

Western Selection Final Results

30 September 2019

Western Selection PLC

(the “Company” or “Western”)

Unaudited Preliminary Results for the Year Ended 30th June 2019

The Company today announces its unaudited preliminary financial results for the year ended 30th June 2019.

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.

There has been an increased focus on Environmental, Social and Governance (ESG) issues in recent years. The Company acknowledges the benefits of socially responsible long-term investment and consideration of ESG issues is integrated in its investment decision-making processes.

Results for the year

Accounts have been prepared under IFRS 9 for the first time and comparatives have been restated. This has no effect on the Company’s Statement of Financial Position or cash flow but does move some amounts between profit and loss and other comprehensive income.

2019 has been a challenging year for the Company. Political uncertainty coupled with economic uncertainty in the form of stock market and exchange rate volatility have continued to impact on the Core Holdings and other investments. As a result, during the year under review the Company took the decision to sell its liquid investments held in the Treasury Portfolio, realising a profit of £1,847,000 (compared to historic cost) and a subsequent exchange gain of £38,000 on foreign currency sale proceeds. Shareholders will be aware that Tudor Rose International has struggled in recent years to improve its financial position and performance; a situation that has been exacerbated by the political and economic uncertainty created by Brexit. As a result, the Company took the decision to make an impairment provision against the full carrying value of its investment in Tudor Rose International.

Dividend income from Core Holdings increased by 14% to £150,000 from £132,000 last year. This is mainly due to the slight increase in dividend being paid in the year by both Swallowfield and Bilby. Dividend income from Treasury Operations decreased by 13% from £135,000 last year to £117,000 following liquidation of investments in the Treasury Portfolio. Administrative expenses have decreased by 5% due to lower professional costs.

Following this, the Company is reporting a loss on ordinary activities after tax for the year of £2,611,000 (2018 – restated loss after tax £241,000).

Net assets per share have decreased by 34% from 96p to 64p.

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, China and Singapore, 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 2018 on 11th April 2019 and recorded a loss after tax of £2,409,000 for the year (2017- loss after tax £4,626,000). No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

Western holds 3,300,000 Northbridge shares which represents 11.8% of Northbridge’s enlarged issued share capital. The market value of this investment at 30th June 2019 was £4,900,500 (2018 - £4,290,000) which represents approximately 42% (2018 - 25%) of Western’s net assets.

Brand Architekts Group plc (“BAG” formerly Swallowfield plc)

BAG is now a brands business following the sale of its contract manufacturing operations and the change of name to Brand Architekts Group plc. Further information about BAG is available on their website: <https://www.brandarchitekts.com>.

BAG, which is admitted to trading on AIM, announced its results for the 52 weeks ended 29th June 2019 on 30th September 2019 and recorded a profit after tax of £3,640,000 compared to a profit after tax of £3,633,000 for the comparable period last year. Dividends of £82,550 were received from BAG during the year (2018 – £78,500). A final dividend of 4.35p per share has been declared and, if approved, Western will receive a further £56,550 of income in December 2019.

Western holds 1,300,000 BAG shares which represents 7.6% of BAG’s issued share capital. The market value has decreased to £2,502,000 (2018 - £4,095,000), which represents approximately 21.4% (2018 – 23.6%) of Western’s net assets.

Edward Beale is a non-executive director of BAG.

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 2019 on 19th September 2019 showing a loss after tax of £8,596,000 compared to a profit after tax of £3,450,000 for the previous year ended 31st March 2018. Dividends of £67,500 were received from Bilby during the year (2018 - £54,000). Due to the results in the year, Bilby’s Board did not recommend a final dividend.

Western holds 2,700,000 Bilby shares which represents 6.7% of Bilby’s issued share capital. The market value of this investment on 30th June 2019 has decreased to £877,000 (2018- £2,835,000) which represents approximately 7.5% (2018 – 16%) 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 £1,750,000 of redeemable preference shares in Tudor Rose International at a par value of 1p per share.

Tudor Rose International, which is a private company, has a 31st December year end and year to 30th June 2019, generated a trading loss of £478,723. Turnover in the period was £11,430,000 (2018 - £19,032,000). Western’s share of the loss for the twelve months to 30th June 2019 was £206,486 (2018 – profit £41,000) and the book value of the investment at 30th June 2019 was £2,177,159 (2018 - £1,633,000).

In recent years changes in ownership and strategy of major brands that Tudor Rose International represented have led to significant losses in business, which have not been fully replaced. This business has a significant deficit on net assets excluding goodwill and a mixed trading record since 2010. Uncertainties surrounding Brexit have impeded its efforts to profitably grow turnover, and may well impede future growth. As no return on this investment can be forecast an impairment provision of £2,177,159 has been made against its full carrying value.

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. Through its development partner, Mactaggart & Mickel, ICH continues to make representations for its land to be included for housing development in the local authority’s next five-year plan. David Marshall and Edward Beale are directors of ICH.

City Group PLC (“City Group”)

Western holds 48.6% and London Finance & Investment Group PLC (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. Previously we had been exposed via international equity portfolios to both equity and currency risk. To reduce the risk profile, the equity investments were sold in the period, borrowings were repaid, and cash balances were split between Pounds Sterling, US Dollars, Swiss Francs and Euros. This mix of currencies will provide opportunities to profit from any devaluation in sterling.

At the year-end the Company had net cash of £3,093,000 (2018 – net debt of £940,000) and no stock market investments (2018 - £4,329,000). The Company had no outstanding bank borrowing at the year-end (2018 – £975,000). The Company has an Interest rate swap agreement with Coutts & Co. The Interest swap was valued as a liability at £19,101 at 30th June 2019 (2018 - £3,870).

Outlook

An agreed Brexit withdrawal process remains unresolved and the eventual outcome of Brexit is still unknown. In addition, rising political and trading policy uncertainty across the globe have negatively affected trading conditions. In light of these factors, the Company aims to reinvest the proceeds from the sale of its liquid investments when opportunities arise to buy good companies at sensible prices.

Dividend

The Company paid an interim dividend of 1.1p per share on 20th March 2019.

As market uncertainty continues and Western is no longer receiving dividend income from its liquid investments, the Board did not consider it prudent to recommend payment of a final dividend. Dividend payments for the year amounted to 1.1p per share compared to 2.25p for 2018.

30th September 2019

The Company’s 2019 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.

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Statement of Comprehensive Income

For the year ended 30 th June	2019 £000	Restated for IFRS 9 2018 £000	2018 £000
Income from investments in:			
Listed core holdings	150	132	132
Other listed undertakings	117	135	135
	<u>267</u>	<u>267</u>	<u>267</u>
Administrative expenses	(332)	(348)	(348)
Profit on partial disposal of investment in core holdings	-	-	443
Profit on disposal of other investments	156	(3)	483
	<u>91</u>	<u>(84)</u>	<u>845</u>
Operating profit	91	(84)	845
Share of losses of associated companies	(218)	(17)	(17)
Impairment provisions	(2,424)	-	-
Fair value movement on other investments	-	(96)	-
Finance income	14	26	26
Finance costs	(59)	(52)	(52)
(Loss)/Profit before taxation	(2,596)	(223)	802
Taxation	(15)	(18)	(18)
(Loss)/Profit after taxation attributable to equity shareholders	<u>(2,611)</u>	<u>(241)</u>	<u>784</u>
Other comprehensive income			
Exchange differences on bank revaluation	38	-	-
Profit on partial disposal of investment in core holdings	-	443	-
Fair value recycled on disposal	-	(537)	(1,023)
Fair value adjustment on Core holdings /available for sale investments	(2,939)	947	851
Total other comprehensive (loss)/ income	<u>(2,901)</u>	<u>853</u>	<u>(172)</u>
Total comprehensive (loss)/income	(5,512)	612	612
Basic and diluted (loss)/earnings per share attributable to equity holders	(14.5)p	(1.3)p	4.4p

Statement of Changes of Equity

	Share capital £000	Share premium account £000	Capital reserve account £000	Unrealised profits on investments £000	Share of undistribute d profits/ (losses) of associates £000	Realised profits £000	Total £000
Year ended 30th June 2018							
Balances at 1 st July 2017	7,180	2,654	3	6,018	(151)	1,421	17,125
Restated Impairment reserves	-	-	-	293	-	(293)	-
Revised opening balance	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>6,311</u>	<u>(151)</u>	<u>1,128</u>	<u>17,125</u>
(Loss)/Profit for the year	-	-	-	-	(17)	358	341
Other comprehensive income							
Profit on disposal of core investments reclassified to realised equity	-	-	-	-	-	443	443
Other comprehensive income							
Fair values net of tax	-	-	-	(172)	-	-	(172)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172)</u>	<u>(17)</u>	<u>801</u>	<u>612</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(395)</u>	<u>(395)</u>
Balances at 30th June 2018	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>6,139</u>	<u>(168)</u>	<u>1,534</u>	<u>17,342</u>

	Share capital £000	Share premium account £000	Capital reserve account £000	Unrealised profits on investments £000	Share of undistributed profits/ (losses) of associates £000	Realised profits £000	Total £000
Year ended 30th June 2019							
Restated balances at 1 st July 2018	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>6,139</u>	<u>(168)</u>	<u>1,534</u>	<u>17,342</u>
(Loss)/Profit for the year	-	-	-	(1,691)	(218)	(702)	(2,611)
Other comprehensive income –							
Fair values net of tax	-	-	-	(2,901)	-	-	(2,901)
Total comprehensive Income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,592)</u>	<u>(218)</u>	<u>(702)</u>	<u>(5,512)</u>
Transactions with shareholders							
Final dividend paid in respect of prior year	-	-	-	-	-	(207)	(207)
Interim dividends paid in respect of the year	-	-	-	-	-	(197)	(197)
Total transactions with shareholders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(404)</u>	<u>(404)</u>
Balances at 30th June 2019	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>1,547</u>	<u>(386)</u>	<u>428</u>	<u>11,426</u>

Statement of Financial Position

Registered Number 00234871

At 30th June	2019	Restated 2018	2018
	£000	£000	£000
Non-current Assets:			
Investment in Associated companies	153	1,830	1,830
Investments classified as available for sale	8,281	15,549	15,549
Other receivables	-	192	192
	<u>8,434</u>	<u>17,571</u>	<u>17,571</u>
Current Assets			
Trade and other receivables	22	808	808
Cash and cash equivalents	3,093	35	35
	<u>3,115</u>	<u>843</u>	<u>843</u>
Current Liabilities			
Trade and other payables	(123)	(97)	(97)
Net Current Assets	<u>2,992</u>	<u>746</u>	<u>746</u>
Financial Liabilities falling due in more than one year	<u>-</u>	<u>(975)</u>	<u>(975)</u>
Net Assets	<u>11,426</u>	<u>17,342</u>	<u>17,342</u>
Equity			
Share capital	7,180	7,180	7,180
Share premium account	2,654	2,654	2,654
Capital reserve account	3	3	3
Unrealised profits on investments	1,547	6,089	5,846
Share of undistributed losses of associates	(386)	(168)	(168)
Realised profits	428	1,584	1,827
Shareholders' Funds	<u>11,426</u>	<u>17,342</u>	<u>17,342</u>

Statement of Cash Flow

		Restated for IFRS 9	
For the year ended 30th June	2019	2018	2018
	£000	£000	£000
(Loss)/Profit before taxation	(2,596)	(223)	802
Profit on sale of investments in core holdings	-	-	(443)
Profit on sale of other investments	(1,847)	3	(483)
FV adjustment on other investments	1,691	96	-
FX on bank balances	38	-	-
Impairment provisions	2,424	-	-
Share of results of associates	218	17	17
Net interest payable	44	26	26
Changes in working capital			
Increase/(Decrease) in trade and other receivables	13	(19)	(19)
Increase in trade and other payables	18	6	6
Cash generated /(absorbed) by operations	3	(94)	(94)
Taxation paid	(15)	(18)	(18)
Net interest paid	(37)	(26)	(26)
Net cash absorbed by operations	(49)	(138)	(138)
Cash flow from investment activities			
Investments in associated companies	-	(750)	(750)
Purchase of Core Holdings	-	(95)	(95)
Proceeds on disposal of Core Holdings	-	666	666
Proceeds on disposal of other financial instruments	4,586	919	919
Purchase of other financial instruments	(100)	-	-
Net cash generated by investment activities	4,486	740	740
Financing activities			
Loan drawdown	-	2,525	2,525
Loan repayment	-	(2,775)	(2,775)
Equity dividends paid	-	(395)	(395)
Net cash outflow from financing activities	(1,379)	(645)	(645)
Movement in cash and cash equivalents	3,058	(43)	(43)
Cash and cash equivalents at start of year	35	78	78
Cash and cash equivalents at end of year	3,093	35	35
Analysis of net cash	At start of year £000	Cash Flow £000	At end of year £000
2019			
Cash and cash equivalents	35	3,058	3,093
Bank borrowings	(975)	975	-
Total net debt	(940)	4,033	3,093
2018			
Cash and cash equivalents	78	(43)	35
Bank overdraft	(1,225)	250	(975)
Total net debt	(1,147)	207	(940)

Notes

1. Earnings per share

Earnings per share are based on the (loss)/profit on ordinary activities after taxation of £(2,611,000) (2018, restated for IFRS 9 - £241,000) and on 17,949,872 (2018 – 17,949,872) being the weighted average number of shares in issue during the period.

	2019	2018 Restated for IFRS 9
Basic and diluted (loss)/earnings per share	(14.5)p	(1.3)p

Diluted earnings per share at 30th June 2019 and 30th June 2018 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.

3. Financial Information

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').

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.

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 2019 and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The accounts for the year ended 30th June 2018, 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 2019 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 Announcement

Copies of this announcement are held at the Company's registered office, 1 Ely Place, London, EC1N 6RY (tel. 020 7796 9060) and are available for a period of 14 days from the date of this announcement.