his 35 years of general management, mergers, acquisition and finance experience he has served on the boards of listed companies in South Africa, England and Australia. He is currently a Non-Executive Director of Coats PLC.

Michael Tannenbaum**Finance Director**

Mr Michael Tannenbaum, 48, was appointed Company Secretary and Chief Financial Officer on 27th July 2006. On 20th November he was appointed to the Board as a Director of Westcity PLC. A chartered accountant, he joined the Westcity Property Group in 1990 from Capital & Counties. He moved to London in 1985 as Group Manager at Touche Ross & Co. where he was responsible for audit, consultancy and investigatory work. Michael has fostered strong relationships with fund providers and the finance sector.

Executive team

Lester Bennett **Design Director**

Lester Bennett, 57, is a chartered designer and was appointed Design Director of Westcity Developers LTD in January 2007. Prior to this he was Director of Design for Westcity Wates Property Development LTD, appointed in April 2000, having been a consultant to Westcity since 1991.

Lester has been involved in all of Westcity's property development schemes to date, and his responsibilities include all aspects of design development, specification and detailing.

Rod Taylor **Sales & Marketing Director**

Rod Taylor, 40, was appointed Sales & Marketing Director of Westcity Developers LTD in December 2007. He joined Westcity as Director of Sales in January 2007.

Prior to this he has had 12 years of experience as a Director at Hampton's International and previously as a Director at Savills specialising in residential agency, investment and development.

His responsibilities include developing and managing marketing strategies, phasing and sales strategies, legal conveyance and purchaser liaison.

Anthony Rosenthal **Investment Director**

Anthony Rosenthal, 38, is a chartered accountant and MBA. Anthony joined Westcity at the beginning of 2007 as Investment Director having had previous experience in building and selling a number of retail and commercial property portfolios in continental Europe. He also has experience in private equity and corporate finance transactions, having been employed by a number of well-known financial institutions.

Simon Rosenberg **Development Director**

Simon Rosenberg, 39, is a chartered surveyor and was appointed Development Director in January 2007 having joined Westcity Wates Property Development LTD from EC Harris as Project Manager in 2004.

He was responsible for the delivery of the Sir Giles Gilbert Scott scheme, a Grade II listed building refurbished by Westcity to contain 100 residential apartments.

His responsibilities are project management and providing advice to the Board on all stages of a development.

Rob Darrow **Development Director**

Rob Darrow, 34, was appointed Development Director in January 2007. As consultant to Westcity, firstly as project manager working for Mace, from October 2002 until June 2005, and then for his own consultancy from June 2005 to the present day, Rob has been responsible for the delivery of Phillimore Square in Kensington, a scheme of eight town houses and 36 apartments.

His responsibilities are project management and providing advice to the Board on all stages of a development.



Lester Bennett



Rod Taylor



Anthony Rosenthal



Simon Rosenberg



Rob Darrow

Advisers

Nominated Adviser and Broker

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

Legal Advisers

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EC4Y 0DJ

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Company Secretary

Michael Tannenbaum
Chartered Accountant

Corporate governance

As an AIM traded company, compliance with the combined code is not mandatory. However, the Board is committed to maintaining appropriate standards of corporate governance as summarised below.

Directors

At 31st December 2007, the Board consisted of three Executive and three Non-Executive Directors.

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

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

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

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

Internal control

The Board considers risk management and internal control matters at their regular Board meetings.

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

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

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

The Audit Committee

The Audit Committee comprises the Company's three Non-Executive Directors, Michael Rapp, Chairman of the Committee, Raymond Davies and Sir Harry Solomon. The Audit Committee keeps the scope and cost-effectiveness of the external audit under review. The independence and objectivity of the external auditors is considered on a regular basis, with particular regard to the level and nature of non-audit fees.

The Remuneration Committee

The Remuneration Committee meets at least once a year. The Remuneration

Policy set by the Committee is described below.

Composition of the Remuneration Committee

The Company's Remuneration Committee comprises two Non-Executive Directors, namely Raymond Davies (Chairman of the Committee), and Sir Harry Solomon. The Company Secretary acts as Secretary to the Committee. The Committee establishes the Remuneration Policy within the Group.

Remuneration Policy

Executive Directors' remuneration is determined on behalf of the Board by the Remuneration Committee (after reviewing publicly available information concerning the remuneration scales of other similar companies). The remuneration of the Non-Executive Directors is determined by the Board as a whole.

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

Remuneration of Executive Directors:

During the year Mr Wood-Ward, Chairman, received a salary of £185,000 (2006: £185,000) plus benefits of £75,342 (2006: £73,000).

Mr Ira Rapp, Director and Chief Executive, received a salary of £300,000 (2006: £125,000) for the year to 31st December 2007 plus benefits of £10,244 (2006: £3,570)

Mr Michael Tannenbaum was appointed as Director on 20th November 2007 and

received a salary of £168,396 for the year to 31st December 2007 plus benefits of £17,264.

Non-Executive Directors' Fees

The Board decides the remuneration arrangements for the Non-Executive Directors. The basic annual fee for Non-Executive Directors is £24,000, which has not changed since 1st January 2000.

Directors' Service Contracts

Mr Wood-Ward's appointment letter was dated 13th October 2003. The initial term of his service contract was two years from 1st September 2003 with a six month rolling notice period. Mr Wood-Ward's contract terminated on 20th March 2008 at which time he was appointed a Non-Executive Director for an initial term of two years.

Mr Ira Rapp's date of appointment was 1st August 2006. The initial term of his service contract was two years from 1st August 2006 with a 12-month rolling notice period.

Mr Davies and Mr M. Rapp's service contracts expired on 30th April 2007 and have been extended on the same terms for a further 12 months until 30th April 2008.

Sir Harry Solomon was appointed on 19th September 2006. The initial term of his service contract was two years from 19th September 2006.

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

Communication

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

The Company welcomes all shareholders to its Annual General Meeting with the opportunity to ask questions at the meeting.

Going concern

Having carefully reviewed the Group's budgets for 2008, its business plans and in consideration of the events noted in note 22, the Directors have come to the conclusion that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have prepared accounts for the Company and the Group in accordance with International Financial Reporting Standards (IFRS).

The Directors are required to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulation from 1st January 2007. The Board/ Company has elected to adopt IFRS from the financial year ended 31st December 2006.

The Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and the financial performance and cash flows of the Group and Company for that year. In preparing these financial statements, the Directors are required to:

- > properly select suitable accounting policies and then apply them consistently;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > state that the Company and the Group have complied with International Financial Reporting Standards, subject to any material departures disclosed and explained in the financial statements; and
- > provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards is

insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;

- > prepare the financial statements on the going concern basis unless, having assessed the ability of the Company to continue to trade as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud or other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the UK and ensuring that the Annual Report includes the information required by the rules of the Alternative Investment Market.

The Directors are responsible for the maintenance and integrity of the Company website.

Legislation in the UK governing the preparation and dissemination of the financial statements and other information included in any reports may differ from legislation in other jurisdictions.

Directors' report for the year ended 31st December 2007

Principal activities

Westcity PLC is a property and property related investment, development and management company.

From 1st January 2007 Westcity Developers LTD acted as a service company for its parent company Westcity PLC.

On 9th June 2007 Weasel Investment LTD took out a forward exchange contract for its parent company Westcity PLC.

Review of operations

A review of the consolidated entity's operations during the year and the results of those operations are set out in the Chairman's Report.

Dividends

No dividend is proposed for ordinary shareholders.

Supplier payment policy

Payments to suppliers are made in accordance with negotiated arrangements other than in the event of a dispute. As at 31st December 2007 trade payables of the Group represented 28 days (2006: 28 days) of amounts invoiced by suppliers during the year.

Significant interests

The Company has been notified of the following interests amounting to 3% or more of the Company's ordinary share capital as at 12th May 2008:

	Number of ordinary shares	%
Chapman International Investment LTD	24,808,657	33.39
Colmar Investment Holdings LTD	5,951,000	8.0
Ira Rapp	4,000,000	5.38
Boma Global Investment L.P.	2,400,000	3.23

Directors

The names and brief biographical details of the Directors are shown on pages 8 and 9.

No contract subsisted during or at the end of the year in which a Director of the Company was materially interested, other than his service agreement and other than disclosed in note 20. The Directors' interests in the share capital of the Company and other companies within the Group during the period under review appear on page 16.

Directors' remuneration policy

The remuneration policy and details of Directors' remuneration are given in the Corporate Governance Report on pages 12 and 13.

Directors' report continued for the year ended 31st December 2007

Share holdings

The number of shares in the Company held during the financial year and at the date of this report by each Director of Westcity PLC and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2007

Directors	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
R. Wood-Ward	87,600	–	–	87,600
I. Rapp*	4,000,000	–	–	4,000,000
Sir H. Solomon	2,000,000	–	–	2,000,000

None of the other Directors or key management personnel had any interest in the shares of the Company or other Group undertakings.

There have been no changes to Directors' shareholdings since the year end to the date of this report.

* These shares are held through Westcity Properties LTD, a company in which Ira Rapp has a beneficial interest. Ira Rapp also has an indirect interest in Westcity PLC, by virtue of him being a beneficiary under a trust which has an interest in Chapman International Investment LTD, a substantial shareholder.

Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each Director of Westcity PLC and other key management personnel of the Group are set out below.

2007

Directors	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
R. Wood-Ward	1,106,190	–	–	–	1,106,190	–
I. Rapp	2,800,000	–	–	–	2,800,000	–
M. Tannenbaum	300,000	–	–	–	300,000	–

Directors	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Aggregate, including Development, Investment, Design & Sales Directors	–	270,000	–	–	270,000	–

Mr Wood-Ward holds 146,190 options under the Westcity Equity Partnership Plan and options over 60,000 ordinary shares under the 1995 Approved Scheme. All other options were issued under the 2006 Scheme. Further details on all three schemes are included in note 21 to the accounts.

Corporate Governance

Statements of the Company's policy on Corporate Governance are set out on pages 12 and 13.

Annual General Meeting

Details of the Annual General Meeting will be contained in a separate notice to shareholders.

Charitable donations

The Group made no charitable or political donations during the year.

Events since the balance sheet date

In June 2007, the Company entered into forward exchange hedging contract to limit its currency exposure to the euro based on its investment in the Stonehage Westcity Property Fund ("Fund"), which is euro-denominated. With the strengthening of the euro against the pound in the last year, the value of the Company's investment in the Fund has increased. However, a corresponding foreign exchange loss has resulted from the forward exchange transaction which at 31st December 2007 was £1,550,000 for which the liability has been recognised (see note 2).

As at 9th June 2008, this loss amounted to £2,983,321 and was settled in cash and the security over the units of the fund (per note 9) was released.

As a result of this cash outflow, the Company has secured a two-year loan facility from Chapman International Investment LTD, the Company's largest shareholder. The Company will grant Chapman a charge over five million units in the Fund, as security for the loan. The loan is repayable at the end of the two-year period.

The facility will only be drawn down to the extent that the Company's remaining cash resources for working capital are insufficient.

Information to auditors

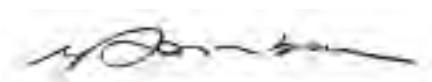
Each of the persons who are Directors at the time when this report is approved has confirmed that:

- > So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- > each Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing its report and to establish that the Company's auditors are aware of that information,

Auditors

Horwath Clark Whitehill LLP has expressed its willingness to continue in office and a resolution to reappoint it and authorise the Directors to fix its remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by order of the Board and signed on its behalf.



Michael Tannenbaum
26th June 2008

Auditors' report

Independent auditors' report to the shareholders of Westcity PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Westcity PLC for the year ended 31st December 2007 on pages 20 to 46 which comprise the Group income statement, the Group and Parent Company balance sheets, the Group and Parent Company Statements of cash flow, the Group and Parent Company statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our

opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements to be audited are free from material misstatement, whether caused by fraud

or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- > the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union applied in accordance with the provisions of the Companies Act 1985, of the state of the Group and Company's affairs as at 31st December 2007 and of the Group's loss for the year then ended; and
- > the financial statements have been properly prepared in accordance with the Companies Act 1985.
- > the information given in the Directors' Report is consistent with the financial statements.

HORWATH CLARK WHITEHILL LLP
Chartered Accountants
and Registered Auditors
St Bride's House
10 Salisbury Square
London EC4Y 8EH

26th June 2008

Financial statements



Consolidated income statement for the year ended 31st December 2007

	Notes	2007 £'000	2006 £'000
Revenue		1,132	568
Other income			
Finance revenue	2	335	676
Employee benefits expense	3	(2,312)	(936)
Depreciation and amortisation expense	2,8	(36)	(18)
Other expenses		(912)	(725)
Release of provision for onerous leases		-	2,141
Profit/(loss) on investment held at fair value through profit and loss	2	1,570	(432)
Finance costs	2	-	(125)
Share of profits of equity accounted investments	7	69	76
Loss on forward exchange contract	2	(1,550)	-
Profit on sale of Hixon Land		100	-
(Loss)/profit before tax	(1,604)	1,225	
Income taxes	5	-	92
(Loss)/profit for the year attributable to equity holders of the parent		(1,604)	1,317
Basic (loss)/earnings per share	6	(2.12)p	2.05p
Diluted (loss)/earnings per share	6	(2.12)p	2.04p

Balance sheets as at 31st December 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Non-current assets					
Property, plant and equipment	8	70	31	70	31
Equity accounted investments	7	123	89	13	13
Other financial assets	9	21,138	24,068	44,693	47,623
		21,331	24,188	44,776	47,667
Current assets					
Trade and other receivables	11	413	119	2,733	119
Prepayments		34	56	34	56
Cash and cash equivalents		4,787	2,231	4,787	2,231
		5,234	2,406	7,554	2,406
Total assets		26,565	26,594	52,330	50,073
Current liabilities					
Trade and other payables	12	403	514	2,951	511
Financial liability on forward exchange contract	2	1,550	–	1,550	–
Provisions	13	55	55	55	55
		2,008	569	4,556	566
Non-current liabilities					
Amounts owed to subsidiary undertakings		–	–	23,808	23,808
Provisions	13	405	459	155	209
		405	459	23,963	24,017
Total liabilities		2,413	1,028	28,519	24,583
Net assets		24,152	25,566	23,811	25,490
Capital and reserves					
Issued share capital	15	743	743	743	743
Share-based payments reserve	16	321	131	321	131
Other capital reserves	16	25,589	25,488	25,589	25,488
Retained earnings	16	(2,501)	(796)	(2,842)	(872)
Shareholders' equity		24,152	25,566	23,811	25,490

These financial statements on pages 20 to 46 were approved and authorised for issue by the Board of Directors on 26th June 2008 and were signed on its behalf by:

Director **M. Tannenbaum**

Cash flow statements for the year ended 31st December 2007

	Notes	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Net cash flows from operating activities	17	(2,190)	(4,767)	(2,190)	(10,549)
Investing activities					
Interest received		334	676	334	676
Purchase of property, plant and equipment		(88)	(16)	(88)	(16)
Proceeds from the sale of investment property		-	450	-	450
Payments to acquire equity accounted investments		-	(13)	-	(13)
Payments to acquire other financial assets		-	(20,000)	-	(20,000)
Net cash flows used in investing activities		246	(18,903)	246	(18,903)
Financing activities					
Net proceeds from the issue of share capital		-	7,457	-	7,457
Interest paid		-	(125)	-	(125)
Repayment of borrowings		-	(5,904)	-	-
Amounts received from subsidiaries		-	-	-	(100)
Amounts repaid by related entities		4,500	-	4,500	-
Net cash flows used in financing activities		4,500	1,428	4,500	7,232
Net increase/(decrease) in cash and cash equivalents		2,556	(22,242)	2,556	(22,220)
Cash and cash equivalents at 1st January		2,231	24,473	2,231	24,451
Cash and cash equivalents at 31st December		4,787	2,231	4,787	2,231

Statement of changes in equity for the year ended 31st December 2007

Group	Issued capital £'000	Share premium £'000	Share-based payment reserve £'000	Other capital reserves £'000	Retained earnings £'000	Total equity £'000
At 1st January 2006	2,846	16,841	38	3,976	(7,002)	16,699
Profit for the year	-	-	-	-	1,317	1,317
Total income and expense for the year	-	-	-	-	1,317	1,317
Issue of share capital (net of issue costs)	869	6,588	-	-	-	7,457
Capital reduction	(2,972)	(23,429)	-	21,512	4,889	-
Share-based payment	-	-	93	-	-	93
At 31st December 2006/ 1st January 2007	743	-	131	25,488	(796)	25,566
Loss for the year	-	-	-	-	(1,604)	(1,604)
Total income and expense for the year	-	-	-	-	(1,604)	(1,604)
Share-based payment	-	-	190	-	-	190
Adjustment relating to previous capital reduction	-	-	-	101	(101)	-
At 31st December 2007	743	-	321	25,589	(2,501)	24,152

Statement of changes in equity for the year ended 31st December 2007

Company	Issued capital £'000	Share premium £'000	Share- based payment reserve £'000	Other capital reserves £'000	Retained earnings £'000	Total equity £'000
At 1st January 2006	2,846	16,841	38	3,976	(7,002)	16,699
Profit for the year	-	-	-	-	1,241	1,241
Total income and expense for the year	-	-	-	-	1,241	1,241
Issue of share capital (net of issue costs)	869	6,588	-	-	-	7,457
Capital reduction	(2,972)	(23,429)	-	21,512	4,889	-
Share based payment	-	-	93	-	-	93
At 31st December 2006/ 1st January 2007	743	-	131	25,488	(872)	25,490
Loss for the year	-	-	-	-	(1,869)	(1,869)
Total income and expense for the year	-	-	-	-	(1,869)	(1,869)
Share-based payment	-	-	190	-	-	190
Adjustment relating to previous capital reduction	-	-	-	101	(101)	-
At 31st December 2007	743	-	321	25,589	(2,842)	23,811

Notes to the financial statements

for the year ended 31st December 2007

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The consolidated financial statements of Westcity PLC and all its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards (IFRS).

These financial statements have been prepared on a historical cost convention except as otherwise described in these accounting policies.

Basis of consolidation

The consolidated financial statements comprise of the financial statements of Westcity PLC and its subsidiaries as at 31st December each year. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company and have been adjusted to ensure that there are consistent accounting policies between all Group companies.

All intra-Group balances, transactions, income and expenses and profits and losses resulting from intra-Group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Businesses acquired or disposed of during the year are accounted for using purchase method principles.

The Group has an interest in a joint venture which is a jointly controlled entity. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest. The Group recognises its interest in the joint venture using the equity accounting method. The financial statements of the joint venture are prepared for the same reporting year as the parent company, using consistent accounting policies.

Consistency of accounting policies

The accounting policies adopted are consistent with those of the previous financial year. During the year the Group adopted the following interpretations to published standards:

- > IFRIC 8 Scope of IFRS 2 applies to transactions when the consideration received is less than the fair value of the equity instruments granted. The interpretation does not have any effect on the Group financial statements as no such transactions took place during the year.
- > IFRIC 10 Interim financial reporting and impairment states that the Group should not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment. This does not have any effect on the Group financial statements as the Group did not reverse any impairment charges recognised in a previous interim period.
- > IFRS 7 Financial Instruments: Disclosure and IAS 1 (Amendment) Capital Disclosures bring in new disclosures relating to financial instruments and have affected the presentation of the accounts but not the valuations.

In addition, the following interpretations were mandatory for the Group's accounting period, but were not relevant to the operations of the Group.

Notes to the financial statements continued for the year ended 31st December 2007

1. Accounting policies continued

- > IFRIC 7 Applying the restatement approach under IAS 29 Financial reporting in hyperinflationary economies.
- > IFRIC 9 Reassessment of embedded derivatives.

Future requirements

The following standards and interpretations were issued and available for early application but have not yet been applied by the Group in these financial statements. The Group intends to apply these standards and interpretations, where relevant, when they become effective:

Standards that become effective for year ending 31st December 2008 comprise:

- > IFRIC 11 IFRS 2 Group and treasury share transactions address share-based payment transactions involving an entity's own equity instruments and share-based payment transactions involving equity instruments of a Parent Company. Application of the interpretation is unlikely to have any effect on the Group.
- > IFRIC 12 Service concession arrangements provide guidance on the accounting by operators for public-to-private service concession arrangements. The Group does not provide any public services and therefore the interpretation is not relevant to the Group's operations.*
- > IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction addresses when refunds from or reductions in future contributions to a defined benefit pension scheme can be recognised as an asset. The interpretation also addresses how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. The Group does not operate any defined benefit pension schemes and the interpretation is therefore not relevant to the Group's operations.*

Standards that become effective for year ending 31st December 2009 comprise:

- > IFRIC 13 Customer loyalty programmes address accounting by the entity that grants award credits to its customers. The Group does not grant any customer loyalty awards and therefore the interpretation is not relevant to the Group's operations.*
- > IFRS 8 Operating segments replaces IAS 14 "Segment Reporting" and requires the Group to adopt the management approach to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. The new standard will significantly change the way segmental information is currently reported.
- > IAS 23 (Amendment) Borrowing costs change the previous version of the standard by removing the option to expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Such borrowing costs will in future be required to be included in the cost of the fixed asset or inventory item to which they relate. The amendment will not affect the Group results as the Group does not have any such assets.*
- > IAS1 (revised 2007) Presentation of Financial Statements will require certain presentational changes to the financial statements.

* Standards or Interpretations not yet endorsed by the EU

Significant accounting judgements, estimates and assumptions

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of income, expenditure, assets and liabilities. Estimates and judgements are continually evaluated, including expectations of future events that are believed to be reasonable for the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, include consideration of deferred tax assets, onerous lease and other provisions and liabilities, fair value estimations and share-based payment assumptions. Further details of all of these estimates and assumptions are set out in each of the relevant accounting policies and detailed notes to the financial statements.

Revenue recognition

Fee income represents the invoiced value of fees earned, less value added tax.

Revenue is derived from providing portfolio management services to the fund, trailer fees for sourcing funding, acquisition fees for sourcing development and investment opportunities and for providing specialist advisory and consulting services.

Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and impairment. Where indications of impairment arise, a review is carried out and the carrying value of the asset is adjusted through an impairment charge. Where a subsequent change in conditions leads to an increase in the recoverable amount, a reversal of the impairment is recognised.

Cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight line basis over the useful life of the assets as follows:

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

Assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

The asset's residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value.

Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Notes to the financial statements continued for the year ended 31st December 2007

1. Accounting policies continued

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised in prior years. A reversal of the impairment loss is recognised as income in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal is recognised as a revaluation reserve.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of, or right to use, specific assets.

A reassessment is made after inception of the lease only if:

- > There is a change in contractual terms, other than a renewal or extension of the arrangement.
- > A renewal option is exercised or extension granted, unless initially included in the lease term.
- > There is a change in the determination of whether fulfilment is dependent on a specified asset.
- > There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment. For arrangements entered into prior to 1st January 2005, the date of inception is deemed to be 1st January 2005 in accordance with the transitional requirements of IFRIC 4.

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. The interest elements of the rental obligations are charged in the income statement over the periods of the leases and represent a constant proportion of the balances of capital repayments outstanding.

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

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks

specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous leases

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

Onerous contracts

Amounts are provided to account for future losses on the continuation of onerous contracts. Estimating the provision requires management to make an estimate of the expected future cash flows to satisfy the contract and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Foreign currency translation***Functional and presentation currency***

The consolidated financial statements are presented in pounds sterling which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of foreign operations is the same as the functional currency of the parent entity.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Non-derivative financial instruments are initially recognised at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less impairment.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Notes to the financial statements continued for the year ended 31st December 2007

1. Accounting policies continued

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss include financial assets held for trading and financial assets designated upon initial recognition into this category. Financial assets may be designated at initial recognition as at fair value through profit and loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising the gains and losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk strategy; or (iii) the financial asset contains an embedded derivative that would need to be separately recorded.

Held to maturity investments

Held to maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held to maturity investments are measured at amortised cost. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method. Any differences between the proceeds (net of transaction costs) and the settlement or redemption of borrowings are recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition. Gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Forward exchange contract

The Company holds derivative financial instruments to hedge its currency risk exposure. The derivatives are recognised at fair value and changes therein are accounted for appropriately.

Tax***Income tax***

Corporation and overseas tax payable is provided on taxable profits using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax result nor the accounting result.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pension costs

Contributions to the employees' personal pension schemes are charged to the income statement in the year in which they arise.

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

Share-based payments

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, and the risk-free interest rate for the term of the option.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Notes to the financial statements continued for the year ended 31st December 2007

2. Other revenue and expenses

	2007 £'000	2006 £'000
Finance costs		
Other interest paid	-	(125)
Finance revenue		
Bank interest receivable	335	676
Depreciation		
Depreciation	(36)	(18)
Profit/(loss) on investment held at fair value		
Issue Costs	-	(400)
(Decrease)/Increase in value of investment from movement in NAV	(240)	232
Profit/(loss) on foreign exchange	1,810	(264)
	1,570	(432)
Loss on forward exchange contract (see note 22)	(1,550)	-
Auditors' remuneration		
Fees for audit services - Group	28	25
Fees for non-audit services:		
- Services related to corporate finance transactions entered into by the Company	-	32
- Other services	6	1
	34	58

3. Staff costs

	2007 £'000	2006 £'000
Employee benefits expense		
Wages and salaries	(2,078)	(837)
Social security costs	(234)	(77)
Other pension costs	-	(22)
Total	(2,312)	(936)
The average number of employees during the period	17	6

Key management personnel remuneration Directors

	2007					2006
	Salary and fees £'000	Non-executive fees £'000	Share-based payments £'000	Benefits in kind £'000	Total £'000	Salary and fees £'000
Rex Wood-Ward	185	-	-	75	260	296
Ira Rapp	300	-	-	10	310	175
Raymond Davies	-	24	-	-	24	24
Michael Rapp	-	24	-	-	24	24
Sir Harry Solomon	-	24	-	-	24	7
Geoff Gahan (resigned 27th July 2006)	-	-	-	-	-	14
Michael Tannenbaum	168	-	-	17	185	-
Total	653	72	-	102	827	540

Michael Tannenbaum's remuneration is for the year to 31st December 2007, although he was appointed to the Board of Westcity PLC on 20th November 2007.

Other key management personnel

	2007					2006
	Salary and fees £'000	Non-executive fees £'000	Share-based payments £'000	Benefits in kind £'000	Total £'000	Salary and fees £'000
Aggregate, including Development, Investment, Design & Sales Directors	754	-	124	-	878	-
Total	754	-	124	-	878	-

Directors' pensions

The Company did not make any contributions to pension schemes in respect of the Directors or other key management personnel for either year.

Equity Instrument disclosures relating to Directors and other key management personnel *Options issued during the year*

Further information on the options is set out in note 21 to the financial statements.

4. Segment information

The Group income derives principally from its operations in the UK and Channel Islands that being property related investment, development and management. Accordingly, the Group has not presented any secondary segment analysis.

Notes to the financial statements continued for the year ended 31st December 2007

5. Income tax

	2007 Year ended 31st December £'000	2006 Year ended 31st December £'000
Current tax:		
Domestic	–	92
Foreign	–	–
	–	92
Taxation attributable to the company and its subsidiaries	–	92

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The charge for the year can be reconciled to the profit per the income statement as follows.

	Year ended 31st December 2007		Year ended 31st December 2006	
	£'000	%	£'000	%
(Loss)/profit before tax	(1,604)		1,225	
Tax on the domestic income tax rate of 30% (2006: 30%)	(481)	(30)	368	30
Tax effect of income not taxable	(474)	(29)	–	–
Tax effect of expenses that are not deductible in determining taxable profit	62	4	(480)	(39)
Tax effect of losses not recognised	889	55	164	13
Overprovision of tax in prior years	–	–	92	8
Capital allowances in excess of depreciaion	10	1	–	–
Tax effect of income from equity accounted investments	(11)	(1)	(23)	(2)
Other timing differences	5	–	–	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	–	(29)	(2)
Tax credit and effective tax rate for the year	–	–	92	8

The deferred tax asset for the Group of £1,350,000 (2006: £2,090,000) has not been recognised.

In addition, the Company has surplus ACT carried forward of £3.7m (2006: £3.7m) and UK Capital Tax losses of £44m (2006: £44m) which can be used against any future capital gains. The total potential capital tax losses amounts to £76m (2006: £76m).

6. (Loss)/Earnings per ordinary share

Basic earnings per ordinary share has been calculated on the Group's loss attributable to shareholders of £1,604,000 (2006: profit of £1,317,000) and on the weighted average number of ordinary shares in issue during the year which was 74,299,301 (2006: 64,393,594).

Diluted earnings per ordinary share has been calculated on the Group's loss

attributable to shareholders of £1,604,000 (2006: profit of £1,317,000) and on the diluted weighted average ordinary shares in issue during the year which was 78,955,491 (2006: 64,551,689).

7. Equity accounted investments

Investments in joint venture arrangements are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost by the parent entity. Information relating to the joint ventures is set out below.

(a) Carrying amounts

Name	Principal activity	Ownership interest		Consolidated entity carrying amount	
		2007 %	2006 %	2007 £'000	2006 £'000
Stonehage Westcity Management Company LTD	Fund management	50	50	123	89
				123	89

Stonehage Westcity Management Company LTD is incorporated in the Channel Islands.

(b) Movements in carrying amounts

	Consolidated 2007 £'000
Carrying amounts at the beginning of the financial year	89
Share of profits after tax	69
Dividends paid	(35)
Carrying amounts at the end of the financial year	123

(c) Share of joint venture profits

	Consolidated 2007 £'000
Profit before tax	86
Tax expense	(17)
Profit after tax	69

(d) Summarised financial information of joint ventures

Group's share of:

2007	Assets	Liabilities	Revenues	Profits
Stonehage Westcity Management Company LTD	208	(82)	126	69

(e) Share of joint ventures' capital commitments

The joint venture had no capital commitments as at 31st December 2007.

(f) Contingent liabilities of the joint ventures

The joint venture had no contingent liabilities as at 31st December 2007.

Notes to the financial statements continued for the year ended 31st December 2007

8. Property, plant and equipment

Group and Company	Motor vehicles & office equipment £'000
Cost	
At 1st January 2006	63
Additions	16
Disposals	–
At 31st December 2006	79
Additions	88
Disposals	(24)
At 31st December 2007	143
Accumulated depreciation	
At 1st January 2006	30
Charge for the period	18
Disposals	–
At 31st December 2006	48
Charge for the period	36
Disposals	(11)
At 31st December 2007	73
Net book value	
At 31st December 2007	70
At 31st December 2006	31

9. Other financial assets

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Non current				
Loan to Victoria Heights Corporation	–	4,500	–	4,500
Investments held at fair value through profit and loss	21,138	19,568	21,138	19,568
Investment in controlled entities	–	–	23,555	23,555
	21,138	24,068	44,693	47,623

The loan to Victoria Heights carried interest at 1% p.a. over base rate and was secured by a first charge over the Hixon property. The loan was repaid on 12th October 2007.

Financial assets held at fair value through profit and loss represent the investment into the Stonehage Westcity Property Fund. The movement in the Fund during the period can be summarised as follows:

Group and Company	£'000
At 1st January 2006	–
Additions	20,000
Loss on Fund investment (note 2)	(432)
At 31st December 2006	19,568
Profit on fund investment (note 2)	1,570
At 31st December 2007	21,138

The Company has granted a charge over 5.8 million units in the Fund as security for the forward exchange contract (see note 22).

10. Investment in group entities

	Company total £'000
Investments in subsidiaries	
Cost	
At 1st January 2006	140,900
Disposals	–
At 31st December 2006/1st January 2007	140,900
Additions	–
At 31st December 2007	140,900
Provisions	
At 1st January 2006	117,345
Movement	–
At 31st December 2006/1st January 2007	117,345
Provision write-back on sale of Victoria Heights	–
At 31st December 2007	117,345
Cost less provisions for impairment in value	
At 31st December 2007	23,555
At 31st December 2006	23,555

During the year the Company acquired an investment in Weasel Investment LTD.

Details of the principal subsidiary undertakings are as follows:

	Country of incorporation and residence	% owned at year end	Activity
Westcity Developers LTD	United Kingdom	100	Development management (from 1st January 2007)
Weasel Investments LTD	United Kingdom	100	Non-Trading
Westcity Development Investments LTD	United Kingdom	100	Dormant
Westcity Property Developers LTD	United Kingdom	100	Dormant
Westcity Property Investments LTD	United Kingdom	100	Dormant
Westcity Property Development LTD	United Kingdom	100	Dormant

There are an additional 13 subsidiary undertakings, all of which were and continue to be dormant.

Notes to the financial statements continued for the year ended 31st December 2007

11. Trade and other receivables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Other receivables	413	119	413	119
Amounts due from Group companies	-	-	2,320	-
	413	119	2,733	119

12. Trade and other payables

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Other taxes and social security costs	164	63	164	63
Trade payables	63	16	63	16
Other payables	93	226	90	223
Accruals and deferred income	83	209	83	209
Amounts due to Group companies	-	-	2,551	-
	403	514	2,951	511

13. Provisions

	Group pension scheme deficit £'000	Group onerous property leases £'000	Group total £'000	Company onerous property leases £'000
Provision at 1st January 2007	250	264	514	264
Provision utilised	-	(54)	(54)	(54)
Release of provision no longer required	-	-	-	-
Provision at 31st December 2007	250	210	460	210
Current	-	55	55	55
Non-current	250	155	405	155
	250	210	460	210

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

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

14. Financial risk management

The Group's operations expose it to a number of financial risks. The Group has exposure to the following risks from its use of financial instruments:

- > Interest rate risk
- > Credit risk
- > Foreign currency risk

- > Market risk
- > Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and supervision of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

A risk management programme has been established to protect the Group against the potential adverse effects of these financial risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Fair value of financial instruments:

	2007 Carrying value £'000	2007 Fair value £'000	2006 Carrying value £'000	2006 Fair value £'000
Financial assets				
Cash and cash equivalents	4,787	4,787	2,231	2,231
Financial liabilities				
Forward exchange contract	1,550	1,550	-	-

It is the Directors' opinion that the carrying value of the Financial Assets and Financial Liabilities approximates their fair value.

Interest rate risk

At the year end, the Group does not have material borrowings and hence it does not have an interest rate risk.

Credit risk

To reduce the risk of counterparty default the Group deposits its surplus funds in approved high-quality banks. Credit risk is limited due to the Group's close working relationship with the Fund.

The trade and other receivables age analysis is evaluated on a regular basis for potential doubtful debts. It is management's opinion that no further provision for doubtful debts is required.

An analysis of trade and other receivables:

2007

	Carrying amount	Neither impaired nor past due	Past due but not impaired		
			61-90 days	91-120 days	More than 121 days
Trade and other receivables	287	287	-	-	-

2006

	Carrying amount	Neither impaired nor past due	Past due but not impaired		
			61-90 days	91-120 days	More than 121 days
Trade and other receivables	51	51	-	-	-

Notes to the financial statements continued for the year ended 31st December 2007

14. Financial risk management continued

The Group allows an average receivables payment period of 60 days after invoice date. It is the Group's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary.

Trade receivables that are neither impaired nor past due are made up of seven debtors' balances (2006: 1). The largest individual debtor corresponds to 80% of the total balance (2006: 100%). Historically these debtors have always paid balances when due, unless this is disputed. The average age of these debtors is 12 days (2006: 23 days). No debtors' balances have been renegotiated during the year or in the prior year.

Foreign currency risk

Foreign currency risk refers to the risk that the value of a financial commitment or recognised asset or liability will fluctuate due to changes in foreign currency rates. The Group is exposed to foreign currency risk as a result of its investment into the Stonehage Westcity Property Fund.

The Group makes use of forward exchange contracts to manage the risk relating to future transactions, in accordance with its risk management policy. The fair value of the forward exchange contract is £19,923,055 (2006: £nil). Loss on the forward exchange contract is £1,550,000 (2006: £nil). No amounts were recognised directly in equity during the period or the prior period as the relationship between the forward exchange contracts and the item being hedged does not meet certain conditions in order to qualify as a hedging relationship. Fluctuations in the fair values of forward exchange contracts are recognised directly in profit or loss.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The financial obligation in the Group is principally restricted to trade and other payables and obligations from the forward exchange contract.

15. Share capital

	31st December 2007 No.	31st December 2006 No.	31st December 2007 £'000	31st December 2006 £'000
Authorised				
Ordinary shares of 1p each	141,793,724	141,793,724	1,418	1,418
Issued and fully paid				
Ordinary shares of 1p each	74,299,301	74,299,301	743	743

16. Reserves

Group	Share Premium account £	Share- based payments reserve £	Other capital reserves £	Retained income £
At 1st January 2006	16,841	38	3,976	(7,002)
Share-based payment	-	93	-	-
Issue of share capital	6,588	-	-	-
Capital reduction	(23,429)	-	21,512	4,889
Retained profit for the year	-	-	-	1,317
At 1st January 2007	-	131	25,488	(796)
Share-based payment	-	190	-	-
Retained profit for the year	-	-	-	(1,604)
Adjustment relating to previous capital reduction	-	-	101	(101)
Unclaimed dividend adjustment	-	-	-	-
As at 31st December 2007	-	321	25,589	(2,501)

As permitted by Section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of these accounts.

The consolidated loss for the financial year of £1,604,000 (2006: £1,317,000 profit) includes a loss of £1,869,000 (2006: £1,241,000 profit) which is dealt with in the accounts of the Company.

Nature and purpose of other reserves**Share-based payments reserve**

The share-based payments reserve is used to recognise the fair value of options expensed but not exercised.

Other capital reserve

The special reserve arose following the cancellation of amounts included in the capital redemption reserve and share premium account. The special reserve is not to be treated as representing realised profits of the Company and will be treated as an undistributable reserve for the purposes of section 264 of the Companies Act 1985, as it may apply to the Company, for so long as any debts of or claims against the Company as at 11th October 2006 shall remain outstanding.

Notes to the financial statements continued for the year ended 31st December 2007

17. Net cash outflow from operating activities

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Operating (loss)/profit	(1,604)	1,225	(1,869)	1,334
Loss on sale of property, plant and equipment	13	-	13	-
Depreciation	37	18	37	18
Share-based payments expense	190	93	190	93
Share of profits of equity accounted investment	(34)	(76)	-	-
(Increase)/decrease in the fair value of investments	(1,570)	32	(1,570)	32
Finance income	(335)	(676)	(335)	(676)
Finance expense	-	125	-	125
Costs of acquiring other financial assets	-	400	-	400
(Increase)/decrease in receivables	(296)	(69)	(296)	(69)
(Increase)/decrease in prepayments	22	(15)	22	178
(Decrease)/increase in payables	1,440	(369)	1,440	(285)
Impairment of subsidiaries	-	-	-	(1,294)
(Decrease)/increase in provisions	(53)	(5,455)	(53)	(5,455)
Non cash movements on advances to related entities	-	(4,950)	-	(4,950)
Non cash consideration on sale of investment property	-	4,950	-	-
Management charge	-	-	2,543	-
Employee benefits exchange	-	-	(2,312)	-
	(2,190)	(4,767)	(2,190)	(10,549)

18. Group financial commitments

The Group had no commitments under non-cancellable operating leases at the year end (2006: nil).

19. Contingent liabilities

Indemnities and warranties

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

Property lease liabilities

The Group continues to have contingent liabilities in connection with the property leases of its former businesses, for which it is exposed to lease obligations in the event of an assignee's default. The remaining lengths of these leases range from four to six years. Whilst all assignees continue to meet their obligations under these leases, the current total rent obligations (which may be subject to periodic reviews), before allowing for any mitigating activities, for all such leases are approximately £1,880,000. £400,600 of this is due within one year.

No provision has been made in respect of these contingent matters.

20. Related party transactions

Trading transactions

During the year Group companies entered into the following transactions with related parties who are not members of the Group.

	2007 £'000	2006 £'000
Rent paid to Floral Holdings LTD, a company in which Michael Rapp is a Director	137	18
Development work recharges and other fees paid to Westcity Properties LTD, a company in which Ira Rapp is a Director	–	185
Development work recharges paid to Phillimore Hill (SJA) LTD, a company in which Ira Rapp is a Director	–	15
Advisory & consulting fee paid by Capital & Counties LTD, whose holding company is Liberty International, a company in which Michael Rapp is a Non-Executive Director	160	–

Key management comprise senior employees, details of which are included in note 3.

Notes to the financial statements continued for the year ended 31st December 2007

21. Share-based payment plans

The expense recognised for employee services received during the year is shown in the following table:

	Year ended 31st December 2007 £'000	Year ended 31st December 2006 £'000
Expense arising from equity settled share-based payment transactions	190	93
Total expense arising from share-based payment transactions	190	93

The share-based payment plans are described below.

The 1995 Scheme

Under the 1995 Approved Scheme, options are subject to performance conditions linked to the growth in earnings per share over a total period of three consecutive financial years being such to place the Company within the comparable top quartile of FTSE 100 companies ranked by reference to growth in earnings per share over the same period. Options under this scheme were issued to one Director and one employee.

The Westcity Equity Partnership Plan

Options issued under the Westcity Equity Partnership Plan are subject to performance conditions linked to average total shareholder return exceeding a specified market index of average shareholder return over a specified period. Options under this scheme have only been issued to one Director, Mr Wood-Ward.

The 2006 Approved Scheme

All other options issued under the 2006 Approved Scheme are subject to performance conditions linked to the "Base EPS" (EPS for the financial year ending 31st December 2006). The condition is that the EPS for the assessment period must not be less than the amount found by compounding the Base EPS annually at the rate of 12.5%. If the Base EPS are less than 1.0 pence, the condition is that the EPS for the assessment period must not be less than 1.265 pence (for options exercisable no earlier than two years from the Date of Grant) or 1.425 pence (if the option is exercisable no earlier than three years from the Date of Grant). This scheme covers Directors and employees of Westcity PLC.

Movements in the year

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year:

	2007 No.	2007 Price	2006 No.	2006 Price
Outstanding at 1st January	4,266,190	44.32p	266,190	42.5p
Granted during the year	390,000	43.93p	4,000,000	44.44p
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31st December	4,656,190	44.29p	4,266,190	44.32p
Exercisable at 31st December	-	-	-	-

The weighted average remaining contractual life for the share options outstanding as at 31st December 2007 is 9.316 years (2006: 9.273).

The weighted average fair value of options granted during the year was £0.2061 (2006: £0.0956: no shares granted).

The range of exercise prices for options outstanding at the year end was £0.3275 - £0.4625 (2006: £0.425 - £0.4625).

The following table lists the inputs to the models used for the share-based payment plans:

	1995 Scheme	Equity Partnership Plan	2006 Scheme
Expected volatility (%)	20%	20%	20%
Risk-free interest rate (%)	5%	5%	5%
Expected life of option (years)	4.5	4	5
Weighted average exercise price (£)	0.425	0.425	0.4625
Valuation model used	Black Scholes	Black Scholes	Black Scholes

Notes to the financial statements continued for the year ended 31st December 2007

22. Events since the balance sheet date

In June 2007, the Company entered into forward exchange hedging contract to limit its currency exposure to the euro based on its investment in the Stonehage Westcity Property Fund ("Fund"), which is euro-denominated. With the strengthening of the euro against the pound in the last year, the value of the Company's investment in the Fund has increased. However, a corresponding foreign exchange loss has resulted from the forward exchange transaction which at 31st December 2007 was £1,550,000 for which the liability has been recognised (see note 2).

As at 9th June 2008, this loss amounted to £2,983,321 and was settled in cash and the security over the units of the fund (per note 9) was released.

As a result of this cash outflow, the Company has secured a two-year loan facility from Chapman International Investment LTD, the Company's largest shareholder. The Company will grant Chapman a charge over five million units in the Fund, as security for the loan. The loan is repayable at the end of the two-year period.

The facility will only be drawn down to the extent that the Company's remaining cash resources for working capital are insufficient.

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