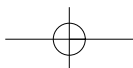
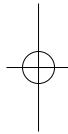
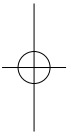


THE LAXEY  
INVESTMENT TRUST PLC

INTERIM REPORT  
FOR THE PERIOD ENDED 31 MARCH 2007



## Directors, Manager and Advisers

D.E.H. Panter (*Chairman*)\*

D.J.M. Blackler O.B.E.

J.C. Colvile\*

C.W. Kingsnorth

A. Boyd\* C.M.G.

A.J.R. Collins

\* *Member of Audit Committee*

### Secretary and Registered Office

Maclay Murray & Spens LLP  
1 London Wall  
London EC2Y 5AB

### Auditors

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### Registrars

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Custodian

HSBC Bank plc  
Global Investor Services  
Mariner House  
Pepys Street  
London EC3N 4DA

### Investment Manager

Laxey Partners (UK) Limited  
Princes House  
38 Jermyn Street  
London SW1Y 6DN

### Solicitors

Maclay Murray & Spens  
The City Law Partnership  
1 London Wall  
London EC2Y 5AB

### Brokers

UBS  
1 Finsbury Avenue  
London EC2M 2PP

### Banker

HSBC Bank plc  
Poultry & Princess Street Branch  
PO Box 648  
Poultry & Princess Street  
London EC2P 2BX

## Investment Manager's Report

### CHANGE OF NAME

In the listing particulars published by the Tea Plantations Investment Trust PLC ("TPIT" or the "Company") in February 1997, it was stated that a resolution would be put to Shareholders at the annual general meeting of the Company to be held in 2007 proposing that TPIT continues as an investment trust company for a further specified period of not more than three years. Following consultation with its advisers, certain Shareholders and the Investment Manager, the TPIT Board put forward continuation proposals that envisaged the continuation of the Company as an investment trust company with a revised investment objective, strategy and policy, increased borrowing powers and a new name.

On 6 March, 2007 at the Continuation Vote for the Tea Plantations Investment Trust PLC, the Company became The Laxey Investment Trust PLC ("LIT"). As it did so, it entered a two year realisation/transition phase that will see its existing investments in various Sri Lankan tea companies realised and the proceeds re-invested in accordance with its new investment policy. LIT has begun to pursue a strategy of active value management, the core strategy of the Investment Manager for LIT, Laxey Partners (UK) Limited. The investment objective of LIT is to provide Shareholders with a combination of capital growth and regular dividend income by making investments with the aim of profiting through the reduction of the discount at which these investments trade to their underlying value, where the Board and the Investment Manager consider there is scope for value enhancement; examples of target entities include asset rich businesses such as closed-end funds, property businesses and cash-rich entities.

LIT now has borrowing powers of up to 200% of its Net Asset Value and as a UK investment trust company adheres to the following investment restrictions:

- LIT may not invest more than 15% of gross assets in other investment trusts or investment companies admitted to the Official List;
- Invest, either directly or indirectly, or lend more than 20% of its gross assets to any single underlying issuer;

- LIT may not take legal or management control of any of its investments;
- LIT may not conduct any significant trading activity.

### **REALIGNMENT**

The two year portfolio realignment phase has commenced. At the time of the re-organisation 40% of the then TPIT portfolio was held in cash or cash equivalents, whilst the remaining 60% was invested in companies that manage the regional tea plantations in Sri Lanka or in direct investments in the regional tea plantation companies. At the time of writing, approximately 39% of the former TPIT portfolio had been invested in line with LIT's new investment strategy.

### **SRI LANKA**

The bulk of LIT's assets remains invested in Sri Lanka. It saddens your Company greatly to report that hostilities between the Sri Lankan government and the Liberation Tigers of Tamil Eelam ("Tamil Tigers") continue to worsen. Both sides are accused of committing human rights abuses (by Human Rights Watch) including forcibly recruiting children to fight – the government through its alliance with the breakaway Karuna rebel group, once allies of the Tamil Tigers. The conflict shows signs of further escalation following an attack by the new air force of the Tamil Tigers on a Shell storage facility near Colombo (on 29 April, 2007). According to the Financial Times ("FT") (1 May, 2007), the Tamil Tigers are thought to be the only group designated as terrorists by the US and European Union that has sea, ground and air military capabilities. There are calls for Sri Lankan President Mahinda Rajapakse to find a solution to the conflict via the 17 member All Party Representative Conference. Tasked with finding a solution, 11 members of the All Party Representative Conference recently submitted a proposal to allow the Tamil Tigers significant autonomy in northern and eastern Sri Lanka.

## Investment Manager's Report

The Sri Lankan economy is holding up. Whilst it grew an estimated 7.2% (source: Economist Intelligence Unit, 1 April 2007) in 2006, inflation in 2006 was 13.7% and the budget deficit is running at more than 7% of GDP (source: FT – multiple articles).

In light of the present economic and political climate, the two year transition phase from a tea focused to active value focused investment strategy should allow your Company adequate time to divest its Sri Lankan holdings.

### ACTIVE VALUE INVESTING

LIT continues to acquire holdings in line with its new investment strategy. Three of its new holdings are:

#### IMPLENIA AG

A Swiss company, Implenla provides construction, civil and underground engineering services; projects include residential and commercial buildings, rail works, tunnels, bridges and roads. It also provides real estate and facilities management and marketing services.

Despite it being the dominant player in the Swiss market with three times the market share compared to the number two player, Implenla is undervalued on an industry peer basis. In the ongoing European market, industry wide consolidation process, we believe that this makes Implenla a natural takeover target.

Across its funds Laxey Partners has declared a stake in Implenla of almost 20%.

#### SAMBU CONSTRUCTION COMPANY LIMITED

A Korean construction company, Sambu specialises in government construction projects as well as constructing office blocks, industrial plants, hotels, apartments, schools and shopping malls. Across its funds Laxey Partners has declared a 5% stake in Sambu which has been classified as a Management Participation Holding to highlight the fact that the company, whilst asset rich, is deeply discounted and could enhance shareholder value via the disposal of certain key assets.

### **NIPPON COMMERCIAL**

A Japanese Real Estate Investment Trust (“REIT”) that invests in medium and large sized offices and high quality retail facilities in Toyko and other major Japanese cities, Nippon Commercial is trading at a significant discount to similar types of Japanese REITs. Office rents for the kind of property it owns are expected to see significant rental growth over the next few years thus well placing Nippon Commercial to benefit from any office rental growth on its existing portfolio.

Across its funds Laxey Partners has a 2.8% stake in Nippon Commercial, worth approx. USD40m.

Laxey Partners (UK) Limited  
21 June 2007

Laxey Partners (UK) Limited provides investment advisory services to Laxey Partners Limited. The percentage stake holdings reported for Implen AG, Sambu Construction Company Limited and Nippon Commercial are across all funds managed/advised by Laxey Partners Limited and Laxey Partners (UK) Limited.

## Investment Holdings

	Country of operation	Holding	As at 31 March 2007	
			Market value £	% of total net assets
<b>Listed Investments</b>				
Ceylon Tea Services Limited	Sri Lanka	2,142,856	1,804,197	19.76
James Finlay Limited	Sri Lanka	1,395,418	868,109	9.51
Implenia AG	Switzerland	53,366	768,914	8.42
Kegalle Plantations Limited	Sri Lanka	1,307,200	256,808	2.81
Nippon Commercial REIT	Japan	107	297,548	3.26
Commercial Group	UK	25,000	15,500	0.17
Metropolitan Resource Holdings Limited	Sri Lanka	2,481,027	522,231	5.72
AG Capital Interr Fund	Russia	1,200,000	832,080	9.12
Kelani Valley Plantations Limited	Sri Lanka	103,900	27,216	0.30
Maskeliya Plantations Limited	Sri Lanka	296,600	33,644	0.37
Sri Lanka Telecom	Sri Lanka	–	–	–
Treasury 4.5% 2007	UK	–	–	–
Hapugastenne Plantations Limited	Sri Lanka	–	–	–
Horana Plantations Limited	Sri Lanka	–	–	–
			5,426,247	59.44
<b>Unlisted Investments*</b>				
Ceytea Plantations Management Limited	Sri Lanka	3,136,500	631,299	6.92
Aitken Spence Plantations Management Limited	Sri Lanka	2,500,000	552,886	6.06
Forbes Plantations Management Limited	Sri Lanka	12,500,000	409,870	4.49
			1,594,055	17.46
<b>Contracts for Difference</b>				
Sambu Construction CFD	Korea		297,193	3.26
Other CFD investments	Various		729,556	7.99
			1,026,749	11.25
Investments			8,047,051	88.15
Net Current Assets			1,081,666	11.85
Net Assets			9,128,717	100.00

The total number of investments at 31 March 2007 was 17.

\* Valued at Directors valuation

As at 30 September 2006

Holding	Market value £
2,142,856	3,308,506
1,395,418	1,187,936
-	-
2,425,000	588,050
-	-
-	-
2,481,027	256,015
-	-
197,600	50,721
309,400	37,913
14,567,500	1,578,371
1,331,263	1,328,721
90,700	7,604
700	83
	<hr/>
	8,343,920
3,136,500	587,754
2,500,000	496,083
12,500,000	552,063
	<hr/>
	1,635,900
	-
	<hr/>
	-
	-
	9,979,820
	<hr/>
	330,038
	<hr/>
	<u>10,309,858</u>

## Income Statement

(unaudited)

	For the six months to 31 March 2007			For the six months to 31 March 2006		
	Revenue £	Capital £	Total £	Revenue £	Capital £	Total £
(Losses)/gains on investments at fair value through profit or loss	–	(1,174,492)	(1,174,492)	–	78,715	78,715
Exchange gains on capital items	–	2,868	2,868	–	–	–
Investment income	155,677	–	155,677	123,245	–	123,245
Interest and other income	6,545	–	6,545	3,770	–	3,770
	<u>162,222</u>	<u>(1,171,624)</u>	<u>(1,009,402)</u>	<u>127,015</u>	<u>78,715</u>	<u>205,730</u>
Investment Management fee	(24,465)	(24,466)	(48,931)	(24,301)	(24,301)	(48,602)
Other administrative expenses	<u>(112,982)</u>	<u>–</u>	<u>(112,982)</u>	<u>(110,527)</u>	<u>–</u>	<u>(110,527)</u>
<b>Return on ordinary activities before finance costs and taxation</b>	<b>24,775</b>	<b>(1,196,090)</b>	<b>(1,171,315)</b>	<b>(7,813)</b>	<b>54,414</b>	<b>46,601</b>
Interest payable	<u>(41)</u>	<u>–</u>	<u>(41)</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Return on ordinary activities before taxation</b>	<b>24,734</b>	<b>(1,196,090)</b>	<b>(1,171,356)</b>	<b>(7,813)</b>	<b>54,414</b>	<b>46,601</b>
Taxation	<u>(9,785)</u>	<u>–</u>	<u>(9,785)</u>	<u>(7,781)</u>	<u>–</u>	<u>(7,781)</u>
<b>Return on ordinary activities after taxation</b>	<b><u>14,949</u></b>	<b><u>(1,196,090)</u></b>	<b><u>(1,181,141)</u></b>	<b><u>(15,594)</u></b>	<b><u>54,414</u></b>	<b><u>38,820</u></b>
<b>Transfer to/(from) reserves</b>	<b><u>14,949</u></b>	<b><u>(1,196,090)</u></b>	<b><u>(1,181,141)</u></b>	<b><u>(15,594)</u></b>	<b><u>54,414</u></b>	<b><u>38,820</u></b>
<b>Return per Ordinary share</b>	<b>0.14p</b>	<b>(11.33)p</b>	<b>(11.19)p</b>	<b>(0.15)p</b>	<b>0.52p</b>	<b>0.37p</b>

The total column of this statement is the profit and loss account of the Company.

All revenue and capital items in the above statement derive from continuing operations.

The revenue return per Ordinary share is based on a profit of £14,949 and on 10,557,717 Ordinary shares in issue throughout the period.

The capital return per Ordinary share is based on a loss of £1,196,090 and on 10,557,717 Ordinary shares in issue throughout the period.

For the year to 30 September 2006		
Revenue	Capital	Total
£	£	£
-	287,040	287,040
-	-	-
358,049	-	358,049
<u>5,870</u>	<u>-</u>	<u>5,870</u>
363,919	287,040	650,959
(48,154)	(48,155)	(96,309)
<u>(233,339)</u>	<u>-</u>	<u>(233,339)</u>
82,426	238,885	321,311
<u>(51)</u>	<u>-</u>	<u>(51)</u>
82,375	238,885	321,260
<u>(28,723)</u>	<u>-</u>	<u>(28,723)</u>
<u>53,652</u>	<u>238,885</u>	<u>292,537</u>
<u><u>53,652</u></u>	<u><u>238,885</u></u>	<u><u>292,537</u></u>
0.51p	2.26p	2.77p

## Summarised Balance Sheet

(unaudited)

	As at 31 March 2007 £	As at 31 March 2006 £	As at 30 September 2006 £
<b>Assets</b>			
Investments at fair value	8,047,051	10,017,476	9,979,820
Net current assets	<u>1,081,666</u>	<u>38,665</u>	<u>330,038</u>
<b>Net assets</b>	<u><u>9,128,717</u></u>	<u><u>10,056,141</u></u>	<u><u>10,309,858</u></u>
<b>Capital and Reserves</b>			
Called-up share capital	2,639,429	2,639,429	2,639,429
Share premium account	5,662,800	5,662,800	5,662,800
Capital reserve	1,142,742	2,154,361	2,338,832
Revenue reserve	<u>(316,254)</u>	<u>(400,449)</u>	<u>(331,203)</u>
<b>Shareholders' funds</b>	<u><u>9,128,717</u></u>	<u><u>10,056,141</u></u>	<u><u>10,309,858</u></u>
Net Asset Value per Ordinary share			
(excluding current period revenue loss)	86.32p	95.40p	97.65p
Net Asset Value per Ordinary share			
(including current period revenue loss)	86.46p	95.25p	94.88p

The Net Asset Value per Ordinary share is based on 10,557,717 ordinary shares in issue.

## Reconciliation of Movements in Shareholders Funds

(unaudited)

	Share capital £	Share premium £	Capital reserve £	Revenue reserve £	Total £
<b>Six months ended 31 March 2007</b>					
30 September 2006	2,639,429	5,662,800	2,338,832	(331,203)	10,309,858
Net return after taxation for the period	<u>—</u>	<u>—</u>	<u>(1,196,090)</u>	<u>14,949</u>	<u>(1,181,141)</u>
<b>31 March 2007</b>	<u>2,639,429</u>	<u>5,662,800</u>	<u>1,142,742</u>	<u>(316,254)</u>	<u>9,128,717</u>
 <b>Year ended 30 September 2006</b>					
30 September 2005	2,639,429	5,662,800	2,099,947	(384,855)	10,017,321
Net return after taxation for the year	<u>—</u>	<u>—</u>	<u>238,885</u>	<u>53,652</u>	<u>292,537</u>
<b>30 September 2006</b>	<u>2,639,429</u>	<u>5,662,800</u>	<u>2,338,832</u>	<u>(331,203)</u>	<u>10,309,858</u>
 <b>Six months ended 31 March 2006</b>					
30 September 2005	2,639,429	5,662,800	2,099,947	(384,855)	10,017,321
Net return after taxation for the period	<u>—</u>	<u>—</u>	<u>54,414</u>	<u>(15,594)</u>	<u>38,820</u>
<b>31 March 2006</b>	<u>2,639,429</u>	<u>5,662,800</u>	<u>2,154,361</u>	<u>(400,449)</u>	<u>10,056,141</u>

## Summarised Cash Flow Statement

(unaudited)

	For the six months to 31 March 2007 £	For the six months to 31 March 2006 £	For the year to 30 September 2006 £
Net cash (outflow)/inflow from operating activities	<u>(11,420)</u>	<u>(17,282)</u>	<u>51,454</u>
Taxation	<u>-</u>	<u>-</u>	<u>-</u>
Servicing of finance	<u>(41)</u>	<u>-</u>	<u>(51)</u>
Net cash inflow from capital expenditure and financial investment	<u>2,436,583</u>	<u>6,987</u>	<u>252,968</u>
Increase/(decrease) in cash	<u><u>2,425,122</u></u>	<u><u>(10,295)</u></u>	<u><u>304,371</u></u>

## Notes to the Accounts

### 1. BASIS OF PREPARATION

The unaudited interim financial information does not constitute statutory accounts as defined by section 240 of the Companies Act 1985. This information has been prepared on the basis of the accounting policies used in the statutory accounts of the Company for the year ended 30 September 2006 and the 2003 Statement of Recommended Practice: Financial Statements of Investment Trust Companies as revised in December 2005. The statutory accounts for the year ended 30 September 2006 received an unqualified audit opinion and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

All investments held by the Company are classified as 'fair value through the profit and loss'. For investments actively traded in organised financial markets, fair value is generally determined by reference to the Stock Exchange quoted market bid prices or last traded prices at the close of business on the balance sheet date. Contracts for Difference are synthetic equities and are valued with reference to the investments' underlying bid prices.

