



LONDON FINANCE &
INVESTMENT GROUP P.L.C.



INTERIM STATEMENT
31ST DECEMBER
2008

London Finance & Investment Group P.L.C.

(Incorporated in England – No. 201151)

Directors

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

Registered office

30 City Road
London, EC1Y 2AG

18th February 2009

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 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 2008, we held three Strategic Investments in which we have board representation: our associated company Western Selection P.L.C., Finsbury Food Group plc and Marylebone Warwick Balfour Group Plc. Detailed comments on our Strategic Investments are given below.

Results

Our net assets per share decreased 50% to 19.2p at 31st December 2008 from 38.7p at 30th June 2008. Our Strategic Investments decreased in value by 59% and our General Portfolio decreased by 23%. This compares with the declines of 21% in the FTSE 100 index and 60% in AIM over the half year. At the close of business on 13th February 2009, our net asset value was 16p.

The Group incurred a loss before tax for the half year of £239,000 compared to a profit of £228,000 for the same period last year due to provisions against falls in value of the General Portfolio, compared with profits in the previous period. Our loss after tax and minority interest was £232,000 (2007 profit: £220,000) giving losses per share of 0.7p (2007 earnings: 0.7p).

Strategic Investments

Western Selection P.L.C. (“Western”)

The Group owns 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.

On 11th February 2009, Western announced a profit after tax of £63,000 for its half year to 31st December 2008 and a profit per share of 0.4p (2007: 0.3p). Western’s net assets at market value were £8,080,000 equivalent to 45p per share, a decrease of 22% from 58p at 30th June 2008.

The market value of the Company’s investment in Western at 31st December 2008 was £2,076,000 against a book value of £5,918,000, this represents 34% 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 £3.3 million (30th June 2008: £4.6 million).

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, Swallowfield plc.

and Hartim Limited. Extracts from Western's announcement on its strategic investments are set out below:

Creston plc

Creston is a marketing services group with a strategy to grow within its sector to become a substantial, diversified international marketing services group. Creston's results for the half-year to 30th September 2008 show a profit after tax of £2,951,000 (2007: £2,280,000).

Western owns 3,000,000 shares in Creston (5.4%) with a market value at 31st December 2008 of £840,000 (30th June 2008: £1,425,000), being 10% 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's latest results, for the half year to 30th June 2008, showed profit of £748,000 (2007: £430,000).

Western owns 1,500,000 shares, representing 20.3% of Northbridge's share capital. The value of this investment at 31st December 2008 was £1,950,000 (30th June 2008: £2,558,000), representing 24% 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 2008, showed profit, before exceptional items, of £1,041,000 (30th June 2007: £601,000).

At 31st December 2008, Western owned 1,296,500 shares in Swallowfield (11.5% of their issued share capital). The market value of the Company's holding in Swallowfield on 31st December 2008 was £921,000 (30th June 2008: £971,000) representing 11% of the Company's assets.

We do not believe that the Board of Swallowfield has the necessary mix of skills and experience amongst its non-executive directors and we will continue to work with other shareholders to rectify this.

Hartim Limited

Hartim offers a complete sales, marketing and logistical services to a number of UK branded fast moving consumer goods companies. This investment was acquired on 28th March 2008 and is accounted for as an associated company.

Hartim's estimated results for the 9 month period ended on 31st December 2008 are a profit of £416,000 after tax.

At 31st December 2008, Western owned 49.5% of Hartim. The carrying value of the Company's investment in Hartim on 31st December 2008 was £935,000 (30th June 2008: £797,000) representing 12% of the Company's assets.

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 £940,000 on 31st December 2008 compared to a cost of £1,893,000; this represents 16% 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. In a recent trading update the company confirmed that the consumer environment remained uncertain and that operating margins during the first half of the year were likely to be between 1% and 2% lower than the same period in 2007.

I am chairman of Finsbury Food.

MWB Group Holdings 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, 2008 was £595,000, compared with a book value of £1,681,000, which represents 10% of the net assets of Lonfin.

MWB is a hotel, serviced offices and retail group that is in the process of realising its assets through an orderly disposal programme. A recent trading update for the year ended 31st December 2008 confirmed that trading at Malmaison and Hotel du Vin had been firm, Business Exchange had maintained occupancy levels at 90% and sales at Liberty for the first 10 months of the year were ahead of comparative trading levels.

I am a non-executive director of MWB.

General Portfolio

The General Portfolio is diverse and consists of U.K. and European blue chip equities, most of which have significant international exposure. The list of these investments is set out on page 8.

Dividends

Following the interim dividend last year of 0.55p the board have declared an interim of 0.55p payable on Friday, 27th March 2009.

Outlook

Attempts by the public and private sectors at mending the fragile financial system seem to have had little effect to date and it has become clear that both parties underestimated the magnitude of the crisis. With the major Western economies contracting and unemployment on the rise we expect the second half of the financial year to be challenging.

David C. Marshall
Chairman

Interim dividend

The recommended interim dividend is 0.55p per share (2007 – 0.55p) and will be paid on Friday, 27th March 2009 to those members registered at the close of business on Friday, 6th March 2009. Shareholders on the South African register will receive their dividend in South African Rand converted from sterling at the closing rate of exchange on Monday, 16th February 2009.

Salient dates for dividend

Last day to trade (SA)	Friday, 27th February 2009
Shares trade ex dividend (SA)	Monday, 2nd March 2009
Shares trade ex dividend (UK)	Wednesday, 4th March 2009
Record date (UK & SA)	Friday, 6th March 2009
Pay date	Friday, 27th March 2009

Shareholders are hereby advised that the exchange rate to be used will be GBP 1 = ZAR 14.2929. This has been calculated as the average of the bid/ask spread at 16h00 (United Kingdom time) being the close of business on Monday, 16th February 2009. Consequently the dividend of 0.55p will be equal to 7.8611 South African cents.

No dematerialisation or rematerialisation of share certificates, nor transfer of shares between the registers in London and South Africa will take place between Monday, 2nd March 2009 and Friday, 6th March 2009, both dates inclusive.

Unaudited Consolidated Income Statement

	Half year ended 31st December		Year ended 30th June
	2008	2007	2008
	£000	£000	£000
Operating Income			
Dividends received	223	205	323
Interest and sundry income	17	17	33
Profit on sales of investments, including provisions	(231)	234	289
	9	456	645
Management services income	231	241	516
	240	697	1,161
Administrative expenses			
Investment operations	(185)	(193)	(373)
Management services	(247)	(235)	(507)
Total administrative expenses	(432)	(428)	(880)
Operating (loss)/profit	(192)	269	281
Share of result of associated undertaking			
Operating profit	40	38	216
Exceptional expenses	-	-	(1,322)
Interest payable	(87)	(79)	(170)
(Loss)/Profit on ordinary activities before taxation	(239)	228	(995)
Tax on result of ordinary activities	-	(3)	(2)
(Loss)/Profit on ordinary activities after taxation	(239)	225	(997)
Minority interest	7	(5)	(6)
(Loss)/Profit attributable to members of the holding company	(232)	220	(1,003)
Reconciliation of headline earnings			
(Loss)/Earnings per share	(0.7)p	0.7p	(3.2)p
Adjustment for exceptional items, net of tax	-	-	(4.2)p
Headline earnings per share	(0.7)p	0.7p	1.0p
Interim dividend	0.55p	0.55p	0.55p
Final dividend	-	-	0.65p
Total in respect of the year			1.20p

Consolidated Statement of Changes in Shareholders' Equity

Unrealised gains/(losses) on investments, net of taxation	(5,672)	(2,922)	(6,942)
Profit/(Loss) attributable to members	(232)	220	(1,003)
Total income and expense	(5,904)	(2,702)	(7,945)
Costs of warrant issue	(9)	-	-
Dividend paid in respect of the previous year	(203)	(343)	(343)
Interim dividend paid	-	-	(172)
Total transactions with shareholders	(212)	(343)	(515)
Shareholders' funds at start of period	12,060	20,520	20,520
Shareholders' funds at end of period	5,944	17,475	12,060

Unaudited Consolidated Balance Sheet

	31st December		30th June
	2008	2007	2008
	£000	£000	£000
Non-current assets			
Tangible assets	397	410	403
Principle investments:			
Marylebone Warwick Balfour Group Plc	595	4,860	2,455
Finsbury Food Group plc	940	6,880	3,860
Western Selection P.L.C.	2,076	2,961	2,469
	<u>4,008</u>	<u>15,111</u>	<u>9,187</u>
Current assets			
Listed investments	4,522	6,885	5,726
Debtors	408	284	319
Cash, bank balances and deposits	73	31	36
	<u>5,003</u>	<u>7,200</u>	<u>6,081</u>
Total Assets	<u>9,011</u>	<u>22,311</u>	<u>15,268</u>
Capital and Reserves			
Called up share capital	1,560	1,560	1,560
Share premium account	2,318	2,328	2,328
Reserves	(3,197)	6,503	2,483
Profit and loss account	5,263	7,084	5,689
	<u>5,944</u>	<u>17,475</u>	<u>12,060</u>
Shareholders funds	<u>5,944</u>	<u>17,475</u>	<u>12,060</u>
Creditors falling due within one year	<u>2,973</u>	<u>3,268</u>	<u>3,107</u>
Deferred taxation	–	1,468	–
Minority equity interest	94	100	101
	<u>9,011</u>	<u>22,311</u>	<u>15,268</u>

Consolidated Cash Flow Statement

	Half year ended		Year ended
	31st December		30th June
	2008	2007	2008
	£000	£000	£000
Cash inflow/(outflow) on operating activities	233	(354)	4
Returns on investments and servicing of finance			
Dividends received	427	340	458
Net interest paid	(87)	(58)	(143)
Net cash inflow from returns on investments and servicing of finance	340	282	315
Taxation paid	-	(2)	(235)
Investing activities			
Non-current asset investments purchases	-	(1,297)	(1,297)
Non-current asset investments disposals	-	-	-
Net cash outflow from investment activities	-	(1,297)	(1,297)
Equity dividends paid – Company	(203)	(343)	(515)
Financing			
Cost of warrants issue	(9)	-	-
Net (repayment) drawdown of loan facility	(324)	1,658	1,677
Net cash (outflow)/inflow from financing	(333)	1,658	1,677
Increase/(Decrease) in cash	37	(56)	(51)

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

	31st December		30th June
	2008	2007	2008
	£000	£000	£000
(Loss)/Profit before taxation	(238)	228	(995)
Dividends receivable	(223)	(205)	(323)
Share of associate	(40)	(38)	1,127
Depreciation charges	7	7	13
Net interest paid	87	80	143
Increase in debtors	(110)	(100)	(135)
Increase/(Decrease) in creditors	196	(168)	(115)
Decrease/(Increase) in current asset investments	554	(158)	289
	233	(354)	4

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

	At start of period £000	Cash flow £000	At end of period £000
2008			
Cash at bank	36	37	73
Bank loan	(2,924)	324	(2,600)
	<u>(2,888)</u>	<u>351</u>	<u>(2,527)</u>
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>
Year ended 30th June 2008			
Cash at bank	87	(51)	36
Bank loan	(1,247)	(1,677)	(2,924)
	<u>(1,160)</u>	<u>(1,728)</u>	<u>(2,888)</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 2008 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 2008 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 2007 and June 2008 – 31,200,000).

Market Value of General Portfolio

	31st December 2008	
	£000	%
Nestle	274	6.1
British American Tobacco	232	5.1
Beiersdorf	210	4.6
L'Oreal	208	4.6
Imperial Tobacco Group	184	4.1
Royal Dutch Shell	180	4.0
Novartis	180	4.0
Investor	163	3.6
Roche Holdings	161	3.5
BP	158	3.5
BHP Billiton	155	3.4
Schindler-Holdings	155	3.4
Pernod-Ricard	150	3.3
Reckitt Benckiser	150	3.3
Unilever	147	3.3
BASF	147	3.2
Total	145	3.2
ABB	144	3.2
Diageo	142	3.1
Heineken	138	3.1
Holcim	131	2.9
Henkel	130	2.9
Associated British Foods	117	2.6
Land Securities Group	114	2.5
Carlsberg	113	2.5
Koninklijke	99	2.2
Lafarge	93	2.1
Johnson Matthey	93	2.1
Anglo American	82	1.8
ING Groep	63	1.4
Richemont	60	1.3
Other	4	0.1
	<hr/>	<hr/>
	4,522	100.0
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