

Wednesday 27th September 2017

Western Selection P.L.C.

(the “Company” or “Western”)

Unaudited Preliminary Results for the Year Ended 30th June 2017

The Company today announces its unaudited preliminary financial results for the year ended 30th June 2017.

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

Our business model is to take sizeable minority stakes in relatively small companies, usually immediately before or as their shares are admitted to trading on one of the UK’s stock exchanges and have directors in common through which we can provide advice and support for these growing companies. These may or may not become associated companies. The aim is that these companies (“Core Holdings”) will grow to a stage at which our support is no longer required and our stake can then be sold over time into the relevant stock market.

Companies that are targeted as Core Holdings will have an experienced management team, a credible business model and also good prospects for growth. Core Holdings may be in any sector where management feels it has specific competence.

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

To acquire these stakes in new Core Holdings, we need to be able to react quickly, and therefore to have readily available funds to invest. To achieve this we maintain a Treasury Operation consisting of a mix of cash, debt facilities and liquid investments.

Results for the year

The Company’s profit on ordinary activities after tax for the year was £850,000 (2016 – profit after tax £64,000). Western sold 500,000 shares of its 2,000,000 holding in Swallowfield plc during the year, realising an exceptional profit of £845,000.

Dividend income from Core Holdings, has decreased by 7% to £120,000 from £129,000 last year. This is mainly due to no dividend being declared by Northbridge Industrial Services plc (2016 - £19,000). Dividend income from Treasury Operations increased by 35% from £101,000 last year to £136,000. Administrative expenses have increased by 12% reflecting higher costs relating to the increased portfolio value and the lower costs in 2016 which included one-off release of excess accruals.

During the year Western increased its investment in Bilby plc (£190,000), and in the Treasury portfolio (£624,000) from the proceeds of the partial disposal of the Company’s investment in Swallowfield.

Net assets per share have increased by 20% from 79p to 95p reflecting the exceptional profit and the increases in values of the Core Holdings and Treasury operations.

Core Holdings

Northbridge Industrial Services plc (“Northbridge”)

Northbridge hires and sells specialist industrial equipment to a non-cyclical customer base. With offices or agents in the UK, USA, Dubai, Germany, Belgium, France, Australia, New Zealand, Singapore, Brazil, 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 and oil tools. Further information about Northbridge is available on their website: www.northbridgegroup.co.uk

Northbridge, which is admitted to trading on AIM, announced its results for the year ended 31st December 2016 on 25th April 2017 and recorded a loss after tax of £6,298,000 for the year. No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

Western holds 3,223,632 Northbridge shares which represents approximately 12.45% of Northbridge's issued share capital. The value of this investment at 30th June 2017 was £3,320,000 (2016 - £2,772,000) which represents approximately 19% (2016 - 19%) of Western's net assets.

David Marshall is a non-executive director of Northbridge.

Swallowfield plc ("Swallowfield")

Swallowfield is a market leader in the development, formulation, manufacture and supply of cosmetics, toiletries and related household products for global brands and retailers operating in the cosmetics, personal care and household goods market. Further information about Swallowfield is available on their website: www.swallowfield.com

Swallowfield, which is admitted to trading on AIM, announced its annual results for the 52 weeks ended 24th June 2017 on 19th September 2017 and recorded a profit after tax of £2,572,000 compared to a profit after tax of £2,001,000 for the comparable period last year. Dividends of £66,900 were received from Swallowfield during the year (2016 – £52,000). A final dividend of 3.5p per share has been declared and, if approved, Western will receive a further £52,500 of income in December 2017.

Western sold 500,000 Swallowfield shares, realising a profit of £845,000, during the year. At the reporting date, being 30th June 2017, Western held 1,500,000 shares which was 8.90% of Swallowfield's issued share capital. The market value of our reduced holding in Swallowfield on 30th June 2017 had increased to £5,700,000 from the value of our holding at 30th June 2016 of £3,400,000. The value of this investment represents approximately 33% (2016 - 24%) of Western's net assets.

Edward Beale is a non-executive director of Swallowfield.

Bilby plc ("Bilby")

Bilby is an established, and award winning, provider of gas installation, maintenance and general building services to local authority and housing associations across London and South East England. They have a strategy of growing organically and by acquisition. Further information about Bilby is available on their website: www.bilbyplc.com.

During the year Western invested £190,000 in acquiring 362,912 shares in Bilby. Western now holds 2,699,280 Bilby shares which represents approximately 6.8% of Bilby's issued share capital. The market value of this investment on 30th June 2017 was £1,917,000 which represents approximately 11% of Western's net assets.

Bilby, which is admitted to trading on AIM, announced its results for the year ended 31st March 2017 on 26th June 2017 showing a profit before tax and non-underlying items of £64,000 compared to a restated profit before tax and non-underlying items of £718,000 for the 14 month period ended 31st March 2016. Dividends of £53,000 were received from Bilby during the year (2016 - £58,000). Bilby announced a final dividend of 1.5p per share which was paid in July 2017 and which provided Western with further income of £40,500.

Tudor Rose International Limited (previously Hartim Limited)("Tudor Rose International")

Tudor Rose International works closely with a number of leading UK branded fast-moving consumer goods companies, offering a complete sales, marketing and logistical service. Based in Stroud, Gloucestershire, Tudor Rose International sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China.

Western holds 441,090 A ordinary shares in Tudor Rose International which represents 49.5% of the issued ordinary shares in Tudor Rose International. In February 2017, Western subscribed for £1,000,000 redeemable preference shares in Tudor Rose International at a par value of 1p per share. These shares were subscribed for by converting Western's previous loan to Tudor Rose International of £500,000 and paying a further £500,000. Subsequent to the year end, the Company has made available to Tudor Rose International a working capital facility of £500,000 bearing interest at the rate of 6% per annum and which has been fully draw down.

Tudor Rose International, which is a private company, has a 31st December year end, generated trading profits before tax in the year to 30th June 2017 of £63,100. Turnover in the period was £17,145,000 (2016 - £18,542,000). Western's share of a profit after tax for the twelve months to 30th June 2017 was £49,550 (2016 – £35,000) and the book value of the investment at 30th June 2017 was £1,647,000 (2016 - £1,290,000) being 10% (2016 – 9 %) of Western's net assets.

Western has two nominees on the board of Tudor Rose International: Edward Beale and David Marshall.

Industrial & Commercial Holdings plc (“ICH”)

ICH is a small unquoted PLC in which Western holds 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 for housing development in the local authority's next five year plan, but it may take some time for permission to be received.

As part of its continued planning for the development of the land at Milngavie, ICH has provisionally appointed Mactaggart & Mickel Limited, a family controlled firm of contractors, as its development partner and an announcement of the relationship will be made once arrangements have been finalised and agreed. Both parties expect the planning and development process to run over the course of the next few years.

Western subscribed £80,750 for 8,074,982 shares in ICH pursuant to a rights issue, which was completed in July 2017, and now holds 15,252,744 ICH shares (which represents approximately 29.9% of ICH's issued share capital).

David Marshall and Edward Beale are directors of ICH.

City Group PLC (“City Group”)

Western holds 48.6% and London Finance & Investment Group P.L.C. (Western's largest shareholder) holds 51.4% of City Group, an unquoted public company, which provides head office and company secretarial services to both these and other companies. City Group acts as a shared cost centre for related party clients and sells surplus time to unrelated clients.

Edward Beale, David Marshall and Michael Robotham are directors of City Group.

Treasury Operations

Treasury operations comprise bank borrowing facilities of £1,900,000 and liquid investments. At the year-end the Company had net debt of £1,147,000 (2016 – £888,000) and liquid investments valued at £5,348,000 (2016 - £4,488,000). The Company had drawn down £1,225,000 of the bank borrowing facilities available as at 30th June 2017 (2016 – £ 1,000,000)

Outlook

The Brexit vote in 2016 and the outcome of the recent UK Election are likely to have exacerbated volatility in stock markets and consequently the value of the Company's holdings may be affected.

Exchange rate movements impose additional volatility on the valuation of the Company's holdings of shares in overseas companies. The Company's strong balance sheet provides it with the opportunity to capitalise on any opportunities that may arise.

Dividend Declaration and Timetable

The Company paid an interim dividend of 1.1p per share on 23rd March 2017.

A final dividend of 1.1p per share is proposed by the Board, making 2.2p for the year, compared to 2.1p for 2016. The dividend timetable, if the dividend is approved by shareholders at the forthcoming AGM, is as follows:

Shares trade ex-dividend	Thursday 23 rd November 2017
Record date	Friday 24 th November 2017
Payment date	Monday, 11 th December 2017

The directors of the Company accept responsibility for the contents of this announcement.

27th September 2017

The Company's 2017 Report and Accounts will shortly be finalised and sent to shareholders.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

The Directors of the Company accept responsibility for the contents of this announcement.

For further information, please contact:

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Statement of Comprehensive Income

For the year ended 30 th June	2017 £000	2016 £000
Income from investments in:		
Listed Core holdings	120	129
Other listed undertakings	136	101
	<u>256</u>	<u>230</u>
Administrative expenses	(325)	(290)
Profit on partial disposal of investment in Swallowfield plc	845	-
Profit on disposal of other investments	50	49
	<u>826</u>	<u>(11)</u>
Operating profit/(loss)		
Share of profits of associated companies	49	52
Interest receivable	26	45
Finance costs	(33)	(9)
	<u>868</u>	<u>77</u>
Profit before taxation		
Taxation	(18)	(13)
	<u>850</u>	<u>64</u>
Profit after taxation attributable to equity shareholders		
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss :-		
Fair value recycled from equity on disposal	(348)	(31)
Fair value adjustment on listed undertakings	2,792	1,073
	<u>2,444</u>	<u>1,042</u>
Total other comprehensive income		
	<u>3,294</u>	<u>1,106</u>
Total comprehensive profit		
Basic and diluted earnings per share attributable to equity holders	4.7p	0.4p

all amounts relate to continuing activities

Statement of Financial Position

At 30 th June	2017 £000	2016 £000
Non-current Assets:		
Investment in Associated companies	1,846	799
Investments classified as available for sale – Core Holdings	16,285	13,628
Other receivables	192	692
	<u>18,323</u>	<u>15,119</u>
Current Assets		
Trade and other receivables	40	85
Cash and cash equivalents	78	112
	<u>118</u>	<u>197</u>
Current Liabilities		
Trade and other payables	(91)	(99)
Net Current Assets	<u>27</u>	<u>98</u>
Financial Liabilities falling due in more than one year	<u>(1,225)</u>	<u>(1,000)</u>
Net Assets	<u>17,125</u>	<u>14,217</u>
Equity		
Share capital	7,180	7,180
Share premium account	2,654	2,654
Capital reserve account	3	3
Unrealised profits on investments	6,018	3,574
Share of undistributed losses of associates	(151)	(200)
Realised profits	1,421	1,006
Shareholders' Funds	<u>17,125</u>	<u>14,217</u>

Statement of Cash Flow

For the year ended 30 th June	2017 £000	2017 £000	2016 £000	2016 £000
Profit before taxation		868		77
Profit on sale of Swallowfield Plc		(845)		-
Profit on sale of investments		(50)		(49)
Share of results of associates		(49)		(52)
Net interest (payable)/receivable		7		(36)
Changes in working capital				
Increase/(decrease) in trade and other receivables		45		(93)
(Decrease) in trade and other payables		(8)		(17)
Cash absorbed by operations		(32)		(170)
Taxation paid		(18)		(13)
Net interest (paid)/received		(7)		36
Net cash-absorbed by operations		(57)		(147)
Cash flow from investment activities				
Investments in associate	(500)		(81)	
Purchase of Core Holdings	(190)		(3,213)	
Proceeds on disposal of Core Holdings	1,385		-	
Proceeds on disposal of other financial instruments	112		78	
Purchase of other financial instruments	(623)		(1,038)	
Net cash generated/(absorbed) by investment activities		184		(4,254)
Financing activities				
Loan drawdown	225		1,000	
Equity dividend paid	(386)		(376)	
Net cash (outflow)/inflow from financing activities		(161)		624
Movement in cash and cash equivalents		(34)		(3,777)
Cash and cash equivalents at start of year		112		3,889
Cash and cash equivalents at end of year		78		112

Analysis of net (debt)/funds

	At start of year £000	Cash Flow £000	At end of year £000
2017			
Cash and cash equivalents	112	(34)	78
Bank borrowings	(1,000)	(225)	(1,225)
Total net debt	(888)	(259)	(1,147)
2016			
Cash and cash equivalents	3,889	(3,777)	112
Bank overdraft	-	(1,000)	(1,000)
Total net debt	3,889	(4,777)	(888)

Notes

1. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation of £850,000 (2016 - £64,000) and on 17,949,872 (2016 – 17,949,872) being the weighted average number of shares in issue during the period.

	2017	2016
Basic earnings per share	<u>4.7p</u>	<u>0.4p</u>

Diluted earnings per share at 30th June 2017 and 30th June 2016 are the same as basic earnings per share.

2. Net assets per share

The net assets per share are calculated taking investments at market value.

The Company has estimated Corporation Tax losses which cover the potential liability on the unrealised gains on investments. The financial information contained in this preliminary announcement of results has been prepared under the recognition and measurement principles of International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board as adopted by the European Union ('IFRS').

3. The financial information does not give sufficient information to comply with IFRS which will be contained in the statutory accounts to be sent to shareholders
4. The information in this preliminary results announcement has been prepared on the basis of the accounting policies which have been set out in the Company's Report & Accounts for the year ended 30th June 2017 and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.
5. The accounts for the year ended 30th June 2016, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for the year ended 30th June 2017 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement. The auditors anticipate issuing an unmodified opinion.
6. Copies of this notification are held at the Company's office, 6 Middle Street, London, EC1A 7JA (tel. 020 7796 9060) and are available for a period of 14 days from the date of this announcement.