

Placing and Change of Name

LONDON & BOSTON INVESTMENTS PLC ('L&Bi' or 'the Company')

Introduction

The Board is pleased to announce proposals to raise £4 million by the placing of 8 million new Ordinary Shares with institutional investors, directors and certain existing shareholders at a price of 50p per share, for which the Company's Nominated Adviser & Broker, Shore Capital & Corporate Limited and Shore Capital Stockbrokers Limited, have procured places, and proposals for a one for ten consolidation of shares. It is also pleased to announce its intention to change the name of the Company to PSG Solutions plc and to approve an executive share option scheme.

The Placing is conditional (amongst other things) upon the passing of certain resolutions by the Shareholders at an Extraordinary General Meeting of the Company which will be convened for Tuesday 14 February 2006. The Placing is also conditional on Admission of the Placing Shares to trading on AIM.

Application will be made to the London Stock Exchange plc for the Placing Shares to be admitted to trading on AIM. It is expected that dealings in the new Ordinary Shares will commence on or around 15 February 2006. The Placing Shares will rank, pari passu, with the new Ordinary Shares in the Company.

Background

Shareholders will be aware that there have been a number of changes to the Board of the Company in the last few months. Stephen Komlosy, Edward Adams and Peter Cotgrove all stood down on 28 October 2005 whilst Jonathan Mervis was appointed Executive Chairman on 31 October 2005. On 1 December 2005, John May resigned as Finance Director and John Warwick was appointed as his replacement. On 5 January 2006 Tweedie Brown, who is the Managing Director of the Group's main operating subsidiary PSG (Franchising) Limited trading as The Property Search Group, was appointed Operations Director and David Holme was appointed as a Non-Executive Director.

The Board structure now reflects the focus on the future growth of PSG and Paterson's Financial Services, with a sensible balance between executive and non-executive directors. However, the above changes have resulted in the Group incurring material one-off costs including settlement with departing directors and the costs associated with the purchase of warrants from Messrs Komlosy and May (announced on 1 December 2005) which have totalled £598,000.

PSG

PSG, as the leading provider of Local Authority residential property searches in England and Wales currently conducts over 250,000 searches a year. The Directors estimate that its market share is more than 20% and is rising. The business based in Huddersfield owns and operates the search business in the Huddersfield/Leeds area. The rest of England and Wales is covered through an established network of 86 franchisees. Agreement has been reached for PSG to acquire the Bradford franchise adjacent to Leeds.

The Board is pleased with the progress made with the recent investigation by the Office of Fair Trading into the property search market. PSG intends to continue using its resources to ensure that the favourable objectives set by the OFT and the DTI come into being and that PSG continues to protect its legal rights and defend its position.

PSG is the largest contributor to group operating profits and the Board is confident of a further increase in profits in the current year. This is despite an estimated 20% decline in the number of residential property transactions in calendar year 2005 as compared to 2004.

Home Information Packs ('HIPS')

It was recently announced that from June 2007 HIPS would become mandatory for residential property sellers. As the leading search company, PSG is well placed to participate advantageously. It is forging relationships with estate agents and surveyors and building upon its existing solicitor client base to produce a HIP solution for the High Street. It calls this solution 'The HIP Alliance'. HIPS will necessitate the training of Home Inspectors and PSG is liaising with official government bodies to set up a training course for personnel to become the PSG 'HIP Force'.

PFS

PFS, initially acquired in January 2005 to comply with FSA regulations and to support PSG's franchise network, owns a small IFA and has developed a general insurance business mainly relating to property risk. As a result of its links with PSG, it is anticipated that profits in the year to 31 March 2007 should be significantly ahead of those in the current year.

Moore and Buckle ('M & B')

M & B provides solutions for the packaging of products which are not easily dealt with conventionally. Items for packaging may require special attention due to their inherent instability, or to the prevalent environment for their storage and use. The MOD and a major packaging company for example are customers. M & B has a team of only seven employees.

After a more difficult year in 2004/2005, the year of the factory move, the directors believe that M & B should return to gradually but consistently rising turnover and profits. Investment in clean room packaging facilities and the possible acquisition of two small businesses could further increase profits. These enhancements can be easily consolidated in its new purpose-built premises.

As M & B does not fit with the Group's core activities, the intention is that it should be disposed of on a basis which reflects its stable profitability and potential for expansion.

Audiotel

Audiotel designs and manufactures surveillance and counter-surveillance hardware and its clients are currently primarily governmental. The current substantial contract with a foreign government for £1,800,000 is an example of what can be achieved. It will deliver profits in the years to 31 March 2006 (before restructuring costs) and 2007.

The necessary restructuring of Audiotel and the overhaul of its sales strategy is in hand. This action will require additional expenditure, but should improve further future profitability.

A new commercial counter-surveillance product to provide 24 hour coverage of offices where sensitive commercial matters are dealt with is due on the market in June 2006. All indications are that there is considerable demand for this product.

Whilst Audiotel may prove to have good potential, its business is also too diverse from that of PSG/PFS. The Board will be considering the best way to optimise Audiotel's value for shareholders outside of the Group.

Investments

Given the Board's decision to concentrate on PSG/PFS, the portfolio of minority investments will be disposed of when opportunities arise. However, a review of the investments has indicated that there is a need for provisions amounting to £1,317,000 representing their current book value which will be made in the second half of the current financial year. The investment portfolio is unlikely to impact materially upon the performance of the Group.

Change of name

The Board proposes to change the name of the Company to reflect the Group's focus on its core business of providing search, insurance and related services to solicitors and their clients through PSG/PFS. A special resolution to change the name of the Company to PSG Solutions plc is set out in the notice of EGM.

Share consolidation

The Board proposes that the Ordinary Shares in the Company be consolidated on the basis of one new Ordinary Share of 20p for every 10 existing Ordinary Shares of 2p which the Directors consider to be a more appropriate par value for the Company's ordinary shares. The new Ordinary Shares will have the same rights as to voting, dividends and return on capital as the existing Ordinary Shares.

Current trading and future prospects

As has been set out above trading in all the underlying businesses is anticipated to be positive for the second half of the year to 31 March 2006. However, exceptional costs relating to the Board restructuring, the costs associated with the purchase and cancellation of the warrants, restructuring costs at Audiotel and the need for provisions against the portfolio of minority investments will total approximately £2,500,000.

The immediate opportunities for PSG are to consolidate its wholly owned search business by acquiring the Bradford franchise and to consider other appropriate franchise acquisitions. Efficiency and quality will be engendered in the franchise network through the introduction of a new IT system in February 2006 and the appointment of additional regional Business Development Managers to supplement the work of the recently appointed Director of Network Effectiveness. These initiatives should generate growth by reinforcing the success of higher performing franchisees and encouraging improvement from the lesser performing franchisees.

The strengthened balance sheet, following the completion of the Placing, and the anticipated cash flow from future profits should enable the Group to fund organic expansion and the anticipated acquisitions without the need to issue any further equity.

Placing

The Placing will raise £4,000,000 before expense (£3,800,000 net of expenses). Wheddon Limited and Southwind Limited, existing major shareholders, have agreed to participate in the Placing and will be investing £1,000,000 between them. In addition several of the main Board directors have agreed to subscribe. Jonathan Mervis will be investing £400,000, John Warwick £75,000, Tweedie Brown £10,000 and David Holme £50,000.

The Placing is conditional inter-alia on Shareholder approval of the resolutions and the Admission of the Shares to trading on AIM.

EMI Options

The Remuneration Committee has approved the terms of an EMI Share Option Scheme, which is subject to shareholder approval, under which the following options

over ordinary shares will be granted:

Jonathan Mervis 1,200,000

John Warwick 350,000

Tweedie Brown 300,000

John Burley 100,000

The exercise price for the options will be 50p per new Ordinary Share and they will only be exercisable if the option holder has continued to be employed by the Company for 2 years from the date of grant of the option.

It is the Board's intention to keep the number of options outstanding at no more than 10% of the issued share capital. The option awards above will still leave available options over approximately 725,000 new Ordinary Shares, which will be available to incentivise other Group employees.

Share Buy Back Arrangements

At the forthcoming EGM the Board is also seeking a limited authority to buy back shares in accordance with the Articles and the Act if they perceive that the new Ordinary Shares are undervalued in the market with the aim of increasing shareholder value. The Directors are aware that liquidity in the shares of many smaller companies can fluctuate over time and that having available an authority to purchase shares is in the best interest of the Company and its Shareholders.

For further information:

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