



Western Selection

Final Results

26th September 2018

Western Selection P.L.C.

(the “Company” or “Western”)

Unaudited Preliminary Results for the Year Ended 30th June 2018

The Company today announces its unaudited preliminary financial results for the year ended 30th June 2018.

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 £784,000 (2017 – profit after tax £850,000). Western sold 200,000 shares of its holding of 1,500,000 shares in Swallowfield during the year, realising an exceptional profit of £443,000 (2017 - £845,000).

Dividend income from Core Holdings has increased by 10% to £132,000 from £120,000 last year. This is mainly due to the slight increase in dividend being paid in the year by Swallowfield. Dividend income from Treasury Operations decreased by 0.7% from £136,000 last year to £135,000. Administrative expenses have increased by 7% reflecting the recruitment costs for the Company’s new Non-Executive Directors.

During the year Western increased its investment in Northbridge by £95,000.

Net assets per share have increased by 1% from 95p to 96p.

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 and Korea, 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 2017 on 12th April 2018 and recorded a loss after tax of £4,626,000 for the year. No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

During the year, Western invested £95,000 in acquiring 76,368 new ordinary shares in Northbridge pursuant to a share placing. Western now holds 3,300,000 Northbridge shares which represents 12.6% of Northbridge’s enlarged issued share capital. The value of this investment at 30th June 2018 was £4,290,000 (2017 - £3,320,000) which represents approximately 25% (2017 - 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 results for the 53 weeks ended 30th June 2018 on 25th September 2018 and recorded a profit after tax of £3,633,000 compared to a profit after tax of £2,572,000 for the comparable period last year. Dividends of £78,500 were received from Swallowfield during the year (2017 – £66,900). A final dividend of 4.2p per share has been declared and, if approved, Western will receive a further £54,600 of income in December 2018.

In March this year, Western sold 200,000 Swallowfield shares, realising a profit of £443,000, during the year. At the reporting date, being 30th June 2018, Western held 1,300,000 Swallowfield shares which represented 7.7% of Swallowfield’s issued share capital. The market value of our reduced holding in Swallowfield on 30th June 2018 had decreased to £4,095,000 from the value of our holding at 30th June 2017 of £5,700,000. The value of this investment represents approximately 23.6% (2017 - 33%) 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.

Bilby, which is admitted to trading on AIM, announced its results for the year ended 31st March 2018 on 16th July 2018 showing a profit after tax of £3,450,000 compared to a loss after tax of £180,000 for the previous year ended 31st March 2017. Dividends of £54,000 were received from Bilby during the year (2017 - £53,000). Bilby announced a final dividend of 2.0p per share which was paid in July 2018 and which provided Western with further income of £54,000.

Western holds 2,700,000 Bilby shares which represents approximately 6.7% of Bilby's issued share capital. The market value of this investment on 30th June 2018 was £2,835,000 (2017- £1,917,000) which represents approximately 16% (2017 – 11%) of Western's net assets.

Associated Companies

Tudor Rose International Limited (“Tudor Rose International”)

Tudor Rose International works closely with a number of leading UK branded fast-moving consumer goods companies, offering a complete sale, 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 company's issued share capital. Western also holds £1,000,000 of redeemable preference shares in Tudor Rose International at a par value of 1p per share. The Company has made available to Tudor Rose International a working capital facility of £750,000, bearing interest at the rate of base + 5% per annum, which has been fully drawn down at the year end.

Tudor Rose International, which is a private company, has a 31st December year end and, in the year to 30th June 2018, generated a trading profit before tax of £130,140. Turnover in the period was £19,032,000 (2017 - £17,145,000). Western's share of a profit after tax for the twelve months to 30th June 2018 was £41,000 (2017 – profit £49,550) and the book value of the investment at 30th June 2018 was £1,633,000 (2017 - £1,647,000) being 9.4 % (2017 –10%) of Western's net assets. Including the loans to Tudor Rose International and its directors (£942,000), the total book value of the investment comes to £2,575,000 which is 15% 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 15,252,774 shares which represents a 29.9% interest. ICH owns land at Milngavie, adjacent to Dougalston golf course, just north east of Glasgow, which, with planning permission, has potential for residential development. ICH has been 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 efforts to obtain planning permission for the development of the land at Milngavie, ICH appointed Mactaggart & Mickel Limited (“M & M”), a family-controlled firm of contractors, as its development partner. On 4th December 2017, Dougalston Limited, the Company's subsidiary in which the land at Milngavie is held, entered into a conditional sale agreement (the “Agreement”) with

M & M in respect of the bulk of its landholding in Milngavie, Scotland. The Agreement is conditional on M & M obtaining suitable planning permission for housing development on the site and fulfilling or waiving fulfilment of any conditions in the grant of planning permission, within a period of between 3 to 6 years, depending on a number of factors. The Agreement allows ICH the opportunity to provide input to the planning process in order to maximise the value of the site. The Agreement also provides for further payments in relation to any increases in value of the site arising from subsequent grants of planning permission for a period of up to 20 years. Dougalston Limited will retain ownership of small parts of the site that may have a future value.

The Agreement includes a formula for setting the net sale price based on the market value of the site once planning permission has been granted. The net sale price will include a minimum of three instalment payments of £25,000 each with the first payment having been made on the signing of the Agreement and the second and third instalments being paid on an annual basis thereafter. Both parties expect the planning and development process to run over the course of the next few years. However, M & M may terminate the Agreement early without completing the purchase of the property, but in doing so M & M will still be required to pay any remaining instalment(s).

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 and David Marshall 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 £940,000 (2017 – £1,147,000) and liquid investments valued at £4,329,000 (2017 - £5,348,000). The Company had drawn down £975,000 of the bank borrowing facilities available as at 30th June 2018 (2017 – £1,225,000). In October 2017 the Company entered into an Interest rate swap agreement with Coutts & Co. The Interest swap was valued as a liability of £3,870 at 30th June 2018.

Outlook

There has been strong growth across global stock markets in the last twelve months, but political and economic uncertainty continues. The UK continues to negotiate with the EU on Brexit but an agreed process remains unresolved and the follow-on implications are unclear. In addition, the potential for further increases in the cost of borrowing in the UK is likely to impact on consumer spending.

Despite these uncertainties, we are confident that our Core Holdings are making steady progress and with our diverse investments in solid international companies in our Treasury Operations we will continue to grow our net assets and our dividend payment to Shareholders.

Dividend Declaration and Timetable

The Company paid an interim dividend of 1.1p per share on 20th March 2018.

A final dividend of 1.15p per share is proposed by the Board, making 2.25p for the year, compared to 2.2p for 2017. The dividend timetable, if the dividend is approved by shareholders at the forthcoming AGM, is as follows:

Shares trade ex-dividend	Thursday 22 nd November 2018
Record date	Friday 23 rd November 2018
Payment date	Tuesday 11 th December 2018

26th September 2018

The Company's 2018 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 30th June	2018	2017
	£000	£000
Income from investments in:		
Listed Core holdings	132	120
Other listed undertakings	135	136
	267	256
Administrative expenses	(348)	(325)
Profit on partial disposal of investment in core holdings	443	845
Profit on disposal of other investments	483	50
Operating profit	845	826
Share of (losses)/ profits of associated companies	(17)	49
Finance income	26	26

Finance costs	(52)	(33)
Profit before taxation	802	868
Taxation	(18)	(18)
Profit after taxation attributable to equity shareholders	784	850
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss: -		
Fair value recycled from equity on disposal	(1,023)	(348)
Fair value adjustment on available for sale investments	851	2,792
Total other comprehensive (expense)/income	(172)	2,444
Total comprehensive income	612	3,294
Basic and diluted earnings per share attributable to equity holders	4.4p	4.7p

Statement of Changes of Equity

	Share capital	Share premium account	Capital reserve account	Unrealised profits on investments	Share of undistributed profits/(losses) of associates	Realised profits	Total
	£000	£000	£000	£000	£000	£000	£000
Year ended 30th June 2017							
Balances at 1 st July 2016	7,180	2,654		3,574	(200)	1,006	14,217
Profit for the period	-	-	-	-	49	801	850
Items that can be reclassified to the income statements – Other comprehensive income	-	-	-	2,444	-	-	2,444
Fair values net of tax							
Total comprehensive income				2,444	49	801	3,294
Transactions with shareholders	-	-	-	-	-	(188)	(188)

Final dividend paid in respect of prior year							
Interim dividends paid in respect of the year						(198)	(198)
Total transactions with shareholders						(386)	(386)
Balances at 30th June 2017	7,180	2,654		6,018	(151)	1,421	17,125
	Share capital	Share premium account	Capital reserve account	Unrealised profits on investments	Share of undistributed profits/ (losses) of associates	Realised profits	Total
	£000	£000	£000	£000	£000	£000	£000
Year ended 30th June 2018							
Balances at 1 st July 2017	7,180	2,654		6,018	(151)	1,421	17,125
(Loss)/Profit for the period	-	-	-	-	(17)	801	784
Items that can be reclassified to the income statements – Other comprehensive income – Fair values net of tax	-	-	-	(172)	-	-	(172)
Total comprehensive Income				(172)	(17)	801	612
Transactions with shareholders							
Final dividend paid in respect of prior year	-	-	-	-	-	(197)	(197)
Interim dividends paid in respect of the year						(198)	(198)
Total transactions with shareholders						(395)	(395)
Balances at 30th June 2018	7,180	2,654	3	5,846	(168)	1,827	17,342

Statement of Financial Position

Registered Number 00234871

At 30th June	2018	2017
	£000	£000
Non-current Assets:		
Investment in Associated companies	1,830	1,846
Investments classified as available for sale	15,549	16,285
Other receivables	192	192
	17,571	18,323
Current Assets		
Trade and other receivables	808	40
Cash and cash equivalents	35	78
	843	118
Current Liabilities		
Trade and other payables	(97)	(91)
Net Current Assets	746	27
Financial Liabilities falling due in more than one year	(975)	(1,225)
Net Assets	17,342	17,125
Equity		
Share capital	7,180	7,180
Share premium account	2,654	2,654
Capital reserve account	3	3
Unrealised profits on investments	5,846	6,018
Share of undistributed losses of associates	(168)	(151)
Realised profits	1,827	1,421
Shareholders' Funds	17,342	17,125

Statement of Cash Flow

For the year ended 30th June	2018	2018	2017	2017
	£000	£000	£000	£000
Profit before taxation		802		868
Profit on disposal of investments in core holdings		(443)		(845)
Profit on disposal of other investments		(483)		(50)
Share of results of associates		17		(49)
Net finance costs		26		7
Changes in working capital				
Increase/(decrease) in trade and other receivables		(19)		45
(Decrease) in trade and other payables		6		(8)
Cash absorbed by operations		(94)		(32)
Taxation paid		(18)		(18)
Net finance costs		(26)		(7)
Net cash absorbed by operations		(138)		(57)
Cash flow from investment activities				
Investments in associated companies	(750)		(500)	
Purchase of Core Holdings	(95)		(190)	
Proceeds on disposal of Core Holdings	666		1,385	
Proceeds on disposal of other financial instruments	919		112	
Purchase of other financial instruments	-		(623)	
Net cash generated by investment activities		740		184
Financing activities				
Loan drawdown	2,525		225	
Loan repayment	(2,775)		-	
Equity dividends paid	(395)		(386)	
Net cash outflow from financing activities		(645)		(161)
Movement in cash and cash equivalents		(43)		(34)

Cash and cash equivalents at start of year	78	112
Cash and cash equivalents at end of year	35	78

Analysis of net debt

	At start of year £000	Cash Flow £000	At end of year £000
2018			
Cash and cash equivalents	78	(43)	35
Bank borrowings	(1,225)	250	(975)
Total net debt	(1,147)	207	(940)
2017			
Cash and cash equivalents	112	(34)	78
Bank overdraft	(1,000)	(225)	(1,225)
Total net debt	(888)	(259)	(1,147)

Notes

1. Earnings per share

Earnings per share are based on the profit on ordinary activities after taxation of £784,000 (2017 - £850,000) and on 17,949,872 (2017 - 17,949,872) being the weighted average number of shares in issue during the period.

	2018	2017
Basic earnings per share	4.4p	4.7p

Diluted earnings per share at 30th June 2018 and 30th June 2017 are the same as basic earnings per share.

1. 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').

1. 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
2. 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 2018 and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.
3. The accounts for the year ended 30th June 2017, 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.
4. 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.

