



# WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER

2004

# Western Selection P.L.C.

## Directors:

D.C. Marshall, Chairman  
A.R.C. Barclay  
A.J. Hall  
J.M. Robotham, OBE, FCA, MSI

## Registered office

25 City Road,  
London, EC1Y 1BQ

31st January 2005

## TO THE MEMBERS

The directors are pleased to present the unaudited interim results of the company for the six months ended 31st December 2004.

The continuing recovery in world stock markets in the second half of 2004, along with a good performance from our strategic investments in Creston and Swallowfield, has contributed to a further recovery in our net assets per share – up 3% from 23.2p at 30th June to 23.8p at 31st December 2004. Over the five years to 31st December 2004, the value of our net assets per share has outperformed the FTSE 100 index by 24%.

The Company made a profit for the half year of £114,000 (0.26p per share) after tax, compared to last year's profit of £104,000 (0.24p per share) after tax. Last year's results included profits taken on sales of General Portfolio investments of £130,000 compared to £212,000 this year.

## Investment policy and management

Our investment policy is to hold strategic stakes in a few special situations and maintain a diversified portfolio of U.K. and European listed equities, together with a few holdings on AIM, Ofex and some unlisted issues. Strategic investments are minority positions where we seek to maintain a close working relationship with the management of the company. Western is represented on the board of Creston plc.

An analysis of assets is set out below. The general portfolio is managed by two non-executive directors, Andrew Hall and Michael Robotham, and the board as a whole takes decisions in relation to both our strategic and unlisted investments.

Assets at market value	31st December		30th June
	2004 £000	2003 £000	2004 £000
<b>Strategic Investments</b>			
Creston plc	3,174	2,830	2,620
Swallowfield plc	885	795	775
Doctors Direct PLC #	–	377	307
General Portfolio investments – UK	5,581	5,899	5,522
– Overseas	552	692	548
AIM, Ofex and other investments	1,175	840	806
	<u>11,367</u>	<u>11,433</u>	<u>10,578</u>
Cash at bank and on deposit	11	3	10
Other net assets/(liabilities)	(170)	43	(229)
	<u>11,208</u>	<u>11,479</u>	<u>10,359</u>
Bank overdraft	(865)	(871)	(278)
<b>Net assets</b>	<u>10,343</u>	<u>10,608</u>	<u>10,081</u>
Net assets per share	23.8p	24.4p	23.2p
Number of shares in issue	43,512,379	43,511,903	43,511,903

# During the period the investment in Doctors Direct was transferred from Strategic Investments to AIM, Ofex and other investments.

## **General Portfolio**

The performance of our General Portfolio has been held back by a decline in the price of Sanctuary shares of almost 12%. Excluding Sanctuary, our General Portfolio has increased in value by more than 4% since 30th June 2004.

Doctors Direct has experienced difficult trading conditions and, as a matter of prudence, we have reserved against this investment in this half year.

## **Strategic Investments**

### **Creston plc**

Creston is a marketing services group, operating in the U.K., with significant international clients, whose strategy is to grow within its sector both by organic growth and acquisition.

Creston's results for the half-year to 30th September 2004 show a profit after tax of £1,022,000 (2003 – £515,000), equivalent to earnings of 4.5p per share (2003 – 4.6p). Our income in the period from Creston amounted to £16,158 (2003 – £32,000, which comprised a final dividend and a special interim dividend).

Western exercised its option for 308,264 Creston shares at a price of £1.31 per share and now owns 2,308,264 shares, being 10.05% of Creston's issued share capital. The market value of the Company's holding in Creston on 31st December 2004 was £3,174,000 (30th June 2004 – £2,620,000), being 26.7% of Western's net assets.

I am the non-executive chairman of Creston.

### **Swallowfield plc**

Swallowfield has a long history of developing and producing aerosol, cosmetic and toiletry products stretching back to 1950. As one of Europe's premier contract manufacturers of toiletries and cosmetics it offers an unrivalled breadth of product capabilities. Its skill in design, developing and producing gift packs and themed product ranges compliments its production capability. Swallowfield plans "to raise shareholder returns by driving down total input costs, improving manufacturing efficiencies, presenting new and exciting product ranges and improving our pricing strategies".

Swallowfield's latest published results for the year to 30th June 2004 showed a profit after tax, but before exceptional restructuring costs, of £1,094,000 (2003 – £718,000). Exceptional restructuring costs of £396,000 relating to a series of restructuring actions designed to generate annual overhead savings of £500,000 were incurred during the year. The value of this business is underpinned by net assets in excess of £1 per share.

We own 1,000,000 shares in Swallowfield being 8.88% of the issued share capital. The market value of the Company's holding in Swallowfield on 31st December 2004 was £885,000 (30th June 2004 – £775,000) being 7.5% of the net assets of the Company.

### **Extraordinary General Meeting**

The Company proposes to make an offer to small shareholders to buy back their shareholdings, consolidate its share capital and seek shareholder's approval for waivers for London Finance & Investment Group P.L.C. (which owns 40.48% of Western's issued share capital) from the requirements of Rule 9 of the City Code. A circular letter to shareholders giving full details of these proposals and convening an Extraordinary General Meeting to consider and, if thought fit, approve them will be sent out in due course.

### **Conclusion**

The stock market enjoyed above average gains during the final quarter of 2004 and while we do not expect a repeat of this performance in the short term, we hope to be able to increase our net asset value over the next six months.

We declared a dividend of 0.55p per share for the year to 30th June 2004. It is not our policy to pay interim dividends, but it is our intention, subject to unforeseen circumstances, to at least maintain the dividend for the current year, which we anticipate paying in October 2005.

**D.C. MARSHALL**

Chairman

## Unaudited Profit and Loss Account

	Half year ended 31st December		Year ended 30th June
	2004 £000	2003 £000	2004 £000
Interest receivable	–	1	2
<b>Income from investments in:</b>			
Listed strategic undertakings	36	52	56
Other listed investments	51	51	212
Surplus on disposal of listed undertakings	212	130	(248)
Net (increase)/decrease in provisions against investments	(27)	–	570
	<u>272</u>	<u>234</u>	<u>592</u>
Administrative expenses	(135)	(118)	(250)
<b>Operating profit</b>	<u>137</u>	<u>116</u>	<u>342</u>
Interest payable and similar charges	(23)	(12)	(30)
<b>Profit on ordinary activities before taxation</b>	<u>114</u>	<u>104</u>	<u>312</u>
Taxation	–	–	(5)
<b>Profit on ordinary activities after taxation</b>	<u>114</u>	<u>104</u>	<u>307</u>
Dividends	–	–	(239)
<b>Retained profit for the period</b>	<u>114</u>	<u>104</u>	<u>68</u>
Basic earnings per share	0.26p	0.24p	0.71p
Diluted earnings per share	0.26p	0.24p	0.71p
Dividend per share	Nil	Nil	0.55p

## Unaudited Balance Sheet

	31st December		30th June
	2004	2003	2004
	£000	£000	£000
<b>Fixed assets</b>	<b>10,316</b>	10,041	9,674
Current assets	81	82	100
Cash at bank and in hand	11	3	10
Bank overdraft	(865)	(871)	(278)
Current liabilities	(251)	(42)	(329)
<b>Net current liabilities</b>	<b>(1,024)</b>	(828)	(497)
<b>Total assets less current liabilities</b>	<b>9,292</b>	9,213	9,177
<b>Capital and Reserves</b>			
Called up share capital	4,351	4,351	4,351
Share premium account	1,647	1,646	1,646
Warrants reserve	355	355	355
Profit and loss account	2,939	2,861	2,825
	<b>9,292</b>	9,213	9,177
<b>Net Assets at market value – £000</b>	<b>10,343</b>	10,608	10,081
<b>Net Assets at market value per share – pence</b>	<b>23.8p</b>	24.4p	23.2p

### Notes:

1. The results for the half-year are unaudited. They have been prepared on the basis of the accounting policies adopted in the accounts for the year ended 30th June 2004. The financial information in this interim announcement does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The statutory accounts of Western Selection P.L.C. for the year ended 30th June 2004 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 and did not contain a statement under Section 237(2) or 272(3) of the Companies Act 1985.

2. The calculation of earnings per share is based on the weighted average number of shares in issue for the period and the profit on ordinary activities after tax.

# Cash Flow Statement

	Notes	Half year ended 31st December 2004		Year ended 30th June 2004	
		£000	£000	£000	£000
Net cash (outflow)/inflow from operating activities	(a)		134		(23)
<b>Returns on investments and servicing of finance</b>					
Interest paid		(23)		(30)	
Interest received		—		2	
			(23)		(28)
<b>Taxation paid</b>			—		(5)
<b>Financial investment</b>					
Proceeds of disposal of fixed asset investments		1,237		2,639	
Purchase of fixed asset investments		(1,695)		(2,386)	
<b>Net cash (outflow)/inflow from financial investment activities</b>			(458)		253
<b>Equity dividend paid</b>			(239)		(226)
<b>Increase in debt</b>			(586)		(29)
Net debt at start of year			(268)		(239)
<b>Net debt at end of year</b>	(b)		(854)		(268)

## Notes:

### (a) Reconciliation of operating profit to net cash inflow from operating activities

Operating profit	137	342
(Profit)/loss on sale of investments	(212)	248
Net increase/(release) of provisions against investments	27	(570)
Interest received	—	(2)
Decrease/(increase) in debtors and accrued income	20	(57)
Increase in creditors	162	16
<b>Net cash (outflow)/inflow from operating activities</b>	<b>134</b>	<b>(23)</b>

### (b) Reconciliation to movements in net debt

	At Start Period £000	Cash Flow £000	At End Period £000
<b>2004/2005</b>			
Cash at bank	10	1	11
Bank overdraft	(278)	(587)	(865)
	(268)	(586)	(854)
<b>2003/2004</b>			
Cash at bank	3	7	10
Bank overdraft	(242)	(36)	(278)
	(239)	(29)	(268)

## Market value of General Portfolio

	31st December 2004	
	£000	%
Sanctuary Group	1,958	31.9
Treant	599	9.8
UCM Group	347	5.7
Bioquell	203	3.3
Shell Transport & Trading Co	200	3.3
BP	152	2.5
United Utilities	126	2.1
Julius Baer Holdings	125	2.0
Associated British Foods	117	1.9
Diageo	111	1.8
Gallaher Group	111	1.8
Prudential Corporation	106	1.7
Novartis	105	1.7
Imperial Tobacco Group	100	1.6
Johnson Matthey	99	1.6
British American Tobacco	99	1.6
Cadbury Schweppes	96	1.6
Nestle SA	96	1.6
Lloyds TSB Group	95	1.5
Siemens	93	1.5
Roche Holdings, Genusscheine	90	1.5
HSBC Bank	88	1.4
Scottish & Newcastle	87	1.4
GlaxoSmithKline	79	1.3
Standard Chartered	77	1.3
Mersey Docks & Harbour Co	75	1.2
Gibbs & Dandy	61	1.0
Others (less than 1%)	638	10.4
	<u>6,133</u>	<u>100.0</u>

