



LONDON FINANCE &
INVESTMENT GROUP P.L.C.



INTERIM STATEMENT
31ST DECEMBER
2007

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

18th February 2008

TO THE MEMBERS

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, particularly the performance of our Strategic Investments. 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 U.K. 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 2007, 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 decreased 15% to 56p at 31st December 2007 from 66p at 30th June 2007. Our Strategic Investments decreased in value by 19% and our General Portfolio increased by 9%. This compares with the decline in the FTSE 100 index of 2% over the half year. At the close of business on 15th February 2008, our net asset value was 48p.

The Group made a profit before tax for the half year of £228,000 compared with a profit of £1,048,000 for the same period last year due to a substantial reduction in profits realised from the General Portfolio. Our profit after tax and minority interest was £220,000 (2006 – £750,000) giving earnings per share of 0.7p (2006 – 2.50p).

Strategic Investments

Western Selection P.L.C. (“Western”)

The Group has increased its investment by £1,297,000 in the period through the subscription for Warrant Units and the subsequent exercise of 2007 Warrants. We now own 7,864,412 Western shares and 3,785,820 Western 2010 Warrants representing 43.8% of Western’s issued share capital and 49.2% of outstanding Warrants. The 2010 Warrants are exercisable 28 days after posting of Western’s interim and annual accounts in each of the years 2008 to 2010. We have approval from Western’s shareholders and the Takeover Panel to increase our holding in Western up to 48% through the exercise of warrants.

Following its fund raising, Western has cash and bank facilities available to take advantage of any buying opportunities in the stock markets and to acquire new strategic investments.

On 14th February 2008, Western announced a profit after tax and exceptional items of £38,000 for its half year to 31st December 2007 and a profit per share of 0.3p (2006 – loss after exceptional items 1.9p). Western’s net assets at market value were £11,333,000 equivalent to 63p per share, a decrease of 10.9% from 89.8p at 30th June 2007 (adjusted for the exercise of warrants).

The market value of the Company’s investment in Western at 31st December 2007 was £2,961,000 against a book value of £5,886,000, this represents 17% 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 £4,964,000 (30th June 2007 – £5,300,000).

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 to become a substantial, diversified international marketing services group. Creston's results for the half-year to 30th 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 31st December 2007 of £2,288,000 (30th June 2006: £4,890,000), being 20.2% 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 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 31st December 2007 was £2,220,000 (30th June 2006: £2,768,000), representing 19.6% of Western's assets.

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 30th June 2007, showed profit, before exceptional items, of £683,000 (2006: loss of £295,000).

At 31st 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 31st December 2007 was £740,000 (30th June 2006: £795,000) representing 6.5% of Western's assets. Since 31st December Western has acquired a small number of Swallowfield shares and now own in excess of 9% of the company.

Western has unsuccessfully requested the Swallowfield Board's assistance in appointing two new directors: Peter Gyllenhammar (a fellow Swallowfield shareholder owning 29%) and David Marshall. Western does 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.

Marylebone Warwick Balfour Group Plc ("MWB")

The Group owns 2,000,000 shares, representing 2.48% of MWB's issued share capital. The market value of the holding at 31st December, 2007 was £4,860,000, compared with a book value of £1,681,000, which represents 28% 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")

The Group owns 8,000,000 shares in Finsbury Food, representing 15.6% of their share capital. The market value of our holding was £6,880,000 on 31st December 2007 compared to a cost of £1,893,000; 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.

I am a deputy chairman of Finsbury Food.

General Portfolio

The General Portfolio consists of large capitalisation companies with significant exposure to the United Kingdom and Europe's leading international groups. The list of these investments is on page 8.

Outlook

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.

Funding for new strategic investments will not be available until we have had the opportunity to release funds from our existing strategic investment in MWB and this will act as a constraint on corporate activity in the short term.

Our practice has been to only declare one dividend a year, which was paid in October 2007 for the year ended 30th June 2007. In future we will declare two dividends a year, with an interim dividend of approximately half of the distribution of the previous year.

We view the future with some uncertainty due to the World economic problems in the banking and mortgaging industries, however we expect the broad spread of our investments to perform satisfactorily. It is our intention, subject to unforeseen circumstances, to maintain our policy of a progressive dividend distribution

David C. Marshall
Chairman

Interim dividend

The recommended interim dividend is 0.55 per share (2006 – nil) and will be paid on 28th March 2008 to those members registered at the close of business on 7th March 2008. Shareholders on the South African register will receive their dividend in South African Rand converted from sterling at the closing rate of exchange on Tuesday, 19th February 2008.

Salient dates for dividend

Shares traded ex dividend (SA)	Monday, 3rd March 2008
Shares trade ex dividend (UK)	Wednesday, 5th March 2008
Record date (UK & SA)	Friday, 7th March 2008
Pay date	Friday 28th March 2008

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in London and South Africa will take place between Monday, 3rd March 2008 and Friday, 7th March 2008, both dates inclusive

Unaudited Consolidated Income Statement

	Half year ended 31st December		Year ended 30th June
	2007 £000	2006 £000	2007 £000
Operating Income			
Dividends received	205	155	252
Interest and sundry income	17	18	83
Profit on sales of investments	234	1,337	1,426
	<u>456</u>	<u>1,510</u>	<u>1,761</u>
Management services income	241	251	614
	<u>697</u>	<u>1,761</u>	<u>2,375</u>
Administrative expenses			
Investment operations	(193)	(170)	(344)
Management services	(235)	(274)	(594)
	<u>(428)</u>	<u>(444)</u>	<u>(938)</u>
Operating profit	269	1,317	1,437
Share of result of associated undertaking			
Operating profit	38	9	75
Exceptional expenses	-	(202)	(597)
Interest payable	(79)	(76)	(150)
	<u>228</u>	<u>1,048</u>	<u>765</u>
Profit on ordinary activities before taxation	228	1,048	765
Tax on result of ordinary activities	(3)	(309)	(245)
	<u>225</u>	<u>739</u>	<u>520</u>
Profit on ordinary activities after taxation	225	739	520
Minority interest	(5)	11	(31)
	<u>220</u>	<u>750</u>	<u>489</u>
Profit attributable to members of the holding company	220	750	489
Reconciliation of headline earnings			
Earnings per share	0.7p	2.5p	1.6p
Adjustment for exceptional items, net of tax	-	0.5p	2.4p
	<u>0.7p</u>	<u>3.0p</u>	<u>4.0p</u>
Headline earnings per share	0.7p	3.0p	4.0p
Dividend per share	0.55p	Nil	1.05p

Consolidated Statement of Changes in Shareholders' Equity

Unrealised (losses)/gains on investments, net of taxation	(2,922)	1,943	4,181
Profit attributable to members	220	750	489
	<u>(2,702)</u>	<u>2,693</u>	<u>4,670</u>
Total income and expense	(2,702)	2,693	4,670
Share capital issued	-	60	534
Dividend paid in respect of the previous year	(343)	(315)	(315)
	<u>(343)</u>	<u>(255)</u>	<u>219</u>
Total transactions with shareholders	(343)	(255)	219
Shareholders' funds at start of period	20,520	15,631	15,631
Shareholders' funds at end of period	<u>17,475</u>	<u>18,069</u>	<u>20,520</u>

Unaudited Consolidated Balance Sheet

	31st December		30th June
	2007	2006	2007
	£000	£000	£000
Non-current assets			
Tangible assets	410	423	416
Principle investments:			
Marylebone Warwick Balfour Group Plc	4,860	4,820	5,495
Finsbury Food Group plc	6,880	7,020	9,320
Western Selection P.L.C.	2,961	3,542	3,490
	<u>15,111</u>	<u>15,805</u>	<u>18,721</u>
Current assets			
Listed investments	6,885	5,382	6,564
Debtors	284	177	184
Cash, bank balances and deposits	31	878	87
	<u>7,200</u>	<u>6,437</u>	<u>6,835</u>
Total Assets	<u>22,311</u>	<u>22,242</u>	<u>25,556</u>
Capital and Reserves			
Called up share capital	1,560	1,560	1,560
Share premium account	2,328	1,855	2,328
Reserves	6,503	7,186	9,425
Profit and loss account	7,084	7,468	7,207
	<u>17,475</u>	<u>18,069</u>	<u>20,520</u>
Shareholders funds	17,475	18,069	20,520
Creditors falling due within one year	3,268	2,023	1,777
Deferred taxation	1,468	2,097	3,164
Minority equity interest	100	53	95
	<u>22,311</u>	<u>22,242</u>	<u>25,556</u>

Consolidated Cash Flow Statement

	Half year ended		Year ended
	31st December		30th June
	2007	2006	2007
	£000	£000	£000
Cash outflow on operating activities	(354)	(305)	(1,311)
Returns on investments and servicing of finance			
Dividends received	340	282	380
Net interest paid	(58)	(54)	(88)
Net cash inflow from returns on investments and servicing of finance	282	228	292
Taxation paid	(2)	(3)	(13)
Investing activities			
Non-current asset investments purchases	(1,297)	(888)	(948)
Non-current asset investments disposals	-	2,080	2,080
Net cash (outflow)/inflow from investment activities	(1,297)	1,192	1,132
Equity dividend paid – Company	(343)	(315)	(315)
Financing			
Share capital issued	-	60	534
Net drawdown/(repayment) of loan facility	1,658	(150)	(403)
Net cash inflow/(outflow) from financing	1,658	(90)	131
(Decrease)/increase in cash	(56)	707	(84)

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

	31st December	30th June
	2007	2007
	£000	£000
Profit before taxation	228	765
Dividends receivable	(205)	(253)
Share of associate	(38)	(75)
Depreciation charges	7	14
Net interest paid	80	138
Profit on sale of non-current asset investment	-	(1,239)
(Increase)/decrease in debtors	(100)	12
(Decrease)/increase in creditors	(168)	56
Increase in current asset investments	(158)	(729)
	(354)	(1,311)

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

	At start of period £000	Cash flow £000	At end of period £000
2007			
Cash at bank	87	(56)	31
Bank loan	(1,247)	(1,658)	(2,905)
	<u>(1,160)</u>	<u>1,714</u>	<u>(2,874)</u>
2006/2007			
Cash at bank	171	(84)	87
Bank loan	(1,650)	403	(1,247)
	<u>(1,479)</u>	<u>319</u>	<u>(1,160)</u>

Notes:-

1. 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 2007 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 2007 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.
2. 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 – 31,200,000 (December 2006 – 30,065,217 and June 2007 – 30,631,233).

Market Value of General Portfolio

	31st December 2007	
	£000	%
L'Oreal	248	3.6
Nestlé	231	3.4
British American Tobacco	224	3.2
Heineken	211	3.1
Royal Dutch Shell	210	3.0
ABB	203	2.9
BASF	202	2.9
Lafarge	202	2.9
Beiersdorf	199	2.9
Unilever	192	2.8
Reckitt Benckiser	189	2.7
BHP Billiton	187	2.7
Land Securities Group	186	2.7
BP	186	2.7
Standard Chartered	185	2.7
Diageo	184	2.7
Anglo American	183	2.7
Investor	179	2.6
Imperial Tobacco Group	178	2.6
Holcim	178	2.6
ING Groep	172	2.5
Pernod-Ricard	168	2.4
Koninklijke	167	2.4
Henkel	166	2.4
Credit Suisse Group	163	2.4
Schindler-Holdings	162	2.4
Johnson Matthey	160	2.3
Total	159	2.3
Associated British Foods	157	2.3
Richemont	155	2.3
Carlsberg	153	2.2
Rio Tinto	150	2.2
LVMH Moët Hennessy-Louis Vuitton	147	2.1
Novartis	144	2.1
UBS	140	2.0
Roche Holdings	130	1.9
Deutsche Post	121	1.8
Swire Pacific	109	1.6
Heidelbergcement	106	1.5
TNT	101	1.5
	<u>6,885</u>	<u>100.0</u>

