WESTERN SELECTION P.L.C.

REPORT & ACCOUNTS

30TH JUNE
2009

Contents

Directors and Advisers

D.C. MARSHALL, *Non-executive Chairman*, age 65

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 , Finsbury Food Group P.L.C. and Creston plc. He is a non-executive director of MWB Group Holdings Plc and Northbridge Industrial Services PLC and is the chief executive of Marshall Monteagle Holdings S.A. 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 48

Mr Beale was elected a director on 2nd October 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 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 68*†

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 partner of Sarasin & Partners LLP.

J.M. ROBOTHAM, OBE, FCA, *Non-executive*, age 76*†

Mr Robotham joined the board in 1971. He is the non-executive chairman of Marshall Monteagle Holdings S.A. 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 †Member of the investment committee

Secretaries and Registered Office	**City Group P.L.C.** 30 City Road, London, EC1Y 2AG Tel: 020 7448 8950 www.city-group.com	**Website**	www.westernselection.co.uk
Registrars	**Capita Registrars** 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		
Auditors	**BDO Stoy Hayward LLP** 2 City Place, Beehive Ring Road, Gatwick West Sussex, RH6 0PA	**Bankers**	**Bank of Scotland plc** 10-16 King Edward Street Perth, PH1 5UT
PLUS Corporate Adviser	**Loeb Aron & Company Ltd.** Georgian House, 63 Coleman Street, London, EC2R 5BB	**Registered Number**	234871

Western Selection P.L.C. ("Western") is a United Kingdom Strategic Investment Company. Its core portfolio covers holdings of both large and medium sized companies in the United Kingdom. Strategic Investments are held in four smaller United Kingdom companies, on three of which Western has board representation.

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

Results in Brief

	2009	2008
	£000	£000
Loss on ordinary activities	**£(862,000)**	£(2,572,000)
Dividend per share	**Nil**	2.60p
Loss per share	**4.8p**	16.4p
Net assets, including investments at fair values	**£8,936,000**	£10,419,000
Number of shares in issue	**17,956,419**	17,956,419
Net assets per share	**50p**	58p
Middle market price on 30th June	**28p**	29p

Financial Calendar

Annual General Meeting	Wednesday 28th October 2009
Half year results	Announced in February

Analysis of Shareholders

Shareholders Holding	Number	%	Total Shareholding	%
1 - 500	207	36.1	71,785	0.4
501 - 1,000	118	20.6	87,837	0.5
1,001 - 5,000	147	25.6	323,422	1.8
5,001 - 10,000	27	4.7	199,596	1.1
10,001 - 50,000	45	7.9	956,949	5.3
50,001 - 100,000	9	1.6	613,776	3.4
100,001 - 500,000	12	2.1	2,396,370	13.3
Over 500,000	8	1.4	13,306,684	74.2
	573	100.0	17,956,419	100.0

The current price of the Company's shares can be found on the PLUS-quoted market website (www.plusmarketsgroup.com) and through the Company's website (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 or by telephone on 0870 458 4577 (Monday to Friday 8.00 a.m. – 4.30 p.m.). The warrants are also quoted on PLUS.

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 U.K. 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. Our dividend income has remained stable despite many companies cutting their dividends and we have reduced our normal operating costs. Following shareholder approval at the EGM on 12th March 2009 the Company relinquished its quote on AIM and is now solely traded on PLUS. Our operating costs will fall further as the full effect of this change is realised over the coming year. With effect from 1st July 2009 the fee for Mr Marshall's services has been reduced from £15,000 p.a. to £10,000 p.a. and for the other three directors from £10,000 p.a. to £7,500 p.a..

Our principal unquoted investment, Hartim Limited, has been very successful. Our share of Hartim's earnings for the year was £181,000, a return of 25% on our investment of £728,000.

We have sold many of the smaller companies in the General Portfolio and a few of the larger companies, to create a more stable portfolio, generating cash proceeds of in excess of £900,000, and realising losses of £505,000. We have made impairment provisions of £546,000 against the carrying values of certain General Portfolio and unquoted investments. We have cash balances at the date of this report of £737,000 and an unused bank facility of £2,500,000 part of which we hope to use, in coming months, by investing in attractive opportunities where we believe there will be growth potential.

The Company made a loss of £862,000 after tax and exceptional items, compared to a loss of £2,572,000 last year. The loss last year was due to a provision of £3,019,000 against the carrying value of the investment in Creston plc, which reduced the cost per share from 148p to 47p. These shares have improved recently and now stand at 74p.

We have re-analysed the Company's reserves in the Statement of Changes in Shareholders' Equity and in the Balance Sheet from three categories: warrants reserve, fair value reserve and retained earnings, into four categories: warrants reserve, unrealised profits and losses on investments, share of undistributed profits of associates and retained realised profits and losses. We believe that this provides a clearer breakdown of the origin of reserves and the potential for future dividends. Despite having accumulated realised profits, we are unable to pay a dividend as the Companies Act requires net assets to exceed the sum of share capital, share premium and undistributable reserves before a dividend can be paid. We will therefore not be able to pay a dividend until our investments have increased in value by approximately 12.5%. Our strategic investments are trading on relatively low P/E multiples and re-rating of those investments to more normal P/E ratios indicates the potential for substantial increases in the value of our investments. At the date of this report, our unaudited net asset value per share had increased by 8% to 54p and we will keep closely under review the option of paying an interim dividend.

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 2009, show a profit after tax of £6,597,000 (2008 – £4,782,000), equivalent to earnings of 12.2p per share (2008 – 8.7p). On 7th July 2009 Creston announced a placing of new shares, raising approximately £3.3 million (gross). Western did not participate in the placing and maintained it's holding of 3,000,000 shares in Creston. Following the placing, this represents 4.9% of Creston's issued share capital with a value at 30th June 2009 of £1,920,000 (2008 – £1,425,000) being 21% (2008 – 14%) of Western's assets.

Mr Marshall is the non-executive chairman 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 Dubai and Azerbaijan.

The company announced profits of £1,918,000 for the year ended 31st December 2008 (2007 – £1,154,000) and declared a final dividend of 2.6p per share, making 3.9p for the year (2007 – 3.0p). In June 2009, Northbridge raised approximately £2 million by way of an open offer in order to finance the expansion of its hire fleet. Western took up 375,000 shares in that offer at a cost of £413,000 and now holds 1,875,000 shares in Northbridge (21.0%). The value of the investment at 30th June 2009 was £2,156,000 (2008 – £2,558,000) being 24% (2008 – 25%) of Western's assets.

Mr Marshall is a non-executive director of Northbridge.

Swallowfield plc

Swallowfield is a market leader 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. Since our year end their results for their year to 30th June 2009 have been announced showing maintained profits of £1,522,000 (2008 – £1,537,000) and an increase of dividend from 5.5p to 5.9p per share. Their board indicated progress for the next 12 months.

Western increased its holding in Swallowfield during the year and now owns 1,331,500 shares which is 11.8% of the issued share capital. The market value of the Company's holding in Swallowfield on 30th June 2009 was £999,000 (2008 – £971,000), being 11% (2008 – 9%) of Westerns' net assets.

We would like to see the Swallowfield Board strengthened and remain in discussions with the company and other major shareholders about the composition of the Swallowfield board.

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.

Western holds 49.5% of Hartim, which has a 31st December year end and achieved profits in 2008 of £443,000 on turnover of £16,809,000. Western's share of the consolidated profit after tax for the twelve months to 30th June 2009 was £181,000 (2008 – three months £69,000) and the book value of the investment at 30th June 2009 was £979,000 (2008 – £797,000), being 11% (2008 – 8%) 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 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 performed in line with the markets, falling by 24.6%. Our investments in FTSE100 and FTSE250 stocks, which comprise 76% of the General Portfolio, decreased in value by 19.5% whereas the FTSE100 fell by 24.5% and the FTSE250 fell by 18.9%. Our investments in FTSE Small Cap and FTSE Fledgling stocks, which make up 7% of our General Portfolio, decreased by 27.2% compared to declines of 28.6% and 1.0% in those indices. We have taken a net £900,000 out of the General Portfolio in the year to increase our liquidity which gives us greater flexibility in these volatile markets.

Outlook

The current economic conditions will make this a difficult year but with our strong balance sheet and focus on cost control we are well positioned to generate satisfactory results in the next twelve months, subject to market conditions.

Summary of Investments

	2009			2008		
	Cost £000	**Carrying Value £000**	%	Cost £000	Carrying Value £000	%
Strategic Investments						
Creston plc	**4,444**	**1,920**	**21**	4,444	1,425	14
Swallowfield plc	**1,339**	**999**	**11**	1,187	971	9
Northbridge Industrial Services PLC	**1,914**	**2,156**	**24**	1,501	2,558	25
Total Strategic Investments	**7,697**	**5,075**	**56**	7,132	4,954	48
Investments in Associates						
Hartim Limited	**728**	**979**	**11**	728	797	8
Industrial & Commercial Holdings Limited	**107**	**66**	**1**	107	73	–
City Group P.L.C.	**83**	**106**	**1**	83	118	1
Total Investments in Associates	**918**	**1,151**	**13**	918	988	9
General Portfolio						
Full List	**2,173**	**1,747**	**20**	3,421	3,240	31
AIM and Ofex	**284**	**165**	**2**	484	327	3
Offshore Funds – FSA recognised	**206**	**203**	**2**	200	247	2
Total General Portfolio	**2,663**	**2,115**	**24**	4,105	3,814	36
Unquoted investments	**77**	**77**	**1**	77	77	1
Total Fixed Asset Investments	**11,355**	**8,418**	**94**	12,232	9,833	94
Cash at bank	**290**	**290**	**3**	579	579	6
Other Net Current Assets	**228**	**228**	**3**	7	7	–
	11,873	**8,936**	**100**	12,818	10,419	100

Composition of General Portfolio

at 30th June 200

	Carrying Value £000	%
FTSE 100		
Royal Dutch Shell	196	9.3
BP	143	6.8
Diageo	131	6.2
British American Tobacco	117	5.5
Associated British Foods	114	5.4
Unilever	100	4.7
Prudential Corporation	96	4.5
Royal & Sun Alliance Insurance	96	4.5
GlaxoSmithKline	91	4.3
Imperial Tobacco Group	73	3.5
Cobham	61	2.9
Lloyds TSB Group	23	1.1
Land Securities	21	1.0
	1,262	**59.7**
FTSE 250		
William Hill	59	2.8
Rotork	58	2.7
Travis Perkins	54	2.6
Balfour Beatty	49	2.3
Homeserve	45	2.1
Renishaw	34	1.6
Marstons	31	1.5
	330	**15.6**
FTSE SmallCap		
Marshalls Group	29	1.4
	29	**1.4**
FTSE Fledgling		
Bioquell	119	5.6
	119	**5.6**
FTSE AIM		
Wynnstay Group	146	6.9
	146	**6.9**
Quoted Investment Fund		
Sarasin International Equity Income Fund	103	4.9
Equisar IIID Fund	100	4.7
	203	**9.6**
Other	26	1.2
	26	**1.2**
	2,115	**100.0**

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 dividend income and share value.

	2009	2008	2007	2006	2005
Net assets per share – pence	**50.0**	**58.0**	99.7	89.8	88.8
Dividends per share – pence	**–**	**2.60**	2.55	2.45	2.32
(Loss)/Earnings per share before share of associates and exceptional items – pence	**(2.67)**	**2.41**	2.94	2.76	1.40
Expense ratio	**3.7%**	**3.3%**	2.3%	2.8%	3.2%

Asset values declined during the year, as discussed above, resulting in an increase in the expense ratio whilst total expenses were reduced.

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 associates and exceptional items (as defined in note 1 (vi), divided by the weighted average number of shares in issue over the year.

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

Dividend

As mentioned above, the Company is unable to pay a dividend.

International Financial Reporting Standards

The Company opted for early adoption of IFRS for the year ending 30th June 2007.

Financial Instruments

The financial instruments of the Company are the investment portfolio and cash. The Company has no borrowings at the balance sheet date.

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 listed on recognised stock exchanges, registered in the Company's name, and cash and cash equivalents are with independently rated banks. The Board reviews and agrees policies, which have remained unchanged for the year under review, for managing both of these risks. The policies are summarised below.

Interest Rate Risk – The Company finances its operations through a mixture of share capital, share premium, reserves and retained profits. The Company also has available a bank overdraft 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.

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 future values of these investments will fluctuate because of changes in interest rates and other market factors.

Liquidity Risk – 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 £2.5 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 150% of borrowings at any point in time.

For further details of the Company's management of its financial instruments, please refer to note 18 to the financial statements on page 27.

Share Capital and Warrants

The 2010 Warrants are 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 no warrants were exercised and at 30th June 2009 the issued share capital of the Company was 17,956,419 shares and there were 7,694,023 of the 2010 Warrants in issue and exercisable. The next exercise date for the 2010 Warrants is 28 days after the despatch of this report and a letter advising of that date and the procedure for exercising the Warrants has been sent to all warrant holders.

The 2010 Warrants are admitted to trading on PLUS where the mid-market price at 29th September 2009, the latest practical date, was 2.0p. If shareholders have any problems dealing in the shares or Warrants they should contact City Group at the address shown on page 2.

The Company considers its capital to comprise its ordinary share capital, share premium, warrant 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 no borrowing and there is no 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 2009		30th June 2008	
	Shares	**Warrants**	Shares	Warrants
D.C. Marshall	**–**	**–**	–	–
E.J. Beale (appointed 2nd October 2008)	**–**	**–**	N/A	N/A
A.R.C. Barclay (resigned 2nd October 2008)	**N/A**	**N/A**	10,500	4,500
A.J. Hall	**121,800**	**52,200**	121,800	52,200
J.M. Robotham	**35,000**	**15,000**	35,000	15,000

There have been no changes in directors' share interests between 1st July 2009 and the date of this report.

Mr A.R.C. Barclay retired from the Board at the last Annual General Meeting at his own request as he wished to reduce his commitments.

Mr A.J. Hall retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

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
Suffolk Life Annuities Limited	886,704	4.94
T.W.G. Charlton	725,734	4.04
IFG Trust Company (Channel Islands) Limited	654,542	3.65

Income and Corporation Taxes Act 1988

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

Auditors

In accordance with Section 489 of the Companies Act 2006 a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of BDO Stoy Hayward LLP 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 Balance Sheet date there were 2 days purchases outstanding (2008 – nil), calculated on the ratio of trade creditors to total purchases.

Articles of Association

The Board is taking the opportunity to propose that the Company adopts a new set of Articles of Association ("New Articles") at the forthcoming Annual General Meeting. The New Articles incorporate changes to company legislation under the Companies (Shareholders' Rights) Regulations 2009 which came into force on 3rd August 2009, the Companies Act 2006 (the final provisions of which will come into force on 1st October 2009) and the Electronic Communications Act 2000.

The Directors are proposing the adoption of the New Articles in order that the Company may take full advantage of the new regulations introduced under the above named legislation. These new regulations will benefit the Company but will not automatically apply to the Company's Articles of Association unless expressly incorporated or if there are contrary provisions in the existing articles. The main changes under the New Articles will allow the Board to authorise a director's perceived or actual conflict of interest; enable the Board to take steps to allow the Company to communicate with its shareholders by means of electronic communication (including the service of notices by email or using the Company's website) and will clarify the procedure for voting by proxy. The New Articles will also provide clarity and avoid any potential confusion by removing provisions contained within the existing articles of association which have been revoked or superseded by the recent changes in company law.

The Board unanimously recommends that the members approve the resolution to adopt the New Articles in substitution for, and to the exclusion of, the Company's existing Articles of Association. A copy of the proposed new Articles of Association is available for inspection on the Companies website, www.westernselection.co.uk and at the offices of our Secretaries, City Group P.L.C., 30 City Road, London, EC1Y 2AG.

Corporate Governance

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

However, the Company follows the Code wherever it is reasonable to do so. It operates an effective board, which includes non-executive directors. A separate investment committee and an audit committee are established and meet on a timely basis. The appointment of directors and the purchase 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. There are no share options in issue.

The Board is aware of the requirements of the 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 Code is not possible because of the size and resource constraints within the Company and because the cost of putting in place the additional procedures can not be justified.

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.

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.

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;
- 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.

Signed on behalf of the Board,

CITY GROUP P.L.C.
Secretaries.

1st October 2009

Income Statement

For the year ended 30th June 2009	Notes	2009 £000	2008 £000
Income from investments in:			
Listed strategic undertakings		**212**	**155**
Other listed undertakings		**135**	**180**
		347	**335**
Administrative expenses	2	**(875)**	**(3,361)**
– normal operating expenses		**(329)**	**(342)**
– exceptional impairment provisions	4	**(546)**	**(3,019)**
(Losses)/Gains on disposal of investments	5	**(505)**	**420**
Operating loss		**(1,033)**	**(2,606)**
Share of results of associated company		**163**	**69**
Finance income		**19**	**14**
Finance costs		**(11)**	**(49)**
Loss before taxation		**(862)**	**(2,572)**
Taxation	6	**–**	**–**
Loss after taxation attributable to equity shareholders		**(862)**	**(2,572)**
Basic and diluted loss per share	7	**(4.8)p**	**(16.4)p**

All profits and losses are on continuing activities.

The notes on pages 17 to 28 form part of these accounts.

Statement of Changes in Equity

	Ordinary share capital £000	Share premium account £000	Warrants reserve £000	Unrealised profits and losses on investments £000	Share of undistributed profits of associates £000	Realised profits and losses £000	Total £000
Year ended 30th June 2008							
Balances at 1st July 2007	5,130	2,469	–	–	–	–	7,599
Restated Balances at 1st July 2007 (Note 16)	–	–	–	2,399	–	2,785	5,184
	5,130	**2,469**	**–**	**2,399**	**–**	**2,785**	**12,783**
Loss before fair value release from equity	–	–	–	(3,019)	69	(18)	(2,968)
Fair value of investments recycled to income statement on disposal	–	–	–	–	–	396	396
Profit/(Loss) attributable to shareholders	–	–	–	(3,019)	69	378	(2,572)
Fair value recycled from equity to income statement	–	–	–	(396)	–	–	(396)
Fair value adjustment on listed undertakings (note 9)	–	–	–	(1,454)	–	–	(1,454)
Total income and expense for the year	**–**	**–**	**–**	**(4,869)**	**69**	**378**	**(4,422)**
New shares issued on exercise of warrants	1,693	–	–	–	–	–	1,693
Warrant units issued	–	–	872	–	–	–	872
Costs of issue	–	(180)	–	–	–	–	(180)
Warrants reserve released	359	365	(724)	–	–	–	–
Dividends paid in respect of the previous year	–	–	–	–	–	(327)	(327)
Total transactions with shareholders	**2,052**	**185**	**148**	**–**	**–**	**(327)**	**2,058**
Balances at 30th June 2008	**7,182**	**2,654**	**148**	**(2,470)**	**69**	**2,836**	**10,419**
Year ended 30th June 2009							
Balances at 1st July 2008	**7,182**	**2,654**	**148**	**(2,470)**	**69**	**2,836**	**10,419**
Loss before fair value release from equity	**–**	**–**	**–**	**(546)**	**163**	**(183)**	**(566)**
Fair value of investments recycled to income statement on disposal	**–**	**–**	**–**	**–**	**–**	**(296)**	**(296)**
Loss attributable to shareholders	**–**	**–**	**–**	**(546)**	**163**	**(479)**	**(862)**
Fair value recycled from equity to income statement	**–**	**–**	**–**	**296**	**–**	**–**	**296**
Fair value adjustment on listed undertakings (note 9)	**–**	**–**	**–**	**(450)**	**–**	**–**	**(450)**
Total income and expense for the year	**–**	**–**	**–**	**(700)**	**163**	**(479)**	**(1,016)**
Dividends paid in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(467)**	**(467)**
Total transactions with shareholders for the year	**–**	**–**	**–**	**–**	**–**	**(467)**	**(467)**
Balances at 30th June 2009	**7,182**	**2,654**	**148**	**(3,170)**	**232**	**1,890**	**8,936**

The notes on pages 17 to 28 form part of these accounts.

Balance Sheet

At 30th June 2009	Notes	2009	2008 Restated (see note 16)
		£000	£000
Non-current Assets			
Investment in Associates	8	**1,151**	988
Investments	9	**7,267**	8,845
		8,418	9,833
Current Assets			
Trade and other receivables	10	**269**	36
Cash and cash equivalents		**290**	579
		559	615
Current Liabilities	11	**(41)**	(29)
Net Current Assets		**518**	586
Net Assets		**8,936**	10,419
Equity			
Share capital	13	**7,182**	7,182
Share premium account	14	**2,654**	2,654
Warrants reserve	15	**148**	148
Unrealised profits and losses on investments		**(3,170)**	(2,470)
Share of undistributed profits of associates		**232**	69
Realised profits and losses		**1,890**	2,836
Shareholders' Funds		**8,936**	10,419

Approved and authorised for issue by the Board on 1st October 2009.

E.J. BEALE Director

The notes on pages 17 to 28 form part of these accounts.

Cash Flow Statement

For the year ended 30th June 2009	Notes	2009 £000	2009 £000	2008 £000	2008 £000
Cash outflow from operating activities					
Cash absorbed by operations	(a)		**(203)**		(45)
Interest paid			**(11)**		(49)
Interest received			**19**		14
Taxation paid			**–**		–
Net cash absorbed by operations			**(195)**		(80)
Cash flow from investing activities					
Proceeds on disposal of general portfolio investments		**1,092**		2,142	
Purchase of general portfolio investments		**(154)**		(1,369)	
		938		773	
Purchase of strategic investments		**(565)**		(144)	
Cash released by investing activities			**373**		629
Cash flow from financing activities					
Proceeds from issue of new shares		**–**		2,385	
Equity dividend paid		**(467)**		(327)	
			(467)		2,058
Movement in cash and cash equivalents			**(289)**		2,607
Net cash and cash equivalents at start of year			**579**		(2,028)
Net cash and cash equivalents at end of year	(b)		**290**		579

Notes

(a) Reconciliation of operating profit to cash absorbed by operations

	2009 £000	2008 £000
Loss before taxation	**(862)**	(2,572)
Loss/(Profit) on sale of investments	**505**	(420)
Share of results of associates	**(163)**	(69)
Interest received	**(19)**	(14)
Interest paid	**11**	49
Exceptional items	**546**	3,019
Changes in working capital		
Increase in debtors and accrued income	**(233)**	(20)
Increase/(Decrease) in creditors	**12**	(18)
Cash absorbed by operations	**(203)**	(45)

(b) Analysis of cash and cash equivalents

	At start of period £000	Cash Flow £000	At end of year £000
2008/2009			
Cash at bank	**579**	**(289)**	**290**
Total cash and cash equivalents	**579**	**(289)**	**290**
2007/2008			
Cash at bank	6	573	579
Bank overdraft	(2,034)	2,034	–
Total cash and cash equivalents	(2,028)	2,607	579

The notes on pages 17 to 28 form part of these accounts.

Notes to the Accounts
For the year ended 30th June 2009

1. Accounting Policies

(i) These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's 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 IAS39 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 2009, listed in note 19. The Company has not opted for early adoption for those which have been endorsed. The only changes which may be applicable are those arising from the amendments to definitions and presentation under the revised IAS 1 and IFRS 7. The Directors do not expect that the adoption of these, where applicable, would have an impact, other than on presentation arising from IAS 1, on the Company's financial statements in the period of initial application.

(ii) Dividends receivable are recognised in the income statement, in respect of listed shares, when the shares are quoted ex-dividend and, in respect of unlisted 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:

a) 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 objective evidence of impairment, the amount of the loss in value is removed from equity and recognised in the income statement.

b) Unquoted investments. These are stated at cost net of impairment provisions because fair value cannot be readily determined. Reviews for indications of permanent impairment are carried out at least annually.

Notes to the Accounts (continued)

For the year ended 30th June 2009

1. Accounting Policies (continued)

c) 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.

d) 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.

(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 balance sheet liability method based on temporary differences between the taxation base of an asset or liability and its balance sheet 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.

(vii) Changes in Accounting Presentation

In prior years reserves have been analysed in the following three categories:

Warrants reserve	Premium received on issue of unexercised warrants
Fair value reserve	Cumulative net gains and losses on investments recognised direct to equity i.e. the net unrealised profits and losses on investments excluding unrealised impairment provisions.
Retained earnings/(loss)	The Company's share of cumulative post-acquisition net gains and losses of associates recognised in the income statement i.e. the realised profits of the Company, realised and unrealised losses, unrealised impairment provisions, and the Company's share of undistributed post acquisition profits of associates

Reserves have now been restated into the following four categories:

Warrants reserve	Premium received on issue of unexercised warrants – Unchanged
Unrealised profits and losses on investments	Cumulative unrealised gains and losses on investments.
Share of undistributed profits of associates	The Company's share of 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 loss other than on investments.

In the opinion of the directors, this provides a clearer breakdown of the origin of the reserves and of the potential for future dividends. Dividends can only be paid out of net realised profits of the company and they can only be paid when net assets exceed the aggregate of share capital, share premium and undistributable reserves.

2. Administrative expenses

	2009	2008
	£000	£000
Bank charges	**6**	7
Auditors' remuneration – for audit services	**15**	10
– for accounting advice	**–**	4
Directors' emoluments as set out in Note 3	**46**	45
Other administrative expenses	**262**	276
	329	342
Exceptional items – note 4	**546**	3,019
	875	3,361

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	**10**	10
E.J. Beale (appointed 2nd October 2008)	**Nil**	Nil
A.R.C. Barclay (retired 2nd October 2008)	**3**	10
J.M. Robotham	**10**	10
	23	30
Amounts paid to third parties	**23**	15
	46	45

The services of Mr Marshall were supplied by an overseas company, in which none of the directors are beneficially interested, for £15,000 (2008 – £15,000). The services of Mr Beale were supplied by his primary employer for £7,500.

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.

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 and 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 and Mr Robotham has a non-beneficial interest in 10,077,693 shares as trustees of the family trusts. There were no amounts due to or from Lonfin at 30th June 2009 or 2008.

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. CGL provides office, accounting and secretarial services to the Company, Lonfin and other companies. During the year under review the Company paid rent of £46,000 (2008 – £46,000) to CGL, secretarial management fees of £97,000 (2008 – £100,000). (In 2008 the Company also paid fees of £30,000 in connection with the acquisition of Hartim and £20,000 in connection with the warrant issue). At 30th June 2009 advance fees of £20,000 had been paid to CGL (2008 – arrears due to CGL £4,252).

Notes to the Accounts (continued)

For the year ended 30th June 2009

4. Exceptional items

	2009 £000	2008 £000
Provisions against carrying value of investments	**(546)**	(3,019)
	(546)	(3,019)

5. (Losses)/Gains on disposal of investments

	2009 £000	2008 £000
Brought forward fair values recycled from equity to the income statement on disposals	**(296)**	396
(Losses)/Gains on disposals	**(209)**	24
	(505)	420

6. Taxation

There is no tax charge for the year. The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2009 £000	2008 £000
Loss before taxation	**(862)**	(2,572)
Taxation at 28%/30%	**241**	772
Effects of:		
Tax losses carried forward	**(90)**	(113)
Capital gains losses (carried forward)/utilised	**(141)**	126
Associates – share of results net of tax	**45**	21
Non-taxable franked and other income	**98**	100
Exceptional provision	**(153)**	(906)
	–	–

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 balance sheet (see note 17).

7. (Loss)/Earnings per share

(Loss)/Earnings per share are based on the loss on ordinary activities after taxation including and excluding associates and exceptional items of £862,000 and £479,000 (2008 – loss £2,572,000 and profit £378,000) respectively and on 17,956,419 (2008 – 15,692,448) being the weighted average number of shares in issue during the period.

	2009	2008
Basic loss per share	**(4.80)p**	(16.4)p
Earnings per share excluding associates and exceptional items	**(2.67)p**	2.41p

Diluted (loss)/earnings per share at 30th June 2009 and 30th June 2008 are the same as basic (loss)/earnings per share. The Warrants in issue on 30th June 2009 were not dilutive, the exercise price being above the average price of Western's shares for the year.

8. Non-current assets – Associated Companies

	2009	2008
Year ended 30th June 2009	**£000**	£000
Shares and warrants at cost:		
Cost	**919**	**191**
Additions (investment in Hartim Limited)	**–**	**728**
Cumulative share of profits and losses	**232**	**69**
Balance at 30th June 2009	**1,151**	**988**

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 2009 have been extracted from the consolidated audited accounts at 31st December 2008 and the unaudited management accounts of Hartim at 30th June 2009.

Non current assets – property, plant and equipment	**158**	136
Goodwill	**3,391**	3,172
Net current liabilities	**1,106**	1,394
Turnover (2008 – for three months from acquisition)	**13,551**	4,067
Profit before taxation (2008 – for three months from acquisition)	**684**	197
Taxation (2008 – for three months from acquisition)	**179**	59
Aggregate capital and reserves	**1,735**	954
Share of net assets	**859**	472
Share of profit after tax for the year (2008 – three months) to 30th June	**181**	69
Share of post acquisition profit	**250**	69

Notes to the Accounts (continued)

For the year ended 30th June 2009

8. 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.

	2009	2008
	£000	£000
Non current assets – property, plant and equipment	**4**	6
Net current assets	**180**	200
Turnover	**533**	611
(Loss)/Profit before and after taxation	**(25)**	11
Aggregate capital and reserves	**184**	206
Share of net assets	**89**	100
Share of profit after tax for the year	**(12)**	5
Share of post acquisition profit	**23**	35

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	**140**	163
Loss before and after taxation	**(23)**	(16)
Aggregate capital and reserves	**182**	205
Share of net assets	**54**	61
Share of loss after tax for the year	**(7)**	(5)
Share of post acquisition loss	**(41)**	(34)

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

	Strategic Listed Investments £000	Other Listed Investments £000	AIM, PLUS & Unlisted Companies £000	Total £000
Year ended 30th June 2009				
Cost	**7,132**	**3,422**	**788**	**11,342**
Fair value adjustment	**841**	**(182)**	**(110)**	**549**
Balance at 1st July 2008	**7,973**	**3,240**	**678**	**11,891**
Additions	**565**	**48**	**106**	**719**
Disposals	**–**	**(1,297)**	**(300)**	**(1,597)**
Reclassified	**–**	**21**	**(21)**	**–**
Brought forward fair values recycled from equity to the income statement on disposals	**–**	**181**	**115**	**296**
Increase in fair value adjustment carried forward	**(444)**	**(66)**	**60**	**(450)**
Balance at 30th June 2009	**8,094**	**2,127**	**638**	**10,859**
Provisions for impairment in value:				
Balance at 1st July 2008	**(3,019)**	**–**	**(27)**	**(3,046)**
Provided in year	**–**	**(380)**	**(166)**	**(546)**
Balance at 30th June 2009	**(3,019)**	**(380)**	**(193)**	**(3,592)**
Net balance at 30th June 2009	**5,075**	**1,747**	**445**	**7,267**
Year ended 30th June 2008				
Cost	6,988	4,556	735	12,279
Fair value adjustment	1,465	915	19	2,399
Balance at 1st July 2007	8,453	5,471	754	14,678
Additions	144	535	105	784
Disposals	–	(1,669)	(52)	(1,721)
Brought forward fair values recycled from equity to the income statement on disposals	–	(391)	(5)	(396)
Fair value adjustment	(624)	(706)	(124)	(1,454)
Balance at 30th June 2008	7,973	3,240	678	11,891
Provisions for impairment in value:				
Balance at 1st July 2007	–	–	(27)	(27)
Provided in year	(3,019)	–	–	(3,019)
Balance at 30th June 2008	(3,019)	–	(27)	(3,046)
Net balance at 30th June 2008	4,954	3,240	651	8,845

Included in AIM, Plus and unlisted companies are nil (2008 – £77,000) of unlisted investments.

10. Trade and other receivables

	2009 £000	2008 £000
Proceeds receivable from sale of investments	**234**	–
Prepayments and accrued income	**35**	36
	269	36

Notes to the Accounts (continued)

For the year ended 30th June 2009

11. Current liabilities: amounts falling due within one year

	2009 **£000**	2008 £000
Bank facility drawn down	**–**	–
Other accounts payable and accruals	**41**	29
	41	29

The Company has available a revolving £2.5 million bank facility which is secured by a charge over the Company's investments. None of the facility has been drawn down at 30th June 2009. Interest is chargeable at 1% over the Bank of Scotland PLC's base rate fluctuating from time to time.

12. Equity

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

	Description and purpose
Share capital	Nominal value of issued share capital
Share premium	Amount subscribed for share capital in excess of nominal value.
Warrants reserve	Premium received on issue of unexercised warrants
Unrealised profits and losses on investments	Cumulative unrealised gains and losses on investments.
Share of undistributed profits of associates	The Company's share of 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 disclosures in respect of IAS1 are set out in the Directors' Report on page 10.

13. Share capital

Allotted, called up and fully paid equity share capital:		
At 1st July 2008 – 17,956,419 shares of 40p each	**7,182**	5,130
No warrants exercised during the year (2008 – 5,131,198 at 33p)	**–**	1,693
Transfer from warrants reserve (2008 – 5,131,198 at 7p)	**–**	359
Balance carried forward at 30th June 2009 – 17,956,419 shares of 40p each	**7,182**	7,182

14. Share Premium Account

	2009 £000	2008 £000
Balance brought forward at 1st July 2008	**2,654**	2,469
Transfer from warrants reserve	–	365
Cost of warrants issued	–	(180)
Balance carried forward at 30th June 2009	**2,654**	**2,654**

15. Warrants reserve

Balance brought forward at 1st July 2008	**148**	–
Arising in 2008 on 2,565,044 warrant units issued at 34p	–	872
Transfer to share capital – released on 2007 warrants exercised	–	(359)
Transfer to share premium account	–	(365)
Balance carried forward at 30th June 2009	**148**	**148**

The 2010 warrants issued by the Company 9th August 2007 are exercisable 28 days after the annual and interim reports in 2008 – 2010 at 50p.

16. Restatement of reserves

	Fair value reserve £000	Retained earnings £000	Unrealised profits and losses on investments £000	Share of undistributed profits of associates £000	Realised profits and losses £000
Balance brought forward at 1st July 2007 as previously stated	2,399	2,785	–	–	–
Restatement of fair value reserve	(2,399)	–	2,399	–	–
Restatement of retained earnings	–	(2,785)	–	–	2,785
Balance brought forward at 1st July 2007 as restated	–	–	2,399	–	2,785

Reserves have been restated as shown in the table above because, in the opinion of the directors, this provides a clearer breakdown of the origin of the reserves and of the potential for future dividends.

17. Deferred taxation

The potential tax losses of £210,000 on the increase in unrealised losses on the Company's investments would increase brought forward Capital Gains Tax losses. The Company has estimated Corporation Tax losses to carry forward of £3,268,000 (2008 – £2,939,000) and Capital Tax losses of £2,569,000 (2008 – £2,050,000) subject to agreement of tax computations with Her Majesty's Revenue & Customs. No deferred tax asset is recognised, as it is unclear when taxable profits might arise which would enable utilisation of these losses. The Company has no deferred tax liabilities.

Notes to the Accounts (continued)

For the year ended 30th June 2009

18. Financial Instruments

The Directors' Report on page 9 provides 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:

	2009 £000	2008 £000
Financial assets		
Available for sale		
Investments	**7,267**	8,845
Loans and receivables		
Trade and other receivables	**269**	36
Cash at bank	**290**	579
Financial liabilities		
Other		
Trade and other payables	**41**	29
Bank overdrafts	**–**	–

Interest Rate Risk Profile

The Company's principle 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.

The Company has a five-year revolving credit facility of £2,500,000, expiring in June 2011. The facility is secured on the portfolio of investments. Interest on the amounts drawn under the facility accrues at 1% over the Bank of Scotland PLC's base rate, which fluctuates from time to time. At 30th June 2009, the Company had no drawings outstanding under the facility (2008 – £nil) and an interest rate profile is not relevant.

Credit risk

No concentration of credit risk exists in the Company's principal financial assets, and 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 no currency exposures during the year or at the balance sheet date as the Company has no foreign investments.

18. Financial Instruments (continued)

Market Risk

The Company maintains a spread of investments over various sectors and monitors performance continuously as described above. The majority of the financial assets (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.

Reviews for indications of impairment are carried out at least annually. 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 £72,600 (2008 – £88,450) and a corresponding increase in the negative fair value reserve. A 1% increase, would, on the same basis, increase fair values and decrease the negative fair value reserve.

Fair Value

The fair values of the investments within the general and strategic portfolios are determined by the prices available from the markets on which the instruments involved are traded. Unlisted investments are stated at cost net of impairment provisions because fair value can not be readily determined.

The fair value of short term deposits, overdrafts and trade and other receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

Notes to the Accounts (continued)

For the year ended 30th June 2009

19. 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 30th June 2009. The only changes which may be applicable are those arising from the amendments to definitions and presentation under the revised IAS 1 and IFRS 7. The Directors do not expect that the adoption of these, where applicable, would have an impact, other than on presentation arising from IAS 1, on the Company's financial statements in the period of initial application. The relevant standards are as follows :

	Mandatory for periods beginning	Description	Endorsed by EU
IFRIC 16	1st October 2008	Investment in a Foreign Operation	Yes
IFRS 8	1st January 2009	Operating Segments	Yes
IFRS 1	1st January 2009	First time Adoption of IFRS (revised)	No
IAS 23	1st January 2009	Recognition of Borrowing costs (amended)	Yes
IFRS 2	1st January 2009	Share Based Payments (amended)	Yes
IAS 1	1st January 2009	Presentation of owner changes in equity and comprehensive income	Yes
IAS 32 and IAS 1	1st January 2009	Classification of certain financial instruments	Yes
IFRS 1 and IAS 27	1st January 2009	Measurement of investments in subsidiaries etc on first time adoption	Yes
IFRS 7	1st January 2009	Definitions and disclosures of classes of financial instruments	No
Improvements to IFRS's	1st January 2009	Various improvements to clarify and eliminate inconsistencies	Yes
IFRC 15	1st January 2009	Definitions of construction contracts etc.	Yes
IFRIC 9 and IAS 39	30th June 2009	Amendments for clarifications of definitions of embedded derivatives etc.	No
IFRS 3	1st July 2009	Acquisition accounting amendments	Yes
IAS 27	1st July 2009	Treatment of acquistions in stages	Yes
IAS 39	1st July 2009	Principles in hedge recognition	No
IFRIC 17	1st July 2009	Distributions of assets other than cash	No
IFRIC 18	1st July 2009	Transfers of assets from customers	No
Improvements to IFRS's	1st January 2010	Various improvements to clarify and eliminate inconsistencies	No
IFRS 2	1st January 2010	Group cash settled share based payments	No
IFRS 1	1st January 2010	Transitional reliefs for first adoption of IFRS	No

Independent Auditor's Report

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

We have audited the financial statements of Western Selection P.L.C. for the year ended 30th June 2009 which comprise the Income Statement, the Statement of Changes in Shareholders' Equity, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation 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 sections 495 and 496 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2009 and its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 Stoy Hayward LLP, statutory auditor

Gatwick

1st October 2009

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 Wednesday 28th October 2009 at 10.30 a.m. for the following purposes:

1. To receive the directors' report and accounts for the year ended 30th June 2009.
2. To re-elect Mr A.J. Hall a director.
3. To re-appoint BDO Stoy Hayward LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

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

   THAT the draft regulations displayed on the Company's website and produced to the meeting which have been initialled by the Chairman for identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing articles of association.

5. 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 27th October 2014, 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."

6. 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 28th October 2009, as and when the same becomes effective as if sub-section (1) of 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 (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 £359,128 representing 5 per cent. of the issued share capital;

Notice of Meeting (continued)

(ii) the power hereby granted shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution or on 27th January 2011 if earlier;

(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"

7. 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 per cent.) 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

1st October 2009

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.

FORM OF PROXY

I/we ....

of ....

....
being (a) member(s) of the above-named Company hereby appoint the chairman of the meeting, failing whom

....
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 28th October 2009 and at any adjournment thereof.

I/We hereby authorise and instruct my/our proxy to vote as indicated below on the resolutions to be proposed at such meeting. Unless otherwise directed the proxy will vote or abstain from voting as he thinks fit.

RESOLUTIONS	**For**	**Against**	**Abstain**
1. To adopt the reports and accounts.			
2. To re-elect Mr. A.J. Hall a director.			
3. To re-appoint the auditors and to authorise the Directors to fix their remuneration.			
SPECIAL BUSINESS			
Special Resolution 4. To adopt new Articles of Association.			
Ordinary Resolution 5. To authorise the directors to allot securities.			
Special Resolution 6. To authorise the directors to allot securities (subject to limitation) as if pre-emption rights did not apply.			
Special Resolution 7. To authorise the Directors to make market purchases of the Company's shares.			

Dated ....2009 Signature..

Notes

1. This proxy must be lodged at the address overleaf not later than 48 hours before the time of the meeting together, if appropriate, with the power of attorney or other authority under which it is signed or a notarially certified copy of such power of authority.
2. In the case of a corporation this proxy should be given under its Common Seal or, if none, should be signed by the attorney or officer duly authorised.
3. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the register of Shareholders in respect of the joint holding.
4. If it is desired to appoint a proxy any person other than the chairman of the meeting, the name and address of such person should be inserted in the relevant place, reference to the chairman deleted, and the alteration initialled.

6. A proxy need not be a shareholder.

First Fold

Second Fold

Affix
Stamp
here

City Group P.L.C.
30 City Road,
London,
EC1Y 2AG

Third Fold

First Fold

Tuck inside facing flap

Perivan Financial Print 215908