

# Western Selection PLC

(the "Company")

## Unaudited Interim Results for the six months ended 31<sup>st</sup> December 2018

The Company today announces its unaudited interim results for the six months ended 31<sup>st</sup> December 2018 (the 'Interim Statement').

### **Chairman's Statement**

#### ***The Company's Business Model***

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

The Company's 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. Our 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 through 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 Western's management feels it has specific competence. Share prices of small companies, such as our Core Holdings, can be extremely volatile; shareholders should expect to see relatively large short term swings in our net asset value as a consequence.

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 so we need 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.

#### ***Change in accounting policies***

The company has implemented IFRS9 "Financial Instruments" for the first time in these results. ~~Changes Under IFRS9, the company has elected to classify its long-term Core Holdings as financial instruments which are held at fair value with realised and unrealised changes in value taken to Other Comprehensive Income. Gains and losses on disposal are not recycled to profit or loss. Realised and unrealised changes~~ in the fair values of the ~~equity treasury~~ investments, previously recognised in the Other Comprehensive Income, will now be recorded in Other income/expenses through profit and loss. ~~Gains and losses realised on the sale of these financial assets will be recorded in the profit and loss.~~ This will result in highly volatile reported profit and loss figures.

This change in accounting policy will have no effect on the Statement of Financial Position.

#### ***Activities***

Our net assets per share have decreased by 22% to 75p at 31<sup>st</sup> December 2018 compared with 30<sup>th</sup> June 2018. This is mainly ~~due to adverse market conditions and illiquidity in our investments in Core Holdings quoted on the AIM market, which has led to large decreases in the value of our quoted Core Holdings as a result of unfavourable investment conditions, with both our relatively low volumes of sales orders.~~ Our quoted Core Holdings and treasury investments ~~decreasing~~ decreased in value by 29% and 5% respectively during the reporting period. At the close of business on ~~31<sup>st</sup> January 2018~~ 1<sup>st</sup> February 2019, our net asset value was 77p per share.

Dividend income during the period from Core Holdings has increased from £93,000 to 109,000. Dividend income from treasury operations decreased slightly to £52,000 and overall dividend income was £161,000 (2017: £151,600).

The Company is reporting a loss before tax for the half year of £~~3,706,427~~0,000 with loss per share of ~~£0.202.4p~~ compared with restated profit before tax of £~~187,164~~0,000 and restated earnings per share of ~~1.04p0.9p~~ for the same period last year.

An analysis of assets is shown in the unaudited Statement of Financial Position.

## **Treasury Operations**

Treasury operations comprise bank borrowing facilities of £1,900,000 and liquid investments. At 31<sup>st</sup> December 2018 the Company had net debt of £1,254,000 (2017: £1,131,000) and liquid investments valued at £4,117,000 (2017: £5,266,000). The Company had drawn down £1,400,000 of the bank borrowing facilities available as at 31<sup>st</sup> December 2018 (2017: £1,200,000).

## **Core Holdings**

### **Northbridge Industrial Service 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 its website: [www.northbridgegroup.co.uk](http://www.northbridgegroup.co.uk)

Northbridge's latest results, for the half year to 30<sup>th</sup> June 2018, showed a loss after tax of £1,472,000 for the period (2017: loss after tax of £2,308,000). No interim dividend was declared (2017: none).

Western owns 3,223,632,300,000 Northbridge shares, representing 42.4511.8% of Northbridge's issued share capital. The market value of this investment at 31<sup>st</sup> December 2018 was £3,564,000 (30<sup>th</sup> June 2018: £4,290,000), representing 26.5% of Western's net 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 announced its annual results for the 5253 weeks ended 24<sup>th</sup>30<sup>th</sup> June 2018 in September 2018 showing a profit after tax of £3,633,000 compared to a profit of £2,572,000 for the comparable period last year. Swallowfield paid a final dividend of 4.2 per share in December 2018 which provided us with income of £54,600.

The market value of the Company's holding of shares in Swallowfield on 31<sup>st</sup> December 2018 was £2,730,000 (30<sup>th</sup> June 2018: £4,095,000), representing 20% of the Company's net assets.

Western owns 1,300,000 Swallowfield shares (representing 8.97.6% of Swallowfield's issued share capital).

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. It has a strategy of growing organically and by acquisition. Further information about Bilby is available on its website: [www.bilbyplc.com](http://www.bilbyplc.com).

Bilby announced its interim results for the six month period to 30<sup>th</sup> September 2018 on 11<sup>th</sup> December 2018 showing a profit after tax of £1,133,000 (2017: £1,966,000). Bilby will pay an interim dividend of 0.5p per share in January 2019 which will provide us with income of £13,500.

Western owns 2,699,289,700,000 Bilby shares, which represent 6.7% of Bilby's issued share capital. The market value of the Company's holding in Bilby on 31<sup>st</sup> December 2018 was £1,647,000 (30<sup>th</sup> June 2018: £2,835,000) representing 12% of the Company's net assets.

### **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 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.

Our share of Tudor Rose International’s estimated results for the period ended 31<sup>st</sup> December 2018 is a loss after tax of £92,000 (2017 – profit after tax of £81,000). At 31<sup>st</sup> December 2018, Western owned 49.5% of Tudor Rose International. The carrying value of the Company’s equity investment in Tudor Rose International on 31<sup>st</sup> December 2018 was £1,542,000 (2017: £1,674,000) representing 11.5% of the Company’s net assets. In addition, loans of £191,756 (equivalent to a further 1% of the Company’s net assets) were outstanding at 31<sup>st</sup> December 2018 from Tudor Rose’s executive directors.

~~[NB: Possible requirement for impairment position; to be discussed following visit of DCM and EJB to Tudor Rose on 15 February]~~

Edward Beale and I are non-executive directors of Tudor Rose.

### **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. Through its development partner, Mactaggart & Mickel Limited (“M&M”) a family-controlled firm of contractors that were appointed in December 2016, ICH continues to make representations for its land to be included for housing development in the local authority’s next five year plan.

Western holds 15,252,744 shares in ICH (which represents approximately 29.9% of ICH’s issued share capital).

Edward Beale and I are non-executive directors of ICH.

### **City Group P.L.C. (“City Group”)**

Western holds 48.6% and London Finance & Investment Group P.L.C. (Western’s largest shareholder) holds 51.4% of City Group 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 I are non-executive directors of City Group.

### **Outlook**

As Brexit negotiations draw to a close, the eventual outcome of Brexit is still unknown. Stock markets and exchange rates remain volatile. Global interest rates ~~remain on a rising trend~~ have recently started to stabilise. All these factors have impacted on the value of the Company’s investments. Nevertheless, the Company’s balance sheet remains strong and provides a solid base from which the Company can capitalise on investment opportunities in the future.

### **Interim Dividend**

The Board has declared an interim dividend of 1.45p per share (prior year: 1.1p) that will be paid on [ ] March 2019 to shareholders on the register at the close of business on [ ] March 2019.

[ ] February 2019

**D.C. MARSHALL**  
Chairman

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**Dividend Timetable**

The dividend timetable is as follows:

Shares trade ex-dividend

[ ] March 2019

Record date

[ ] March 2019

Payment date

[ ] March 2019

## Statement of Comprehensive Income (Unaudited)

	Half year ended 31 <sup>st</sup> December		Year ended 30 <sup>th</sup> June
	2018	2017	2018
	£000	Restated £000	Restated £000
<b>Income from investments in:</b>			
Core holdings	108	93	132
Other listed investments	53	59	135
	161	152	267
Administrative expenses – normal	(172)	(157)	(348)
<del>Profit on partial disposal of investment in Swallowfield plc</del>	-	-	443
Profit on disposal of <del>other</del> treasury investments	-	175	483
<b>Operating (loss)/profit</b>	<b>(11)</b>	<b>170</b>	<b>845</b>
Share of (losses)/profits of associated companies	(108)	23	(17)
<del>Fair value recycled on disposal</del>	-	(157)	(1,023)
Fair value adjustment on <del>available for sale</del> treasury investments	(3,591,312)	180(6)	851(582)
Interest receivable	28	5	26
Finance expense	(24)	(28)	(52)
<b>(Loss)/Profit before taxation</b>	<b>(3,706,427)</b>	<b>493,164</b>	<b>630(223)</b>
Taxation	(5)	(6)	(18)
<del>(Loss)/Profit</del> after taxation attributable to equity shareholders	<del>(3,711,432)</del>	<del>487,158</del>	<del>612(241)</del>
<b>Other comprehensive income</b>			
<del>Profit on partial disposal of investment in Swallowfield plc</del>	-	-	443
<del>Fair value adjustment on Core Holdings</del>	(3,279)	29	410
<b>Total comprehensive (loss)/income</b>	<b>(3,711)</b>	<b>187</b>	<b>612</b>
<b>Basic and diluted (losses)/earnings per share attributable to equity holders</b>	<b>(292.4)p</b>	<b>1.0p</b>	<b>0.9p</b>
Interim dividend per share	1.45p	1.1p	1.10p
Final dividend per share	-	-	1.15p
<b>Total dividends in respect of the period</b>	<b>1.45p</b>	<b>1.1p</b>	<b>2.25p</b>

## Changes in Shareholders' Equity (Unaudited)

	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
<b>Period ended 31<sup>st</sup> Dec 2018</b>							
Balances at 1 <sup>st</sup> July 2018	7,180	2,654	3	5,846	(168)	1,827	17,342
Loss for the period	-	-	-	(3,594)	(108)	(12)	(3,714)
<u>Other comprehensive loss</u>	-	-	-	(3,279)	-	-	(3,279)
Dividends paid	-	-	-	-	-	(206)	(206)
<b>Balances at 31<sup>st</sup> Dec 2018</b>	<b>7,180</b>	<b>2,654</b>	<b>3</b>	<b>2,255</b>	<b>(276)</b>	<b>1,609</b>	<b>13,425</b>
<b>Period ended 31<sup>st</sup> Dec 2017 (Restated)</b>							
Balances at 1 <sup>st</sup> July 2017	7,180	2,654	3	6,018	(151)	1,421	17,125
Profit/(Loss) for the period	-	-	-	22	24	141	187
<u>Other comprehensive income</u>	-	-	-	29	-	-	29
Dividends paid	-	-	-	-	-	(197)	(197)
<b>Balances at 31<sup>st</sup> Dec 2017</b>	<b>7,180</b>	<b>2,654</b>	<b>3</b>	<b>6,040</b>	<b>(127)</b>	<b>1,365</b>	<b>17,115</b>

## Statement of Financial Position (Unaudited)

	Half year ended 31 <sup>st</sup> December		Year ended 30 <sup>th</sup> June
	2018	2017	2018
	£000	£000	£000
<b>Non-current assets</b>			
<b>Core holdings</b>			
Bilby plc	1,647	3,051	2,835
Northbridge Industrial Services plc	3,564	2,966	4,290
Swallowfield plc	2,730	4,950	4,095
Investments in Associates	1,721	1,870	1,830
Treasury investments	4,117	5,266	4,329
Trade and other receivables	-	192	192
	<u>13,779</u>	<u>18,295</u>	<u>17,571</u>
Current assets - trade and other receivables	992	54	808
Cash at bank	146	69	35
Other current liabilities - trade and other payables	(92)	(103)	(97)
<b>Net current assets/(liabilities)</b>	<u>1,046</u>	<u>20</u>	<u>746</u>
<b>Financial Liabilities due after more than one year</b>	<u>(1,400)</u>	<u>(1,200)</u>	<u>(975)</u>
<b>Net assets</b>	<u>13,425</u>	<u>17,115</u>	<u>17,342</u>
<b>Equity</b>			
Share capital	7,180	7,180	7,180
Share premium account	2,654	2,654	2,654
Capital reserve	3	3	3
Unrealised profits on investments	2,254	6,040	5,846
Share of undistributed (losses) of associates	(277)	(128)	(168)
Realised profits	1,611	1,366	1,827
<b>Shareholders' funds</b>	<u>13,425</u>	<u>17,115</u>	<u>17,342</u>
<b>Net assets per share</b>	75p	84p	96p
<b>Number of shares in issue</b>	17,949,872	17,949,872	17,949,872

## Statement of Cash Flows (Unaudited)

	Half year ended 31 <sup>st</sup> December		Year ended 30 <sup>th</sup> June
	2018	2017	2018
	£000	Restated £000	Restated £000
<b>Profit before taxation</b>	<b>(3,706,427)</b>	<b>493,164</b>	<b>630(223)</b>
Adjustments for non-cash and non-operating expenses:			
Profits on sale of <u>treasury</u> investments	-	(175)	(926,483)
Fair value adjustment on <u>treasury</u> investments	<b>3,594,312</b>	<b>(23)6</b>	<b>472,582</b>
Share of results of associates	<b>108</b>	(23)	17
Net interest paid/(received)	<b>(4)</b>	23	26
Increase in debtors and accrued income	<b>8</b>	(14)	(19)
Increase in creditors	<b>(4)</b>	11	6
	<b>(7)</b>	<b>(8)</b>	<b>(94)</b>
<b>Taxation paid</b>	<b>(5)</b>	<b>(6)</b>	<b>(18)</b>
Net interest (paid)/received	<b>4</b>	(23)	(26)
<b>Cash (absorbed)/generated by operations</b>	<b>(7)</b>	<b>(37)</b>	<b>(138)</b>
<b>Cash flow from Investment activities</b>			
Proceeds of disposal of treasury investments	-	250	919
Purchase of treasury investments	<b>(100)</b>	-	-
		250	919
Investment in associate	-	-	(750)
Disposal of part of core holdings	-	-	666
Purchase of core holdings	-	-	(95)
<b>Net cash inflow/(outflow) from investment activities</b>	<b>(100)</b>	<b>250</b>	<b>740</b>
<b>Financing activities</b>			
Loan drawdown	<b>425</b>	675	2,525
Loan repayment	-	(700)	(2,775)
Equity dividend paid	<b>(206)</b>	(197)	(395)
<b>Net cash outflow from financing activities</b>	<b>219</b>	<b>(222)</b>	<b>(645)</b>
<b>Movement in cash and cash equivalents</b>	<b>111</b>	<b>(9)</b>	<b>(43)</b>
Cash and cash equivalents at start of year	<b>35</b>	78	78
<b>Cash and cash equivalents at end of year</b>	<b>146</b>	<b>69</b>	<b>35</b>

## Reconciliation to movements in cash and cash equivalents

	At start of Period £000	Cash Flow £000	At end of Period £000
<b>Half year ended 31<sup>st</sup> December 2018</b>			
Cash and cash equivalents	<b>35</b>	<b>111</b>	<b>146</b>
Bank borrowings	<b>(975)</b>	<b>(425)</b>	<b>(1,400)</b>
Net debt	<b>(940)</b>	<b>(314)</b>	<b>(1,254)</b>
<b>31<sup>st</sup> December 2017</b>			
Cash and cash equivalents	78	(9)	69
Bank borrowings	(1,225)	25	(1,200)
Net debt	(1,147)	16	(1,131)
<b>Year ended 30<sup>th</sup> June 2018</b>			
Cash and cash equivalents	78	(43)	35
Bank borrowings	(1,225)	250	(975)
Net debt	(1,147)	207	(940)



**Notes: -**

**1. Basis of preparation:**

The results for the six months ended 31<sup>st</sup> December 2018 are unaudited. The information contained in this Interim Statement 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 30<sup>th</sup> June 2018 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.

The company has ~~adopted~~ **implemented** IFRS9 "Financial Instruments" for the first time in these results. Under ~~IFRS 9~~ **IFRS9**, the ~~Company~~ **company** has elected to classify its ~~long-term Core and Portfolio Investments~~ **Holdings** as ~~assets recognised~~ **financial instruments which are held** at fair value, ~~with unrealised changes in value taken to Other Comprehensive Income. Gains and losses on disposal of Core Holdings are not recycled to profit or loss.~~ Changes in the fair values of ~~these financial assets~~ **the treasury investments**, previously recognised in the Other Comprehensive Income, will ~~now~~ be recorded in Other income/expenses through profit and loss. Gains and losses realised on the sale of these financial assets will be recorded in the profit and loss to the extent of the difference between sale price and original cost.

This change in accounting policy will have no effect on the Statement of Financial Position. This re-categorisation has led to restated Profit after tax for the year ended 30<sup>th</sup> June 2018 from £784,000 to ~~£612a~~ **loss after tax of £241,000**.

Except for this change in accounting policy, this Interim Statement has been prepared in accordance with the accounting policies contained in the Company's 2018 Annual Report and Accounts.

**2. Earnings per share:**

The calculation of earnings per share is based on the weighted average number of shares in issue for the period (17,949,872) and the profit on ordinary activities after tax.

Neither this Interim Statement nor any future interim statements of the Company will be posted to shareholders. The Interim Statement is available as follows:

- on the Company's website at [www.westernselection.co.uk](http://www.westernselection.co.uk) ; and
- by writing to City Group P.L.C., the Company Secretary, at 1 Ely Place, London, EC1N 6RY

This Interim Statement contains information that was previously inside information for the purposes of Article 7 of EU Regulation 596/2014.

The Directors accept responsibility for the contents of this Interim Statement.

