

Western Selection P.L.C.

Interim Statement

31st December 2014



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:

6 Middle Street,
London, EC1A 7JA

26th February 2015

Business Model

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

As reported at June, the Company's new business model will be to take sizeable minority stakes in relatively small companies at a pre-IPO or IPO stage, and have directors in common through which we can provide advice and support for these growing companies. These may or may not be associated companies. Our aim is that these core holdings will grow to a stage at which our support is no longer required and our stake can then be sold over time into the market. Companies that are targeted as core holdings will have an experienced management team and a credible business model, and other good prospects for growth.

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

To acquire these stakes in new core investment holdings, we need to be able to react quickly, and so we need to have readily available funds to invest. To achieve this we will maintain a treasury operation consisting of cash, debt facilities and liquid investments. We have ceased to have a general portfolio of investments.

Activities

The Directors are pleased to present the unaudited interim results of the Company for the six months ended 31st December 2014.

Our net assets per share decreased 9% to 93p at 31st December 2014 from 102p at 30th June 2014. Our Core Holdings decreased in value by 12%, primarily due to a fall in Northbridge's share price. The value of our treasury operations investments increased by 6% over the half year. At the close of business on 25th February 2015, our net asset value was 94.55p per share.

The Company achieved a profit for the half year of £222,000 (1.2p per share) compared with £336,000 for the same period last year (1.9p per share). Operating profit before associates was £175,000, compared to £31,000 last year.

Dividend income from Core Holdings has increased from £120,000 to £163,000, principally due to the earlier timing of Creston's interim dividend of £40,500 from the comparative period last year. Swallowfield has not paid dividends in respect of both the current and comparable periods, nor during the second half of Western's year ended June 2014. Our share of the results of associates has declined compared with the comparative period.

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

Treasury activities

During the period we made a net disposal of investments held in Treasury to the value of £823,000, clearing borrowings. The value of our Treasury investments increased over the period by 6% to £2,424,000 and yielded 3% (£39,000). Treasury investments represent 15% of Western's assets.

Core Holdings

Creston plc ("Creston")

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 marketing services group. Further information about Creston is available on their website: www.creston.com.

Creston's results for the half-year to 30th September 2014 show a profit after tax of £3,123,000 (2013: £1,148,000). Creston declared an interim dividend of 1.35p per share, an increase of 13% on the prior year.

Western owns 3,000,000 shares in Creston (5.0%) with a market value at 31st December 2014 of £3,840,000 (30th June 2014: £3,150,000), being 23% of Western's assets.

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 their website: www.northbridgegroup.co.uk.

Northbridge's latest results, for the half year to 30th June 2014, showed profit after tax of £2,568,000 (2013: £1,949,000). Northbridge declared an interim dividend of 2.20p per share, an increase of 10% on the prior year.

Western owns 1,875,000 shares, representing 10% of Northbridge's share capital. The market value of this investment at 31st December 2014 was £7,406,000 (30th June 2014: £9,750,000), representing 44% 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.

Swallowfield announced its annual results to 30th June 2014 on 18th September 2014 showing a profit after tax of £157,000 compared to a loss of £910,000 (restated) for the comparable period last year. No dividends were received from Swallowfield during the year (2013 - £118,000).

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 2014 was £1,589,000 (30th June 2014: £1,813,000) representing 10% of the Company's assets.

Mr Beale is a Non-Executive Director of Swallowfield.

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 is accounted for as an associated company.

Our share of Hartim’s estimated results for the period ended 31st December 2014 is a profit after tax of £23,000 (2013 - £161,000, plus an exceptional profit in 2013 of £167,000 due to the release of surplus provisions relating to the closure of its Australian subsidiary).

At 31st December 2014, Western owned 49.5% of Hartim. The carrying value of the Company’s equity investment in Hartim on 31st December 2014 was £591,000 (31st December 2013: £514,000) 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.

Industrial & Commercial Holdings P.L.C. (ICH)

ICH is a small unquoted PLC in which Western holds a 29.9% interest. It owns land with potential for residential planning permission at Milngavie, adjacent to Dougalston golf course, just north east of Glasgow. ICH is currently making representations for its land to be included in the local authority’s next five year plan, but it may take some time for permission to be received. The Company’s share of ICH’s loss for the period was £3,000.

Mr D. C. Marshall and Mr J. M. Robotham are directors of ICH.

City Group P.L.C.

Western holds 48.6% and London Finance & Investment Group P.L.C. (Western’s largest shareholder) holds 51.4% of City Group P.L.C., which provides head office and company secretarial services to both these and other companies. The Company’s share of City’s profit for the period was £18,000.

Mr D. C. Marshall, Mr E. J. Beale and Mr J. M. Robotham are directors of City Group P.L.C.

Outlook

The Company’s net asset value per share will continue to remain volatile reflecting movements in the market and the illiquidity of its core holdings. We are optimistic about the prospects for Hartim and our quoted core holdings.

The Board has declared an increased interim dividend of 1.05p per share (prior year: 0.95p) that will be paid on Friday, 27th March 2015 to shareholders on the register at the close of business on 13th March 2015. Subject to unforeseen circumstances, we expect to show satisfactory results for the period to 30th June 2015 and to declare a similar final dividend for the current year, which the Board anticipates paying in October 2015.

D.C. MARSHALL
Chairman

Unaudited Statement of Comprehensive Income

	Half year ended		Year ended
	31st December		30th June
	2014	2013	2014
	£000	£000	£000
Income from investments in:			
Core holdings	163	120	229
Other listed investments	39	39	97
Surplus on disposal of listed undertakings	139	6	440
	<u>341</u>	<u>165</u>	<u>766</u>
Administrative expenses – normal	(166)	(134)	(314)
Operating profit	175	31	452
Share of results of associated companies	38	143	194
Share of exceptional profit of associated company	-	167	167
Interest receivable	20	-	20
Finance expense	(8)	(3)	(23)
	<u>225</u>	<u>338</u>	<u>810</u>
Taxation	(3)	(2)	(7)
Profit on ordinary activities after taxation	222	336	803
Other Comprehensive Income			
Fair value recycled from equity on disposal	(159)	2	(313)
Fair value adjustment on listed undertakings	(1,673)	1,820	3,515
Deferred taxation on fair values	137	-	(137)
Total comprehensive income	(1,473)	2,158	3,868
	<u></u>	<u></u>	<u></u>
Earnings per share	1.2p	1.9p	4.5p
Interim dividend per share	1.05p	0.95p	0.95p
Final dividend per share		-	1.05p
Total dividends in respect of the year			<u>2.00p</u>

Unaudited Changes in Shareholders' Equity

	Half year ended		Year ended
	31st December		30th June
	2014	2013	2014
	£000	£000	£000
Total comprehensive income	(1,473)	2,158	3,868
Dividends paid	(188)	(188)	(359)
	<u>(1,661)</u>	<u>1,970</u>	<u>3,509</u>
Equity shareholders' funds at start of period	18,308	14,799	14,799
	<u>16,647</u>	<u>16,769</u>	<u>18,308</u>

Unaudited Statement of Financial Position

	31st December		30th June
	2014	2013	2014
	£000	£000	£000
Non-current assets			
Core holdings			
Creston plc	3,840	2,790	3,150
Northbridge Industrial Services plc	7,406	9,200	9,750
Swallowfield plc	1,589	1,570	1,813
Investments in Associates	708	1,279	669
Treasury investments	2,424	2,966	3,062
Trade and other receivables	660	-	660
	<u>16,627</u>	<u>17,805</u>	<u>19,104</u>
Current assets - trade and other receivables	64	17	24
Cash at bank/(overdraft)	68	(976)	(590)
Other current liabilities - trade and other payables	(112)	(77)	(93)
Net current assets/(liabilities)	<u>20</u>	<u>(1,036)</u>	<u>(659)</u>
Deferred taxation	-	-	(137)
Total assets less current liabilities	<u>16,647</u>	<u>16,769</u>	<u>18,308</u>
Capital and Reserves			
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	5,035	5,486	6,731
Share of undistributed (losses)/profits of associates	(211)	(300)	(249)
Realised profits	1,986	1,746	1,989
Equity shareholders' funds	<u>16,647</u>	<u>16,769</u>	<u>18,308</u>
Net assets per share	93p	93p	102p
Number of shares in issue	17,949,872	17,949,872	17,949,872

Unaudited Statement of Cash Flow

	Half year ended		Year ended
	31st December		30th June
	2014	2013	2014
	£000	£000	£000
Profit before taxation	225	338	810
Profits on sale of investments	(139)	(6)	(440)
Share of results of associates	(38)	(143)	(194)
Share of exceptional results of associates	-	(167)	(167)
Net interest (received)/paid	(12)	3	3
(Increase)/Decrease in debtors and accrued income	(40)	6	(2)
Increase /(Decrease) in creditors	18	(20)	(3)
	14	11	7
Taxation paid	(3)	(2)	(7)
Net interest received/(paid)	12	(3)	(3)
Cash generated by operations	23	6	(3)
Investment activities			
Proceeds of disposal of treasury investments	926	169	168
Purchase of treasury investments	(103)	(174)	(173)
	823	(5)	(5)
Disposal of part of core holdings	-	-	566
Loans to Hartim and its directors	-	(660)	(660)
Net cash inflow/(outflow) from investment activities	823	(665)	(99)
Financing activities			
Equity dividend paid	(188)	(188)	(359)
Net cash outflow from financing activities	(188)	(188)	(359)
Movement in cash and cash equivalents	658	(847)	(461)
Net cash and cash equivalents at start of year	(590)	(129)	(129)
Net cash and cash equivalents at end of year	68	(976)	(590)

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 2014			
Bank overdraft	(590)	658	68
31st December 2013			
Bank overdraft	(129)	(847)	(976)
Year ended 30th June 2014			
Bank overdraft	(129)	(461)	(590)

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 2014 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 2014.
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.

