

18 September 2020

Western Selection PLC

(the “Company” or “Western”)

Unaudited Preliminary Results for the Year Ended 30 June 2020

The Company today announces its unaudited preliminary financial results for the year ended 30 June 2020.

Business Model

Western’s objective is to generate growth in value for shareholders over the medium to long-term. The Company also aspires to pay a progressive dividend, when in the best interest of the shareholders and the Company, including ensuring any dividend paid would not have a negative effect on the ability to maintain continued growth.

In the short term the Board is focussing on achieving value with its portfolio of current Core Holdings, supporting their management teams, including through further investments. At present we are not seeking to invest in new Core Holdings.

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.

Results for the year

2020 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. The emergence of Covid-19 and the lockdown of the United Kingdom in the first quarter of 2020 disrupted businesses and caused uncertainty in the stock market. The markets have subsequently rebounded since the lows seen in March and April although are still below the levels they were before Covid-19.

The Company’s net assets per share have decreased by 29.7% to 45p at 30 June 2020 compared with 64p per share at 30 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 32.3% during the reporting period, taking into account the purchase of a further 3,636,363 shares in Bilby PLC for £400,000.

Bilby did not pay a dividend in the period and as a result dividend income during the period from Core Holdings has decreased to £56,000 compared with £150,000 for the same period last year.

Following this, the Company is reporting a loss on ordinary activities after tax for the year of £180,000 (2019 – loss after tax £2,611,000)

Dividend

As the Company had not received dividend income from liquid assets, no interim dividend was recommended by the board.

As market uncertainty continues, valuations of core holdings remain low and Western is no longer receiving dividend income from its liquid investments, the Board is unable to recommend payment of a final dividend. Dividends will recommence when the Company has sufficient distributable reserves.

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 31 December 2019 on 7 April 2020 and recorded a loss after tax of £236,000 for the year (2018- loss after tax £2,409,000). No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year (2019 - £Nil).

Western holds 3,300,000 Northbridge shares which represents 11.8% of Northbridge’s issued share capital. The market value of this investment at 30 June 2020 was £2,739,000 (2019 - £4,900,500) which represents approximately 33.7% (2019 – 42 %) of Western’s net assets.

Brand Architekts Group plc (“BAG”)

BAG, which is admitted to trading on AIM, is a beauty brands business specialising in the delivery a growing portfolio of innovative and exciting new products, spanning areas such as haircare, skincare and body care, to consumers and retailers. Further information about BAG is available on its website: <https://www.brandarchitekts.com/>

BAG announced its interim results for the 28 week period ended 11 January 2020 on 10 March 2020 and reported profit after tax of £6,600,000 (2019 final results for the 52 week period - £3,640,000). This figure was heavily impacted by the profit of £8.8m on disposal of its manufacturing business, offset by a loss on discontinued operations of £2.5m.

Western holds 1,300,000 BAG shares which represents 7.6% of BAG’s issued share capital. The market value has decreased to £1,625,000 (2019 - £2,502,000), which represents approximately 20% (2019 – 21.4%) 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 31 March 2020 on 27 July 2020 showing a profit after tax of £1,379,000 compared to a loss after tax of £8,596,000 for the previous year ended 31 March 2019. No interim dividends were paid during the year and Bilby's Board did not recommend a final dividend (2019 - £67,500).

Western holds 6,336,363 Bilby shares which represents 10.79% of Bilby's issued share capital. Following the additional £400,000 acquisitions during the year, the market value of this investment on 30 June 2020 has increased to £1,235,590 (2019- £877,000), which represents approximately 15.2% (2019 – 7.5%) of Western's net assets.

Associated Companies

Tudor Rose International Limited (“Tudor Rose International”)

As announced in our final results on 30 September 2019, this investment had been fully provided against. With effect from 8 April 2020 the Company sold its entire shareholding of 441,090 A Ordinary shares and 175,000,000 Preference shares in Tudor Rose International for £3 plus contingent deferred consideration and an option to repurchase the shares at the same value. The option to repurchase the shares may be exercised on any date between 1 April 2022 and 31 March 2023. No deferred consideration is expected, and the Board does not expect to exercise the option to repurchase the shares.

Edward Beale and David Marshall resigned as directors of the Company with effect from 11 March 2020.

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.

The initial Main Issues Report (“MIR”) was released by East Dunbartonshire Council in October 2019 which was followed by a consultation period to which the Company's development partner submitted additional representations on behalf of the Company. The final MIR was due for publication in March 2020 but has been delayed due in part to Covid-19 and discussion remain on-going at this stage.

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, Sterling and foreign currency bank accounts (Euros, US Dollars and Swiss Francs). As of March 2020, Euro balances were redeployed in US Dollar and Swiss Franc. This mix of currencies has provided opportunities to profit from any devaluation in sterling and has resulted in £83,000 foreign exchange gain.

At the year-end the Company had cash of £2,475,000 (2019 – £3,093,000) and no stock market investments (2019 - Nil). The Company had no outstanding bank borrowing at the year-end (2019 – Nil). The Company has an Interest rate swap agreement with Coutts & Co covering the period to 30 September 2022. The interest swap was valued as a liability of £36,885 at 30 June 2020 (2019 - £19,101).

Outlook

The United Kingdom left the European Union on 31 January 2020 however as trade deal negotiations currently remain unsettled the eventual outcome of Brexit is still unknown. In addition, rising political and trading policy uncertainty across the globe have negatively affected trading conditions.

The first quarter of 2020 saw the emergence of a novel coronavirus Covid-19, with the United Kingdom going into lockdown on 23 March 2020. In addition to the personal and social effects that Covid-19 has brought due to the loss of life worldwide and locking down of entire countries, there has also been a significant financial impact including on the stock market both in the United Kingdom and worldwide which has effected the value of investments as well as companies' desire to pay dividends.

Stock markets have rebounded worldwide since the lows in March and April, although they are yet to return to pre-Covid levels, and there are encouraging signs of investor confidence improving. However, as the pandemic remains widespread worldwide and a vaccine is not yet available, financial markets are still subject to fluctuations.

The Covid-19 pandemic and the possibility of a second wave potentially influencing economic recovery continues to cause certain uncertainty. This includes the possibility of another downturn in the market and companies being pushed into liquidation due to the consequences of decreased trading during the pandemic. In addition, increased costs and difficulties in trading that may arise from a no-deal Brexit. These risks have the potential to cause indirect issues for the Company as the amount of income received from dividends could be lower than anticipated and the overall value of assets held could be decreased, thereby decreasing the value of the Company as a whole.

Despite these factors, the Company implements robust mitigation methods including ensuring the Company has access to sufficient funds to meet all financial obligations, conducting intermittent stress testing to ensure the Company shall remain a viable going concern for at least 3 years and monthly reviews of the Company's investment portfolio so swift action can be taken, if required, if issues are raised with any investment.

In addition there have been encouraging signs with respect to the recovery of global markets and therefore the Company continues to aim to reinvest the proceeds from the sale of its liquid investments when opportunities arise to buy shareholdings in good companies at sensible prices whilst recognising the need for caution in the current economic climate.

18 September 2020

The Company's 2020 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 June	Notes	2020 £000	2019 £000
Income from investments in:			
Listed core holdings		56	150
Other listed undertakings		-	117
		<u>56</u>	<u>267</u>
Administrative expenses	3	(326)	(332)
Profit on disposal of other investments		-	156
		<u>(326)</u>	<u>156</u>
Operating (loss)/profit		(270)	91
Share of loss of associated companies		(1)	(218)
Impairment provisions		-	(2,424)
Foreign exchange on bank balances		121	-
Finance income		-	14
Finance costs		(30)	(59)
Loss before taxation		(180)	(2,596)
Taxation	5	-	(15)
Loss after taxation attributable to equity shareholders		(180)	(2,611)
Other comprehensive loss			
Bank revaluation		(38)	38
Fair value adjustment on Core Holdings		(3,081)	(2,939)
Total other comprehensive loss		<u>(3,119)</u>	<u>(2,901)</u>
Total comprehensive loss		(3,299)	(5,512)
Basic and diluted loss per share attributable to equity holders	7	(1.0)p	(14.5)p

Statement of Changes of Equity

	Share capital £000	Share premium account £000	Capital reserve account £000	Unrealised profit/(loss) on investments £000	Share of undistributed losses of associates £000	Realised profit/(loss) £000	Total £000
Year ended 30 June 2020							
Balances at 1 July 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>
(Loss)/profit for the year	-	-	-	121	(1)	(300)	(180)
Share of undistributed losses of associates reclassified to realised equity on disposal	-	-	-	-	301	(301)	-
Other comprehensive loss - Fair values net of tax	-	-	-	(3,119)	-	-	(3,119)
Total comprehensive loss	-	-	-	<u>(2,998)</u>	<u>300</u>	<u>(601)</u>	<u>(3,299)</u>
Transactions with shareholders							
Final dividend paid in respect of prior year (note 6)	-	-	-	-	-	-	-
Interim dividends paid in respect of the year (note 6)	-	-	-	-	-	-	-
Total transactions with shareholders	-	-	-	-	-	-	-
Balances at 30 June 2020	<u>7,180</u>	<u>2,654</u>	<u>3</u>	<u>(1,451)</u>	<u>(86)</u>	<u>(173)</u>	<u>8,127</u>
	Share capital £000	Share premium account £000	Capital reserve account £000	Unrealised profit/(loss) on investments £000	Share of undistributed losses of associates £000	Realised profit/(loss) £000	Total £000
Year ended 30 June 2019							
Balances at 1 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 for the year	-	-	-	(1,691)	(218)	(702)	(2,611)
Other comprehensive loss – Fair values net of tax	-	-	-	(2,901)	-	-	(2,901)
Total comprehensive loss	-	-	-	<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 (note 6)	-	-	-	-	-	(207)	(207)
Interim dividends paid in respect of the year (note 6)	-	-	-	-	-	(197)	(197)
Total transactions with shareholders	-	-	-	-	-	(404)	(404)
Balances at 30 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 30 June	Notes	2020 £000	2019 £000
Non-current Assets:			
Investment in Associated companies	8	152	153
Investments in Core Holdings	9	<u>5,600</u>	<u>8,281</u>
		<u>5,752</u>	<u>8,434</u>
Current Assets			
Trade and other receivables	10	27	22
Cash and cash equivalents		<u>2,475</u>	<u>3,093</u>
		<u>2,502</u>	<u>3,115</u>
Current Liabilities			
Trade and other payables	11	<u>(127)</u>	<u>(123)</u>
Net Current Assets		<u>2,375</u>	<u>2,992</u>
Net Assets		<u>8,127</u>	<u>11,426</u>
Equity			
Share capital	14	7,180	7,180
Share premium account		2,654	2,654
Capital reserve account		3	3
Unrealised (loss)/profit on investments		(1,451)	1,547
Share of undistributed losses of associates		(86)	(386)
Realised (loss)/profit		<u>(173)</u>	<u>428</u>
Shareholders' Funds		<u>8,127</u>	<u>11,426</u>

Statement of Cash Flow

For the year ended 30 June		2020	2019
	Notes	£000	£000
Loss before taxation		(180)	(2,596)
Adjustment for non-cash items			
Profit on sale of other investments		-	(1,847)
Fair value adjustment on other investments		-	1,691
Foreign exchange on bank balances		(121)	-
Impairment provisions		-	2,424
Share of results of associates		1	218
Net interest payable		30	44
Changes in working capital			
Increase/(decrease) in trade and other receivables		(6)	13
Increase in trade and other payables		15	18
Cash absorbed by operations		(261)	(35)
Taxation paid		-	(15)
Net interest paid		(40)	(37)
Net cash absorbed by operations		(301)	(87)
Cash flow from investment activities			
Purchase of Core Holdings	9	(400)	-
Proceeds on disposal of other financial instruments		-	4,586
Purchase of other financial instruments		-	(100)
Net cash (absorbed)/generated by investment activities		(400)	4,486
Financing activities			
Loan drawdown		-	600
Loan repayment		-	(1,575)
Equity dividends paid	6	-	(404)
Net cash absorbed by financing activities		-	(1,379)
Movement in cash and cash equivalents		(701)	3,020
Cash and cash equivalents at start of year		3,093	35
Foreign exchange		83	38
Cash and cash equivalents at end of year		2,475	3,093

Analysis of net debt

	At start of year £000	Cash Flow £000	Foreign exchange £000	At end of year £000
2020				
Cash and cash equivalents	3,093	(701)	83	2,475
2019				
Cash and cash equivalents	35	3,020	38	3,093
Bank overdraft	(975)	975	-	-
Total net cash/(debt)	(940)	3,995	38	3,093

Notes

1. Earnings per share

Earnings per share are based on the loss on ordinary activities after taxation of £180,000 (2019 – loss of £2,611,000) and on 17,949,872 shares (2019 – 17,949,872) being the weighted average number of shares in issue during the period.

	2020	2019
Basic loss per share	<u>(1.0)p</u>	<u>(14.5)p</u>

Diluted earnings per share at 30th June 2020 and 30th June 2019 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 2020 and does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

The accounts for the year ended 30th June 2019, 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 2020 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.