

Date: 14<sup>th</sup> February 2008  
On behalf of: Western Selection P.L.C. (“the Company”)  
Embargoed until: 0700hrs

## **Western Selection P.L.C. Interim Results**

Western Selection P.L.C. (LSE: WSE), an investment finance company, today announces its unaudited interim results for the six months ended 31<sup>st</sup> December 2007.

### **Highlights from last six month period include:**

- Completion of innovative warrant issue, raising £2.565 million.
- Profit before tax £38,000 compared to loss before exceptionals of £29,000 for the same period last year
- Value of general portfolio increased by 4.3% to £5.2 million.

### **David Marshall, Chairman of Western Selection commented:**

*“The volatile financial markets have been challenging for our strategic investments. However, we remain focused and believe that our Strategic Investments together with the general portfolio, will drive growth forward. The Group has strong cash balances and borrowing facilities and the Board remains confident about its investments and their long term growth potential.”*

- Ends -

### **Enquiries to:**

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### **Notes to Editors:**

- The Company is an investment finance company and the investment policy is to hold strategic stakes in a few smaller UK quoted companies and maintain a diversified portfolio of U.K. listed equities, together with a few holdings on AIM, PLUS and some unlisted shares. Strategic Investments are minority positions where the Board seeks to maintain a close working relationship with the management of the investee. Western is represented on the boards of two of its three Strategic Investments. 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 strategic and unlisted investments.

**TO THE MEMBERS**

The Directors are pleased to present the unaudited interim results of the Company for the six months ended 31<sup>st</sup> December 2007.

The performance over the period appears disappointing because of a significant decrease in the share price of two of our Strategic Investments, Creston plc and Northbridge Industrial Services plc. Creston's share price fell 53% over the period and the company now trades at a price equivalent to about 4.5 times forecast earnings for the year. This and a decrease of almost 20% in the share price of another strategic investment, Northbridge, have been the main cause in the reduction in the Company's net assets per share from 85p at 30<sup>th</sup> June 2007 (adjusted for the exercise of warrants) to 63p. Despite this volatility in the share price of two of our Strategic Investments, we continue to believe that our mix of Strategic Investments together with a General Portfolio of U.K. stocks remains a sound investment policy for our Company. We have confidence in our Strategic Investments, which still have attractive long term growth prospects.

During the period, shareholders subscribed for 5,130,088 of 2007 Warrants and 7,695,132 of 2010 Warrants. All of the 2007 warrants were exercised in December, bringing the total raised in the period to £2,565,000. The 2010 Warrants are exercisable 28 days after the despatch of the Company's interim and annual reports for each of the financial years ending in 2008 to 2010 and, assuming that they are all exercised, will raise a further £3,848,000 in that period. We are very pleased to have completed this innovative Warrant issue for a total cost of £179,000, under 3% of funds being raised.

The Company made a profit for the half year of £38,000 (0.3p per share). This compares to a loss (before exceptional items) for the same period last year of £29,000 (0.2p per share) after tax. The main difference is the amount included for profits realised on sale of investments of £81,000 compared to £31,000 last year. Professional fees increased substantially in the period and this has triggered a review of our professional advisers.

Western is very liquid with cash balances in excess of £500,000 and £2.5 million of unused borrowing facilities available to take advantage of any investment opportunities.

### **Investment policy and management**

Western's investment policy is to hold strategic stakes in a few special situations and maintain a diversified portfolio of U.K. listed equities, together with a few holdings on AIM, PLUS and some unlisted shares. Strategic investments are minority positions where we seek to maintain a close working relationship with the management of the investee. Western is represented on the boards of two of our three strategic investments and is working to achieve representation on the third.

An analysis of assets is shown on the face of the balance sheet. 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.

### **General Portfolio**

The value of our general portfolio increased by 4.3% over the period to £5,248,000, compared to an increase in the FTSE100 index of 2.0%. This represents 49% of Western's assets. A net £610,000 has been withdrawn from the general portfolio during the period, as the market began to weaken.

### **Strategic Investments**

#### **Creston plc**

Creston is a marketing services group whose strategy is to grow within its sector to become a substantial, diversified international marketing services group. Creston's results for the half-year to 30<sup>th</sup> September 2007 show a profit after tax of £2,280,000 (2006 restated: £790,000), equivalent to earnings of 4.1p per share (2006 restated: 1.6p).

Western owns 3,000,000 shares in Creston (5.4%) with a market value at 31<sup>st</sup> December 2007 of £2,288,000 (30<sup>th</sup> June 2006: £4,890,000), being 20.2% of Western's assets.

I am the non-executive chairman of Creston.

### **Northbridge Industrial Services PLC**

Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment such as electrical load banks and generators. Northbridge's first acquisition was Crestchic Limited, one of the largest specialist load bank equipment manufacturers in the world, located in Burton-on-Trent, selling and hiring to a national and international customer base.

Northbridge has recently acquired RDS (Technical) Limited ("RDS") which conducts the majority of its activities through a branch office in Baku, Azerbaijan. Its principal business is to provide generators and associated equipment by way of hire, sale and service to the oil and gas industry in the Caspian region. RDS is held by Northbridge (Middle East) FZE, a recently incorporated wholly owned subsidiary of Northbridge, which has been established in the Jebel Ali Free Zone in Dubai, UAE. This will enable its newly formed subsidiary in Dubai to establish an oil and gas business in the Middle East and Caspian region with a broader range of equipment available for hire and sale.

Western owns 1,500,000 shares, representing 20.3% of Northbridge's share capital. The value of this investment at 31<sup>st</sup> December 2007 was £2,220,000 (30<sup>th</sup> June 2006: £2,768,000), representing 19.6% of Western's assets.

I am a non-executive director of Northbridge.

### **Swallowfield plc**

Swallowfield is a full service provider for global and household brands operating in the cosmetics and personal care and household goods marketplace. It offers a flexible and tailored service including: contract filling market analysis, design, formulation and testing of products, packaging design and sourcing and distribution of stock.

Swallowfield's latest results, for the year to 30<sup>th</sup> June 2007, showed profit, before exceptional items, of £683,000 (2006: loss of £295,000).

At 31<sup>st</sup> December 2007, Western owned 1,000,000 shares in Swallowfield (8.9% of their issued share capital). The market value of the Company's holding in Swallowfield on 31<sup>st</sup> December 2007 was £740,000 (30<sup>th</sup> June 2006: £795,000) representing 6.5% of the Company's assets. Since 31<sup>st</sup> December we have acquired a small number of Swallowfield shares and now own in excess of 9% of the company.

We have unsuccessfully requested the Swallowfield Board's assistance in appointing two new directors: Peter Gyllenhammar (a fellow Swallowfield shareholder owning 29%) and me. We do not believe that the Swallowfield Board contains a broad enough mix of experience and will continue to work with other Swallowfield shareholders to rectify this.

### **Conclusion**

The London stock market and other world markets remain volatile. The Directors continue to believe that holding special situation investments in which we aim to have a close involvement, together with a general portfolio, is the most effective way to enhance shareholder value.

Following the exercise of warrants by shareholders, we have cash balances and borrowing facilities available to take advantage of any buying opportunities presented by the market. We continue to seek out and review possibilities for acquiring new strategic investments, which, in the current market, may well be more readily available than they have previously been.

Western's shares are trading at a large discount to net asset value and we intend to use the authority granted to us by shareholders at the AGM to buy shares into treasury when there is a large discount from time to time.

The Board declared an increased dividend of 2.55p per share for the year to 30<sup>th</sup> June 2007. It is not the Board's policy to pay interim dividends; subject to unforeseen circumstances, we expect to show satisfactory results for the period to 30<sup>th</sup> June 2008 and to maintain the dividend for the current year, which the Board anticipates paying in October 2008.

**D.C. MARSHALL**  
Chairman

## Unaudited Income Statement

	Half year ended 31 <sup>st</sup> December		Year ended 30 <sup>th</sup> June
	2007	2006	2007
	£000	£000	£000
<b>Income from investments in:</b>			
Listed strategic undertakings	99	74	104
Other listed investments	80	66	148
Surplus on disposal of listed undertakings	81	31	517
	-----	-----	-----
	260	171	769
Administrative expenses - normal	(169)	(148)	(293)
- exceptional	-	(203)	(318)
	-----	-----	-----
<b>Operating profit</b>	91	(180)	158
<b>Share of results of associated company</b>	-	-	24
Interest payable and similar charges	(52)	(52)	(121)
	-----	-----	-----
<b>Profit/(Loss) on ordinary activities before taxation</b>	38	(232)	61
Taxation	-	-	-
	-----	-----	-----
<b>Profit/(Loss) on ordinary activities after taxation</b>	38	(232)	61
	=====	=====	=====
Basic earnings/(loss) per share	0.3p	(1.9)p	0.5p
Earnings/(Loss) per share excluding exceptional costs	0.3p	(0.2)p	0.5p
Dividend per share	Nil	Nil	2.55p

## Statement of Recognised Gains and Losses

Profit/(Loss) attributable to shareholders	38	(232)	61
Unrealised losses/gains on listed undertakings	(3,550)	2,171	1,810
	-----	-----	-----
Total recognised (losses)/gains	(3,512)	1,939	1,871
	=====	=====	=====

## Changes in Shareholders' Equity

Total recognised (losses)/gains	(3,512)	1,939	1,871
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Proceeds of new share issues, net of costs	<b>2,389</b>	617	728
Dividends paid in respect of the previous year	<b>(327)</b>	(287)	(287)
	-----	-----	-----
Shareholders' funds at start of period	<b>(1,450)</b>	2,269	2,312
	<b>12,783</b>	10,495	10,471
	-----	-----	-----
Shareholders' funds at end of period	<b>11,333</b>	12,764	12,783
	=====	=====	=====

## Unaudited Balance Sheet

	<b>31<sup>st</sup> December</b>		<b>30<sup>th</sup> June</b>
	<b>2007</b>	2006	2007
	<b>£000</b>	£000	£000
<b>Fixed assets</b>			
<b>Strategic Investments</b>			
Creston plc	<b>2,288</b>	6,030	4,890
Swallowfield plc	<b>740</b>	653	795
Northbridge Industrial Services PLC	<b>2,220</b>	2,055	2,768
<b>General Portfolio investments - UK</b>	<b>5,248</b>	5,729	6,121
- Unlisted	<b>268</b>	268	268
	-----	-----	-----
	<b>10,764</b>	14,735	14,842
	-----	-----	-----
Current assets	<b>511</b>	43	16
Cash at bank and in hand	<b>151</b>	5	6
Bank overdraft	-	(1,862)	(2,035)
Current liabilities	<b>(93)</b>	(157)	(46)
	-----	-----	-----
<b>Net current assets/(liabilities)</b>	<b>569</b>	(1,971)	(2,059)
	-----	-----	-----
<b>Total assets less current liabilities</b>	<b>11,333</b>	12,764	12,783
	=====	=====	=====
<b>Capital and Reserves</b>			
Called up share capital	<b>7,182</b>	5,130	5,130
Share premium account	<b>2,290</b>	2,357	2,469
Fair Value reserve	<b>(638)</b>	2,761	2,399
Retained earnings	<b>2,498</b>	2,516	2,785
	-----	-----	-----
	<b>11,333</b>	12,764	12,783
	=====	=====	=====
<b>Net Assets at market value per share - pence</b>	<b>63p</b>	100p	100p
Number of shares in issue	<b>17,955,309</b>	12,825,221	12,825,221

### Notes:-

- The results for the half-year are unaudited. 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 30<sup>th</sup> June 2007 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.
- 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

		Half year ended 31 <sup>st</sup> December		Year ended 30 <sup>th</sup> June
	Notes	2007 £000	2006 £000	2007 £000
<b>Net cash outflow from operating activities</b>	(a)	(438)	80	(39)
<b>Returns on investments and servicing of finance</b>				
Interest paid		(52)	(52)	(121)
<b>Taxation paid</b>		-	-	-
		-----	-----	-----
		(490)	28	(160)
		-----	-----	-----
<b>Financial investment</b>				
Proceeds of disposal of fixed asset investments		822	500	2,289
Purchase of fixed asset investments		(212)	(1,018)	(2,790)
		-----	-----	-----
<b>Net cash inflow/(outflow) from financial investment activities</b>		610	(518)	(501)
		-----	-----	-----
<b>Financing activities</b>				
Equity dividend paid		(327)	(286)	(286)
Proceeds of new share issues		2,386	429	429
		-----	-----	-----
<b>Net cash inflow from financing activities</b>		2,059	143	143
		-----	-----	-----
<b>Movement in cash and cash equivalents</b>		2,179	(347)	(518)
Net cash and cash equivalents at start of year		(2,028)	(1,510)	(1,510)
		-----	-----	-----
<b>Net cash and cash equivalents at end of year</b>	(b)	151	(1,857)	(2,028)
		=====	=====	=====

### Notes:

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

<b>Profit before taxation</b>	38	(232)	61
Profit on sale of investments	(81)	(31)	(517)
Interest paid	52	52	121
Exceptional costs	-	186	299
(Increase)/Decrease in debtors and accrued income	(493)	(10)	16
Increase in creditors	46	115	5
	-----	-----	-----
<b>Net cash outflow from operating activities</b>	(438)	80	(39)
	=====	=====	=====

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

	At start period £000	Cash flow £000	At end period £000
<b>Half year ended 31<sup>st</sup> December 2007</b>			
Cash at bank	6	145	151
Bank overdraft	(2,034)	2,034	-
	-----	-----	-----
	(2,028)	2,179	151

**31<sup>st</sup> December 2006**

Cash at bank	5	-	5
Bank overdraft	(1,515)	(347)	(1,862)
	<u>(1,510)</u>	<u>(347)</u>	<u>(1,857)</u>

**Year ended 30<sup>th</sup> June 2007**

Cash at bank	5	1	6
Bank overdraft	(1,515)	(519)	(2,034)
	<u>(1,510)</u>	<u>(518)</u>	<u>(2,028)</u>

**Market value of General Portfolio**

Treatt	727,650	13.9
Royal Dutch Shell	271,250	5.2
Equisar IIID Fund	247,023	4.7
BHP Billiton	218,540	4.2
Bioquell	217,250	4.1
Johnson Matthey	188,600	3.6
BP	185,700	3.5
Wynnstay Group	177,025	3.4
Prudential Corporation	165,781	3.2
Diageo	162,150	3.1
Associated British Foods	134,250	2.6
Anglo American	123,880	2.4
Best of the Best	122,450	2.3
Vodafone Group	113,040	2.2
Homeserve	108,928	2.1
GlaxoSmithKline	108,885	2.1
Dawson Holdings	107,000	2.0
National Grid	100,800	1.9
British American Tobacco	99,000	1.9
Forth Ports	96,500	1.8
Lloyds TSB Group	95,050	1.8
Royal & Sun Alliance Insurance	94,900	1.8
Scottish & Newcastle	87,960	1.7
Marstons	84,942	1.6
HSBC Bank	84,450	1.6
Imperial Tobacco Group	80,670	1.5
Balfour Beatty	80,320	1.5
William Hill	76,950	1.5
Ladbrokes	76,560	1.5
United Utilities	76,100	1.5
Standard Chartered	74,040	1.4
Cobham	73,325	1.4
Rotork	68,600	1.3
PZ Cussons	66,600	1.3
Renishaw	63,300	1.2
Ultra Electronics Holdings	58,351	1.1
Marshalls Group	58,320	1.1
Castings	55,260	1.1
Spirax-Sarco Engineering	48,455	0.9
Barr (A.G.)	44,034	0.8
Travis Perkins	35,820	0.7
Others	88,232	1.7
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**5,247,941**

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