



# WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER

2013

# 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

26th February 2014

## TO THE MEMBERS

The Directors are pleased to present the unaudited interim results of the Company for the six months ended 31st December 2013.

Our net assets per share increased 13% to 93p at 31st December 2013 from 82p at 30th June 2013. Our Strategic Investments increased in value by 15%. Our General Portfolio increased by 2% compared with increases of 14% in the FTSEurofirst 300 index and 15% in the S&P 500 index over the half year. At the close of business on 25th February 2014, our net asset value was 93.4p per share.

Dividend income from Strategic Investments has decreased from £198,000 to £120,000 from the comparative period last year as Swallowfield did not pay a final dividend in respect of its year ended June 2013 (2012 - £77,000, 4.1p per share). Our share of the results of associates has improved compared with the comparative period and we have been able to release some of the surplus provisions relating to the closure of Hartim’s Australian subsidiary.

The Company achieved a profit for the half year of £336,000 (1.9p per share) compared with £78,000 for the same period last year (0.4p per share). Operating profit before associates was £28,000, compared to £90,000 last year.

## 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 increased over the period by 2% to £2,966,000. The General Portfolio represents 18% of Western’s assets.

## Strategic Investments

### Creston plc (“Creston”)

Creston is a digitally focussed insight and communications group with a strategy to grow within its sector to become a substantial, diversified international group. Further information about Creston is available on its website: [www.creston.com](http://www.creston.com).

Creston’s results for the half-year to 30th September 2013 show a profit after tax of £1,148,000 (2012: £8,259,000 – including one off items of £3,450,000 primarily deferred consideration write-back). Creston declared an interim dividend of 1.20p per share, an increase of 20% on the prior year.

Western owns 3,000,000 shares in Creston (5.0%) with a market value at 31st December 2013 of £2,790,000 (30th June 2013: £3,240,000), being 17% 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 a non-cyclical customer base. With offices or agents in the U.K., U.S.A., Dubai, Germany, Belgium, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan, Northbridge has a global customer base. This includes utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers, generators, compressors, loadcells and oil tools. Further information about Northbridge is available on its website: [www.northbridgegroup.co.uk](http://www.northbridgegroup.co.uk).

Northbridge’s latest results, for the half year to 30th June 2013, showed profit after tax of £1,949,000 (2012: £1,027,000). Northbridge declared an interim dividend of 2.00p per share, an increase of 8% on the prior year.

Western owns 2,000,000 shares, representing 11.6% of Northbridge’s share capital. The market value of this investment has increased substantially and at 31st December 2013 was £9,200,000 (30th June 2013: £7,040,000), representing 55% of Western’s assets.

I am 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 its website: [www.swallowfield.com](http://www.swallowfield.com).

Swallowfield’s latest results, for the year to 30th June 2013, showed a loss after tax (and after restructuring costs of £491,000), of £815,000 (2012: profit of £1,263,000). Swallowfield did not declare a final dividend (2012: 4.1p).

Western owns 1,869,149 shares in Swallowfield (16.5% of their issued share capital). The market value of the Company’s holding in Swallowfield on 31st December 2013 was £1,570,000 (30th June 2013: £1,495,000) representing 9% of the Company’s assets.

### **Hartim Limited (“Hartim”)**

Hartim offers a complete export sales, marketing and logistical service to a number of 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.

Our share of Hartim’s estimated results for the period ended 31st December 2013 is a profit of £161,000 (2012 - £1,000) after tax, plus an exceptional profit of £167,000 due to the release of surplus provisions relating to the closure of its Australian subsidiary.

On 18th December 2013 we announced that we were making a loan of £500,000 to Hartim to provide funds to support its continuing growth. The loan is convertible into equity if not repaid by 31st December 2016, carries interest at 6% over base rate and is secured over Hartim’s principal asset, its operating subsidiary, Tudor Rose Ltd.

We also announced loans of £160,000 to Hartim’s executive management team to assist them with the purchase of shares in Hartim formerly owned by the retiring managing director. These loans bear interest at 4.5% over base rate, are repayable by 31st December 2018, and are secured over shares in Hartim. The Western board has decided that it is in the best interests of Western’s shareholders that the current executive directors of Hartim should have a material stake in the success of Hartim, and these loans are a pragmatic way of achieving this objective.

These loans substantially increase Western’s exposure to Hartim, but the business is performing well, the loans generate a positive return to Western, and the structure encourages the payment of a dividend on Western’s original investment.

At 31st December 2013, Western owned 49.5% of Hartim. The carrying value of the Company’s equity investment in Hartim on 31st December 2013 was £514,000 (30th June 2013: £185,000) representing 3% of the Company’s assets. In addition, loans of £660,000 (equivalent to a further 4% of the Company’s assets) have been made to Hartim and its executive directors.

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

### **Conclusion & Outlook**

We remain convinced that equity investments are the best opportunity for real growth in shareholder value in these uncertain times.

The Board has declared an increased interim dividend of 0.95p per share (2013: 0.85p) that will be paid on Friday 21st March 2014 to shareholders on the register at the close of business on 7th March 2014. Subject to unforeseen circumstances, we expect to show satisfactory results for the period to 30th June 2014 and to declare a similar final dividend for the current year, which the Board anticipates paying in October 2014.

**D.C. MARSHALL**  
Chairman

## Unaudited Statement of Comprehensive Income

	Half year ended 31st December		Year ended 30th June
	2013 £000	2012 £000	2013 £000
<b>Income from investments in:</b>			
Listed strategic undertakings	120	198	340
Other listed investments	39	46	103
Surplus on disposal of listed undertakings	6	–	529
	<u>165</u>	<u>244</u>	<u>972</u>
Administrative expenses – normal	(134)	(143)	(260)
	<u>31</u>	<u>101</u>	<u>712</u>
<b>Operating profit</b>	31	101	712
<b>Share of results of associated companies</b>	143	91	426
Share of exceptional profit/(loss) of associated company	167	(101)	(1,390)
Finance expense	(3)	(11)	(31)
	<u>338</u>	<u>80</u>	<u>(283)</u>
<b>Profit/(Loss) on ordinary activities before taxation</b>	338	80	(283)
Taxation	(2)	(2)	(8)
	<u>336</u>	<u>78</u>	<u>(291)</u>
<b>Profit/(Loss) on ordinary activities after taxation</b>	336	78	(291)
<b>Other Comprehensive Income</b>			
Fair value recycled from equity on disposal	2	–	(340)
Fair value adjustment on listed undertakings	1,820	(239)	2,849
	<u>2,158</u>	<u>(161)</u>	<u>2,218</u>
<b>Total comprehensive income</b>	2,158	(161)	2,218
Earnings/(loss) per share	1.9p	0.4p	(1.6)p
Interim dividend per share	0.95p	0.85p	0.85p
Final dividend per share	–	–	1.05p
Total dividends in respect of the year	–	–	1.90p

## Unaudited Changes in Shareholders' Equity

	Half year ended 31st December		Year ended 30th June
	2013 £000	2012 £000	2013 £000
Total comprehensive income	2,158	(161)	2,218
Dividends paid	(188)	(162)	(314)
	<u>1,970</u>	<u>(323)</u>	<u>1,904</u>
Equity shareholders' funds at start of period	14,799	12,895	12,895
	<u>16,769</u>	<u>12,572</u>	<u>14,799</u>
Equity shareholders' funds at end of period	16,769	12,572	14,799

## Unaudited Statement of Financial Position

	31st December		30th June
	2013	2012	2013
	£000	£000	£000
<b>Non-current assets</b>			
<b>Strategic investments</b>			
Creston plc	2,790	2,370	3,240
Northbridge Industrial Services plc	9,200	5,170	7,040
Swallowfield plc	1,570	1,925	1,496
Associates	1,279	1,263	308
<b>General portfolio investments</b>	<u>2,966</u>	<u>2,652</u>	<u>2,919</u>
	<b>17,805</b>	<b>13,380</b>	<b>15,003</b>
Current assets - trade and other receivables	17	20	22
Bank overdraft	(976)	(725)	(129)
Other current liabilities - trade and other payables	<u>(77)</u>	<u>(103)</u>	<u>(97)</u>
<b>Net current liabilities</b>	<b>(1,036)</b>	<b>(808)</b>	<b>(204)</b>
<b>Total assets less current liabilities</b>	<b><u>16,769</u></b>	<b><u>12,572</u></b>	<b><u>14,799</u></b>
<b>Capital and reserves</b>			
Called up share capital	7,180	7,180	7,180
Share premium account	2,654	2,654	2,654
Capital reserve	3	3	3
Unrealised profits and losses on investments	5,486	917	3,666
Share of undistributed (losses)/profits of associates	(300)	344	(610)
Realised profits	<u>1,746</u>	<u>1,474</u>	<u>1,906</u>
Equity shareholders' funds	<b><u>16,769</u></b>	<b><u>12,572</u></b>	<b><u>14,799</u></b>
Net assets per share	<b>93p</b>	<b>70p</b>	<b>82p</b>
Number of shares in issue	<b>17,949,872</b>	<b>17,949,872</b>	<b>17,949,872</b>

### 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 2013 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 2013.
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.

## Unaudited Statement of Cash Flow

	Half year ended 31st December		Year ended 30th June
	2013 £000	2012 £000	2013 £000
<b>Profit/(Loss) before taxation</b>	<b>338</b>	<b>80</b>	<b>(283)</b>
Profits on sale of investments	(6)	–	(529)
Share of results of associates	(143)	(91)	(426)
Share of exceptional results of associates	(167)	101	1,390
Net interest paid	3	11	31
Decrease in debtors and accrued income	6	51	49
(Decrease)/Increase in creditors	(20)	5	1
	<b>11</b>	<b>157</b>	<b>233</b>
<b>Taxation paid</b>	<b>(2)</b>	<b>(2)</b>	<b>(8)</b>
<b>Net interest paid</b>	<b>(3)</b>	<b>(11)</b>	<b>(31)</b>
	<b>6</b>	<b>144</b>	<b>194</b>
<b>Cash generated by operations</b>	<b>6</b>	<b>144</b>	<b>194</b>
<b>Investment activities</b>			
Proceeds of disposal of fixed asset investments	169	–	312
Purchase of fixed asset investments	(174)	–	(352)
	<b>(5)</b>	<b>–</b>	<b>(40)</b>
Disposal of strategic investments	–	–	738
Loans to Hartim and its directors	(660)	–	–
<b>Net cash (outflow)/inflow from investment activities</b>	<b>(665)</b>	<b>–</b>	<b>698</b>
<b>Financing activities</b>			
Equity dividend paid	(188)	(162)	(314)
<b>Net cash outflow from financing activities</b>	<b>(188)</b>	<b>(162)</b>	<b>(314)</b>
<b>Movement in cash and cash equivalents</b>	<b>(847)</b>	<b>(18)</b>	<b>578</b>
Net cash and cash equivalents at start of year	(129)	(707)	(707)
<b>Net cash and cash equivalents at end of year</b>	<b>(976)</b>	<b>(725)</b>	<b>(129)</b>
<b>Reconciliation to movements in cash and cash equivalents</b>			
	<b>At start of Period £000</b>	<b>Cash Flow £000</b>	<b>At end of Period £000</b>
<b>Half year ended 31st December 2013</b>			
Bank overdraft	(129)	(847)	(976)
<b>31st December 2012</b>			
Bank overdraft	(707)	(18)	(725)
<b>Year ended 30th June 2013</b>			
Bank overdraft	(707)	578	(129)

## Composition of General Portfolio

at 31st December 2013

	Carrying value £000	%
Diageo	193	6.5
British American Tobacco	191	6.4
Becton Dickinson	175	5.9
Lockheed Martin	168	5.7
Chevron	166	5.6
Royal Dutch Shell	162	5.5
Philip Morris International	152	5.1
Unilever	149	5.0
Sarasin International Equity Income Fund (A Class Inc)	147	5.0
Reckitt Benckiser	138	4.7
Brown Forman	133	4.5
Exxon Mobil	128	4.3
Imperial Tobacco	127	4.3
Colgate Palmolive	122	4.1
Procter and Gamble	113	3.8
Novartis	87	2.9
L'Oreal	72	2.4
Schindler-Holdings	69	2.3
United Technologies	69	2.3
BASF	68	2.3
Nestlé	62	2.1
Pernod Ricard	61	2.0
Heineken	58	2.0
Zurich Financial Services	54	1.8
ABB	52	1.8
Danone	50	1.7
<b>Total</b>	<b>2,966</b>	<b>100.0</b>

