



WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER

2005

Western Selection P.L.C.

(Incorporated in England – No. 234871)

Directors:

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

Registered office

30 City Road,
London, EC1Y 2AG

31st January 2006

TO THE MEMBERS

The directors are pleased to present the unaudited interim results of the company for the six months ended 31st December 2005.

Our net assets per share have increased by 12.6% in the period to 97.38p per share, reflecting the continuing recovery in world stock markets in the second half of 2005. The good performance from our strategic investment in Creston, has been offset by a poor performance from our strategic investment in Swallowfield and a fall in the value of our investment in UCM, following profit warnings from both companies. We believe that our mix of Strategic Investments together with a General Portfolio of U.K. and European stocks is a sound investment policy for our Company.

The Company made a profit for the half year of £126,000 (1.14p per share) after tax, compared to last year's profit of £114,000 (1.04p per share) after tax. Last year's results included profits taken on sales of investments of £212,000 compared to £68,000 this year.

During the period 810,088 shares were issued on exercise of warrants, raising £518,000. There are now 669,509 warrants in issue and the final exercise date is 28 days after our Annual General Meeting to be held later 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 shares. 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 boards of one of our two strategic investments.

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
	2005	2004	2005
	£000	£000	£000
Strategic Investments			
Creston plc	5,849	3,174	4,455
Swallowfield plc	455	885	765
General Portfolio investments – UK	4,587	5,581	4,481
– Overseas	671	552	702
AIM, Ofex and other investments	936	1,175	886
	<u>12,498</u>	<u>11,367</u>	<u>11,289</u>
Cash at bank and on deposit	25	11	25
Other net assets/(liabilities)	20	(170)	(269)
	<u>12,543</u>	<u>11,208</u>	<u>11,045</u>
Bank overdraft	<u>(1,161)</u>	<u>(865)</u>	<u>(1,637)</u>
Net assets	<u>11,382</u>	<u>10,343</u>	<u>9,408</u>
Net assets per share*	97.4p	95.2p	86.5p
Number of shares in issue*	11,688,182	10,878,094	10,878,094

* 2004 figures have been adjusted for the share consolidation and sub-division.

General Portfolio

The value of our general portfolio, excluding UCM, increased by 5% over the period. During the period we realised profits from our general portfolio of £200,000. Of this sum £132,000 has been utilised in the Unaudited Profit and Loss Account, on page 3, to write back the provisions made last year against our investment in Sanctuary Group. This holding was sold in July and August without further loss.

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 2005 show a profit after tax under IFRS of £765,000 (2004 - £729,000), equivalent to earnings of 2.14p per share (2004 - 3.17p). Creston's headline, diluted earnings per share have increased 54% to 6.70p from 4.34p.

Western owns 2,873,998 shares in Creston (8.2%) with a market value at 31st December 2005 of £5,849,000 (30th June 2005 - £4,455,000), being 51% of Western's net assets.

I am the non-executive chairman of Creston.

Swallowfield plc

Swallowfield formulates, manufactures and packages high quality household goods, toiletries and cosmetics across the whole spectrum of consumer markets for own label and brand names. Swallowfield announced in December that as it only expected to break even for the year (before restructuring costs), it would not be paying an interim dividend, and it would shortly finalise a comprehensive reorganisation and rationalisation programme across the entire business.

Swallowfield's latest published results for the year to 30th June 2005 showed a profit after tax, but before exceptional restructuring costs, of £76,000 (2004 - £816,000). The value of this company is underpinned by net assets in excess of 85p per share, compared to the current share price of 45p.

We own 1,000,000 shares in Swallowfield (8.88% of their issued share capital). The market value of the Company's holding in Swallowfield on 31st December 2005 was £455,000 (30th June 2005 - £765,000) representing 4% of our net assets.

Conclusion

The stock market enjoyed above average gains during the final quarter of 2005 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 2.32p per share for the year to 30th June 2005. It is not our policy to pay interim dividends, but it is our intention, subject to unforeseen circumstances, to maintain the dividend for the current year, which we anticipate paying in October 2006.

D.C. MARSHALL
Chairman

Unaudited Profit and Loss Account

	Half year ended 31st December		Year ended 30th June
	2005 £000	2004 £000	2005 £000
Income from investments in:			
Listed strategic undertakings	65	36	106
Other listed investments	43	51	173
Surplus on disposal of listed undertakings	68	212	461
Net decrease/(increase) in provisions against investments	132	(27)	(209)
	<u>308</u>	<u>272</u>	<u>531</u>
Administrative expenses	(155)	(135)	(308)
Operating profit	<u>153</u>	<u>137</u>	<u>223</u>
Interest payable and similar charges	(27)	(23)	(66)
Profit on ordinary activities before taxation	<u>126</u>	<u>114</u>	<u>157</u>
Taxation	–	–	(4)
Profit on ordinary activities after taxation	<u>126</u>	<u>114</u>	<u>153</u>
Dividends	–	–	(252)
Retained profit/(loss) for the period	<u>126</u>	<u>114</u>	<u>(99)</u>
Basic earnings per share	1.14p	1.04p	1.40p
Diluted earnings per share	1.14p	1.04p	1.40p
Dividend per share	Nil	Nil	2.32p

Unaudited Balance Sheet

	31st December		30th June
	2005	2004	2005
	£000	£000	£000
Fixed assets	10,834	10,316	10,932
Current assets	411	81	67
Cash at bank and in hand	25	11	25
Bank overdraft	(1,161)	(865)	(1,637)
Current liabilities	(390)	(251)	(336)
Net current liabilities	(1,115)	(1,024)	(1,881)
Total assets less current liabilities	9,719	9,292	9,051
Capital and Reserves			
Called up share capital	4,675	4,351	4,351
Share premium account	2,035	1,647	1,646
Warrants reserve	161	355	355
Profit and loss account	2,848	2,939	2,699
	9,719	9,292	9,051
Net Assets at market value – £000	11,382	10,343	9,408
Net Assets at market value per share – pence	97.38p	95.2p	86.5p

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 2005. 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 2005 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. The figures for 2004 have been adjusted for the share consolidation and sub-division.

Cash Flow Statement

	Notes	Half year ended		Year ended	
		31st December 2005	31st December 2005	30th June 2005	30th June 2005
		£000	£000	£000	£000
Net cash outflow from operating activities	(a)		(82)		(2)
Returns on investments and servicing of finance					
Interest paid			(27)		(66)
Taxation paid			-		(4)
Financial investment					
Proceeds of disposal of fixed asset investments		1,379		2,362	
Purchase of fixed asset investments		(1,080)		(3,368)	
Net cash inflow/(outflow) from financial investment activities			299		(1,006)
Financing activities					
Proceeds of new share issues		518		-	
Equity dividend paid		(252)		(239)	
Compensation recovered from sale of fractions/(paid to shareholders) on share consolidation		20		(27)	
Net cash inflow/(outflow) from financing activities			286		(266)
Decrease/(Increase) in debt			476		(1,344)
Net debt at start of year			(1,612)		(268)
Net debt at end of year	(b)		(1,136)		(1,612)
Notes:					
(a) Reconciliation of operating profit to net cash inflow from operating activities					
Operating profit			153		223
Profit on sale of investments			(68)		(461)
Net increase/(release) of provisions against investments			(132)		209
Decrease/(increase) in debtors and accrued income			(344)		33
(Decrease)/increase in creditors			309		(6)
Net cash (outflow)/inflow from operating activities			(82)		(2)
(b) Reconciliation to movements in net debt					
		At Start Period	Cash Flow	At End Period	
		£000	£000	£000	
2005/2006					
Cash at bank		25	-	25	
Bank overdraft		(1,637)	476	(1,161)	
		(1,612)	476	(1,136)	
2004/2005					
Cash at bank		10	15	25	
Bank overdraft		(278)	(1,359)	(1,637)	
		(268)	(1,344)	(1,612)	

Market value of General Portfolio

	31st December 2005	
	£000	%
Treant	699	13.3
Royal Dutch Shell	240	4.6
UCM Group	193	3.7
Bioquell	188	3.6
BP	186	3.5
Nestlé	174	3.3
Johnson Matthey	141	2.7
United Utilities	134	2.6
BHP Billiton	133	2.5
Roche Holdings	131	2.5
Prudential Corporation	128	2.4
Diageo	126	2.4
Associated British Ports	126	2.4
GlaxoSmithKline	125	2.4
Novartis	122	2.3
Cadbury Schweppes	110	2.1
Standard Chartered	104	2.0
Lloyds TSB Group	98	1.9
HSBC Bank	93	1.8
Shanks Group	85	1.6
Travis Perkins	84	1.6
Eni	80	1.5
Forth Ports	80	1.5
McBride	80	1.5
British American Tobacco	78	1.5
Associated British Ports	70	1.3
Imperial Tobacco Group	69	1.3
Gallaher Group	66	1.2
Royal & Sun Alliance Insurance	63	1.2
Swire Pacific	61	1.2
BOC Group	60	1.1
Gibbs & Dandy	60	1.1
Cobham	60	1.1
Renishaw	58	1.1
Balfour Beatty	57	1.1
Hutchinson Whampoa	55	1.1
Others (less than 1%)	841	16.0
	<u>5,258</u>	<u>100.0</u>

