

Western Selection P.L.C.

Annual Report and Accounts

30th June 2017



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Directors

D.C. MARSHALL, *Non-Executive Chairman*

David Marshall is the chairman of London Finance & Investment Group PLC, which is a substantial shareholder of Western Selection PLC. David is also chief executive of Marshall Monteagle PLC and a non-executive director of Northbridge Industrial Services PLC and Industrial & Commercial Holdings PLC. He resides in South Africa, where he has interests in listed trading, financial and property companies.

E.J. BEALE, *Non-Executive* *

Edward Beale is a Chartered Accountant and is the Financial Director of Marshall Monteagle PLC. He was a member of the Accounting Council of the Financial Reporting Council for six years until August 2013. He is currently a member, and previously was chairman, of the Corporate Governance Expert Group of the Quoted Companies Alliance. He is a non-executive director of London Finance & Investment Group PLC, Swallowfield PLC, Heartstone Inns Limited, Industrial & Commercial Holdings PLC, City Group PLC, the Company's company secretary and administrator, and Tudor Rose International Limited.

A.J. HALL, *Non-Executive* *

Andrew 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. From 1989 to 2000, he was managing director of Sarasin Investment Management Limited and after that, and until May 2017, he was a director of Sarasin Asset Management Limited. Andrew is now a consultant with Sarasin & Partners LLP.

J.M. ROBOTHAM, OBE, FCA, *Non-Executive**

Michael Robotham is a Chartered Accountant who, in the 1960s, joined the stockbroking profession where he worked for over 40 years with a number of stockbroking firms including J M Finn & Co Limited from which he retired in 2007. He is a non-executive director of London Finance & Investment Group PLC and City Group PLC. Previously, he was a director and later Chairman of the Institute of Advanced Motorists Limited and a director of Marshall Monteagle PLC. Michael will be retiring from the Board at the Annual General Meeting on 5th December 2017 after 45 years of service.

* Member of the audit committee

Corporate Contacts

**Company Secretary
And Registered Office**

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Registered Number

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Website

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**NEX Exchange
Corporate Adviser**

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Western Selection P.L.C.

Western Selection PLC (“Western”) is a United Kingdom company that, as a cornerstone investor, takes sizeable minority stakes in relatively small companies usually immediately before or as their shares are admitted to trading on one of the UK’s stock exchanges and have directors in common through which it can provide advice and support for these growing companies.

Western’s share capital is admitted to trading on the NEX Exchange Growth Market (formerly, ISDX Growth Market). The current price of the Company’s shares can be found on the NEX Exchange Growth Market website (www.NEX.com) and through the Company’s website: www.westernselection.co.uk.

Results in Brief

	2017	2016
	£000	£000
Profit on ordinary activities before the following:-	5	64
Profit on partial disposal of investment in Swallowfield plc	845	-
Profit on ordinary activities after taxation	850	64
Interim dividend per share	1.1p	1.05p
Proposed final dividend per share	1.1p	1.05p
Earnings per share	4.7p	0.4p
Net assets, including investments at fair values	£17,125,000	£14,217,000
Number of shares in issue	17,949,872	17,949,872
Net assets per share	95p	79p
Mid-market price on 30th June	48p	45p

Financial Calendar

Announcement of unaudited Preliminary Results for the year ended 30 th June 2017	26 th September 2017
Annual General Meeting	5 th December 2017
Final Dividend for 2017	Payable on 11 th December 2017 to shareholders on the register of members at 24 th November 2017
Half year results to 31 st December 2017	To be announced in February 2018
Interim Dividend for 2017	To be announced in February 2018

Strategic Report

Business Model

Western's objective is to generate growth in value for shareholders over the medium to long term and pay a progressive dividend.

Our business model is to take sizeable minority stakes in relatively small companies, usually immediately before or as their shares are admitted to trading on one of the UK's stock exchanges and have directors in common through which we can provide advice and support for these growing companies. These may or may not become associated companies. The aim is that these companies ("Core Holdings") will grow to a stage at which our support is no longer required and our stake can then be sold over time into the relevant stock market.

Companies that are targeted as Core Holdings will have an experienced management team, a credible business model and also good prospects for growth. Core Holdings may be in any sector where management feels it has specific competence.

Our objective is not to build a diversified portfolio, but to identify a limited number of good opportunities for growth in value. This may well see risk concentrated even further than it has previously been.

To acquire these stakes in new Core Holdings, we need to be able to react quickly, and therefore to have readily available funds to invest. To achieve this, we maintain a Treasury Operation consisting of a mix of cash, debt facilities and liquid investments.

Results for the year

The Company's profit on ordinary activities after tax for the year was £850,000 (2016 – profit after tax £64,000). Western sold 500,000 shares of its 2,000,000 holding in Swallowfield during the year, realising an exceptional profit of £845,000.

Dividend income from Core Holdings, has decreased by 7% to £120,000 from £129,000 last year. This is mainly due to no dividend being declared by Northbridge (2016 - £19,000). Dividend income from Treasury Operations increased by 35% from £101,000 last year to £136,000. Administrative expenses have increased by 12% reflecting higher costs relating to the increased portfolio value and the lower costs in 2016 which included one-off release of excess accruals.

During the year Western increased its investment in Bilby (£190,000), and in the Treasury portfolio (£624,000) from the proceeds of the partial disposal of the Company's investment in Swallowfield.

Net assets per share have increased by 20% from 79p to 95p reflecting the exceptional profit and the increases in values of the Core Holdings and Treasury operations.

Dividend

The Company paid an interim dividend of 1.1p per share on 23rd March 2017.

A final dividend of 1.1p per share is proposed, making 2.2p for the year, compared to 2.1p for 2016. The dividend will be paid on 11th December 2017 to shareholders on the register at the close of business on 24th November 2017.

Core Holdings

Northbridge Industrial Services plc ("Northbridge")

Northbridge hires and sells specialist industrial equipment to a non-cyclical customer base. With offices or agents in the UK, USA, Dubai, Germany, Belgium, France, Australia, New Zealand, Singapore, Brazil, Korea and Azerbaijan, Northbridge has a global customer base. This includes utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers and oil tools. Further information about Northbridge is available on their website: www.northbridgegroup.co.uk

Northbridge, which is admitted to trading on AIM, announced its results for the year ended 31st December 2016 on 25th April 2017 and recorded a loss after tax of £6,298,000 for the year. No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

Western Selection P.L.C.

Western holds 3,223,632 Northbridge shares which represents approximately 12.45% of Northbridge's issued share capital. The value of this investment at 30th June 2017 was £3,320,000 (2016 - £2,772,000) which represents approximately 19% (2016 - 19%) of Western's net assets.

David Marshall is a non-executive director of Northbridge.

Swallowfield plc ("Swallowfield")

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. Further information about Swallowfield is available on their website: www.swallowfield.com

Swallowfield, which is admitted to trading on AIM, announced its annual results for the 52 weeks ended 24th June 2017 on 19th September 2017 and recorded a profit after tax of £2,572,000 compared to a profit after tax of £2,001,000 for the comparable period last year. Dividends of £66,900 were received from Swallowfield during the year (2016 – £52,000). A final dividend of 3.5p per share has been declared and, if approved, Western will receive a further £52,500 of income in December 2017.

Western sold 500,000 Swallowfield shares, realising a profit of £845,000, during the year. At the reporting date, being 30th June 2017, Western held 1,500,000 shares which was 8.90% of Swallowfield's issued share capital. The market value of our reduced holding in Swallowfield on 30th June 2017 had increased to £5,700,000 from the value of our holding at 30th June 2016 of £3,400,000. The value of this investment represents approximately 33% (2016 - 24%) of Western's net assets.

Edward Beale is a non-executive director of Swallowfield.

Bilby Plc ("Bilby")

Bilby is an established, and award winning, provider of gas installation, maintenance and general building services to local authority and housing associations across London and South East England. They have a strategy of growing organically and by acquisition. Further information about Bilby is available on their website: www.bilbyplc.com.

During the year Western invested £190,000 in acquiring 362,912 shares in Bilby. Western now holds 2,699,280 Bilby shares which represents approximately 6.8% of Bilby's issued share capital. The market value of this investment on 30th June 2017 was £1,917,000 which represents approximately 11% of Western's net assets.

Bilby, which is admitted to trading on AIM, announced its results for the year ended 31st March 2017 on 26th June 2017 showing a profit before tax and non-underlying items of £64,000 compared to a restated profit before tax and non-underlying items of £718,000 for the 14 month period ended 31st March 2016. Dividends of £53,000 were received from Bilby during the year (2016 - £58,000). Bilby announced a final dividend of 1.5p per share which was paid in July 2017 and which provided Western with further income of £40,500.

Tudor Rose International Limited (previously Hartim Limited)("Tudor Rose International")

Tudor Rose International 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, Tudor Rose International 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 441,090 A ordinary shares in Tudor Rose International which represents 49.5% of the issued ordinary shares in Tudor Rose International. In February 2017, Western subscribed for £1,000,000 redeemable preference shares in Tudor Rose International at a par value of 1p per share. These shares were subscribed for by converting Western's previous loan to Tudor Rose International of £500,000 and paying a further £500,000. Subsequent to the year end, the Company has made available to Tudor Rose International a working capital facility of £500,000 bearing interest at the rate of 6% per annum and which has been fully draw down.

Tudor Rose International, which is a private company, has a 31st December year end, generated trading profits before tax in the year to 30th June 2017 of £63,100. Turnover in the period was £17,145,000 (2016 - £18,542,000). Western's share of a profit after tax for the twelve months to 30th June 2017 was £49,550 (2016 – £35,000) and the book value of the investment at 30th June 2017 was £1,647,000 (2016 - £1,290,000) being 10% (2016 – 9 %) of Western's net assets.

Western has two nominees on the board of Tudor Rose International: Edward Beale and David 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 for housing development in the local authority's next five year plan, but it may take some time for permission to be received.

As part of its continued planning for the development of the land at Milngavie, ICH has provisionally appointed Mactaggart & Mickel Limited, a family controlled firm of contractors, as its development partner and an announcement of the relationship will be made once arrangements have been finalised and agreed. Both parties expect the planning and development process to run over the course of the next few years.

Western subscribed £80,750 for 8,074,982 shares in ICH pursuant to a rights issue, which was completed in July 2017, and now holds 15,252,744 ICH shares (which represents approximately 29.9% of ICH's issued share capital).

David Marshall and Edward Beale are directors of ICH.

City Group PLC (“City Group”)

Western holds 48.6% and London Finance & Investment Group P.L.C. (Western's largest shareholder) holds 51.4% of City Group, an unquoted public company, which provides head office and company secretarial services to both these and other companies. City Group acts as a shared cost centre for related party clients and sells surplus time to unrelated clients.

Edward Beale, David Marshall and Michael Robotham are directors of City Group.

Treasury Operations

Treasury operations comprise bank borrowing facilities of £1,900,000 and liquid investments. At the year-end the Company had net debt of £1,147,000 (2016 – £888,000) and liquid investments valued at £5,348,000 (2016 - £4,488,000). The Company had drawn down £1,225,000 of the bank borrowing facilities available as at 30th June 2017 (2016 – £ 1,000,000)

Outlook

The Brexit vote in 2016 and the outcome of the recent UK Election are likely to have exacerbated volatility in stock markets and consequently the value of the Company's holdings may be affected.

Exchange rate movements impose additional volatility on the valuation of the Company's holdings of shares in overseas companies. The Company's strong balance sheet provides it with the opportunity to capitalise on any opportunities that may arise.

Summary of Net Assets

	Cost £000	2017 Carrying Value £000	%	Cost £000	2016 Carrying Value £000	%
Quoted Core Holdings						
Northbridge Industrial Services Plc	2,994	3,320	19	2,994	2,772	20
Swallowfield plc	1,670	5,700	33	2,210	3,400	24
Bilby plc	2,235	1,917	11	2,045	2,968	21
Total	6,899	10,937	63	7,249	9,140	65
Associated companies (a)						
Tudor Rose International Limited (b)	1,920	1,839	10	1,420	1,290	9
Industrial & Commercial Holdings Plc (c)	189	91	1	189	104	1
City Group Plc	83	108	1	83	97	1
Total	2,192	2,038	12	1,692	1,491	11
Total Core Holdings	9,091	12,975	75	8,941	10,631	76
Cash at bank/(net debt)	(1,147)	(1,147)	(7)	(888)	(888)	(6)
Other net assets (d)	2,832	5,297	32	2,498	4,474	30
Net Assets	10,776	17,125	100	10,551	14,217	100

Notes

- The carrying value of these associated companies is cost plus the Company's share of profits/(losses).
- Includes preference shares of £1m and loans of £192,000 (2016 - loans £692,000).
- 2016 includes £81,000 of subscription monies for which shares had not been issued at the reporting date.
- Other net assets includes non-cash assets within Treasury Operations and other working capital balances.

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 shareholder funds and dividends payable. The KPIs below reflect our single-track business model.

	2017	2016	2015	2014	2013
Shareholders' funds per share - pence	95.4	79.1	75.1	102.0	82.4
Dividends per share – pence	2.2	2.1	2.1	2.0	1.9
Our other principal KPIs are:					
Normalised earnings per share – pence	4.7p	0.4p	15.5	3.5	6.1
Administration expenses - £'000	325	290	324	314	260

2017 normalised earnings include the profit on the partial disposal of the Company's investment in Swallowfield. 2015 normalised earnings per share include the profit on sale of Creston plc shares. 2014 and 2013 normalised earnings per share exclude our share of Tudor Rose International's exceptional items but include the profit on sale of Northbridge shares. The timing of realisation of investments makes this measure volatile.

Definition of KPIs used above

Dividends per share - Dividends declared (Interim and Final) for the year.

Normalised earnings per share - Earnings for the year, excluding exceptional items as disclosed in the Statement of Comprehensive Income, divided by the weighted average number of shares in issue over the year, as set out in note 5 on page 24. Profits (and losses) on disposal of Treasury investments are considered to be part of the Company's normal operations and are therefore not classified as exceptional in the Statement of Comprehensive Income. Profits (and losses) on disposal of Core Holding investments are classified as exceptional.

Administration expenses - Excluding any exceptional items.

Financial Instruments

The financial instruments of the Company are the Core Holdings and Treasury Operations. Details of the Company's risk assessments and risk policy are set out in note 14 on page 28.

Risks and Uncertainties

Our business model is to embrace risk associated with our Core Holdings and to manage operational risk in supporting processes. The main risks arising from the Company's financial instruments are

Stock market volatility and economic uncertainty

The Company's investment performance will be affected by general economic and market conditions. Although the Company cannot predict the level of growth in the global economy, as with most businesses, it believes a period of weak market growth will have an adverse effect on its investments. Volatility relating to the Company's investments, including movements in interest rates and returns from equity and other investments will impact upon the value of the Group's investment portfolio. This risk is increased by the Brexit process.

Possible volatility of share prices of investments

A number of factors outside the control of the Company may impact the share price performance of its investments. Such factors could include investor sentiment, local and international stock market conditions, divergence of results from analysts' expectations, changes in earnings estimates by analysts and changes in political and economic sentiment. Exchange rate movements will contribute to the volatility of prices of foreign stocks.

Ability to make strategic investments

There are limited opportunities for the Company to make strategic investments and therefore there is no guarantee that the Company will be able to do so at a price the directors believe will represent fair value

Liquidity of equity investments in strategic investments

Strategic investments may be made in the equity of "small cap" companies, both listed and unlisted. There is a risk that due to the low level of liquidity in the equity of these strategic investments the Company may not be able to realise its investment, either at all, or at a price the Company believes reflects fair value.

The policies of the Board for review and managing the risks associated with its financial instruments are set out in note 14 on page 28.

Loans to Core Holdings and their directors are reviewed for credit worthiness at each Board meeting. The Board reviews and agrees policies which have remained unchanged for the year under review for managing these risks.

Share Capital

At 30th June 2017, the issued share capital of the Company was 17,949,872 ordinary shares of 40p each. The Company considers its capital to consist of ordinary share capital, share premium and capital 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.

Board Changes

It was with great sadness that we announced, on 23rd November 2016, the death of Lloyd Marshall. He was a highly valued member of the management team who brought a wealth of experience, knowledge and common sense to the Company along with strong principles.

Michael Robotham will be retiring from the Board at the Annual General Meeting ('AGM') on 5th December 2017, after a long period of service to the Company as a non-executive director. The Board for itself, and on behalf of the shareholders, would like to thank Michael for his considerable dedication and service to the Company.

The Board is satisfied that for the time being it has a sufficient spread of skills, experience and support to operate the Company, but following the sad loss of Lloyd Marshall last November, and in the light of Michael Robotham's departure after the AGM, the Board is now looking to identify a suitable individual to join and strengthen the Board. The Board hopes to provide shareholders with an update on that process at the AGM in December.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 5th December 2017, can be found on pages 31 to 33 of these accounts and sets out the business to be considered at the meeting. Resolutions 1 to 5 will be proposed as Ordinary Resolutions and Resolutions 6 and 7 will be proposed as Special Resolutions. Certain elements of the business relating to these Resolutions are explained below:

Resolution 3

Re-election of Non-Executive Director

To re-elect Mr Edward Beale as a non-executive director, who retires by rotation at the Annual General Meeting and offers himself for re-election in accordance with the Company's Articles of Association. The Board has confirmed that, following a performance review, Mr Edward Beale continues to perform effectively and demonstrate commitment to his role. Further information relating to the experience and background of Mr Edward Beale can be found on page 1 of these accounts.

Resolution 5

Allotment of share capital

Resolution 5 provides authority to allot shares in accordance with section 551 of the Companies Act 2006 in the period up to the conclusion of the Company's annual general meeting in 2018. If passed, this resolution would enable the directors to allot shares (and to grant rights to subscribe for or convert any security into shares in the Company) up to an aggregate nominal amount of £4,820,000 which is just below the amount of the Company's authorised but unissued share capital. The directors have no specific plans to allot any ordinary shares in the Company.

Resolution 6 (Special Resolution)

Disapplication of pre-emption rights

Resolution 6 will empower the directors to allot ordinary shares for cash, pursuant to the authority granted by Resolution 5, on a non-pre-emptive basis (a) in connection with a rights issue or open offer and (b) (otherwise than in connection with a rights issue or open offer) up to a maximum nominal value of £717,995 representing approximately 10% of the issued ordinary share capital of the Company as at 20th September 2017 (being the latest practicable date prior to publication of this document) in the period up to the conclusion of the Company's Annual General Meeting in 2018.

Resolution 7 (Special Resolution)

Purchase of own shares

At the 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 40p. 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.

Recommendation

The Board believes that the adoption of Resolutions 1 to 7 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that you vote in favour of Resolutions 1 to 7 as the directors intend to do in respect of their own beneficial holdings which as at 20th September 2017 (being the latest practicable date prior to publication of this document) amount in aggregate to 156,800 ordinary shares, representing approximately 0.87% of the ordinary shares currently in issue.

6th October 2017

By Order of the Board

City Group PLC
Company Secretary

Directors' Report

Directors

A list of the present directors of the Company is shown on page 1. The beneficial interests of the directors in the shares were as follows:

At 30th June	2017	2016
	Shares	Shares
D.C. Marshall	-	-
E.J. Beale	-	-
A.J. Hall	121,800	121,800
L.H. Marshall+	-	-
J.M. Robotham	35,000	35,000

+Died 20th November 2016

There have been no changes in the directors and their share interests between 30th June 2017 and the date of this report.

Edward Beale retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election at the Annual General Meeting to be held on 5th December 2017.

Three of the Company's directors, David Marshall, Edward Beale and Michael Robotham are also directors of London Finance & Investment Group PLC.

Substantial Interests

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

	Shareholding	% interest
London Finance & Investment Group P.L.C.	7,860,515	43.8
W.T. Lamb Holdings Limited	1,250,000	7.0
Forest Nominees Limited	831,542	4.6
T.W.G. Charlton	725,734	4.0
Cheviot Capital (Nominees) Limited	559,042	3.1
P S Allen	553,250	3.0

Corporate Governance

Corporate Governance Policy

Corporate Governance is about having people in place with relevant skills and experience, working as a team, to achieve clear objectives. Appropriate organisational structures and processes provide a framework supporting such teamwork, but are no substitute either for teamwork, or the skills or experience needed to achieve objectives.

As the Company's shares are traded on the NEX Exchange Growth Market, the Company is not required to comply with the UK Corporate Governance Code. The Company supports the principles and recommendations of the QCA's Corporate Governance Code for Smaller and Mid-sized Quoted Companies (the "QCA Guidelines") and applies these as set out below.

The Board

The Company operates an effective Board, which comprises non-executive directors and is chaired by David Marshall. Director biographies are given on page 1 of this report. Andrew Hall and Michael Robotham are considered to be independent, despite the length of time that they have been members of the Board, taking into account their personalities, and the Company's remuneration and ownership structures.

The Board as a whole manages the business of the Company on behalf of the shareholders and in accordance with the Articles of Association. This is achieved through its decision making and where appropriate through the delegation of certain responsibilities to committees.

The Board's primary tasks are to enhance the shareholders' long-term interests by reviewing and approving the Company's business strategy, approving investment decisions and material agreements, maintaining and overseeing the Company's systems and controls, audit processes and risk management policies, preparing and approving the Company's financial statements as well as revenue and capital budgets and plans.

Committees

A separate Audit Committee is established. The Committee, is comprised of the Company's independent non-executive directors, Andrew Hall and Michael Robotham, and Edward Beale and meets on a timely basis, at least twice a year. The Committee is chaired by Andrew Hall. No separate Audit Committee report is presented to shareholders as this would not improve the quality of communication with shareholders given the simple structure of the Company. The main roles of the Committee are to monitor the Company's internal controls, oversee reporting of risk and risk mitigation processes, manage the relationship with, and review reports from, the Company's auditors and to review communications with shareholders concerning the Company's accounts.

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 considered and set by the Board as a whole. Details of each director's remuneration is set out in detail in the statutory accounts which are to be 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.

As the Board is small there is not a separate Nominations Committee and recommendations for appointments to the Board will be considered by the Board as a whole, after due evaluation. In accordance with the Company's Articles of Association, the Board, as a whole, makes decisions regarding the appointment and removal of Directors. At each Annual General Meeting of the Company one-third of the directors are subject to retirement by rotation provided that the number of directors retiring does not exceed one-third.

Western Selection P.L.C.

Board and Committee attendance

The Board met on seven occasions and the Audit Committee met on four occasions during the year following a formal agenda. Attendance at Board and Audit Committee meetings during the year is shown in the following table:

	Board (scheduled)	Audit Committee
No. of meetings in year	7	4
D.C. Marshall	6	-
A.J. Hall*	7	4
E.J. Beale ^o	7	1
J.M. Robotham	5	2
L H. Marshall+	4	2

♦ *Member and Chairman of the Audit Committee.*

^o *Member of the Audit Committee. Appointed on 31st May 2017*

+ *Member of the Audit Committee. Appointed on 13th April 2016. Died 20th November 2016.*

Controls and systems

The Board is aware of the need for appropriate controls and systems to safeguard the Company's assets. Risks are regularly reviewed and appropriate controls have been established and are monitored by the Board. Other than investment risk, the main risks are around misappropriation of assets, diversion of income, and improper expenditure. Controls include authorisation limits, segregation of duties and prompt reviews of transactions.

Regulatory compliance

The Board strives to remain aware of its and the Company's responsibilities in respect of all relevant and applicable laws and regulations in the UK and, so far as the Board is aware, it and the Company have complied with all such laws and regulations including the provisions of the Companies Act 2006, the Prospectus Rules, the NEX Exchange Rules, the Financial Services and Markets Act 2000, the relevant Disclosure and Transparency Rules, the EU Market Abuse Regulation 2014 and any applicable codes of practice relating to takeovers and substantial acquisitions of shares.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its directors and officers under a Directors' and Officers' liability insurance policy.

Conflicts of interest

Under the Companies Act 2006, directors must avoid situations where a direct or indirect conflict of interest may occur. The Company has in place procedures to deal with any situation where a conflict may be perceived.

Communication with Shareholders

The Board regularly communicates with existing and prospective shareholders and investors. At the Company's Annual General Meeting, all Directors, so far as possible, are available to respond to questions from shareholders present.

Board and Committee effectiveness

An annual assessment of the effectiveness of the Board and the Audit Committee is carried out through an internal questionnaire process. The outcomes and principal findings are reported to the Board for consideration.

Statement of Directors' Responsibilities in Respect of the accounts

The directors are responsible for preparing the strategic report, annual 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 NEX Exchange Growth Market.

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 are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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.

Auditors

BDO LLP have signified their willingness to continue as auditors to the Company. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these financial statements are sent to members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment.

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.

6th October 2017

By Order of the Board

City Group PLC
Company Secretary

Independent auditor’s report to the members of Western Selection PLC

Opinion

We have audited the financial statements of Western Selection PLC (the ‘company’) for the year ended 30th June 2017 which comprise Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 30th June 2017 and of company’s profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	How we addressed the matter in our audit
<p><i>Valuation of investments</i></p> <p>Within the investments held by the company, there are a number of unquoted investments. There is a risk that misstatement can arise in terms of the valuation criteria being applied to these investments given the estimates and judgements involved. There is a potential risk of management override arising in the valuation process.</p>	<p>Our audit procedures included testing the methodology applied by management in preparing the year end valuation and challenging the underlying assumptions and judgements being made for this category of investments. We have also corroborated the underlying data used in the valuation to source documents, being the year end statutory financial statements where the year end of the unquoted investment is coterminous or management accounts where the year end of the unquoted investment is not coterminous with that of this company.</p>

Our application of materiality

We determined materiality for the financial statements as a whole to be £600,000 (2016 - £500,000) which represents approximately 3.5% of net assets. We agreed with the audit committee that we would report to them misstatements identified during our audit above £30,000 (2016 - £25,000).

We used net assets as a benchmark given the importance of net assets as a measure for shareholders in assessing the performance of the company.

An overview of the scope of our audit

The company manages its operations from a single location in the UK. The audit team obtained an understanding of the internal control environment related to the financial reporting process and assessed the appropriateness, completeness and accuracy of journals and other adjustments performed in the financial statements process. In assessing the risk of material misstatement to the financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we determined that the company consisted of one component which was subject to a full scope audit.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

John Everingham (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

6th October 2017

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

Statement of Comprehensive Income

For the year ended 30 th June	Notes	2017 £000	2016 £000
Income from investments in:			
Listed Core holdings		120	129
Other listed undertakings		<u>136</u>	<u>101</u>
		256	230
Administrative expenses	2	(325)	(290)
Profit on partial disposal of investment in Swallowfield plc		845	-
Profit on disposal of other investments		<u>50</u>	<u>49</u>
Operating profit/(loss)		826	(11)
Share of profits of associated companies		49	52
Interest receivable		26	45
Finance costs		<u>(33)</u>	<u>(9)</u>
Profit before taxation		868	77
Taxation	4	<u>(18)</u>	<u>(13)</u>
Profit after taxation attributable to equity shareholders		<u>850</u>	<u>64</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss :-			
Fair value recycled from equity on disposal		(348)	(31)
Fair value adjustment on listed undertakings		<u>2,792</u>	<u>1,073</u>
Total other comprehensive income		<u>2,444</u>	<u>1,042</u>
Total comprehensive profit		<u>3,294</u>	<u>1,106</u>
Basic and diluted earnings per share attributable to equity holders	5	4.7p	0.4p

All amounts are on continuing activities

The notes on pages 22 to 30 form part of these accounts.

Statement of Changes of Equity

	Share capital £000	Share premium account £000	Capital reserve account £000	Unrealised profits on investments £000	Share of undistributed profits/(losses) of associates £000	Realised profits £000	Total £000
Year ended 30th June 2016							
Balances at 1 st July 2015	7,180	2,654	3	2,532	(252)	1,370	13,487
Profit for the period	-	-	-	-	52	12	64
Items that can be reclassified to the income statements –							
Other comprehensive income							
Fair values net of tax	-	-	-	1,042	-	-	1,042
Total comprehensive income	-	-	-	1,042	52	12	1,106
Transactions with shareholders							
Final dividend paid in respect of prior year	-	-	-	-	-	(188)	(188)
Interim dividends paid in respect of the year	-	-	-	-	-	(188)	(188)
Total transactions with shareholders	-	-	-	-	-	(376)	(376)
Balances at 30th June 2016	7,180	2,654	3	3,574	(200)	1,006	14,217
Year ended 30th June 2017							
Balances at 1 st July 2016	7,180	2,654	3	3,574	(200)	1,006	14,217
Profit for the period	-	-	-	-	49	801	850
Items that can be reclassified to the income statements –							
Other comprehensive income –							
Fair values net of tax	-	-	-	2,444	-	-	2,444
Total comprehensive income	-	-	-	2,444	49	801	3,294
Transactions with shareholders							
Final dividend paid in respect of prior year	-	-	-	-	-	(188)	(188)
Interim dividends paid in respect of the year	-	-	-	-	-	(198)	(198)
Total transactions with shareholders	-	-	-	-	-	(386)	(386)
Balances at 30th June 2017	7,180	2,654	3	6,018	(151)	1,421	17,125

The notes on pages 22 to 30 form part of these accounts.

Statement of Financial Position

Registered Number 234871

At 30 th June	Notes	2017 £000	2016 £000
Non-current Assets:			
Investment in Associated companies	6	1,846	799
Investments classified as available for sale – Core Holdings	7	16,285	13,628
Other receivables	8	192	692
		<u>18,323</u>	<u>15,119</u>
Current Assets			
Trade and other receivables	8	40	85
Cash and cash equivalents		78	112
		<u>118</u>	<u>197</u>
Current Liabilities			
Trade and other payables	9	(91)	(99)
Net Current Assets		<u>27</u>	<u>98</u>
Financial Liabilities falling due in more than one year	10	<u>(1,225)</u>	<u>(1,000)</u>
		<u>17,125</u>	<u>14,217</u>
Net Assets		<u>17,125</u>	<u>14,217</u>
Equity			
Share capital	13	7,180	7,180
Share premium account		2,654	2,654
Capital reserve account		3	3
Unrealised profits on investments		6,018	3,574
Share of undistributed losses of associates		(151)	(200)
Realised profits		1,421	1,006
Shareholders' Funds		<u>17,125</u>	<u>14,217</u>

Approved and authorised for issue by the Board

E.J. BEALE, Director

6th October 2017.

Statement of Cash Flow

For the year ended 30 th June	2017 £000	2017 £000	2016 £000	2016 £000
Profit before taxation		868		77
Profit on sale of Swallowfield Plc		(845)		-
Profit on sale of investments		(50)		(49)
Share of results of associates		(49)		(52)
Net interest (payable)/receivable		7		(36)
Changes in working capital				
Increase/(decrease) in trade and other receivables		45		(93)
(Decrease) in trade and other payables		(8)		(17)
Cash absorbed by operations		(32)		(170)
Taxation paid		(18)		(13)
Net interest (paid)/received		(7)		36
Net cash-absorbed by operations		(57)		(147)
Cash flow from investment activities				
Investments in associate	(500)		(81)	
Purchase of Core Holdings	(190)		(3,213)	
Proceeds on disposal of Core Holdings	1,385		-	
Proceeds on disposal of other financial instruments	112		78	
Purchase of other financial instruments	(623)		(1,038)	
Net cash generated/(absorbed) by investment activities		184		(4,254)
Financing activities				
Loan drawdown	225		1,000	
Equity dividend paid	(386)		(376)	
Net cash (outflow)/inflow from financing activities		(161)		624
Movement in cash and cash equivalents		(34)		(3,777)
Cash and cash equivalents at start of year		112		3,889
Cash and cash equivalents at end of year		78		112

Analysis of net (debt)/funds

	At start of year £000	Cash Flow £000	At end of year £000
2017			
Cash and cash equivalents	112	(34)	78
Bank borrowings	(1,000)	(225)	(1,225)
Total net debt	(888)	(259)	(1,147)
2016			
Cash and cash equivalents	3,889	(3,777)	112
Bank overdraft	-	(1,000)	(1,000)
Total net debt	3,889	(4,777)	(888)

The notes on pages 22 to 30 form part of these accounts

Notes to the Accounts

For the year ended 30th June 2017

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 the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The financial statement have been prepared under the historical cost convention.

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 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.

- (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:
- a) Quoted investments held as core holdings or as part of treasury operations are classified as available-for-sale financial assets. They are carried at market value with changes in market value recognised directly in other comprehensive income 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 or significant evidence of impairment, the amount of the loss in value is removed from other comprehensive income and recognised in the income statement. This valuation method is classified as level 1 under IFRS 13 in terms of the fair value hierarchy, being quoted (unadjusted) market prices in active markets for identical assets.
- b) Trade and other receivables are carried at amortised cost. 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) Trade and other payables - These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. They are recognised initially at their fair value and subsequently measured at amortised cost.
- (v) Borrowings and bank facility borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.
- (vi) Investments in associated companies are equity accounted since they meet the definition of an associate under IAS 28, i.e. that the investor has a significant influence. The investment is initially recognised at cost and then adjusted for the share of comprehensive income.
- (vii) 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 expenses 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.

Accounting Policies (continued)

(viii) Cash and cash equivalents comprise cash balances and deposits less bank borrowings.

(ix) 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.

2. Administrative expenses

	2017	2016
	£000	£000
Auditors' remuneration – for audit services	23	18
Directors' emoluments as set out in Note 3	65	65
Other administrative expenses	237	207
	<u>325</u>	<u>290</u>

3. Directors' emoluments and related party disclosures

The emoluments of key management personnel, being the directors of the Company, were as follows:

	2017	2016
	£000	£000
D.C. Marshall	-	-
A.J. Hall	15	15
E.J. Beale	-	-
L.H. Marshall*	-	-
J.M. Robotham	15	15
	<u>30</u>	<u>30</u>
Amount paid to related parties	15	15
Amount paid to third parties	20	20
	<u>65</u>	<u>65</u>

*Died 20th November 2016

The services of David Marshall are supplied for £20,000 by a company, in which none of the directors are beneficially interested (2016 - £20,000). The services of Edward Beale were supplied by his primary employer, City Group PLC ("City Group"), up to 31st March 2017, and subsequently Marshall Monteagle PLC for £15,000 (2016 - £15,000). The services of Lloyd Marshall were supplied by his primary employer, Marshall Monteagle PLC. No fees were paid in respect of Lloyd Marshall's services for the year ended 30th June 2016 and 2017.

No bonuses have been paid in cash or equity in the year (2016: 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 2017

Related party disclosures

London Finance & Investment Group P.L.C. ("Lonfin") a company incorporated in England with its registered office at 6 Middle Street, London, EC1A 7JA, has a 43.8% interest in the Company. Under IFRS 10 Lonfin is considered to be the parent and ultimate parent undertaking of a group of companies of which the Company is a member and for which group financial statements are drawn up. Copies of these group financial statements have been delivered to the Registrar of Companies, The Company's financial statements are not consolidated with this group as the parent company is able to take advantage of the investment entity exemption in IFRS 10.

David Marshall, Edward Beale and Michael Robotham are directors, and Lloyd Marshall was a director, of Lonfin. David Marshall has an interest in Lonfin through family trusts, which hold 12,890,693 shares, representing approximately 41.3% of Lonfin's issued share capital. Michael Robotham has a non-beneficial interest in Lonfin of 12,890,693 shares as a trustee of some of the Marshall family trusts, and a beneficial interest in 30,000 shares. There were no amounts due to or from Lonfin at 30th June 2017 or 2016.

The Company owns 48.6% of City Group and the remaining 51.4% is owned by Lonfin. David Marshall, Edward Beale and Michael Robotham are directors, and Lloyd Marshall was a director, of Lonfin and also City Group. City Group provides office, accounting and company secretarial services to the Company, Lonfin and other companies. During the year under review the Company paid £135,000 (2016 - £147,000) to City Group. These fees covered the provision of office accommodation to directors, investment advice, portfolio management, company secretarial, administrative and accounting services. At 30th June 2017, fees and expenses of £47,000 were due to City Group (2016 - £46,000).

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:

	2017	2016
	£000	£000
Profit before taxation	868	77
Taxation at 19.75% (2016 – 20%)	(171)	(15)
Effects of:		
Tax losses utilised	(85)	(52)
Capital gains losses utilised	179	10
Associates – share of results net of tax	8	10
Non-taxable franked and other income	51	34
	(18)	(13)

Dividends received from UK companies (franked income) are recognised in the income statement net of their associated tax credit. The excess of available losses was not previously reflected in the statement of financial position (see note 1(v)) and the change in the rate of tax therefore has no impact on assets or liabilities.

5. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation of £850,000 (2016 - £64,000) and on 17,949,872 shares (2016 – 17,949,872) being the weighted average number of shares in issue during the period.

	2017	2016
Basic earnings per share	4.7p	0.4p

Diluted earnings per share at 30th June 2017 and 30th June 2016 are the same as basic earnings per share.

6. Non-current assets – Investments in Associates

	2017	2016
	£000	£000
Shares at cost:		
Cost	918	918
Addition during year –		
Subscriptions for new shares	79	81
Subscription for preference shares	500	-
Conversion of loan	500	-
Cumulative share of losses	(151)	(200)
Balance at 30 th June	<u>1,846</u>	<u>799</u>

Loans of £192,000 (2016 - £692,000), detailed in note 8 on page 27, have been included in the total carrying value of investments in associate companies of £2,038,000 set out under the Summary of Net Assets on page 7.

- a) Tudor Rose International Limited (“Tudor Rose International”) is incorporated and operates in England and Wales and its prime activity is that of an international trading company. At 30th June 2017, Tudor Rose International had 441,090 A ordinary and 450,000 B ordinary 1p shares and 100,000,000 Redeemable Preference Shares in issue. The A ordinary and B ordinary shares rank pari passu in respect of income, capital and voting rights. The Redeemable Preference Shares have no voting rights. Western owns all of the A shares, equivalent to approximately 49.5% of the ordinary shares of the company and all of the Redeemable Preference Shares. The following amounts for the year ended 30th June 2017 have been extracted from the consolidated audited accounts at 31st December 2016 and the unaudited management accounts of Tudor Rose International at 30th June 2017.

At 30 th June	2017	2016
	£000	£000
Non-current assets – property, plant and equipment	251	384
Investments/Goodwill	3,391	3,391
Currents Assets	2,825	2,661
Current Liabilities	(4,264)	(4,665)
Net Current Liabilities	(1,439)	(2,004)
Non-current liabilities	(227)	(894)
Aggregate capital and reserves	1,977	876
Share of net assets	979	434
Share of post-acquisition losses	(88)	(131)
Year ended 30th June		
Turnover	17,145	18,476
Profit/(Loss) after tax	63	71
Share of profit after tax for the year to 30 th June	49	35

- b) **City Group** is incorporated and operates in England and Wales and its prime activity is the provision of corporate services. City Group’s year end is 30th June. It has 70,000 ordinary shares in issue of which the Company owns 34,000 (approximately 48.6%). The following amounts have been extracted from the unaudited accounts of City Group for the year ended 30th June 2017.

At 30 th June	2017	2016
	£000	£000
Net current assets	192	161
Turnover	501	447
Profit before and after taxation	23	31
Aggregate capital and reserves	206	183
Share of net assets	100	89
Share of profit after tax for the year	11	15
Share of post-acquisition profit/(loss) for the year to 30 th June	35	24

Notes to the Accounts (continued)

For the year ended 30th June 2017

- c) **Industrial and Commercial Holdings PLC** (“ICH”) is incorporated and operates in England and Wales and its prime activity is that of a holding company. ICH’s year end is 30th June. It has 50,995,718 ordinary 1p shares in issue of which the Company owns 15,252,744 shares (approximately 29.9%). The following amounts have been extracted from the audited accounts of ICH.

At 30 th June	2017 £000	2016 £000
Non-current assets – property, plant and equipment	42	42
Net current assets	183	7
(Loss)/Profit before and after taxation	(39)	3
Aggregate capital and reserves	226	-
Share of net assets	68	-
Share of (loss)/profit after tax for the year	(11)	1
Share of post-acquisition loss for the year to 30 th June	(95)	(84)

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

	Quoted Core Holdings £000	Other Quoted Investments £000	Unquoted Investments £000	Total £000
Year ended 30th June 2017				
Cost	7,248	2,513	194	9,955
Fair value adjustment	1,892	1,975	-	3,867
Balance at 1 st July 2016	9,140	4,488	194	13,822
Additions	190	624	-	814
Disposals	(540)	(62)	-	(602)
Fair value adjustments recycled from equity to the income statement on disposals	(298)	(50)	-	(348)
Change in fair value	2,445	348	-	2,793
Balance at 30 th June 2017	10,937	5,348	194	16,479
Provisions for impairment in value:				
Balance at 1 st July 2016 and 30 th June 2017	-	-	(194)	(194)
Net balance at 30th June 2017	10,937	5,348	-	16,285
	Quoted Core Holdings £000	Other Quoted Investments £000	Unquoted investments and Quoted Funds £000	Total £000
Year ended 30th June 2016				
Cost	4,036	1,503	194	5,733
Fair value adjustment	1,878	947	-	2,825
Balance at 1 st July 2015	5,914	2,450	194	8,558
Additions	3,212	1,038	-	4,250
Disposals	-	(28)	-	(28)
Fair value adjustments recycled from equity to the income statement on disposals	-	(31)	-	(31)
Change in fair value	14	1,059	-	1,073
Balance at 30 th June 2016	9,140	4,488	194	13,822
Provisions for impairment in value:				
Balance at 1 st July 2015 and 30 th June 2016	-	-	(194)	(194)
Net balance at 30th June 2016	9,140	4,488	-	13,628

8. Trade and other receivables

	2017 £000	2016 £000
Receivable after more than one year		
Loan to associate	-	500
Other loans	192	192
	<u>192</u>	<u>692</u>
Receivable in less than one year		
Amounts due from associate	32	38
Prepayments and accrued income	8	47
	<u>40</u>	<u>85</u>

The loan of £500,000 made to Tudor Rose International and repayable by 31st December 2017 carried interest at a rate of 6% over the Bank of England base rate. In February 2017, the Company subscribed for £1,000,000 of Redeemable Preference Shares in Tudor Rose International at a par value of 1p per share. These shares were subscribed for by converting the Company's loan to Tudor Rose International of £500,000 and paying a further £500,000

Western has also lent £192,000 to Tudor Rose International's Executive Management Team, to assist them in the purchase of shares in the company previously owned by a former managing director. These loans bear interest at a rate of 4.5% over the Bank of England base rate, are repayable by 31st December 2018, and are secured over the Executive Management Team's shares. All dividends on these shares will be applied to the repayment of these loans.

9. Trade and other payables

	2017 £000	2016 £000
Other accounts payable and accruals	<u>91</u>	<u>99</u>

10. Financial Liabilities falling due in more than one year

	2017 £000	2016 £000
Bank borrowings	<u>1,225</u>	<u>1,000</u>

The Company has available a £1,900,000 revolving credit facility terminating on 31st August 2020 which is secured by a charge over the Company's investments. Interest is chargeable at 3.0% per annum over Coutts & Co.'s base rate fluctuating from time to time.

11. Deferred Taxation

The Company has not provided for potential deferred tax liabilities as available losses exceed unrealised gains. The potential tax liability on unrealised gains of £998,000 is less than the Company's estimated Corporation Tax losses of £ 5,154,000 (2016 - £4,283,000) and Capital Tax losses of £1,104,000 (2016 - £1,354,000). These losses are subject to agreement of tax computations with Her Majesty's Revenue & Customs. Deferred tax assets are not recognised because it is unlikely that future taxable profits will be available, in the foreseeable future, against which these deferred tax assets can be realised.

Notes to the Accounts (continued)

For the year ended 30th June 2017

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.
Capital Reserve	Amount transferred from realised profit equal to the value of any shares cancelled to maintain capital.
Unrealised profits and losses on investments	Difference between historical cost and fair value of investments held, as set out in the Statement of Financial Position.
Share of undistributed profits/(losses) of associates	The Company's share of cumulative post-acquisition gains and losses of associated companies recognised in the Statement of Comprehensive Income
Realised profits and losses	Realised profits of the Company less realised losses and unrealised losses other than on investments.

13. Share Capital

	2017	2016
	£000	£000
Authorised equity share capital		
30,000,000 shares of 40p each (2016 – 30,000,000 shares of 40p each)	12,000	12,000
Allotted, called up and fully paid equity share capital:		
Balance brought forward and carried forward at 30 th June – 17,949,872 shares of 40p each	7,180	7,180

14. 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:-

	2017	2016
	£000	£000
Financial assets		
Available for sale investments	16,285	13,628
Trade and other receivables	40	85
Loans receivable	192	692
Financial Liabilities		
Bank borrowings	(1,225)	(1,000)
Trade and other payables	(91)	(99)

Our business model is to embrace risk associated with our Core Holdings and to manage operational risk in supporting processes. The main risks arising from the Company's financial instruments are price risk, interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies which have remained unchanged for the year under review for managing these risks.

Price Volatility

As part of its treasury operations the Company may own a spread of financial instruments with good market liquidity. The future values of these financial instruments will fluctuate because of changes in interest rates, exchange rates and other market factors. The Company is also exposed to market price risk on its Core Holdings. 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 financial instruments would result in their fair values decreasing by £163,000 (2016 - £136,000) and a corresponding decrease in unrealised profits. A 1% increase, would, on the same basis, increase fair values and increase the unrealised profits.

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 has a five-year revolving credit facility of £1,900,000 expiring on 30th September 2022. 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 2017, the Company had borrowings outstanding under the facility of £1,225,000 (2016 – £1,000,000) and loans receivable of £192,000 (2016: £692,000). Every 1% change in interest rates would change the net interest expense on borrowings at the reporting date by £9,500 per annum.

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 a £1.9 million revolving credit facility expiring on 30th September 2022. The Company holds financial instruments, most of which are listed on recognised stock exchanges. In normal market conditions these are, by their nature, liquid. However there are periods when the market may not be prepared to deal in realistic prices in unusually large blocks of certain financial instruments and this particularly applies to our Core Holdings. The Company's policy is to hold financial instruments outside of its Core Holdings with an aggregate market value of at least 167% of borrowings at any point in time.

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 bank. Credit risk is minimised as the counter-parties are institutions with high credit ratings. Loans to Core Holdings and their directors are reviewed for creditworthiness alongside the performance of Core Holdings at each Board meeting.

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

Currency Exposure

There were currency exposures on the financial instruments traded on European and United States stock markets and held as part of treasury operations. The value of these at 30th June 2017 was £4,156,000 (2016 - £3,345,000). The sensitivity to each 1% decrease/increase in the relative exchange rates applicable to these financial instruments would result in a decrease/increase in value of £42,000 and a corresponding reduction in reserves.

Notes to the Accounts (continued)

For the year ended 30th June 2017

15. International Financial Reporting Standards

The IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued interpretations and amended or revised standards, to be applied to financial statement with periods commencing after 1st January 2016.

None of the new standards, interpretations and amendments have had a material effect on the financial statements. None of the other new standards, interpretations and amendments (including amendments to IFRS 10, IFRS 12 and IAS 27), which are effective for periods beginning after 1st January 2016 are expected to have a material effect on the Company's future financial statements. In addition, IFRS 9 which is effective for periods beginning after 1st January 2018 and has not been adopted early is not expected to have a material effect on the Company's Financial Statements

There are no additional IFRS or amendments to existing IFRS which become effective for the first time for the year ending 30th June 2017.

16. Related Undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the percentage of equity owned, directly or indirectly, as at 30th June 2017, is disclosed below:

Company	Country	% ownership
City Group PLC	United Kingdom	48.6%
Industrial & Commercial Holdings PLC	United Kingdom	29.9%
Tudor Rose International Limited	United Kingdom	49.5%

17. Subsequent Events

On 30th August 2017, a new agreement between the Company and Coutts & Co was signed in relation to a revolving credit facility with the bank. This agreement extended the available facilities until 30th September 2022 and set an interest rate of 2.75% per annum above the bank's base rate (3% as at 30th August 2017).

On 20th September 2017, the Company made available to Tudor Rose International a working capital facility of £500,000 bearing interest at the rate of 6% per annum and which has been fully draw down.

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 PLC, 6 Middle Street, London, EC1A 7JA on 5th December 2017 at 10.00 a.m. for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 5 will be proposed as ordinary resolutions and Resolutions 6 and 7 will be proposed as special resolutions.

1. To receive the financial statements for the year ended 30th June 2017 together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30th June 2017 of 1.1 pence for each ordinary share in the capital of the Company.
3. To re-elect Mr Edward Beale as a director, who retires by rotation and offers himself for re-election.
4. To re-appoint BDO LLP as Auditors of the Company and to authorise the directors to agree their remuneration.
5. THAT the directors be generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company ('Rights') up to a maximum nominal amount of £4,820,000, provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2018, save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.
6. THAT,
 - (a) subject to the passing of Resolution 5 set out above, the directors be empowered, pursuant to section 570 and section 573 of the Companies Act 2006, to allot equity securities, within the meaning of section 560 of that Act, for cash pursuant to the authority conferred by Resolution 5, as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) 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) applications by shareholders for equity instruments offered to other shareholders as part of such an issue, but not taken up by other shareholders; and
 - (ii) the allotment to any person or persons (otherwise than in connection with a rights issue) of equity securities up to an aggregate nominal amount of £717,995 (being approximately 10% of the issued ordinary share capital of the Company);
 - (b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 5 set out above, save that the directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired; and
 - (c) words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein.

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7. 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 1,790,000 (being approximately 10% of the issued ordinary 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 NEX Exchange Growth Market website) for the five business days prior to the date of purchase and the minimum price per ordinary share is 40p 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.

6th October 2017

By Order of the Board

City Group PLC
Company Secretary

Western Selection P.L.C.

Notes

1. A form of proxy is enclosed.
2. A proxy need not be a member of the Company.
3. To be valid the form of proxy should be completed and returned so as to reach the Companies Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, U.K. not later than 10.00 a.m. on 1st December 2017. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.
4. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person").
5. Any member or his/her proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.
6. Only shareholders registered in the register of members of the Company as at 6.00 p.m. on 1st December 2017 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered in the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 48 hours (excluding non-business days) before the time of any adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Copies of directors' letters of appointment are available for inspection at the registered office of the Company, 6 Middle Street, London, EC1A 7JA during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.
9. As at 20th September 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 17,949,872 ordinary shares, carrying one vote each. The total voting rights in the Company as at 20th September 2017 are 17,949,872.
10. The information required to be published by section 311(A) of the Companies Act 2006 (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this Notice) may be found at www.westernselection.co.uk.
11. A Nominated Person may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. A Nominated Person is advised to contact the shareholder who nominated him/her for further information on this and the procedure for appointing any such proxy.
12. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such Nominated Person is advised to contact the shareholders who nominated him/her for further information on this.

Change of address: Members are requested to advise the Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA of any change of address.

Western Selection P.L.C.

FORM OF PROXY

I/we.....

of.....

being (a) member(s) of the above-named company (the "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 5th December 2017 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 (Resolutions 1-5 will be Ordinary Resolutions and Resolutions 6 and 7 will be Special Resolutions)		For	Against	Witheld
1.	To receive the financial statements for the year ended 30 th June 2017, together with the reports of the Directors and Auditors.			
2.	To declare a final dividend.			
3.	To re-elect Mr Edward Beale as a Director.			
4.	To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to agree their remuneration.			
5.	To authorise the Directors to allot shares under section 551 of the Companies Act 2006.			
6.	To disapply statutory pre-emption rights (Special Resolution).			
7.	To authorised the Directors to repurchase shares (Special Resolution).			

Dated

2017 Signature

.....

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Notes:

1. A proxy need not be a member of the Company. You may appoint as your proxy persons of your own choice by inserting their names in the space provided. If no name is inserted in the space provided, the Chairman will be deemed appointed as the proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the space provided next to the proxy's name the number of shares in relation to which he or she is authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

2. To appoint more than one proxy, you may photocopy this form. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.

3. Please indicate with a cross in the appropriate box how you wish your votes to be cast. If you do not make a specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the Meeting (including any motion to amend any resolution or to adjourn the Meeting) the proxy will vote or abstain at his or her discretion. 4. To be valid, this form of proxy, and the power of attorney or other authority (if any) must be received at the offices of the Companies Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, U.K not later than 10.00 a.m. on 1st December 2017.

5. Completion and return of this form of proxy will not prevent a member from attending and voting at the Meeting.

6. In the case of a corporate shareholder, this form of proxy should either be executed by the company under seal or under the hand of two authorised signatories or a director in the presence of a witness (whose name, address and occupation should be stated).

7. In the case of joint holders, the vote of the first-named in the register of members of the Company will be accepted to the exclusion of that of other joint holders.

