



London Finance & Investment Group P.L.C.



Annual Report and Accounts

30th June 2016

LONDON FINANCE & INVESTMENT GROUP P.L.C.
(“Lonfin” or the “Company”)

Lonfin is a United Kingdom investment finance and management company. Its core portfolio centres on quality companies in the FTSE Eurofirst 300 and S&P 500 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 associated company, Western Selection P.L.C. (“Western”). Western’s share capital is admitted to trading on the ICAP ISDX Growth Market.

Lonfin’s shares are quoted in the official lists of the London and Johannesburg stock exchanges. The current price of the Company’s shares can be found on the website of the London Stock Exchange (www.londonstockexchange.com) and in the business section of some of the major South African newspapers.

CITY GROUP P.L.C.
(“City Group”)

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

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Directors

D.C. MARSHALL, Chairman ♦

David Marshall joined the Board in 1971. He is the chairman of London Finance & Investment Group PLC, which is a substantial shareholder of Western. David is also chairman of Western, chief executive of Marshall Monteagle PLC. He is a non-executive director of Northbridge Industrial Services PLC and Industrial & Commercial Holdings PLC. He resides in South Africa, where he has interests in listed trading, financial and property companies.

E.J. BEALE, Non-Executive

Edward Beale joined the Board on 13th April 2016. He is a Chartered Accountant and is the chief executive of City Group PLC., the Company's company secretary and administrator. Up until August 2013, Edward was a member of the Accounting Council of the Financial Reporting Council. He is currently a member, and previously chairman, of the Corporate Governance Expert Group of the Quoted Companies Alliance. He is the non-executive chairman of Marshall Monteagle PLC and is a non-executive director of Western, Finsbury Food Group PLC, Swallowfield PLC, Heartstone Inns Limited, Industrial & Commercial Holdings PLC and Tudor Rose International Limited.

F.W.A. LUCAS, BSc, PhD, Independent Non-Executive * □ ●

Frank 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.

L.H. MARSHALL, Non-Executive ♦

Lloyd 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 Western, Industrial & Commercial Holdings PLC, Tudor Rose International Limited, and Heartstone Inns Limited.

J.H. MAXWELL, CA, CCMI, FRSA, Senior Independent Non-Executive * □ ●

John Maxwell, who is a Chartered Accountant, was appointed a Director of the Company in 2003. He currently serves as a non-executive director of The Royal Automobile Club Motor Sports Association Limited.

J.M. ROBOTHAM, OBE, FCA, Non-Executive □ ♦

Michael Robotham joined the Board in 1984. He is a non-executive director of Western and is a Chartered Accountant.

* Member of the Audit Committee

□ Member of Nomination Committee

♦ Member of the Investment Committee

● Member of Remuneration Committee

Advisers

	United Kingdom	Republic of South Africa
Company Secretary and Registered Office	City Group PLC 6 Middle Street, London EC1A 7JA Tel: +44 (0)20 7796 9060	D.A. Greer 11 Sunbury Park La Lucia Ridge Office Estate La Lucia 4051 Durban Tel: +27 (0)31 566 7600
Company Registered Number	201151	
Website	www.city-group.com/london-finance-investment-group-plc	
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA Tel: +44 (0)121 585 1131	Computershare Investor Services (Pty.) Limited 70 Marshall Street Johannesburg, 2001 (P.O. Box 61051, Marshalltown 2107) Tel: +27 11 370 5000
Sponsor		JSE Limited Sponsor: Sasfin Capital (a division of Sasfin Bank Limited) 29 Scott Street, Waverley 2090 Johannesburg, South Africa Tel: +27 (11) 809 7500
Auditors	SRG LLP 28 Ely Place London EC1N 6AA	
Proposed Auditors	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD	

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Summary of Investments

At 30th June

	2016 £000	2015 £000
Strategic Investment at market value:		
Western Selection PLC	3,537	3,694
Finsbury Food Group PLC	8,880	8,000
	<u>12,417</u>	<u>11,694</u>
General Equity Portfolio at market value	7,125	5,801
Tangible non-current assets	22	31
Cash, bank balances and deposits	588	115
Bank loans	-	(1,500)
Other net liabilities	(44)	(2)
Deferred taxation	(850)	(442)
Non-Controlling interests	(90)	(75)
	<u>19,168</u>	<u>15,622</u>
Net assets, including investments at market value		
	<u>19,168</u>	<u>15,622</u>
Net assets per share	61.4p	50.1p
Dividends		
Interim	0.5p	0.5p
Proposed Final	0.55p	0.5p
Earnings per share (excluding unrealised changes in the market value of investments):	5.2p	0.8p

Financial Calendar

Announcement of Unaudited Preliminary Results for the year ended 30 th June 2016	30 th September 2016
Annual General Meeting	30 th November 2016
Final Dividend for 2016	Payable on 9 th December 2016 to shareholders on the register of members at 18 th November 2016
Half year results to 31 st December 2016	to be announced in February 2017
Interim Dividend for 2017	to be announced in February 2017

Strategic Report

Strategy and Business Model

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

The Company invests in other companies in accordance with the Company's Investment Policy as set out on page 11. In the short term, the performance of the Company can be influenced by overall stock market performance and to ameliorate this short term risk the Company has a combination of Strategic Investments together with a General Portfolio. Strategic Investments are significant investments in smaller UK quoted companies and these are balanced by a General Portfolio, which consists of a broad range of investments in major USA, UK and other European companies which provides a diversified exposure to international equity markets.

Results

- * Net assets have increased over the year by 22.6% from 50.1p per share to 61.4p per share
- * Strategic Investments have increased in value over the year by 6.0%, from £11,694,000 to £12,417,000 largely due to the increase in value of our investment in Finsbury Food Group Plc.
- * Strategic investments are yielding 2.9% (2015 – 2.7%)
- * The General Portfolio has increased over the year by 22.8% from £5,801,000 to £7,125,000
- * The General Portfolio yielding 2.4% (2015 – 2.9%)
- * No borrowings at 30th June 2016, compared with borrowings of £1,385,000 at 30th June 2015
- * Operating costs were broadly in line with 2015
- * A final dividend of 0.55p per share is recommended, making a total of 1.05p per share for the year (2015 – 1p)

The Company and its subsidiaries ("Group") achieved a profit for the year, before tax and changes to the fair value adjustments of investments, of £1,683,000 (2015- £334,000). The profit, after positive fair value adjustments, tax and non-controlling interest was £3,873,000 (2015 - £1,978,000), giving a headline earnings per share of 5.2p (2015 – headline earnings per share of 0.8p).

Strategic Investments

Western

The Group owns 7,860,515 ordinary shares, being 43.8%, of the issued share capital of Western.

On 30th September 2016, Western announced unaudited preliminary results showing a profit before exceptional items of £64,000 for the year to 30th June 2016 (2015 – profit before exceptional items of £159,000). Including associates and after exceptional items and tax, earnings per share were 0.4p (2015 – earnings per share – 15.5p).

Western has paid an interim dividend of 1.05p and proposes a final dividend of 1.05p making 2.1p for the year (2015 – 2.1p). Western's net assets at market value as at 30th June 2016 were £14,217,000 equivalent to 79p per share, an increase of 5.3% from 75p last year.

Our share of the net assets of Western, including the value of Western's investments at market value, was £6,627,000 (2015 - £5,907,000). The fair value recorded in the Statement of Financial Position is the market value of £3,537,000 (2015 - £3,694,000). This represents 26% (2015 – 24%) of the net assets of the Group. Western's objective is to generate growth in value for shareholders over the medium to long term and pay a progressive dividend.

Western's business model is to take sizeable minority stakes in relatively small companies usually before or as their shares are admitted to trading on one of the UK's stock exchanges and have directors in common through which they can provide advice and support for these growing companies. These may or may not become associated companies. The aim is that these companies ("Core Holdings") will grow to a stage at which Western's support is no longer required and its stake can be

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sold over time into the relevant stock market. Companies that are targeted as Core Holdings will have an experienced management team, a credible business model and good prospects for growth.

Mr. D. C. Marshall is the Chairman of Western and Mr L.H. Marshall, Mr. J.M. Robotham and Mr. E.J. Beale are non-executive directors. Western's main Core Holdings are Northbridge Industrial Services plc, Swallowfield plc, Bilby Plc and Tudor Rose International Limited.

An extract from Western's announcement relating to its main Core Holdings is set out below:

Northbridge Industrial Services plc ("Northbridge")

Northbridge hires and sells specialist industrial equipment to a non-cyclical customer base. It has offices or agents in the UK, USA, Dubai, Germany, Belgium, France, Australia, Singapore, India, Brazil, Korea and Azerbaijan, Customers include 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

Northbridge announced its unaudited interim results for the six months ended 30th June 2016 on 29th September 2016 and recorded a loss after tax of £2,338,000 for the period.

Western acquired a further 1,323,632 Northbridge shares during the year for £964,000 bringing its holding to 3,223,632 shares. Western's holding is now 12.45 % of Northbridge's issued share capital. The value of this investment at 30th June 2016 was £2,772,000 (2015 - £3,895,000) being 19% (2015 - 29%) of Western's net assets.

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

Swallowfield plc ("Swallowfield")

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

Swallowfield announced its annual results to 25th June 2016 on 20th September 2016 and recorded a profit after tax of £2,001,000 compared to a profit of £746,000 for the comparable period last year.

Dividends of £52,000 were received from Swallowfield during the year (2015 – nil). A final dividend of 2.3p per share has been declared and Western will receive a further £46,000.

Western acquired a further 130,851 Swallowfield shares during the year for £203,000. At the reporting date, Western owned 2,000,000 shares which was 11.9 % of Swallowfield's issued share capital. The market value of this investment on 30th June 2016 had increased to £3,400,000 from the value at 30th June 2015 of £2,019,000. The value of this investment is 24 % (2015 - 15%) of Western's net assets.

On 23rd September 2016, Western sold 200,000 Swallowfield shares for £520,000 (before selling expenses).

Mr E. J. Beale is a non-executive director of Swallowfield.

Bilby Plc ("Bilby")

Bilby is an established, and award winning, provider of gas installation, maintenance and general building services to local authority and housing associations across London and South East England. They have a strategy of growing organically and by acquisition. Further information about Bilby is available on their website: www.bilbyplc.com.

In July 2015, Western invested £1,500,000 in acquiring 1,875,000 shares in Bilby and, in April 2016, a further £545,000 for 462,088 Bilby shares. Western now holds 2,337,088 shares which is 5.9 % of Bilby's issued share capital. The market value of this investment on 30th June 2016 was £2,968,000 which is 21 % of Western's net assets.

Bilby announced its results for the year ended 31st March 2016 on 14th July 2016 showing a profit after tax of £954,000 compared to a profit of £1,426,000 for the 14 month period ended 31st March 2015. Dividends of £58,000 were received from Bilby during the year. Bilby announced a final dividend of 2.00 p per share which was paid in September 2016 which provided Western with further income of £46,700.

Tudor Rose International Limited (previously Hartim Limited) (“Tudor Rose International”)

Tudor Rose International 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, Tudor Rose International sells into 78 countries worldwide including USA, Spain, Portugal, Italy, Czech Republic, Russia, Turkey, South Africa, Saudi Arabia, UAE, Malaysia, Australia and China.

Western holds 49.5% of the issued share capital of Tudor Rose International, which has a 31st December year end, and which generated trading profits before tax in the year to 30th June 2016 of £71,000. Turnover in the period was £18,542,000 (2015 - £18,022,000).

Western’s share of profit after tax, including a charge for disallowed tax losses, for the twelve months to 30th June 2016 was £35,000 (2015 –loss of £5,000) and the book value of the investment at 30th June 2016 was £1,290,000 (2015 - £1,223,000) being 9 % (2015 – 9 %) of Western’s net assets.

Western has two nominees on the board of Tudor Rose International: Mr E. J. Beale and Mr L. H. Marshall.

Finsbury Food Group plc (“Finsbury”)

Finsbury is one of the largest producers and suppliers of premium cakes, bread and morning goods in the UK and currently supplies most of the UK’s major supermarket chains. Further information about Finsbury is available on its website: www.finsburyfoods.co.uk

During the year, Lonfin disposed of 2,000,000 shares in Finsbury for £1,984,000, realising a profit of £1,408,000. At 30th June 2016, Lonfin held 8,000,000 Finsbury shares, representing 6.1 % of Finsbury’s issued share capital. The market value of the holding was £8,880,000 as at 30th June 2016 (cost - £2,300,000) and represents 46% (2015 – 51%) of Lonfin’s net assets.

On 19th September 2016, Finsbury announced audited profits on continuing operations after tax and minority interests of £8,504,000 for the 52 week period ended 2nd July 2016 (2015 - £6,620,000).

Finsbury paid an interim dividend of 0.93p and has recommended to its shareholders a final dividend of 1.87p per share, making 2.8p for the year (2015 – 2.5p).

On 27th September 2016, Lonfin sold 1,000,000 Finsbury shares for £1,200,000 (before selling expenses) and, on 29th September 2016, Lonfin sold a further 1,000,000 Finsbury shares for £1,250,000 (before selling expenses). Lonfin now holds 6,000,000 Finsbury shares which represent 4.6% of Finsbury’s issued share capital.

Mr. E.J. Beale is a non-executive director of Finsbury.

General Portfolio

The investments comprising the General Portfolio at 30th June 2016 are listed on page 10.

The portfolio is diverse with material interests in Food and Beverages, 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.

At the year end the number of holdings in the General Portfolio was 26. We have decreased the amount invested in the General Portfolio over the year by £20,000 (2015 - increased by £100,000).

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Operations and Employees

All of our operations and those of our associated company, Western, except investment selection, are outsourced to our subsidiary, City Group Limited ("City Group"). City Group also provides office accommodation, company secretarial and head office finance services to a number of other UK and Jersey companies. City Group has responsibility for the initial identification and appraisal of potential new strategic investments for the Company and the day to day monitoring of existing strategic investments and employs 8 people.

Save for the appointment of Mr E.J. Beale to the Board in April 2016, all directors of the Company and the directors of its subsidiaries are unchanged from last year and are male. The Group has set a target of 25% female members of the Company's Board and female candidates will be considered on their merits when vacancies arise. The Board has enlarged during the year through the appointment of Mr E.J. Beale, the chief executive of City Group, and since this was an internal appointment, no female candidates were considered. Excluding directors, 4 of the 6 other employees of the Group at 30th June 2016 were female (30th June 2015 - 4 of 6).

Dividend

The Board recommends a final dividend of 0.55p per share, making a total of 1.05p per ordinary share for the year (2015 – 1p). Subject to shareholders' approval at the Company's Annual General Meeting on 30th November 2016, the dividend will be paid on 9th December 2016 to those shareholders on the register at the close of business on 18th November 2016. Shareholders on the Johannesburg register will receive their dividend in South African rand converted from sterling at the closing rate of exchange on 23rd September 2016 being GBP1= ZAR 17.7257.

The number of shares in issue as at the dividend declaration date is 31,207,479 and the Company's UK Income Tax reference number is 948/L32120.

Dividend dates:

Last date to trade (SA)	Tuesday, 15th November 2016
Shares trade ex dividend (SA)	Wednesday, 16th November 2016
Shares trade ex dividend (UK)	Thursday, 17th November 2016
Record date (UK and SA)	Friday, 18th November 2016
Pay date	Friday, 9th December 2016

The JSE Listings Requirements require disclosure of additional information in relation to any dividend payments.

Shareholders registered on the Johannesburg register are advised that the dividend withholding tax will be withheld from the gross final dividend amount of 9.74914 SA cents per share at a rate of 15% unless a shareholder qualifies for an exemption; shareholders registered on the Johannesburg register who do not qualify for an exemption will therefore receive a net dividend of 8.28677 SA cents per share. The dividend is payable in cash as a 'Dividend' (as defined in the South African Income Tax Act, 58 of 1962, as amended) by way of a reduction of income reserves. The dividend withholding tax and the information contained in this paragraph is only of direct application to shareholders registered on the Johannesburg register, who should direct any questions about the application of the new dividend withholding tax to Computershare Investor Services (Pty) Limited, Tel: +27 11 373-0004.

Share certificates may not be de-materialised or re-materialised between Wednesday, 16th November 2016 and Friday, 18th November 2016, both days inclusive. Shares may not be transferred between the registers in London and South Africa during this period either.

Outlook

We believe our mix of Strategic Investments and a General Portfolio gives us every chance of outperforming the broader market in the medium to long term notwithstanding any short term volatility in markets, currencies and commodities.

Future Developments

The future development of the Company is dependent on the success of the Company's Investment Strategy in the light of economic and equity market developments and the continued support of its shareholders.

Business Environment, Financial Instruments & Principal Risks and Uncertainties

The financial instruments of the Group, in addition to its investments, comprise cash and borrowings to finance those investments.

As an investment company our principal risks and uncertainties 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. Exchange rate movements will contribute to the volatility of prices of foreign stocks.

Dividend income

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 and the willingness of the boards of such companies to pay. 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 on page 26 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.

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In addition, the Company is exposed to investment risk arising from the selection of investments which it mitigates by drawing on the investment experience of its directors.

The Board does not consider that there is any further information relating to environmental matters, employees, social, community and human rights issues that it is necessary to report for an understanding of the development, performance or position of the Company's business.

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. As an investment company we have no relevant non-financial KPIs. Comments on the movement of these indicators over the year are detailed above.

	2016	2015	2014	2013
Net assets per share	61.4p	50.1p	44.7p	45.7p
Change in net assets per share over 5 years	75%	85%	192%	18%
Dividends (net) per share	1.05p	1.0p	0.9p	0.8p

Definition of KPIs used above

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

Dividends per share - Dividends declared for the year divided by the number of shares in issue at the year end.

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 30th June 2016, the Group had bank facilities of £ 1,900,000 which expire in April 2021.

At 30th June 2016, 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 of Association 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 forthcoming Annual General Meeting ("AGM") which would permit the Company to issue new shares as explained in the Directors' Report. Similar resolutions were approved at the last Annual general Meeting.

Investment Policy

The Group's Investment Policy is set out on page 11 and restricts the balance of investments between equity and debt instruments and other assets. The Board would like the opportunity to consider a higher proportion of investments in other assets to achieve growth in shareholder value in real terms over the medium to long term whilst maintaining a progressive dividend policy. At the AGM shareholders will be asked to approve a revised Investment Policy. The proposed wording of the updated policy is set out on page 11.

28th October 2016

By Order of the Board
City Group P.L.C.
Company Secretary

Composition of General Portfolio

At 30th June 2016

	£000	%
British American Tobacco	421	5.9
Schindler-Holdings	395	5.5
Henkel	380	5.3
Heineken	371	5.2
Reckitt Benckiser	367	5.2
Imperial Tobacco	361	5.1
Nestle	349	4.9
Investor	345	4.8
Philip Morris International	334	4.7
Unilever	314	4.4
Diageo	312	4.4
L'Oreal	302	4.2
Pernod-Ricard	287	4.0
Anheuser Busch Inbev	267	3.7
Exxon	250	3.5
3M	241	3.4
Danone	211	3.0
Chevron	211	3.0
Procter & Gamble	208	2.9
Novartis	203	2.8
BASF	199	2.8
ABB	194	2.7
Givaudan	190	2.7
United Technologies	182	2.6
Linde	125	1.8
LVMH	106	1.5
	7,125	100.0

Analysis by currency	£000	%
Euro	2,248	31.6
Sterling	1,775	24.9
US Dollar	1,426	20.0
Swiss Franc	1,331	18.7
Swedish Kroner	345	4.8
	7,125	100.0

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Investment Policy

The Company's investment policy is to invest in a range of "strategic" investments, a "general portfolio" consisting of 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 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 world's largest quoted companies.

The intention is for between 30% and 70% of the overall investment portfolio with a maximum limit of 80% 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% and 20% 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% of the total value of investments.

Proposed Update to Investment Policy

Set out below are proposed changes to the Investment Policy which are subject to shareholder approval at the forthcoming Annual General Meeting.

The Company's investment policy is to invest in a range of "strategic" investments, a "general portfolio" consisting of 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 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 world's largest quoted companies.

The intention is for between 30% and 70% of the overall investment portfolio with a maximum limit of 80% to be in "strategic" **and "other" investments immediately following such investment**, with the balance of the portfolio, to be in the "general portfolio". "Other investments" **will be limited to 50 per cent** of the overall value of the investment portfolio, **measured immediately following such investment**. No one "strategic investment" or "other investment" will represent more than 30% **and 50%** respectively of the value of all investments **immediately following the making of 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.

Proposed Update to Investment Policy (continued)

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% of the total value of investments.

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Consolidated Statement of Total Comprehensive Income

For the year ended 30th June

	Notes	2016 £000	2015 £000
Dividends – Listed investments		550	487
Rental and other Income		82	82
Profits realised on sales of investments		1,448	175
Management service fees		252	233
Operating income		2,332	977
Administration expenses	3	(649)	(643)
Operating profit	2	1,683	334
Unrealised changes in the carrying value of investments	11	2,643	2,049
Interest payable		(16)	(48)
Profit on ordinary activities before taxation		4,310	2,335
Tax on result of ordinary activities	6	(437)	(357)
Profit on ordinary activities after taxation		3,873	1,978
Non-controlling interest		(15)	(10)
Profit for the financial year attributable to members of the holding company	7	3,858	1,968
Other comprehensive income		-	-
Total comprehensive income attributable to shareholders		3,858	1,968
Reconciliation of headline earnings			
Basic earnings per share	8	12.4p	6.3p
Adjustment for the unrealised changes in the carrying value of investments, net of tax		(7.2)p	(5.5)p
Headline earnings per share	8	5.2p	0.8p

All profits and losses are on continuing activities

The notes on pages 18 to 28 form part of these accounts.

Consolidated Statement of Changes in Shareholders' Equity

	Ordinary Share Capital £000	Share Premium Account £000	Unrealised Profits on Investments £000	Share of Undistributed Results of Subsidiaries £000	Retained realised Profits & Losses £000	Total £000	Non- Controlling Interests £000	Total Equity £000
Year ended 30th June 2015								
Balances at 1 st July 2014	1,560	2,320	4,585	(294)	5,779	13,950	65	14,015
Total comprehensive income	-	-	1,719	320	(71)	1,968	10	1,978
Dividends paid	-	-	-	-	(296)	(296)	-	(296)
Total transactions with shareholders	-	-	-	-	(296)	(296)	-	(296)
Balances at 30 th June 2015	<u>1,560</u>	<u>2,320</u>	<u>6,304</u>	<u>26</u>	<u>5,412</u>	<u>15,622</u>	<u>75</u>	<u>15,697</u>
 Year ended 30th June 2016								
Balances at 1 st July 2015	<u>1,560</u>	<u>2,320</u>	<u>6,304</u>	<u>26</u>	<u>5,412</u>	<u>15,622</u>	<u>75</u>	<u>15,697</u>
Total comprehensive income	-	-	2,235	1,795	(172)	3,858	15	3,873
Dividends paid	-	-	-	-	(312)	(312)	-	(312)
Total transactions with shareholders	-	-	-	-	(312)	(312)	-	(312)
Balances at 30 th June 2016	<u>1,560</u>	<u>2,320</u>	<u>8,539</u>	<u>1,821</u>	<u>4,928</u>	<u>19,168</u>	<u>90</u>	<u>19,258</u>

The notes on pages 18 to 28 form part of these accounts.

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

Consolidated Statement of Financial Position

At 30 th June	Notes	2016 £000	2015 £000
Non-current Assets			
Tangible assets	9	22	31
Investments	11(a)	<u>12,417</u>	<u>11,694</u>
		<u>12,439</u>	<u>11,725</u>
Current Assets			
Listed investments	11(b)	7,125	5,801
Trade and other receivables	12	272	218
Cash at bank		<u>588</u>	<u>115</u>
		<u>7,985</u>	<u>6,134</u>
Current Liabilities			
Trade and other payables: falling due within the year	13	<u>(316)</u>	<u>(1,720)</u>
Net Current Assets			
		7,669	4,414
Deferred Taxation			
	14	<u>(850)</u>	<u>(442)</u>
Total Assets less Current Liabilities			
		<u>19,258</u>	<u>15,697</u>
Capital and Reserves			
Called up share capital	15	1,560	1,560
Share premium account		2,320	2,320
Unrealised profits and losses on investments		8,539	6,304
Share of retained realised profits and losses of subsidiaries		1,821	26
Company's retained realised profits and losses		<u>4,928</u>	<u>5,412</u>
		19,168	15,622
Non-controlling equity interests		<u>90</u>	<u>75</u>
		<u>19,258</u>	<u>15,697</u>

All profits and losses are on continuing activities

Approved and authorised by the Board
on 28th October 2016

E. J. Beale
Director

The notes on pages 18 to 28 form part of these accounts.

Company Statement of Financial Position

At 30th June

	Notes	2016 £000	2015 £000
Non-current Assets			
Investments in Group companies	10	<u>3,847</u>	<u>6,203</u>
		<u>3,847</u>	<u>6,203</u>
Current Assets			
Listed investments	11(b)	7,125	5,801
Trade and other receivables	12	27	19
Cash at bank		<u>451</u>	<u>71</u>
		<u>7,603</u>	<u>5,891</u>
Current Liabilities			
Trade and other payables: falling due within the year	13	<u>(93)</u>	<u>(1,597)</u>
Net Current Assets		7,510	4,294
Deferred Taxation			
	14	<u>(330)</u>	<u>(442)</u>
Total Assets less Current Liabilities		<u>11,027</u>	<u>10,055</u>
Capital and Reserves			
Called up share capital	15/16	1,560	1,560
Share premium account	16	2,320	2,320
Unrealised profits and losses on investments	16	2,219	763
Realised profits and losses	16	<u>4,928</u>	<u>5,412</u>
Equity shareholders' funds		<u>11,027</u>	<u>10,055</u>

E. J. Beale

Director

London Finance & Investment Group P.L.C.

Registered in England and Wales – Number 201151

The notes on pages 18 to 28 form part of these accounts.

London Finance & Investment Group P.L.C.

Consolidated Statement of Cash Flow

For the year ended 30th June

	Notes	2016 £000	2015 £000
Cash flows from operating activities			
Profit before tax		4,310	2,335
Adjustments for non-cash and non-operating activities -			
Finance expense		16	48
Depreciation charges		9	8
Profit on non-current investment		(1,408)	-
Unrealised changes in the fair value of investments		(2,643)	(2,049)
		<u>284</u>	<u>342</u>
Taxes paid	6	<u>(29)</u>	<u>(26)</u>
Changes in working capital			
(Increase)/decrease in trade and other receivables		(54)	27
Increase/(decrease) in trade and other payables		97	(5)
Decrease in current asset investments		20	100
		<u>63</u>	<u>122</u>
Cash flows from investment activity			
Disposal/(Purchase) of strategic investment	11	<u>1,984</u>	<u>(593)</u>
Net cash inflow/(outflow) from investment activity		<u>1,984</u>	<u>(593)</u>
Cash flows from financing			
Interest paid		(16)	(48)
Equity dividends paid		(312)	(296)
Net drawdown/(repayment) of loan facilities	18	<u>(1,500)</u>	<u>575</u>
Net cash inflow/(outflow) from financing		<u>(1,828)</u>	<u>231</u>
Decrease in cash and cash equivalents	18	473	76
Cash and cash equivalents at the beginning of the year		<u>115</u>	<u>39</u>
Cash and cash equivalents at end of the year		<u>588</u>	<u>115</u>

The notes on pages 18 to 28 form part of these accounts.

Notes to the Accounts

For the year ended 30th June 2016

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 bases, except for certain assets and liabilities which are measured at fair value, in accordance with IFRS and comply with IAS 34.

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.

- (ii) These consolidated accounts include the results of the subsidiaries (all of which are companies) for the year to 30th June 2016. 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) 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.
- (iv) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The Company's accounting policy is as follows:
- a) 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.
 - b) 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.
 - c) 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.

London Finance & Investment Group P.L.C.

Notes to the Accounts (continued)

For the year ended 30th June 2016

1. Accounting Policies (continued)

- (v) The charge for taxation is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Total Comprehensive Income. 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.

- (vi) 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	
	2016 £000	2015 £000	2016 £000	2015 £000
Dividends – Listed investments	550	487	-	-
Rental and other income	-	-	82	82
Profits on sales of investments, including provisions	1,448	175	-	-
Management services fees	-	-	252	233
Operating income	1,998	662	334	315
Administration expense – normal	(346)	(345)	(303)	(298)
Operating profit/(loss)	1,652	317	31	17

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

3. Administration Expenses

	Management	
	2016 £000	2015 £000
Normal administration expenses include:		
Depreciation	9	8
Auditors' remuneration – Audit services	26	30
– non-audit services	3	4
Directors' emoluments – Note 4	75	75
Staff Costs – Note 5	294	292

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 38 to 42.

Related Party Disclosures

Lonfin and its wholly owned subsidiary, Lonfin Investments Limited, owns 43.8% of its associated company, Western, of which Mr. D.C. Marshall, Mr L.H. Marshall, Mr. J. M. Robotham and Mr. E.J Beale are directors. Mr. D.C. Marshall and Mr. J. M. Robotham's shareholdings in Lonfin are set out in the accompanying Directors' Report.

Lonfin and Western hold shares in Finsbury Food Group Plc and Northbridge Industrial Services Plc respectively. Mr. D.C. Marshall is a director of Northbridge Industrial Services plc and Mr. E. J. Beale is a director of Finsbury Food Group Plc.

Mr. D. C. Marshall and Mr. L. H. Marshall are directors and Mr. E.J. Beale is the non-executive Chairman of Marshall Monteagle PLC and Mr D. C. Marshall and Mr J. M. Robotham are shareholders in Marshall Monteagle PLC which in turn is a substantial shareholder in Halogen Holdings PLC. Mr. D. C. Marshall is Chairman of Halogen Holdings PLC and Mr L. H. Marshall and Mr. E. J. Beale are directors of Halogen Holdings PLC.

Lonfin and Western own City Group in the ratio 51.4% and 48.6% respectively. City Group provides offices and company secretarial and administrative services to various companies in the UK 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 company secretarial, accounting, and directors' fees received by City Group from those companies, their associates and subsidiaries, total £255,000 (2015 - £204,000) for the year under review. At the reporting date the aggregate balance due in respect of fees invoiced was £85,000 (2015 - £194,000) and no fees have been paid in advance (2015 - nil). Settlement is within normal credit terms.

As disclosed in Notes 12 and 13 below, the Company was owed £6,000 from City Group on current account and it owed City Group £45,000 for fees. The Company was also owed £3,758,000 by Lonfin Investments Limited as disclosed in Note 10 below.

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 38 to 42:-

	2016	2015
	£000	£000
Salaries	223	218
Social security costs	41	41
Defined contribution pension scheme contributions	30	33
	294	292
The average weekly number of staff employed, excluding Group Directors, was:	6	6

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

Notes to the Accounts (continued)

For the year ended 30th June 2016

6. Taxation

	2016 £000	2015 £000
The tax charge for the year comprises:		
Tax on overseas investment income	29	26
Deferred Tax	408	331
Tax charged	<u>437</u>	<u>357</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	<u>4,310</u>	<u>2,335</u>
Taxation at 20% (2015 – 20.75%)	862	484
Effects of:		
Non taxable items – fair values and franked income	(638)	(147)
Loss utilised	213	20
Tax charged for the year	<u>437</u>	<u>357</u>

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

7. Total Comprehensive Income attributable to members of the holding company

	2016 £000	2015 £000
Dealt with in the accounts of:		
- The holding company	(172)	(428)
- The subsidiary undertakings	4,030	2,396
	<u>3,858</u>	<u>1,968</u>

8. Earnings per share

	2016 £000	2015 £000
Earnings per share are based on the profit on ordinary activities after taxation and non-controlling interests of £3,858,000 (2015 - £1,968,000) and on 31,207,479 (2015 – 31,207,479) shares being the weighted average of number of shares in issue during the year.	12.4p	6.3p
Headline earnings are required to be disclosed by the JSE. Headline earnings per share are based on the ordinary activities after taxation and non-controlling interests, before unrealised changes in the fair value of investments net of tax, of £1,623,000 (2015 - £250,000) and on 31,207,479 (2015 – 31,207,479) shares being the weighted average of number of shares in issue during the year.	5.2p	0.8p

9. Tangible assets

	Office Equipment £000
At cost – 1 st July 2015	53
Additions	-
Disposals	-
30 th June 2016	<u>53</u>
Depreciation	
Balance – 1 st July 2015	22
Charges for the year	9
Disposals	-
30 th June 2015	<u>31</u>
Net book amount 30th June 2016	<u><u>22</u></u>
Net book amount 30 th June 2015	<u>31</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	2016 £000	2015 £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>3,758</u>	<u>6,114</u>	
		<u>3,847</u>	<u>6,203</u>	

The loan to the subsidiary is net of a provision of £1,681,000, because the Board considers the recoverability of the loan has been impaired by permanent loss in its value of one of the underlying investments held by the subsidiary.

London Finance & Investment Group P.L.C.

Notes to the Accounts (continued)

For the year ended 30th June 2016

11. Investments

	Group	
(a) Held as non-current assets	2016	2015
	£000	£000
<i>(i) Listed associated undertaking (Western Selection P.L.C.)</i>		
Share at cost – brought forward	6,159	6,159
Fair value adjustment – unrealised losses	(2,622)	(2,465)
Market value at 30 th June	<u>3,537</u>	<u>3,694</u>
<i>(ii) Other listed investments (Finsbury Food Group Plc)</i>		
At cost, brought forward, less provisions	2,876	2,283
Addition during year	-	593
Disposal during year	(576)	-
Fair value adjustment – unrealised profit	6,580	5,124
Market value at 30 th June	<u>8,880</u>	<u>8,000</u>
Total at 30 th June	<u>12,417</u>	11,694
(b) Held as current assets		
	Company and Group	
	2016	2015
	£000	£000
<i>(i) Listed investments (General Portfolio)</i>		
At cost less provision	3,286	3,306
Fair value adjustment – unrealised gains	3,839	2,495
Market value at 30 th June	<u>7,125</u>	<u>5,801</u>

(c) Associated undertaking

Western Selection P.L.C., the associated undertaking, is traded on the ISDX Growth Market and is incorporated and operates in the UK with a financial year end of 30th June.

At 30th June 2016 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:-	2016	2015
	£000	£000
Profit after tax	64	2,774
Non-current assets	15,119	9,690
Current assets	197	3,913
Liabilities within one year	(98)	(116)
Liabilities due over one year	(1,000)	-
Net asset value per share	79p	75p
Middle market price per share on 30th June	45.0p	49.5p

12. Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Trade debtors	217	173	-	-
Prepayments and accrued income	55	45	27	19
	<u>272</u>	<u>218</u>	<u>27</u>	<u>19</u>

13. Trade and other payables

	Group		Company	
	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans	-	1,500	-	1,500
Group companies	-	-	-	39
Other taxes	29	34	5	3
Other creditors	61	4	1	1
Trade creditors	17	29	-	13
Accruals	209	153	87	41
	<u>316</u>	<u>1,720</u>	<u>93</u>	<u>1,597</u>

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

14. Deferred taxation

The Group has provided £850,000 in respect of potential taxation on unrealised investment gains (2015 - £442,000).

15. Share Capital and Reserves

	Company and Group	
	2016 £000	2015 £000
Authorised equity share capital 35,000,000 ordinary shares of 5p each	<u>1,750</u>	<u>1,750</u>
Allotted, issued and fully paid ordinary shares of 5p each 31,207,479 at 1 st July 2015 and 30 th June 2016	<u>1,560</u>	<u>1,560</u>

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

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

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

Notes to the Accounts (continued)

For the year ended 30th June 2016

15. Share Capital and Reserves (continued)

	Description and purpose
Share capital	Nominal value of issued share capital.
Share premium	Amount subscribed for share capital in excess of nominal value.
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 on page 13 and the Consolidated Statement of Changes in Shareholders' Equity on page 14 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

	Ordinary Share Capital £000	Share Premium Account £000	Unrealised Profits and (losses) on Investments £000	Realised Profits and (losses) £000	Total £000
Year ended 30th June 2015					
Balance at 1st July 2014	1,560	2,320	1,120	5,779	10,779
Total comprehensive income	-	-	(357)	(71)	(428)
Dividends paid	-	-	-	(296)	(296)
Total transactions with shareholders	-	-	-	(296)	(296)
Balances at 30 th June 2015	<u>1,560</u>	<u>2,320</u>	<u>763</u>	<u>5,412</u>	<u>10,055</u>
Year ended 30th June 2016					
Balance at 1 st July 2015	1,560	2,320	763	5,412	10,055
Total comprehensive income	-	-	1,456	(172)	1,284
Dividends paid	-	-	-	(312)	(312)
Total transactions with shareholders	-	-	-	(312)	(312)
Balances at 30 th June 2016	<u>1,560</u>	<u>2,320</u>	<u>2,219</u>	<u>4,928</u>	<u>11,027</u>

17. Pension Schemes

The Group makes pension contributions to the personal pension schemes of certain employees which are money purchase schemes and for which it has not 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
2015/2016			
Cash at bank	115	473	588
Bank loan	<u>(1,500)</u>	<u>1,500</u>	<u>-</u>
	<u>(1,385)</u>	<u>1,973</u>	<u>588</u>
2014/2015			
Cash at bank	39	76	115
Bank loan	<u>(925)</u>	<u>(575)</u>	<u>(1,500)</u>
	<u>(886)</u>	<u>(499)</u>	<u>(1,385)</u>

19. Operating leases

The Group has an operating lease commitment in respect of an office property entered into in January 2014 which terminates in January 2019. Payments of £44,200 were recognised in the year and the minimum amount payable to termination is £132,849. The Company has guaranteed the obligations under this lease.

20. Financial Instruments

Set out below is 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:

	2016 £000	2015 £000
Financial assets		
At fair value through income		
Non-current investments (associated companies and strategic investments)	12,417	11,694
Current asset investments (general portfolio)	7,125	5,801
Loans and receivables		
Trade and other receivables	272	218
Cash at bank	588	115
Financial liabilities		
Trade and other payables	316	220
Bank overdrafts	-	1,500

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

Notes to the Accounts (continued)

For the year ended 30th June 2016

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 3.5% (2015 – 3.5%) and on deposits was nil. The sensitivity of the Group to a 1% change in interest rates would have been negligible in the current year (2015 – £14,000).

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.

	2016	2015
	£000	£000
Currency		
Euro	2,248	1,890
Swiss Franc	1,331	1,134
US Dollar	1,426	1,096
Swedish kroner	345	327
	<u>5,350</u>	<u>4,447</u>

The sensitivity to a 1% change in the sterling exchange rate would be to increase or decrease the fair values as set out by £53,500 in aggregate (2015 - £44,000).

Liquidity Risk

The Group's policy is that its borrowings should be flexible and available over the medium term. The Group has a loan facility of £1,900,000 expiring in April 2021, which is unused at the reporting date. 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 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 167% 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 General Portfolio 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.

20. Financial Instruments (continued)

The sensitivity to each 1% decrease in the value of investments would result in the fair values of non-current asset investments decreasing by £124,000 (2015 - £117,000) and a corresponding decrease in the unrealised profits reserve. A 1% increase, would, on the same basis, increase fair values and increase the unrealised profits reserve. The same percentage increase/decrease in the current asset investments would increase/decrease carrying values by £71,000 (2015 - £58,000) and unrealised profits reserve (or earnings where a decline was below cost) by an equal amount.

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, borrowings 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 1st July 2016.

None of the new standards, interpretations and amendments, effective for the first time from 1st July 2016, 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 1st July 2016 and which have not been adopted early, are expected to have a material effect on the Company's future financial statements.

22. Related Undertakings

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings, the country of incorporation and the percentage of equity owned, directly or indirectly, as at 30th June 2016, is disclosed below:

Company	Country	% ownership
Lonfin Investments Limited	United Kingdom	100%
City Group P.L.C.	United Kingdom	51.4%
Western Selection P.L.C.	United Kingdom	43.8%

London Finance & Investment Group P.L.C.

Directors' Report

The Directors present their Report for the year ended 30th June 2016.

Results, Future Developments, Dividends, & Financial Instruments

A review of the Group's operations and performance during the financial year, setting out the position at the year-end, significant changes in the year, an indication of the outlook for the future, proposed dividends and the Group's policy in relation to financial instruments is contained in the Strategic Report on pages 4 to 9.

Directors

A list of the directors of the Company is shown on page 1. The interests in the Company's ordinary shares of the directors who have held office in the period from 1st July 2015 were as follows:

	30 th June 2016	30 th June 2015
	No. of Ordinary	No. of Ordinary Shares
D.C. Marshall *	12,890,693	12,890,693
F.W.A. Lucas †	162,500	162,500
J.M. Robotham *	12,890,693	12,890,693
J.H. Maxwell	65,000	65,000
L.H. Marshall	-	-
E.J. Beale	-	-

* These holdings arise as the individuals concerned are trustees and/or directors of entities that hold ordinary shares in the Company. The interest of Mr. J.M. Robotham overlaps with the interest of Mr. D.C. Marshall. At 30th June 2016, Mr J.M. Robotham had a beneficial interest in 30,000 (2015 – 30,000) of these ordinary shares, and Mr D.C. Marshall had no beneficial interest in these shares (2015 – nil).

† Of this figure Dr. Lucas owns 80,000 ordinary shares personally and 82,500 ordinary shares are owned by Loeb Aron & Company Ltd, of which Dr. Lucas is a director and shareholder.

On 29th February 2016, Mr E.J. Beale, being an eligible employee under the rules of the London Finance & Investment Group Company Share Option Plan ("Plan"), was granted options over 80,000 ordinary shares with an exercise price of 37.5p per share. The options granted may not be exercised earlier than the third anniversary of the date of grant.

There have been no changes in directors' share interests between 1st July 2016 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. The directors have now agreed to offer themselves for re-election on an annual basis. Accordingly, this year, Mr D.C. Marshall, Dr F.W.A. Lucas, Mr J.M. Robotham, Mr L.H. Marshall and Mr J.H. Maxwell will retire and, being eligible, offer themselves for re-election at the AGM as directors. Mr E.J. Beale was appointed to the Board in April this year. Accordingly, Mr E.J. Beale will be proposed to shareholders at the AGM for election as a director.

Substantial Interests

In addition to the directors' shareholdings shown above, as at 30th June 2016, the Company had been notified under Disclosure and Transparency Rule 5 of the following significant holdings of voting rights in its shares.

Identity of person or group	No. of Ordinary Shares	Percentage of issued Ordinary Share capital
Lynchwood Nominees Limited	12,885,520	41.3%
W.T. Lamb Investments Limited	4,600,000	14.7%
Winterflood Client Nominees Limited	1,443,201	4.62%
Forest Nominees Limited	1,232,000	3.95%

There have been no changes to the above significant holdings between 1st July 2016 and the date of this report.

Auditors

Each director has taken all the steps that they ought to have taken as a director including making appropriate enquiries of fellow directors 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.

It is proposed that PKF Littlejohn LLP be appointed at the forthcoming AGM as the Company's auditors following the decision by the Company's current auditors, SRG LLP, to not seek re-appointment. A resolution to appoint PKF Littlejohn LLP as the Company's new Auditors will be proposed at the AGM.

Pursuant to S. 519 of the Companies Act 2006 (the "Act"), SRG LLP has informed the Company that it is not seeking re-appointment at the AGM and has provided a statement of the circumstances upon ceasing to hold office. In accordance with S. 520 of the Act, a copy of this statement is set out below:

S R G LLP
Chartered Accountants and Registered Auditors

28 Ely Place
London EC1N 6AA

The Board of Directors
London Finance & Investment Group PLC
4th Floor
6 Middle Street
London
EC1A 7JA

26 September 2016

Dear Sirs,

In accordance with section 519 of the Companies Act 2006, we consider that the following circumstances connected with our ceasing to hold office should be brought to the attention of the members and creditors of the Company:

In the light of recent changes to the regulations pertaining to the provision of non-audit services to listed companies we decided not to seek re-appointment as auditors of the Company at the AGM to be held on 30 November 2016.

There are no other circumstances in connection with our ceasing to hold office that should be brought to the attention of the members or any creditors of the Group.

Following upon the AGM we will advise the Financial Reporting Council that we have ceased to hold office and send them a copy of this statement. You are required to do the same.

We are also required to file a copy of this statement with Companies House.

Yours faithfully,

SRG LLP

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

Going Concern

The directors have reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason they adopt the going concern basis for preparing the financial statements.

Corporate Governance

Information on the Company's corporate governance can be found in the Corporate Governance Report on pages 33 to 36.

Annual General Meeting

The Notice of AGM, to be held on 30th November 2016, can be found on pages 47 to 49 of these accounts and sets out the business to be considered at the meeting. Resolutions 1 to 4 and 6 to 13 and Resolution 15 will be proposed as Ordinary Resolutions and Resolutions 5 and 14 will be proposed as Special Resolutions. Certain elements of the business relating to these Resolutions are explained below:

Resolution 5

Changes to the Articles of Association

At every Annual General Meeting, it is a requirement under the Company's Articles of Association that one-third of the directors are subject to retirement by rotation provided that the number of directors retiring shall not exceed one-third. However, as the Board has resolved that all Directors be subject to annual re-election at this Annual General Meeting and in the future, this resolution seeks shareholder approval for certain new Articles of Association relating to the re-election of directors.

Resolutions 6, 7, 8, 9 and 10

Re-election of Directors

The Board has resolved that all the Directors will be subject to annual re-election. Accordingly, subject to the passing of Resolution 5, each of the Directors, save for Mr E.J. Beale, who offers himself for election as a director, will retire at the Annual General Meeting and each offers himself for re-election as a director of the Company. The Board has confirmed, following a performance review of the directors and the Chairman, that each of the directors subject to re-election continues to perform effectively and demonstrates commitment to his role. Further information relating to their experience and background can be found on page 1.

Resolution 11

Election of Non-Executive Director

Mr E.J. Beale was appointed as a Non-Executive Director in April this year. Accordingly, Mr E.J. Beale offers himself for election as a director. Information relating to Mr E.J. Beale's experience and background can be found on page 1.

Resolution 12

Appointment of new Auditor

It is proposed that PKF Littlejohn LLP be appointed as the Company's auditors to take office following the AGM.

Resolution 13

Allotment of share capital

Resolution 13 provides authority to allot shares in accordance with section 551 of the Companies Act 2006 in the period up to the conclusion of the Company's Annual General Meeting in 2017. If passed, this resolution would enable the directors to allot shares (and to grant rights to subscribe for or convert any security into shares in the Company) up to a maximum nominal amount of £189,626 (being 3,792,521 ordinary shares) which is the amount of the Company's authorised but unissued share capital. The directors have no specific plans to allot any ordinary shares in the Company.

Resolution 14

Disapplication of pre-emption rights

Resolution 14 will empower the directors to allot ordinary shares for cash, pursuant to the authority granted by Resolution 13, on a non-pre-emptive basis (a) in connection with a rights issue or open offer and (b) (otherwise than in connection with a rights issue or open offer) up to a maximum nominal value of £78,000 (being 1,560,000 ordinary shares) representing approximately 5% of the issued ordinary share capital of the Company as at 28th October 2016 (being the latest practicable date prior to publication of this report) in the period up to the conclusion of the Company's Annual General Meeting in 2017.

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.

Resolution 15

Revised Investment Policy

As set out in the Strategic Report the directors believe that the Board should have the opportunity to make substantial investments in property and other assets where they consider that such investments will contribute to achieving growth in shareholder value in real terms over the medium to long term whilst maintaining a progressive dividend policy. The proposed changes to the Investment Policy are set out on page 11, and this Resolution requests shareholder approval to these changes.

Recommendation

The Board believes that the approval of Resolutions 1 to 15 will promote the success of the Company and is in the best interests of the Company and its shareholders as a whole. The Board unanimously recommends that you vote in favour of Resolutions 1 to 15 as the directors intend to do in respect of their own beneficial holdings which as at 28th October 2016 (being the latest practicable date prior to publication of this report) amount in aggregate to 175,000 ordinary shares, representing approximately 0.56% of the ordinary shares currently in issue.

Relationship Agreement

In compliance with the Listing Rules the Company has entered into a Relationship Agreement with Mr D.C. Marshall, the Company's Chairman, in his capacity as a Trustee of a controlling shareholder of the Company as defined by the Listing Rules. The Company has complied with the independence provisions contained in the Relationship Agreement throughout the year ended 30th June 2016 and so far as the Company is aware, the controlling shareholder has complied with the provisions and also the procurement obligation contained in the Relationship Agreement.

Directors' Service Contracts and Letters of Appointment

None of the directors has a service contract with the Company. Each of the directors has received a Letter of Appointment from the Company in respect of his services under the terms of the articles of association.

Directors' and Officers' Liability Insurance

During the year, the Company has maintained insurance cover for its directors and officers under a Directors' and Officers' liability insurance policy.

Greenhouse Gas Emissions

The Group is required to report on its greenhouse gas emissions. The Group had no Scope 1 emissions. This report is made in respect of Scope 2 emissions. During the year ended 30th June 2016, the Group purchased electricity equating to a carbon dioxide equivalent of 10 tonnes (1 tCO₂e/employee) (2015 – 10 tonnes).

Corporate Governance

Corporate Governance is the process by which companies are controlled and directed to achieve the objectives of the organisation. Key to achievement of objectives is having clarity about the objective and the right people in place. Processes and structures are of secondary importance as, without a focus on outcomes and without the right people, it is only by chance that objectives will be met.

The UK Listing Authority requires UK premium listed companies to comply with the UK Corporate Governance Code (the Code), which focuses on processes and structures, and which is deemed to constitute best practice in Corporate Governance for most companies. 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 Company has been in full compliance with the Code throughout the year ended 30th June 2016 except for the fact that Requirement B.7.1 recommends that non-executive directors who have served on the Board longer than nine years should be subject to annual re-election. David Marshall, Frank Lucas, John Maxwell and Michael Robotham have all served longer than nine years. Previously, having considered the matter, the Board has decided that, given the size of the Company and the nature of the business, it was not appropriate for these directors to be subject to re-election annually. However, the Board has now resolved that all directors will now be subject to annual re-election. In addition to this, the Code recommends that a majority of the members of a company's nomination committee should be independent non-executive directors with the chairman also being independent. The Company's Nomination Committee now comprises of three directors, two of which are deemed to be independent and the Chairman is not independent. The Board, having considered the matter, considers that the Chairman of the Nominations Committee should now be independent. Accordingly, Mr J.M. Robotham has stood down as Chairman and Mr J.H. Maxwell has been appointed as Chairman in his place.

The JSE requires that companies report on their compliance with Code of Corporate Practices and Conduct ('King Code') 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 Code are of concern to the Company, in complying with King Code, it is satisfied that the Group has complied with its requirements throughout the year ended 30th June 2016.

Composition of the Board

The Board comprises the Chairman, David Marshall, Senior Independent Non-Executive Director, John Maxwell, Michael Robotham, Dr Frank Lucas, Lloyd Marshall, and Edward Beale. The Board has reviewed the independence of the non-executive directors and John Maxwell and Dr Frank Lucas are considered by the Board to be independent despite the fact that both have served on the Board for more than nine years. The Code suggests that serving more than nine years could be relevant to the determination of a non-executive director's independence. The Board has concluded that John Maxwell and Frank Lucas both continue to demonstrate the essential characteristics of independence expected by the Board. In reaching this decision, the Board also took into account the fact that Dr Frank Lucas is a director of Loeb Aron & Company Ltd which acted as ISDX corporate adviser to Western until June this year. Edward Beale, the chief executive of our subsidiary, City Group, was appointed to the Board on 13th April 2016 to bring his experience of Group operations, governance and reporting requirements to the Board.

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. Edward Beale, is therefore standing for

Corporate Governance (continued)

re-election at the Annual General Meeting. In addition, at every Annual General Meeting, it has been a requirement under the Company's Articles of Association that one-third of the directors are subject to retirement by rotation provided that the number of directors retiring shall not exceed one-third. The Board has resolved that all members of the Board will be subject to annual re-election and there will therefore be no requirement at the forthcoming AGM or in the future for any directors to retire by rotation. Resolutions approving the re-election of each of the directors and a resolution approving new provisions for the Company's Articles of Association in relation to the re-election of directors will be proposed to Shareholders at the forthcoming AGM.

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 is 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 now has four committees: The Investment Committee is chaired by David Marshall and its other members are Lloyd Marshall and Michael Robotham. The Nomination Committee is chaired by John Maxwell and its other members are Dr Frank Lucas and Michael Robotham. The Audit Committee is chaired by Dr Frank Lucas and its other member is John Maxwell. Both members of the Audit Committee have recent and relevant financial experience. A Remuneration Committee has now been established and this is chaired by John Maxwell and its other member is Dr Frank Lucas.

Committee meetings are held independently of Board meetings and invitations to attend are extended by the committee chairman to other directors and the Group's advisers as appropriate.

The aggregate remuneration of directors is limited by the Company's Articles of Association and this aggregate amount and the Company's Remuneration Policy can only be changed 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 directors and employees of the Company's subsidiary, City Group, is determined by the Board of City Group, which includes David Marshall, Lloyd Marshall, Michael Robotham and Edward Beale.

As an investment company, the Company has 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 City Group, the Company Secretary, 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.

The Board met on eight occasions during the year, there were no Audit Committee meetings during the year and the Nomination Committee met on one occasion, all such meetings following a formal agenda. Attendance at the Board meetings and the Nomination Committee meetings during the year is shown in the following table:

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

Corporate Governance (continued)

	Board	Board by Phone	Nomination Committee
No. of meetings in year	8	-	1
D.C. Marshall	7	1	-
F.W.A. Lucas	4	1	1
L.H. Marshall	6	2	-
J.H. Maxwell	3	-	-
J.M. Robotham	6	-	1
E.J. Beale	3	-	-

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.

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 its Chairman and individual directors through the annual completion and review of questionnaires.

As an investment company, all matters and all decisions are reserved for the Board except for any matter specifically delegated to a Board committee or any operational decisions of the Company's subsidiary undertakings.

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 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. 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 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.

Corporate Governance (continued)

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 has maintained an appropriate relationship with the Company's current auditors through the Audit Committee. The auditors, SRG LLP, do not provide any non-audit services other than payroll processing and limited advice on taxation matters (see note 3, on page 19).

SRG LLP have given notice to the Company that it will not be seeking re-appointment as auditors at the forthcoming AGM. Accordingly, following a review process and with the recommendation of the Audit Committee, the Board has provisionally appointed PKF Littlejohn LLP as its new auditors and a resolution to approve their appointment will be put to shareholders at the forthcoming AGM.

Nomination Committee

The Board has a Nomination Committee which, from time to time, 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.

Remuneration Committee

The Board has established a Remuneration Committee which will review, determine and recommend to the Board the future Remuneration Policy for the Chairman of the Board and the Directors. The Remuneration Committee will consider base fees and where appropriate salaries, annual and long-term incentive entitlements and awards and, where appropriate, pension arrangements. In determining the remuneration policy for the Board, the Remuneration Committee takes into account many factors having regard to the requirements of the Corporate Governance Code.

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 a shareholder 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.

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

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.

Each of the directors whose names and functions are listed on page 1 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 the 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.
- Considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

28th October 2016

By Order of the Board

City Group P.L.C.
Company Secretary

Directors' Remuneration Report

This report has been prepared in accordance with the Directors' Remuneration Report Regulations and also meets the relevant requirements of the UK Listing Authority Listing Rules. 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. A separate resolution will be proposed at the Annual General Meeting of the Company to approve the Company's Remuneration Policy contained in this report.

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

Annual Statement on Directors' Remuneration

In August 2016, following the financial year end, the Board established a Remuneration Committee. The Remuneration Committee is chaired by the Company's Senior Independent Non-Executive director, John Maxwell, and its other member is Dr Frank Lucas.

The Remuneration Committee will review, consider and make recommendations on directors' remuneration in the future. Furthermore, the Chairman of the Remuneration Committee will make an annual statement regarding the Company's Remuneration Policy and any decisions or proposed changes in relation to directors' remuneration.

No changes are envisaged for the Directors' Remuneration Policy in the current year.

Directors' Remuneration Policy

Directors' remuneration for the year ended 30th June 2016 has been maintained at the same level as the previous year by the Board. The Company's Remuneration Policy at present is to pay fixed fees to directors. There is no variable element of pay for directors and, with the exception of Edward Beale, directors are not eligible to receive awards under the Group's Approved Share Option Plan or Unapproved Employee Benefit Scheme. No benefits are provided for Group directors. The level of directors' fees has been set by the Board subject to the Company's Articles of Association.

Directors' remuneration in the current year will be paid by way of directors' fees only. The table set out below shows the directors' fees payable in the current year:

	2016-2017
Total fees	Total £000
<i>Non-Executive Chairman</i>	
Mr D.C. Marshall	18
<i>Non-Executive Directors</i>	
Mr. J.H. Maxwell	12
Dr. F.W.A. Lucas	12
Mr. L.H. Marshall	12
Mr. J.M. Robotham	19
Mr E.J. Beale *	-

* Directors fees for Mr E.J. Beale are surrendered to his primary employer, City Group PLC. Mr E.J. Beale receives a salary and other benefits from City Group PLC which are reviewed annually and updated on 1st April.

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

Future Remuneration Policy Table

Directors receive a fixed annual fee	Fees are set at a level to attract, motivate and retain talented individuals	The maximum amount of a fee will be set by the Board from time to time and increases will not be higher than inflation unless this can be justified having regard to the performance of the Company or additional responsibilities taken on by directors
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Mr E.J. Beale will continue to receive an additional remuneration for his role as Chief Executive of City Group.

The Group's policy for future increases in fees to directors is similar to the policy for increases in salary to Group employees.

Remuneration on Recruitment

It is anticipated that new non-executive directors will be remunerated on a similar basis as existing directors and no additional payments will be made.

Should a new executive director be recruited, their remuneration package will be designed to attract high quality individuals and will be commensurate with those available in the market at the time of recruitment for persons with similar experience and any equity incentives granted on appointment will be subject to shareholder approval. The remuneration package could include fixed and variable bonuses, pension contributions, medical health and death in service insurance, travel and other allowances as well as a salary.

Loss of Office

No payments will be made to directors for loss of office as Directors of the Company.

Bonuses or other Discretionary Payments

The Company does not make bonus payments to any director. Part of the profits of City Group (currently 50%) are allocated to a staff bonus pool and Mr E J Beale may receive a discretionary bonus from this pool as authorised by Mr D.C. Marshall.

Long Term Incentive Schemes

The Company will consider these in the light of changing legislation, but has no plans to adopt long-term incentive schemes, other than the Group Approved Share Option Plan.

The Group Approved Share Option Plan was created to incentivise full time employees and directors of the Company's subsidiary, City Group. Awards will be made to directors and employees of City Group to recognise outstanding efforts or achievements, or otherwise to attract, motivate or retain staff.

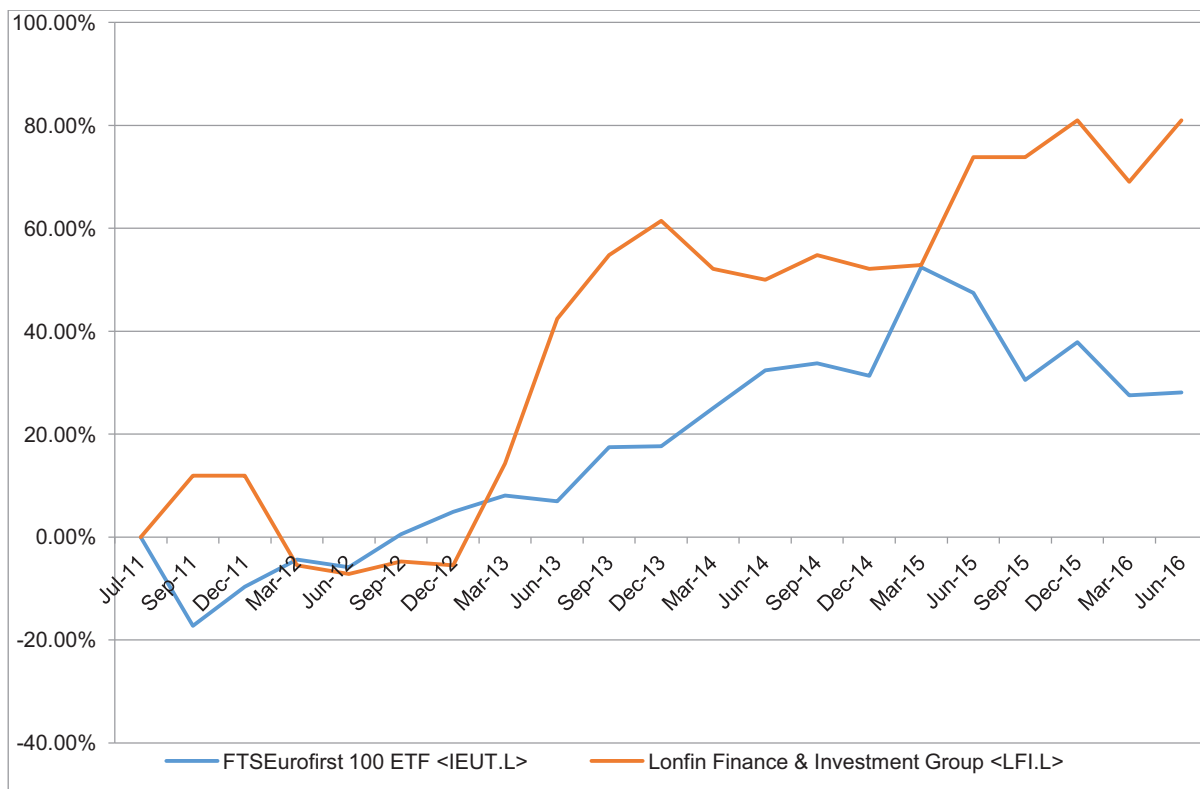
The Group previously established a Group Unapproved Employee Benefit Scheme to incentivise full time employees and directors of the Company's subsidiary, City Group. There are no outstanding awards under this scheme and it expired on 29th September 2016.

City Group

The remuneration payable to the executive director and employees of the Company's subsidiary, City Group, is reviewed and considered by the board of City Group, which includes Mr. D.C. Marshall, Mr L. H. Marshall, Mr. J.M. Robotham and Mr E.J. Beale.

Performance Graph

Lonfin Total Shareholder Return v FTSE Eurofirst 100 Index



The above graph shows Lonfin's Total Shareholder Return (TSR) performance compared to the TSR of the FTSE Eurofirst 100 index over the past five years. The Company's main activity is that of an investment company and the Board believes that because the Company's General 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 100 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.

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

Chairman's Remuneration

As the Company has no Chief Executive Officer the table below shows the remuneration of the Chairman for the 5 years to 30th June 2016 by way of comparison with the total return to shareholders illustrated in the Performance Graph set out above.

The Chairman's remuneration is fixed and he receives no variable element or equity incentive.

Chairman's total remuneration	Total remuneration
Years ending 30 th June:	£'000
2011	10
2012	10
2013	10
2014	14
2015	18
2016	18

The table below compares the total remuneration paid to the Group's directors and employees to the distributions paid to shareholders by way of dividends in the last two years.

The Board and employees of the Group	Dividends paid	Total staff remuneration
Years ending 30 th June:	£'000	£'000
2014	265	408
2015	296	367
2016	312	369

Directors' Remuneration

Set out below is audited information in relation to Directors' remuneration.

The directors' remuneration for the year ended 30th June 2016, which was reviewed by the Board in the previous year, has been maintained at £12,000 per annum for Non-Executive directors and £18,000 per annum for the Chairman. The directors' remuneration is by way of directors' fees only and during the year ended 30th June 2016 comprised:

	2016	Notes	2015
Total fees	Total £000		Total 000
Non-Executive Chairman			
Mr D.C. Marshall	18	*	18
Non-Executive Directors			
Mr. J.H. Maxwell	12		12
Dr. F.W.A. Lucas	12	†	12
Mr. L.H. Marshall	12	♦	12
Mr. J.M. Robotham	19	♣	19
Mr E.J. Beale	-	#	-

* Mr. D.C. Marshall ceded his fees to a company which supplies his services and in which none of the directors, including Mr D.C. Marshall, is beneficially interested. The Chairman received no other payment or benefits from the Company.

♦ Mr. L.H. Marshall ceded his fees of £12,000 (2015 - £9,750) to his primary employer.

† Dr F.W.A. Lucas ceded his fees of £12,000 (2015 - £9,750) to his primary employer.

♣ Of this sum, £7,500 (2015 - £7,500) relates to Mr. Robotham's fees paid by the Company's subsidiary, City Group PLC, and the balance is in respect of fees received from the Company.

Mr E. J. Beale was appointed to the Board on 13th April 2016. He did not receive any remuneration in respect of his appointment. His remuneration as Chief Executive of City Group PLC for the period from appointment to 30th June 2016 was as follows:

Salary	£17,823
Pension Contributions	£7,500

Bonuses and other discretionary payments

The Company did not make any bonus or discretionary payments to the Directors in the year ended 30th June 2016.

Share Options

On 29th February 2016, Mr E.J. Beale, being an eligible employee under the rules of the Group Approved Share Option Plan, was granted options over 80,000 ordinary shares with an exercise price of 37.5p per share. The options granted may not be exercised earlier than the third anniversary of the date of grant. The options are exercisable at any time thereafter up until the tenth anniversary of the date grant.

Save for the options granted to Mr E.J. Beale referred to above, no options, no other options or other share incentives have been awarded or granted to any director or employee of the Group.

Pensions

Contributions of £30,000 per annum are being made to a private pension scheme on behalf of Mr E.J. Beale. There are no other Company contributions payable to the directors of the Group in respect of pensions.

28th October 2016

On behalf of the Board
David Marshall
Chairman

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

Report of the Independent Auditors

TO THE MEMBERS OF LONDON FINANCE & INVESTMENT GROUP PLC

We have audited the Group and parent company financial statements of London Finance & Investment Group P.L.C. for the year ended 30th June 2016 which comprise the Consolidated and Parent Company Statements of Financial Position, the Consolidated Statements of Total 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 in Respect of the Accounts on page 37, 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.

In addition, we read all the financial and non-financial information in the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30th June 2016 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; and
- 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.

Our assessment of risks of material misstatement

We have identified the following risks of material misstatement that had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team:

- the valuation of the Group's investments.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluation the effect of identified misstatements, if any, on the audit and of uncorrected misstatements, if any, on the financial statements and in forming our audit opinion in the Auditors' Report.

When establishing our overall audit strategy, we determined materiality for the Group to be £15,000 which is 2% of total operating income. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely £7,500. Our objective in adopting this approach was to ensure that total uncorrected and undetected audit differences in the financial statements did not exceed our materiality level.

We have agreed to report to the Audit Committee all audit differences in excess of £7,500, as well as differences below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our response to the risk identified above was as follows:

- we agreed 100% of year end prices for quoted investments to an independent source.

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 ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

- 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.

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 31, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

John Park CA
For and on behalf of SRG LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

28th October 2016

Summary of Results

For the five years ended 30th June 2016

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Consolidated Statement of Financial position					
Issued share capital	1,560	1,560	1,560	1,560	1,560
Share premium and other reserves	12,680	8,650	6,611	6,652	2,084
Company's retained realised profits	4,928	5,412	5,779	6,046	6,211
Shareholders' funds (all equity)	<u>19,168</u>	<u>15,622</u>	<u>13,950</u>	<u>14,258</u>	<u>9,855</u>
Non-controlling interest	90	75	65	81	98
	<u>19,258</u>	<u>15,697</u>	<u>14,015</u>	<u>14,339</u>	<u>9,953</u>
Disposition of Capital					
Non-current assets	<u>12,439</u>	<u>11,725</u>	<u>9,065</u>	<u>9,423</u>	<u>5,098</u>
Current assets					
Listed investments (General Portfolio)	7,125	5,801	5,927	5,601	4,533
Other current assets	272	218	245	256	272
Cash and deposits	588	115	39	116	2,217
	<u>7,985</u>	<u>6,134</u>	<u>6,211</u>	<u>5,973</u>	<u>7,022</u>
Liabilities and deferred tax	<u>(1,166)</u>	<u>(2,162)</u>	<u>(1,261)</u>	<u>(1,057)</u>	<u>(2,167)</u>
	<u>19,258</u>	<u>15,697</u>	<u>14,015</u>	<u>14,339</u>	<u>9,953</u>
Net assets per share	61.4p	50.1p	44.7p	45.7p	31.6p
Dividend per share	1.05p	1.0p	0.9p	0.8p	0.7p

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

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., 6 Middle Street, London, EC1A 7JA on Wednesday 30th November 2016 at 11.00 am for the following purposes:

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 4, 6 to 13 and 15 will be proposed as Ordinary Resolutions and Resolutions 5 and 14 will be proposed as Special Resolutions.

1. To receive the financial statements for the year ended 30th June 2016, together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30th June 2016 of 0.55 pence for each ordinary share in the capital of the Company.
3. To approve the Directors' Remuneration Policy in the form set out in the Directors' Remuneration Report in the Company's Annual Report and Accounts for the year ended 30th June 2016.
4. To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, in the form set out in the Company's Annual Report and Accounts for the year ended 30th June 2016.
5. THAT the articles of association ("Articles") of the Company be amended as follows:

(a) by deleting the present articles 100 to 102 of the Articles in their entirety and by adopting the following new articles 100 to 102 (with article 102 to be blank) namely:

"100. Annual re-election of Directors

At every annual general meeting, each of the Directors at that time shall retire from office and if willing may offer himself/herself for re-election subject to the provisions of article 101 of these Articles."

"101. Retiring Director to remain in office until successor appointed

Subject to these Articles (and in particular article 104), the Company at the meeting at which a Director retires may fill the vacated office and in default, the retiring Director shall, if willing to act and, provided the requisite approval is obtained pursuant to article 104, be re-appointed, unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the re-appointment of the Director is put to the meeting and lost."

"102. (this Article shall be blank)"

(b) by deleting the words "whether by rotation or otherwise" after the words, in the first paragraph of article 103 of the Articles, "103.1 No person other than a Director retiring" and before the words "shall be appointed".

6. Subject to the passing of Resolution 5, to re-elect Mr D.C. Marshall, who is subject to annual re-election, who retires and offers himself for re-election as a director.
7. Subject to the passing of Resolution 5, to re-elect Dr F.W.A. Lucas, who is subject to annual re-election, who retires and offers himself for re-election as a director.
8. Subject to the passing of Resolution 5, to re-elect Mr J. M. Robotham who is subject to annual re-election, who retires and offers himself for re-election.
9. Subject to the passing of Resolution 5, to re-elect Mr J. H. Maxwell who is subject to annual re-election, who retires and offers himself for re-election.
10. Subject to the passing of Resolution 5, to re-elect Mr L.H. Marshall who is subject to annual re-election, who retires and offers himself for re-election.

-
11. To elect Mr E. J. Beale as a director, who has been appointed as a director since the last Annual General Meeting.
 12. To appoint PKF Littlejohn LLP as Auditors of the Company and to authorise the directors to agree their remuneration.
 13. THAT the directors be generally and unconditionally authorised, pursuant to and in accordance with section 551 of the Companies Act 2006, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £189,626 (being 3,792,521 shares), provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2017, save that the Company shall be entitled to make offers or agreements before the expiry of this authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offers or agreements as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot shares and grant Rights be and are hereby revoked.
 14. THAT,
 - (a) subject to the passing of Resolution 13 set out above, the directors be empowered, pursuant to section 570 and section 573 of the Companies Act 2006, to allot equity securities, within the meaning of section 560 of that Act, for cash pursuant to the authority conferred by Resolution 13, as if section 561(1) of that Act did not apply to any such allotment, provided that this power shall be limited to:
 - (i) the allotment of shares in the Company in connection with or pursuant to an offer by way of rights, bonus issues or 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
 - (ii) the allotment to any person or persons (otherwise than in connection with a rights issue) of equity securities up to an aggregate nominal amount of £78,000 (being 1,560,000 shares), representing approximately 5% of the issued ordinary share capital of the Company;
 - (b) the power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 13 set out above, save that the directors shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred hereby had not expired; and
 - (c) words and expressions defined in or for the purposes of Part 17 of the Companies Act 2006 shall bear the same meaning herein.

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

15. THAT in place of the Company's existing Investment Policy the revised Investment Policy set out below be approved and adopted by the Company:

The Company's investment policy is to invest in a range of "strategic" investments, a "general portfolio" consisting of 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 world's largest quoted companies.

The intention is for between 30% and 70% of the overall investment portfolio with a maximum limit of 80% to be in "strategic" and "other" investments immediately following such investment, with the balance of the portfolio, to be in the "general portfolio". "Other investments" will be limited to 50 per cent of the overall value of the investment portfolio, measured immediately following such investment. No one "strategic investment" or "other investment" will represent more than 30% and 50% respectively of the value of all investments immediately following the making of 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% of the total value of investments.

6 Middle Street
London EC1A 7JA

By Order of the Board
City Group P.L.C.
Company Secretary

28th October 2016

Notes

1. A form of proxy is enclosed.
2. A proxy need not be a member of the Company.
3. To be valid the form of proxy should be completed and returned so as to reach the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, U.K., for those shareholders on the U.K. branch of the register, or Computershare Investor Services (Pty.) Limited, P.O. Box 61051, Marshalltown 2107, for those shareholders on the South African branch of the register, not later than 11.00 am on 28th November 2016. Completion of a form of proxy does not preclude a member from subsequently attending and voting in person.
4. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person").
5. Any member or his/her proxy attending the Meeting has the right to ask any question at the Meeting relating to the business of the Meeting.
6. Only shareholders registered in the register of members of the Company as at 6.00 pm on 28th November 2016 shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered in the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 48 hours before the time of any adjourned Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
7. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
8. Copies of directors' letters of appointment are available for inspection at the registered office of the Company, 6 Middle Street, London, EC1A 7JA during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Meeting and will be available for inspection at the place of the Meeting for at least 15 minutes prior to and during the Meeting.
9. As at 28th October 2016 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 31,207,479 ordinary shares, carrying one vote each. The total voting rights in the Company as at 28th October 2016 are 31,207,479.
10. The information required to be published by section 311(A) of the Companies Act 2006 (information about the contents of this Notice and numbers of shares in the Company and voting rights exercisable at the Meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this Notice) may be found at www.city-group.com/london-finance-investment-group-plc
11. Members satisfying the thresholds in section 527 of the 2006 Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the AGM; or (b) any circumstances connected with an Auditor of the Company ceasing to hold office since the last AGM, which the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's Auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required to publish on its website pursuant to this right.
12. A Nominated Person may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. A Nominated Person is advised to contact the shareholder who nominated him/her for further information on this and the procedure for appointing any such proxy.

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

13. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such Nominated Person is advised to contact the shareholders who nominated him/her for further information on this.

14. Note: For shareholders registered on the South African branch of the register:

A form of proxy is attached for the convenience of any certificated or dematerialised Lonfin shareholders with own-name registrations who cannot attend the Annual General Meeting, but who wish to be represented thereat. To be valid completed forms of proxy must be received by the transfer secretaries of the Company, Computershare Proprietary Limited, PO Box 61051, Marshalltown, 2107 by no later than 11:00 am on 28th November 2016.

All beneficial owners of Lonfin shares who have dematerialised their shares through a CSDP or broker, other than those with own-name registration, and all beneficial owners of shares who hold certificated shares through a nominee, must provide their CSDP, broker or nominee with their voting instructions, in accordance with the agreement between the beneficial owner and the CSDP, broker or nominee as the case may be. Should such beneficial owners wish to attend the meeting in person they must request their CSDP, broker or nominee to issue them with the appropriate letter of authority. If shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration and who are entitled to attend and vote at the Annual General Meeting do not deliver proxy forms to the transfer secretaries timeously, such shareholders will nevertheless at any time prior to the commencement of the voting on the resolutions at the Annual General Meeting be entitled to lodge the form of proxy in respect of the Annual General, in accordance with the instructions therein with the Chairman of the Annual General Meeting.

Change of Address

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

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

Form of Proxy

I / We,

.....

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

.....

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 30th November 2016 at 11.00 am and at any adjournment thereof.

I / We hereby authorise and instruct my/our proxy to vote (or abstain from voting) 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	Withheld
1. To receive the financial statements for the year ended 30 th June 2016, together with the reports of the directors and auditors thereon.			
2. To declare a final dividend for the year ended 30 th June 2016.			
3. To approve the Directors' Remuneration Policy contained in the Directors' Remuneration Report.			
4. To approve the Directors' Remuneration Report (excluding the Director's Remuneration Policy).			
Special Resolution			
5. To approve new Articles in relation to the re-election of directors.			
6. To re-elect Mr D.C. Marshall as a director.			
7. To re-elect Dr F.W.A. Lucas as a director.			
8. To re-elect Mr J. M. Robotham as a director.			
9. To re-elect Mr J. H. Maxwell as a director.			
10. To re-elect Mr L.H. Marshall as a director.			
11. To elect Mr. E. J. Beale as a director.			
12. To appoint PKF Littlejohn LLP as Auditors of the Company and to authorise the directors to agree their remuneration.			
13. To authorise the directors to allot shares under Section 551 of the Companies Act 2006.			
Special Resolution			
14. To disapply pre-emption rights.			
15. To approve the Company's new Investment Policy.			

Dated 2016

Signature

Notes

1. A proxy need not be a member of the Company. You may appoint as your proxy persons of your own choice by inserting their names in the space provided. If no name is inserted in the space provided, the Chairman will be deemed appointed as the proxy. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the space provided next to the proxy's name the number of shares in relation to which he or she is authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).
2. To appoint more than one proxy, you may photocopy this form. All forms must be signed and should be returned together in the same envelope.
3. Please indicate with a cross in the appropriate box how you wish your votes to be cast. If you do not make a specific direction, the proxy will vote (or abstain from voting) at his or her discretion. On any other business which properly comes before the Meeting (including any motion to amend any resolution or to adjourn the Meeting) the proxy will vote or abstain at his or her discretion.
4. The 'withheld' vote box on the Form of Proxy is provided to enable you to abstain on any particular resolution. However, it should be noted that a 'withheld' vote is not a vote in law and will not be counted in the calculation of the proportion of votes 'for' and 'against' a resolution but will be counted to establish if a quorum is present.
5. To be valid your signed and dated form of proxy, and power of attorney or other authority (if any), must be received at the offices of the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA UK, or the South African Registrars, Computershare Investor Services (Pty.) Limited, P.O. Box 61051, Marshalltown 2107, South Africa, not later than 11.00 am on 28th November 2016. (see Note 14 to the Notice above).
6. Completion and return of this form of proxy will not prevent a member from attending and voting at the Meeting.
7. In the case of a corporate shareholder, this form of proxy should either be executed by the company under seal or under the hand of two authorised signatories or a director in the presence of a witness (whose name, address and occupation should be stated).
8. In the case of joint holders, the vote of the first-named in the register of members of the Company will be accepted to the exclusion of that of other joint holders.

