



LONDON FINANCE &  
INVESTMENT GROUP P.L.C.



INTERIM STATEMENT  
31ST DECEMBER  
2006



# London Finance & Investment Group P.L.C.

(Incorporated in England – No. 201151)

## Directors

D.C. Marshall, Chairman  
F.W.A. Lucas, PhD  
J.H. Maxwell, CA, CCMI, FRSA  
J.M. Robotham, OBE, FCA, MSI

## Registered office

30 City Road  
London, EC1Y 2AG

8th March 2007

## TO THE MEMBERS

The Directors are pleased to present the unaudited interim results of London Finance & Investment Group P.L.C. ("the Company") for the six months ended 31st December 2006.

### Introduction

As an investment company our target is to achieve growth in shareholder value in real terms over the medium to long term. In the short term our results can be influenced by overall stock market performance. We continue to believe that a combination of Strategic Investments and a General Portfolio is the most effective way of achieving our aims. Strategic Investments are significant investments in smaller UK quoted companies where we have expectations of above average growth over the medium to longer term and these are balanced by a General Portfolio which mainly consists of investments in major U.K. and European equities.

At 31st December 2006, we held three Strategic Investments in which we have board representation: our associated company Western Selection P.L.C., Marylebone Warwick Balfour Group Plc and Finsbury Food Group plc. Detailed comments on our Strategic Investments are given below.

### Results

Our net assets per share increased 11% to 58p at 31st December 2006 from 52p at 30th June 2006. Our Strategic Investments increased in value by 19% and our General Portfolio increased by 8%. This compares with the rise in the FTSE 100 index of 7% over the half year. At the close of business on 28th February 2007, our net asset value had further increased to 61p.

The Group made a profit before tax for the half year of £1,048,000 compared with a profit of £85,000 for the same period last year. Our profit after tax and minority interest was £750,000 (2005 – £101,000) giving earnings per share of 2.50p (2005 – 0.38p).

The Group realised £2,080,000 in cash and a profit of £1,239,000 on acceptance of a tender offer for one third of its holding in Marylebone Warwick Balfour Group Plc ("MWB"). The profit for the period is after exceptional charges amounting to £160,000 relating to the cost of setting up the Employee Benefit Trusts for the Group and our associate, Western. The balance of the Group's exceptional charge, £42,000, is for the termination of a consultancy agreement.

### Strategic Investments

#### Western Selection P.L.C. ("Western")

During the period the final exercise date of Western's warrants took place and all remaining warrants were exercised and 669,509 shares were issued, raising £429,000. The Group acquired 74,721 new shares in Western and now holds 5,287,221, being 41.23% of Western's issued capital. On 2nd March 2007, Western announced a loss after tax and exceptional items of £232,000 for its half year to 31st December 2006 and a loss per share of 1.9p (2005 – 0.1p). Western's net assets at market value were £10,003,000 equivalent to 99.5p per share, an increase of 10.9% from 89.8p at 30th June 2006.

The market value of the Company's investment in Western at 31st December 2006 was £3,542,000 against a book value of £4,595,000. At market value this represents 20% of the net assets of Lonfin. The underlying value of the Company's investment in Western, valuing Western's own investments at market value, was £5,300,000 (30th June 2006 – £5,100,000).

I am the Chairman of Western and Mr. Robotham is a non-executive director. Western has strategic investments in Creston plc, Northbridge Industrial Services PLC and Swallowfield plc. Extracts from Western's announcement on its strategic investments are set out below:

#### **Creston plc**

*Creston is a marketing services group whose strategy is to grow within its sector both by organic growth and through selective acquisition to become a substantial, diversified international marketing services group. Creston's results for the half-year to 30th September 2006 show a profit after tax under IFRS of £1,017,000 (2005 – £765,000), equivalent to earnings of 2.1p per share (2005 – 2.1p).*

*Western owns 3,000,000 shares in Creston (5.4%) with a market value at 31st December 2006 of £6,030,000 (30th June 2006 - £4,845,000), being 47% of Western's assets.*

#### **Northbridge Industrial Services PLC**

*Northbridge was formed for the purpose of acquiring companies that hire and sell specialist industrial equipment such as load banks and generators. Northbridge is seeking to acquire specialist niche businesses to give it the potential for expansion into outsourcing providers, capable of supplying a non-cyclical customer base. Northbridge's first acquisition was Crestchic Limited, one of the largest specialist load bank equipment manufacturers in the world; selling and hiring to a national and international customer base.*

*In March 2006, Northbridge placed 6,437,500 shares at £1 and at the same time its shares were admitted to trading on AIM. Western invested £1,500,000 for 1,500,000 shares, representing 20.3% of Northbridge's share capital. The value of the investment at 31st December 2006 was £2,055,000 representing 16% of Western's assets.*

#### **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 large contract manufacturers of such products 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 latest results, for the year to 30th June 2006, showed profit, before exceptional items, of £295,000 (2005 – loss £95,000). The company has undergone a comprehensive restructuring and rationalisation programme, incurring exceptional costs of £563,000. Net debt has been reduced by 15.5% and the company is now looking to extend product capabilities in China and other low cost areas.*

*Western own 1,000,000 shares in Swallowfield (8.9% of their issued share capital). The market value of the Company's holding in Swallowfield on 31st December 2006 was £653,000 (30th June 2006 – £455,000) representing 5% of the company's assets.*

#### **Marylebone Warwick Balfour Group Plc ("MWB")**

During the period, the Company accepted MWB's tender offer for 1,000,000 shares, realising proceeds of £2,080,000 and a profit of £1,239,000, and now owns 2,000,000 shares, representing 2.48% of MWB's issued share capital. The market value of the holding at 31st December, 2006 was £4,820,000, compared with a book value of £1,680,000, which represents 27% of the net assets of Lonfin.

MWB is in the process of a realisation program through the controlled sale of assets with the objective of returning cash or cash equivalents to shareholders by the end of December 2008. We expect the repayment to be above the current market price of MWB's shares.

I am a non-executive director of MWB.

**Finsbury Food Group plc ("Finsbury Food")**

During the period, the Company exercised warrants to acquire 2,800,000 shares in Finsbury Food at a cost of £893,930. At 31st December 2006, it owned 7,800,000 shares and 200,000 warrants in Finsbury Food, representing 29.7% of their share capital and 7.88% of their warrants. The market value of our holding was £7,020,000 on 31st December 2006 compared to a cost of £1,800,000; this represents 39% of the net assets of Lonfin.

Finsbury Food is a supplier of ambient cakes to most of the UK's major supermarket chains and speciality breads to Waitrose including gluten-free and low fat products.

On 30th January 2007, Finsbury Food announced details of a proposed placing of 12,500,000 shares at 85p each to raise approximately £10,000,000 in connection with the proposed acquisition of Lightbody Group Limited for a total maximum consideration of £37,500,000. This acquisition will enhance the group's product range and customer base and it is expected that the enlarged group will become the UK's leading premium cake business.

I am the deputy chairman of Finsbury Food.

**General Portfolio**

The General Portfolio consists of large capitalisation companies with significant exposure to the resources, pharmaceuticals, foods & beverages and banking sectors. These sectors accounted for 76% of the portfolio by value at 31st December 2006 and 69% at 30th June 2006.

**The year ahead**

Over the medium to long term we expect superior returns from our Strategic Investments in smaller quoted companies. However we accept that the share prices of these investments could be volatile in the short term. Equity markets have enjoyed a three year growth run and no longer look cheap by historical standards. However we remain cautiously optimistic for the future.

As is our practice, we only declare one dividend a year which was paid in October 2006 for the year ended 30th June 2006. It is our intention, subject to unforeseen circumstances, to maintain our policy of a progressive dividend distribution.

**David C. Marshall**  
Chairman

## Unaudited Consolidated Profit & Loss Account

	Half year ended		Year ended
	31st December		30th June
	2006	2005	2006
	£000	£000	£000
<b>Operating Income</b>			
Dividends received	155	99	179
Interest and sundry income	18	15	30
Profit on sales of investments	1,337	179	401
	<u>1,510</u>	<u>293</u>	<u>610</u>
Management services income	251	285	587
	<u>1,761</u>	<u>578</u>	<u>1,197</u>
<b>Administrative expenses</b>			
Investment operations	(170)	(163)	(337)
Management services	(274)	(295)	(557)
Total administrative expenses	<u>(444)</u>	<u>(458)</u>	<u>(894)</u>
<b>Operating profit</b>	1,317	120	303
Share of result of associated undertaking			
Operating profit	9	68	169
Exceptional costs	(202)	(40)	(40)
Interest payable	(76)	(63)	(123)
	<u>1,048</u>	<u>85</u>	<u>309</u>
<b>Profit on ordinary activities before taxation</b>	1,048	85	309
Tax on result of ordinary activities	(309)	(1)	(4)
	<u>739</u>	<u>84</u>	<u>305</u>
<b>Profit on ordinary activities after taxation</b>	739	84	305
Minority interest	11	17	(2)
	<u>750</u>	<u>101</u>	<u>303</u>
<b>Profit attributable to members of the holding company</b>	750	101	303
<b>Administrative expenses</b>			
Earnings per share	2.5p	0.4p	1.1p
Adjustment for exceptional items, net of tax	0.5p	-	-
	<u>3.0p</u>	<u>0.4p</u>	<u>1.1p</u>
Headline earnings per share	3.0p	0.4p	1.1p
Fully diluted earnings per share	2.5p	0.4p	1.1p
Dividend per share	Nil	Nil	1.05p
<b>Consolidated Statement of Recognised Gains and Losses</b>			
Unrealised gains on investments held as:-			
Fixed assets	2,313	3,079	3,768
Current assets	364	449	427
Deferred taxation on unrealised gains	(734)	(1,036)	(1,188)
	<u>1,943</u>	<u>2,492</u>	<u>3,007</u>
Profit attributable to members	750	101	303
Share capital issued	60	954	949
Dividend paid in respect of the previous year	(315)	(262)	(262)
Total recognised gains and losses for the year	<u>2,438</u>	<u>3,285</u>	<u>3,997</u>

## Unaudited Consolidated Balance Sheet

	31st December		30th June
	2006	2005	2006
	£000	£000	£000
<b>Fixed assets</b>			
Tangible assets	423	436	430
Investments	15,382	12,473	13,247
	<u>15,805</u>	<u>12,909</u>	<u>13,677</u>
<b>Current assets</b>			
Listed investments	5,382	4,687	4,907
Debtors	177	239	196
Cash, bank balances and deposits	878	93	171
	<u>6,437</u>	<u>5,019</u>	<u>5,274</u>
<b>Total Assets</b>	<u>22,242</u>	<u>17,928</u>	<u>18,951</u>
<b>Capital and Reserves</b>			
Called up share capital	1,560	1,500	1,500
Share premium account	1,855	1,859	1,854
Reserves	7,186	4,729	5,244
Profit and loss account	7,468	6,831	7,033
<b>Shareholders funds</b>	<u>18,069</u>	<u>14,919</u>	<u>15,631</u>
<b>Creditors falling due within one year</b>	2,023	1,753	1,893
Deferred taxation	2,097	1,212	1,363
Minority equity interest	53	44	64
	<u>22,242</u>	<u>17,928</u>	<u>18,951</u>

## Consolidated Cash Flow Statement

	Half year ended		Year ended
	31st December		30th June
	2006	2005	2006
	£000	£000	£000
<b>Cash outflow on operating activities</b>	<b>(305)</b>	<b>(58)</b>	<b>(120)</b>
<b>Returns on investments and servicing of finance</b>			
Dividend received	282	201	281
Interest paid	(54)	(64)	(95)
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>228</b>	<b>137</b>	<b>186</b>
<b>Taxation paid</b>	<b>(3)</b>	<b>(1)</b>	<b>(4)</b>
<b>Investing activities</b>			
Tangible assets purchased	-	(11)	(12)
Fixed assets investments purchases	(888)	(664)	(664)
Fixed assets investments disposal	2,080	-	-
<b>Net cash inflow/(outflow) from investment activities</b>	<b>1,192</b>	<b>(675)</b>	<b>(676)</b>
<b>Equity dividend paid – Company</b>	<b>(315)</b>	<b>(262)</b>	<b>(262)</b>
<b>Financing</b>			
Share capital issued	60	954	949
Net (repayment)/drawdown of loan facility	(150)	(50)	50
<b>Net cash (outflow)/inflow from financing</b>	<b>(90)</b>	<b>904</b>	<b>999</b>
<b>Increase in cash</b>	<b>707</b>	<b>45</b>	<b>123</b>

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

	31st December	30th June
	2006	2006
	£000	£000
Operating profit	1,317	303
Exceptional costs	(118)	(40)
Dividends receivable	(155)	(179)
Depreciation charges	7	13
Profit on sale of fixed asset investment	(1,239)	-
Decrease/(increase) in debtors	19	(15)
(Decrease)/increase in creditors	(25)	13
Decrease in current asset investments	(111)	(215)
	<b>(305)</b>	<b>(120)</b>

### (b) Reconciliation of net cash flow to movement in net debt

	At start of period	Cash flow	At end of period
	£000	£000	£000
2006			
Cash at bank	171	707	878
Bank loan	(1,650)	150	(1,500)
	<b>(1,479)</b>	<b>857</b>	<b>(622)</b>

**(b) Reconciliation of net cash flow to movement in net debt – continued**

	At start of period £000	Cash flow £000	At end of period £000
<b>2005/2006</b>			
Cash at bank	48	123	171
Bank loan	(1,600)	(50)	(1,650)
	<u>(1,552)</u>	<u>73</u>	<u>(1,479)</u>

**Balance Sheet Analysis taking investments at market value**

	31st December		30th June
	2006	2005	2006
	£000	£000	£000
<b>Principal investments at market value:</b>			
Marylebone Warwick Balfour Group Plc	4,820	4,455	5,910
Finsbury Food Group plc	7,020	4,760	4,340
Western Selection P.L.C.	3,542	3,258	2,997
	<u>15,382</u>	<u>12,473</u>	<u>13,247</u>
General equity portfolio – (see analysis attached)	5,382	4,687	4,907
Tangible fixed assets	423	436	430
Cash, bank balances and deposits	878	93	171
Bank loan	(1,500)	(1,550)	(1,650)
Other net (liabilities)/ assets	(346)	36	(47)
Deferred taxation	(2,097)	(1,212)	(1,363)
Minority interests	(53)	(43)	(64)
	<u>18,069</u>	<u>14,920</u>	<u>15,631</u>
<b>Net assets</b>			
<b>Net Assets per share</b>	57.9p	49.7p	52.1p
<b>Net Assets per share at 28th February 2007</b>	60.7p		

Notes:–

- The results for the half-year are unaudited and have been prepared in accordance with International Financial Reporting Standards which was the basis on which the accounts for the year ended 30th June 2006 were prepared. The financial information in this interim report does not constitute statutory accounts within the meaning of Section 240(5) of the Companies Act 1985. The audited accounts of the Group for the year ended 30th June 2006 have been reported on by the Group'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.
- Earnings per share are based on the profit after taxation and minorities, and on the weighted average number of shares in issue during the period – 30,065,217 (December 2005 – 26,785,377 and June 2006 – 28,672,672).

## Market Value of General Portfolio

	31st December 2006	
	£000	%
GlaxoSmithKline	188	3.5
British American Tobacco	171	3.2
Diageo	171	3.2
Beiersdorf	169	3.1
Nestle	163	3.0
Land Securities Group	163	3.0
Anglo American	162	3.0
Imperial Tobacco Group	161	3.0
Schindler-Holdings	160	3.0
ING Groep	156	2.9
Holcim	154	2.9
Carlsberg	152	2.8
Reckitt Benckiser	152	2.8
Standard Chartered	149	2.8
UBS	149	2.8
ABN AMRO	148	2.7
Heineken	146	2.7
Unilever	143	2.7
Credit Suisse Group	143	2.7
Pernod-Ricard	141	2.6
Roche Holdings	137	2.5
Intercontinental Hotels Group	133	2.5
L'Oreal	128	2.4
Henkel	128	2.4
Koninklijke	126	2.3
Associated British Foods	125	2.3
BHP Billiton	121	2.3
HSBC Holdings	120	2.2
Johnson Matthey	120	2.2
BASF	119	2.2
Total	118	2.2
Novartis	118	2.2
Cadbury Schweppes	117	2.2
Royal Dutch Shell	116	2.2
BP	114	2.1
Rio Tinto	109	2.0
LVMH Moët Hennessy – Louis Vuitton	108	2.0
Sanofi-Aventis	99	1.8
Other	85	1.6
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	5,382	100.0
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