

Western Selection PLC

("Western" or the "Company")

Unaudited Interim Results for the six months ended 31st December 2019

The Company today announces its unaudited interim results for the six months ended 31st December 2019 (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. 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 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.

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.

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.

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.

Activities

The Company continued to experience challenges in the six months to 31st December 2019. Political uncertainty, coupled with economic uncertainty in the form of stock market and exchange rate volatility, continued to impact on the Core Holdings.

Our net assets per share have decreased by 21.3% to 59p at 31st December 2019 compared with 64p per share at 30th June 2019. This is largely due to adverse market conditions and illiquidity in our investments in Core Holdings quoted on AIM, which has led to large decreases in the value of our quoted Core Holdings as a result of relatively low transaction volumes. Our quoted Core Holdings decreased in value by 1.7% during the reporting period, taking into account the purchase of a further 3,636,363 shares in Bilby PLC for £400,000. At the close of business on 31st January 2020, our net asset value was 60p per share.

Bilby did not pay a dividend in the period and as a result dividend income during the period from Core Holdings has decreased to £56,550 compared with £109,000 for the same period last year.

The Company is reporting a loss before tax for the period of £221,000 with loss per share of 1.2p compared with a loss before tax of £427,000 and a loss per share of 2.4p for the same period last year.

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

Treasury Operations

Treasury operations comprise available bank borrowing facilities of £1,900,000, cash and liquid investments. Following a series of disposals of liquid investments, at 31st December 2019, the Company had net cash of £2,448,000 (2018: net debt of £1,254,000) and no liquid investments (2018: liquid investments valued at £4,117,000). The Company had no outstanding bank borrowing at 31st December 2019 (2018: bank borrowings of £1,400,000). Cash holdings are split (roughly equally) between US Dollars, Swiss Francs and Euros with a small amount in Sterling. Due to foreign exchange rate movements, there is an unrealised loss on these currency cash holdings.

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, which is admitted to trading on AIM, is available on its website: www.northbridgegroup.co.uk

Northbridge's latest results, for the half year to 30th June 2019, showed a loss after tax of £122,000 for the period (2018: loss after tax of £1,472,000). No interim dividend payment was recommended (2018: none).

Western owns 3,300,000 Northbridge shares which represent 11.8% of Northbridge's issued share capital. The market value of this investment at 31st December 2019 was £4,455,000 (30th June 2019: £4,900,500), representing 41.7% of Western's net assets.

Brand Architekts Group Plc (“Brand Architekts”)

Brand Architekts (formerly, Swallowfield plc) is a beauty brands business specialising in the delivery of innovative products to consumers and retailers. Brand Architekts has developed both organically and through acquisition a portfolio of brands that are owned and managed by the Brand Architekts group. Further information about Brand Architekts, which is admitted to trading on AIM, is available on its website: www.brandarchitektsplc.com

Brand Architekts announced its annual results for the 52 weeks ended 29th June 2019 on 30th September 2019 showing an adjusted profit after tax of £1,590,000 compared to an adjusted profit after tax of £1,932,000 for the comparable period last year. Brand Architekts also announced that a final dividend of 4.35p per share would be paid in December 2019 which provided Western with income of £56,550.

Western owns 1,300,000 Brand Architekts shares which represent 7.6% of Brand Architekts' issued share capital). The market value of this investment at 31st December 2019 was £1,976,000 (30th June 2019: £2,502,000), representing 18.5% of Western's net assets.

Edward Beale, a director of Western, is a non-executive director of Brand Architekts.

Bilby Plc (“Bilby”)

Bilby is an award-winning provider of gas and electrical installation, maintenance and general building services to local authority and housing associations predominantly in London and South East England. It has a strategy of growing organically and by acquisition. Further information about Bilby, which is admitted to trading on AIM, is available on its website: www.bilbyplc.com.

Bilby announced its interim results for the six-month period to 30th September 2019 on 19th December 2019 showing a profit after tax of £542,000 (2018: £1,133,000). Bilby also announced that it would not be recommending the payment of an interim dividend.

Western invested an additional £400,000 in a private placing undertaken by Bilby in November 2019 acquiring an additional 3,636,363 shares at a price of 11p per share.

Western now owns 6,336,363 Bilby shares, which represent 10.8% of Bilby's issued share capital. The market value of this investment at 31st December 2019 was £1,711,000 (30th June 2019: £877,000) representing 16.0% of Western's net assets.

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.

As announced in our Final Results on 30th September 2019, this investment has been fully provided against.

Edward Beale and David Marshall, both directors of Western, are non-executive directors of Tudor Rose International.

Industrial & Commercial Holdings PLC ("ICH")

ICH is a small unquoted PLC in which Western holds a 29.9% interest. It 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 Limited, 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 David Marshall, both directors of Western, are non-executive 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 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, both directors of Western, are non-executive directors of City Group.

Outlook

Whilst Brexit has finally been accomplished, the terms on which the UK trades with the EU and the rest of the world have yet to be settled. The timetable for a trade agreement with the EU is tight and negotiating postures could lead to further uncertainty in segments of the market over the remainder of the calendar year. The Company aims to reinvest its cash holdings in good companies when opportunities arise for acquisitions to be made at sensible prices.

Interim Dividend

As the Company is not receiving dividend income from liquid investments, the Board has decided not to recommend the payment of an interim dividend.

21st February 2020

D.C. MARSHALL
Chairman

The Directors confirm that, to the best of their knowledge:

- the unaudited interim results for the six months ended 31st December 2019, have been prepared in accordance with IAS 34 Interim financial reporting, as adopted by the EU; and
- the Interim Statement includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

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.westernselectionplc.co.uk; and
- by writing to City Group PLC, the Company Secretary, at 1 Ely Place, London EC1N 6RY

The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is considered to be in the public domain.

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 (Unaudited)

	Half year ended 31 st December		Year ended 30 th June
	2019	2018	2019
	£000	£000	£000
Income from investments in:			
Listed Core Holdings	57	108	150
Other listed investments	-	53	117
	<u>57</u>	<u>161</u>	<u>267</u>
Administrative expenses – normal	(182)	(172)	(332)
Profit on disposal of other investments	-	-	156
Operating (loss)/profit	(125)	(11)	91
Share of profits/(losses) of associated companies	15	(108)	(218)
Impairment provisions	-	-	(2,424)
Fair value adjustment on treasury investments	(100)	(312)	-
Finance income	-	28	14
Finance costs	(11)	(24)	(59)
Loss before taxation	(221)	(427)	(2,596)
Taxation	-	(5)	(15)
Loss after taxation attributable to equity shareholders	(221)	(432)	(2,611)
Other comprehensive income			
Fair value adjustment on Core Holdings	(539)	(3,279)	(2,901)
Total other comprehensive loss	(539)	(3,279)	(2,901)
Total comprehensive loss	(760)	(3,711)	(5,512)
Basic and diluted losses per share attributable to equity holders	(0.7)p	(2.4)p	(14.5)p
Interim dividend per share	-	1.10p	1.10p
Final dividend per share	-	-	-
Total dividends in respect of the period	-	1.10p	1.10p

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
Period ended 31st Dec 2019							
Balances at 1 st July 2019	7,180	2,654	3	1,547	(386)	428	11,426
(Loss)/Profit for the period	-	-	-	(100)	15	(136)	(221)
Other comprehensive loss	-	-	-	(539)	-	-	(539)
Balances at 31st Dec 2019	7,180	2,654	3	908	(371)	292	10,666
Period ended 31st Dec 2018							
Balances at 1 st July 2018	7,180	2,654	3	6,139	(168)	1,534	17,342
Loss for the period	-	-	-	(312)	(108)	(12)	(432)
Other comprehensive loss	-	-	-	(3,279)	-	-	(3,279)
Dividends paid	-	-	-	-	-	(206)	(206)
Balances at 31st Dec 2018	7,180	2,654	3	2,255	(276)	1,609	13,425

Statement of Financial Position (Unaudited)

	Half year ended 31 st December		Year ended 30 th June
	2019	2018	2019
	£000	£000	£000
Non-current Assets			
Investment in Associated companies	168	1,721	153
Investments in Core Holdings			
Bilby plc	1,711	1,647	878
Northbridge Industrial Services plc	4,455	3,564	4,901
Swallowfield plc	1,976	2,730	2,502
Treasury investments	-	4,117	-
	<u>8,310</u>	<u>13,779</u>	<u>8,434</u>
Current Assets			
Trade and other receivables	11	992	22
Cash and cash equivalents	2,448	146	3,093
	<u>2,459</u>	<u>1,138</u>	<u>3,115</u>
Current Liabilities			
Trade and other payables	(103)	(92)	(123)
Net Current Assets	<u>10,666</u>	<u>1,046</u>	<u>2,992</u>
Financial Liabilities due after more than one year	-	(1,400)	-
Net assets	<u>10,666</u>	<u>13,425</u>	<u>11,426</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	908	2,255	1,547
Share of undistributed losses of associates	(371)	(276)	(386)
Realised profits	292	1,609	428
Shareholders' funds	<u>10,666</u>	<u>13,425</u>	<u>11,426</u>
Net assets per share	59p	75p	64p
Number of shares in issue	17,949,872	17,949,872	17,949,872

Statement of Cash Flows (Unaudited)

	Half year ended 31 st December		Year ended 30 th June
	2019	2018	2019
	£000	£000	£000
Loss before taxation	(221)	(427)	(2,596)
Adjustments for non-cash and non-operating expenses:			
Profits on sale of other financial instruments	-	-	(1,847)
Fair value adjustment on other financial instruments	-	312	1,691
Foreign exchange loss	100	-	38
Impairment provisions	-	-	2,424
Share of results of associates	(15)	108	218
Net interest paid/(received)	11	(4)	44
Increase in trade and other receivables	4	8	13
(Decrease)/Increase in trade and other payables	(10)	(4)	18
Cash absorbed by operations	(131)	(7)	3
Taxation paid	-	(5)	(15)
Net interest (paid)/received	(14)	4	(37)
Cash outflow from operating activities	(145)	(8)	(49)
Cash flow from Investment activities			
Purchase of Core Holdings	(400)	-	-
Proceeds of disposal of other financial instruments	-	-	4,586
Purchase of other financial instruments	-	(100)	(100)
Cash (outflow)/inflow from investment activities	(400)	(100)	4,486
Financing activities			
Loan drawdown	-	425	600
Loan repayment	-	-	(1,575)
Equity dividend paid	-	(206)	(404)
Cash inflow/(outflow) from financing activities	-	219	(1,379)
Movement in cash and cash equivalents	(545)	111	3,058
Cash and cash equivalents at start of year	3,093	35	35
Effect on foreign exchange rate	(100)	-	-
Cash and cash equivalents at end of year	2,448	146	3,093

Reconciliation to movements in cash and cash equivalents

	At start of Period	Cash Flow	Exchange movement	At end of Period
Half year ended	£000	£000	£000	£000
31st December 2019				
Cash and cash equivalents	3,093	(545)	(100)	2,448
Net cash	3,093	(545)	(100)	2,448
31st December 2018				
Cash and cash equivalents	35	111	-	146
Bank borrowings	(975)	(425)	-	(1,400)
Net debt	(940)	(314)	-	(1,254)
Year ended 30th June 2019				
Cash and cash equivalents	35	3,058	-	3,093
Bank borrowings	(975)	975	-	-
Net debt	(940)	4,033	-	3,093

Notes: -

1. Basis of preparation:

The Company's results for the six months ended 31st December 2019 are unaudited. The information contained in this Interim Statement does not constitute statutory accounts within the meaning of the Companies Act 2006. The Company's statutory accounts for the year ended 30th June 2019 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.

A number of new or amended standards became applicable for the current reporting period, including IFRS 16 Leases. The Company does not have any lease contracts and the standard has no impact on the financial statements.

This Interim Statement has been prepared in accordance with the accounting policies contained in the Company's 2019 Annual Report and Accounts.

2. Earnings/(loss) per share:

The calculation of earnings/(loss) per share is based on the weighted average number of shares in issue for the period (17,949,872) and the loss on ordinary activities after tax of £221,000.