



WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER

2011



Western Selection P.L.C.

(Incorporated in England – No. 234871)

(the “Company” or “Western”)

Directors:

D.C. Marshall, Chairman
E.J. Beale
A.J. Hall
J.M. Robotham, OBE, FCA

Registered office:

30 City Road,
London, EC1Y 2AG

28th February 2012

TO THE MEMBERS

The Directors are pleased to present the unaudited interim results of the Company for the six months ended 31st December 2011.

Our net assets per share decreased 20% to 67p at 31st December 2011 from 84p at 30th June 2011. Our Strategic Investments decreased in value by 23%. Our General Portfolio decreased by 2% compared with a decrease of 10% in the FTSEurofirst 300 index and a decrease of 5% in the S&P 500 index over the half year. At the close of business on 15th February 2012, our net asset value was 70.5p per share.

Dividend income from Strategic Investments has increased by 13% from the comparative period last year. Our share of the results of associates is reduced due to Hartim having incurred startup losses on its new Australian acquisition resulting in a group share of Hartim’s trading loss after tax of £27,000. In addition, we have made a provision of £138,000 for our share of Hartim’s exceptional costs in relation to a legal claim relating to the exercise of a break clause on a property lease. The landlord has successfully challenged the exercise of the break clause on a technicality and the case is being appealed.

Industrial and Commercial Holdings P.L.C. will continue to incur running costs while seeking planning permission for its property in Scotland, our share of which was £10,000. Our share of City Group’s profits is £23,000.



With the reduction in the contribution from associated companies, the Company made a loss for the half year of £86,000 (0.5p per share) before exceptional items compared to a profit of £328,000 for the same period last year (1.8p per share). Operating profit before associates was £79,000, down from £89,000 last year. Administrative expenses have increased by costs arising from the change in our banking arrangements, the reversal of the temporary reduction in Directors’ fees in prior years and legal and professional expenses relating to our investment in Swallowfield.

With unused borrowing facilities available, Western is well placed to take advantage of any investment opportunities that are attractive to the Board.

Investment policy and management

Western’s investment policy is to hold strategic stakes in a few special situations and maintain a diversified portfolio of high quality U.K. and internationally listed equities. Strategic investments are minority positions where we seek to maintain a close working relationship with the management of the investee. Western has nominees on the boards of three of our four strategic investments and is working to improve relations with the Swallowfield board.

An analysis of assets is shown on the face of the Statement of Financial Position.

General Portfolio

The value of our general portfolio decreased by 2% over the period to £2,579,000. The general portfolio represents 20% of Western’s assets, and a net £70,000 has been withdrawn from the general portfolio during the period. We are in the process of increasing the international diversification of the general portfolio, primarily through investment in large capitalised stocks, many of which are quoted in the USA and Europe.

Strategic Investments

Creston plc

Creston is a marketing services group with a strategy to grow within its sector to become a substantial, diversified international marketing services group. Creston’s results for the half-year to 30th September 2011 show a profit after tax of £2,821,000 (2010: loss – £133,000). Creston declared an interim dividend of 0.83p per share, an increase of 11% on the prior year.



Creston has recently announced the acquisition of the Corkery Group, a New York based health and medical public relations company, complementing Creston's US healthcare company Cooney/Waters. Further information about Creston is available on its website: www.creston.com.

Western owns 3,000,000 shares in Creston (4.9%) with a market value at 31st December 2011 of £2,070,000 (30th June 2011: £2,752,000), being 16% of Western's assets.

I am a Non-Executive Director of Creston.

Northbridge Industrial Services plc ("Northbridge")

Northbridge hires and sells specialist industrial equipment to utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers, generators, compressors and oil tools. It has grown by acquisition of companies in the UK, Dubai, Azerbaijan and Australia and through investing further in those companies to make them more successful. Further information about Northbridge is available on its website: www.northbridgegroup.co.uk.

Northbridge's latest results, for the half year to 30th June 2011, showed profit of £1,656,000 (2010: £1,024,000). Northbridge declared an interim dividend of 1.75p per share, an increase of 13% on the prior year.

Western owns 2,200,000 shares, representing 14.4% of Northbridge's share capital. The value of this investment has been volatile and at 31st December 2011 was £4,576,000 (30th June 2011: £6,094,000), representing 37% of Western's assets. The value of this investment has increased substantially since 31st December 2011.

I am a Non-Executive Director of Northbridge.

Swallowfield plc ("Swallowfield")

Swallowfield is a full service provider for global and household brands operating in the cosmetics and personal care and household goods marketplace. It offers a flexible and tailored service including: contract filling, market analysis, design, formulation and testing of products, packaging design and sourcing and distribution of stock. Further information about Swallowfield is available on its website: www.swallowfield.com.

Swallowfield's latest results, for the half year to 31st December 2011, showed profit of £535,000 (31st December 2010: £519,000) against a background of customer uncertainty and rising input costs. Swallowfield declared an interim dividend of 2.2p, unchanged on the prior year.

At 31st December 2011, Western owned 1,869,149 shares in Swallowfield (16.53% of their issued share capital). The market value of the Company's holding in Swallowfield on 31st December 2011 was £2,187,000 (30th June 2011: £2,444,000) representing 18% of the Company's assets.

Hartim Limited ("Hartim")

Hartim offers a complete export sales, marketing and logistical services to a number well known UK branded fast moving consumer goods companies. This investment was acquired on 28th March 2009 and is accounted for as an associated company.

Hartim's estimated results for the year ended 31st December 2011 showed a profit of £168,000 (2010 £540,000) after tax and before exceptional items. These results as explained above, are a credible achievement under challenging world wide conditions, and still represent a reasonable return on our investment.

At 31st December 2011, Western owned 49.5% of Hartim. The carrying value of the Company's investment in Hartim on 31st December 2011 was £1,300,000 (30th June 2011: £1,465,000) representing 11% of the Company's assets.

Mr. Beale is a Non-Executive Director of Hartim.

Conclusion & Outlook

The short term outlook for the developed world remains uncertain, but our strong financial position gives us a degree of cautious optimism.

The Board has declared an increased interim dividend of 0.8p per share (2011: 0.7p) that will be paid on Friday 23rd March 2012 to shareholders on the register at the close of business on 9th March 2012. Subject to unforeseen circumstances, we expect to show satisfactory results for the period to 30th June 2011 and to declare a similar final dividend for the current year, which the Board anticipates paying in October 2012.

D.C. MARSHALL
Chairman

Unaudited Income Statement

	Half year ended 31st December		Year ended 30th June
	2011	2010	2011
	£000	£000	£000
Income from investments in:			
Listed strategic undertakings	183	162	269
Other listed investments	40	29	82
Surplus on disposal of listed undertakings	7	38	68
	<u>230</u>	<u>229</u>	<u>419</u>
Administrative expenses	(151)	(140)	(275)
	<u>79</u>	<u>89</u>	<u>144</u>
Operating profit	(14)	239	336
Share of results of associated companies	(138)	–	–
Share of exceptional loss of associated company	(12)	–	(8)
	<u>(85)</u>	<u>328</u>	<u>472</u>
(Loss)/Profit on ordinary activities before taxation	(1)	–	(5)
Taxation	(86)	328	467
	<u>(86)</u>	<u>328</u>	<u>467</u>
(Loss)/Profit on ordinary activities after taxation			
Other of Comprehensive Income			
Fair value recycled from equity on disposal	(23)	16	83
Fair value adjustment on listed undertakings	(2,647)	1,641	3,781
	<u>(2,756)</u>	<u>1,985</u>	<u>4,331</u>
Total comprehensive income			
Basic (loss)/earnings per share	(0.5)p	1.8p	2.6p
Interim dividend per share	0.8p	0.65p	0.65p
Final dividend per share	–	–	0.85p

Changes in Shareholders' Equity

	Half year ended 31st December		Year ended 30th June
Total comprehensive income	(2,756)	1,985	4,331
Dividends paid	(153)	(117)	(242)
Shares issued	–	–	1
Shares cancelled	–	(3)	(3)
	<u>(2,909)</u>	<u>1,865</u>	<u>4,087</u>
Equity shareholders' funds at start of period	15,022	10,935	10,935
	<u>12,113</u>	<u>12,800</u>	<u>15,022</u>
Equity shareholders' funds at end of period			

Unaudited Statement of Financial Position

	31st December		30th June
	2011	2010	2011
	£000	£000	£000
Non-current assets			
Strategic Investments			
Creston plc	2,070	2,520	3,390
Swallowfield plc	2,187	2,444	1,922
Northbridge Industrial Services plc	4,576	4,268	6,094
Associates	1,463	1,518	1,615
General Portfolio investments	2,579	2,503	2,712
	<u>12,875</u>	<u>13,253</u>	<u>15,733</u>
Current assets – trade and other receivables	24	30	132
Bank (overdraft)/cash at bank and in hand	(714)	(437)	(797)
Other current liabilities – trade and other payables	(72)	(46)	(46)
	<u>(762)</u>	<u>(453)</u>	<u>(711)</u>
Net current assets	(762)	(453)	(711)
	<u>12,113</u>	<u>12,800</u>	<u>15,022</u>
Capital and Reserves			
Called up share capital	7,180	7,180	7,180
Share premium account	2,654	2,653	2,654
Capital reserve	3	3	3
Unrealised profits and losses on investments	136	700	2,806
Share of undistributed profits of associates	544	599	696
Realised profits and losses	1,596	1,665	1,683
	<u>12,113</u>	<u>12,800</u>	<u>15,022</u>
Equity shareholders' funds			
	<u>12,113</u>	<u>12,800</u>	<u>15,022</u>
Net assets per share at market value – pence	67p	71p	84p
Number of shares in issue	17,949,872	17,949,872	17,949,872

Notes:

1. The results for the half-year are unaudited. The information contained in this report does not constitute statutory accounts within the meaning of the Companies Act 2006. The statutory accounts of Western Selection P.L.C. for the year ended 30th June 2011 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The report of the auditors was unqualified.
2. This report has been prepared in accordance with the accounting policies contained in the Company's Annual Report and Accounts 2011.
3. The calculation of earnings per share is based on the weighted average number of shares in issue for the period and the profit on ordinary activities after tax.

Cash Flow Statement

	Half year ended 31st December		Year ended 30th June
	2011 £000	2010 £000	2011 £000
(Loss)/Profit before taxation	(85)	328	472
Profits on sale of investments	(7)	(38)	(68)
Share of results of associates	14	(239)	(336)
Share of exceptional results of associates	138	–	–
Net interest paid	12	–	8
Decrease/(Increase) in debtors and accrued income	108	6	(95)
Increase in creditors	26	6	5
	206	63	(14)
Taxation paid	(1)	–	(5)
Net interest paid	(12)	–	(8)
Cash generated by operations	193	63	(27)
Investing activities			
Proceeds of disposal of fixed asset investments	69	199	524
Purchase of fixed asset investments	–	(67)	(528)
	69	132	(4)
Purchase of strategic investments	(26)	(840)	(850)
Net cash inflow/(outflow) from investing activities	43	(708)	(854)
Financing activities			
Equity dividend paid	(153)	(117)	(242)
Proceeds of shares issued	–	–	1
Repurchase of shares	–	(3)	(3)
Net cash (outflow) from financing activities	(153)	(120)	(244)
Movement in cash and cash equivalents	83	(765)	(1,125)
Net cash and cash equivalents at start of year	(797)	328	328
Net cash and cash equivalents at end of year	(714)	(437)	(797)
Reconciliation to movements in cash and cash equivalents			
	At start of Period	Cash Flow	At end of Period
	£000	£000	£000
Half year ended 31st December 2011			
Bank overdraft	(797)	83	(714)
	(797)	83	(714)
31st December 2010			
Cash at bank	328	(328)	–
Bank overdraft	–	(437)	(437)
	328	(765)	(437)
Year ended 30th June 2011			
Cash at bank	328	(328)	–
Bank overdraft	–	(797)	(797)
	328	(1,125)	(797)

Composition of General Portfolio

at 31st December 2011

	Current value £000	%
FTSE 100		
British American Tobacco	180	7.0
Royal Dutch Shell	174	6.8
Diageo	160	6.2
Imperial Tobacco	131	5.1
Unilever	130	5.0
Balfour Beatty	94	3.6
RSA Insurance	84	3.3
Reckitt Benckiser	57	2.1
BHP Billiton	51	2.0
	<hr/>	<hr/>
	1,061	41.1
FTSE 250 and FTSE Fledgling		
Bioquell	97	3.8
Rotork	91	3.5
	<hr/>	<hr/>
	188	7.3
Total UK	<hr/>	<hr/>
	1,249	48.4
Quoted Investment Funds		
Sarasin International Equity Income Fund (A Class Inc)	126	4.9
	<hr/>	<hr/>
	126	4.9
USA		
Phillip Morris International	101	3.9
Chevron	68	2.7
Exxon	68	2.6
Brown Forman	64	2.5
Colgate Palmolive	61	2.4
Procter and Gamble	57	2.2
Lockheed Martin	57	2.2
Kellogg	51	2.0
Becton Dickinson	51	2.0
United Technologies	47	1.8
	<hr/>	<hr/>
	625	24.3
Europe		
Novartis	66	2.6
Schindler	58	2.2
Nestlé	52	2.0
Pernod Ricard	53	2.0
BASF	47	1.8
Total	47	1.8
Zurich Financial Services	45	1.8
Danone	47	1.8
L'Oreal	45	1.8
Heineken	43	1.7
ABB	40	1.5
Holcim	36	1.4
	<hr/>	<hr/>
	579	22.4
Total	<hr/>	<hr/>
	2,579	100.0

