

Western Selection P.L.C.

Annual Report and Accounts

30th June 2018



Contents

	Page
Directors	1
Corporate Contacts	2
Results in Brief	3
Financial Calendar	3
Strategic Report	4
Directors' Report	11
Corporate Governance Statement	13
Statement of Directors' Responsibilities in Respect of the accounts	21
Independent auditor's report to the members of Western Selection PLC	22
Statement of Comprehensive Income	25
Statement of Changes of Equity	26
Statement of Financial Position	27
Statement of Cash Flow	28
Notes to the Accounts	29
NOTICE OF ANNUAL GENERAL MEETING	39
Proxy Form	Enclosed

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. DUMERESQUE, *Non-Executive* ● *

Jane Dumeresque is a Chartered Accountant and after leaving the accountancy profession she spent many years in the investment management industry both as an investment manager and as a senior executive. In recent years she has been Finance Director/Chief Executive and Non-Executive director of a number of AIM listed companies and growing SMEs. Her most recent role was as Chief Executive of one of the UK's leading peer-to-peer lending companies.

N.S. STAGG, *Non-Executive* ● *

Nick Stagg is Executive Chairman of MCG plc, a UK Premium listed consultancy group, and previously he held senior management roles in a number of major commercial property, consultancy and investment banking companies including his roles as Managing Director of W S Atkins Plc and Chief Executive Officer of previously fully listed corporate stockbroker, Teather & Greenwood Holdings plc. Nick has considerable experience of working with and developing small and mid-cap businesses as well as investment management.

* Member of the Audit Committee

♦ Member of the Audit Committee until 31st May 2018

● Appointed as a Director on 31st May 2018

Corporate Contacts

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and Registered Office**

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www.city-group.com

Registered Number

00234871

Website

www.westernselection.co.uk

Auditors

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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 ordinary share capital is admitted to trading on the NEX Exchange Growth Market (formerly, ISDX Growth Market).

The current price of the Company’s ordinary 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

	2018	2017
	£000	£000
Profit on ordinary activities before the following: -	341	5
Profit on partial disposal of investment in Swallowfield plc	443	845
Profit on ordinary activities after taxation	784	850
Interim dividend per share	1.1p	1.1p
Proposed final dividend per share	1.15p	1.1p
Earnings per share	4.4p	4.7p
Net assets, including investments at fair values	£17,342,000	£17,125,000
Number of ordinary shares in issue	17,949,872	17,949,872
Net assets per share	96p	95p
Mid-market price on 30th June	52p	48p

Financial Calendar

Announcement of unaudited Preliminary Results for the year ended 30 th June 2018	26 th September 2018
Annual General Meeting	4 th December 2018
Final Dividend for 2018	Payable on 11 th December 2018 to shareholders on the register of members at 23 rd November 2018
Half year results to 31 st December 2018	To be announced in February 2019
Interim Dividend for 2019	To be announced in February 2019

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 £784,000 (2017 – profit after tax £850,000). Western sold 200,000 shares of its holding of 1,500,000 shares in Swallowfield during the year, realising an exceptional profit of £443,000 (2017 - £845,000)

Dividend income from Core Holdings, has increased by 10% to £132,000 from £120,000 last year. This is mainly due to the slight increase in dividend being paid in the year by Swallowfield. Dividend income from Treasury Operations decreased by 0.7% from £136,000 last year to £135,000. Administrative expenses have increased by 7% reflecting the recruitment costs for the Company's new Non-Executive Directors.

During the year Western increased its investment in Northbridge by £95,000.

Net assets per share have increased by 1% from 95p to 96p.

Dividend

The Company paid an interim dividend of 1.1p per share on 20th March 2018.

A final dividend of 1.15p per share is proposed, making 2.25p for the year, compared to 2.2p for 2017. The dividend will be paid on 11th December 2018 to shareholders on the register at the close of business on 23rd November 2018.

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 and Korea, 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 2017 on 12th April 2018 and recorded a loss after tax of £4,626,000 for the year (2017- loss after tax £6,298,000). No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

Western Selection P.L.C.

During the year, Western invested £95,000 in acquiring 76,368 new ordinary shares in Northbridge pursuant to a share placing. Western now holds 3,300,000 Northbridge shares which represents 12.6% of Northbridge's enlarged issued share capital. The value of this investment at 30th June 2018 was £4,290,000 (2017 - £3,320,000) which represents approximately 25% (2017 - 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 results for the 53 weeks ended 30th June 2018 on 25th September 2018 and recorded a profit after tax of £3,633,000 compared to a profit after tax of £2,572,000 for the comparable period last year. Dividends of £78,500 were received from Swallowfield during the year (2017 - £66,900). A final dividend of 4.2p per share has been declared and, if approved, Western will receive a further £54,600 of income in December 2018.

In March this year, Western sold 200,000 Swallowfield shares, realising a profit of £443,000, during the year. At the reporting date, being 30th June 2018, Western held 1,300,000 Swallowfield shares which represented 7.7% of Swallowfield's issued share capital. The market value of our reduced holding in Swallowfield on 30th June 2018 had decreased to £4,095,000 from the value of our holding at 30th June 2017 of £5,700,000. The value of this investment represents approximately 23.6% (2017 - 33%) 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.

Bilby, which is admitted to trading on AIM, announced its results for the year ended 31st March 2018 on 16th July 2018 showing a profit after tax of £3,450,000 compared to a loss after tax of £180,000 for the previous year ended 31st March 2017. Dividends of £54,000 were received from Bilby during the year (2017 - £53,000). Bilby announced a final dividend of 2.0p per share which was paid in July 2018 and which provided Western with further income of £54,000.

Western holds 2,700,000 Bilby shares which represents approximately 6.7% of Bilby's issued share capital. The market value of this investment on 30th June 2018 was £2,835,000 (2017- £1,917,000) which represents approximately 16% (2017 - 11%) of Western's net assets.

Associated Companies

Tudor Rose International Limited ("Tudor Rose International")

Tudor Rose International works closely with a number of leading UK branded fast-moving consumer goods companies, offering a complete sale, 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 company's issued share capital. Western also holds £1,000,000 of redeemable preference shares in Tudor Rose International at a par value of 1p per share. The Company has made available to Tudor Rose International a working capital facility of £750,000, bearing interest at the rate of base + 5% per annum, which has been fully drawn down at the year end.

Tudor Rose International, which is a private company, has a 31st December year end and, in the year to 30th June 2018, generated a trading profit before tax of £130,140. Turnover in the period was £19,032,000 (2017 - £17,145,000). Western's share of a profit after tax for the twelve months to 30th June 2018 was £41,000 (2017 - profit £49,550) and the book value of the investment at 30th June 2018 was £1,633,000 (2017 - £1,647,000) being 9.4 % (2017 - 10%) of Western's net assets. Including the loans to Tudor Rose International and its directors of £942,000, the total book value of the investment comes to £2,575,000 which is 15% 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 15,252,774 shares which represents a 29.9% interest. ICH owns land at Milngavie, adjacent to Dougalston golf course, just north east of Glasgow, which, with planning permission, has potential for residential development. ICH has been 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 efforts to obtain planning permission for the development of the land at Milngavie, ICH appointed Mactaggart & Mickel Limited (“M & M”), a family-controlled firm of contractors, as its development partner. On 4th December 2017, Dougalston Limited, the Company's subsidiary in which the land at Milngavie is held, entered into a conditional sale agreement (the “Agreement”) with M & M in respect of the bulk of its landholding in Milngavie, Scotland. The Agreement is conditional on M & M obtaining suitable planning permission for housing development on the site and fulfilling or waiving fulfilment of any conditions in the grant of planning permission, within a period of between 3 to 6 years, depending on a number of factors. The Agreement allows ICH the opportunity to provide input to the planning process in order to maximise the value of the site. The Agreement also provides for further payments in relation to any increases in value of the site arising from subsequent grants of planning permission for a period of up to 20 years. Dougalston Limited will retain ownership of small parts of the site that may have a future value.

The Agreement includes a formula for setting the net sale price based on the market value of the site once planning permission has been granted. The net sale price will include a minimum of three instalment payments of £25,000 each with the first payment having been made on the signing of the Agreement and the second and third instalments being paid on an annual basis thereafter. Both parties expect the planning and development process to run over the course of the next few years. However, M & M may terminate the Agreement early without completing the purchase of the property, but in doing so M & M will still be required to pay any remaining instalment(s).

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 and David Marshall 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 £940,000 (2017 – £1,147,000) and liquid investments valued at £4,329,000 (2017 - £5,348,000). The Company had drawn down £975,000 of the bank borrowing facilities available as at 30th June 2018 (2017 – £ 1,225,000). In October 2017 the Company entered into an Interest rate swap agreement with Coutts & Co. The Interest swap was valued as a liability at £3,870 at 30th June 2018.

Outlook

There has been strong growth across global stock markets in the last twelve months, but political and economic uncertainty continues. The UK continues to negotiate with the EU on Brexit but an agreed process remains unresolved and the follow-on implications are unclear. In addition, the potential for further increases in the cost of borrowing in the UK is likely to impact on consumer spending.

Despite these uncertainties, we are confident that our Core Holdings are making steady progress and with our diverse investments in solid international companies in our Treasury Operations we will continue to grow our net assets and our dividend payment to Shareholders.

Summary of Net Assets

	2018			2017		
	Cost	Carrying		Cost	Carrying	
	£000	Value	%	£000	Value	%
	£000	£000		£000	£000	
Quoted Core Holdings						
Northbridge Industrial Services Plc	3,089	4,290	25	2,994	3,320	19
Swallowfield plc	1,447	4,095	23	1,670	5,700	33
Bilby plc	2,235	2,835	16	2,235	1,917	11
Total	6,771	11,220	64	6,899	10,937	63
Associated companies (a)						
Tudor Rose International Limited (b)	2,670	2,575	15	1,920	1,839	10
Industrial & Commercial Holdings Plc	188	83	0	189	91	1
City Group Plc	83	113	1	83	108	1
Total	2,941	2,771	16	2,192	2,038	12
Total Core Holdings	9,712	13,991	80	9,091	12,975	75
Net debt	(940)	(940)	(5)	(1,147)	(1,147)	(7)
Other net assets (c)	2,600	4,291	25	2,832	5,297	32
Net Assets	11,372	17,342	100	10,776	17,125	100

Notes

- a) The carrying value of these associated companies is cost plus the Company's share of profits/(losses).
- b) Includes preference shares of £1m and loans of £942,000 (2017 - loans £192,000).
- c) Other net assets include 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 provide, over the medium to long-term, real growth in value for shareholders through capital growth and the payment of progressive dividends. The KPIs below reflect our business model.

	2018	2017	2016	2015	2014
Shareholders' funds per share - pence	96.3	95.4	79.1	75.1	102.0
Dividends per share – pence	2.2	2.2	2.1	2.1	2.0
Our other principal KPIs are:					
Normalised earnings per share – pence	4.4p	4.7p	0.4p	15.5	3.5
Administration expenses - £'000	348	325	290	324	314

2018 and 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 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

Shareholders' funds per share - Net assets, including investments at market value at the period end valuation, divided by the number of shares in issue at the year end.

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

Normalised earnings per share - Earnings for the year, including 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 6 on page 32.

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 15 on pages 35 to 36.

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 Core Holdings and Treasury Portfolio 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 15 on pages 35 to 36.

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 2018, 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 medium to long-term, real growth in value for shareholders through capital growth and the payment of progressive dividends. The Company has limited borrowing and intends to maintain a low gearing ratio.

Board Changes

Michael Robotham retired 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 is sorry to report to shareholders that Michael passed away peacefully on 16th April 2018. Along with his family and friends, he will be much missed by members of the Board who he, as a fellow director, supported and provided good counsel to for many years.

Following Michael Robotham's retirement last December, the Board looked to strengthen the Board and commenced a selection process to identify potential Board candidates. On 31st May 2018, the Company announced the appointment of Jane Dumeresque and Nick Stagg as non-executive directors. Jane Dumeresque and Nick Stagg are both chartered accountants by qualification and, in the course of their careers, both have been actively involved and experienced in the financial services industry, investment management and the development of small companies.

The Board is satisfied that it now has a sufficient spread of skills, experience and support in the Board to operate the Company and to develop Western's investment business.

Annual General Meeting

The Notice of the Annual General Meeting, to be held on 4th December 2018, can be found on pages 39 to 41 of this Annual Report and sets out the business to be considered at the meeting. Resolutions 1 to 7 will be proposed as Ordinary Resolutions and Resolutions 8 and 9 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 David Marshall 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 Mr David Marshall continues to perform effectively and demonstrate commitment to his role. Further information relating to the experience and background of Mr David Marshall can be found on page 1 of this Annual Report.

Resolution 4

Election of Non-Executive Director

To elect Mrs Jane Dumeresque, who has been appointed as a director since the last Annual General Meeting and offers herself for election. Further information relating to the experience and background of Mrs Jane Dumeresque can be found on page 1 of this Annual Report.

Resolution 5

Election of Non-Executive Director

To elect Mr Nick Stagg, who has been appointed as a director since the last Annual General Meeting and offers herself for election. Further information relating to the experience and background of Mr Nick Stagg can be found on page 1 of this Annual Report.

Resolution 7

Allotment of share capital

Resolution 7 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 2019. 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 8 (Special Resolution)

Disapplication of pre-emption rights

Resolution 8 will empower the directors to allot ordinary shares for cash, pursuant to the authority granted by Resolution 7, 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 4th October 2018 (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 2019.

Resolution 9 (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 9 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 9 as the directors intend to do in respect of their own beneficial holdings which as at 4th October 2018 (being the latest practicable date prior to publication of this document) amount in aggregate to 121,800 ordinary shares, representing approximately 0.68% of the ordinary shares currently in issue.

3rd October 2018

By Order of the Board

City Group PLC
Company Secretary

Directors' Report

The Directors present their Report for the year ended 30th June 2018. Much of the information previously provided as part of the Directors' Report is now required, under company law, to be presented as part of the Strategic Report which is set out on pages 4 to 10.

This Directors' Report includes the information required to be included under the Companies Act or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Statement, approved by the Board, is provided on pages 13 to 20 and is incorporated by reference herein.

Results and Future Developments

A review of the Company's trading performance during the financial year, including the dividend income received from its Core Holdings and from its Treasury Operations and setting out its Net Assets per share at the year-end, and an indication of the outlook for the future, is contained in the Strategic Report on page 7.

The Board will continue with its strategy to generate growth in value for shareholders in line with its business model which is explained in the Strategic Report on page 4.

Subsequent Events

Following the year-end, the Company had discussed with Tudor Rose International its working capital requirements, bearing in mind the opportunities and risks associated with Brexit, and agreed changes to its £750,000 loan facility with Tudor Rose International; it is now a revolving credit facility which must be repaid in full or re-negotiated by 31st December 2018 and which bears interest at the Bank of England Base Rate plus 5%.

Financial Instruments, Risks and Uncertainties

The Company's financial instruments are the Core Holdings, details of which are set out in the Strategic Report on pages 4 to 5, and its Treasury Operations, details of which are set out in the Strategic Report on page 6.

The Company's exposure to risks is explained in Risks and Uncertainties in the Strategic Report on page 8 and the policies of the Board for the review and management of the risks associated with its financial instruments are set out in Note 15 to the Financial Statements on pages 35 to 37.

Dividends

Details of the interim dividends paid during the year and the proposed final dividend for the year are contained in the Strategic Report on page 4.

Directors

A list of the present directors of the Company is shown on page 1. A list of the directors who served during the year and their beneficial interests in the Company's ordinary shares is set out below:

At 30 th June	2018 Ordinary Shares	2017 Ordinary Shares
D.C. Marshall	-	-
E.J. Beale	-	-
A.J. Hall	121,800	121,800
J. Dumeresque●	-	-
N.S. Stagg●	-	-

●Appointed 31st May 2018

There have been no changes in the directors and their share interests between 30th June 2018 and the date of this report.

David Marshall 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 4th December 2018.

Jane Dumeresque and Nick Stagg, who were appointed as directors on 31st May 2018, offer themselves for election at the Annual General Meeting to be held on 4th December 2018 in accordance with the Articles of Association.

Two of the Company's directors, David Marshall and Edward Beale, are also directors of London Finance & Investment Group PLC. Michael Robotham was a director of London Finance & Investment Group PLC until his resignation on 6th December 2017.

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 interests in 3% or more of the Company's ordinary shares:

	Shareholding	% interest
London Finance & Investment Group P.L.C.	7,860,515	43.8
W.T. Lamb Holdings Limited	1,287,500	7.2
Lynchwood Nominees Limited	948,500	5.3
Nortrust Nominees Limited	917,500	5.1
Forest Nominees Limited	841,542	4.7
T.W.G. Charlton	725,734	4.0
The Corporation of Lloyds	629,442	3.5
Cheviot Capital (Nominees) Limited	571,542	3.2
P S Allen	553,250	3.0

Board Changes

Board changes that have taken place during the financial year are explained in Board Changes in the Strategic Report on page 9.

Directors' and Officers' Liability Insurance

During the financial year, the Company has maintained insurance cover for its directors and officers under a Directors' and Officers' liability insurance policy. The Company has not provided any qualifying third-party indemnity cover for the directors.

Political and Charitable Donations

No political or charitable donations have been made during the financial year.

EU Regulation

A recent EU regulation, Packaged Retail and Insurance-based Investment Products ('PRIIPs') requires investment companies (and other providers of investment products) to publish a Key Information Document ('KID') for the benefit of retail investors. This requires the presentation of standardised illustrations of theoretical risk and returns to enable a comparison of different investment products across a wide range of financial sectors. We advise investors to be cautious in using KIDs as the sole basis for investment decisions.

3rd October 2018

By Order of the Board

City Group PLC
Company Secretary

Corporate Governance Statement

The Company's corporate governance is founded on the Board having good quality people in place with relevant skills and experience, working as a team, to achieve the Company's investment strategy and deliver value for shareholders as a whole over the medium to long-term. 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.

The Board, recognising the importance of sound corporate governance, has decided to adopt the QCA's new Corporate Governance Code (published in April 2018) (the "QCA Code") as the basis for the Company's corporate governance. In applying the QCA Code companies must show how it has applied the ten principles of the QCA Code (the "Principles") to its governance.

The Board has reviewed the Company's corporate governance in the light of the Principles and how it complies with the Principles is explained in this Corporate Governance Statement together with the disclosures required by the Code.

The Company's application of the QCA Code and its Principles are as follows:

1. Establish a strategy and business model which promote long-term value for shareholders

The Company's strategy and business model

The Board has for a number of years pursued a particular investment strategy which it reviews on a regular basis. The strategy and business model are set out in the Strategic Report on page 4 of this document. A table of the Company's Key Performance Indicators is set out in the Strategic Report on pages 7 to 8.

Key challenges

The key challenges for the Company are in identifying suitable opportunities for investment in new Core Holdings, and in there being sufficient liquidity to allow for the disposal of such investments at a time of the Company's choosing. The recent additions to the Board are expected to help in the identification of potential new Core Holdings. In the light of these challenges, the Board remains confident that the Company's current strategy will continue to deliver shareholder value and provide stable dividend income in the medium to long-term.

2. Seek to understand and meet shareholder needs and expectations

Shareholder communication

The Company's principal communication with Shareholders is the Company's Annual Report & Accounts for each year ended 30th June. Copies of the Company's Annual Report & Accounts which includes Notice of the Annual General Meeting ("AGM") are sent to all our Shareholders usually in September/October prior to the AGM being held in December.

Shareholders can also obtain copies of the Annual Report and the Company's Interim Results for the six-month period ended 31st December by down-loading them from the 'Investors' Section of the Company's website – www.westernselection.co.uk. In addition, copies of the reports can be provided on request by writing to the Company Secretary, City Group PLC, at 6 Middle Street, London EC1A 7JA.

The Board seeks to present a fair and balanced assessment of the Company's financial position and prospects in its financial reports. Comments from Shareholders on the quality and content of the reports and areas for improvement are always welcomed.

In addition to providing Shareholders with the Annual Report and Interim Results, further communication is provided in the form of announcements, which are released to the NEX Exchange Growth Market and posted to the News page within the Investors Section of the Company's website, and through the Company's AGMs.

The AGM provides a forum for discussion between the Board and Shareholders. The Board welcomes the participation of Shareholders in AGMs which gives Shareholders the opportunity to vote on resolutions and put questions to the Board in the formal part of the Meeting.

All Shareholders have the opportunity, if they are unable to attend AGMs, to vote on resolutions through the use of proxy forms. Shareholders who attend AGMs also have the opportunity to have informal discussions with the Board following the formal part of these Meetings.

Immediately following the holding of an AGM, an announcement of the result of the AGM is released to the NEX Exchange Growth Market and a copy of the announcement is posted on the News page within the Investors Section of the Company's website. The announcement also provides, for information, details of the number of the proxy votes that had been cast in respect of each resolution on a poll or which would have been cast if a poll had been called. A table is included showing the number of votes for and against each resolution and also the number of votes withheld.

At last year's AGM, all resolutions put to the Meeting were passed by the required majority. Proxy vote received were overwhelmingly in favour of the resolutions. There were no proxy votes against the resolutions and no proxy votes were withheld.

Shareholder liaison

Outside of AGMs, the Chairman is available, by arrangement, for discussions with Shareholders. The Company's Senior Independent director, Andrew Hall, is also available for meetings and discussions and the Company Secretary, City Group PLC, can also be contacted on shareholder and investor relations issues and matters of governance.

Whilst the AGM is a good opportunity for discussion between the Board and its Shareholders, shareholder attendance at such meetings in recent years has been low. The Board seeks to encourage more Shareholders to attend the AGMs in the future and encourages Shareholders to contact the Company Secretary with their questions and issues prior to the holding of AGMs.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Key resources and relationships

The Company's strategy and business model is set out in the Strategic Report on pages 7 to 8.

The Company's key resources in meeting its strategy are the management and funding availability.

The Company, given its size and the nature of its business, does not have an extensive range of stakeholders. The Company's key stakeholders are the Shareholders but other stakeholders who take an active interest in our success and who the Board is responsible to are the management teams of the Company's Core Holdings, the Company's regulators, its professional advisers and its bankers.

Communication with Stakeholders

The Board's communication with the Shareholders and how it seeks their feed-back is explained under Principle 2 above. The Board will respond promptly to such feedback.

The Board is in regular contact with the management teams of the Company's Core Holdings in which the Company is invested, details of which are set out in the Strategic Report on pages 4 to 7 and feed-back and commentary from these teams is always welcome and is responded to promptly.

There is contact from time to time with the Company's regulator, NEX Exchange Growth Market, and with our professional advisers and our bankers, Coutts & Co, with whom the Company has a revolving credit facility. When we have the opportunity to meet with or call these groups, to provide updates or for discussions on other matters, feed-back is welcomed. Following discussions with our bankers, Coutts & Co, last year, and feed-back they provided on interest rates, the Board took steps to extend the term of the Company's borrowings facility and agreed an interest rate swap arrangement.

Another potential key stakeholder group for companies are employees. However, other than its directors, the Company has no employees and no staff.

Given the size of the Company and the nature of its business, there are no significant social and environmental considerations that might impact on the Company's strategy and business model and ultimately affect the Company's stakeholders.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

Key Risks and Uncertainties

The Company's key risks and uncertainties are set out in the Strategic Report on page 8 and the main risks arising from the Company's financial instruments and how these are managed by the Board are set out in Note 15 to the Financial Statements on pages 35 to 37. The Company's strategy and business model and the Company's risks and uncertainties are reviewed annually.

The Board regularly considers potential risks to its strategy and the Company's business and concluded its annual risks assessment prior to the preparation of this Annual Report & Accounts and the impact of these risks on the interests of suppliers and end-customers were also considered. As a result, the assessment of risk by the Board, which has been discussed with the Company's Auditors, was that the policies for managing these risks should remain unchanged.

5. Maintain the Board as a well-functioning, balanced team led by the chair

The Board

The Company operates an effective Board, which comprises non-executive directors and is chaired by David Marshall supported by an experienced Company Secretary. Director biographies for the current directors are given on page 1 of this Annual Report & Accounts.

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.

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.

Independence of the Directors

The independent non-executive directors of the Company are Andrew Hall and Jane Dumeresque and Nick Stagg who were both appointed to the Board on 31st May 2018. Andrew Hall is considered by the Board to be independent, despite the length of time that he has been a member of the Board, taking into account his experience, skills and personal qualities (including independence of character and judgement) and the Company's remuneration and ownership structures.

Directors' time commitments

Each of the Directors has entered into a Letter of Appointment with the Company and under the terms of these appointment letters, each director has agreed to devote such time and attention as is necessary to carry out his/her responsibilities and duties as a director but subject thereto each director will not be expected to devote more than 30 days in any period of 6 months to their respective functions as a non-executive director. Each of the directors has confirmed that he/she can give this commitment to the Company.

Committees

A separate Audit Committee is established. The Audit Committee is comprised of the Company's independent non-executive directors, Andrew Hall, Jane Dumeresque and Nick Stagg. Jane Dumeresque and Nick Stagg were appointed to the Audit Committee on their appointments as directors. With the appointment of Jane Dumeresque and Nick Stagg, Edward Beale agreed to retire from the Audit Committee.

The Audit Committee meets on a timely basis, at least twice a year. The Audit Committee is chaired by Andrew Hall. No separate Audit Committee report is presented to shareholders as the Board does not consider at present that this would improve the quality of communication with Shareholders given the simple structure of the Company. The Board will continue to review this approach.

The main roles of the Audit 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 the statutory accounts which are to be approved by Shareholders at the forthcoming AGM in December. Each of the directors has a Letter of Appointment with the Company. 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 AGM 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.

Board and Committees' attendance

The Board met on 6 occasions and the Audit Committee met on two occasions during the year following formal agendas. Attendance at the scheduled Board and Audit Committee meetings during the year is shown in the following table:

Board and Audit Committee attendance

No. of scheduled meetings attended in the year	Board	Audit Committee
D.C. Marshall	6	-
A.J. Hall	6	2
E.J. Beale	6	2
J.M. Robotham	-	-
J.G. Dumeresque	-	-
N.S. Stagg	-	-

Mr A J Hall is a member and Chairman of the Audit Committee

Mr E J Beale was a member of the Audit Committee until his retirement from the Committee on 31st May 2018

Mr J M Robotham was a director and member of the Audit Committee until his resignation from the Board on 6th December 2017

Mrs J G Dumeresque and Mr N S Stagg were appointed as directors and as members of the Audit Committee on 31st May 2018

6. **Ensure that between them the directors have the necessary up to-date experience, skills and capabilities**

The Board and directors' experience and skills

During the course of 2017, the Board commenced a search for new directors with a view to strengthening the Board. This search process was accelerated after the retirement of Michael Robotham in December last year and on 31st May this year the Company announced the appointment of Jane Dumeresque and Nick Stagg to the Board.

The Board as a whole is now confident that it has a strong team which contains the necessary mix and balance of experience, skills, personal qualities and capabilities to deliver the Company's strategy for the benefit of the shareholders over the medium to long-term. The Board will continue to review the collective resources of its directors and whether further resource and skills may be required to deliver on the Company's strategic objectives. It is not envisaged at this time that any further appointments will be made to the Board in the short-term.

The background and experience of the Board is set out on page 1. Each of the directors has capital markets and listed company experience and in addition each has the following skills, capabilities and personal qualities:

David Marshall, Chairman

Skills: Extensive business experience over 40 years; developing and growing successful businesses in UK and South Africa; considerable knowledge and awareness of international economies and markets; financial and analytical skills.

Western Selection P.L.C.

Capabilities: strong track record in developing trading, financial and property companies; recognised for his investment management capability and insight; strong leadership skills as a director and in particular as a chairman; fosters and promotes positive business cultures and effective management.

Personal qualities: Excellent inter-personal skills, a good communicator and negotiator, and, as a director and chairman, welcomes engagement and discussion with shareholders.

Andrew Hall, Senior Independent Director

Skills: Over 40 years of activity in financial services and investment management; successful record in investment management and in developing business strategies and processes to enhance services and performance where he has held senior investment positions.

Capabilities: has worked with a large number of city institutions in his career where, as a senior executive, his leadership skills have created successful investment strategies and platforms; well connected through a professional network built up over the course of his career; as an active investor he has a particular interest in the investment and development of technology companies focused on power generation and storage.

Personal qualities: knowledgeable, informed and a good communicator; appointed as the Company's Senior Independent director with the opportunity, alongside the Chairman, David Marshall, to meet and communicate with the Company's shareholders.

Edward Beale

Skills: Chartered Accountant with considerable financial and accounting skills developed in both small and large companies operating globally and as a director of a wide range of companies, including the Company and London Finance & Investment Group PLC; currently CFO to JSE listed Marshall Monteagle PLC.

Capabilities: strong business management capability in a wide range of environments; considerable experience and understanding of accounting standards and financial reporting, expert adviser on practical governance and corporate reporting, regulatory and compliance issues.

Personal qualities: Informed, capable, committed and a good communicator.

Jane Dumeresque

Skills: Chartered Accountant with an MBA from the LSE; strong financial, accounting research and management skills acquired over 30 years and applied to senior roles in the financial services sector including in corporate broking and investment management.

Capabilities: She has also held senior executive roles as CFO and CEO with listed and private companies. She has led management teams in developing companies and new business strategies and with her financial skills she has achieved business efficiencies and improved financial performances; she has a strong understanding of compliance and regulation and the evaluation of strategy and risk and a particular interest in identifying companies which can benefit from changes in their particular industries either through rapid organic growth or as likely acquisition targets in industry consolidations.

Personal qualities: gregarious, committed, informed and with strong integrity.

Nick Stagg

Skills: Chartered Accountant; strong financial and business skills; over 30 years of specialising in the management of international people businesses focused on finance, management, legal practices and property consultancies; as CFO, CEO and Executive Chairman successfully managed a number of international businesses with worldwide operations; initiated, negotiated and completed a wide range of acquisitions, mergers and disposals; evaluation and management of business risks including compliance and regulation.

Capabilities: strong leadership and decision maker capability; HR experience in creating and developing high quality management teams.

Personal qualities: good communicator and negotiator; well connected through an extensive network of investors and professionals.

Skills updating and training

The directors keep abreast of the markets and financial, investment and economic news through the financial press and journals. From time to time, the directors also attend professional and investment industry related conferences and seminars with a view to keeping up to date with professional issues and technical skills and industry developments.

All directors are encouraged to maintain individual continuing professional education programmes and all have the opportunity, if required, to attend specialist courses which can enhance their skills relative to the Company's investment business. The Company Secretary, from time to time, provides technical briefings relating to regulatory and compliance issues and corporate governance and Cairn Financial, the Company's NEX Exchange corporate adviser, from time to time provides briefings on the NEX Exchange Growth Market Rules and other compliance matters.

Advisers to the Board

The Company retains the services of City Group as Company Secretary and two external advisers, BDO LLP, its auditors, and Cairn Financial Advisers LLP, the Company's NEX Exchange corporate adviser.

The Company Secretary, City Group, assists the Chairman in the effective organisation of the Board and attends all Board and Board Committee meetings and Audit Committee meetings to record the business and proceedings of such meetings. The Company Secretary assists the Board generally in understanding the impact of public market regulation on the Company and its business and is available at all times to provide advice and guidance to the Directors and ensure that each of them is aware of, and that the Company and Directors meet, their statutory and regulatory obligations.

During the year, the Board sought external advice on the following matters:

In August 2017, following initial discussions the Board took advice from its bankers, Coutts & Co, on arrangements the Company might make to lessen the impact of interest rate rises which are anticipated in the next few years. As a result, the Company extended the term of its revolving credit facility with Coutts & Co and in October 2017 put in place an interest rate swap arrangement.

Also, during the year, the Board sought advice from Reitigh Limited, a Dublin-based actuarial firm in relation to the EU's Packaged Retail Investment and Insurance based Products (PRIIPs) Regulation which requires a wide range of investment related businesses, including investment companies, to publish Key Information Documents (KIDs) in order for retail investors to invest in such businesses. Reitigh Limited subsequently assisted the Company in preparing a bespoke KID which can be viewed within the Investors Section of the Company's website.

The Audit Committee did not seek any external advice during the year.

Subject to certain conditions, the directors are entitled to obtain independent professional advice at the Company's expense.

Internal Roles and Responsibilities

David Marshall, as Chairman, is responsible for leading an effective Board with strategic focus and direction and fostering a good corporate culture.

Andrew Hall, as Senior Independent Director, provides support and guidance to the Chairman and other directors of the Company. Along with the Chairman he is a key member of the Board in terms of liaising and meeting with the Shareholders and addressing their concerns and enquiries.

The directors of the Company, as non-executives, are expected to not only play a part in the management of the Company but also to challenge and contribute to the development of strategy and the achievement of the Company's objectives. They all play their part by being experienced and commercial people who bring a wide range of skills and capabilities to the Board.

7. Evaluate all elements of Board performance based on clear and relevant objectives, seeking continuous improvement

Performance effectiveness evaluation

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 by the Company Secretary with recommendations as to any action that might be taken and changes that could be made.

The evaluations for 2018 were conducted this Summer and the questionnaires were reviewed by the Company Secretary with the feedback being provided to the Board. The general feed-back as to the effectiveness of the Board and the Audit Committee was positive. Some procedural improvements were suggested and subsequently approved by the Board.

8. Promote a corporate culture that is based on sound ethical values and behaviours

The Company's culture

Given the size of the Board and the fact that the Company has no employees, the Company has a simple, open, collegiate culture, which is promoted by the Board, with the objective of enhancing the shareholders' long-term interests through prudent, responsible and considered investment. This approach is a reflection of the Company's objectives, its strategy and its business model and takes into account the Company's risks and uncertainties, all of which are set out in the Strategic Report on pages 4 to 8.

The current culture promoted by the Board is considered appropriate and will continue until such time as the Board considers that the Company's strategy needs to be reviewed and updated.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Roles and responsibilities of the Board

The Board as a whole, the size of which is considered appropriate given the size of the Company, manages the business of the Company on behalf of Shareholders and in accordance with the Company's Articles of Association. This is achieved through its decision making and where appropriate through the delegation of certain responsibilities to committees.

The roles of the Chairman, David Marshall, the Senior Independent Director, Andrew Hall, the individual non-executive members of the Board and the Company Secretary are explained above under Principle 6 on pages 16 to 18.

The Company's Committees

Details in relation to the Company's Committees are set out under Principle 5 above on Pages 15 to 16.

Matters reserved for the Board

The matters reserved for the Board and the terms of reference for the Audit Committee are set out in the Company's website

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Audit Committee's remit and work undertaken during the year ended 30th June 2018

The main roles of the Audit 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.

Audit Committee Report

No separate Audit Committee report is presented to shareholders as the Board does not consider at present that this would improve the quality of communication with Shareholders given the simple structure of the Company. The Board will continue to review this approach.

Remuneration and Nomination Committees

No separate Remuneration Committee report is presented to Shareholders. As explained under Principle 5 above on Page 16 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. Furthermore, given the current size of the Board, 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.

Voting at AGMs

The results of voting on resolutions put to Shareholders in the Company's AGMs is set out the News section under Investors in the Company's website.

There has been no significant voting (20 per cent or more) against any resolutions put to Shareholders in AGMs over the last 5 years.

Financial reports and other Shareholder documents

All financial reports, annual and interim, and all other shareholder documentation including circulars, Notices of AGM and GM sent to Shareholders over the last 5 years are set out in the Company's website.

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, as amended by the Financial Services Act 2012, 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 and Third Party Indemnity Insurance

During the year, the Company has maintained insurance cover for its directors and officers under a Directors' and Officers' liability insurance policy. The Company has not provided any qualifying third-party indemnity cover for the directors although under the Company's Articles of Association the Company may indemnify any Director or other officer against any such liability.

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.

3rd October 2018

David Marshall
Chairman

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 and
- 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.

3rd October 2018

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 30 June 2018 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2018 and of company's profit for the year then ended and
- the company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied 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 judgement, 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
<i>Valuation of investments</i> 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.	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

<p>Loan receivable</p> <p>Within trade and other receivables, there is a loan due from Tudor Rose International due within one year. Based on information provided by management, there is a risk regarding the valuation of this balance.</p>	<p>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> <p>Our audit procedures in respect of the valuation of this balance has included testing the methodology applied by management in preparing the year end assessment of the recoverability of this balance. We have challenged management on the assumptions and judgements around this balance and reviewed external and management data relating to the performance of Tudor Rose International.</p>
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Our application of materiality

We determined materiality for the financial statements as a whole to be £610,000 (2017 - £600,000) 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 £30,500 (2017 - £30,000). 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's 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 they can provide advice and support for these growing companies. In establishing the overall audit approach to the audit, we have completed audit work on these underlying investments accordingly. 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 statement process.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 21, 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 the 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 the 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

4th October 2018

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	2018 £000	2017 £000
Income from investments in:			
Listed core holdings		132	120
Other listed undertakings		<u>135</u>	<u>136</u>
		267	256
Administrative expenses	2	(348)	(325)
Profit on partial disposal of investment in core holdings		443	845
Profit on disposal of other investments		<u>483</u>	<u>50</u>
Operating profit		845	826
Share of (losses)/ profits of associated companies		(17)	49
Finance income		26	26
Finance costs		<u>(52)</u>	<u>(33)</u>
Profit before taxation		802	868
Taxation	4	<u>(18)</u>	<u>(18)</u>
Profit after taxation attributable to equity shareholders		<u>784</u>	<u>850</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss: -			
Fair value recycled from equity on disposal		(1,023)	(348)
Fair value adjustment on available for sale investments		<u>851</u>	<u>2,792</u>
Total other comprehensive income		<u>(172)</u>	<u>2,444</u>
Total comprehensive income		<u>612</u>	<u>3,294</u>
Basic and diluted earnings per share attributable to equity holders	6	<u>4.4p</u>	<u>4.7p</u>

The notes on pages 29 to 38 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 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 (note 5)	-	-	-	-	-	(188)	(188)
Interim dividends paid in respect of the year (note 5)	-	-	-	-	-	(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
Year ended 30th June 2018							
Balances at 1 st July 2017	7,180	2,654	3	6,018	(151)	1,421	17,125
Profit for the period	-	-	-	-	(17)	801	784
Items that can be reclassified to the income statements – Other comprehensive income – Fair values net of tax	-	-	-	(172)	-	-	(172)
Total comprehensive Income	-	-	-	(172)	(17)	801	612
Transactions with shareholders							
Final dividend paid in respect of prior year (note 5)	-	-	-	-	-	(197)	(197)
Interim dividends paid in respect of the year (note 5)	-	-	-	-	-	(198)	(198)
Total transactions with shareholders	-	-	-	-	-	(395)	(395)
Balances at 30th June 2018	7,180	2,654	3	5,846	(168)	1,827	17,342

The notes on pages 29 to 38 form part of these accounts.

Statement of Financial Position

Registered Number 00234871

At 30 th June	Notes	2018 £000	2017 £000
Non-current Assets:			
Investment in Associated companies	7	1,830	1,846
Investments classified as available for sale	8	15,549	16,285
Other receivables	9	192	192
		<u>17,571</u>	<u>18,323</u>
Current Assets			
Trade and other receivables	9	808	40
Cash and cash equivalents		35	78
		<u>843</u>	<u>118</u>
Current Liabilities			
Trade and other payables	10	(97)	(91)
Net Current Assets		<u>746</u>	<u>27</u>
Financial Liabilities falling due in more than one year	11	<u>(975)</u>	<u>(1,225)</u>
Net Assets		<u>17,342</u>	<u>17,125</u>
Equity			
Share capital	14	7,180	7,180
Share premium account		2,654	2,654
Capital reserve account		3	3
Unrealised profits on investments		5,846	6,018
Share of undistributed losses of associates		(168)	(151)
Realised profits		1,827	1,421
Shareholders' Funds		<u>17,342</u>	<u>17,125</u>

Approved and authorised for issue by the Board

Edward Beale
Director

3rd October 2018

The notes on pages 29 to 38 form part of these accounts

Statement of Cash Flow

For the year ended 30th June

	Notes	2018 £000	2018 £000	2017 £000	2017 £000
Profit before taxation			802		868
Profit on sale of investments in core holdings			(443)		(845)
Profit on sale of other investments			(483)		(50)
Share of results of associates			17		(49)
Net interest payable			26		7
Changes in working capital					
(Decrease)Increase in trade and other receivables			(19)		45
Increase/(Decrease) in trade and other payables			6		(8)
Cash absorbed by operations			(94)		(32)
Taxation paid			(18)		(18)
Net interest paid			(26)		(7)
Net cash absorbed by operations			(138)		(57)
Cash flow from investment activities					
Investments in associated companies	7	(750)		(500)	
Purchase of Core Holdings	8	(95)		(190)	
Proceeds on disposal of Core Holdings		666		1,385	
Proceeds on disposal of other financial instruments		919		112	
Purchase of other financial instruments		-		(623)	
Net cash generated by investment activities			740		184
Financing activities					
Loan drawdown	11	2,525		225	
Loan repayment	11	(2,775)		-	
Equity dividends paid	5	(395)		(386)	
Net cash outflow from financing activities			(645)		(161)
Movement in cash and cash equivalents			(43)		(34)
Cash and cash equivalents at start of year			78		112
Cash and cash equivalents at end of year			35		78

Analysis of net debt

	At start of year £000	Cash Flow £000	At end of year £000
2018			
Cash and cash equivalents	78	(43)	35
Bank borrowings	(1,225)	250	(975)
Total net debt	(1,147)	207	(940)
2017			
Cash and cash equivalents	112	(34)	78
Bank overdraft	(1,000)	(225)	(1,225)
Total net debt	(888)	(259)	(1,147)

The notes on pages 29 to 38 form part of these accounts

Notes to the Accounts

For the year ended 30th June 2018

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 statements 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. No significant judgements have been made. 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) Dividends paid are included in the Company's financial statements in the period in which the related dividends are actually paid or, in respect of the Company's final dividend for the year, approved by shareholders.
- (iv) 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 include loans and other receivables and cash and cash equivalents and 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.
- Loans and other receivables are reviewed for impairment annually. If there is indication of impairment, then an impairment test is performed.
- (v) Trade and other payables are amounts that 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 using the effective interest rate method.
- (vi) 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 rate method.
- (vii) Interest rate swaps are classified as financial assets or liabilities at fair value through Profit and Loss. The fair value is determined by market value quotes received from independent financial institutions. Changes in the fair value are recognised in Profit and Loss as they arise.

Accounting Policies (continued)

- (viii) 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. These are reviewed for impairment annually. If there is indication of impairment, then an impairment test is performed.
- (ix) The charge for taxation is based on the taxable profit for the year, using tax rates enacted at the reporting date. 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.
- (x) 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, using tax rates enacted at the reporting date. 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.
- (xi) Cash and cash equivalents comprise cash balances and deposits.
- (xii) 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

	2018	2017
	£000	£000
Auditors' remuneration – for audit services	18	23
Directors' emoluments as set out in Note 3	63	65
Other administrative expenses	267	237
	<u>348</u>	<u>325</u>

3. Directors' emoluments and related party disclosures

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

	2018	2017
	£000	£000
D.C. Marshall	-	-
A.J. Hall	15	15
E.J. Beale	-	-
J.M. Robotham	11	15
N Stagg	1	-
J Dumeresque	1	-
	<u>28</u>	<u>30</u>
Amount paid to related parties	15	15
Amount paid to third parties	20	20
	<u>63</u>	<u>65</u>

The services of David Marshall are supplied for £20,000 by a company, in which none of the directors are beneficially interested (2017 - £20,000). The services of Edward Beale were supplied by his primary employer, Marshall Monteagle PLC, for £15,000 (2017 - £15,000).

The section on 'Related party disclosures' below gives details of the interests of the directors in any material transactions. Other than as disclosed, 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.

Other than the Directors, the Company has no staff or staff costs.

Notes to the Accounts (continued)

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 and Edward Beale are directors and Michael Robotham 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 had 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 2018 or 2017.

The Company owns 48.6% of City Group and the remaining 51.4% is owned by Lonfin. David Marshall, and Edward Beale are directors, and Michael Robotham 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 £136,000 (2017 - £135,000) 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 2018, fees and expenses of £44,000 were due to City Group (2017 - £47,000).

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:

	2018	2017
	£000	£000
Profit before taxation	802	868
Taxation at 19% (2017 – 19.75%)	(152)	(171)
Effects of:		
Tax losses carried forward	(66)	(85)
Capital losses utilised	176	179
Associates – share of results net of tax	(3)	8
Non-taxable franked and other income	27	51
	(18)	(18)

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(ix)) and the change in the rate of tax therefore has no impact on assets or liabilities.

5. Dividends

Amounts recognised as distributions to the shareholders of the Company in the year were as follows:

	2018	2017
	Per share	Per share
Final dividend in respect of prior year	1.1p	1.05p
Interim dividend for the year	1.1p	1.10p

The total dividends paid in 2018 and 2017 were £395,000 (2.2p per share) and £386,000 (2.15p per share). A dividend in respect of the year ended 30th June 2018 of 1.15p is to be proposed at the AGM to be held on 4th December 2018. These financial statements do not reflect this dividend.

6. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation of £784,000 (2017 - £850,000) and on 17,949,872 shares (2017 – 17,949,872) being the weighted average number of shares in issue during the period.

Basic earnings per share	2018 4.4p	2017 4.7p
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Diluted earnings per share at 30th June 2018 and 30th June 2017 are the same as basic earnings per share.

7. Non-current assets – Investments in Associates

	2018 £000	2017 £000
Shares at cost:		
Cost	1,998	918
Addition during year –		
Subscriptions for new shares	-	79
Subscription for preference shares	-	500
Conversion of loan	-	500
Cumulative share of losses	(168)	(151)
Balance at 30th June	1,830	1,846

Loans of £942,000 (2017 - £192,000), detailed in note 9 on page 34, have been included in the total carrying value of investments in associate companies of £2,771,000 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 2018, 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 2018 have been extracted from the consolidated audited accounts at 31st December 2017 and the unaudited management accounts of Tudor Rose International at 30th June 2018.

At 30 th June	2018 £000	2017 £000
Non-current assets – property, plant and equipment	159	251
Investments/Goodwill	4,280	3,391
Currents Assets	1,779	2,825
Current Liabilities	(1,649)	(4,264)
Net Current Assets/(Liabilities)	130	(1,439)
Non-current liabilities	(1,522)	(227)
Aggregate capital and reserves	3,047	1,977
Share of net assets	1,508	979
Share of post-acquisition losses	(95)	(88)
Year ended 30th June		
Turnover	19,032	17,145
Profit after tax	82	63
Share of profit after tax for the year to 30 th June	40	49
Adjustment to prior year estimated results	(54)	-

Notes to the Accounts (continued) For the year ended 30th June 2018

- 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 2018.

At 30 th June	2018	2017
	£000	£000
Net current assets	202	192
Aggregate capital and reserves	215	206
Share of net assets	104	100
Share of profit after tax for the year	7	11
Share of post-acquisition profit at 30 th June	30	35
Year ended 30th June		
Turnover	582	501
Profit before and after taxation	17	23
Share of profit after tax for the year	7	11

- 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	2018	2017
	£000	£000
Non-current assets – property, plant and equipment	42	42
Net current assets	157	183
Aggregate capital and reserves	200	226
Share of net assets	60	68
Share of post-acquisition loss at 30 th June	(103)	(95)
Year ended 30th June		
Loss before and after taxation	(26)	(39)
Share of loss after tax for the year	(8)	(11)

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

	Quoted Core Holdings	Other Quoted Investments	Unquoted Investments	Total
Year ended 30 th June 2018	£000	£000	£000	£000
Cost	6,899	3,075	194	10,168
Fair value adjustment	4,038	2,273	-	6,311
Balance at 1 st July 2017	10,937	5,348	194	16,479
Additions	95	-	-	95
Disposals	(223)	(436)	-	(659)
Fair value adjustments recycled from equity to the income statement on disposals	(537)	(486)	-	(1,023)
Change in fair value	948	(97)	-	851
Balance at 30 th June 2018	11,220	4,329	194	15,743
Provisions for impairment in value:				
Balance at 1 st July 2017 and 30 th June 2018	-	-	(194)	(194)
Net balance at 30th June 2018	11,220	4,329	-	15,549

Year ended 30th June 2017	Quoted Core Holdings £000	Other Quoted Investments £000	Unquoted investments and Quoted Funds £000	Total £000
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

9. Trade and other receivables

	2018 £000	2017 £000
Receivable after more than one year		
Other loans	192	192
	192	192
Receivable in less than one year		
Amounts due from associate	49	32
Prepayments and accrued income	9	8
Loan to associate	750	-
	808	40

The loan of £750,000 made to Tudor Rose International and repayable by 31st December 2018 carried interest at a rate of 5% over the Bank of England base rate.

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.

10. Trade and other payables

	2018 £000	2017 £000
Other accounts payable and accruals	93	91
Interest rate swap	4	-
	97	91

Notes to the Accounts (continued)

For the year ended 30th June 2018

11. Financial Liabilities falling due in more than one year

	2018	2017
	£000	£000
Bank borrowings	<u>975</u>	<u>1,225</u>

The Company has available a £1,900,000 revolving credit facility terminating on 30th September 2022 which is secured by a charge over the Company's investments. Interest is chargeable at 2.75% per annum above the Bank of England Base Rate (3.25% at 30th June 2018).

12. 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 £878,000 is less than the Company's estimated Corporation Tax losses of £5,486,000 (2017 - £5,154,000) and Capital Tax losses of £391,000 (2017 - £1,104,000). 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.

13. 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.

14. Share Capital

	2018	2017
	£000	£000
Authorised equity share capital		
30,000,000 shares of 40p each (2017 – 30,000,000 shares of 40p each)	<u>12,000</u>	<u>12,000</u>
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	<u>7,180</u>	<u>7,180</u>

15. 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: -

	2018	2017
	£000	£000
Financial assets		
<i>At fair value through profit and loss</i>		
Available for sale investments	15,549	16,285
<i>At amortised cost</i>		
Trade and other receivables	58	40
Loans and receivables	942	192
Financial Liabilities		
<i>At amortised cost</i>		
Bank borrowings	(975)	(1,225)
Trade and other payables	(93)	(91)
<i>At fair value through profit and loss</i>		
Interest rate swap	(4)	-

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 £155,000 (2017 - £163,000) 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 2.75% over Bank of England Base Rate. At 30th June 2018, the Company had borrowings outstanding under the facility of £975,000 (2017 – £1,225,000) and loans receivable of £942,000 (2017- £192,000). Every 1% change in interest rates would change the net interest expense on borrowings at the reporting date by £9,750 per annum.

In order to minimise the impact from possible interest rate fluctuations the Company entered into an Interest rate swap agreement with Coutts & Co on 1st October 2017. The fair value of the Interest swap as at 30th June 2018 is a liability of £4,000.

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.

Notes to the Accounts (continued) For the year ended 30th June 2018

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 2018 was £3,437,000 (2017 - £4,156,000). 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 £34,000 and a corresponding reduction in reserves.

16. International Financial Reporting Standards

A number of new standards and amendments to standards and interpretations will be effective for financial periods ending after 30th June 2019, and have not been applied in preparing these financial statements.

IFRS 9, "Financial Instruments" addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement and related interpretations. The standard is effective for annual periods beginning on or after 1st January 2018 and earlier application is permitted.

- **Financial assets – Trade receivables, loans and Investments**

The financial assets of the company include debt instruments that are measured at amortised cost which meet the conditions for classification at amortised cost under IFRS9 and equity instruments are currently classified as available for sale.

- **Financial assets - Equity investments**

the Company expects the new guidance to affect the classification and measurement of the Assets available for sale which will fall under Assets at FVPL. Changes in the fair values of these financial assets, previously recognised in the OCI, will be recorded in Other income/expenses through profit and loss. Gains and losses realised on the sale of these financial assets will be recorded in the profit and loss to the extent of the difference between sale price and fair value recorded.

This change in accounting policy will have no effect on the Statement of Financial Position

This re-categorisation will change Profit after tax for the year ended 30th June 2018 from £784,000 to £612,000.

- **Financial liabilities – Trade payables and bank borrowings**

The IFRS 9 accounting model for financial liabilities is broadly the same as that in IAS 39 and no effective changes are expected.

IFRS 15, "Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard will be effective for our annual periods ending on or after 30th June 2019 and earlier application is permitted. The Directors have carefully considered the potential effects and have concluded that will be no material impact on the financial statements.

IFRS 16 "Leases" specifies how a company reporting under IFRS will recognise, measure, and disclose leases. The standard replaces IAS 17 'Leases' and related interpretations. The standard will be effective for our annual periods ending on or after 30th June 2020, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' has also been applied (subject to EU endorsement). The Directors have carefully considered the potential effects and have concluded that will be no material impact on the financial statements.

There are no new standards or interpretations effective for the first time for the period beginning 1st January 2017 that had a significant effect on the company's financial statements. Although an amendment to IAS 7 Statement of Cash Flow has resulted in a reconciliation of liabilities for the first time.

17. 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 2018, is disclosed below:

Company	Country	Registered office	% ownership
City Group PLC	United Kingdom	6 Middle Street, London, EC1A 7JA	48.6%
Industrial & Commercial Holdings PLC	United Kingdom	6 Middle Street, London, EC1A 7JA	29.9%
Tudor Rose International Limited	United Kingdom	Kingfisher Business park, London road, Strout, GL5 2BY	49.5%

18. Subsequent Events

Following the year-end, the Company had discussed with Tudor Rose International its working capital requirements, bearing in mind the opportunities and risks associated with Brexit, and agreed changes to its £750,000 loan facility with Tudor Rose International; it is now a revolving credit facility which must be repaid in full or re-negotiated by 31st December 2018 and which bears interest at the Bank of England Base Rate plus 5%.

NOTICE OF ANNUAL GENERAL 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, 1 Ely Place, London EC1N 6RY on 4th December 2018 at 10.00 a.m. for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 7 will be proposed as ordinary resolutions and Resolutions 8 and 9 will be proposed as special resolutions.

1. To receive the financial statements for the year ended 30th June 2018 together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30th June 2018 of 1.15 pence for each ordinary share in the capital of the Company.
3. To re-elect Mr D.C. Marshall as a director, who retires by rotation and offers himself for re-election.
4. To elect Mrs J.G. Dumeresque as a director, who has been appointed as a director since the last Annual General Meeting.
5. To elect Mr N.S. Stagg as a director, who has been appointed as a director since the last Annual General Meeting.
6. To re-appoint BDO LLP as Auditors of the Company and to authorise the directors to agree their remuneration.
7. 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 2019, 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.
8. THAT,
 - (a) subject to the passing of Resolution 7 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 7, 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 7 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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9. 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.

3rd October 2018

By Order of the Board

City Group PLC
Company Secretary

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 Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD, U.K. not later than 10.00 a.m. on 30th November 2018. 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 23rd November 2018 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 4th October 2018 (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 4th October 2018 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 Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD 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 4th December 2018 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 1-7 will be Ordinary Resolutions and Resolutions 8 and 9 will be Special Resolutions)		For	Against	Withheld
1.	To receive the financial statements for the year ended 30 th June 2018, together with the reports of the Directors and Auditors.			
2.	To declare a final dividend.			
3.	To re-elect Mr D.C. Marshall as a director.			
4.	To elect Mrs J.G. Dumeresque as a director.			
5.	To elect Mr N.S. Stagg as a director.			
6.	To re-appoint BDO LLP as Auditors of the Company and to authorise the Directors to agree their remuneration.			
7.	To authorise the Directors to allot shares under section 551 of the Companies Act 2006.			
8.	To disapply statutory pre-emption rights (Special Resolution).			
9.	To authorised the Directors to repurchase shares (Special Resolution).			

Dated

2018 Signature

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 Company's Registrars, Neville Registrars Limited, Neville House, Steelpark Road, Halesowen, West Midlands, B62 8HD, U.K not later than 10.00 a.m. on 30th November 2018.
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.

