Western Selection P.L.C.

Report & Accounts

30th June
2007

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Directors and Advisers

D.C. MARSHALL, *Non-executive Chairman*, *age* 63.

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

A.R.C. BARCLAY, FCA, *Non-executive*, age 67.

Mr Barclay joined the board in 1988. He is a Chartered Accountant and a director of Marshall Monteagle Holdings S.A. and Halogen Holdings S.A. He was chief executive of City Group P.L.C., Western's administrative and corporate secretary between 1980 and 1999.

A.J. HALL, *Non-executive*, age 65*†

Mr Hall joined the board in 1996. Mr. Hall held senior investment management positions with The Royal Trust Company of Canada and Aitken Hume. In 1985 he joined Sarasin Investment Management Limited, a wholly owned subsidiary of Bank Sarasin & Cie, a major private Swiss bank, as a director with responsibility for expanding investment services, and was managing director from 1989 to 2003 and he is now executive vice chairman.

J.M. ROBOTHAM, OBE, FCA, *Non-executive*, age 74*†

Mr Robotham joined the board in 1971. He is the non-executive chairman of Marshall Monteagle Holdings S.A. and a non-executive director of London Finance & Investment Group P.L.C. and Halogen Holdings S.A. He is a chartered accountant and a Member of the Securities Institute. He is associated with J.M. Finn & Co, who are the nominated brokers to Western.

*Member of the audit committee †Member of the investment committee

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Registered Number
234871

Western Selection is a United Kingdom Strategic Investment company. Its core portfolio covers holdings of both large and medium sized companies predominantly within the United Kingdom. Strategic Investments are held in three small United Kingdom companies, on two of which Western has board representation.

Western's share capital is admitted to trading on AIM, a market operated by the London Stock Exchange.

Results in Brief

	2007 £000	2006 £000
Profit on ordinary activities before associates, exceptional items and taxation	**355**	**316**
Dividend per share	**2.55p**	**2.45p**
Earnings per share before associates and exceptional items	**2.94p**	**2.76p**
Earnings per share after exceptional items	**0.51p**	**2.75p**
Net assets, including investments at fair values	**£12,783,000**	**£10,471,000**
Number of shares in issue	**12,825,221**	**11,688,182**
Net assets per share	**100p**	**90p**
Middle market price on 30th June	**66.0p**	**57.5p**

Financial Calendar

Annual General Meeting	Thursday 11th October 2007 at 10.00 a.m.
Dividend for 2007	Payable on 12th October 2007 to holders on 21st September 2007
Half year results	Announced in February

Analysis of Shareholders

Holding	Shareholders Number	%	Total Shareholding	%
1 - 500	229	38.7	80,553	0.6
501 - 1,000	118	19.9	87,221	0.7
1,001 - 5,000	164	27.7	365,410	2.8
5,001 - 10,000	23	3.9	188,912	1.5
10,001 - 50,000	32	5.4	685,033	5.3
50,001 - 100,000	10	1.7	698,069	5.5
100,001 - 500,000	12	2.0	2,971,968	23.2
Over 500,000	4	0.7	7,748,055	60.4
	592	100.0	12,825,221	100.0

The current price of the Company's shares can be found in the AIM section of the Financial Times. A share dealing service is available for shareholders through Capita IRG Trustees Limited, a subsidiary of Capita Registrars. Shareholders can buy or sell shares in the Company online at www.capitadeal.com or by telephone on 0870 458 4577 (Monday to Friday 8.00 a.m. – 4.30 p.m.).

Director's Report

Business Review

Western Selection is an investment company with a mix of Strategic Investments and a General Portfolio, primarily of U.K. stocks. The Company's objective is to generate real growth in value for shareholders over the medium to long term and pay a progressive dividend. Our total shareholder return over the last 5 years is in line with the return from the FTSE 250 index and slightly above the return on the FTSE 100 index.

The Board realises that shareholder value is not only affected by the value of the underlying investments, but also the discount at which the Company's shares trade. As part of ongoing efforts to reduce that discount, shareholders have recently been sent an invitation to subscribe for warrants. The funds raised from this subscription and from exercise of the warrants will be used to increase the assets under management, improving the ratio of assets invested to operating expenses.

The offer was structured to raise £872,000 in September 2007, assuming that all Warrants are issued. If all Warrants are exercised £1,693,000 will be raised in December 2007 and a further £3,848,000 in the period 2008-2010. The offer closed on 17th August once shareholders had subscribed for all of the available Warrant Units. Additional information on the Offer is included in the section on "Share Capital and EGM" below.

During the year the board has maintained the Company's primary focus on the U.K. and invested a further £1,000,000 in our General Portfolio, thereby increasing borrowing to £2,034,000 (after allowing for the £428,000 which was received following the final conversion of the 2006 warrants).

Overall, the net asset value per share including investments at market value has increased over the year to 30th June 2007 from 90p to 100p. The value of the Strategic Investments improved due to the outstanding performance of Northbridge and a recovery in the value of Swallowfield.

The Company made a profit of £355,000 before associates, exceptional items and tax, compared to £316,000 last year. Including the results of associates and after one off exceptional costs of the Employee Benefit Trust, approved by shareholders at the Annual General Meeting held on 29th September 2006, the profit for the year was £61,000. We have declared a dividend of 2.55p per share compared with 2.45p per share for 2006, an increase of 4%.

Strategic Investments

Creston plc

Creston is a marketing services group whose strategy is to grow within its sector both by organic growth and through selective acquisition to become a substantial, diversified international marketing services group. Creston made a further three acquisitions during its financial year, ICM in research, TMW in direct and digital marketing and PAN, in healthcare advertising and communications, being some of the larger UK groups in their sectors. The results for the year to 31st March 2007, show a profit after tax of £4,931,000 (2006 – £2,927,000), equivalent to earnings of 9.43p per share (2006 – 8.04p).

Western maintained its holding of 3,000,000 shares in Creston during the year which is 5.4% of Creston's issued share capital. The market value of the Company's holding in Creston on 30th June 2007 was £4,890,000 (2006 - £4,845,000), being 33% (2006 – 40%) of Western's net assets.

Mr. Marshall is the non-executive chairman of Creston. At its recent AGM held on 31st July, Creston's directors expressed their confidence in current trading conditions being experienced by the enlarged group.

Swallowfield plc

Swallowfield has a long history of developing and producing aerosol, cosmetic and toiletry products stretching back to 1950. As one of Europe's premier contract manufacturers of toiletries and cosmetics it offers an unrivalled breadth of product capabilities. Its skill in design, developing and producing gift packs and themed product ranges complements its production capability.

Swallowfield's latest published results were for the 28 weeks to 13th January 2007 and showed a profit of £255,000 (2006 – loss of 695,000 after reorganisation costs of £677,000)

Western owns 1,000,000 shares in Swallowfield which is 8.9% of the issued share capital. The market value of the Company's holding in Swallowfield on 30th June 2007 was £795,000 (2006 – £455,000), being 5% (2006 – 4%) of Western's net assets.

Northbridge Industrial Services PLC

Northbridge announced profits of £731,000 for the year ended 31st December 2006 and declared a maiden dividend of 2p per share. Western maintained its holding of 1,500,000 shares in Northbridge. The value of the investment at 30th June 2007 was £2,768,000 (2006 – £1,598,000) being 19% (2006 – 13%) of Western's assets.

Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment such as generators, load banks, pumps, air compressors, heaters and chillers. Northbridge is seeking to acquire specialist niche businesses to give it the potential for expansion into outsourcing providers, capable of supplying a non-cyclical customer base. Northbridge's first acquisition was Crestchic Limited, one of the largest electrical load bank equipment manufacturers in the world; selling and hiring to leading national and international customers.

Industrial & Commercial Holdings PLC

ICH is a small unlisted PLC in which Western holds 29.9%. It owns land with potential to receive planning permission for housing at Milngavie, adjacent to Dougalston golf course, just north east of Glasgow. ICH is currently making representations for inclusion in the local authority's next five year plan, but it may take some time for the permission to be received. Western is in discussion with the board of ICH to consider an acquisition of an active business. Mr. Marshall and Mr. Robotham are directors of ICH.

City Group P.L.C.

Western holds 48.57% and London Finance & Investment Group P.L.C. holds 51.43% of City Group, which provides office and secretarial services to both of these and other companies.

General Portfolio

The General Portfolio performed well, with an overall increase of 14.23% compared with an increase in the FTSE100 of 13.26%. The investments in FTSE100 and FTSE250 stocks, which comprise 66% of the General Portfolio, increased in value by 15%. Our investments in FTSE Small Cap and FTSE Fledgling stocks, which make up 22% of the General Portfolio, increased by 21%.

Employee Benefit Trust

The Board is assisted in its responsibilities by City Group P.L.C., in particular by its two executive directors, to which we outsource our administration. Following shareholder approval at the last AGM, we have contributed to an equity based incentive scheme set up by City Group P.L.C. to reward their performance and to delegate more responsibility to them for the management of our Strategic Portfolio.

Summary of Investments

	2007			2006		
	Cost less Provision £000	**Fair Value £000**	%	Cost less Provision £000	Fair Value £000	%
Strategic Investments						
Creston plc	**4,444**	**4,890**	**33**	4,444	4,845	40
Swallowfield plc	**1,043**	**795**	**5**	1,043	455	4
Northbridge Industrial Services PLC	**1,501**	**2,768**	**19**	1,501	1,598	13
Total Strategic Investments	**6,988**	**8,453**	**57**	6,988	6,898	57
General Portfolio						
Full List	**4,556**	**5,471**	**36**	3,746	4,400	37
AIM and Ofex	**431**	**420**	**3**	353	371	3
Offshore Funds – FSA recognised	**200**	**230**	**2**	70	98	1
Total General Portfolio	**5,187**	**6,121**	**41**	4,169	4,869	41
Unquoted investments, including associates	**268**	**268***	**2**	268	223*	2
Total Fixed Asset Investments	**12,443**	**14,842**	**100**	11,425	11,990	100.0
Overdraft net of cash at bank	**(2,028)**	**(2,028)**		(1,510)	(1,510)	
Other Net Current Liabilities	**(31)**	**(31)**		(9)	(9)	
	10,384	**12,783**		9,906	10,471	

* Director's valuation

Composition of General Portfolio

at 30th June 2007

	£000	%
Treatt	**869**	14.2
Royal Dutch Shell	**269**	4.4
Equisar Fund Distribution Units	**230**	3.8
Bioquell	**225**	3.7
Best of the Best	**219**	3.6
BHP Billiton	**195**	3.2
BP	**181**	3.0
Johnson Matthey	**169**	2.8
Vodafone	**168**	2.7
Prudential Corporation	**167**	2.7
Diageo	**156**	2.5
Cable & Wireless	**136**	2.2
Cadbury Schweppes	**136**	2.2
Associated British Foods	**133**	2.2
Standard Chartered	**130**	2.1
Anglo American	**118**	1.9
Scottish & Newcastle	**115**	1.9
Homeserve	**115**	1.9
Travis Perkins	**114**	1.9
Lloyds TSB Group	**111**	1.8
GlaxoSmithKline	**111**	1.8
Wynnstay Group	**106**	1.7
Dawson Holdings	**105**	1.7
Marstons	**105**	1.7
Ladbrokes	**104**	1.7
British American Tobacco	**102**	1.7
Royal & Sun Alliance Insurance	**95**	1.5
Imperial Tobacco Group	**92**	1.5
Forth Ports	**92**	1.5
William Hil	**92**	1.5
HSBC Bank	**91**	1.4
National Grid	**89**	1.4
Wolseley	**85**	1.4
Cobham	**71**	1.2
United Utilities	**71**	1.2
Balfour Beatty	**71**	1.2
Top Ten Holdings	**68**	1.1
Rotork	**64**	1.0
Close Bros Group	**60**	1.0
Arena Leisure	**58**	0.9
Marshalls Group	**56**	0.9
Spirax-Sarco Engineering	**55**	0.9
Barr (A.G.)	**53**	0.9
Castings	**53**	0.9
Thorntons	**53**	0.9
Others (less than £50,000)	**163**	2.7
	6,121	100

Trends in Key Performance Indicators

Key Performance Indicators ("KPIs") are the yardsticks against which the Board measures the performance of the Company. The objective is to achieve long term growth of both dividend income and share value and our KPIs reflect this bias.

	2007	2006	2005	2004	2003
Net assets per share – pence	**99.7**	89.8	88.8	94.9	82.5
Dividends per share – pence	**2.55**	2.45	2.32	2.20	2.08
Earnings per share before share of associates and exceptional items – pence	**2.94**	2.76	1.40	2.84	2.40
Expense ratio	**2.3%**	2.8%	3.2%	2.4%	2.8%

There was an insignificant increase in expenses in 2007 and the ratio of expenses to asset values declined.

Definition of KPIs used above

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

Dividends per share – Dividends declared for the year.

Earnings per share – Earnings for the year, excluding associates and exceptional items, divided by the weighted average number of shares in issue over the year.

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

Dividend

The Board is pleased to recommend an increased dividend of 2.55p per share for the year, compared to 2.45p per share for 2006, an increase of 4% per cent. The dividend will be paid on 12th October 2007 to shareholders on the register at the close of business on 21st September 2007.

International Financial Reporting Standards

AIM rules require reporting under International Financial Reporting Standards (IFRS) for the year ended 30th June 2008 at the latest. Western has opted for early adoption of IFRS for the year ending 30th June 2007. The only significant difference resulting from the change to IFRS is that quoted investments are valued in the balance sheet at market value rather than cost less provisions. The change in values of £2,399,000 (2006 – £589,000) goes directly to reserves.

Western is required under IFRS28 to equity account for its interest in associated companies, City Group P.L.C. and Industrial & Commercial Holdings PLC. The earnings for the current year have been increased by £25,000 and the accumulated results to the start of the year were decreased by £24,000. The carrying value of these investments at 30th June 2007 has therefore been increased by £1,000. Under UK GAAP equity accounting was not required for non-consolidated accounts.

Financial Instruments

The financial instruments of the Company, in addition to the investment portfolio, comprise borrowings and cash to finance those investments.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies, which have remained unchanged for the year under review, for managing both of these risks. The policies are summarised below.

Interest Rate Risk – The Company finances its operations through a mixture of retained profits and bank borrowings, in pounds sterling, at a floating rate of interest. The Company's policy is to keep all of its borrowings at floating rates of interest.

Liquidity Risk – The Company's policy is that its borrowings should be flexible and available over the medium term. The bank borrowings are by way of a £2.5 million revolving credit facility. The Company holds investments, most of which are listed on recognised stock exchanges. In normal markets these are, by their nature, liquid. However there are periods when the market may not be prepared to deal at realistic prices in unusually large blocks of certain shares and this particularly applies to our Strategic Investment holdings. The Company maintains a General Portfolio of investment holdings most of which are within normal market size and have aggregate market values which exceeds 150% of borrowings at any point in time.

For full details of the company's management of its financial instruments, please refer to note 16 to the financial statements on page 24.

Share Capital and EGM

During the year the remaining 669,509 warrants issued on 19th March 1995 were exercised.

Post balance sheet event

Shareholders received an offer to subscribe for Warrant Units on the basis of one Warrant Unit for every five shares held. The offer of warrants was approved overwhelmingly by shareholders at an Extraordinary General Meeting held on 9th August 2007 and was closed on 17th August 2007 as applications had been received from shareholders for all of the Warrant Units.

Each Warrant Unit comprises two 2007 Warrants, exercisable at 33p each on 10th December 2007, and three 2010 Warrants. The 2010 Warrants are exercisable at 50p each 28 days after the despatch of the annual and interim report of the Company in each of the years 2008 to 2010. The Warrants will be admitted to trading on PLUS from 17th September 2007. PLUS has been chosen over AIM, because of the lower cost. Most brokers who deal in AIM quoted shares and warrants also deal in PLUS quoted shares and warrants. If shareholders have any problems dealing in any of the Warrants they should contact City Group at the address shown on page 2.

At the EGM, shareholders approved a potential increase in the size of the shareholding of our largest shareholder, London Finance & Investment Group P.L.C. ("Lonfin"), from 41% to 48%. This increase permitted Lonfin to make an excess application for Warrant Units not subscribed for by other shareholders. As Lonfin undertook to subscribe for additional Warrant Units, this reduced the number of Warrant Units that needed to be underwritten and the cost of underwriting.

Directors

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

	30th June 2007		30th June 2006	
	Shares	**Warrants**	Shares	Warrants
D.C. Marshall	**–**	**–**	–	–
A.R.C. Barclay	**7,500**	**–**	5,000	476
A.J. Hall	**87,000**	**–**	75,000	–
J.M. Robotham	**25,000**	**–**	25,000	–

There have been no changes in directors' share interests between 1st July 2007 and the date of this report.

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

Substantial Interests

At the date of this report the Company has been notified under section 211 of the Companies Act 1985 of the following interests in 3%. or more of its shares:

	Shareholding	% interest
London Finance & Investment Group P.L.C.	5,287,221	41.23
W.T. Lamb Holdings Limited	1,250,000	9.75
Suffolk Life Annuities Limited	591,334	4.61
T.W.G. Charlton	496,576	3.87
Langtry Trust Company (Channel Islands) Limited	467,530	3.65
P.S. Alan	395,000	3.08

Income and Corporation Taxes Act 1988

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

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of BDO Stoy Hayward LLP as auditors to the Company.

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

Payment of Suppliers

The Company does not follow any code or statement on payment practice, but the policy of the Company is to abide by such payment terms as are agreed with suppliers within the terms of supply. At the Balance Sheet date there were 3 (2006 – 1) day's purchases outstanding, calculated on the ratio of trade creditors to total purchases.

Corporate Governance

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

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

The Company has no Remuneration Committee because the company has no employees and the remuneration of each Director is limited by the Articles of Association and set out in detail in the statutory accounts which are approved by shareholders in General Meeting. None of the directors has a service contract with the Company. There are no share options in issue.

The Board is aware of the requirements of the code and the need for appropriate controls and systems to safeguard the Company's assets. Wherever possible, appropriate controls are put in place and monitored by the Board. However full compliance with the code is not possible because of the size and resource constraints within the Company and because of the relative cost benefit assessment of putting in place the additional procedures.

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

Statement of Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (''IFRSs'') as adopted by the European Union.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's ''Framework for the preparation and presentation of financial statements''. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Signed on behalf of the Board,

CITY GROUP P.L.C.
Secretaries.

12th September 2007

Income Statement

For the year ended 30th June 2007	Notes	2007 £000	2006 Restated £000
Income from investments in:			
Listed strategic undertakings		**104**	43
Other listed undertakings		**148**	159
		252	202
Administrative expenses	2	**(611)**	(292)
– normal		**(293)**	(292)
– exceptional	4	**(318)**	–
Surplus on disposal of investments		**517**	335
Release of provisions against investments	5	**–**	132
Operating profit		**158**	377
Share of results of associated company		**24**	(3)
Finance income		**–**	1
Finance costs		**(121)**	(62)
Profit on ordinary activities after exceptional items before taxation		**61**	313
Taxation	6	–	(1)
Profit on ordinary activities after taxation attributable to equity shareholders		**61**	312
Basic and diluted earnings per share	7	**0.51p**	2.75p

All profits and losses are on continuing activities.

The notes on pages 16 to 25 form part of these accounts.

Statement of Changes in Equity

	Ordinary share capital £000	Share premium account £000	Warrants reserve £000	Fair value reserve £000	Retained earnings £000	Total £000
Year ended 30th June 2006						
Balances as reported 30th June 2006	4,351	1,646	355	–	2,951	9,303
Adjustment for share of results of associates	–	–	–	–	(21)	(21)
Adjustment for fair values (see note 1(i))	–	–	–	357	–	357
Restated balances	4,351	1,646	355	357	2,930	9,639
Profit attributable to shareholders	–	–	–	–	312	312
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement *	–	–	–	232	–	232
Total income and expense for the year	–	–	–	232	312	544
New shares issued	324	195	–	–	–	519
Warrants reserve released	–	194	(194)	–	–	–
Forfeit dividends	–	–	–	–	1	1
Disposal of fractions	–	–	–	–	20	20
Dividends paid in respect of the previous year	–	–	–	–	(252)	(252)
Total transactions with shareholders for the year	324	389	(194)	–	(231)	288
Balances at 30th June 2006	4,675	2,035	161	589	3,011	10,471
Year ended 30th June 2007						
Balances at 1st July 2006	**4,675**	**2,035**	**161**	**589**	**3,011**	**10,471**
Profit attributable to shareholders	**–**	**–**	**–**	**–**	**61**	**61**
Fair value adjustment on listed undertakings, net of profits realised during the year and reflected in the income statement *	**–**	**–**	**–**	**1,810**	**–**	**1,810**
Total income and expense for the period	**–**	**–**	**–**	**1,810**	**61**	**1,871**
New shares issued	**455**	**273**	**–**	**–**	**–**	**728**
Warrants reserve released	**–**	**161**	**(161)**	**–**	**–**	**–**
Dividends paid in respect of the previous year	**–**	**–**	**–**	**–**	**(287)**	**(287)**
Total transactions with shareholders for the year	**455**	**434**	**(161)**	**–**	**(287)**	**441**
Balances at 30th June 2007	**5,130**	**2,469**	**–**	**2,399**	**2,785**	**12,783**

* See notes 1i) and 15

The notes on pages 16 to 25 form part of these accounts.

Balance Sheet

At 30th June 2007	Notes	2007 £000	2006 Restated £000
Non-current Assets			
Investment in Associates	8a	**191**	167
Other investments	8b	**14,651**	11,823
		14,842	11,990
Current Assets			
Trade and other receivables	9	**16**	33
Cash and cash equivalents		**6**	5
		22	38
Current Liabilities (amounts falling due within one year)	10	**(2,081)**	(1,557)
Net Current Liabilities		**(2,059)**	(1,519)
Net Assets		**12,783**	10,471
Equity			
Share capital	11	**5,130**	4,675
Share premium account	12	**2,469**	2,035
Warrants reserve	13	**–**	161
Fair value reserve		**2,399**	589
Profit and loss account		**2,785**	3,011
Shareholders' Funds		**12,783**	10,471

Approved by the Board on 12th September 2007.

J.M. ROBOTHAM Director

The notes on pages 16 to 25 form part of these accounts.

Cash Flow Statement

For the year ended 30th June 2007	Notes	2007 £000	2007 £000	2006 £000	2006 £000
Cash outflow from operating activities					
Cash absorbed by operations	(a)		**(39)**		(97)
Interest paid			**(121)**		(63)
Interest received			**–**		1
Taxation paid			**–**		(1)
Net cash generated by operations			**(160)**		(160)
Cash flow from investing activities					
Proceeds on disposal of investments		**2,289**		3,374	
Purchase of investments		**(2,790)**		(3,399)	
Cash absorbed by investing activities			**(501)**		(25)
Cashflow from financing activities					
Proceeds from issue of new shares		**429**		519	
Proceeds on disposal of treasury shares arising from consolidation		**–**		20	
Equity dividend paid		**(286)**		(252)	
			143		287
Movement in cash and cash equivalents			**(518)**		102
Net cash and cash equivalents at start of year			**(1,510)**		(1,612)
Net cash and cash equivalents at end of year	(b)		**(2,028)**		(1,510)

Notes

(a) Reconciliation of profit before taxation to cash absorbed by operations

	2007 £000	2006 £000
Profit before taxation	**61**	313
Profit on sale of investments	**(517)**	(335)
Net decrease in provisions against investments	**–**	(132)
Share of loss of associate	**(24)**	3
Interest received	**–**	(1)
Interest paid	**121**	62
Exceptional costs	**299**	–
Changes in working capital		
Decrease in debtors and accrued income	**16**	34
Increase/(Decrease) in creditors	**5**	(41)
Cash absorbed by operations	**(39)**	(97)

(b) Analysis of cash and cash equivalents

	At start of period £000	Cash Flow £000	**At end of period £000**
2006/2007			
Cash at bank	**5**	**1**	**6**
Bank overdraft	**(1,515)**	**(519)**	**(2,034)**
Total cash and cash equivalents	**(1,510)**	**(518)**	**(2,028)**
2005/2006			
Cash at bank	25	(20)	5
Bank overdraft	(1,637)	122	(1,515)
Total cash and cash equivalents	(1,612)	102	(1,510)

The notes on pages 16 to 25 form part of these accounts.

Notes to the Accounts

For the year ended 30th June 2007

1. Accounting Policies

(i) These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's and IFRIC interpretations), issued by the International Accounting Standards Board (IASB) and adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time that the company has prepared its financial statements in accordance with IFRS's, having previously prepared its financial statements in accordance with UK accounting standards.

Differences between UK GAAP and IFRS affecting Western.

Under UK GAAP Western included its investments at cost less provision. Under IFRS the fair values of investments (based on market values) are now classified as available for sale (see 1(v)(d)) .he fair value adjustment is recorded directly to reserves and reflected in the Statement of Changes in Shareholders' Equity. The previously reported amounts of shareholders' funds for 2005 and 2006 have been increased by £357,000 and £589,000 respectively (see note 15). In addition Western is required under IAS28 to equity account for the interests in its associated companies. The effect is to reflect the results of these companies in the carrying value of the investment and retained earnings. The effect is a reduction of £24,000 on shareholders' funds at the start of the year and an increase of £1,000 at the end of the year. Under UK GAAP equity accounting was not required for non-consolidated accounts.

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

Unlisted investments

In accordance with IAS39 the Company is required to measure financial assets at their fair values. The exception to this is investments in equity instruments that do not have a quoted market price in an active market and whose fair values can not be reliably measured, and these are therefore measured at cost.

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

At the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards and interpretations to be applied to financial statements with periods commencing on or after the following dates

IAS	Effective 1st January 2007:
IAS 1	Presentation of Financial Statements
IFRS 7	Financial Instruments: Disclosures
IFRS 8	Operating Segments (not endorsed by the EU at present)
	Effective 1st January 2009:
IAS 23	(Amendment) Borrowing Costs
IFRIC	None of which have been endorsed by the EU at present
	Effective 1st January 2008
IFRIC 12	Service Concession Arrangements

IFRIC 14	The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction
	Effective 1st July 2008:
IFRIC 13	Customer Loyalty Programmes

The Directors do not anticipate that the adoption of these, where applicable, would have a material impact on the Company's financial statements in the period of initial application.

(ii) Dividends receivable are recognised in the profit and loss account, in respect of listed shares, when the shares are quoted ex-dividend and, in respect of unlisted shares, when the dividend is declared.

(iii) All borrowing costs are recognised in the profit and loss in the period in which they are incurred.

(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) Available-for-sale. Non-derivative financial assets, comprising the company's strategic and general portfolio investments, are classified as available-for-sale. They are carried at fair value (based on market value) with changes in fair value recognised directly in equity and recycled through the income statement on disposal. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss in value is removed from equity and recognised in the income statement.

As noted above these investments were previously stated at cost less provision. Provision against the value of fixed asset investments was charged to profit and loss when, in the opinion of the directors, the decline below cost was significant and where there was considered to be a permanent diminution in value.

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

c) Investment in associated company. An investment is equity accounted when it meets the definition of an associate under IFRS, i.e. that the investor has a significant influence.

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

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

(vi) Exchange gains and losses on the translation of monetary assets and liabilities at the rates ruling at the balance sheet date are recognised in the profit and loss account.

(vii) Share based payments issued after November 2002, to persons other than employees are charged to the income statement at fair value at the date of payment.

Notes to the Accounts (continued)

For the year ended 30th June 2007

1. Accounting Policies (continued)

(viii) The Company comprises a 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.

(ix) Exceptional items are disclosed where they are material items which derive from events or transactions that fall within ordinary activities and which need to be disclosed by virtue of their size or incidence to give a true and fair view.

2. Administrative expenses

	2007 £000	2006 £000
Bank charges	**7**	7
Auditors' remuneration – for audit services	**8**	8
– for accounting advice re Employee Benefit Trust	**3**	–
Directors' emoluments as set out in Note 3	**45**	45
Other administrative expenses	**230**	232
	293	292

3. Directors' emoluments and related party disclosures

The emoluments of the directors who were the only employees of the company were:

	2007	2006
D.C. Marshall	**Nil**	Nil
A.J. Hall	**5**	Nil
A.R.C. Barclay	**10**	10
J.M. Robotham	**10**	10
	25	20
Amounts paid to third parties	**20**	25
	45	45

The services of Mr. Marshall were supplied by an overseas company, in which none of the directors are beneficially interested, for £15,000 (2006 – £15,000). The services of Mr. Hall to 31st December 2006 were supplied by his primary employer for £5,000 (2006 – £10,000) and subsequently were paid directly to Mr. Hall.

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

Related party disclosures

London Finance & Investment Group P.L.C. ("Lonfin") has a 41.23% interest in the Company. Mr. Marshall and Mr. Robotham are directors of Lonfin and Mr. Marshall has an interest in Lonfin through family trusts, which hold 12,890,069 shares, representing 41.30% of Lonfin's issued share capital. Of this figure he has a beneficial interest in 2,301,000 shares (7.38%) and a non beneficial interest in the balance and Mr. Robotham has a non-beneficial interest in 6,961,693 shares as trustees of the family trusts. At 30th June 2007, the balance owing to Lonfin was £ Nil (2006 – £ Nil).

The Company owns 48.57% of City Group P.L.C. ("CGL"). The remaining 51.43% is owned by Lonfin. As noted above, Mr. Marshall and Mr. Robotham are directors of Lonfin and CGL. CGL provides office and secretarial services to the Company, Lonfin and other companies. During the year under review the Company paid rent of £46,000 (2006 – £46,000) to CGL, secretarial management fees of £100,000 (2006 – £100,000) and in 2006 a fee of £13,000 in respect of Head Office removal costs. At 30th June 2007 the balance owing to CGL was £2,000 (2006 – due to CGL – £1,000).

Mr. Robotham is an associate of J.M. Finn & Co. Ltd. As an associate, he receives 32% of the commission on transactions introduced by him. During the year the Company paid £9,130 (2006 – £18,762) in commission to J.M. Finn & Co. there were no amounts due from or to J M Finn & Co. at 30 June 2007 (2006– due from J M Finn & Co – £8,000).

4. Exceptional items

	2007	2006
	£000	£000
Shares issued to the City Group Limited Employee Benefits Trust	**299**	–
Initial costs in connection with the trust	**19**	–
	318	–

Following approval by members at the Annual General Meeting held on 29th September 2006, 467,530 shares were issued to the EBT and the fair value, being market value of 64p, has been charged against profit for the year.

5. Provisions against investments

Release of provisions against investments		
Sanctuary Group plc	**–**	132

6. Taxation

The tax charge for the year comprises:		
Tax on overseas investment income	**–**	1

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

Profit on ordinary activities before taxation	**37**	316
Taxation at 30%	**11**	95
Effects of:		
Tax losses brought forward	**219**	67
Capital gains losses utilised	**(155)**	(101)
Non-taxable franked and other income	**(75)**	(60)
	–	1

Dividends received from U.K. companies (franked income) are recognised in the profit and loss account net of their associated tax credit. The Company has estimated Corporation Tax losses which cover the potential liability on the unrealised gains on investments. The excess of available losses is not reflected in the balance sheet (see note 14).

Notes to the Accounts (continued)
For the year ended 30th June 2007

7. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation including and excluding exceptional items and on 12,078,903 (2006 – 11,444,996) being the weighted average number of shares in issue during the period.

	2007	2006
Basic earnings per share	**0.51p**	2.75p
Earnings per share excluding associates and exceptional items	**2.94p**	2.76p

The Warrants in issue in the years ended 30th June 2007 and 30th June 2006 (see note 13) were not dilutive and so diluted earnings per share at 30th June 2007 and 30th June 2006 are the same as basic earnings per share.

8. Non-current assets

(a) Investment in Unlisted Associated Companies

	2007	2006
	£000	£000
Shares at cost:		
Balance at 1st July	191	83
Reclassified	–	108
Cumulative share of results of associates	(24)	(21)
Restated balance at start of period	167	170
Share of results of associates for the year	24	(3)
Balance at 30th June	191	167

8. Non-current assets (continued)

(b) **Other investments classified as available for sale (see note 1 iv) d)**

	Strategic Listed Investments £000	Other Listed Investments £000	AIM, PLUS & Unlisted Companies £000	Total £000
Year ended 30th June 2007				
Shares and warrants at cost:				
Balance at 1st July 2006	6,988	3,746	1,047	11,781
Fair value adjustment	(90)	654	25	589
Restated balance	6,898	4,400	1,072	12,370
Additions	–	2,343	447	2,790
Disposals	–	(1,533)	(759)	(2,292)
Fair value adjustment	1,555	261	(6)	1,810
Balance at 30th June 2007	8,453	5,471	754	14,678
Provisions for impairment in value:				
Balance at 1st July 2006	–	–	(547)	(547)
Released on disposal	–	–	520	520
Balance at 30th June 2007	–	–	(27)	(27)
Net balance at 30th June 2007	8,453	5,471	727	14,651
Net balance at 1st July 2006	6,898	4,400	525	11,823
Year ended 30th June 2006				
Shares and warrants at cost:				
Balance at 1st July 2005	5,279	4,950	1,299	11,528
Reclassified	–	–	(108)	(108)
Fair value adjustment	(59)	365	51	357
Restated balance	5,220	5,315	1,242	11,777
Additions	1,709	1,378	312	3,399
Disposals	–	(2,582)	(456)	(3,038)
Fair value adjustment	(31)	289	(26)	232
Balance at 30th June 2006	6,898	4,400	1,072	12,370
Provisions for impairment in value:				
Balance at 1st July 2005	–	(132)	(547)	(679)
Released on disposal	–	132	–	132
Balance at 30th June 2006	–	–	(547)	(547)
Net balance at 30th June 2006	6,898	4,400	525	11,823
Net balance at 1st July 2005	5,220	5,183	695	11,098

Included in AIM, Plus and unlisted companies are £77,000 (2006 – £77,000) of unlisted investments which have been included at cost.

Notes to the Accounts (continued)

For the year ended 30th June 2007

8. Non-current assets (continued)

Associated Companies

City Group P.L.C. ("CGL") is incorporated and operating in Great Britain and its prime activity is the provision of Corporate Services. CGL's year end is 30th June. It has 70,000 ordinary shares in issue of which the company owns 34,000 (48.57%). The following amounts have been extracted from the accounts of CGL.

	2007	2006
	£000	£000
Tangible assets	**10**	13
Net current assets	**186**	118
Operating income/turnover	**764**	688
Profit before taxation	**61**	4
Taxation	**–**	–
Aggregate capital and reserves	**196**	132
Share of net assets	**95**	64
Share of profit/(loss) after tax for the year	**31**	2
Share of post acquisition profit/(loss)	**30**	(1)

Industrial and Commercial Holdings P.L.C. ("ICH") is incorporated and operating in Great Britain and its prime activity is that of a holding company. ICH's year end is 30th June. It has 23,997,985 ordinary 1p shares in issue of which the Company owns 7,177,762 shares (29.9%). The following amounts have been extracted from the accounts of ICH.

Tangible assets	**42**	42
Net current assets	**180**	201
Operating income/turnover	**–**	–
Loss before taxation	**(22)**	(16)
Taxation	**–**	–
Aggregate capital and reserves	**222**	243
Share of net assets	**66**	73
Share of loss after tax for the year	**(6)**	(5)
Share of post acquisition loss	**(29)**	(23)

9. Trade and other receivables

Prepayments and accrued income	**16**	25
Stock settlements	**–**	8
	16	33

10. Current liabilities: amounts falling due within one year

Bank facility drawn down	**2,034**	1,515
Other accounts payable	**47**	42
	2,081	1,557

The revolving £2.5 million credit facility is secured by a charge over the Company's General Portfolio of listed investments. Interest is charged at 1% over the Bank of Scotland PLC's base rate fluctuating from time to time.

11. Share capital

	2007 £000	2006 £000
Authorised		
25,000,000 shares of 40p each (2006 – 25,000,000 shares of 40p each)	**10,000**	10,000
Allotted, called up and fully paid equity share capital:		
At 1st July 2006 – 11,688,182 shares of 40p each	**4,675**	4,351
Warrants exercised during the year – 669,509 (2006 – 810,088)	**268**	324
467,530 shares issued to the City Group Employee Benefit Trust	**187**	–
Balance carried forward at 30th June 2007 – 12,825,221 shares of 40p each	**5,130**	4,675

At the Extraordinary General Meeting held on 9th August 2007, the authorised share capital was increased to £12,000,000 represented by 30,000,000 shares of 40p each:

12. Share Premium Account

	2007	2006
Balance brought forward at 1st July 2006	**2,035**	1,646
Premium on warrants exercised during the year – 669,509 (2006 – 810,088)	**161**	195
Release from warrants reserve	**161**	194
Premium on shares issued to City Group E.B.T.	**112**	–
Balance carried forward at 30th June 2007	**2,469**	2,035

13. Warrants reserve

	2007	2006
Balance brought forward at 1st July 2006	**161**	355
Released on warrants exercised – 669,509 (2006 – 810,088)	**(161)**	(194)
Balance carried forward at 30th June 2007	**–**	161

All 669,509 of the warrants in issue at the start of the year were exercised. Each warrant gave the holder the right to subscribe for one share of 40p each in the Company at a fixed price of 64p per share. Warrants were exercisable 28 day after of the Annual General Meeting of the Company in 2006, after which time all outstanding subscription rights lapsed. The balance of the warrants reserve, representing the deferred premium in respect of the issue of warrants in 1995 has been released to share premium.

14. Deferred taxation

The potential tax liabilities which would arise on the unrealised gains on the Company's investments of £1,810,000 (2006 – £232,000) would be extinguished by brought forward tax losses. The Company has estimated Corporation Tax losses to carry forward of £2,561,000 (2006 – £1,829,000) and Capital Tax losses of £2,348,000 (2006 – £2,864,000) subject to agreement of tax computations with the Her Majesty's Revenue Customs. On the basis of the above the Company does not recognise any deferred tax liabilities.

No deferred tax asset is recognised as it is unclear when taxable profits might arise which would enable the utilisation of these losses.

Notes to the Accounts (continued)
For the year ended 30th June 2007

15. First time adoption of International Financial Reporting Standards (IFRS)

The following reconciliations show the changes made to the financial statements previously reported under UK GAAP.

Income Statement
Western is required under IAS28 to equity account for the interest in its associated companies, City Group P.L.C. and Industrial & Commercial Holdings PLC. The earnings are increased or decreased by the share of results. The only difference arising from this change was to decrease the reported profit by £3,000. Under UK GAAP equity accounting was not required for non-consolidated accounts.

Balance Sheet

a) As noted above, the most significant change from the adoption of IFRS is the recording of investments at fair value, previously at cost under UK GAAP, with an equivalent increase in shareholders' equity.

b) As noted under income statement, Western is required under IAS28 to equity account for the interests in its associated companies. The effect is to reflect the results of these companies in the carrying value of the investment and retained earnings. Under UK GAAP equity accounting was not required for non-consolidated accounts.

	UK GAAP £000	Adjustment a) £000	Adjustment b) £000	IFRS £000
At start of prior year – 1st July 2005				
Investments	10,932	357	(21)	11,269
Total net assets	9,303	357	(21)	9,660
Fair value reserve	–	357		357
Retained earnings	2,951	–	(21)	2,930
Shareholders' equity	9,303	357	(21)	9,639
At end of prior year – 30th June 2006				
Investments	11,425	589	(24)	11,990
Total net assets	9,906	589	(24)	10,471
Fair value reserve	–	589		589
Retained earnings	3,035	–	(24)	3,011
Shareholders' equity	9,906	589	(24)	10,471

16. Financial Instruments

The Directors' Report on page 4 provides an explanation of the role that financial instruments have had during the period in creating or changing the risks the company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving the objectives that have been followed during the year.

The Company has taken advantage of the option under IAS32 – "Derivatives and Other Financial Instruments: Disclosures" to exclude short-term debtors and creditors, other than those relating to currency exposure, from the detailed disclosures. The carrying values of those debtors and creditors are deemed to be a reasonable approximation to their fair values.

Interest Rate Risk Profile
The company's principle financial asset is its investment portfolio. There are no investments in fixed interest stock and the majority of the company's investment portfolio consists of equity investments, for which an interest rate profile is not relevant.

Financial liabilities are borrowings under a Sterling revolving credit facility on which interest is at a variable rate. The effective average interest rate for the year was 6.04%.

Credit risk
No concentration of credit risk exists in the company's principal financial assets, and credit risk is minimised as the counter-parties are institutions with high credit ratings.

Currency Exposures
There were no currency exposures during the year or at the balance sheet date as the company has no foreign investments.

Borrowing Facilities
The company has a five-year revolving credit facility of £2,500,000, renegotiated in June 2006. At 30th June 2007, the company had drawn down £2,034,000 of this facility. Interest is charged at 1% over the Bank of Scotland PLC's base rate which fluctuates from time to time. The facility is secured on the General Portfolio.

Fair value risk
The fair value of the investments within the general and strategic portfolios are determined by the prices available from the markets on which the instruments involved are traded. The fair value of unlisted investments is determined by the directors. The majority the financial assets (investments) are in companies with good market levels of liquidity. The directors believe that the exposure to market price risk from these activities is acceptable in the company's circumstances.

17. Events after the balance sheet date

On 16th July 2007 the Company announced that it proposed to raise £872,000 by the issue of 2,565,044 Warrant Units. Full details were set out in the offer document sent to shareholders on that date.

At the Extraordinary General meeting on 9th August 2007 the offer was approved by shareholders and the authorised share capital was increased to £12,000,000, represented by 30,000,000 shares of 40p each.

The offer closed, fully subscribed, on 17th August 2007.

Report of the Independent Auditors

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

We have audited the financial statements of Western Selection P.L.C. for the year ended 30th June 2007 which comprise the Income Statement, the Statement of Changes in Shareholders' Equity, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted by the European Union, of the state of the company's affairs as at 30th June 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO STOY HAYWARD LLP
Chartered Accountants and
Registered Auditors

London
14th September 2007

Notice of Meeting

NOTICE is hereby given that the ANNUAL GENERAL MEETING of Western Selection P.L.C. will be held at the Honourable Artillery Company, Armoury House, City Road, London EC1 on Thursday 11th October 2007 at 10.00 a.m. for the following purposes:

1. To receive the directors' report and accounts for the year ended 30th June 2007.

2. To declare a dividend.

3. To re-elect Mr. J.M. Robotham a director.

4. To re-appoint BDO Stoy Hayward LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

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

   "THAT the Board be and is hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,739,823 provided that this authority will expire on 10th October 2012, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired."

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

   "THAT

   (a) in accordance with Section 95(1) of the Companies Act 1985 the Directors be and are hereby given power to allot securities pursuant to the authority conferred by the Ordinary Resolution numbered 5 passed at the Annual General Meeting held on 28th September 2007, as and when the same becomes effective as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment, provided that:

   (i) the power hereby conferred shall be limited;

   (aa) to the allotment of equity securities 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 fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body in any territory; and

   (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of equity securities up to an aggregate nominal amount of £513,009 representing 5 per cent. of the issued share capital;

   (ii) the power hereby granted shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution or on 10th January 2009 if earlier;

(b) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the said power had not expired

(c) words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein"

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

THAT, subject to the Company's Articles of Association and section 166 of the Companies Act 1985, the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163 (3) of that Act) of its own ordinary shares on such terms, provided that:

(a) the maximum aggregate number of ordinary shares hereby authorised to be acquired is 1,282,522 (9.99 per cent.) of the present issued share capital of the Company;

(b) the maximum price which may be paid for each ordinary share is no more than 5% above the average of the price of the ordinary shares of the Company (derived from the London Stock Exchange Daily Official List) for the five business days prior to the date of purchase and the minimum price per ordinary share is the nominal value thereof in each case exclusive of any expenses payable by the Company; and

(c) the authority hereby given shall expire at the conclusion of the next Annual General Meeting of the Company save that the Company may make a purchase of ordinary shares after expiry of such authority in execution of a contract of purchase that was made under and before the expiry of such authority.

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

30 City Road,
London, EC1Y 2AG

12th September 2007

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

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

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

Change of address: Members are requested to advise the Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, HD8 0LA 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 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 11th October 2007 and at any adjournment thereof.

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

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

Dated ....2007 Signature..

Notes

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

First Fold

Second Fold

Affix
Stamp
here

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

Third Fold

Tuck inside facing flap

First Fold

Perivan Financial Print 210235