



WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER 2002

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

26th February 2003

TO THE MEMBERS

The directors are pleased to present the unaudited interim results of the company for the six months ended 31st December 2002.

Results

Profit for the period, after tax, was £166,000 (2001 – loss of £125,000 excluding exceptional items). Last year's profits included an exceptional profit of £542,000 on the disposal of part of our strategic investment in Sanctuary Group PLC. This year we took profits on our investments early in the half year before the weakness in the stock markets gathered momentum. As an investment company, our main focus is to maintain the value of our portfolio. This year has been very difficult for all investors; our asset value has fallen by 13.5% between the 1st July and 31st December 2002 compared to the FTSE all Share Index which has fallen by 16.8%.

Investment policy and management

Our investment policy is to hold strategic stakes in a few special situations, maintain a diversified portfolio of U.K. and European listed equities, together with a few holdings in AIM, Ofex and unlisted issues. Strategic Investments are minority positions where we seek to exercise influence over the management of the company. Western is represented on the boards of three of the four strategic investments.

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

Assets at market value	31st December 2002 £000	31st December 2001 £000	30th June 2002 £000
Strategic Investments			
Creston plc	1,024	1,416	896
Sanctuary Group PLC	2,400	4,050	2,895
Swallowfield plc	714	740	716
Doctors Direct plc	501	–	150
General portfolio investments – UK Investments	2,976	3,301	3,555
General portfolio investments – Overseas	984	2,303	1,732
AIM, OFEX and other investments	598	492	703
	9,197	12,302	10,647
Cash at bank and on deposit	53	53	54
Other net (liabilities)	(12)	(119)	(191)
	9,238	12,236	10,510
Bank overdraft	(903)	(291)	(882)
Net assets	8,335	11,945	9,628
Net Assets per share	19.2p	27.5p	22.1p
Number of shares in issue	43,511,780	43,511,532	43,511,532

The market value of the General Portfolio investments listed on the London and other major stock exchanges was £3,960,000 (£5,287,000 at 30th June 2002) and on AIM, Ofex and other exchanges £598,000 (£703,000 at 30th June 2002).

Strategic Investments

The **Sanctuary Group plc** (listed) is one of the world's leading developers of intellectual property rights in the fields of music, television and entertainment. It has issued accounts for the twelve months to 30th September 2002, reporting an increase in turnover of 44% and operating profits before interest and tax of £12,321,000 (2001 – £10,032,000). Earnings per share increased 2.6% to 2.01p from 1.96p last year, and the full year dividend is increased from 0.30p to 0.35p. The Sanctuary share price has decreased from 48.25p at 30th June 2002 to 40.0p at 31st December 2002 and was 35p on 21st February 2003.

Creston plc (listed) is the holding company of a Marketing Services Group with a "Buy and Build" strategy. The main components of the group are Marketing Sciences Ltd (MSL), Mobile Sensory Testing Services Ltd, both acquired in January 2001, The Real Adventure Marketing Communications Ltd (RAMC), which was acquired in November 2001, and EMO Group Ltd (EMO) which was acquired in December 2002. MSL is a broad based market research agency, MSTS provides expertise in sensory analysis and profiling of products and RAMC provides a comprehensive range of creative and marketing disciplines for clients including brand development, direct mail campaigns, eMarketing, customer relationship and database management, incentive schemes, advertising and design. EMO is a channel marketing and marketing communications company covering all the paths a customer takes to the product and ultimately their purchasing decision. Interim results for the six months to 30th September 2002 show earnings of £136,000 (2001 – loss of £194,000), including the first full 6 months contribution from RAMC. The Creston share price was 56p at 30th June, improved to 56.5p at 31st December 2001 and was 62.5p on 21st February 2003.

We have increased our investment in **Swallowfield plc** (listed) to 8% from 7% at a cost of £55,000. Swallowfield are a high value added and innovative supplier of quality personal care and other products to branded and own label customers. They specialise in the formulation and manufacture of aerosol and non-aerosol products for retail distributors, the contract filling of aerosols and the manufacture of cosmetic pencils and other cosmetic products. Results for the year ended 30th June 2002 showed turnover up 7%, and operating profit up 21% to £2,628,000; earnings per share at 15p show an increase of 21% on last year. In November Swallowfield announced that "a combination of severe pressure on margins and some erosion due to increases in our natural cost base, coupled with the delayed 'ramp up' of production output due to labour unavailability, have combined to hold back the levels of profit" in the key pre-Christmas profit generating period. The Swallowfield share price was 89.5p at 30th June, 87.5p at 31st December 2002 and 78.5p on 21st February 2003.

We invested £451,000 to acquire 16% of **Doctors Direct plc**, a company that provides a visiting GP service direct to individuals at their home, hotel or workplace 24 hours a day, 365 days a year. Visits are made at the patient's request and convenience. Doctors Direct listed on OFEX at the end of August 2002. Results for the year ended 30th June 2002 showed a profit from operations. However, after head office, flotation costs and goodwill amortisation, a loss of £153,000 was incurred for the year (equivalent to 2.2p per share post listing). Interim results for the six months to 31st December 2002, the period in which the company was listed, are expected shortly. Doctors Direct's share price was 44.5p at 30th December 2002 and 41.5p on 21st February 2003.

Conclusion

We believe that long-term shareholder value can best be achieved through investment in real businesses providing goods and services that will continue to be required. Our investment portfolio continues to be weighted accordingly.

We declared a dividend of 0.5p per share for the year ended 30th June 2002. 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 2003.

David C Marshall

Chairman

Unaudited Profit and Loss Account

	Half year ended 31st December		Year ended 30th June
	2002 £000	2001 £000	2002 £000
Interest receivable	1	1	2
Income from investments in:			
Listed strategic undertakings			
– Normal	16	–	29
– Exceptional	–	–	–
Other listed investments	53	59	194
Other unlisted undertakings	3	3	5
Surplus/(Deficit) on disposal of listed undertakings			
– Normal	236	(57)	(222)
– Exceptional	–	542	542
	<u>309</u>	<u>548</u>	<u>550</u>
Administrative expenses	<u>(120)</u>	<u>(120)</u>	<u>(249)</u>
Operating profit	189	428	301
Interest payable and similar charges	<u>(22)</u>	<u>(10)</u>	<u>(24)</u>
Profit on ordinary activities before taxation	167	418	277
Taxation	<u>(1)</u>	<u>(1)</u>	<u>(10)</u>
Profit on ordinary activities after taxation	166	417	267
Dividends	<u>–</u>	<u>–</u>	<u>(218)</u>
Retained profit for the period	<u>166</u>	<u>417</u>	<u>49</u>
Earnings per share	0.38p	0.96p	0.61p
Dividend per share	Nil	Nil	0.46p

Unaudited Balance Sheet

	31st December		30th June
	2002	2001	2002
	£000	£000	£000
Fixed assets	10,104	9,799	10,094
Current assets	68	70	138
Bank overdraft	(903)	(291)	(882)
Current liabilities	(27)	(135)	(275)
Net current liabilities	(862)	(356)	(1,019)
Total assets less current liabilities	9,242	9,443	9,075
Capital and Reserves			
Called up share capital	4,351	4,351	4,351
Share premium account	1,647	1,646	1,646
Warrants reserve	355	356	355
Profit and loss account	2,889	3,090	2,723
	9,242	9,443	9,075
Net Assets at market value – £000	8,335	11,945	9,628
Net Assets at market value per share – pence	19.2p	27.5p	22.1p

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 2002. 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 2001 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
For the period ended

	Notes	31st December 2002		30th June 2002	
		£000	£000	£000	£000
Net cash outflow from operating activities	(a)		(9)		(68)
Returns on investments and servicing of finance					
Interest paid		(22)		(24)	
Interest received		<u>1</u>		<u>2</u>	
			(21)		(22)
Taxation paid			(1)		(9)
Financial investment					
Proceeds of disposal of fixed asset investments – Normal		1,175		2,747	
– Exceptional		–		709	
Purchase of fixed asset investments – Normal		(948)		(2,463)	
– Exceptional		<u>–</u>		<u>(783)</u>	
Net cash inflow from financial investment activities			227		210
Equity dividend paid			(218)		(200)
Financing					
Share capital issued			<u>–</u>		<u>–</u>
Decrease in cash			(22)		(89)
Debt at start of year			<u>(828)</u>		<u>(739)</u>
Net debt at end of year	(b)		<u>(850)</u>		<u>(828)</u>

Notes:

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

Operating profit	189	301
Profit on sale of investments	(237)	(320)
Interest received	(1)	(2)
Decrease/(increase) in debtors and accrued income	69	(62)
(Decrease)/increase in creditors	<u>(29)</u>	<u>15</u>
Net cash outflow from operating activities	<u>(9)</u>	<u>(68)</u>

(b) Reconciliation to movements in net funds

	At Start Period	Cash Flow	At End Period
	£000	£000	£000
2002/2003			
Cash at bank	54	(1)	53
Bank overdraft	<u>(882)</u>	<u>(21)</u>	<u>(903)</u>
	<u>(828)</u>	<u>(22)</u>	<u>(850)</u>
2001/2002			
Cash at bank	52	2	54
Bank overdraft	<u>(791)</u>	<u>(91)</u>	<u>(882)</u>
	<u>(739)</u>	<u>(89)</u>	<u>(828)</u>

Market value of General Portfolio
At 31st December 2002

	£000	%
UCM Group	454	11.46
Lavendon Group	366	9.24
Pura	336	8.48
Treatt	189	4.77
Somerfield	128	3.24
United Utilities	125	3.15
Associated British Foods	118	2.97
Anglo American	111	2.80
Julius Baer Holdings	108	2.72
Shell Transport & Trading Co	102	2.58
Fisher (James) & Sons	98	2.48
Bioquell	92	2.32
Novartis	91	2.29
UBS	91	2.29
BP	85	2.16
Johnson Matthey	80	2.02
London Forfaiting Co	78	1.97
GlaxoSmithKline	77	1.96
Roche Holdings, Genusscheine	65	1.64
Telefonica De Espana	60	1.52
Pernod-Ricard	57	1.44
Hornby	56	1.41
Forbo Holdings	56	1.41
Fortis	54	1.37
Johnson & Johnson	53	1.34
Finsbury Worldwide Pharmaceuticals Trust	53	1.34
Shanks Group	51	1.29
Schroders PLC Non Voting	48	1.22
Cadbury Schweppes	46	1.16
Nestlé	46	1.16
J Sainsbury	45	1.13
Prudential Corporation	44	1.11
ING Groep	42	1.06
Shire Pharmaceuticals Group	40	1.00
Others (less than 1%)	415	10.50
	<u>3,960</u>	<u>100.00</u>

