



# WESTERN SELECTION P.L.C.



INTERIM STATEMENT

31ST DECEMBER 2003

# 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

18th February 2004

## TO THE MEMBERS

The directors are pleased to present the unaudited interim results of the company for the six months ended 31st December 2003.

The continuing recovery in world stock markets in the second half of 2003, along with a good performance from our strategic investment in Creston, has contributed to a strong recovery in our net assets per share – up 21% from 20.1p at 30th June to 24.4p at 31st December 2003. We believe that our mix of Strategic Investments together with a General Portfolio of U.K. and international stocks is a sound investment policy for our Company. Our Strategic Investments, except for Doctors Direct plc, are cash generative, which is a vital ingredient in difficult economic conditions. Over the five years to 31st December 2003, our net assets per share have increased by 44% from 16.9p compared to a 31% fall in the FTSE 100 index over the same period.

The Company made a profit for the half year of £104,000 (0.24p per share) after tax, compared to last year's profit of £166,000 (0.38p per share) after tax. Last year's results included profits taken on sales of General Portfolio investments of £236,000 compared to £130,000 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 boards of two of the three strategic investments.

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

Assets at market value	31st December		30th June
	2003	2002	2003
	£000	£000	£000
<b>Strategic Investments</b>			
Creston plc	2,830	1,024	1,272
The Sanctuary Group plc †	–	2,400	2,670
Swallowfield plc	795	714	612
Doctors Direct PLC	377	501	433
General Portfolio investments – UK †	5,899	2,976	2,564
General Portfolio investments – Overseas	692	984	1,075
AIM, Ofex and other investments	840	598	617
	<u>11,433</u>	<u>9,197</u>	<u>9,243</u>
Cash at bank and on deposit	3	53	3
Other net assets/(liabilities)	43	(12)	(256)
	<u>11,479</u>	<u>9,238</u>	<u>8,990</u>
Bank overdraft	(871)	(903)	(242)
<b>Net assets</b>	<u>10,608</u>	<u>8,335</u>	<u>8,748</u>
Net assets per share	24.4p	19.2p	20.1p
Number of shares in issue	43,511,903	43,511,780	43,511,780

† During the period the holding in The Sanctuary Group PLC was reclassified from Strategic Investment to General Portfolio.

## **General Portfolio**

The size of our General Portfolio has increased substantially, mainly because of the reclassification of our investment in The Sanctuary Group plc from Strategic Investments. I am no longer on the board of Sanctuary and our investment of 6,000,000 shares is less than 3% of Sanctuary's issued share capital. The market value of the Company's holding in Sanctuary on 31st December 2003 was £2,910,000 (30th June 2003 – £2,670,000), being 27.4% of the Company's net assets. We anticipate consolidation occurring in the music industry and will look to sell some of our Sanctuary shares when suitable opportunities arise.

We have taken advantage of the recovery in value of some of our overseas holdings to reduce our exposure to companies listed outside the UK, realising sale proceeds of £489,000 in the process.

## **Strategic Investments**

As referred to above, during the period under review, the Board decided to re-classify the holding in The Sanctuary Group plc to the General Portfolio.

## **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. In September 2003 Creston announced the acquisition of Nelson Bostock Communications Limited, a public relations company based in London, for a total cost including contingent consideration estimated at just over £11 million.

Creston's results for the half year to 30th September 2003 show a profit after tax of £515,000 (2002 – £136,000), equivalent to earnings of 4.6p per share (2002 – 1.2p) and Creston has declared a special interim dividend of 0.6p per share. Our income in the period from Creston, including their year end dividend of 1.4p per share amounted to £32,000 (2002 – nil).

Western acquired an additional 400,000 Creston shares in the over-subscribed placing and open offer to fund the acquisition of Nelson Bostock Communications at a cost of £344,000 and now owns 2,000,000 shares, being 10.6% of Creston's issued share capital. The market value of the Company's holding in Creston on 31st December 2003 was £2,830,000 (30th June 2003 – £1,272,000), being 26.7% of Western's net assets. Western also owns 308,000 unlisted warrants to subscribe for Creston shares at a price of £1.31 per share exercisable in the 42 days following the publication of the accounts for the year ending 31st March 2004. No value has been attributed to these warrants.

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's stated purpose is "to be a leading independent Contract Manufacturer by being fast and flexible in our response to customer needs for exciting, innovative and quality products".

Swallowfield's latest published results for the year to 30th June 2003 showed a profit of £718,000 (2002 – £1,687,000). This sharp fall in profits was caused when margins fell while trying to satisfy an unexpected surge in business volumes that could not be accommodated within existing capacities and business infrastructure. Swallowfield has recently published a trading statement covering the period to 31st December 2003 in which it warned of interim profits lower than those achieved last year because of poor Christmas sales volumes. However, Swallowfield expects that trading for the full year will be in line with expectations. The value of this business is underpinned by net assets in excess of £1 per share compared to the share price on 31st December 2003 of 79.5p.

During the period we acquired an additional 120,000 shares in Swallowfield at a cost of £109,000 to bring our total holding to 1,000,000 shares being 8.88% of the issued share capital. The market value of the Company's holding in Swallowfield on 31st December 2003 was £795,000 (30th June 2003 – £612,000) being 7.5% of the net assets of the Company.

**Doctors Direct PLC**

Doctors Direct provides a visiting GP service in the London area to private patients and corporate clients. It is also a leading provider of GP medical assistance to UK and international insurance groups and their agents.

Doctors Direct's latest published results are for the year to 30th June 2003 and show a loss of £749,000 (2002 – £153,000) reflecting expenditure on the development of the business and lower demand for their services.

We own 1,125,000 shares and 1,350,000 warrants in Doctors Direct being 16% of the issued share capital and 35% of the warrants. The market value of the Company's holding in Doctors Direct shares on 31st December 2003 was £377,000 (30th June 2003 – £501,000), being 3.5% of Western's net assets. The warrants are unlisted and no value has been attributed to them.

I am the non-executive chairman of Doctors Direct.

**Conclusion**

We expect to be able to increase our net asset value over the next six months as we are now hopeful that the stock market will improve further before the year end.

We declared a dividend of 0.52p per share for the year to 30th June 2003 . 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 2004.

**David C Marshall**

Chairman

## Unaudited Profit and Loss Account

	Half year ended 31st December		Year ended 30th June
	2003 £000	2002 £000	2003 £000
Interest receivable	1	1	1
<b>Income from investments in:</b>			
Listed strategic undertakings	52	16	21
Other listed investments	51	53	188
Other unlisted undertakings	–	3	3
Surplus on disposal of listed undertakings	130	236	341
	<u>234</u>	<u>309</u>	<u>554</u>
Administrative expenses	(118)	(120)	(249)
<b>Operating profit</b>	<u>116</u>	<u>189</u>	<u>305</u>
Interest payable and similar charges	(12)	(22)	(39)
<b>Profit on ordinary activities before taxation</b>	<u>104</u>	<u>167</u>	<u>266</u>
Taxation	–	(1)	(6)
<b>Profit on ordinary activities after taxation</b>	<u>104</u>	<u>166</u>	<u>260</u>
Dividends	–	–	(226)
<b>Retained profit for the period</b>	<u>104</u>	<u>166</u>	<u>34</u>
Basic earnings per share	0.24p	0.38p	0.60p
Diluted earnings per share	0.24p	0.38p	0.60p
Dividend per share	Nil	Nil	0.52p

## Unaudited Balance Sheet

	31st December		30th June
	2003	2002	2003
	£000	£000	£000
<b>Fixed assets</b>	<b>10,041</b>	10,104	9,604
Current assets	85	68	47
Bank overdraft	(871)	(903)	(242)
Current liabilities	(42)	(27)	(300)
<b>Net current liabilities</b>	<b>(828)</b>	(862)	(495)
<b>Total assets less current liabilities</b>	<b>9,213</b>	9,242	9,109
<b>Capital and Reserves</b>			
Called up share capital	4,351	4,351	4,351
Share premium account	1,646	1,647	1,646
Warrants reserve	355	355	355
Profit and loss account	2,861	2,889	2,757
	9,213	9,242	9,109
<b>Net Assets at market value – £000</b>	<b>10,608</b>	8,335	8,748
<b>Net Assets at market value per share – pence</b>	<b>24.4p</b>	19.2p	20.1p

### 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 2003. 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 2003 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 2003		Year ended 30th June 2003	
		£000	£000	£000	£000
<b>Net cash (outflow)/inflow from operating activities</b>	(a)		(86)		20
<b>Returns on investments and servicing of finance</b>					
Interest paid		(12)		(39)	
Interest received		1		1	
			(11)		(38)
<b>Taxation paid</b>			-		(6)
<b>Financial investment</b>					
Proceeds of disposal of fixed asset investments		1,578		2,388	
Purchase of fixed asset investments		(1,884)		(1,557)	
<b>Net cash (outflow)/inflow from financial investment activities</b>			(306)		831
<b>Equity dividend paid</b>			(226)		(218)
<b>(Increase)/decrease in debt</b>			(629)		589
Debt at start of year			(239)		(828)
<b>Net debt at end of year</b>	(b)		(868)		(239)

## Notes:

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

<b>Operating profit</b>	116	305
Profit on sale of investments	(130)	(341)
Interest received	(1)	(1)
(Increase)/decrease in debtors and accrued income	(38)	40
(Decrease)/increase in creditors	(33)	17
<b>Net cash (outflow)/inflow from operating activities</b>	(86)	20

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

	At Start Period £000	Cash Flow £000	At End Period £000
<b>2003/2004</b>			
Cash at bank	3	-	3
Bank overdraft	(242)	(629)	(871)
	(239)	(629)	(868)
<b>2002/2003</b>			
Cash at bank	54	(51)	3
Bank overdraft	(882)	640	(242)
	(828)	589	(239)

## Market value of General Portfolio

	31st December 2003	
	£000	%
The Sanctuary Group	2,910	44.1
Lavendon Group	423	6.4
UCM Group	420	6.4
Alexandra	266	4.0
Treatt	210	3.2
Julius Baer Holdings	151	2.3
Associated British Foods	117	1.8
BP	113	1.7
Shell Transport & Trading Co.	104	1.6
Novartis	101	1.5
United Utilities	99	1.5
Johnson Matthey	98	1.5
J Sainsbury	97	1.5
Prudential Corporation	94	1.4
Lloyds TSB Group	90	1.4
Roche Holdings, Genusscheine	85	1.3
GlaxoSmithKline	83	1.3
Diageo	74	1.1
Somerfield	69	1.0
Others (less than 1%)	987	15.0
	<u>6,591</u>	<u>100.0</u>

