

**LONDON FINANCE &  
INVESTMENT GROUP P.L.C.**

**REPORT & ACCOUNTS**

30<sup>TH</sup> JUNE

**2012**

**LONDON FINANCE & INVESTMENT GROUP P.L.C.**  
(“Lonfin”)

Lonfin is a United Kingdom investment finance and management company. Its core portfolio centres on the larger companies in the FTSE 100 and FTSE Eurofirst 300 indices. Additionally, Lonfin holds investments in United Kingdom listed companies where it has Directors in common. Lonfin is also a 43.8% shareholder in its associate Western Selection P.L.C. (“Western”), a strategic investment company. Western’s share capital is admitted to trading on PLUS Stock Exchange.

Lonfin’s shares are quoted in the official lists of the London and Johannesburg stock exchanges.

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**CITY GROUP P.L.C.**  
(“City Group”)

City Group, which is owned by Lonfin and Western, provides management, office and secretarial services to both companies and to other clients requiring a London presence, including companies in which Lonfin and Western hold investments.

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## Directors

**D.C. MARSHALL, Chairman, age 68 ♦**

Mr. Marshall joined the board in 1971 and was appointed Chairman in 1984. He resides in South Africa, where he has interests in listed trading, financial and property companies. He is the chairman of Western Selection P.L.C., an associate of Lonfin, and is a non-executive director of Creston plc, Finsbury Food Group Plc, MWB Group Holdings Plc and Northbridge Industrial Services PLC. He is the chief executive of Marshall Monteagle PLC and chairman of Halogen Holdings P.L.C.

**F.W.A. LUCAS, BSc, PhD, Independent Non-executive, age 45 \* †**

Dr. Lucas was appointed a director in 1999. He is a mining geologist by profession and one of the founding shareholders and a director of Loeb Aron & Company Ltd, an authorised and regulated investment and issuing house, which specialises in corporate finance and is a Member of the London Stock Exchange and of PLUS Stock Exchange.

**L.H. MARSHALL, Non-executive, age 41 ♦**

Mr. Marshall joined the board in 2011. He is the finance director of Marshall Monteagle PLC and has extensive investment management experience. He is a non-executive director of Hartim Limited, Halogen Holdings P.L.C. and Heartstone Inns Limited.

**J.H. MAXWELL, CA, CCMI, FRSA, Senior Independent Non-executive, age 67 \* †**

Mr. Maxwell, who is a Chartered Accountant, was appointed a director of the Company in 2003. He currently serves as a non-executive director of RSA Insurance Group PLC, First Assist Insurance Services Limited and The Royal Automobile Club Motor Sports Association Limited.

**J.M. ROBOTHAM, OBE, FCA, Non-executive, age 79 †**

Mr. Robotham joined the board in 1984. He is the non-executive chairman of Marshall Monteagle PLC and a non-executive director of Western Selection P.L.C. and is a Chartered Accountant.

\* Member of the audit committee

† Member of nomination committee

♦ Member of the investment committee

**Secretaries and Registered Office**

**United Kingdom**  
City Group P.L.C.  
30 City Road  
London, EC1Y 2AG  
Tel: 020 7448 8950  
Fax: 020 7638 9426  
  
www.city-group.com  
E-mail: [lonfin@city-group.com](mailto:lonfin@city-group.com)

**Republic of South Africa**

D.A. Greer  
11 Sunbury Park  
La Lucia Ridge Office Estate  
La Lucia 4051  
Durban  
Tel: +27 (0)31 566 7600

**Registered Number** 201151

**Registrars**

Capita Registrars The Registry 34 Beckenham Road Beckenham Kent, BR3 4TU Tel: 0871 664 0300 (Calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Monday-Friday) From outside the UK +44 20 8639 3399	Computershare Investor Services (Pty.) Limited 70 Marshall Street Johannesburg, 2001 (P.O. Box 61051, Marshalltown 2107) Tel: +27 11 370 5000
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## Summary of Investments

At 30 <sup>th</sup> June	2012 £000	2011 £000
<b>Investment in associate</b> at market value:		
Western Selection P.L.C.	3,144	3,458
<b>Strategic Investments</b> at market value:		
Finsbury Food Group plc	1,880	1,700
MWB Group Holdings Plc	70	775
	<u>5,094</u>	<u>5,933</u>
<b>General Equity Portfolio</b> at market value	4,533	4,668
Tangible non-current assets *	4	2,093
Cash, bank balances and deposits	2,217	21
Bank loans	(1,950)	(1,816)
Other net (liabilities)/assets	(55)	108
Non-controlling interests	(98)	(92)
<b>Net assets, including investments at market value</b>	<u>9,855</u>	<u>10,915</u>
<b>Net assets per share</b>	<b>31.6p</b>	35.0p

\* 2011 comparative includes a leasehold property valued at £2,036,000 net of estimated tax payable on sale. The property was sold in the year and the carrying value of the property in the 2011 financial statements was £367,000.

### Dividends

Interim	0.35p	0.3p
Proposed final	0.35p	0.3p

Profit per share (excluding unrealised changes in the market value of investments):	6.4p	0.4p
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## Financial Calendar

Interim dividend	Paid on 1 <sup>st</sup> April 2012
Annual General Meeting	28 <sup>th</sup> November 2012
Final dividend for 2012	Payable on 30 <sup>th</sup> November 2012 to holders on 9 <sup>th</sup> November 2012.
Half-year results	Announced in February

## Analysis of Shareholders

	Number	%	Total	%
1- 500	1215	59.3	231,185	0.7
501- 1,000	333	16.3	274,137	0.9
1,001- 5,000	349	17.0	795,484	2.6
5,001- 10,000	52	2.6	420,749	1.4
10,001- 50,000	62	3.0	1,578,856	5.0
50,001- 100,000	11	0.5	748,605	2.4
100,001- 250,000	10	0.5	1,820,721	5.8
250,001- 500,000	9	0.4	3,077,486	9.9
500,001- 1,000,000	3	0.2	2,093,044	6.7
Over 1,000,000	4	0.2	20,167,212	64.6
	<u>2,048</u>	<u>100.0</u>	<u>31,207,479</u>	<u>100.0</u>

The current price of the Company's shares can be found on the website of the London Stock Exchange and in the business section of the major South African newspapers.

## Directors' Report

### Business Review

Lonfin is an investment company whose target is to achieve growth in shareholder value in real terms over the medium to long term while maintaining a progressive dividend policy.

In the short term, the performance of the Company can be influenced by overall stock market performance and to diversify this short term risk the Company has a combination of Strategic Investments and a General Portfolio. Strategic Investments are significant investments in smaller U.K. quoted companies and these are balanced by a General Portfolio, which consists of investments in major U.K. and European equities and provides an exposure to the equity market.

At 30<sup>th</sup> June 2012, the three Strategic Investments, in which we have Directors in common, were our associated company Western Selection P.L.C. and MWB Group Holdings Plc and Finsbury Food Group Plc. Detailed comments on our Strategic Investments are given below.

- \* Net assets have decreased over the year by 9.7% from 35.0p per share to 31.6p per share
- \* The General Portfolio has decreased over the year by 4.2% compared to declines of 6.3% and 8.1% in FTSE100 and FTSE Eurofirst 300 respectively.
- \* The General Portfolio is yielding 3.0% (2011 – 3.1%).
- \* There are no net borrowings (2011 – borrowings equal to 17% of the value of liquid stock market investments)
- \* Operating costs have been reduced.

#### Disposal of Investment Property

At the General Meeting on 21<sup>st</sup> December 2011 shareholders approved the disposal of the Company's investment property for gross proceeds of £2,625,000. Net cash proceeds after transaction costs and tax are £2,495,000 compared to the estimate of £2,397,000, mainly due to lower tax payable. Sale proceeds were received on 23<sup>rd</sup> December 2011 and the transaction formally completed on 27<sup>th</sup> January 2012. Most of the sale proceeds are being held in cash pending reinvestment in the General Portfolio.

#### Results

Our net assets per share have decreased 9.7% to 31p from 35p last year (including a valuation of £2,093,000 of the investment property, in place of the book value of £367,000). The decrease reflects the decline in the value of our Strategic Investments by 14%, particularly in MWB Group. The General Portfolio decreased by 4.2%, outperforming the markets, where a decrease in the FTSE 100 index was 6.3% and in the FTSE Eurofirst 300 index, 8.1%, over the year.

The Group achieved a profit for the year, before tax and the fair value adjustments of investments, of £2,074,000 (2011 - £150,000). The profit after fair value adjustments, tax and non-controlling interest was £869,000 (2011 - £2,118,000) giving a profit per share of 2.8p (2011 - 6.8p).

#### Strategic Investments

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

The Group owns 7,864,412 shares, being 43.8%, of the issued share capital of Western.

On 27<sup>th</sup> September 2012, Western announced a profit before associates and tax of £164,000 for its year to 30<sup>th</sup> June 2012 (2011 – £136,000). Including associates and after exceptional items and tax, losses per share were 1.0p (2011 – profits - 2.6p).

Western has paid an interim dividend of 0.80p and proposes an increased final dividend of 0.9p (2011 - 0.85p). Western's net assets at market value were £12,895,000, equivalent to 72p per share, a decrease of 14% from 84p last year.

Our share of the net assets of Western including the value of Western's investments at market value, was £5.6 million (2011 - £6.6 million). The fair value recorded in the statement of financial position is the market value of £3,144,000 (2011 - £3,458,000). This represents 32% (2011 – 37%) of the net assets of the Group.

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Mr. D. C. Marshall is the Chairman of Western and Mr. Robotham and Mr. Beale, the chief executive of our subsidiary company (City Group P.L.C.), are non-executive Directors. Western has Strategic Investments in Creston plc, Northbridge Industrial Services plc, Swallowfield plc and Hartim Limited. An extract from Western's announcement relating to its Strategic Investments is 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 marketing services group. Further information about Creston is available on their website: [www.creston.com](http://www.creston.com).*

*The audited results for the year to 31<sup>st</sup> March 2012, show a profit after tax of £10,300,000 (2011 - £10,400,000), equivalent to fully diluted earnings of 12.34p per share (2011 - 12.39p).*

*Western maintained its holding of 3,000,000 shares in Creston, which is 4.9% of their issued share capital. The value of this investment at 30<sup>th</sup> June 2012 was £1,650,000 (2011 - £3,390,000) being 13% (2011 - 23%) of Western's assets.*

**Northbridge Industrial Services PLC**

*Northbridge hires and sells specialist industrial equipment to a non-cyclical customer base. With offices or agents in the U.K., U.S.A., Dubai, Germany, Belgium, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan, Northbridge has a global customer base. This includes utility companies, the oil and gas sector, shipping, construction and the public sector. The product range includes loadbanks, transformers, generators, compressors, loadcells and oil tools. Further information about Northbridge is available on their website: [www.northbridgegroup.co.uk](http://www.northbridgegroup.co.uk).*

*Northbridge announced profits of £2,321,000 for the year ended 31<sup>st</sup> December 2011 (2010 - £3,036,000) and declared a final dividend of 3.25p per share, making 5.0p for the year (2010 - 4.6p).*

*Western maintained its holding of 2,200,000 shares in Northbridge, which is 14.3% of their issued share capital. The value of this investment at 30<sup>th</sup> June 2012 was £5,984,000 (2011 - £6,094,000) being 46 % (2011 - 40%) of Western's assets.*

**Swallowfield plc**

*Swallowfield is a market leader in the development, formulation, manufacture and supply of cosmetics, toiletries and related household products for global brands and retailers operating in the cosmetics, personal care and household goods market. Further information about Swallowfield is available on their website: [www.swallowfield.com](http://www.swallowfield.com).*

*Swallowfield announced its results to June 2012 showing a profit after tax of £1,263,000 compared to £1,082,000 for the comparable period last year. Dividends of £118,000 (2011 - £116,000) were received from Swallowfield during the year.*

*At the reporting date Western owned 1,869,149 shares which is 16.5% of their issued share capital. The market value of this investment on 30<sup>th</sup> June 2012 was £2,187,000 (2011 - £1,922,000), being 17% (2011 - 13%) of Western's net assets.*

**Investments in Associates**

**Hartim Limited**

*Hartim is the unquoted holding company for Tudor Rose International Limited ("TRI") which was founded in 1984. It works closely with a number of leading UK branded fast moving consumer goods companies, offering a complete sales, marketing and logistical service. Based in Stroud, Gloucestershire, TRI sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China. Hartim has acquired out of administration its principal distributor in Australia; to maintain and improve the service that it can offer to principals. Losses are being incurred by this business while it is being turned around. Hartim has also incurred an exceptional loss in a legal dispute about the exercise of the break clause in a property lease.*

*Western holds 49.5% of Hartim, which has a 31<sup>st</sup> December year end and sustained losses in 2011 of £220,000 after tax on turnover of £27,799,000. Western's share of the consolidated loss after exceptional items and tax for the twelve months to 30<sup>th</sup> June 2012 was £342,000 (2011 - profit - £337,000) and the book value of the investment at 30<sup>th</sup> June 2012 was £1,124,000 (2011 - £1,465,000), being 9% (2011 - 10%) of Western's assets.*

## **MWB Group Holdings Plc (“MWB”)**

MWB is a hotel and serviced offices group that is in the process of realising its assets through an orderly disposal programme. Further information about MWB is available on its website: [www.mwb.co.uk](http://www.mwb.co.uk).

The Group holding in MWB was unchanged from the 2 million shares held at June 2011, representing 1.22% of MWB’s issued share capital. The market value at 30<sup>th</sup> June 2012 was £70,000 (2011 - £775,000), compared with a cost of £1,681,000, and represents 1% (2011 – 8%) of the net assets of the Group.

The share price of MWB has declined significantly over the recent year and we have made an impairment provision in the subsidiary holding this investment of £1,611,000 and also provided an equal amount in the parent company against the loan to that subsidiary.

Mr. D.C. Marshall is a non-executive director of MWB.

## **Finsbury Food Group Plc (“Finsbury”)**

Finsbury is one of the largest producers and suppliers of premium cakes, bread and morning goods in the UK. The Group currently supplies most of the UK’s major supermarket chains, including Asda, Co-op, Morrisons, Sainsbury, Somerfield, Tesco and Waitrose. Further information about Finsbury is available on its website: [www.finsburyfoods.co.uk](http://www.finsburyfoods.co.uk).

The Group holding in Finsbury remains at 8 million shares, representing 15.18% of their share capital. The market value of the holding was £1,880,000 on 30<sup>th</sup> June 2012 (cost - £1,893,000) and represents 19% (2011 – 18%) of the net assets of the Group.

Mr. D.C. Marshall and Mr. Beale, the Chief Executive of our subsidiary company City Group P.L.C., are non-executive Directors of Finsbury.

## **General Portfolio**

The investments comprising the General Portfolio at 30<sup>th</sup> June 2012 are listed on page 11. The General Portfolio is well spread with material interests in Food and Beverages, Oil, Natural Resources, Chemicals, and Tobacco. We believe that the portfolio of quality companies we hold has the potential to outperform the market in the medium to long term, especially in respect of our Western European holdings.

The number of holdings in the General Portfolio has increased to 30 from 23. The proceeds from the sale of our investment property are being reinvested in the General Portfolio and we have increased the amount invested in the General Portfolio over the year by £171,000 (2011: decreased by £464,000).

We have renegotiated our bank facility, and now have a facility of £1.5 million expiring in 2017.

## **Operations & Employees**

All of our operations and those of our associate, Western, except investment selection, are outsourced to our subsidiary, City Group P.L.C. City Group also provides office accommodation, company secretarial and head office finance services to a number of other U.K. and Jersey clients. City Group has responsibility for the initial identification and appraisal of potential new strategic investments for the Group and the day to day monitoring of existing strategic investments.

## **Dividend**

The Board recommend a final dividend is 0.35p, making 0.7p per share for the year (2011 - 0.6p). Subject to member’s approval, the dividend will be paid on 30<sup>th</sup> November 2012 to those members on the register at the close of business on 9<sup>th</sup> November 2012. Shareholders on the South African register will receive their dividend in South African rand converted from sterling at the closing rate of exchange on 18<sup>th</sup> October 2012.

## **Outlook**

We remain concerned that the high national debts of developed countries can only be reduced significantly through prolonged austerity and/or substantial inflation. We remain invested in large diversified international non-financial companies, which we think are well placed to outperform the market. We hope that volatility in the financial markets will provide long term investors, such as ourselves, with buying opportunities.



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## Financial Instruments & Risks

The financial instruments of the Group, in addition to its investments, comprise borrowings to finance those investments and cash. As an investment company our principal market risks arise from the Group's financial instruments, and are:

### *Stock market volatility and economic uncertainty*

The Company's investment performance will be affected by general economic and market conditions. Although the Company cannot predict the level of growth in the global economy, as with most businesses, it believes a period of weak market growth will have an adverse effect on its investments. Volatility relating to the Company's investments, including movements in interest rates and returns from equity and other investments will impact upon the value of the Group's investment portfolio.

### *Possible volatility of share prices of investments*

A number of factors outside the control of the Company may impact the share price performance of its investments. Such factors could include investor sentiment, local and international stock market conditions, divergence of results from analysts' expectations, changes in earnings estimates by analysts and changes in political and economic sentiment.

### *Dividends*

The ability of the companies that we invest in to pay dividends to shareholders depends upon their profitability, cash flow and the extent to which as a matter of law they have sufficient distributable reserves from which any proposed dividends may be paid. There can be no guarantee that the companies we invest in will be able to sustain their dividend policies in the future.

### *Ability to make strategic investments*

There are limited opportunities for the Company to make strategic investments and therefore there is no guarantee that the Company will be able to do so at a price the Directors believes will represent fair value.

### *Liquidity of equity investments in strategic investments*

Strategic investments may be made in the equity of "small cap" companies, both listed and unlisted. There is a risk that due to the low level of liquidity in the equity of these strategic investments the Company may not be able to realise its investment, either at all, or at a price the Company believes reflects fair value.

The depth and overlap of experience of Directors means that there is no key-man dependency. Note 20 sets out the policies of the Board, which have remained substantially unchanged for the year under review, for managing risks associated with its financial instruments. In addition the Group is exposed to investment risk arising from the selection of investments which it mitigates by drawing on the investment experience of its Directors.

## Key Performance Indicators

Key Performance Indicators ("KPIs") are the yardsticks against which the Board measures the performance of the Company. Our objectives are real growth over the long term in dividends and net assets per share. Comments on the movement of these indicators over the year are detailed above.

	<b>2012</b>	2011	2010	2009
Net assets per share	<b>31.6p</b>	35.0p	27.1p	25.1p
Dividends (net) per share	<b>0.7p</b>	0.6p	0.6p	Nil

### **Definition of KPIs used above**

Net Assets per share - Net assets including investments at market value at their most recent valuation divided by the number of shares in issue at the year end

Dividends per share - Dividends declared for the year.

## Directors

A list of the Directors of the Company is shown on page 2. The interests in the Company's shares of the Directors who have held office in the period from 1 July 2011 were as follows:

	30 <sup>th</sup> June 2012	30 <sup>th</sup> June 2011
	Shares	Shares
D.C. Marshall - Beneficial	2,301,000	2,301,000
- Non-beneficial *	10,589,693	10,589,693
F.W.A. Lucas †	142,500	142,500
J.M. Robotham - Beneficial	30,000	30,000
- Non-beneficial *	11,187,474	11,717,474
J.H. Maxwell	65,000	65,000
L. H. Marshall (Appointed 3 <sup>rd</sup> August 2011)	-	-

\* These holdings arise as the individuals concerned are trustees and/or directors of entities that hold shares in the Company. The non-beneficial interest of Mr. Robotham overlaps with the non-beneficial interest of Mr. D.C. Marshall.

† Of this figure Dr. Lucas owns 60,000 shares personally and 82,500 shares are owned by Loeb Aron & Company Ltd, of which Dr. Lucas is a director and shareholder.

There have been no changes in Directors' share interests between 1<sup>st</sup> July 2012 and the date of this report.

The appointment or removal of Directors is determined by shareholders at a General Meeting. Between General Meetings the Board may appoint additional Directors who are required to stand for election at the next General Meeting. In addition the Company's Articles of Association require one third of Directors to stand for re-election every year, accordingly Mr. J.H. Maxwell and Mr. J.M. Robotham retire by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

## Substantial Interests

In addition to the Directors' shareholdings shown above, the Company has been notified under Section 808 of the Companies Act 2006 of the following interests in 3% or more of its shares:

	Shareholding	% interest
W.T. Lamb Holdings Limited	4,600,000	14.7
Philip J. Milton & Company PLC	2,195,418	7.0
IFG Trust Company (Jersey) Limited *	1,200,000	3.8

\* The trustees have discretion over how to vote these shares.

## Corporation Taxes Act 2011

The company is not a close company as defined in this Act.

## Auditors

A resolution to re-appoint Steele Robertson Goddard as Auditors will be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's Auditors for the purposes of their audit and to establish that the Auditors are aware of that information. The Directors are not aware of any relevant audit information of which the Auditors are unaware.

## Payment of Suppliers

The Company does not follow any code or statement on payment practice, but the policy of the Company is to abide by such payment terms as are agreed with suppliers within the terms of supply. The Company does not have a significant level of trade creditors.

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## **Financing Structure**

The Group is financed by a mixture of debt and equity. The Board believes that a reasonable level of gearing can enhance returns to shareholders. At 30<sup>th</sup> June 2012 the Group had bank facilities of £2 million which expire in April 2013. These have since been renegotiated and the Group now has bank facilities of £1.5 million which expire in 2017.

At 30<sup>th</sup> June 2012 the Company had only one class of share, namely Ordinary Shares of 5p each, of which there were 31,207,479 in issue. The rights and obligations attached to these shares are set out in the Company's Articles which may only be amended by a vote of shareholders at a General Meeting. Each share entitles the holder to one vote on each shareholder resolution. There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting or other rights, or relating to changes in control of the company.

To provide Directors with flexibility over the management of the Company's capital, shareholders are being asked to approve resolutions at the AGM which would permit the Company to issue new shares as explained below. Similar resolutions were approved at the last AGM.

## **Special Business to be transacted at the Annual General Meeting**

In addition to the ordinary business to be transacted at the Annual General Meeting of the Company referred to in resolutions 1 to 6 of the Notice of Meeting, the Directors propose certain special business as set out in Resolutions 7 and 8 for the purposes summarised below:

### **Resolution 7 - Authority to allot shares - Ordinary resolution**

A resolution will be proposed, as an ordinary resolution, at the forthcoming Annual General Meeting, to renew the Directors authority to allot shares up to the level of the authorised share capital. If passed, this resolution will grant the Directors power to allot authorised but unissued capital for a maximum period of 15 months.

### **Resolution 8 - Pre-emption rights - Special resolution**

Section 570 of the Companies Act 2006 requires that, when Directors propose to allot shares for cash, they must first offer such shares to existing shareholders in proportion to their existing shareholdings, unless powers have previously been given to the Directors under section 563 of the Act to disapply these provisions. The Directors consider it desirable for shareholders to approve a limited disapplication until the next Annual General Meeting, in order to permit the allotment of shares for cash in limited circumstances to persons other than shareholders. This limited disapplication will be in respect of 1,560,000 shares equal to 5% of the issued share capital of the Company.

The Directors have no present intention of issuing any part of the unissued share capital and no issue will be made which would effectively alter the control of the Company without the approval of the shareholders in general meeting.

By Order of the Board

**CITY GROUP P.L.C.**  
*Secretaries*

18<sup>th</sup> October 2012

**Composition of General Portfolio**  
at 30<sup>th</sup> June 2012

	£000	%
British American Tobacco	282	6.2
Nestlé	260	5.7
Diageo	243	5.4
Royal Dutch Shell	243	5.4
Pernod-Ricard	235	5.2
Imperial Tobacco	218	4.8
Henkel	215	4.7
L'Oreal	210	4.6
Schindler-Holdings	207	4.6
Heineken	193	4.3
Unilever	188	4.2
Beiersdorf	185	4.1
Novartis	185	4.1
Investor	169	3.7
Reckitt Benckiser	165	3.6
Koninklijke DSM	163	3.6
Danone	159	3.5
BASF	154	3.4
Carlsberg	147	3.2
ABB	138	3.0
Holcim	130	2.9
BHP Billiton	126	2.8
Anheuser Busch InBev	45	1.0
Bayer	44	1.0
BP	41	0.9
Givaudan	41	0.9
Linde	38	0.8
LVMH	37	0.8
Siemens	36	0.8
Rio Tinto	36	0.8
	<u>4,533</u>	<u>100.0</u>

<b>Analysis by currency</b>	<b>£000</b>	<b>%</b>
Euro	1,714	37.8
Sterling	1,542	34.1
Swiss franc	961	21.2
Swedish kroner	169	3.7
Danish kroner	147	3.2
	<u>4,533</u>	<u>100.0</u>

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## **Investment Policy**

The Company's investment policy is to invest in a range of "strategic" investments, a "general portfolio" consisting primarily of highly liquid stock market investments, both in equity instruments and bonds, and, at the Board's discretion, 'other investments', typically property and other physical assets. This investment policy is designed to achieve the Company's objectives of capital growth in real terms over the medium term, while maintaining a progressive dividend policy.

Both "strategic" and "general portfolio" investments can be in any industry sector. "Strategic" investments are significant minority positions in UK small cap companies which can be either quoted or unquoted; to diversify risk the policy is to maintain a number of such investments. Most such investments will be in shares of companies that are publicly traded but investments can also be made in publicly traded and untraded debt or equity instruments of companies that are strategic investments. The "general portfolio" aims to further diversify risk through a spread of investments and a target of between 20 and 30 holdings in some of the largest European quoted companies.

The intention is for between 30 per cent. and 70 per cent. of the overall investment portfolio with a maximum limit of 80 per cent. to be in "strategic" investments at the point of investment, with the balance of the portfolio, net of "other investments", to be in the "general portfolio". "Other investments" will be limited to 20 per cent. of the overall value of the investment portfolio, measured at the point of investment. No one "strategic investment" or "other investment" will represent more than 30 per cent. and 20 per cent. respectively of the value of all investments at the time of making such investment and no one "general portfolio" investment will represent more than 10 per cent. of the value of the "general portfolio" at the time of such investment.

Within these parameters, changes in strategic and other investments are decided on by the Board and changes to the general portfolio are decided on by the Board or, between Board meetings, by an Investment Committee of the Board. The investment guidelines within which the Investment Committee operates allow the Investment Committee discretion within the parameters set by the Investment Policy. The investment mix and level of borrowings are reviewed at each board meeting.

The Company's gearing is limited at or below 70 per cent. of the total value of investments.

## Consolidated Statement of Total Comprehensive Income

For the year ended 30 <sup>th</sup> June	Notes	2012 £000	2011 £000
Dividends - Listed investments		265	251
Interest receivable		4	-
Rental and other income		70	94
(Losses)/Profits realised on sales of investments		(32)	266
Management services fees		295	398
<b>Operating income</b>		<b>602</b>	<b>1,009</b>
Administration expenses	3	(638)	(749)
<b>Operating (loss)/profit</b>	2	<b>(36)</b>	<b>260</b>
Unrealised changes in the carrying value of investments	11	(1,134)	1,995
Exceptional profit on disposal of property		2,137	-
Interest payable		(27)	(110)
<b>Profit on ordinary activities before taxation</b>		<b>940</b>	<b>2,145</b>
Tax on result of ordinary activities	6	(65)	(19)
<b>Profit on ordinary activities after taxation</b>		<b>875</b>	<b>2,126</b>
Non-controlling interest		(6)	(8)
<b>Profit for the financial year attributable to members of the holding company</b>	7	<b>869</b>	<b>2,118</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income attributable to shareholders</b>		<b>869</b>	<b>2,118</b>
<b>Reconciliation of headline earnings</b>			
Basic profit per share	8	2.8p	6.8 p
Adjustment for the unrealised changes in the carrying value of investments, net of tax		3.6p	(6.4)p
Headline profit per share	8	6.4p	0.4 p

All profits and losses are on continuing activities.

The notes on pages ● to ● form part of these accounts.

## Consolidated Statement of Changes in Shareholders' Equity

	Ordinary Share Capital £000	Share premium account £000	Revaluation Reserve £000	Unrealised profits/(losses) on investments £000	Share of undistributed results of Subsidiaries £000	Retained realised profits & losses £000	Total £000	Non- Controlling interests £000	Total equity £000
<b>Year ended 30<sup>th</sup> June 2011</b>									
Balances at 1st July 2011	1,560	2,318	330	(3,747)	791	6,004	7,256	84	7,340
Total comprehensive income	-	-	-	1,997	113	8	2,118	8	2,126
Shares issued	-	2	-	-	-	-	2	-	2
Dividends paid	-	-	-	-	-	(187)	(187)	-	(187)
Total transactions with shareholders	-	2	-	-	-	(187)	(185)	-	(185)
Balances at 30th June 2011	1,560	2,320	330	(1,750)	904	5,825	9,189	92	9,281

### Year ended 30<sup>th</sup> June 2012

Balances at 1st July 2011	1,560	2,320	330	(1,750)	904	5,825	9,189	92	9,281
Total comprehensive income	-	-	-	2,086	(1,476)	259	869	6	875
Transfer on disposal	-	-	(330)	-	-	330	-	-	-
Dividends paid	-	-	-	-	-	(203)	(203)	-	(203)
Total transactions with shareholders	-	-	-	-	-	(203)	(203)	-	(203)
Balances at 30th June 2012	1,560	2,320	-	336	(572)	6,211	9,853	98	9,953

The notes on pages ● to ● form part of these accounts.

## Consolidated Statement of Financial Position

At 30 <sup>th</sup> June	Notes	2012 £000	2011 £000
<b>Non-current Assets</b>			
Tangible assets	9	4	367
Investments	11(a)	<u>5,094</u>	<u>5,933</u>
		<u>5,098</u>	<u>6,300</u>
<b>Current Assets</b>			
Listed investments	11(b)	4,533	4,668
Trade and other receivables	12	272	260
Cash at bank		<u>2,217</u>	<u>21</u>
		<u>7,022</u>	<u>4,949</u>
<b>Current Liabilities</b>			
Trade and other payables: falling due within one year	13	<u>(2,167)</u>	<u>(1,968)</u>
<b>Net Current Assets</b>		<b>4,855</b>	2,981
<b>Total Assets less Current Liabilities</b>		<u><b>9,953</b></u>	<u>9,281</u>
<b>Capital and Reserves</b>			
Called up share capital	15	1,560	1,560
Share premium account		2,320	2,320
Revaluation reserve		-	330
Unrealised profits and losses on investments		336	(1,750)
Share of retained realised profits and losses of subsidiaries		(572)	904
Company's retained realised profits and losses		<u>6,211</u>	<u>5,825</u>
		<u>9,855</u>	<u>9,189</u>
Non-controlling equity interests		<u>98</u>	<u>92</u>
		<u><b>9,953</b></u>	<u>9,281</u>

Approved and authorised by the Board on 18<sup>th</sup> October 2012.

D.C. Marshall                      *Director*

The notes on pages ● to ● form part of these accounts.



## Company Statement of Financial Position

at 30<sup>th</sup> June

	Notes	2012 £000	2011 £000
<b>Non-current Assets</b>			
Tangible assets	9	-	367
Investments in Group companies	10	<u>5,987</u>	<u>7,726</u>
		<u>5,987</u>	<u>8,093</u>
<b>Current Assets</b>			
Listed investments	11(b)	4,533	4,668
Trade and other receivables	12	18	38
Bank balance		<u>2,202</u>	<u>-</u>
		<u>6,753</u>	<u>4,706</u>
<b>Current Liabilities</b>			
Trade and other payables: falling due within one year	13	<u>(2,096)</u>	<u>(1,915)</u>
<b>Net Current Assets</b>		<b>4,657</b>	2,791
<b>Total Assets less Current Liabilities</b>		<u><b>10,644</b></u>	<u>10,884</u>
<b>Capital and Reserves</b>			
Called up share capital	15/16	1,560	1,560
Share premium account	16	2,320	2,320
Revaluation reserve		-	330
Unrealised profits and losses on investments	16	553	849
Realised profits and losses	16	<u>6,211</u>	<u>5,825</u>
<b>Equity shareholders' funds</b>		<u><b>10,644</b></u>	<u>10,884</u>

Approved and authorised by the Board on 18<sup>th</sup> October 2012.

D.C. Marshall                      *Director*

Registered in England and Wales – Number 201151

The notes on pages ● to ● form part of these accounts.

## Consolidated Statement of Cash Flow

For the year ended 30 <sup>th</sup> June	Notes	2012 £000	2011 £000
<b>Cash flows from operating activities</b>			
Profit before tax		<u>940</u>	<u>2,145</u>
Adjustments for non-cash and non-operating activities -			
Finance expense		27	110
Profit on disposal of property		(2,137)	-
Depreciation charges		5	10
Unrealised changes in the fair value of investments		<u>1,134</u>	<u>(1,995)</u>
		<u>(971)</u>	<u>(1,875)</u>
Taxes paid	6	<u>(17)</u>	<u>(19)</u>
Changes in working capital			
Increase in trade and other receivables		(12)	34
Increase in trade and other payables		158	(6)
Decrease in current asset investments		<u>(301)</u>	<u>285</u>
		<u>(155)</u>	<u>313</u>
<b>Net cash inflow from operating activities</b>		<b>(63)</b>	<b>564</b>
<b>Cash flows from disposal of property</b>		<u>2,495</u>	<u>-</u>
<b>Cash flows from financing</b>			
Shares issued		-	2
Interest paid		(27)	(110)
Equity dividends paid		(203)	(187)
Net repayment of loan facilities	18	<u>134</u>	<u>(265)</u>
<b>Net cash outflow from financing</b>		<u>(96)</u>	<u>(560)</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>	18	<b>2,196</b>	<b>4</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>21</u>	<u>17</u>
<b>Cash and cash equivalents at end of the year</b>		<u>2,217</u>	<u>21</u>

The notes on pages ● to ● form part of these accounts.

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# Notes to the Accounts

## For the year ended 30<sup>th</sup> June 2012

### 1. Accounting Policies

- (i) The accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Acts 2006 applicable to companies reporting under IFRS. The accounts are prepared on the historical cost basis, except for certain assets and liabilities which are measured at fair value, in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if applicable. The most significant techniques for estimation are described in the accounting policies below. These policies have been applied consistently to all of the years presented, unless otherwise stated.

At the date of authorisation of these financial statements the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards and interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1 July 2012. The Company has not opted for early adoption for those which have been endorsed by the EU. The Directors do not expect that the adoption of these, where applicable, would have a material impact on the Company's financial statements in the period of initial application

- (ii) These consolidated accounts include the results of the subsidiaries (all of which are companies) for the year to 30<sup>th</sup> June 2012. Results of subsidiaries are included from their effective date of acquisition to their effective dates of disposal. The non-controlling interests are wholly attributable to equity interests in subsidiaries. Under Section 396 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.
- (iii) Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the entity. However, when an uncertainty arises about the collectability of an amount already included in revenue, the uncollectable amount, or the amount in respect of which recovery has ceased to be probable, is recognised as an expense, rather than as an adjustment of the amount of revenue originally recognised.
- (iv) Dividends receivable are taken to the credit of the income statement in respect of listed shares when the shares are quoted ex dividend and in respect of unlisted shares when the dividend is declared.
- (v) All borrowing costs are recognised in the income statement in the period in which they are incurred.
- (vi) Depreciation is provided on non-current assets so as to write them off over their estimated useful lives. Computer and electronic equipment expenditure of less than £2,500 is written off in the year of acquisition. The annual rates of depreciation during the year were

Equipment	25% straight line
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## 1. Accounting Policies (continued)

- (vii) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The company's accounting policy is as follows:
- Fair value through income: Non-derivative financial assets other than unquoted investments and trade and other receivables are classified as associates, strategic and general portfolio investments and are recognised as being fair value through income. They are valued using quoted prices and movements in value are taken to the income statement.
  - Unquoted investments. These are stated at cost net of impairment provisions because market value cannot be readily determined. Reviews for indications of impairment are carried out at least annually.
  - Trade and other receivables. The carrying amounts approximate to their fair values, the transactions giving rise to these balances arising in the normal course of trade and standard industry terms.
- (viii) Cash and cash equivalents comprise cash balances and deposits.
- (ix) The charge for taxation is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement. It excludes items of income (primarily franked dividend income) and expense that are never taxable or deductible and items which are taxable or deductible in other years.

Deferred taxation is provided on the full liability method, at tax rates that are expected to apply, for temporary differences arising between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Taxation charges or recoveries are recognised in the income statement, or directly to equity when related to items recognised directly to equity.

- (x) The Group makes pension contributions to the personal pension plans of certain employees which are defined contribution (money purchase) schemes. A defined contribution plan is a post-employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the periods during which services are rendered by employees.
- (xi) Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities at the year-end are translated at year-end exchange rates.

## 2. Operating profit - Segmental Analysis

	Investment Operations		Management Services	
	2012 £000	2011 £000	2012 £000	2011 £000
Dividends - Listed investments	265	251	-	-
Interest receivable	3	-	1	-
Rental and other income	16	40	54	54
(Losses)/Profits on sales of investments, including provisions	(32)	266	-	-
Management services fees	-	-	295	398
<b>Operating income</b>	<b>252</b>	<b>557</b>	<b>350</b>	<b>452</b>
Administration expenses – normal	(301)	(314)	(337)	(435)
<b>Operating (loss)/profit</b>	<b>(49)</b>	<b>243</b>	<b>13</b>	<b>17</b>

All revenues are derived from operations within the United Kingdom. Consequently no separate geographical segment information is provided.

## Notes to the Accounts (continued)

### For the year ended 30<sup>th</sup> June 2012

#### 3. Administration Expenses

	<b>Group</b>	
	<b>2012</b>	2011
	<b>£000</b>	£000
<b>Normal administration expenses include:</b>		
Depreciation	5	10
Auditors' remuneration - audit services	22	18
- non-audit services	3	4
Directors' emoluments – Note 4	46	40
Staff costs - Note 5	<u>390</u>	<u>438</u>

#### 4. Directors' Emoluments and Related Party Disclosures

The key management personnel are considered to be the Group Directors. Their emoluments are detailed in the Remuneration Report on pages 34 to 36.

##### Related Party Disclosures

London Finance & Investment Group P.L.C. and its wholly owned subsidiary ("Lonfin"), owns 43.8% of its associate Western Selection P.L.C. ("Western") of which Mr. D.C. Marshall, Mr. Robotham and Mr. Beale, the chief executive of our subsidiary company (City Group P.L.C.), are Directors. Mr. D.C. Marshall and Mr. Robotham's shareholdings in Lonfin are set out in the accompanying director's report.

Lonfin and/or Western hold shares in MWB Group Holdings Plc, Finsbury Food Group Plc, Creston plc, and Northbridge Industrial Services PLC. Mr. D.C. Marshall is a director of Creston plc, Finsbury Food Group plc, MWB Group Holdings Plc and Northbridge Industrial Services PLC and Mr. Beale is a director of Finsbury Food Group Plc.

Mr. D. C. Marshall and Mr. L. H. Marshall are Directors and Mr. Robotham is the chairman of Marshall Monteagle PLC, and both Mr D. C. Marshall and Mr J. M. Robotham are shareholders in Marshall Monteagle, which in turn is a substantial shareholder in Halogen Holdings P.L.C. Mr. D. C. Marshall is chairman of Halogen Holdings P.L.C. and Mr L. H. Marshall and Mr. Beale are Directors of Halogen Holdings plc. Until disposal of the investment property owned by Lonfin, Monteagle paid rental of £15,751 (2011: £40,000) and bore all expenses in respect of the property.

Lonfin and Western own City Group P.L.C. in the ratio 51.4% and 48.6% respectively. City Group P.L.C. provides offices and secretarial and administrative services to various companies in the United Kingdom and abroad most of which are associated with Lonfin and Western including all of the above companies.

City Group operates as a shared service centre and does not seek to make a profit from the provision of its standard services to these related parties. The various secretarial, accounting, and Directors fees received by City Group P.L.C. from those companies, their associates and subsidiaries, total £279,000 (2011 - £354,000) for the year under review. At the statement of financial position date the aggregate balance due in respect of fees invoiced was £148,000 (2011 - £129,000) and no fees had been paid in advance (2011 - nil paid in advance). Settlement is within normal credit terms.

Other than as disclosed above no Director was interested in any contract between the Directors, the company and any other related party that subsisted during or at the end of the financial year.

## 5. Staff Costs

Staff costs, excluding those relating to the Directors shown in the Remuneration Report on pages 34 to 36:

	<b>2012</b>	2011
	<b>£000</b>	£000
Salaries	<b>309</b>	362
Social security costs	<b>38</b>	39
Pension contributions	<b>43</b>	37
	<b><u>390</u></b>	<u>438</u>
The average weekly number of staff employed, including Directors, was:	<b><u>11</u></b>	<u>11</u>

## 6. Taxation

**The tax charge for the year comprises:**

Tax on ordinary activities	<b>48</b>	-
Tax on overseas investment income	<b>17</b>	19
	<b><u>65</u></b>	<u>19</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below :

Profit on ordinary activities before taxation	<b><u>940</u></b>	<u>2,145</u>
Taxation at 25.5% (2011 – 27.5%)	<b>240</b>	590
<b>Effects of:</b>		
Non taxable items – fair values and franked income	<b>260</b>	(617)
Loss (utilised)/carried forward	<b>(434)</b>	43
Permanent differences	<b>(1)</b>	3
<b>Tax charge for the year</b>	<b><u>65</u></b>	<u>19</u>

Dividends received from U.K. companies are recognised in the income statement net of their associated tax credit.

Tax payable on the sale on the investment property is £46,000 due to offsetting of tax losses and reliefs.

## 7. Profit attributable to members of the holding company

Dealt with in the accounts of: The holding company	<b>259</b>	737
The subsidiary undertakings	<b>610</b>	1,381
	<b><u>869</u></b>	<u>2,118</u>

## Notes to the Accounts (continued)

### For the year ended 30<sup>th</sup> June 2012

#### 8. Earnings per share

	2012	2011
Earnings per share are based on the profit on ordinary activities after taxation and non-controlling interests of £869,000 (2011 - £2,118,000) and on 31,207,479 (2011 - 31,205,694) shares being the weighted average of number of shares in issue during the year.	<u>2.8p</u>	<u>6.8p</u>

Headline earnings are required to be disclosed by the JSE

Headline earnings per share are based on the on ordinary activities after taxation and non-controlling interests, before unrealised changes in the fair value of investments, of £2,003,000 (2011 - £123,000) and on 31,207,479 (2011 - 31,205,694) shares being the weighted average of number of shares in issue during the year.	<u>6.4p</u>	<u>0.4p</u>
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#### 9. Tangible assets

	Long Leasehold Residential Property £000	Office Equipment £000	Total £000
At Valuation - 1 <sup>st</sup> July 2011	500	-	500
At cost – 1 <sup>st</sup> July 2011	-	47	47
Additions	-	4	4
Disposal	(500)	-	(500)
30 <sup>th</sup> June 2012	<u>-</u>	<u>51</u>	<u>51</u>
<b>Depreciation</b>			
Balance - 1 <sup>st</sup> July 2011	133	47	180
Charges for the year	5	-	5
Disposal	(138)	-	(138)
30 <sup>th</sup> June 2012	<u>-</u>	<u>47</u>	<u>47</u>
<b>Net book amount 30<sup>th</sup> June 2012</b>	<u>-</u>	<u>4</u>	<u>4</u>
Net book amount 30 <sup>th</sup> June 2011	<u>367</u>	<u>-</u>	<u>367</u>

The office equipment is held by a subsidiary company.

#### 10. Investment in group companies

Operating subsidiaries, incorporated and operating in England and consolidated in these financial statements.

	Percentage of equity	2012 £000	2011 £000	Principal activities
Held by the Company - at cost				
City Group P.L.C.	51.4	89	89	Management services
Lonfin Investments Limited	100	-	-	Investment holding
- Loan to subsidiary, less provision		<u>5,898</u>	<u>7,637</u>	
		<u>5,987</u>	<u>7,726</u>	

A provision of £1,611,000 has been made against the recoverability of the loan to subsidiary because the Board considers the underlying value of one of the investments held by the subsidiary has been impaired during the year due to a permanent fall in its value.

## 11. Investments

(a) held as non-current assets	2012 £000	2011 £000
		Group
<i>(i) Listed associated undertaking (Western Selection P.L.C.)</i>		
Shares at cost – brought forward	6,159	6,161
Disposal during year	-	(2)
Fair value adjustment – unrealised losses	<u>(3,015)</u>	<u>(2,701)</u>
Market value at 30 <sup>th</sup> June	<u>3,144</u>	<u>3,458</u>
<i>(ii) Other listed investments (MWB Group Holdings plc and Finsbury Food Group Plc)</i>		
At cost, 1 <sup>st</sup> July 2011	3,574	3,574
Fair value adjustment – unrealised losses	<u>(1,624)</u>	<u>(1,099)</u>
Market value at 30 <sup>th</sup> June	<u>1,950</u>	<u>2,475</u>
<b>Total at 30<sup>th</sup> June 2012</b>	<b><u>5,094</u></b>	<b><u>5,933</u></b>
		Company and Group
<i>(i) Listed investments (General Portfolio)</i>		
At cost less provision	2,689	2,529
Fair value adjustment – unrealised gains	<u>1,844</u>	<u>2,139</u>
Market value at 30 <sup>th</sup> June	<u>4,533</u>	<u>4,668</u>

### (c) Associated undertaking

Western Selection P.L.C., the associated undertaking, is a strategic investment company traded on PLUS Stock Exchange and incorporated and operating in Great Britain with a financial year end of 30<sup>th</sup> June 2012.

At 30<sup>th</sup> June 2012 it had 17,949,872, ordinary shares of 40p each in issue, of which 43.8% are owned by the Company's wholly owned subsidiary, Lonfin Investments Limited.

#### Extracts from Western's results are:-

(Loss)/Profit after tax	(182)	467
Non current asset investments	12,356	14,118
Current assets	71	132
Liabilities due within one year	805	843
<b>Net asset value per share</b>	<b>72p</b>	<b>84p</b>
<b>Middle market price per share on 30<sup>th</sup> June</b>	<b>42.5p</b>	<b>46.5p</b>



## Notes to the Accounts (continued)

### For the year ended 30<sup>th</sup> June 2012

#### 12. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	£000	£000	£000	£000
Trade debtors	155	151	6	27
Other debtors	77	74	-	-
Prepayments and accrued income	40	35	12	11
	<u>272</u>	<u>260</u>	<u>18</u>	<u>38</u>

#### 13. Trade and other payables

Bank loans	1,950	1,816	1,950	1,816
Group companies	-	-	42	34
Corporation tax	48	-	46	-
Other taxes	10	4	-	-
Other creditors	18	-	1	-
Trade creditors	17	30	10	16
Accruals	124	118	47	49
	<u>2,167</u>	<u>1,968</u>	<u>2,236</u>	<u>1,915</u>

The Company's loan facilities are secured by a charge over certain of the Company's listed investments and its investment property.

#### 14. Deferred taxation

The Group had a potential deferred tax liability at 30 June 2011 of £6,000 on the excess arising on the revaluation of leasehold property. This liability was offset by deferred tax losses. The liability was calculated based on the carrying value of the property in the accounts and not on the valuation of the property. The property was sold during the year and the estimated tax on the profit arising has been offset by available losses.

#### 15. Share Capital and Reserves

	2012	2011
	Company and Group	Company and Group
	£000	£000
Authorised equity share capital 35,000,000 shares of 5p each	<u>1,750</u>	<u>1,750</u>
Allotted, issued and fully paid shares of 5p each		
31,207,479 At 1 <sup>st</sup> July	1,560	1,560
- Warrants exercised	-	-
<u>31,207,479</u> At 30 <sup>th</sup> June	<u>1,560</u>	<u>1,560</u>

115,384 options granted in 2007 under the Company's Approved Share Options Scheme have lapsed.

The Group & Company's capital comprises its shareholders' equity. Our objective is to manage capital in a manner that enables the continued payment of dividends is being achieved.

## 15. Share Capital and Reserves (continued)

The following describes the nature and purpose of each reserve within shareholders' equity:-

	<b>Description and purpose</b>
Share capital	Nominal value of issued share capital
Share premium	Amount subscribed for share capital in excess of nominal value.
Revaluation reserve	Excess of valuation of the long leasehold property over cost, prior to adoption of IFRS 1 (see note 9). This reserve was released to profit and loss on disposal of the property.
Unrealised profits and losses on investments	Cumulative unrealised gains and losses on investments.
Share of undistributed profits of subsidiaries	The Company's share of cumulative undistributed post-acquisition gains and losses of subsidiaries recognised in the income statement.
Realised profits and losses	Realised profits of the Company less realised losses and unrealised losses other than on investments.

The balances and movements on each of the above reserves are disclosed in the Consolidated Statement of Total Comprehensive Income and Changes in Shareholders' Equity on page 13 and the Company's Statement of Comprehensive Income and Changes in Shareholders' Equity below.

## 16. Company Statement of Comprehensive Income and Changes in Shareholders' Equity

	<b>Ordinary share capital</b>	<b>Share premium account</b>	<b>Revaluation reserve</b>	<b>Unrealised profits and (losses) on investments</b>	<b>Realised profits and (losses)</b>	<b>Total</b>
<b>Year ended 30<sup>th</sup> June 2011</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balances at 1st July 2011	1,560	2,318	330	121	6,004	10,333
Total comprehensive income	-	-	-	728	8	736
Shares issued	-	2	-	-	-	2
Dividends paid	-	-	-	-	(187)	(187)
Total transactions with shareholders	-	2	-	-	(187)	(185)
Balances at 30 <sup>th</sup> June 2011	1,560	2,320	330	849	5,825	10,884
<b>Year ended 30<sup>th</sup> June 2012</b>						
Balances at 1st July 2011	<b>1,560</b>	<b>2,320</b>	<b>330</b>	<b>849</b>	<b>5,825</b>	<b>10,884</b>
Total comprehensive income	-	-	-	(296)	259	(37)
Transfer on disposal	-	-	(330)	-	330	-
Dividends paid	-	-	-	-	(203)	(203)
Total transactions with shareholders	-	-	-	-	(203)	(203)
Balances at 30 <sup>th</sup> June 2012	1,560	2,320	-	553	6,211	10,644

## 17. Pension Schemes

The Group makes pension contribution to the personal pension schemes of certain employees which are money purchase schemes and for which it has no responsibility for unfunded liabilities. Amounts paid are declared in Note 5.

## 18. Reconciliation of consolidated net cash flow to movement in net debt

	At start of year £000	Cash flow £000	At end of year £000
<b>2011/2012</b>			
Cash at bank	21	2,196	2,217
Bank loan	<u>(1,816)</u>	<u>(134)</u>	<u>(1,950)</u>
	<u>(1,795)</u>	<u>2,062</u>	<u>267</u>
<b>2010/2011</b>			
Cash at bank	17	4	21
Bank loan	<u>(2,081)</u>	<u>265</u>	<u>(1,816)</u>
	<u>(2,064)</u>	<u>269</u>	<u>(1,795)</u>

## 19. Operating leases

The Group has an operating lease commitment in respect of an office property entered into on 12<sup>th</sup> July 2011 and terminating on 12<sup>th</sup> April 2014. Payments of £48,750 were recognised in the year and the minimum amount payable in the next twelve months is £48,750. The Company has guaranteed the obligations under this lease.

## 20. Financial Instruments

The Directors set out below an explanation of the role that financial instruments have had during the year in creating or changing the risks the Group faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts, and the strategies for achieving their objectives that have been followed during the year. The Company monitors its performance against these objectives on a continuous basis and through bi-monthly reports of the investments portfolio and cash position.

The categories of financial instruments used by the Company to achieve its objectives as set out in the Directors' report are:

	2012 £000	2011 £000
Financial assets		
At fair value through income		
Non-current investments (associated companies and strategic investments)	5,094	5,933
Current asset investments (General portfolio)	4,533	4,668
Loans and receivables		
Trade and other receivables	272	260
Cash at bank	2,217	21
Financial liabilities		
Trade and other payables	160	152
Taxation payable	48	-
Bank overdrafts	1,950	1,816

## Notes to the Accounts (continued)

For the year ended 30<sup>th</sup> June 2012

### 20. Financial Instruments (continued)

#### Interest Rate Profile

The Group finances its operations through a mixture of retained profits and bank borrowings, in pounds sterling. Drawings under the facility are at a rate fluctuating with base rate.

The effective rate of interest on borrowings for the year was 0.5% (2011 – 5.6%). The sensitivity of the Group to a 1% change in interest rates would have been £52,000 in the current year. (2011 - £20,000).

The Group's principal financial assets are its investment portfolios. The investment portfolios consist of equity investments, for which an interest rate profile is not relevant. Interest is not charged on trade and other receivables nor incurred on trade and other payables.

#### Currency Exposures

The table below shows the Group's currency exposures. Such exposures comprise the monetary assets, at fair values, that are not traded in Sterling.

	<b>2012</b>	2011
<b>Currency</b>	<b>£000</b>	£000
Euro	<b>1,714</b>	1,836
Swiss franc	<b>961</b>	1,066
Danish kroner	<b>147</b>	199
Swedish kroner	<b>169</b>	198
	<b><u>2,991</u></b>	<b><u>3,299</u></b>

The sensitivity to a 1% change in the sterling exchange rate would be to increase or decrease the fair values as set out by £30,000 in aggregate (2011 - £33,000)

**Liquidity Risk** – The Group's policy is that its borrowings should be flexible and available over the medium term. The bank borrowings were by way of a loan facility of £2 million ending on 30<sup>th</sup> April 2013. Subsequent to the year end this has been replaced by a loan facility of £1.5 million expiring in 2017. The Group holds investments, most of which are listed on recognised stock exchanges. In normal markets these are, by their nature, liquid. However, there are long periods when the market may not be prepared to deal at realistic prices in unusually large blocks of certain shares and this particularly applies to our three Strategic Investment holdings. The company maintains a General Portfolio of investment holdings within normal market size and which have aggregate market values in excess of the borrowings at any point in time. The policy is these have an aggregate market value of at least 150% of borrowings at any point in time.

#### Market Risk

The Company is exposed to market risk through the equity investments in other companies. The Company maintains a spread of investments over various sectors and monitors performance continuously as described above. The majority of the investments are in companies with good levels of liquidity. The future values of these investments will fluctuate because of changes in interest rates and other market factors.

Reviews for indications of permanent impairment are carried out at least annually. The Directors believe that the exposure to market price risk from these activities is acceptable in the Company's circumstances.

The sensitivity to each 1% decrease in the value of investments would result in the fair values of non current asset investments decreasing by £51,000 (2011 - £59,000) and a corresponding increase in the unrealised profits reserve. A 1% increase, would, on the same basis, increase fair values and decrease the unrealised profits reserve. The same percentage increase/decrease in the current asset investments would increase/decrease carrying values by £45,000 (2011 - £47,000) and unrealised profits reserve (or earnings where a decline was below cost) by an equal amount.

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## **20. Financial Instruments (continued)**

### **Fair Value**

Investments within the general and strategic portfolios are carried at fair values determined by the prices available from the markets on which the instruments involved are traded. Unlisted investments are stated at cost net of impairment provisions because fair value cannot be readily determined. Movements in fair value net of impairment provisions, are taken through the income statement.

The fair value of short term deposits, overdrafts and trade and other receivables and payables approximates to the carrying amount because of the short maturity of these instruments.

### **Credit risk**

No concentration of credit risk exists in the Company's principal financial assets, and credit risk is minimised as the counter-parties are institutions with high credit ratings. There has been no impairment of trade and other debtors during the year, there are no provisions against these assets and none are past their due date.

## **21. International Financial Reporting Standards**

As indicated in note 1, at the date of authorisation of these financial statements the IASB and the International Financial Reporting Interpretations Committee (IFRIC) have issued interpretations and amended or revised standards, to be applied to financial statements with periods commencing either on or after 1 January 2012.

None of the new standards, interpretations and amendments, effective for the first time from 1 January 2012, have had a material effect on the financial statements. None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2012 and which have not been adopted early, are expected to have a material effect on the company's future financial statements.

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# Corporate Governance

Corporate Governance is the process by which companies are controlled and directed. The UK Listing Authority requires UK premium listed companies to comply with principles of the UK Corporate Governance Code (the Code), the detailed provisions of which constitutes best practice in Corporate Governance. Directors are required to report to shareholders on how the Company applies the principles and confirm that the Company complies with the Code's provisions or explain why it does not.

The JSE requires that companies report on their compliance with Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance. The Board has reviewed the matter and recorded that in so far as those matters contained in the King report are of concern to the company, in complying with the Combined Code, it is satisfied that the Group complies with the requirements of the King Report.

## **Composition of the Board**

The Board comprises the Chairman, David Marshall, Senior Independent Non-executive director, John Maxwell, Michael Robotham, Frank Lucas and Lloyd Marshall. John Maxwell and Frank Lucas are considered to be independent. Brief biographies of all Directors are set out on page 2 of the accounts.

Responsibility for the process of appointment of Directors rests with the Board acting on the recommendations of the Nomination Committee. The removal of Directors is a Board decision. The Board reviews the need for succession planning on a regular basis.

The Company's Articles of Association require that all new Directors seek election to the Board at the next Annual General Meeting after their appointment. In addition, all Directors are required to stand down after three year terms and submit themselves for re-election.

As a long term investment company it is appropriate for Directors to serve on the board for more than a single term, subject to continuing satisfactory performance. Given the small size of the board, this results in infrequent changes to the composition of the Board.

## **Workings of the Board**

The Board are collectively responsible to shareholders for the success of the Group. Entrepreneurial leadership is provided by capitalising on the skills and experience of the investment committee allied to the strategic vision and expertise of other Board members.

The Board operates through three committees, the Investment Committee comprising David Marshall, Lloyd Marshall and Michael Robotham, the Nomination Committee comprising Michael Robotham and Frank Lucas, and the Audit Committee comprising Frank Lucas and John Maxwell. All decisions not specifically delegated to a Committee are reserved for the Board. There is no Remuneration Committee as there are no executive Directors. The remuneration of Directors other than the Chairman is limited by the Company's Articles of Association at a maximum of £10,000 each, unless approved at some other sum by the Company in General Meeting. The current rates of remuneration are set out in detail in the Remuneration Report. The remuneration of the executive director and employees of the Company's subsidiary, City Group P.L.C., is determined by the board of City Group, which includes David Marshall, Lloyd Marshall and Michael Robotham.

Committee meetings are held independently of Board meetings and invitations to attend are extended by the committee chairman to other Directors, the group's advisers and management as appropriate.

As an investment company, there is no Chief Executive. The Chairman is responsible for the effective performance of the Board through control of the Board's agenda and running of its meetings. The Chairman organises opportunities for Directors to spend time with each other on an informal basis to improve communication and relations between Directors.

A representative of the Company Secretaries attends all Board meetings to record proceedings and is available at any time to advise on any corporate governance issues that arise. The Company Secretary is also responsible to the Chairman for the efficient organisation of Board and Committee meetings including circulation of papers in advance of meetings. Management reports including cash movements, portfolio movements and valuations are regularly circulated to all Directors for review.

## Corporate Governance (continued)

The Board met on six occasions during the year following a formal agenda. It met one further time by telephone for ad-hoc reasons (sale of investment property). Attendance at board meetings during the year is shown in the following table:

	Board (scheduled)	Audit Committee
No. of meetings in year	6	1
D.C. Marshall	6	-
F.W.A. Lucas	6	1
L.H. Marshall	6	-
J.H. Maxwell	5	-
J.M. Robotham	6	1

The Nomination Committee did not meet during the year as there was no requirement for it to meet.

The Group's strategic aim is to generate growth in shareholder value in real terms over the long term through a mix of investments and utilising a prudent level of bank borrowing. The investment mix and level of gearing are reviewed at each Board meeting. All major investment decisions are taken by the Board. The Investment Committee has delegated authority within certain limits for the management of the General Portfolio between Board meetings.

The Board, through review of the management reports, scrutinises the performance of the company against the objective of real growth in shareholder value over the long term.

The Directors are required to bring to the Board's attention any interest that they may have on matters under discussion, and may then be excluded from some or all deliberation on those matters, as is deemed appropriate in the circumstances.

New Directors receive an induction programme and all Directors are encouraged to maintain personal continuing professional education programmes

The Board evaluates its own performance and that of its committees and individual Directors.

### **Audit Committee**

The board, through its audit committee, annually reviews all material internal controls, including financial, operational and compliance controls, and risk management systems. As a result of this review, procedures are adopted which mitigate those risks which have not been specifically accepted under the Group's investment policy. The responsibility on a day to day basis for maintaining a sound system of internal controls rests with the Directors of City Group P.L.C. which provides day to day administration and accounting services to the Group.

There is a well-established system of internal controls set within a framework of clearly defined structures and accountabilities with well understood policies and procedures; supported by training, budgeting, reporting and review procedures. Board decisions are implemented on a day to day basis by the subsidiary company, City Group P.L.C. The framework for internal financial control established in that company has been reviewed by the Board and is regarded as effective. The reporting and review procedures provide routine assurance to the Board as to the adequacy and effectiveness of internal controls. The Board recognise that it is not possible to divide some functions as would be the case in larger organisations and accepts that close supervision is necessary. The Directors have considered the need for an internal audit function and do not believe that one is appropriate because monitoring processes are applied to give reasonable assurance to the Board that the systems of internal control are functioning as intended.

An annual self-assessment of risk is performed which identifies the areas in which the Group is most exposed to risk, considers the financial implications and assesses the adequacy and effectiveness of their control. The Board has discussed the results of this review and the Directors can therefore confirm that they have reviewed the effectiveness of the company's system of internal control.

The Board maintains an appropriate relationship with the Group's auditors through the Audit Committee. The auditors do not provide any non-audit services other than payroll processing and limited advice on taxation matters.

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### **Nomination Committee**

The Board has formed a Nomination Committee which has been charged with nominating suitable candidates for the Board to consider recommending to the shareholders for appointment as Directors of the Company. Changes to the composition of the Board are not anticipated to occur on a frequent basis. Whenever a change is anticipated, a job description for the role will be agreed by the Nomination Committee, taking into account the expertise available to the Group from the other members of the Board and the need to acquire any specific capabilities. The Nomination Committee will then undertake whatever process is most appropriate for the identification of suitable candidates and their assessment, taking into account any other commitments candidates might have. Appointments will be made on merit against objective criteria.

### **Going Concern**

The Directors, after making enquiries, have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the accounts.

### **Shareholder Communications**

The Board strives to present a balanced and understandable assessment of the Company's position and prospects in all interim and other price-sensitive public reports and in reports to regulators as well as in the information required to be presented by statutory requirements. The Chairman welcomes comments on the quality of reports and any areas for improvement.

Shareholder communication centres primarily on the publication of annual and interim accounts and occasional press releases and trading updates. The Chairman is available for discussions with shareholders throughout the year and particularly at the time of results announcements. Mr J. H. Maxwell, the senior independent non-executive director is also always available should anyone wish to draw any matters to his attention.

The Annual General Meeting provides a forum for discussion by Shareholders with the Board. Shareholders are encouraged to attend the AGM and to participate in proceedings by asking questions during the formal part of the meeting, voting on the resolutions put to the meeting and providing Board members with their views in informal discussions after the meeting.

## **Statement of Directors' Responsibilities in Respect of the Accounts**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare financial statements in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **Corporate Governance** (continued)

Each of the Directors whose names and functions are listed on page 2 confirms that to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principle risks and uncertainties that they face.

# Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations and also meets the relevant requirements of the Listing Rules of the Financial Services Authority. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

All members of the Board in attendance at the Annual General Meeting will be available to answer shareholders' questions about Directors' remuneration.

## Unaudited Information

### Remuneration Committee

The Company has no Remuneration Committee because, given the size of the Group, it is not considered appropriate to form a separate remuneration committee of the Board. The remuneration payable to the executive director and employees of the Company's subsidiary, City Group P.L.C., is considered by the board of City Group, which includes Mr. D.C. Marshall, Mr L. H. Marshall and Mr. J.M. Robotham.

### Remuneration Policy

The Company's remuneration policy is as set out in Articles of Association and applies to both executive and non-executive Directors. The remuneration of the Chairman is £10,000 p.a. and the remuneration of the non-executive directors is £7,500 p.a.

### Approved Share Option Scheme

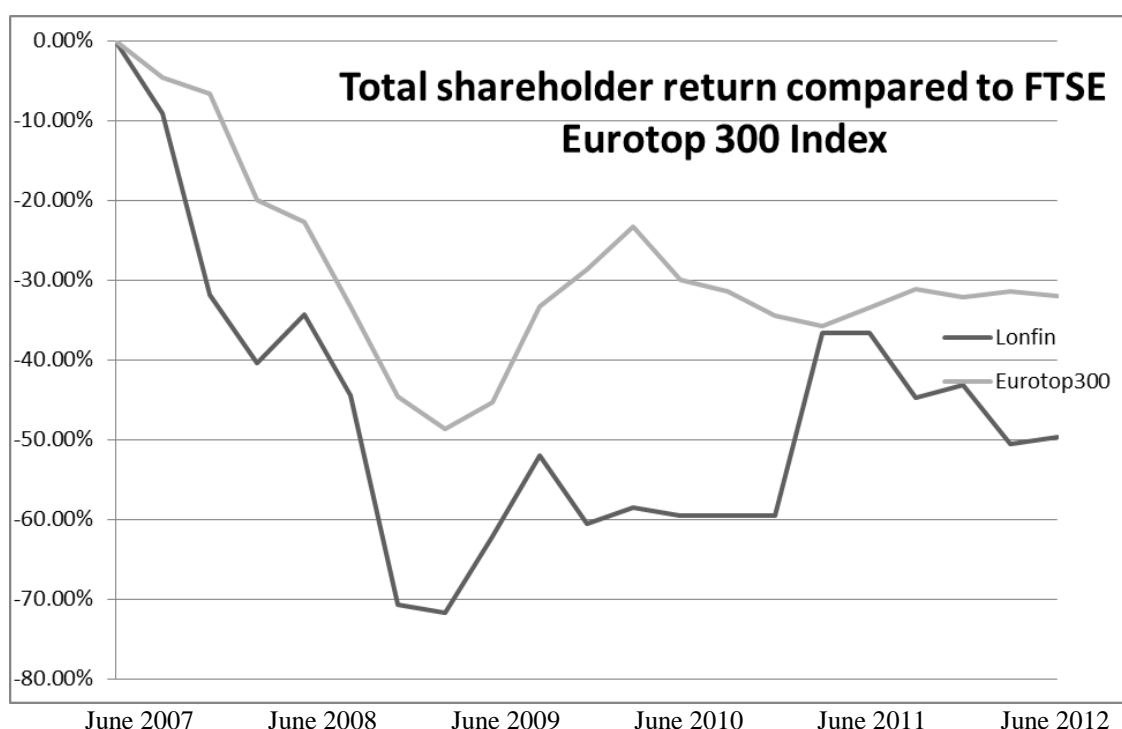
This scheme was created to incentivise full time employees and Directors of the Company's subsidiary City Group. Performance conditions are attached to options granted which include targets for growth in shareholder value. The 115,384 options granted under this scheme in 2007 have lapsed.

### Unapproved Employee Benefit Scheme

This scheme was set up to incentivise full time employees and Directors of the Company's subsidiary City Group. Awards will be dependent upon performance and no awards have yet been made under this scheme.

## Performance Graph

Lonfin Total Shareholder Return v FTSE Eurofirst 300 Index



## Remuneration Report (continued)

The above graph shows London Finance & Investment Group P.L.C.'s Total Shareholder Return (TSR) performance compared to the TSR of the FTSE Eurofirst 300 index over the past five years. The Company's main activity is that of an investment company and the Board believes that because the portfolio concentrates on FTSE 100 companies, or European equivalents, that this index is best suited as the comparator index. The Company is not a part of the FTSE Eurofirst 300 Index, being a member of the FTSE Fledgling index which is not deemed an appropriate comparator as it contains many small companies of varying nature.

TSR is defined as the percentage change over the period in market price assuming the reinvestment of income and funding of liabilities of the theoretical holding. TSR has been calculated on a one-month averaging basis in order to reduce the volatility associated with spot prices.

### Audited Information

#### Service Contracts

None of the Directors has a service contract with the Company.

#### Directors' Remuneration

The Directors' remuneration is by way of Directors fees only and during the year comprised:

	2012		2011
	Total £		Total £
<b>Non-executive Chairman</b>			
Mr D.C. Marshall	10,000	*	10,000
<b>Non-executive Directors</b>			
Mr. J.H. Maxwell	7,500		7,500
Dr. F.W.A. Lucas	7,500	†	7,500
Mr. L.H. Marshall (appointed 3 <sup>rd</sup> August 2012)	6,000	♦	-
Mr. J.M. Robotham	15,000	♣	15,000
	<u>46,000</u>		<u>40,000</u>

\* Mr. D.C. Marshall ceded his fees to an overseas company which supplies his services and in which none of the Directors are beneficially interested. The Chairman received no other payment or benefits from the Company.

♦ Mr. L.H. Marshall ceded his fees of £6,000 to his primary employer.

† Dr Lucas ceded his fees of £7,500 (2011 - £7,500) to his primary employer.

♣ Of this sum, £7,500 (2011 - £7,500) relates to Mr. Robotham's fees paid by the Company and the balance is in respect of fees received from the subsidiary, City Group P.L.C.

Each Director is required to retire by rotation every three years in accordance with the Articles of Association and re-appointment is not automatic.

The Company does not make bonus payments to any director.

#### Share Options

Except as noted below, none of the Directors have any options over shares of the Company.

Mr L. H. Marshall was granted Approved Share Options while an employee of City Group but these options have lapsed.

#### Long Term Incentives

The Company will consider these in the light of changing legislation, but has no plans to adopt long-term incentives, other than the Approved Share Option Scheme and Unapproved Employee Benefit Scheme.

#### Pensions

There are no Company contributions payable to the executive or non-executive Directors in respect of pensions.

On behalf of the Board

**DAVID MARSHALL**  
Chairman

18<sup>th</sup> October 2012

## **Report of the Independent Auditors**

### **To the members of London Finance & Investment Group P.L.C.**

We have audited the group and parent company financial statements of London Finance & Investment Group P.L.C. for the year ended 30<sup>th</sup> June 2012 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statements of Comprehensive Income, Consolidated Statements of Changes in Equity and the Consolidated Statements of Cash Flow and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Directors' Responsibilities Statement on page 32, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30<sup>th</sup> June 2012 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

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Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 32, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2009 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Haydn Wood (Senior Statutory Auditor)  
For and on behalf of Steele Robertson Goddard  
Chartered Accountants and Statutory Auditors  
London, United Kingdom

19<sup>th</sup> October 2012

## Summary of Results

For the five years ended 30 June 2012

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
<b>Consolidated Statement of financial position</b>					
Issued share capital	1,560	1,560	1,560	1,560	1,560
Share premium and other reserves	2,084	3,530	890	45	4,064
Company's retained realised profits	6,211	5,825	6,004	6,239	6,539
Shareholders' funds (all equity)	9,855	10,915	8,454	7,844	12,163
Non-controlling interests	98	92	84	90	101
	<u>9,953</u>	<u>11,007</u>	<u>8,538</u>	<u>7,934</u>	<u>12,264</u>
<b>Disposition of Capital</b>					
Long Leasehold Property	-	2,093	1,575	1,575	506
Other Non-current Assets (Strategic Investments)	5,098	5,933	4,667	4,797	8,784
	<u>5,098</u>	<u>8,026</u>	<u>6,242</u>	<u>6,372</u>	<u>9,290</u>
<b>Current assets</b>					
Listed investments (General portfolio)	4,533	4,668	4,225	3,976	5,726
Other current assets	272	260	294	309	319
Cash and deposits	2,217	21	17	114	36
	<u>7,022</u>	<u>4,949</u>	<u>4,536</u>	<u>4,399</u>	<u>6,081</u>
Liabilities and deferred tax	(2,167)	(1,968)	(2,240)	(2,837)	(3,107)
	<u>9,953</u>	<u>11,007</u>	<u>8,538</u>	<u>7,934</u>	<u>12,264</u>
<b>Net assets per share</b>	<b>31.6p</b>	35.0p	27.1p	25.1p	39.0p
<b>Dividend per share</b>	<b>0.7p</b>	0.6p	0.6p	Nil	1.20p

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## Notice of Annual General Meeting

**NOTICE is hereby given** that the ANNUAL GENERAL MEETING of London Finance & Investment Group P.L.C. (the “Company”) will be held at the offices of City Group P.L.C., 30 City Road, London, EC1Y 2AG on Wednesday 28<sup>th</sup> November 2012 at 10.00 a.m. for the following purposes:-

1. To receive the Directors' Report and Accounts for the year ended 30<sup>th</sup> June 2012.
2. To receive and adopt the Remuneration Report for the year ended 30<sup>th</sup> June 2012.
3. To declare a dividend.
4. To re-elect Mr. J.H. Maxwell a director.
5. To re-elect Mr. J.M. Robotham a director
6. To re-appoint the auditors Steele Robertson Goddard and to authorise the Directors to fix their remuneration.

### Special Business

To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution:-

7. That the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 551 of the Companies Act 2006 (“the Act”)) up to a maximum nominal amount of £189,626 (being 3,792,521 shares) to such persons at such times and on such terms as they think proper during the period expiring at the end of the next annual general meeting of the Company to be held after the date of the passing of this resolution or, if earlier, fifteen months from the date of the passing of this resolution; and that the Company be and is hereby authorised to make prior to the expiry of such period referred above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and that the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution.

To consider and, if thought fit, pass the following Resolution which will be proposed as a Special Resolution:

8. That
  - (a) in accordance with Section 570 of the Companies Act 2006 the Directors be and are hereby given power to allot shares pursuant to the authority conferred by the Ordinary Resolution numbered 7 passed at the Annual General Meeting held on 28<sup>th</sup> November 2012, as and when the same becomes effective as if Section 563 of the Companies Act 2006 did not apply to any such allotment, provided that:
    - (i) the power hereby conferred shall be limited;
    - (aa) to the allotment of shares in the Company in connection with or pursuant to an offer by way of rights, bonus issues or other similar issues to the holders of Shares of 5p each in the capital of the Company and other persons entitled to participate therein in proportion (as nearly as may be) to such holders' holdings of such shares (or, as appropriate, to the numbers of such shares which such other persons are for those purposes deemed to hold) subject only to such exclusions or other arrangements as the Directors may feel necessary or expedient to deal with (i) fractional entitlements or legal or practical problems under the laws or the requirements of any recognised regulatory body in any territory (ii) underwriting of such an issue and (iii) applications by shareholders for equity instruments offered to other shareholders as part of such an issue, but not taken up by other shareholders; and

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- (bb) to the allotment (otherwise than pursuant to sub-paragraph (i) (aa) of this proviso) of shares in the Company up to an aggregate nominal amount of £78,000 (1,560,000 shares) representing 5 per cent. of the issued share capital;
- (ii) the power hereby granted shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or the date falling 15 months after the date of the passing of this resolution;
- (b) the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require shares in the Company to be allotted after such expiry and the Directors may allot shares in the Company in pursuance of such offer or agreement as if the said power had not expired
- (c) words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein"

By Order of the Board,

30 City Road,  
London EC1Y 2AG.

CITY GROUP P.L.C.  
*Secretaries*

18<sup>th</sup> October 2012

**Notes** A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf.

A proxy need not be a member of the company.

A form of proxy is enclosed. To be valid it should be completed and returned so as to reach the Secretaries, City Group P.L.C. at 30 City Road, London, EC1Y 2AG, U.K., for those shareholders on the U.K. branch of the register, or Computershare Investor Services (Pty) Limited, for those shareholders of the South African branch of the register, not less than 48 hours before the time for the meeting. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.

The register of Directors' shareholdings will be available for inspection by members at the registered office of the company during usual business hours on any weekday (public holidays excepted), from the date of this notice until the date of the annual general meeting and at the place of the meeting, from 9.15 a.m. until the conclusion thereof.

**Change of Address** Members are requested to advise the United Kingdom Registrars, Capita Registrars, or the South African Registrars, Computershare Investor Services (Pty.) Limited of any change of address.



## Form of Proxy

I / We, .....

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.....

being (a) member(s) of the above-named company hereby appoint the chairman of the meeting, failing whom

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as my / our proxy to vote for me / us on my / our behalf at the Annual General Meeting of the Company to be held on 28th November 2012 and at any adjournment thereof.

I/We hereby authorise and instruct my/our proxy to vote as indicated below on the resolutions to be proposed at such meeting. Unless otherwise directed the proxy will vote or abstain from voting as he thinks fit.

RESOLUTIONS	For	Against	Abstain
To adopt the reports and accounts.			
To adopt the Remuneration Report			
To declare a dividend.			
To re-elect Mr. J.a director.			
To re-elect Mr. J.M. Robotham a director			
To appoint the auditors and to authorise the Directors to fix their remuneration			
<b>SPECIAL BUSINESS</b>			
<b>Ordinary Resolution</b> To authorise the Directors to allot securities.			
<b>Special Resolution</b> To authorise the Directors to allot securities (subject to limitation) as if pre-emption rights did not apply.			

Dated ..... 2012                      Signature .....

**Notes**

- (i) This proxy must be lodged at the offices of the Secretaries, City Group P.L.C., 30 City Road, London, EC1Y 2AG, U.K., or the South African registrars, Computershare Investor Services (Pty.) Limited, 70 Diagonal Street, Johannesburg 2001, (P.O. Box 61051, Marshalltown 2107) South Africa not later than 48 hours before the time of the meeting, together if appropriate with the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority.
- (ii) In the case of a corporation this proxy should be given under its Common Seal or, if none, should be signed by the attorney or officer duly authorised.
- (iii) In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names stand in the Register of Shareholders in respect of joint holdings.
- (iv) If it is desired to appoint as proxy any person other than the chairman of the meeting, the name and address of such person should be inserted in the relevant place, reference to the chairman deleted, and the alteration initialled.
- (v) A proxy need not be a shareholder.