



# WESTERN SELECTION P.L.C.



REPORT & ACCOUNTS

30TH JUNE  
2011

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## Directors and Advisers

D.C. MARSHALL, *Non-executive Chairman*, age 67

Mr Marshall joined the board in 1974. He is the chairman of London Finance & Investment Group P.L.C., which is a substantial shareholder of Western. He is a non-executive director of Creston plc, Finsbury Food Group P.L.C., MWB Group Holdings Plc and Northbridge Industrial Services PLC and is the chief executive of Marshall Monteagle PLC and chairman of Halogen Holdings P.L.C. He resides in South Africa, where he has extensive interests in listed trading, financial and property companies.

E.J. BEALE, *Non-executive*, age 50

Mr Beale joined the board in 2008. He is a Chartered Accountant and is the Chief Executive of City Group P.L.C., the Company's secretaries and administrators. He is also a member of the Accounting Standards Board of the Financial Reporting Council and a member, previously Chairman, of the Corporate Governance Committee of the Quoted Companies Alliance. He is a non-executive director of Finsbury Food Group plc, Halogen Holdings P.L.C., Heartstone Inns Limited and our associated company, Hartim Limited.

A.J. HALL, *Non-executive*, age 69\*

Mr Hall joined the board in 1996. Mr Hall held senior investment management positions with The Royal Trust Company of Canada and Aitken Hume. In 1985 he joined Sarasin Investment Management Limited, a wholly owned subsidiary of Bank Sarasin & Cie, a major private Swiss bank, as a director with responsibility for expanding investment services, and was managing director from 1989 to 2000 and he is now a consultant with Sarasin & Partners LLP and chairman of Sarasin Asset Management Limited.

J.M. ROBOTHAM, OBE, FCA, *Non-executive*, age 78\*

Mr Robotham joined the board in 1971. He is the non-executive chairman of Marshall Monteagle PLC and a non-executive director of London Finance & Investment Group P.L.C. He is a Chartered Accountant and a Member of the Securities Institute.

\*Member of the audit committee

<b>Secretaries and Registered Office</b>	<b>City Group P.L.C.</b> 30 City Road London EC1Y 2AG Tel: 020 7448 8950 www.city-group.com	<b>Website</b>	www.westernselection.co.uk
<b>Registrars</b>	<b>Capita Registrars</b> Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0GA Tel: From within the UK: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30 a.m.-5.30 p.m. Mon-Fri) From outside the UK +44 20 8639 3399		
<b>Auditors</b>	<b>BDO LLP</b> 2 City Place Beehive Ring Road, Gatwick West Sussex RH6 0PA		
<b>PLUS Corporate Adviser</b>	<b>Loeb Aron &amp; Company Ltd.</b> Georgian House 63 Coleman Street London EC2R 5BB	<b>Registered Number</b>	234871

Western Selection P.L.C. ("Western") is a United Kingdom Strategic Investment Company. It holds investments in four smaller United Kingdom companies (Strategic Investments), on three of which have directors in common with Western. The Company also has a General Portfolio of large blue-chip companies.

Western's share capital is admitted to trading on PLUS-quoted markets ("PLUS").

## Results in Brief

	2011 £000	2010 £000
<b>Profit on ordinary activities</b>	<b>£467,000</b>	£256,000
Interim dividend per share	0.65p	0.65p
Proposed final dividend per share	0.85p	0.65p
Profit per share	2.6p	1.4p
<b>Net assets, including investments at fair values</b>	<b>£15,022,000</b>	£10,935,000
Number of shares in issue	17,949,872	17,956,919
Net assets per share	84p	61p
<b>Middle market price on 30th June</b>	<b>46.5p</b>	33.5p

## Financial Calendar

Annual General Meeting	Friday 30th September 2011 at 3.00 p.m.
Dividend for 2011	Payable on 21st October 2011 to holders on 30th September 2011
Half year results	Announced in February

## Analysis of Shareholders

Shareholders	Number	%	Total Shareholding	%
Holding				
1 - 500	201	36.9	69,033	0.4
501 - 1,000	110	20.2	82,044	0.5
1,001 - 5,000	141	25.9	310,924	1.7
5,001 - 10,000	28	5.1	203,879	1.2
10,001 - 50,000	34	6.2	780,394	4.3
50,001 - 100,000	10	1.8	722,116	4.0
100,001 - 500,000	13	2.4	2,478,695	13.8
Over 500,000	8	1.5	13,302,787	74.1
	<u>545</u>	<u>100.0</u>	<u>17,949,872</u>	<u>100.0</u>

The current price of the Company's shares can be found on the PLUS-quoted market website ([www.plus-sx.com](http://www.plus-sx.com)) and through the Company's website ([www.westernselection.co.uk](http://www.westernselection.co.uk)). A share dealing service is available for shareholders through Capita IRG Trustees Limited, a subsidiary of Capita Registrars. Shareholders can buy or sell shares in the Company online at [www.capitadeal.com](http://www.capitadeal.com) or by telephone on 0870 458 4577 (Monday to Friday 8.00 a.m. – 4.30 p.m.).

## Director's Report

### Business Review

Western is an investment company whose objective is to generate growth in value for shareholders over the medium to long term and pay a progressive dividend. The Company's strategy is to hold a mix of Strategic Investments and a General Portfolio of blue-chip stocks.

As a "long only" investor with a diversified General Portfolio, the Company's performance is mainly dictated by changes in the value of its strategic investments and movements in the stock markets. Dividend income from Strategic Investments has increased to £269,000 from £164,000 last year. Dividend income on the General Portfolio has reduced from £85,000 to £82,000, primarily due to the increase in overseas stocks held during the period. Administrative expenses have increased by 2.2%.

Quoted strategic investments increased in value by 43% in the year and our principal unquoted investment, Hartim Limited, continues to trade successfully. Our share of Hartim's earnings for the year was £337,000, a return of 46% on our investment of £728,000.

The Company made a profit of £467,000 after tax and exceptional items, compared to £256,000 last year.

### Strategic Investments

#### Creston plc

Creston is a marketing services group whose strategy is to grow within its sector both by organic growth and through selective acquisition to become a substantial, diversified marketing services group. The audited results for the year to 31st March 2011, show a profit after tax of £10,400,000 (2010 – £5,133,000), equivalent to fully diluted earnings of 12.39p per share (2010 – 8.74p). Western maintained its holding of 3,000,000 shares in Creston (4.9%) with a value at 30th June 2011 of £3,390,000 (2010 – £2,752,000) being 23% (2010 – 25%) of Western's assets.

Mr Marshall is a non-executive director of Creston.

#### Northbridge Industrial Services PLC

Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment supplying a non-cyclical customer base including utility companies, the public sector and the oil and gas industries. In particular it will seek to acquire specialist businesses that have the potential for expansion into complete outsourcing providers. Sales are made to the U.K., U.S.A., Brazil, Singapore, Germany, UAE and Korea; Northbridge also has subsidiaries operating in Perth, Dubai and Azerbaijan.

Northbridge announced profits of £3,036,000 for the year ended 31st December 2010 (2009 – £1,571,000) and declared a final dividend of 3.05p per share, making 4.6p for the year (2009 – 4.1p).

Northbridge acquired Tasman Oil Tools Pty Ltd, based in Perth, Western Australia, which specialises in the rental of equipment for the onshore and off-shore oil industry throughout Australia, after raising approximately £8 million by way of an open offer. Western took up 325,000 shares in that offer at a cost of £406,250, increasing its holding to 2,200,000 shares in Northbridge, which is 14.19% of the issued share capital. The value of the investment at 30th June 2011 was £6,094,000 (2010 – £2,508,000) being 40% (2010 – 23%) of Western's assets.

Mr Marshall is a non-executive director of Northbridge.

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### **Swallowfield plc**

Swallowfield is involved in the development, formulation, manufacture and supply of cosmetics, toiletries and related household products for global brands and retailers operating in the cosmetics, personal care and household goods market. Swallowfield announced its interim results to January 2011 showing a profit after tax of £519,000 compared to £533,000 for the comparable period last year. Dividends of £116,000 (2010 – £87,000) were received from Swallowfield during the year.

Western increased its holding in Swallowfield during the year and since the year end. At 31st August 2011 Western owns 1,868,149 shares which is 16.52% of the issued share capital. The market value of the Company's holding in Swallowfield on 30th June 2011 was £1,922,000 (2010 – £1,816,000), being 13% (2010 – 17%) of Western's net assets.

Swallowfield has had turnover of £52.4 million, £49.1 million and £44.8 million over the last three years and despite this their market capitalisation remains at £13 million. Whilst Western has played a role in bringing about some changes to the board during the year, we believe there may still be scope for improvement, and Western will continue to monitor board performance.

## **Investments in Associates**

### **Hartim Limited**

Hartim is the unquoted holding company for Tudor Rose International Limited ("TRI") which was founded in 1984. It works closely with a number of leading UK branded fast moving consumer goods companies, offering a complete sales, marketing and logistical service. Based in Stroud, Gloucestershire, TRI sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China. Hartim has recently acquired a distribution business in Australia to improve the service that it can offer to principals.

Western holds 49.5% of Hartim, which has a 31st December year end and achieved profits in 2010 of £540,000 after tax on turnover of £22,282,000. Western's share of the consolidated profit after tax for the twelve months to 30th June 2011 was £337,000 (2010 – £150,000) and the book value of the investment at 30th June 2011 was £1,465,000 (2010 – £1,129,000), being 10% (2010 – 10%) of Western's assets.

Western has two nominees on the board of Hartim: Mr E. J. Beale and Mr L. H. Marshall.

### **Industrial & Commercial Holdings PLC (ICH)**

ICH is a small, unquoted, PLC in which Western holds a 29.9% interest. It owns land with potential for residential planning permission at Milngavie, adjacent to Dougalston golf course, just north east of Glasgow. ICH is currently making representations for its land to be included in the local authority's next five year plan, but it may take some time for permission to be received. Mr Marshall and Mr Robotham are directors of ICH.

### **City Group P.L.C.**

Western holds 48.6% and London Finance & Investment Group P.L.C. holds 51.4% of City Group P.L.C., which provides head office and company secretarial services to both of these and other, independent, companies.

## **General Portfolio**

During the year the General Portfolio increased in value by 21.0%. Our investments in FTSE 100 and FTSE 250 stocks, which comprise 44% of the General Portfolio, increased in value by 23.2% whereas the FTSE 100 rose by 20.9% and the FTSE 250 rose by 27.4%. We have diversified by recently moving into holdings in European and United States stocks, representing 25% and 22% of the General portfolio respectively, which increased in value by 0.7% and 26.6% respectively. We have added a net £4,000 to the General Portfolio in the year.

**Outlook**

The continued disquiet over the level of national debts gives us cause for concern. However, the volatility in the financial markets is expected to provide buying opportunities for investors with a long term perspective such as ourselves. The General Portfolio has been invested in large diversified international companies outside of the banking sector which we think will be well placed to outperform.

## Summary of Investments

	2011			2010		
	Cost £000	Carrying Value £000	%	Cost £000	Carrying Value £000	%
<b>Strategic Investments</b>						
Creston plc	4,444*	3,390	23	4,444*	2,752	25
Northbridge Industrial Services PLC	2,320	6,094	40	1,914	2,508	23
Swallowfield plc	1,981	1,922	13	1,537	1,816	17
<b>Total Strategic Investments</b>	<b>8,745</b>	<b>11,406</b>	<b>76</b>	<b>7,895</b>	<b>7,076</b>	<b>65</b>
<b>Investments in Associates**</b>						
Hartim Limited	728	1,465	10	728	1,129	10
Industrial & Commercial Holdings PLC	107	52	–	107	58	1
City Group P.L.C.	83	98	1	83	92	1
<b>Total Investments in Associates</b>	<b>918</b>	<b>1,615</b>	<b>11</b>	<b>918</b>	<b>1,279</b>	<b>12</b>
<b>General Portfolio</b>						
Listed investments – UK	1,012	1,313	9	1,368	1,357	12
– Europe	564	663	4	394	392	4
– USA	572	597	4	304	270	2
AIM and Ofex	–	–	–	89	–	–
Offshore Funds – FSA recognised	127	139	1	236	237	2
<b>Total General Portfolio</b>	<b>2,275</b>	<b>2,712</b>	<b>18</b>	<b>2,391</b>	<b>2,256</b>	<b>20</b>
<b>Other Unquoted Investments</b>	<b>104</b>	<b>–</b>	<b>–</b>	<b>104</b>	<b>–</b>	<b>–</b>
<b>Total Fixed Asset Investments***</b>	<b>12,042</b>	<b>15,733</b>	<b>105</b>	<b>11,308</b>	<b>10,611</b>	<b>97</b>
Bank overdraft/Cash at bank	(797)	(797)	(6)	328	328	3
Other Net Current Assets	86	86	1	(4)	(4)	–
	<b>11,331</b>	<b>15,022</b>	<b>100</b>	<b>11,632</b>	<b>10,935</b>	<b>100</b>

\*The historic cost of this investment does not reflect exceptional dividends of £894,000 received on re-organisation of Creston in 2000.

\*\*The carrying value of these investments is cost plus our share of profits/(losses).

\*\*\*Other Unquoted Investments have been fully provided against.

## Composition of General Portfolio

at 30th June 2011

	Carrying Value £000	%
<b>FTSE 100</b>		
British American Tobacco	161	5.9%
Royal Dutch Shell	158	5.9%
Diageo	146	5.5%
Unilever	120	4.4%
Imperial Tobacco Group	112	4.1%
Balfour Beatty	109	4.0%
RSA Insurance Group	108	4.0%
Cobham	85	3.1%
BHP Billiton	66	2.4%
Reckitt Benckiser Group	61	2.3%
	<u>1,126</u>	<u>41.6%</u>
<b>FTSE 250</b>		
Rotork	79	2.9%
	<u>79</u>	<u>2.9%</u>
<b>FTSE Fledgling</b>		
Bioquell	108	4.0%
	<u>108</u>	<u>4.0%</u>
<b>Quoted Investment Funds</b>		
Sarasin Int Equity Income Fund (A Class Inc)	139	4.9%
	<u>139</u>	<u>4.9%</u>
<b>USA</b>		
Phillip Morris International	83	3.1%
Chevron	64	2.4%
Exxon	63	2.3%
Becton Dickinson	57	2.1%
Brown Forman	57	2.1%
Colgate Palmolive	56	2.1%
Lockheed Martin	55	2.0%
United Technologies	55	2.0%
Kellogg	54	2.0%
Procter and Gamble	53	1.9%
	<u>597</u>	<u>22.0%</u>
<b>Europe</b>		
Novartis	69	2.5%
BASF	64	2.4%
Schindler-Holdings	59	2.2%
L'Oreal	55	2.0%
Nestlé	54	2.0%
Pernod Ricard	54	2.0%
Heineken	53	2.0%
Danone	53	2.0%
ABB	53	2.0%
Total	51	1.9%
Holcim	49	1.8%
Zurich Financial Services	49	1.8%
	<u>663</u>	<u>24.6%</u>
<b>Total</b>	<u>2,712</u>	<u>100.0%</u>

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## Trends in Key Performance Indicators

Key Performance Indicators (“KPIs”) are the yardsticks against which the Board measures the performance of the Company. Our objective is to achieve long term growth of both dividends payable and share value.

	2011	2010	2009	2008	2007
Net assets value per share – pence	83.9	60.9	50.0	58.0	99.7
Dividends per share – pence	1.50	1.30	–	2.60	2.55
Earnings per share before share of exceptional items – pence	2.60	1.40	(1.76)	2.85	3.13
Expense ratio	1.8%	2.5%	3.7%	3.3%	2.3%

Asset values recovered during the year and growth in expenses was constrained, as disclosed above, resulting in an improvement in the expense ratio.

### Definition of KPIs used above

Net assets per share – Net assets including investments at market value divided by the number of shares in issue at the year end.

Dividends per share – Dividends declared for the year.

Earnings per share – Earnings for the year, excluding exceptional items (as defined in note 1(vi)), divided by the weighted average number of shares in issue over the year, as set out in note 7. The definition of this KPI has changed this year to include the earnings of associated companies, since Hartim has become a fundamental contributor to the group and this investment is expected to be retained for the foreseeable future.

Expense ratio – Normal administration expenses (excluding exceptional items) for the year divided by the year end net assets including investments at market value.

## Dividend

The Company paid an interim dividend of 0.65p per share on 24th March 2011.

A final dividend of 0.85p per share is proposed, making 1.50p for the year, compared to 1.30p for 2010. The dividend will be paid on 21st October 2011 to shareholders on the register at the close of business on 30th September 2011.

## Financial Instruments

The financial instruments of the Company are the investment portfolio and bank borrowings. Details of the Company’s risk assessments and risk policy are set out in note 16.

## Share Capital and Warrants

The 2010 Warrants were exercisable at 50p each 28 days after the despatch of the annual and interim reports in each of the years 2008 to 2010. During the year 1,850 warrants were exercised and the remaining 2010 warrants expired. At 30th June 2011 the issued share capital of the Company was 17,949,872 shares.

The Company considers its capital to comprise its ordinary share capital, share premium and other reserves. The Company’s primary objective in managing its capital is to provide, over the long term, real growth in value for shareholders through a combination of capital growth and distributions. The Company has limited borrowing and intends to maintain a low gearing ratio.

## Directors

A list of the present directors of the Company is shown on page 2. The beneficial interests of the directors in the shares and warrants to subscribe were as follows:

	30th June 2011	30th June 2010	
	Shares	Shares	Warrants
D.C. Marshall	–	–	–
E.J. Beale	–	–	–
A.J. Hall	121,800	121,800	52,200
J.M. Robotham	35,000	35,000	15,000

There have been no changes in directors' share interests between 1st July 2011 and the date of this report.

Mr Marshall and Mr Beale retire by rotation in accordance with the Articles of Association and, being eligible, offers themselves for re-election.

Directors' fees were temporarily reduced with effect from 1st July 2009 following the fall in value of the Company's investments. These temporary reductions have been reversed with effect from 1st July 2011 following the recovery in value of the Company's investments.

## Purchase of own shares

At our last Annual General Meeting, shareholders gave the Company limited authority to buy its own shares in the market at a minimum price for any such purchase of 10p. A similar resolution will be proposed at this year's Annual General Meeting as the Directors believe that in certain circumstances it may be in shareholders' best interest to buy in shares if the discount between the share price and net asset value is sufficiently large.

## Substantial Interests

At the date of this report the Company has been notified pursuant to Rule 5 of the Disclosure Rules and Transparency Rules of the following interests in 3% or more of its shares:

	Shareholding	% interest
London Finance & Investment Group P.L.C.	7,864,412	43.80
W.T. Lamb Holdings Limited	1,250,000	6.96
P.S. & J.M. Alan	1,089,292	6.06
M.G.H Heald	1,004,442	5.59
T.W.G. Charlton	725,734	4.04
IFG Trust Company (Channel Islands) Limited	654,542	3.65

## Income and Corporation Taxes Act 2010

The Company is not a close company as defined in this Act.

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## **Auditors**

BDO LLP have signified their willingness to continue as auditors to the Company.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

## **Payment of Suppliers**

The Company does not follow any code or statement on payment practice, but the policy of the Company is to abide by such payment terms as are agreed with suppliers within the terms of supply. At the Statement of financial position date there were 10 days purchases outstanding (2010 – 19 days), calculated on the ratio of trade creditors to total purchases.

## **Corporate Governance**

The Financial Services Authority requires that listed companies (but not companies traded on PLUS-quoted markets) incorporated in the UK should state in their report and accounts whether they comply with the UK Corporate Governance Code (the "UK Code") and identify and give reasons for any areas of non-compliance. The Company's shares are traded on the PLUS-quoted market and no such disclosures are required. This is not a statement of compliance as required by the UK Code and should therefore not be relied upon to give the disclosure required by the UK Code.

However, the Company follows the UK Code wherever it is reasonable to do so. It operates an effective board, which includes non-executive directors. A separate audit committee is established and meets on a timely basis. The appointment of directors and the purchase and sale of strategic investments are matters for the entire Board. Each director is required to retire every three years in accordance with the Articles of Association.

The Company has no Remuneration Committee because the Company has no employees and the remuneration of each Director is limited by the Articles of Association and set out in detail in the statutory accounts which are approved by shareholders in General Meeting. None of the directors has a service contract with the Company. Share options are not awarded to directors for services provided to the company.

The Board is aware of the requirements of the UK Code and the need for appropriate controls and systems to safeguard the Company's assets. Wherever possible, appropriate controls are put in place and monitored by the Board. However full compliance with the UK Code is not possible because of the size and resource constraints within the Company and because the costs of putting in place the additional procedures cannot be justified.

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## Statement of Directors' Responsibilities in Respect of the Accounts

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are also required to prepare financial statements in accordance with the rules of the PLUS quoted markets.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors, after making enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the accounts.

Signed on behalf of the Board,  
**CITY GROUP P.L.C.**  
*Secretaries*

2nd September 2011

## Statement of Comprehensive Income

For the year ended 30th June 2011	Notes	2011 £000	2010 £000
<b>Income from investments in:</b>			
Listed strategic undertakings		269	164
Other listed undertakings		82	85
		<u>351</u>	<u>249</u>
Administrative expenses	2	(275)	(269)
Profits on disposal of investments		68	134
<b>Operating profit</b>		<u>144</u>	<u>114</u>
Share of profits of associated companies		336	128
Finance income		–	14
Finance costs		(8)	–
<b>Profit before taxation</b>		<u>472</u>	<u>256</u>
Taxation	4	(5)	–
<b>Profit after taxation attributable to equity shareholders</b>		<u>467</u>	<u>256</u>
<b>Other comprehensive income</b>			
Fair value recycled from equity on disposal		83	68
Fair value adjustment on listed undertakings		3,781	1,792
		<u>4,331</u>	<u>2,116</u>
<b>Basic and diluted earnings per share</b>	5	2.6p	1.4p

All profits and losses are on continuing activities.

The notes on pages 18 to 28 form part of these accounts.

## Statement of Changes in Equity

	Ordinary share capital £000	Share premium account £000	Warrants reserve/ Capital reserve £000	Unrealised profits and losses on investments £000	Share of undistributed profits of associates £000	Realised profits and losses £000	Total £000
<b>Year ended 30th June 2010</b>							
Balances at 1st July 2010	7,182	2,654	148	(3,170)	232	1,890	8,936
Total comprehensive income	-	-	-	2,112	128	(124)	2,116
Transactions with shareholders							
Interim dividends paid in respect of the year	-	-	-	-	-	(117)	(117)
Balances at 30th June 2010	<u>7,182</u>	<u>2,654</u>	<u>148</u>	<u>(1,058)</u>	<u>360</u>	<u>1,649</u>	<u>10,935</u>
<b>Year ended 30th June 2011</b>							
Balances at 1st July 2010	<u>7,182</u>	<u>2,654</u>	<u>148</u>	<u>(1,058)</u>	<u>360</u>	<u>1,649</u>	<u>10,935</u>
Total Comprehensive Income	-	-	-	3,864	336	131	4,331
Transactions with shareholders							
Shares purchased and cancelled	(3)	-	3	-	-	(3)	(3)
Shares issued	1	-	-	-	-	-	1
Warrant reserve released	-	-	(148)	-	-	148	-
Final dividend paid in respect of prior year	-	-	-	-	-	(117)	(117)
Interim dividends paid in respect of the year	-	-	-	-	-	(125)	(125)
Total transactions with shareholders	<u>(2)</u>	<u>-</u>	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>(97)</u>	<u>(244)</u>
Balances at 30th June 2011	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>2,806</u>	<u>696</u>	<u>1,683</u>	<u>15,022</u>

The notes on pages 18 to 28 form part of these accounts.

## Statement of Financial Position

At 30th June 2011	Notes	2011 £000	2010 £000
<b>Non-current Assets</b>			
Investment in Associates	6	1,615	1,279
Investments	7	14,118	9,332
		<u>15,733</u>	<u>10,611</u>
<b>Current Assets</b>			
Trade and other receivables	8	132	37
Cash and cash equivalents		–	328
		<u>132</u>	<u>365</u>
<b>Current Liabilities</b>	9	<u>(843)</u>	<u>(41)</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(711)</u>	<u>324</u>
<b>Net Assets</b>		<u>15,022</u>	<u>10,935</u>
<b>Equity</b>			
Share capital	10	7,180	7,182
Share premium account	12	2,654	2,654
Capital redemption reserve	13	3	–
Warrants reserve	14	–	148
Unrealised profits and losses on investments		2,806	(1,058)
Share of undistributed profits of associates		696	360
Realised profits and losses		1,683	1,649
<b>Shareholders' Funds</b>		<u>15,022</u>	<u>10,935</u>

Approved and authorised for issue by the Board on 2nd September 2011.

E.J. BEALE      Director

The notes on pages 18 to 28 form part of these accounts.

# Statement of Cash Flow

For the year ended 30th June 2011

	Notes	2011 £000	2011 £000	2010 £000	2010 £000
<b>Profit before taxation</b>			472		256
Profit on sale of investments			(68)		(134)
Share of results of associates			(336)		(128)
Interest and other income receivable			-		(14)
Interest payable			8		-
Changes in working capital					
(Increase)/Decrease in debtors and accrued income			(95)		232
Increase in creditors			5		-
<b>Cash (utilised)/generated by operations</b>			<b>(14)</b>		<b>212</b>
Taxation paid			(5)		-
Interest paid			(8)		-
Interest and other income received			-		14
<b>Net cash (utilised)/generated by operations</b>			<b>(27)</b>		<b>226</b>
<b>Cash flow from investing activities</b>					
Proceeds on disposal of general portfolio investments		524		1,350	
Purchase of general portfolio investments		(528)		(1,224)	
		(4)		126	
Purchase of strategic investments		(850)		(197)	
<b>Net cash (absorbed) by investing activities</b>			<b>(854)</b>		<b>(71)</b>
<b>Cash flow from financing activities</b>					
Proceeds received from issue of new shares		1		-	
Costs of shares purchased and cancelled		(3)		-	
Equity dividend paid		(242)		(117)	
			<b>(244)</b>		<b>(117)</b>
<b>Movement in cash and cash equivalents</b>			<b>(1,125)</b>		<b>38</b>
Net cash and cash equivalents at start of year			328		290
<b>Net (debt)/cash and cash equivalents at end of year</b>	(a)		<b>(797)</b>		<b>328</b>

## Notes

### (a) Analysis of cash and cash equivalents

	At start of year £000	Cash Flow £000	At end of year £000
<b>2010/2011</b>			
Cash at bank/(bank overdraft)	328	(1,125)	(797)
<b>Total cash and cash equivalents</b>	<b>328</b>	<b>(1,125)</b>	<b>(797)</b>
<b>2009/2010</b>			
Cash at bank	290	38	328
<b>Total cash and cash equivalents</b>	<b>290</b>	<b>38</b>	<b>328</b>

The notes on pages 18 to 28 form part of these accounts.

## Notes to the Accounts

For the year ended 30th June 2011

### 1. Accounting Policies

- (i) These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations), issued by the International Accounting Standards Board (IASB) and adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The most significant estimates are explained below:

In accordance with IAS 39 the Company is required to measure certain financial assets at their fair values. The exception to this is investments in equity instruments that do not have a quoted market price in an active market and whose fair values cannot be reliably measured, and these are therefore measured at cost.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision in future periods if applicable. The most significant techniques for estimation are described in the accounting policies below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

At the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 30th June 2011, listed in note 17. The Company has not opted for early adoption for those which have been endorsed. The Directors do not expect that the adoption of these, where applicable, would have an impact on the Company's financial statements for the current or subsequent year.

- (ii) Dividends receivable are recognised in the income statement, in respect of quoted shares, when the shares are quoted ex-dividend and, in respect of unquoted shares, when the dividend is declared.
- (iii) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The Company's accounting policy is as follows:
- The Company's strategic and general portfolio investments are classified as available-for-sale non-derivative financial assets. They are carried at market value with changes in market value recognised directly in equity and recycled through the income statement on disposal. Where a decline in the market value of an available-for-sale financial asset constitutes a prolonged and significant evidence of impairment, the amount of the loss in value is removed from equity and recognised in the income statement.
  - Unquoted investments. These are stated at fair value net of impairment provisions. Reviews for indications of permanent impairment are carried out at least annually.
  - Investments in associated companies. An investment is equity accounted when it meets the definition of an associate under IAS 28, i.e. that the investor has a significant influence.
  - Trade and other receivables. The carrying amounts approximate to their fair values, the transactions giving rise to these balances arising in the normal course of trade and standard industry terms.

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## 1. Accounting Policies (continued)

- (iv) The charge for taxation is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income (primarily franked dividend income) and expense that are never taxable or deductible and items which are taxable or deductible in other years.

Deferred taxation is provided on the liability method based on temporary differences between the taxation base of an asset or liability and its carrying amount. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future

- (v) The Company comprises one business segment only. This is consistent with internal reporting. All revenues are derived from operations within the United Kingdom. Consequently no separate business or geographical segment information is provided.
- (vi) The nature and amount of material items of income or expense are disclosed separately as exceptional items.

## 2. Administrative expenses

	2011 £000	2010 £000
Auditors' remuneration – for audit services	18	18
Directors' emoluments as set out in Note 3	34	34
Other administrative expenses	223	217
	<u>275</u>	<u>269</u>

## 3. Directors' emoluments and related party disclosures

The emoluments of key management personnel, who are the directors and who were the only employees of the Company were:

D.C. Marshall	Nil	Nil
A.J. Hall	8	8
E.J. Beale	Nil	Nil
J.M. Robotham	8	8
	<u>16</u>	<u>16</u>
Amounts paid to third parties	18	18
	<u>34</u>	<u>34</u>

The services of Mr Marshall were supplied by an overseas company, in which none of the directors are beneficially interested, for £10,000 (2010 – £10,000). The services of Mr Beale were supplied by his primary employer for £7,500.

No bonuses have been paid to directors in cash or equity in the year (2010: Nil).

The section on Related Party Disclosures below gives details of the interests of the directors in any material transactions. Other than as disclosed there and above no director was interested in any contract between the directors, the Company and any other related parties which subsisted during or at the end of the financial year.

## Notes to the Accounts (continued)

For the year ended 30th June 2011

### 3. Directors' emoluments and related party disclosures (continued)

#### Related party disclosures

London Finance & Investment Group P.L.C. ("Lonfin") has a 43.80% interest in the Company. Mr Marshall and Mr Robotham are directors of Lonfin. Mr Marshall has an interest in Lonfin through family trusts, which hold 12,890,693 shares, representing 41.30% of Lonfin's issued share capital. Of this figure he has a beneficial interest in 2,301,000 shares (7.38%) and a non beneficial interest in the balance. Mr Robotham has a non-beneficial interest in Lonfin of 11,717,474 shares as a trustee of some of the Marshall family trusts. There were no amounts due to or from Lonfin at 30th June 2011 or 2010.

The Company owns 48.57% of City Group P.L.C. ("CGL") and the remaining 51.43% is owned by Lonfin. Mr Marshall and Mr Robotham are directors of Lonfin and also CGL and Mr Beale is the chief executive of CGL. CGL provides office, accounting and secretarial services to the Company, Lonfin and other companies. During the year under review the Company paid £133,000 (2010 – £143,000) to CGL. These fees covered the provision of office accommodation to directors, investment advice, portfolio management, secretarial, administrative and accounting services. At 30th June 2011 fees and expenses of £4,600 were due to CGL (2010 – £9,300).

### 4. Taxation

The tax charge for the year arises on unrelieved tax on foreign dividend income. The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2011 £000	2010 £000
Profit before taxation	472	256
Taxation at 28% (2010 – 28%)	(132)	(72)
<b>Effects of:</b>		
Tax losses carried forward	(43)	(71)
Capital gains losses (carried forward)/utilised	(14)	37
Associates – share of results net of tax	94	36
Non-taxable franked and other income	90	70
	<u>(5)</u>	<u>–</u>

Dividends received from U.K. companies (franked income) are recognised in the income statement net of their associated tax credit. The excess of available losses is not reflected in the statement of financial position (see note 15) and the change in the rate of tax therefore has no impact on assets or liabilities.

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## 5. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation of £467,000 (2010 – £256,000) and on 17,948,948 (2010 – 17,956,548) being the weighted average number of shares in issue during the period.

	2011	2010
	£000	£000
Basic earnings per share	<u>2.6p</u>	<u>1.4p</u>

Diluted earnings per share at 30th June 2011 and 30th June 2010 are the same as basic earnings per share. All Warrants not exercised lapsed during the year.

## 6. Non-current assets – Associated Companies

Year ended 30th June 2011	2011	2010
	£000	£000
<b>Shares at cost:</b>		
Cost	918	918
Cumulative share of profits and losses	<u>697</u>	<u>361</u>
Balance at 30th June 2011	<u>1,615</u>	<u>1,279</u>

- a) **Hartim Limited** (“Hartim”) is incorporated and operating in England and Wales and its prime activity is that of a holding Company, owning 100% of an operating subsidiary, Tudor Rose International Limited (TRI). Hartim and TRI’s year ends are 31st December. Hartim has 441,089 A ordinary and 450,000 B ordinary 1p shares in issue. Western owns all of the A shares, equivalent to 49.50% of the company. The following amounts for the year ended 30th June 2011 have been extracted from the consolidated audited accounts at 31st December 2010 and the unaudited management accounts of Hartim at 30th June 2011.

	2011	2010
At 30th June		
Non current assets – property, plant and equipment	139	125
Goodwill	3,391	3,391
Net current (liabilities)/assets	(889)	1,095
Aggregate capital and reserves	2,640	1,961
Share of net assets	1,307	971
Share of post acquisition profit	737	400
Year ended 30th June		
Turnover	25,913	19,943
Profit before taxation	941	416
Taxation	261	111
Share of profit after tax for the year to 30th June	337	150

## Notes to the Accounts (continued)

For the year ended 30th June 2011

### 6. Non-current assets – Associated Companies (continued)

- b) **City Group P.L.C.** (“CGL”) is incorporated and operating in England and Wales and its prime activity is the provision of Corporate Services. CGL’s year end is 30th June. It has 70,000 ordinary shares in issue of which the Company owns 34,000 (48.57%). The following amounts have been extracted from the accounts of CGL.

	2011	2010
	£000	£000
Net current assets	190	167
Turnover	632	527
Profit/(Loss) before and after taxation	17	(17)
Aggregate capital and reserves	190	167
Share of net assets	92	81
Share of profit/(loss) after tax for the year	8	(13)
Share of post acquisition profit	18	10

- c) **Industrial and Commercial Holdings P.L.C.** (“ICH”) is incorporated and operating in England and Wales and its prime activity is that of a holding company. ICH’s year end is 30th June. It has 23,997,985 ordinary 1p shares in issue of which the Company owns 7,177,762 shares (29.90%). The following amounts have been extracted from the accounts of ICH.

Non-current assets – property, plant and equipment	42	42
Net current assets	93	111
Loss before and after taxation	(30)	(28)
Aggregate capital and reserves	136	154
Share of net assets	41	46
Share of loss after tax for the year	(9)	(8)
Share of post acquisition loss	(58)	(49)

7. **Non-current assets – Investments classified as available for sale** (see note 1(iii) a)

	Strategic Quoted Investments £000	Other Quoted Investments £000	AIM, PLUS & Unquoted Companies £000	Total £000
<b>Year ended 30th June 2011</b>				
Cost	7,894	2,089	407	10,390
Fair value adjustment	2,201	31	23	2,255
Balance at 1st July 2010	10,095	2,120	430	12,645
Additions	850	528	–	1,378
Disposals	–	(455)	–	(455)
Brought forward fair values recycled from equity to the income statement on disposals	–	(17)	–	(17)
Change in fair value adjustment carried forward	3,480	268	31	3,779
Balance at 30th June 2011	14,425	2,444	461	17,330
<b>Provisions for impairment in value:</b>				
Balance at 1st July 2010	(3,019)	(101)	(193)	(3,313)
Released in year	–	101	–	101
Balance at 30th June 2011	(3,019)	–	(193)	(3,212)
<b>Net balance at 30th June 2011</b>	<b>11,406</b>	<b>2,444</b>	<b>268</b>	<b>14,118</b>
<b>Year ended 30th June 2010</b>				
Cost	7,697	2,194	573	10,464
Fair value adjustment	397	(67)	65	395
Balance at 1st July 2009	8,094	2,127	638	10,859
Additions	197	987	237	1,421
Disposals	–	(1,092)	(403)	(1,495)
Reclassified				
Brought forward fair values recycled from equity to the income statement on disposals	–	34	34	68
Change in fair value adjustment carried forward	1,804	64	(76)	1,792
Balance at 30th June 2010	10,095	2,120	430	12,645
<b>Provisions for impairment in value:</b>				
Balance at 1st July 2009	(3,019)	(380)	(193)	(3,592)
Released in year	–	279	–	279
Balance at 30th June 2010	(3,019)	(101)	(193)	(3,313)
<b>Net balance at 30th June 2010</b>	<b>7,076</b>	<b>2,019</b>	<b>237</b>	<b>9,332</b>

Included in AIM, Plus and unlisted companies are nil (2010 – £77,000) of unquoted investments.

## Notes to the Accounts (continued)

For the year ended 30th June 2011

### 8. Trade and other receivables

	2011 £000	2010 £000
Trade receivable – on sale of investments	125	–
Prepayments and accrued income	7	37
	<u>132</u>	<u>37</u>

### 9. Current liabilities: amounts falling due within one year

	2011 £000	2010 £000
Bank overdrafts	797	–
Other accounts payable and accruals	46	41
	<u>843</u>	<u>41</u>

The Company has available a £1.5 million revolving credit facility which is secured by a charge over the Company's investments. Interest is chargeable at 3.0% over Coutts & Co.'s base rate fluctuating from time to time.

### 10. Equity

The following describes the nature and purpose of each component within equity:

	<b>Description and purpose</b>
Share capital	Nominal value of issued share capital.
Share premium	Amount subscribed for share capital in excess of nominal value.
Capital Reserve	Amount transferred from realised profit equal to the value of any shares cancelled to maintain capital.
Warrants reserve	Premium arising on issue of unexercised warrants.
Unrealised profits and losses on investments	Difference between historical cost and fair value of investments held in Statement of Financial Position.
Share of undistributed profits of associates	The Company's share of undistributed cumulative post-acquisition gains and losses of associates recognised in the income statement.
Realised profits and losses	Realised profits of the Company less realised losses and unrealised losses other than on investments.

Capital disclosure in respect of IAS 1 are set out in the Directors' Report on page 9.

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## 11. Share capital

	2011 £000	2010 £000
<b>Authorised equity share capital</b>		
30,000,000 shares of 40p each (2010 – 30,000,000 shares of 40p each)	<u>12,000</u>	<u>12,000</u>
<b>Allotted, called up and fully paid equity share capital:</b>		
At 1st July 2010 – 17,956,919 shares of 40p each	7,182	7,182
(8,897) shares purchased and cancelled	(3)	–
1,850 warrants exercised during the year (2010 – 500)	<u>1</u>	<u>–</u>
<b>Balance carried forward at 30th June 2011 – 17,949,872 shares of 40p each</b>	<u>7,180</u>	<u>7,182</u>

## 12. Share Premium Account

	2011 £000	2010 £000
<b>Balance brought forward and carried forward at 30th June 2011</b>	<u>2,654</u>	<u>2,654</u>

## 13. Capital Redemption Reserve

	2011 £000	2010 £000
Transfer to reserve on purchase and cancellation of own shares	<u>3</u>	<u>–</u>

## 14. Warrants reserve

	2011 £000	2010 £000
Balance brought forward at 1st July 2010	148	148
Released to retained earnings on expiry of warrants	<u>(148)</u>	<u>–</u>
<b>Balance carried forward at 30th June 2011</b>	<u>–</u>	<u>148</u>

The 2010 warrants issued by the Company on 9th August 2007 were exercisable 28 days after the posting of the annual and interim reports in 2007 to 2010. 1,850 warrants were exercised during the year and the balance of unexercised warrants have now lapsed.

## 15. Deferred taxation

The Company has no potential deferred tax liabilities and no deferred tax asset is recognised, as it is unclear when taxable profits might arise which would enable utilisation of available losses. The Company has estimated Corporation Tax losses to carry forward of £3,446,000 (2010 – £3,523,000) and Capital Tax losses of £2,382,000 (2010 – £2,435,000) subject to agreement of tax computations with Her Majesty's Revenue & Customs.

## Notes to the Accounts (continued)

For the year ended 30th June 2011

### 16. Financial Instruments

The Directors set out below an explanation of the role that financial instruments have had during the period in creating or changing the risks the Company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving the objectives that have been followed during the year. The Company monitors its performance against these objectives on a continuous basis and through bi-monthly reports of the investment portfolio and cash position.

The categories of financial instruments used by the Company are:

	2011 £000	2010 £000
<b>Financial assets</b>		
Available for sale		
Investments	14,118	9,332
Loans and receivables		
Trade and other receivables	132	37
Cash at bank	–	328
<b>Financial liabilities</b>		
Bank borrowings	(797)	–
Other		
Trade and other payables	(46)	(41)

The main risks arising from the Company's financial instruments are interest rate risk, market price risk and liquidity risk. There is limited credit risk as most of the investments are traded on recognised stock exchanges, registered in the Company's name, and cash and cash equivalents are deposited with independently rated banks. The Board reviews and agrees policies, which have remained unchanged for the year under review, for managing these risks. The policies are summarised below.

#### Interest Rate Risk Profile

The Company finances its operations through a mixture of share capital, share premium, reserves and retained profits. The Company also has available a bank borrowing facility, in pounds sterling, at a floating rate of interest. The Company's policy is to keep any of its borrowings at floating rates of interest. Surplus funds are held in interest bearing accounts at competitive commercial rates.

The Company's principal financial asset is its investment portfolio. There are no investments in fixed interest stock and the majority of the Company's investment portfolio consists of equity investments, for which an interest rate profile is not relevant. Interest is not charged on trade and other receivables nor incurred on trade and other payables.

Subsequent to the year end, the Company obtained a five-year revolving credit facility of £1,500,000, expiring on 31st May 2016. The facility is secured on the portfolio of investments. Interest on the amounts drawn under the facility accrues at 3.0% over Coutts & Co.'s base rate, which fluctuates from time to time. At 30th June 2011, the Company had borrowings outstanding under a previous facility of £797,000 (2010 – £nil). Every 1% change in interest rates would change the interest expense on this amount by £8,000 p.a.

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## 16. Financial Instruments (continued)

### **Credit risk**

No concentration of credit risk exists in the Company's principal financial assets, other than surplus funds which are deposited with the Company's, independently rated, bank. Credit risk is minimised as the counter-parties are institutions with high credit ratings.

There has been no impairment of trade and other debtors during the year, there are no provisions against these assets and none are past their due date.

### **Currency Exposures**

There were currency exposures on the investments in European and United States stocks. The value of these at 30th June 2011 was £1,260,000. The sensitivity to each 1% decrease/increase in the relative exchange rates applicable to these investments would result in a decrease/increase in value of £12,600 and a corresponding reduction/increase in reserves.

### **Liquidity Risk**

The directors do not think that there is a material exposure to liquidity risk based on the cash and credit facilities available in relation to the magnitude of creditors.

The Company's policy is that its borrowings should be flexible and available over the medium term. The bank facility is available by way of a £1.5 million revolving credit facility. The Company holds investments, most of which are listed on recognised stock exchanges. In normal markets these are, by their nature, liquid. However there are periods when the market may not be prepared to deal at realistic prices in unusually large blocks of certain shares and this particularly applies to our Strategic Investment holdings. The Company maintains a General Portfolio of investment holdings most of which are within normal market size. The policy is for these to have an aggregate market value of at least 167% of borrowings at any point in time.

### **Market Price Risk**

The Company is exposed to market risk through the equity investments in other companies. The Company maintains a spread of investments over various sectors and monitors performance continuously. The majority of the General Portfolio investments are in companies with good market liquidity. The future values of these investments will fluctuate because of changes in interest rates and other market factors.

The directors believe that the exposure to market price risk from these activities is acceptable in the Company's circumstances.

The sensitivity to each 1% decrease in the value of investments would result in the fair values of investments decreasing by £141,000 (2010 – £93,000) and a corresponding decrease in unrealised profits. A 1% increase, would, on the same basis, increase fair values and increase the unrealised profits.

Reviews for indications of impairment are carried out at least annually.

## Notes to the Accounts (continued)

For the year ended 30th June 2011

### 17. International Financial Reporting Standards

As indicated in note 1, at the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1st January 2011. The Directors do not expect that the adoption of these, where applicable, would have an impact, other than on presentation, on the Company's financial statements in the period of initial application. The relevant standards are as follows:

	<b>Mandatory for periods beginning</b>	<b>Description</b>	<b>Endorsed by EU</b>
Revised IAS 24	1st January 2011	Simplification of definition of related parties	Yes
Amendments to IFRIC 14 and IAS 19	1st January 2011	Treatment of early payments of contributions to cover funding requirements	Yes
Improvements to IFRSs	1st January 2011	Clarification of requirements and eliminating inconsistencies	Yes
IFRS 9	1st January 2013	Classification and measurement of financial assets – replacing part of IAS 39	No
IFRS 10	1st January 2013	Consolidated financial arrangements	Yes
IFRS 11	1st January 2013	Joint arrangements	Yes
IFRS 12	1st January 2013	Disclosure of interests in other entities	Yes
IFRS 13	1st January 2013	Fair value measurement	Yes

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# Independent auditor's report

TO THE SHAREHOLDERS OF WESTERN SELECTION P.L.C.

We have audited the financial statements of Western Selection P.L.C for the year ended 30th June 2011 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flow and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30th June 2011 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicholas Taylor (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor

Gatwick

United Kingdom

2nd September 2011

BBDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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## Notice of Meeting

**NOTICE is hereby given** that the ANNUAL GENERAL MEETING of Western Selection P.L.C. will be held at the offices of City Group P.L.C., 30 City Road, London EC1Y 2AG on Friday 30th September 2011 at 3.00 p.m. for the following purposes:

1. To receive the directors' report and accounts for the year ended 30th June 2011.
2. To declare a dividend.
3. To re-elect Mr D.C. Marshall as a director.
4. To re-elect Mr E.J. Beale as a director.
5. To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

### Special Business

6. To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution:

"THAT the Board be and is hereby generally and unconditionally authorised to exercise all the powers of the Company to allot shares in the Company up to an aggregate nominal amount of £2,462,000 provided that this authority will expire on 29th September 2016, save that the Company may before such expiry make an offer or agreement which would or might require shares in the Company to be allotted after such expiry and the Board may allot shares in the Company in pursuance of such offer or agreement as if the authority conferred hereby had not expired."

7. To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

"THAT

- (a) in accordance with Section 570 of the Companies Act 2006 the Directors be and are hereby given power to allot shares pursuant to the authority conferred by the Ordinary Resolution numbered 5 passed at the Annual General Meeting held on 30th September 2011, as and when the same becomes effective as if Section 563 of the Companies Act 2006 did not apply to any such allotment, provided that:

- (i) the power hereby conferred shall be limited;

- (aa) to the allotment of shares in the Company in connection with or pursuant to an offer by way of rights, bonus issues or other similar issues to the holders of Shares of 40p each in the capital of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of such shares which such other persons are for those purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with (i) fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body in any territory (ii) underwriting of such an issue and (iii) excess applications by shareholders for equity instruments offered to other shareholders as part of such an issue, but not taken up by other shareholders; and

- (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of shares in the Company up to an aggregate nominal amount of £358,987 representing 5% of the issued share capital;

- (ii) the power hereby granted shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution;

## Notice of Meeting (continued)

- (b) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require shares in the Company to be allotted after such expiry and the Directors may allot shares in the Company in pursuance of such offer or agreement as if the said power had not expired;
  - (c) words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein".
8. To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:
- THAT, subject to the Company's Articles of Association and section 701 of the Companies Act 2006, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases of its own ordinary shares on such terms, provided that:
- (a) the maximum aggregate number of ordinary shares hereby authorised to be acquired is 1,795,000 (9.99%) of the present issued share capital of the Company;
  - (b) the maximum price which may be paid for each ordinary share is no more than 5% above the average of the price of the ordinary shares of the Company (derived from the PLUS markets website) for the five business days prior to the date of purchase and the minimum price per ordinary share is 10p in each case exclusive of any expenses payable by the Company; and
  - (c) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make a purchase of ordinary shares after expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority.

By Order of the Board,  
CITY GROUP P.L.C.  
*Secretaries*

30 City Road  
London EC1Y 2AG

2nd September 2011

**Notes** A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.

A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the registered office of the Company not less than 48 hours before the time fixed for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

The register of directors' interests will be available, for inspection by members, at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excepted), from the date of this notice until the date of the Annual General Meeting and at the place of the meeting, from 9.30 a.m. until the conclusion thereof. No director has a service contract with the Company.

**Change of address:** Members are requested to advise the Registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0GA of any change of address.

