



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



**Annual Report and Accounts**

30th June 2018

**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 Western Selection P.L.C. ("Western"). Western's share capital is admitted to trading on the NEX Exchange 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](http://www.londonstockexchange.com)) and in the business section of some of the major South African newspapers.

---

**CITY GROUP PLC**  
("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.

---

## Contents

|   | Page     |
|---|----------|
| Directors   | 1        |
| Corporate Contacts  | 2        |
| Summary of Net Assets   | 3        |
| Financial Calendar  | 3        |
| Strategic Report  | 4        |
| Composition of General Portfolio  | 12       |
| Statement of Directors' Responsibilities in Respect of the Financial Statements         | 13       |
| Independent auditor's report to the members of London Finance & Investment Group P.L.C. | 14       |
| Consolidated Statement of Total Comprehensive Income                                    | 20       |
| Consolidated Statement of Financial Position  | 21       |
| Company Statement of Financial Position   | 22       |
| Consolidated Statement of Cash Flows  | 23       |
| Company Statement of Cash Flows   | 24       |
| Consolidated Statement of Changes in Shareholders' Equity                               | 25       |
| Company Statement of Changes in Shareholders' Equity                                    | 26       |
| Notes to the Financial Statements   | 27       |
| Directors' Report   | 41       |
| Corporate Governance Statement  | 47       |
| Audit Committee Report  | 53       |
| Directors' Remuneration Report  | 57       |
| Summary of Results  | 64       |
| NOTICE OF ANNUAL GENERAL MEETING  | 65       |
| Proxy Form  | Enclosed |

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Directors**

### **D.C. MARSHALL, Chairman ♦**

David Marshall joined the Board in 1971. He is the chairman of London Finance & Investment Group P.L.C. David is also chairman of Western and chief executive of Marshall Monteagle PLC. He is also 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 is a Chartered Accountant and is the Financial Director of Marshall Monteagle PLC. He was a member of the Accounting Council of the Financial Reporting Council for 6 years until August 2013. He is currently a member, and previously was chairman, of the Corporate Governance Expert Group of the Quoted Companies Alliance. He is a non-executive director of Western, Swallowfield PLC, Heartstone Inns Limited, Industrial & Commercial Holdings PLC and Tudor Rose International Limited. He joined the Board in 2017.

### **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. John is Chairman of the Remuneration and Nomination Committees.

### **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. Frank is the Chairman of the Audit Committee.

### **W.H. MARSHALL, Non-Executive**

Warwick Marshall joined the Board in January this year. After training as an accountant in London and subsequently completing his National Service in South Africa, he established the trading division of the Monteagle Group in 1996 initially trading in retailer branded fast moving consumer goods, and then later diversifying into metals, minerals and logistics. This profitable division of the Monteagle Group now turns over in excess of US\$350 million annually. He has extensive investment experience in his private capacity.

\* Member of the Audit Committee

□ Member of the Nomination Committee

♦ Member of the Investment Committee

• Member of the Remuneration Committee

---

## Corporate Contacts

|                                  | United Kingdom   | Republic of South Africa  |
|----------------------------------|--|---|
| <b>Company Secretary</b>         | <b>City Group PLC</b>  |   |
| <b>Registered Office</b>         | 6 Middle Street, London<br>EC1A 7JA<br>Tel: + 44 (0) 20 7796 9060  | 11 Sunbury Park<br>La Lucia Ridge Office Estate<br>La Lucia 4051<br>Durban<br>Tel: +27 (0)31 566 7600   |
| <b>Company Registered Number</b> | <b>201151</b>  |   |
| <b>Website</b>                   | <a href="http://www.city-group.com/london-finance-investment-group-plc">www.city-group.com/london-finance-investment-group-plc</a>     |   |
| <b>Registrars</b>                | <b>Neville Registrars Limited</b><br>Neville House<br>Steelpark Road<br>Halesowen<br>West Midlands B62 8HD<br>Tel: +44 (0)121 585 1131 | <b>Computershare Investor Services (Pty.) Limited</b><br>70 Marshall Street<br>Johannesburg, 2001<br>(P.O. Box 61051, Marshalltown 2107)<br>Tel: +27 11 370 5000                        |
| <b>Sponsor</b>                   |  | <i>JSE Limited Sponsor:</i><br><b>Sasfin Capital</b><br><i>(a member of the Sasfin Group)</i><br>29 Scott Street, Waverley 2090<br>Johannesburg, South Africa<br>Tel: +27 (11) 809 7500 |
| <b>Independent Auditor</b>       | <b>PKF Littlejohn LLP</b><br>Statutory Auditor<br>1 Westferry Circus<br>Canary Wharf<br>London E14 4HD                                 |   |

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

## Summary of Net Assets

At 30<sup>th</sup> June

|  | 2018<br>£000  | 2017<br>£000  |
|--|---------------|---------------|
| <b>Strategic Investments</b> at fair value:            |               |               |
| Western Selection PLC                                  | 3,930         | 3,773         |
| Finsbury Food Group PLC                                | 6,720         | 6,900         |
|  | <u>10,650</u> | <u>10,673</u> |
| <b>General Equity Portfolio</b> at fair value          | 10,676        | 10,766        |
| Tangible non-current assets                            | 13            | 14            |
| Cash, bank balances and deposits                       | 304           | 222           |
| Other net liabilities                                  | (420)         | (266)         |
| Deferred taxation                                      | (722)         | (829)         |
| Non-Controlling interests                              | (105)         | (97)          |
|  | <u>20,396</u> | <u>20,483</u> |
| <b>Net assets, including investments at fair value</b> |               |               |
|  | <u>20,396</u> | <u>20,483</u> |
| <b>Net assets per share</b>                            | 65.4          | 65.6          |
| <b>Dividends*</b>                                      |               |               |
| Interim  | 0.55p         | 0.55p         |
| Proposed Final   | 0.60p         | 0.55p         |
| <b>Mid-market price on 30<sup>th</sup> June</b>        | 45.5p         | 44.5p         |

\*Information on Dividends is set out on pages 8 and 9

## Financial Calendar

|   |  |
|---|--|
| Announcement of Preliminary Results for the year ended 30 <sup>th</sup> June 2018 | 28 <sup>th</sup> September 2018  |
| Annual General Meeting  | 4 <sup>th</sup> December 2018  |
| Final Dividend for 2018   | Payable on 18 <sup>th</sup> December 2018 to shareholders on the register of members at 23 <sup>rd</sup> November 2018 |
| Half year results to 31 <sup>st</sup> December 2018                               | to be announced in February 2019   |
| Interim Dividend for 2018   | to be announced in February 2019   |

---

## Strategic Report

### Strategy, Business Model and Investment Policy

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 Group's investment policy is to invest in a range of 'Strategic', 'General Portfolio' and from time to time 'Other Investments'. General Portfolio Investments comprise liquid stock market investments, both in equity instruments and bonds, and, at the Board's discretion, 'Other Investments' are typically property and other physical assets. Strategic Investments are significant investments in smaller UK quoted companies, these are balanced by the 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.

Further information on the Group's Investment Policy can be found in the Directors' Report on page 41.

The Group's net assets per share for 2018 have remained broadly unchanged over the previous year at 65.4p and net assets per share have increased 107% over the last five years. Shareholders' dividends for 2018 have increased by 4.5% over the previous year and by 37.5% over the last five years. Information on the Group's performance against the Board's key performance indicators (KPIs) is set out on page 10 of this report.

### Results

- \* Net assets have remained broadly unchanged at 65.4p per share (2017 – 65.6p per share)
- \* Strategic Investments have decreased in value slightly, over the year, from £10,673,000 to £10,650,000 due to the fluctuation in share price of Finsbury Food Group Plc.
- \* Strategic investments are yielding 3.4% (2017 – 3.1%)
- \* The General Portfolio has decreased, adjusting for investment purchases and sales, over the year, by 0.8% from £10,766,000 to £10,676,000
- \* Fair value movement is £140,000
- \* No significant increase in Group operating costs
- \* A final dividend of 0.60p per share is recommended, making a total of 1.15p per share for the year (2017 – 1.1p)

The Company and its subsidiaries ("Group") achieved an operating profit for the year, before interest, tax and changes to the fair value adjustments of investments of £306,000, compared to an operating profit for the previous year, before tax and changes to the fair value adjustments of investments, of £275,000. The significant increases in fair value of investments that occurred last year have not been repeated this year and, as a result, the Total Comprehensive Income for the year, comprising profit after tax and the other comprehensive income (the fair value adjustments, net of tax, of Strategic Investments) was £256,000 compared to £1,658,000 for the previous year. Basic earnings per share are 0.6p (2017- 3.5p) and headline earnings per share are 0.8p (2017 – 1.0p).

### Strategic Investments

Strategic Investments have reduced in value by £23,000 due to the market movements in the share prices.

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

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

On 26<sup>th</sup> September 2018, Western announced unaudited preliminary results showing a profit after tax of £784,000 for the year to 30<sup>th</sup> June 2018 (2017 – profit after tax, of £850,000). Earnings per share were 4.4p (2017- 4.7p).

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

Western paid an interim dividend of 1.1p in March this year and proposes a final dividend of 1.15p making 2.25p for the year (2017 – 2.2p). Western's net assets at market value at 30<sup>th</sup> June 2018 were £17,342,000 equivalent to 96p per share, an increase of 1% from 95p last year.

Our share of the net assets of Western, including the value of Western's investments at market value, was £7,595,000 (2017 - £7,500,000). The fair value for Western recorded in the Statement of Financial Position is the market value of £3,930,000 (2017 - £3,773,000). This represents 19% (2017 – 18%) 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 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.

Western is a strategic investment which is technically a subsidiary of the Company that has not been consolidated due to the application of the investment entity exemption under IFRS 10.

David Marshall is the Chairman of Western and Edward Beale is non-executive director.

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 on 26<sup>th</sup> September 2018 relating to its main Core Holdings is set out below:

## **Core Holdings**

### **Northbridge Industrial Services plc ("Northbridge")**

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

Northbridge, which is admitted to trading on AIM, announced its results for the year ended 31<sup>st</sup> December 2017 on 12<sup>th</sup> April 2018 and recorded a loss after tax of £4,626,000 for the year.

No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year.

During the year, Western invested £95,485 in acquiring 76,368 new ordinary shares in Northbridge pursuant to a share placing. Western now holds 3,300,000 Northbridge shares which represents 11.8% of Northbridge's enlarged issued share capital. The value of this investment at 30<sup>th</sup> June 2018 was £4,290,000 (2017 - £3,320,000) which represents approximately 25% (2017 - 19%) of Western's net assets.

David 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](http://www.swallowfield.com)

Swallowfield, which is admitted to trading on AIM, announced its results for the 53 weeks ended 30<sup>th</sup> June 2018 on 25<sup>th</sup> September 2018 and recorded a profit after tax of £3,633,000 compared to a profit after tax of £2,572,000 for the comparable period last year. Dividends of £78,500 were received from Swallowfield during the year (2017 – £66,900). A final dividend of 4.2 p per share has been declared and, if approved, Western will receive a further £54,600 of income in December 2018.

In March this year, Western sold 200,000 Swallowfield shares, realising a profit of £443,379. At the reporting date, being 30<sup>th</sup> June 2018, Western held 1,300,000 Swallowfield shares which represented 7.7% of Swallowfield’s issued share capital. The market value of our reduced holding in Swallowfield on 30<sup>th</sup> June 2018 had decreased to £4,095,000 from the value of our holding at 30<sup>th</sup> June 2017 of £5,700,000. The value of this investment represents approximately 23.6% (2017 - 33%) of Western’s net assets.

Edward 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](http://www.bilbyplc.com).

Bilby, which is admitted to trading on AIM, announced its results for the year ended 31<sup>st</sup> March 2018 on 16<sup>th</sup> July 2018 showing a profit after tax of £3,450,000 compared to a loss after tax of £180,000 for the previous year ended 31<sup>st</sup> March 2017. Dividends of £54,000 were received from Bilby during the year (2017 - £53,000). Bilby announced a final dividend of 2.0p per share which was paid in July 2018 and which provided Western with further income of £54,000.

Western holds 2,700,000 Bilby shares which represents approximately 6.7% of Bilby’s issued share capital. The market value of this investment on 30<sup>th</sup> June 2018 was £2,835,000 which represents approximately 16% (2017 – 11%) of Western’s net assets.

### **Tudor Rose International Limited (“Tudor Rose International”)**

Tudor Rose International works closely with a number of leading UK branded fast-moving consumer goods companies, offering a complete sale, 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 441,090 A ordinary shares in Tudor Rose International which represents 49.5% of the company’s issued share capital. Western also holds £1,000,000 of redeemable preference shares in Tudor Rose International at a par value of 1p per share. Western has made available to Tudor Rose International a working capital facility of £750,000, bearing interest at the rate of base + 5% per annum, which has been fully draw down at the year end.

Tudor Rose International, which is a private company, has a 31<sup>st</sup> December year end and, in the year to 30<sup>th</sup> June 2018, generated an unaudited trading profit before tax of £130,140. Turnover in the period was £19,032,000 (2017 - £17,145,000). Western’s share of a profit after tax for the twelve months to 30<sup>th</sup> June 2018 was £41,000 (2017 – profit £49,550) and the book value of the investment at 30<sup>th</sup> June 2018 was £1,633,000 (2017 - £1,647,000) being 9.4 % (2017 –10%) of Western’s net

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

assets. Including the loans to Tudor Rose International and its directors of £942,000, the total book value of the investment comes to £2,575,000 which is 15% of Western's net assets.

Western has two nominees on the board of Tudor Rose International: Edward Beale and David 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, which is admitted to trading on AIM, is available on its website: [www.finsburyfoods.co.uk](http://www.finsburyfoods.co.uk)

At 30<sup>th</sup> June 2018, Lonfin held 6,000,000 Finsbury shares, representing 4.6% of Finsbury's issued share capital. The market value of the holding was £6,720,000 as at 30<sup>th</sup> June 2018 (cost - £1,724,000) and represents approximately 33% (2017 - 34%) of Lonfin's net assets.

On 17<sup>th</sup> September 2018, Finsbury announced audited adjusted profits on continuing operations after tax and minority interests of £13,508,000 for the 52 weeks ended 30<sup>th</sup> June 2018 (2017 - adjusted profits £12,958,000).

Finsbury paid an interim dividend of 1.1p in April 2018 and has recommended to its shareholders a final dividend of 2.2p per share, making 3.3p for the year (2017 - 3p). The final dividend, if approved, will be paid in December 2018 and will provide the Company with further income of £132,000.

Edward Beale was a non-executive director of Finsbury up until 23<sup>rd</sup> November 2017.

## **General Portfolio**

The investments comprising the General Portfolio at 30<sup>th</sup> June 2018 are listed on page 12.

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 30<sup>th</sup> June 2018, the number of holdings in the General Portfolio was 30 (2017 - 30). We have increased the amount invested in the General Portfolio over the year by £1,000 (2017 - increased by £2,767,000).

The opening value of our General Portfolio investments at 30<sup>th</sup> June 2017 was £10,766,000 which compared with a cost of such investments at the same date of £6,053,000. After investment purchases

during the year of £699,000 and investment sales (including selling expenses) during the same period of £698,000, the value of the General Portfolio investments as at 30<sup>th</sup> June 2018 had decreased by 0.8% to £10,676,492. Further details of our General Portfolio investments are set out on page 12.

## **Board Changes**

Following Michael Robotham's retirement on 6<sup>th</sup> December 2017, after a long period of service to the Company as a non-executive director, it is with regret that the Board reports to shareholders that Michael passed away peacefully on 16<sup>th</sup> April 2018. Along with his family and friends, he will be greatly missed by members of the Board who he, as a fellow director, supported and provided good counsel to the Company for many years.

---

Following Michael Robotham's retirement, the Board looked to strengthen the Board and on 31<sup>st</sup> January 2018, the Company announced the appointment of Warwick Marshall. Warwick is the son of David Marshall, the Chairman. In 1996, Warwick established the trading division of the Monteagle Group initially trading in retailer branded fast moving consumer goods, and then later diversifying into metals, minerals and logistics. This profitable division of the Monteagle Group now turns over in excess of US\$350 million annually. He also has extensive investment experience in his private capacity.

Whilst the Board is satisfied that it now has a sufficient spread of skills, experience and support within the Board to operate the Company and to develop the Company's investment business, the Board will be seeking to identify further suitable Board candidates who can add value.

## Operations, Directors and Employees

All of our operations and those of Western, with the exception of investment selection, are outsourced to our subsidiary, City Group PLC ("City Group"). City Group also provides office accommodation, company secretarial and head office finance services to a number of other companies. City Group is responsible 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.

## Dividend

The Board recommends a final dividend of 0.60p per share, making a total of 1.15p per ordinary share for the year (2017 – 1.1p). Subject to shareholders' approval at the Company's AGM to be held on 4<sup>th</sup> December 2018, the dividend will be paid on Tuesday, 18<sup>th</sup> December 2018 to those shareholders on the register at the close of business on Friday, 23<sup>rd</sup> November 2018. Shareholders on the South African register will receive their dividend in South African rand converted from sterling at the closing rate of exchange on Thursday, 20<sup>th</sup> September 2018 being GBP1= ZAR 18.73341.

### JSE Disclosure Requirements

In respect of the normal gross cash dividend, and in terms of the South African Tax Act, the following dividend tax ruling only applies to those shareholders who are registered on the South African register on Friday, 23<sup>rd</sup> November 2018.

- The number of shares in issue as at the dividend declaration date is 31,207,479;
- The dividend has been declared from income reserves, funds are sourced from the Company's main bank account in London and is regarded as a foreign dividend by South African shareholders; and
- The Company's UK Income Tax reference number is 948/L32120.

### Dividend dates:

|                               |   |
|-------------------------------|---|
| Last date to trade (SA)       | Tuesday, 20 <sup>th</sup> November 2018   |
| Shares trade ex-dividend (SA) | Wednesday, 21 <sup>st</sup> November 2018 |
| Shares trade ex-dividend (UK) | Thursday, 22 <sup>nd</sup> November 2018  |
| Record date (UK and SA)       | Friday, 23 <sup>rd</sup> November 2018    |
| Pay date                      | Tuesday, 18 <sup>th</sup> December 2018   |

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

Shareholders registered on the South African register are advised that a dividend withholding tax will be withheld from the gross final dividend amount of 11.24005 SA cents per share at a rate of 20% unless a shareholder qualifies for an exemption; shareholders registered on the South African register who do not qualify for an exemption will therefore receive a net dividend of 8.99204 SA cents per share. The dividend withholding tax and the information contained in this paragraph is only of direct application to shareholders registered on the South African register, who should direct any questions about the

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

application of the dividend withholding tax to Computershare Investor Services (Pty) Limited, Tel: +27 11 370 5000.

Share certificates may not be de-materialised or re-materialised between Wednesday, 21<sup>st</sup> November 2018 and Friday, 23<sup>rd</sup> November 2018, both days inclusive. Shares may not be transferred between the registers in London and South Africa during this period either.

## **Financial Instruments, Principal Risks and Uncertainties**

The financial instruments of the Group, in addition to its investments, comprise cash to finance those investments. The Company also has a bank revolving credit facility which will run until 30<sup>th</sup> September 2022. The interest rate on any funds drawn down is 2.75% above the bank's base rate. The Group currently has borrowings of £325,000 under this facility. As an investment company, our principal risks and uncertainties which arise from the Group's financial instruments are:

### *Stock market volatility and economic uncertainty*

The Group'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 Group'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. This risk is increased by the Brexit process.

### *Possible volatility of share prices of Strategic Investments and General Portfolio investments*

A number of factors outside the control of the Group 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.

### *Brexit*

The UK is experiencing unprecedented political and economic uncertainty as well as indications of slowing economic growth as a result of the UK's decision to leave the EU and the protracted Brexit negotiation process. Until the nature of the UK's future relationship with the EU becomes clear and depending on the terms of that relationship the ability of UK businesses to plan for the future will be affected.

Whilst the Board will continue to pursue its business objective for the benefit of its shareholders and make investments in major companies based in Europe and the USA, as a London listed investment company, the Company may in time, in the light of Brexit, experience adverse movement on its share price, its net assets and total shareholder returns.

### *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 believe 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 21 on page 37 sets out the policies of the Board, which have remained substantially unchanged for the year under review, for managing risks associated with its financial instruments.

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

## Key Performance Indicators

Key Performance Indicators ('KPIs') are the yardsticks against which the Board measures the performance of the Group. Our objectives are real growth over the long term in dividends and net assets per share. Our performance on these KPIs are shown below. As an investment company, we have no relevant non-financial KPIs. In addition, the Board also compares the Company's total shareholder return (TSR) with the TSR of the FTSE Eurofirst 100 index. A graph setting out that performance is set out on page 59.

|   | 2018  | 2017  | 2016  | 2015  | 2014  |
|---|-------|-------|-------|-------|-------|
| Net assets per share                        | 65.4p | 65.6p | 61.4p | 50.1p | 44.7p |
| Change in net assets per share over 5 years | 46%   | 108%  | 75%   | 85%   | 192%  |
| Dividends (net) per share                   | 1.15p | 1.1p  | 1.05p | 1.0p  | 0.9p  |

### *Definition of KPIs used above*

Net assets per share - Net assets including investments at market value at the 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 equity funding. However, the Board believes that a reasonable level of gearing can enhance returns to shareholders. Accordingly, the Group has secured a bank credit revolving facility with Coutts & Co which was extended in 2017 to 30<sup>th</sup> September 2022. At 30<sup>th</sup> June 2018, the Group had undrawn bank facilities of £1,575,000.

The Board currently has no plans to implement a share buy-back policy.

Although the Board has no intention of issuing further shares in the Company at this time, to provide Directors with flexibility over the management of the Company's capital, Shareholders are being asked to approve resolutions at the forthcoming AGM which would permit the Company to issue new ordinary shares, details of which are explained in the Directors' Report on page 45. Similar resolutions were approved by Shareholders at the Company's AGM last year.

## Outlook

Political and economic uncertainty around the world continues and in particular in the UK given the ongoing negotiations with the EU over the terms for Brexit. There are clearly greater challenges ahead but your Board believes the Company's mix of Strategic Investments and the Company's General Portfolio of international investments will give us opportunity to outperform the broader market in the medium to long term.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Future Developments**

The future development of the Group is dependent on the success of the Group's Investment Strategy in the light of economic and equity market developments and the continued support of its Shareholders. A resolution will be put to Shareholders at the forthcoming AGM to amend the Company's Investment Policy so that up to 40 investments may be held in the Company's General Portfolio at any time. Aside from this change, the Board will maintain the current Investment Policy for the foreseeable future and has no plans to make any further changes to the policy.

1<sup>st</sup> October 2018

By Order of the Board

**City Group PLC**  
Company Secretary

## Composition of General Portfolio

At 30<sup>th</sup> June 2018

|                                  | £000          | %            |
|----------------------------------|---------------|--------------|
| LVMH Moet Hennessey              | 504           | 4.7          |
| Diageo                           | 463           | 4.3          |
| Schindler-Holdings AG            | 457           | 4.3          |
| Investor AB                      | 429           | 4.0          |
| Pernod Ricard                    | 427           | 4.0          |
| Unilever                         | 423           | 4.0          |
| Heineken Holding                 | 411           | 3.8          |
| Henkel                           | 400           | 3.7          |
| Antofagasta                      | 396           | 3.7          |
| L'Oreal                          | 395           | 3.7          |
| HSBC Holdings                    | 391           | 3.7          |
| Royal Dutch Shell                | 387           | 3.6          |
| Brown-Forman                     | 380           | 3.6          |
| British American Tobacco         | 375           | 3.5          |
| Chevron Corp                     | 373           | 3.5          |
| Givaudan                         | 361           | 3.4          |
| Nestle                           | 346           | 3.2          |
| Danone                           | 334           | 3.1          |
| 3M Co                            | 328           | 3.1          |
| United Technologies Corp         | 322           | 3.0          |
| Exxon Mobil Corp                 | 313           | 2.9          |
| Phillip Morris International Inc | 311           | 2.9          |
| Reckitt Benckiser Group          | 306           | 2.9          |
| BASF                             | 304           | 2.8          |
| Anheuser Busch Inbev             | 285           | 2.7          |
| Kimberley Clark Corp             | 271           | 2.5          |
| Procter & Gamble Co              | 266           | 2.5          |
| Becton Dickinson & Co            | 254           | 2.4          |
| Imperial Brands                  | 251           | 2.4          |
| Compagnie Financiere Richemont   | 213           | 2.1          |
|                                  | <b>10,676</b> | <b>100.0</b> |
| <b>Analysis by currency</b>      | <b>£000</b>   | <b>%</b>     |
| Euro                             | 3,060         | 29           |
| Sterling                         | 2,991         | 28           |
| US Dollar                        | 2,820         | 26           |
| Swiss Franc                      | 1,376         | 13           |
| Swedish Kronas                   | 429           | 4            |
|                                  | <b>10,676</b> | <b>100.0</b> |

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Statement of Directors' Responsibilities in Respect of the Financial Statements**

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

Company law requires 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 Group and the Parent Company and of the profit or loss of the Group and Parent 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 Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent 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 and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Company does not have a website but information about the Company is available on its subsidiary, City Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

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 Parent Company.
- 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 Parent Company, together with a description of the principal risks and uncertainties that they face, and
- The Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's performance, business model and strategy.

1<sup>st</sup> October 2018

By Order of the Board

**City Group PLC**  
Company Secretary



---

## **Independent auditor's report to the members of London Finance & Investment Group P.L.C.**

### **Opinion**

We have audited the financial statements of London Finance & Investment Group P.L.C. (the 'parent company') and its subsidiaries (the 'group') for the year ended 30<sup>th</sup> June 2018 which comprise the consolidated statement of total comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows the consolidated and company statements of changes in shareholders equity and the notes to the financial statements, including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30<sup>th</sup> June 2018 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and,
- 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to principal risks, going concern and viability statement**

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, either individually or in aggregate, could reasonably be expected to influence the economic decisions of users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements. The application of these key considerations gives rise to two levels of materiality, the quantum and purpose of which are tabulated below.

| Materiality measure   | Purpose  | Key considerations and benchmarks   | Amount<br>£ |
|---|--|---|-------------|
| Financial statement materiality – Based on 1 per cent. of invested assets (the aggregate of fixed and current investments)  | Assessing whether the financial statements as a whole present a true and fair view   | <ul style="list-style-type: none"><li>• The value of investments</li><li>• The level of judgement inherent in the valuation</li><li>• The range of reasonable alternative valuation</li></ul> | 200,000     |
| Specific materiality – classes of transactions and balances other than those at fair value – Based on 10% of estimated normalised EBITDA excluding fair value movements | Assessing those classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements | The level of normalised earnings  | 60,000      |

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £10,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

---

### **An overview of the scope of our audit**

Our audit approach was developed by obtaining an understanding of the Group's activities, the key functions undertaken on behalf of the Board by specialist outsourced service providers and the overall control environment. Based on this understanding we assessed those aspects of the Group and Subsidiary Companies transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| <b>Area</b>                                 | <b>Reason</b>  | <b>Audit response</b>   |
|---|--|---|
| Non-current investments valuation (note 12) | The valuation of non-current investments, which are held at fair value, was considered a key audit matter as investments are the single most significant component of the financial statements and the fair value movements thereon could have a pervasive impact on the financial statements. Furthermore, although the relevant investments are in companies whose shares are traded on recognised stock exchanges, the nature of those exchanges and volume of trades in those shares may be such that there is insufficient liquidity for bid price to be a suitably reliable measure of fair value. | <p>We performed initial analytical procedures to determine the extent of our work considering, inter alia, the composition of the investment portfolio, the sectors invested in and, based on publicly available data, the expected movements on the portfolio. We also had regard to the size of investment stake held, the impact of liquidity constraints and any unusual movement in observable share prices around the year end.</p> <p>As non-current investments are comprised of two investments we applied our audit procedures to both investments. Specifically, we:</p> <ul style="list-style-type: none"><li>• confirmed that bid price had been used;</li><li>• confirmed there were no contra-indicators, such as liquidity considerations, to suggest bid price was not the most appropriate indication of fair value; and</li><li>• re-performed the calculation of the investment valuations and benchmarked key inputs and estimates to independent information and our own research.</li></ul> <p>Based on the procedures we performed, we found that the valuation of the non-current investments was supported by the evidence we obtained.</p> |

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

| Area   | Reason   | Audit response  |
|--|--|---|
| Revenue recognition - investment income (note 1) | <p>Investment income arises from dividend income from the group's investment portfolio. Such income is not predictable and its generation is outside of the control of the group. For this reason we considered there was a risk investment income could be incomplete.</p> <p>Revenue recognition is a significant audit risk as it is one of the key drivers of dividend returns to investors.</p> | <p>We assessed the design and the implementation of the controls relating to revenue recognition and we developed expectations for investment income receivable based on investment holdings and publicly available information.</p> <p>In respect of dividends receivable, we compared actual income to expectations set based on independent published data on dividends declared by the portfolio companies held.</p> <p>We also agreed a sample of income receipts from bank statement to the nominal ledger and vice versa.</p> <p>Our testing did not identify any evidence of material misstatement.</p> |

The Audit Committee's consideration of their key issues is set out in the Audit Committee Report.

## Other information

The other information comprises the information included in the annual report namely, the Strategic Report, the Directors' Report, the Audit Committee Report, the Corporate Governance Statement and the Directors' Remuneration Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **'Fair, balanced and understandable'** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

---

### **Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Guidance and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors' Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Other matters which we are required to address**

Following the recommendation of the Audit Committee, we were appointed by the Board on 30<sup>th</sup> November 2016 to audit the financial statements for the year ending 30<sup>th</sup> June 2017 and subsequent financial periods. We were reappointed by the members of the Company at the Annual General Meeting held on 5<sup>th</sup> December 2017. This is the second financial period we have audited and the current engagement partner has a further four years as senior statutory auditor of this Group before an audit rotation is required.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

## **Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Ian Cowan (Senior Statutory Auditor)**

For and on behalf of PKF Littlejohn LLP  
Statutory Auditor

1 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

1<sup>st</sup> October 2018

## Consolidated Statement of Total Comprehensive Income

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

| Operating Income   | Notes | 2018<br>£000 | 2017<br>£000 |
|--|-------|--------------|--------------|
| Dividends received   |       | 674          | 608          |
| Rental and other income  |       | 107          | 109          |
| Profits on sales of investments  |       | 26           | 3            |
| Management service fees  |       | 274          | 296          |
|  |       | <u>1,081</u> | <u>1,016</u> |
| Administrative expenses  | 4     |              |              |
| Investment operations  |       | (411)        | (352)        |
| Management services  |       | (364)        | (389)        |
| Total administrative expenses  |       | <u>(775)</u> | <u>(741)</u> |
| Operating profit   | 3     | 306          | 275          |
| Unrealised changes in the carrying value of General Portfolio investments              | 12    | (117)        | 989          |
| Interest payable   |       | (14)         | (33)         |
| Profit before taxation   |       | 175          | 1,231        |
| Tax Income/ (expense)  | 7     | 20           | (121)        |
| Profit after taxation  |       | 195          | 1,110        |
| Non-controlling interest   |       | (8)          | (7)          |
| Profit attributable to shareholders  |       | <u>187</u>   | <u>1,103</u> |
| <b>Other comprehensive income/(expense)</b>  |       |              |              |
| Unrealised changes in the carrying value of Strategic investments                      |       | (23)         | 477          |
| Profit on sale of investments  |       | -            | 217          |
| Other taxation -   |       |              |              |
| Deferred tax   |       | 42           | 99           |
| Corporation tax  | 7     | 50           | (238)        |
| Total Other Comprehensive Income   |       | <u>69</u>    | <u>555</u>   |
| Total Comprehensive Income attributable to owners of the parent                        | 8     | <u>256</u>   | <u>1,658</u> |
| <b>Reconciliation of headline earnings</b>   |       |              |              |
| Basic and diluted earnings per share   | 9     | 0.6p         | 3.5p         |
| Adjustment for the unrealised changes in the carrying value of investments, net of tax |       | 0.2p         | (2.5)p       |
| Headline earnings per share  | 9     | <u>0.8p</u>  | <u>1.0p</u>  |

The notes on pages 27 to 40 form part of these financial statements.

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

## Consolidated Statement of Financial Position

At 30<sup>th</sup> June

|   | Notes | 2018<br>£000  | 2017<br>£000  |
|---|-------|---------------|---------------|
| <b>Non-current Assets</b>                                     |       |               |               |
| Property, Plant and Equipment                                 | 10    | 13            | 14            |
| Investments   | 12    | 10,650        | 10,673        |
|   |       | <u>10,663</u> | <u>10,687</u> |
| <b>Current Assets</b>   |       |               |               |
| Listed investments  | 12    | 10,676        | 10,766        |
| Trade and other receivables                                   | 13    | 251           | 220           |
| Cash and cash equivalents                                     |       | 304           | 222           |
|   |       | <u>11,231</u> | <u>11,208</u> |
| <b>Current Liabilities</b>                                    |       |               |               |
| Trade and other payables                                      | 14    | (346)         | (250)         |
| Current tax liabilities                                       |       | -             | (236)         |
| Borrowings  | 15    | (325)         | -             |
|   |       | <u>(671)</u>  | <u>(486)</u>  |
| <b>Net Current Assets</b>                                     |       | <u>10,560</u> | <u>10,722</u> |
| <b>Deferred Taxation</b>                                      | 16    | (722)         | (829)         |
| <b>Total Assets less Total Liabilities</b>                    |       | <u>20,501</u> | <u>20,580</u> |
| <b>Capital and Reserves</b>                                   |       |               |               |
| Ordinary share capital  | 17    | 1,560         | 1,560         |
| Share premium account   |       | 2,320         | 2,320         |
| Unrealised profits and losses on investments                  |       | 8,056         | 8,265         |
| Share of retained realised profits and losses of subsidiaries |       | 4,207         | 3,794         |
| Company's retained realised profits and losses                |       | 4,253         | 4,544         |
| Capital and reserves attributable to owners                   |       | <u>20,396</u> | <u>20,483</u> |
| Non-controlling equity interests                              |       | 105           | 97            |
| <b>Total Capital and Reserves</b>                             |       | <u>20,501</u> | <u>20,580</u> |

Approved and authorised by the Board  
On 1<sup>st</sup> October 2018

**Edward Beale**  
Director

The notes on pages 27 to 40 form part of these financial statements.



## Company Statement of Financial Position

At 30<sup>th</sup> June

|  | Notes | 2018<br>£000  | 2017<br>£000  |
|--|-------|---------------|---------------|
| <b>Non-current Assets</b>                    |       |               |               |
| Investments in Group companies               | 11    | <u>902</u>    | <u>1,071</u>  |
| <b>Current Assets</b>                        |       |               |               |
| Listed investments                           | 12    | 10,676        | 10,766        |
| Trade and other receivables                  | 13    | 36            | 26            |
| Cash and cash equivalents                    |       | <u>99</u>     | <u>101</u>    |
|  |       | <u>10,811</u> | <u>10,893</u> |
| <b>Current Liabilities</b>                   |       |               |               |
| Trade and other payables                     | 14    | (126)         | (117)         |
| Borrowings                                   | 15    | <u>(325)</u>  | <u>-</u>      |
|  |       | <u>(451)</u>  | <u>(117)</u>  |
| <b>Net Current Assets</b>                    |       | <u>10,360</u> | <u>10,776</u> |
| <b>Deferred Taxation</b>                     | 16    | <u>(343)</u>  | <u>(408)</u>  |
| <b>Total Assets less Total Liabilities</b>   |       | <u>10,919</u> | <u>11,439</u> |
| <b>Capital and Reserves</b>                  |       |               |               |
| Ordinary share capital                       | 17    | 1,560         | 1,560         |
| Share premium account                        | 17    | 2,320         | 2,320         |
| Unrealised profits and losses on investments | 17    | <u>2,786</u>  | <u>3,015</u>  |
|  |       | <u>6,666</u>  | <u>6,895</u>  |
| <b>Realised Profit and Loss</b>              |       |               |               |
| Balance at 1 <sup>st</sup> July              |       | 4,544         | 4,928         |
| Net Profit/(Loss) for the period             |       | 52            | (41)          |
| Dividends paid                               |       | <u>(343)</u>  | <u>(343)</u>  |
| Balance at 30 <sup>th</sup> June             |       | <u>4,253</u>  | <u>4,544</u>  |
| <b>Equity shareholders' funds</b>            |       | <u>10,919</u> | <u>11,439</u> |

Approved and authorised by the Board  
On 1<sup>st</sup> October 2018

**Edward Beale**  
Director  
London Finance & Investment Group P.L.C.  
Registered in England and Wales – Number 201151

The notes on pages 27 to 40 form part of these financial statements.

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

## Consolidated Statement of Cash Flows

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

|   | Notes | 2018<br>£000 | 2017<br>£000 |
|---|-------|--------------|--------------|
| <b>Cash flows from operating activities</b>                   |       |              |              |
| Profit before tax   |       | 175          | 1,231        |
| Adjustments for non-cash -                                    |       |              |              |
| Finance expense   |       | 14           | 33           |
| Depreciation charges  |       | 9            | 8            |
| Unrealised changes in the fair value of investments           |       | 117          | (989)        |
| Realised gain on disposal of investments                      |       | (26)         | (3)          |
| Decrease/(Increase)in trade and other receivables             |       | (32)         | 52           |
| (Decrease)/Increase in trade and other payables               |       | 96           | (66)         |
| Taxes paid  | 7     | (230)        | (45)         |
| <b>Net cash inflow from operating activities</b>              |       | <b>123</b>   | <b>221</b>   |
| <b>Cash flows from investment activity</b>                    |       |              |              |
| Acquisition of property, plant and equipment                  |       | (8)          | -            |
| Acquisition of current investments                            |       | (699)        | (2,856)      |
| Disposal of current investment                                | 12    | 698          | 207          |
| Disposal of non-current investment                            |       | -            | 2,438        |
| <b>Net cash inflow/(outflow) from investment activity</b>     |       | <b>(9)</b>   | <b>(211)</b> |
| <b>Cash flows from financing</b>                              |       |              |              |
| Interest paid   |       | (14)         | (33)         |
| Equity dividends paid   |       | (343)        | (343)        |
| Net drawdown of loan facilities                               | 15    | 325          | -            |
| <b>Net cash outflow from financing</b>                        |       | <b>(32)</b>  | <b>(376)</b> |
| <b>(Decrease)/Increase in cash and cash equivalents</b>       | 19    | <b>82</b>    | <b>(366)</b> |
| <b>Cash and cash equivalents at the beginning of the year</b> |       | <b>222</b>   | <b>588</b>   |
| <b>Cash and cash equivalents at end of the year</b>           |       | <b>304</b>   | <b>222</b>   |

The notes on pages 27 to 40 form part of these financial statements.

## Company Statement of Cash Flows

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

|   | Notes | 2018<br>£000 | 2017<br>£000   |
|---|-------|--------------|----------------|
| <b>Cash flows from operating activities</b>                   |       |              |                |
| (Loss)/Profit before tax                                      |       | (197)        | 878            |
| Adjustments for non-cash and non-operating activities -       |       |              |                |
| Finance expense   |       | 14           | 33             |
| Unrealised changes in the fair value of investments           |       | 117          | (989)          |
| Realised gain on disposal of investments                      |       | (26)         | (3)            |
| (Increase)/Decrease in trade and other receivables            |       | (10)         | 1              |
| Increase in trade and other payables                          |       | 8            | 24             |
| Overseas Taxes paid   | 7     | (44)         | (45)           |
| <b>Net cash (outflow) from operating activities</b>           |       | <b>(138)</b> | <b>(101)</b>   |
| <b>Cash flows from investment activity</b>                    |       |              |                |
| Acquisition of investments                                    |       | (699)        | (2,856)        |
| Disposal of investments                                       |       | 698          | 207            |
| <b>Net cash inflow/(outflow) from investment activity</b>     |       | <b>(1)</b>   | <b>(2,649)</b> |
| <b>Cash flows from financing</b>                              |       |              |                |
| Interest paid   |       | (14)         | (33)           |
| Equity dividends paid   |       | (343)        | (343)          |
| Decrease in loan to subsidiary                                | 11    | 169          | 2,776          |
| Net drawdown/(repayment) of loan facilities                   | 15    | 325          | -              |
| <b>Net cash inflow from financing</b>                         |       | <b>137</b>   | <b>2,400</b>   |
| <b>(Decrease)/Increase in cash and cash equivalents</b>       |       | <b>(2)</b>   | <b>(350)</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b> |       | <b>101</b>   | <b>451</b>     |
| <b>Cash and cash equivalents at end of the year</b>           |       | <b>99</b>    | <b>101</b>     |

The notes on pages 27 to 40 form part of these financial statements.

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

## Consolidated Statement of Changes in Shareholders' Equity

|   | Ordinary<br>Share<br>Capital | Share<br>Premium<br>Account | Unrealised<br>Profits and<br>Losses on<br>Investments | Share of<br>Retained<br>profits and<br>losses<br>Results of<br>Subsidiaries | Retained<br>Realised<br>Profits &<br>Losses | Total  | Non-<br>Controlling<br>Interests | Total<br>Equity |
|---|------------------------------|-----------------------------|---|---|---|--------|----------------------------------|-----------------|
|   | £000                         | £000                        | £000  | £000  | £000  | £000   | £000                             | £000            |
| <b>Year ended 30<sup>th</sup> June 2017</b>                   |                              |                             |   |   |   |        |                                  |                 |
| Balances at 1 <sup>st</sup> July 2016                         | 1,560                        | 2,320                       | 8,539   | 1,821   | 4,928                                       | 19,168 | 90                               | 19,258          |
| Profit for the Year   | -                            | -                           | 913   | 231   | (41)  | 1,103  | 7                                | 1,110           |
| Other Comprehensive<br>Income/(Expense)                       | -                            | -                           | (1,187)   | 1,742   | -   | 555    | -                                | 555             |
| Total comprehensive income                                    | -                            | -                           | (274)   | 1,973   | (41)  | 1,658  | 7                                | 1,665           |
| Dividends paid and total<br>transactions with<br>shareholders | -                            | -                           | -   | -   | (343)                                       | (343)  | -                                | (343)           |
| Balances at 30 <sup>th</sup> June 2017                        | 1,560                        | 2,320                       | 8,265   | 3,794   | 4,544                                       | 20,483 | 97                               | 20,580          |
| <b>Year ended 30<sup>th</sup> June 2018</b>                   |                              |                             |   |   |   |        |                                  |                 |
| Balances at 1 <sup>st</sup> July 2017                         | 1,560                        | 2,320                       | 8,265   | 3,794   | 4,544                                       | 20,483 | 97                               | 20,580          |
| Profit/(loss) for the Year                                    | -                            | -                           | (228)   | 363   | 52  | 187    | 8                                | 195             |
| Other Comprehensive<br>Income/(Expense)                       | -                            | -                           | 19  | 50  | -   | 69     | -                                | 69              |
| Total comprehensive income                                    | -                            | -                           | (209)   | 413   | 52  | 256    | 8                                | 264             |
| Dividends paid and total<br>transactions with shareholders    | -                            | -                           | -   | -   | (343)                                       | (343)  | -                                | (343)           |
| Balances at 30 <sup>th</sup> June 2018                        | 1,560                        | 2,320                       | 8,056   | 4,207   | 4,253                                       | 20,396 | 105                              | 20,501          |

The notes on pages 27 to 40 form part of these financial statements.

## Company Statement of Changes in Shareholders' Equity

|   | Ordinary<br>Share<br>Capital | Share<br>Premium<br>Account | Unrealised<br>Profits and<br>Losses on<br>Investments | Realised<br>Profits &<br>Losses | Equity<br>Total |
|---|------------------------------|-----------------------------|---|---------------------------------|-----------------|
|   | £000                         | £000                        | £000  | £000                            | £000            |
| <b>Year ended 30<sup>th</sup> June 2017</b>               |                              |                             |   |                                 |                 |
| Balances at 1 <sup>st</sup> July 2016                     | 1,560                        | 2,320                       | 2,219   | 4,928                           | 11,027          |
| Profit/(loss) for the Year and total comprehensive income | -                            | -                           | 796   | (41)                            | 755             |
| Dividends paid and total transactions with shareholders   | -                            | -                           | -   | (343)                           | (343)           |
|   | <u>1,560</u>                 | <u>2,320</u>                | <u>3,015</u>  | <u>4,544</u>                    | <u>11,439</u>   |
| Balances at 30 <sup>th</sup> June 2017                    | 1,560                        | 2,320                       | 3,015   | 4,544                           | 11,439          |
| <b>Year ended 30<sup>th</sup> June 2018</b>               |                              |                             |   |                                 |                 |
| Balances at 1 <sup>st</sup> July 2017                     | 1,560                        | 2,320                       | 3,015   | 4,544                           | 11,439          |
| Profit/(loss) for the Year and total comprehensive income | -                            | -                           | (229)   | 52                              | (177)           |
| Dividends paid and total transactions with shareholders   | -                            | -                           | -   | (343)                           | (343)           |
|   | <u>1,560</u>                 | <u>2,320</u>                | <u>2,786</u>  | <u>4,253</u>                    | <u>10,919</u>   |
| Balances at 30 <sup>th</sup> June 2018                    | 1,560                        | 2,320                       | 2,786   | 4,253                           | 10,919          |

The notes on pages 27 to 40 form part of these financial statements.

# London Finance & Investment Group P.L.C. \_\_\_\_\_

## Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2018

### 1. Accounting Policies

The consolidated financial statements of the London Finance & Investment Group P.L.C have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and with the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

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.

- (i) The Group early adopted IFRS 9 “Financial Instruments” in the Group’s interim period to 31<sup>st</sup> December 2016. Under IFRS 9, the Group has elected to classify its long-term Strategic Investments as financial instruments which are held at fair value with unrealised changes in value taken directly to Other Comprehensive Income. General Portfolio investments are held at fair value with unrealised changes in fair value recognised in profit or loss Strategic and General Portfolio investments are quoted investments, and their fair value continues to be calculated using quoted bid prices.
- (ii) With the exception of Western, these consolidated financial statements include the results and net assets of the Group’s subsidiaries (all of which are companies) for the year to 30<sup>th</sup> June 2018. The non-controlling interests are wholly attributable to equity interests in subsidiaries. Under Section 408 of the Companies Act 2006, the Parent Company is exempt from the requirement to present its own income statement. Western has not been consolidated as the Directors consider that the Group, as the parent and ultimate parent undertaking, is able to take advantage of the investment entity exemption in IFRS10. Accordingly, the Group’s investment in Western, a Strategic Investment is carried at fair value with fair value movements going through the Statement of Other Comprehensive Income.
- (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.

Revenue from management services is recognised when the right to such income is established through a contract and in line with the provision of services to which they relate

The Company pays final and interim dividends. Dividends are recognised in the period in which they are appropriately authorised. For interim dividends, this will mean the date on which they are paid and, for final dividends, this will mean the date on which they are approved in general meeting.

- (iv) Financial assets are classified by category, depending on the purpose for which the asset was acquired. The Group’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 Profit or Loss or Other Comprehensive Income. They are valued using quoted bid prices and movements in value are taken to the income statement.

Investments in the general portfolio are held at fair value through Profit or Loss with changes in the fair value recognised in profit or loss. They are valued using quoted market prices.

Investments in the strategic portfolio are held at fair value through Other Comprehensive Income with changes in the fair value recognised in Other Comprehensive Income and accumulated in the unrealised profits and losses on investments reserve. They are valued using quoted market prices. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the unrealised profits and losses on investments reserve is reclassified to realised profits and losses.

- b) Unquoted investments. These are stated at cost net of impairment provisions because fair 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.
- (v) Borrowings are recognised initially at fair value and subsequently carried at amortised cost.
- (vi) 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 probable 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 in equity.
- (vii) 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. Changes in accounting policies and disclosures**

### **(a) New standards, amendments and interpretations adopted by the Group**

No new standards, amendments or interpretations, effective for the first time for financial years beginning on or after 1<sup>st</sup> July 2017 have had a material impact on the group or parent company.

### **(b) New standards, amendments and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for financial periods beginning after 1<sup>st</sup> January 2018 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the

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

ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2018 and earlier application is permitted. The Group expects there to be no impact on the results of adopting this standard.

IFRS 16 "Leases" specifies how a company reporting under IFRS will recognise, measure, and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard replaces IAS 17 'Leases' and related interpretations. The standard is effective for annual periods beginning on or after 1<sup>st</sup> January 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' has also been applied (subject to EU endorsement). The Group expects there to be no impact on the results of adopting this standard as the Group's current lease expires in less than one year.

There are no other IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3. Operating profit – Segmental Analysis

The Directors manage the Group through two classes of business, Investment Operations and Management Services, and present the segmental analysis on that basis. The segment performance measure is operating profit.

|   | Investment Operations |            | Management Services |            |
|---|-----------------------|------------|---------------------|------------|
|   | 2018                  | 2017       | 2018                | 2017       |
|   | £000                  | £000       | £000                | £000       |
| Dividends – Listed investments                        | 674                   | 608        | -                   | -          |
| Rental and other income                               | -                     | 1          | 107                 | 108        |
| Profits on sales of investments, including provisions | 26                    | 3          | -                   | -          |
| Management services fees                              | -                     | -          | 274                 | 296        |
| <b>Operating income</b>                               | <b>700</b>            | <b>612</b> | <b>381</b>          | <b>404</b> |
| Administration expense – normal                       | (411)                 | (352)      | (364)               | (389)      |
| <b>Operating profit</b>                               | <b>289</b>            | <b>260</b> | <b>17</b>           | <b>15</b>  |

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

## 4. Administration Expenses

|  | 2018 | 2017 |
|--|------|------|
|  | £000 | £000 |
| <b>Normal administration expenses include:</b> |      |      |
| Depreciation                                   | 9    | 8    |
| Auditors' remuneration - Audit services        | 28   | 27   |
| Directors' emoluments - Note 5                 | 69   | 80   |
| Staff Costs - Note 6                           | 382  | 320  |



---

## 5. Directors' Emoluments and Related Party Disclosures

The key management personnel are considered to be the Group directors. Their emoluments are detailed in the Directors' Remuneration Report on pages 57 to 63.

### *Related Party Disclosures*

London Finance and Investment Group P.L.C ("Lonfin") and its wholly owned subsidiary, Lonfin Investments Limited, owns 43.8% of Western Selection P.L.C ("Western")

Western is a company incorporated in England with its registered office at 6 Middle Street, London, EC1A 7JA. Under IFRS 10, Lonfin is considered to be the parent and ultimate parent undertaking of a group of companies including Western for which group financial statements are drawn up. Copies of these group financial statements have been delivered to the Registrar of Companies. Western's financial statements are not consolidated with this group as the Company, as the parent company, is able to take advantage of the investment entity exemption in IFRS 10.

Mr. D.C. Marshall and Mr. E.J Beale are directors.

Mr. D.C. Marshall and Mr. J. M. Robotham's shareholdings in Lonfin, and Mr E.J. Beale's share options, 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 was a director of Finsbury Food Group Plc until November 2017. Mr D.C. Marshall is the Chief Executive and Mr E.J. Beale is the Financial Director of Marshall Monteagle PLC. Mr D. C. Marshall is a shareholder and Mr J. M. Robotham was a shareholder in Marshall Monteagle PLC.

Lonfin and Western owns 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 receivable by City Group from those companies, their associates and subsidiaries, total £425,000 (2017 - £389,000) for the year under review. At the reporting date the aggregate balance due in respect of fees invoiced was £110,000 (2017 - £97,250) and no fees have been paid in advance (2017 - nil). Settlement is within normal credit terms.

At 30<sup>th</sup> June 2018, as disclosed in Notes 13 and 14 below, there were no monies due from City Group to the Company (2017 - Nil) and it owed City Group £54,000 for fees. The Company was also owed £813,000 by Lonfin Investments Limited as disclosed in Note 11 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.

## 6. Staff Costs

Other than the Directors, the Company has no staff or staff costs. All the Group's staff, other than the Directors, are employed by the Company's subsidiary, City Group. Group staff costs, including Group Directors' fees which are shown in the Directors' Remuneration Report on pages 57 to 63, were:

|  | <b>2018</b> | 2017 |
|--|-------------|------|
|  | <b>£000</b> | £000 |
| Salaries   | <b>335</b>  | 257  |
| Social security costs  | <b>38</b>   | 39   |
| Defined contribution pension scheme contributions                            | <b>9</b>    | 24   |
|  | <b>382</b>  | 320  |
| The average weekly number of staff employed, excluding Group Directors, was: | 6           | 5    |

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

## 7. Tax Expense

|   | 2018        | 2017         |
|---|-------------|--------------|
|   | £000        | £000         |
| <b>The tax charge for the year comprises:</b>   |             |              |
| Tax on overseas investment income   | 44          | 45           |
| Deferred Tax  | (64)        | 76           |
| Tax (credited)/charged  | <u>(20)</u> | <u>121</u>   |
| The tax assessed for the year is lower than the standard rate of corporation tax in the UK.<br>The differences are explained below: |             |              |
| Profit on ordinary activities before taxation   | <u>175</u>  | <u>1,231</u> |
| Taxation at 19 % (2017 – 19.75%)  | <u>33</u>   | <u>243</u>   |
| <b>Effects of:</b>  |             |              |
| Non-taxable items – fair values and franked income  | (23)        | (120)        |
| Loss utilised   | (30)        | (2)          |
| <b>Tax (credited)/charged for the year</b>  | <u>(20)</u> | <u>121</u>   |
| <b>Other tax:</b>   |             |              |
| Deferred tax  | (42)        | (99)         |
| Corporation tax   | (50)        | 238          |
| <b>Other tax impacting other comprehensive income</b>   | <u>(92)</u> | <u>139</u>   |

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

### Factors affecting the tax charge in future years

The Group's future tax charge, and effective tax rate are affected by the expected future rates of corporation tax which are enacted and will fall from 19% to 17% over the course of the next couple of the years and the ability of the Group to utilise the accumulated capital losses which at present have been taken into account when evaluating the Group's deferred tax liability. Based on current tax legislation and investment management strategy, the Directors are satisfied that the Group's capital losses can be utilised and retain value.

## 8. Dividends

Amounts recognised as distributions to the shareholders of the Company in the year were as follows:

|   | 2018      | 2017      |
|---|-----------|-----------|
|   | Per Share | Per Share |
| Final dividend for the prior year ended 30 <sup>th</sup> June     | 0.55p     | 0.55p     |
| Interim dividend for the current year ended 30 <sup>th</sup> June | 0.55p     | 0.55p     |

The total dividends paid in 2018 and 2017 were £343,000 (1.1p per share) and £343,000 (1.1p per share). A final dividend in respect of the year ended 30<sup>th</sup> June 2018 of 0.60p per share is to be proposed at the AGM to be held on 4<sup>th</sup> December 2018. These financial statements do not reflect this dividend.

## 9. Earnings per share

| <b>Reconciliation of headline earnings</b>  | <b>2018</b>        | 2017        |
|---|--------------------|-------------|
| Basic earnings per share, based on the profit attributable to the shareholders after tax and non-controlling interests of £187,000 (2017 - £1,103,000) and on 31,207,479 shares issued  | <b>0.6p</b>        | 3.5p        |
| Adjustment for the unrealised changes in the carrying value of investments, net of tax of £53,000 and 2017 £ (794,000)  | <b>0.2p</b>        | (2.5)p      |
| Headline earnings are required to be disclosed by the JSE. Headline earnings per share are based on the profit attributable to the shareholders after tax and non-controlling interests, before unrealised changes in the fair value of investments net of tax, of £240,000 (2017 - £309,000) and on 31,207,479 (2017 - 31,207,479) shares being the weighted average of number of shares in issue during the year. | <u><b>0.8p</b></u> | <u>1.0p</u> |
| Diluted earnings per share, based on the profit attributable to the shareholders after tax and non-controlling interests of £187,000 (2017 - £1,103,000) and on 31,207,479 shares issued plus 80,000 share options granted in 2017  | <b>0.6p</b>        | 3.5p        |

## 10. Property, Plant and Equipment Group

|  | Office<br>Equipment<br><b>£000</b> |
|--|------------------------------------|
| At cost – 1 <sup>st</sup> July 2017              | 53                                 |
| Additions in the year                            | 8                                  |
| 30 <sup>th</sup> June 2018                       | <u>61</u>                          |
| Depreciation                                     |                                    |
| Balance – 1 <sup>st</sup> July 2017              | 39                                 |
| Charges for the year                             | 9                                  |
| 30 <sup>th</sup> June 2018                       | <u>48</u>                          |
| <b>Net book amount 30<sup>th</sup> June 2018</b> | <u><b>13</b></u>                   |
| Net book amount 30 <sup>th</sup> June 2017       | <u>14</u>                          |

The office equipment is held by a subsidiary company.

# London Finance & Investment Group P.L.C. \_\_\_\_\_

## 11. Investment in Group companies

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

|   | Principal Activities | Percentage of Equity | 2018<br>£000 | 2017<br>£000 |
|---|----------------------|----------------------|--------------|--------------|
| Held by the Company – at cost   |                      |                      |              |              |
| City Group PLC  | Management services  | 51.4%                | <b>89</b>    | 89           |
| Lonfin Investments Limited  | Investment holding   | 100%                 |              |              |
| Loan to subsidiary, less provision of £1,681,000 (2017: £1,681,000) at 1 <sup>st</sup> July |                      |                      | <b>982</b>   | 3,758        |
| Amount repaid in the year   |                      |                      | <b>(169)</b> | (2,776)      |
| - Loan to subsidiary, less provision as at 30 <sup>th</sup> June                            |                      |                      | <b>813</b>   | 982          |
|   |                      |                      | <b>902</b>   | <b>1,071</b> |

The address of the registered office of these subsidiaries is 6 Middle Street, London EC1A 7JA.

## 12. Investments

|   | Strategic Holdings        |                           |                             | Total<br>£000        |
|---|---------------------------|---------------------------|-----------------------------|----------------------|
|   | General Portfolio<br>£000 | Western Selection<br>£000 | Finsbury Food Group<br>£000 |                      |
| <b>Cost at 1<sup>st</sup> July 2016</b>                       | 3,286                     | 6,159                     | 2,300                       | 11,745               |
| Opening unrealised gain/(losses)                              | <u>3,839</u>              | <u>(2,622)</u>            | <u>6,580</u>                | <u>7,797</u>         |
| <b>Opening valuation as at 1<sup>st</sup> July 2016</b>       | <u>7,125</u>              | <u>3,537</u>              | <u>8,880</u>                | <u>19,542</u>        |
| <i>Movements in the year</i>                                  |                           |                           |                             |                      |
| Purchases   | 2,856                     | -                         | -                           | 2,856                |
| Sales - proceeds  | (207)                     | -                         | (2,438)                     | (2,645)              |
| Realised gain on disposal                                     | 119                       | -                         | 1,862                       | 1,981                |
| Net unrealised gains transferred to realised gain on disposal | (116)                     | -                         | (1,645)                     | (1,761)              |
| Unrealised fair value gains in the year                       | 989                       | 236                       | 241                         | 1,466                |
| <b>Closing valuation at 30<sup>th</sup> June 2017</b>         | <b><u>10,766</u></b>      | <b><u>3,773</u></b>       | <b><u>6,900</u></b>         | <b><u>21,439</u></b> |

## 12. Investments (Continued)

|   |               |              |              |               |
|---|---------------|--------------|--------------|---------------|
| <b>Cost at 1<sup>st</sup> July 2017</b>                       | 6,053         | 6,159        | 1,723        | 13,935        |
| Opening unrealised gain/(losses)                              | 4,713         | (2,386)      | 5,177        | 7,503         |
| <b>Opening valuation as at 1<sup>st</sup> July 2017</b>       | <u>10,766</u> | <u>3,773</u> | <u>6,900</u> | <u>21,439</u> |
| <i>Movements in the year</i>                                  |               |              |              |               |
| Purchases   | 699           | -            | -            | 699           |
| Sales - proceeds  | (698)         | -            | -            | (698)         |
| Realised gain on disposal                                     | 202           | -            | -            | 202           |
| Net unrealised gains transferred to realised gain on disposal | (176)         | -            | -            | (176)         |
| Unrealised fair value gains in the year                       | (117)         | 157          | (180)        | (140)         |
| <b>Closing valuation at 30<sup>th</sup> June 2018</b>         | <b>10,676</b> | <b>3,930</b> | <b>6,720</b> | <b>21,326</b> |
| <br>  |               |              |              |               |
| <b>Cost at 30<sup>th</sup> June 2018</b>                      | 6,256         | 6,159        | 1,723        | 14,138        |
| Unrealised gain/(losses) at 30 <sup>th</sup> June             | 4,420         | (2,229)      | 4,997        | 7,188         |
| <b>Closing valuation at 30<sup>th</sup> June 2018</b>         | <u>10,676</u> | <u>3,930</u> | <u>6,720</u> | <u>21,326</u> |

Western Selection P.L.C., a subsidiary undertaking, is traded on the NEX Exchange Growth Market and is incorporated and operates in the UK with a financial year end of 30<sup>th</sup> June.

At 30<sup>th</sup> June 2018 and 30<sup>th</sup> June 2017, Western 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 as follows: -           | <b>2018</b>   | 2017    |
|   | <b>£000</b>   | £000    |
| Profit after tax  | <b>784</b>    | 850     |
| Non-current assets  | <b>17,571</b> | 18,316  |
| Current assets  | <b>808</b>    | 40      |
| Liabilities within one year                                 | <b>(42)</b>   | (13)    |
| Liabilities due over one year                               | <b>(975)</b>  | (1,225) |
| Capital   | <b>7,180</b>  | 7,180   |
| Reserves  |               |         |
| Share Premium account                                       | <b>2,654</b>  | 2,654   |
| Capital Reserve account                                     | <b>3</b>      | 3       |
| Net asset value per share                                   | <b>96p</b>    | 95p     |
| Value of investment in Western at Net asset value per share | <b>7,596</b>  | 7,467   |
| Middle market price per share on 30 <sup>th</sup> June      | <b>52.0p</b>  | 48.0p   |
| Value of investment in Western at market value              | <b>3,930</b>  | 3,773   |

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

## 13. Trade and other receivables

|                                | Group      |            | Company   |           |
|--------------------------------|------------|------------|-----------|-----------|
|                                | 2018       | 2017       | 2018      | 2017      |
|                                | £000       | £000       | £000      | £000      |
| Trade debtors                  | 199        | 159        | -         | -         |
| Other debtors                  | 8          | 18         | -         | -         |
| Prepayments and accrued income | 44         | 43         | 36        | 26        |
|                                | <b>251</b> | <b>220</b> | <b>36</b> | <b>26</b> |

## 14. Trade and other payables

|                                 | Group      |            | Company    |            |
|---------------------------------|------------|------------|------------|------------|
|                                 | 2018       | 2017       | 2018       | 2017       |
|                                 | £000       | £000       | £000       | £000       |
| Group companies                 | -          | -          | 54         | 51         |
| Other taxes                     | 28         | 28         | -          | 5          |
| Other creditors                 | 126        | 5          | 6          | 1          |
| Trade creditors                 | 18         | 24         | 7          | -          |
| Accruals                        | 170        | 193        | 55         | 60         |
| Derivative financial instrument | 4          | -          | 4          | -          |
|                                 | <b>346</b> | <b>250</b> | <b>126</b> | <b>117</b> |

## 15. Borrowings

|                                | Group |      | Company |      |
|--------------------------------|-------|------|---------|------|
|                                | 2018  | 2017 | 2018    | 2017 |
|                                | £000  | £000 | £000    | £000 |
| Bank revolving credit facility | 325   | -    | 325     | -    |

The Group has drawn down £325,000 of its revolving credit facility with Coutts & Co. The revolving credit facility incurs interest at the rate of 2.75% per annum above the Bank's base rate and is presented as a current liability. The facility is secured by a charge by Coutts & Co over the General Portfolio.

The Group also acquired an interest rate swap from Coutts & Co to minimise the impact of possible interest rate fluctuations. The fair value of the interest rate swap as at 30<sup>th</sup> June 2018 is a liability of £3,780, and as it is not material, it is presented in Trade and other Payables, Note 14, as a Derivative financial instrument.

## 16. Deferred taxation

The Group has provided £722,000 in respect of potential taxation on unrealised investment gains (2017 - £850,000). This is after taking into account available tax losses of £644,000 (2017: £671,000).

|                                  | Group      |            | Company    |            |
|----------------------------------|------------|------------|------------|------------|
|                                  | 2018       | 2017       | 2018       | 2017       |
|                                  | £000       | £000       | £000       | £000       |
| Balance at 1 <sup>st</sup> July  | 829        | 850        | 408        | 330        |
| Profit or Loss                   | (65)       | 78         | (65)       | 78         |
| Other Comprehensive Income       | (42)       | (99)       | -          | -          |
| Balance at 30 <sup>th</sup> June | <b>722</b> | <b>829</b> | <b>343</b> | <b>408</b> |

Deferred tax has been provided at 19% (2017: 20%).

---

## 17. Share Capital and Reserves

|  | Company and Group |              |
|--|-------------------|--------------|
|  | 2018              | 2017         |
|  | £000              | £000         |
| Allotted, issued and fully paid ordinary shares of 5p each<br>31,207,479 at 1 <sup>st</sup> July 2017 and 30 <sup>th</sup> June 2018 | <u>1,560</u>      | <u>1,560</u> |

The Group and the 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: -

|  | Description and purpose   |
|--|---|
| Ordinary share capital                         | Nominal value of issued share capital.  |
| Share premium                                  | Amount subscribed for share capital in excess of nominal value, less issue expenses.  |
| Unrealised profits and losses on investments   | Cumulative unrealised gains and losses on investments.  |
| Share of undistributed profits of subsidiaries | The Group'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 Group and 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 and Company Statement of Financial Positions on pages 21 and 22 and the Consolidated Statement of Changes in Shareholders' Equity on page 25.

### Share Options

The Group has had two long-term incentive plans established to incentivise full-time employees and directors of City Group and to recognise outstanding efforts or achievements, or otherwise to attract, motivate or retain staff: The Group's Unapproved Employee Benefit Scheme (which terminated on 29<sup>th</sup> September 2017) and a more recent scheme, the Group's Company Share Option Plan.

On 29<sup>th</sup> February 2016 options over 80,000 ordinary shares in the Company with an exercise price of 37.5p per share were granted under the rules of the Group's Company Share Option Plan. The options granted may not be exercised earlier than the third anniversary and no later than the tenth anniversary of the date of grant. The fair value of these options at the date of grant was estimated using the Black Scholes model to be £9,000 and, as this is not material, no expense is being booked for these share options.

## 18. 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 no responsibility for unfunded liabilities. Amounts paid are declared in Note 6 and in the Directors' Remuneration Report on pages 57 to 63.

# London Finance & Investment Group P.L.C. \_\_\_\_\_

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

| Group               | At start<br>of year | Cash<br>Flow | At end<br>of year |
|---------------------|---------------------|--------------|-------------------|
| <b>2017/2018</b>    | £000                | £000         | £000              |
| Cash at bank        | 222                 | 82           | <b>304</b>        |
| Borrowings (Coutts) | -                   | (325)        | <b>(325)</b>      |
| Net Debt            | <u>222</u>          | <u>(243)</u> | <u>(21)</u>       |
| <br>                |                     |              |                   |
| 2016/2017           |                     |              |                   |
| Cash at bank        | <u>588</u>          | <u>(366)</u> | <u>222</u>        |

## 20. 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. The Company has guaranteed the obligations under this lease.

As at 30<sup>th</sup> June 2018, the Group had the following minimum lease payments under the operating lease:

|                                  |                  |           |
|----------------------------------|------------------|-----------|
| Office premises                  | <b>2018</b>      | 2017      |
|                                  | <b>£000</b>      | £000      |
| <b>Within one year</b>           | <b>29</b>        | 52        |
| <b>Between two to five years</b> | -                | 29        |
|                                  | <u><b>29</b></u> | <u>81</u> |

The Group is in the process of negotiating a new operating lease in respect of an office property. This is still subject to contract.

## 21. 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 Directors monitor 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 Group to achieve its objectives as set out in the Directors' Report are:

|  | <b>2018</b>   | 2017   |
|--|---------------|--------|
|  | <b>£000</b>   | £000   |
| <b>Financial assets</b>                              |               |        |
| At fair value through income                         |               |        |
| Non-current investments (strategic investments)      | <b>10,650</b> | 10,673 |
| Current asset investments (general portfolio)        | <b>10,676</b> | 10,766 |
| <b>Loans and receivables</b>                         |               |        |
| Trade and other receivables                          | <b>251</b>    | 220    |
| Cash at bank   | <b>304</b>    | 222    |
| <b>Financial liabilities</b>                         |               |        |
| Trade and other payables (including corporation tax) | <b>342</b>    | 486    |
| Borrowings   | <b>325</b>    | -      |
| Derivative financial instrument                      | <b>4</b>      | -      |

### 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 3.25% (2017 – 3.0%) and on deposits was nil. The sensitivity of the Group to a 1% change in interest rates would have been £4,200 in the current year (2017 – £9,400).

In order to minimise the impact from possible interest rate fluctuations the Company entered into an Interest rate swap agreement with Coutts & Co on 1st October 2017. The fair value of the Interest rate swap, a derivative financial instrument as at 30<sup>th</sup> June 2018 is a liability of £3,870.

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

### Currency Exposures

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

|                 | <b>2018</b>         | 2017         |
|-----------------|---------------------|--------------|
|                 | <b>£000</b>         | £000         |
| <b>Currency</b> |                     |              |
| Euro            | <b>3,060</b>        | 3,215        |
| Swiss Franc     | <b>1,376</b>        | 1,735        |
| US Dollar       | <b>2,820</b>        | 2,915        |
| Swedish kroner  | <b>429</b>          | 503          |
|                 | <b><u>7,685</u></b> | <u>8,368</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 £76,850 in aggregate (2017 - £83,700).

# **London Finance & Investment Group P.L.C.**

---

## **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 which expires on 30<sup>th</sup> September 2022, £325,000 was drawn down at 30<sup>th</sup> June 2018. 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 the shares of Western and Finsbury.

The Group 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 such investments must have an aggregate fair value of at least 167% of borrowings at any point in time.

## **Market Risk**

The Group is exposed to market risk through the equity investments in other companies. The Group 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 Group's circumstances.

The sensitivity to each 1% decrease in the value of investments would result in the fair values of non-current asset investments decreasing by £107,000 (2017 - £107,000) 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 £106,800 (2017 - £107,700) and unrealised profits reserve (or earnings where a decline was below cost) by an equal amount.

The Directors consider 1% to be a basis for the sensitivity analysis due to the diversified spread of investments over a range of liquid markets.

## **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.

Market value has been used for the valuation of Western despite the low liquidity of this investment because shares have traded at a relatively stable price with low volatility, and there is no better indicator available for fair value.

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 Group'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.

---

## 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 30<sup>th</sup> June 2018, is disclosed below:

| Company                    | Country        | % ownership |
|----------------------------|----------------|-------------|
| Lonfin Investments Limited | United Kingdom | 100%        |
| City Group PLC             | 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 30<sup>th</sup> June 2018. Much of the information previously provided as part of the Directors' Report is now required, under company law, to be presented as part of the Strategic Report which is set out on pages 4 to 11.

This Directors' Report includes the information required to be included under the Companies Act or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Statement, approved by the Board, is provided on pages 47 to 52 and is incorporated by reference herein.

## **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, significant events after the financial year end, 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.

## **Investment Policy**

The Group'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 Group'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% 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 Group's gearing is limited at or below 70% of the total value of investments.

A resolution will be proposed at the Company's Annual General Meeting on 4<sup>th</sup> December 2018 to increase the permitted number of General Portfolio investments to 40 to allow for further investment diversification.

---

## 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.

## Risk Management and Principal Risks

A description of the principal risks which arise from the Group's financial instruments is set out in the Strategic Report on pages 9 and 10 and in the Notes to the Financial Statements (Financial Instruments) on pages 37 to 39.

## Viability Statement

In accordance with the provisions of the UK Corporate Governance Code, the Board has assessed the viability of the Group. The Group is a long-term investor and the Board believes it is appropriate to assess the Group's viability over a five-year period which reflects the Board's long-term investment approach. The Board believes this five-year period reflects a proper balance between the long-term horizon and the inherent uncertainties of looking to the future.

In assessing the viability of the Group, the Board has carried out a robust assessment of the following factors:

- the principal risks and uncertainties facing the Group as set out in the Strategic Report on pages 9 and 10;
- the potential operational and financial impacts of these risks and uncertainties in severe but plausible scenarios together with the effectiveness of any mitigating actions;
- Group's current position and strategy;
- the liquidity of the Group's Investment Portfolio; and
- the Board's risk appetite;

The Board has also considered such matters as significant economic or stock market volatility, a substantial reduction in the liquidity of the portfolio or changes in investor sentiment, all of which could have an impact on the Group's prospects and viability in the future.

Taking into account all of these factors, the Group's current position and the potential impact of the principal risks and uncertainties faced by the Group, the Board has concluded that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year period to 30<sup>th</sup> June 2023.

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

## Directors' and Directors' Interests

A list of the present directors of the Company is shown on page 1.

A list of all the directors who served during the year and their beneficial interests (and those of their connected persons) in the Company's ordinary shares as at 30<sup>th</sup> June 2017 and 2018 is set out below:

|                             | 30 <sup>th</sup> June 2018 | 30 <sup>th</sup> June 2017 |
|-----------------------------|----------------------------|----------------------------|
|                             | No. of Ordinary Shares     | 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                 |
| J.H. Maxwell                | 65,000                     | 65,000                     |
| E.J. Beale                  | -                          | -                          |
| W.H. Marshall <sup>o*</sup> | 12,890,693                 | -                          |

\* These holdings arise as the individuals concerned are/were trustees and/or directors of entities that hold/held ordinary shares in the Company. The interest of Mr. J.M. Robotham, which ended on his retirement from the Board, and the interest of Mr W.H. Marshall which commenced on his appointment to the Board, overlapped with the interest of Mr. D.C. Marshall. Mr J.M. Robotham also had a beneficial interest in 30,000 ordinary shares (2017 – 30,000) of these ordinary shares, and Mr D.C. Marshall had no beneficial interest in these shares (2017 – nil).

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

<sup>o</sup> Mr W.H. Marshall was appointed as a Director on 31<sup>st</sup> January 2018.

On 29<sup>th</sup> February 2017, Mr E.J. Beale, being an eligible employee under the rules of the London Finance & Investment Group Company 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.

There have been no changes in directors' share interests between 1<sup>st</sup> July 2018 and the date of this report.

Subject to the Company's Articles of Association, 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, as amended, now require all the directors of the Company to offer themselves for re-election on an annual basis. Accordingly, this year, Mr D.C. Marshall, Dr F.W.A. Lucas, Mr J.H. Maxwell and Mr E.J. Beale will retire and, being eligible, offer themselves for re-election as directors at the AGM on 4<sup>th</sup> December 2018. Mr W.H. Marshall, who was appointed to the Board after last year's AGM, will offer himself for election as a director at the AGM on 4<sup>th</sup> December 2018.

## Substantial Interests

In addition to the directors' shareholdings shown above, as at 30<sup>th</sup> June 2018, 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                  | 13,605,472             | 43.6%                                       |
| W.T. Lamb Investments Limited               | 4,629,000              | 14.8%                                       |
| Winterflood Client Nominees Limited A/c Net | 1,383,133              | 4.4%  |
| Forest Nominees Limited                     | 1,236,000              | 4.0%  |

No changes to the significant holdings set out above have been notified to the Company between 1<sup>st</sup> July 2018 and the date of this report.

---

## **Independent Auditor**

The respective responsibilities of the Directors and the Independent Auditor, PKF Littlejohn LLP, in connection with the financial statements appear on pages 13 to 19.

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 Independent Auditor for the purposes of their audit and to establish that the Independent Auditor is aware of that information. The Directors are not aware of any relevant audit information of which the Independent Auditor are is unaware.

At the Company's forthcoming AGM on 4<sup>th</sup> December 2018 a resolution will be proposed that PKF Littlejohn LLP be re-appointed as the Company's Independent Auditor following the AGM.

## **Corporate Governance**

Information on the Company's corporate governance can be found in the Corporate Governance Statement on pages 47 to 52.

The Company's Articles of Association may only be amended by special resolution and are available on the Company's website at [www.city-group.com/london-finance-investment-group.plc](http://www.city-group.com/london-finance-investment-group.plc)

## **Annual General Meeting (AGM)**

The Notice of the AGM, to be held on 4<sup>th</sup> December 2018, can be found on pages 65 to 68 and sets out the business to be considered at the meeting. Resolutions 1 to 10 and Resolution 12 will be proposed as Ordinary Resolutions and Resolution 11 will be proposed as a Special Resolution. Certain elements of the business relating to these Resolutions are explained below:

### ***Resolution 3***

#### ***Directors' Remuneration Report***

The annual report on Directors' Remuneration, as set out on pages 57 to 63 provides information on the Directors' remuneration. The resolution proposes the approval of the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, which was approved at the AGM in November 2016.

### ***Resolutions 4, 5, 6 and 7***

#### ***Re-election of Directors***

Four Directors, David Marshall, Dr Frank Lucas, John Maxwell and Edward Beale, are subject to annual re-election. Accordingly, each of these Directors will retire at the AGM on 4<sup>th</sup> December 2018 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 8***

#### ***Election of a Director***

Warwick Marshall, who was appointed to the Board after last year's AGM, is subject to election. Accordingly, Warwick Marshall offers himself for election as a director of the Company at the AGM on 4<sup>th</sup> December 2018. The Board has confirmed, following a performance review of Warwick Marshall, that, subject to his election, Warwick Marshall continues to perform effectively and demonstrates commitment to his role. Further information relating to Warwick Marshall's experience and background can be found on page 1.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Resolution 9**

### **Re-appointment of the Independent Auditor**

It is proposed that PKF Littlejohn LLP be re-appointed as the Company's Independent Auditor to continue in office following the AGM on 4<sup>th</sup> December 2018.

## **Resolution 10**

### **Investment Policy Change**

Resolution 10 will authorise the Company's Investment Policy to be amended so that up to 40 investments may be held in the Company's General Portfolio at any time. This will allow for further investment diversification.

## **Resolution 11**

### **Allotment of share capital**

Resolution 11 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 AGM in 2019. 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 12**

### **Disapplication of pre-emption rights**

Resolution 12 will empower the directors to allot ordinary shares for cash, pursuant to the authority granted by Resolution 11, 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 \*<sup>th</sup> September 2018 (being the latest practicable date prior to publication of this report) in the period up to the conclusion of the Company's AGM in 2019.

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.

## **Recommendation**

The Board believes that the approval of Resolutions 1 to 12 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 12 as the directors intend to do in respect of their own beneficial holdings which as at 1<sup>st</sup> October 2018 (being the latest practicable date prior to publication of this report) amount in aggregate to 145,000 ordinary shares, representing approximately 0.46% of the ordinary shares currently in issue.

## **Relationship Agreement**

In compliance with the Listing Rules the Company has entered into a Relationship Agreement with David 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 30<sup>th</sup> June 2018 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.



---

## **Material Agreements**

There are no agreements which the Company is party to that might affect its control following a takeover bid; and there are no agreements between the Company and its directors concerning compensation for loss of office.

Other than the Relationship Agreement referred to above, the Board is not aware of any contractual agreements which ought to be disclosed in the Directors' Report.

## **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 Company's 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.

## **Political and Charitable Donations**

No political or charitable donations have been made during this financial year.

## **Environmental, Social and Human Rights Issues**

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.

## **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 30<sup>th</sup> June 2018, the Group purchased electricity equating to a carbon dioxide equivalent of 10 tonnes (1 tCO<sub>2</sub>e/employee) (2017 – 10 tonnes).

1<sup>st</sup> October 2018

By Order of the Board

**City Group PLC**  
Company Secretary

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Corporate Governance Statement**

### **Corporate Governance Policy**

Corporate Governance is the process by which companies are controlled and directed to achieve the objectives of the organisation. Key to the 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”), updated by the Financial Reporting Council (FRC) in April 2017, 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 of the Code and confirm that the Company complies with the Code’s provisions or explain why it does not. In July 2018, the Code’s Principles and Provisions were revised further by the FRC to simplify the Code and enhance requirements for governance structures and processes. The 2018 Code Principles and Provisions will apply to Annual Report and Financial Statements published on or after 1<sup>st</sup> January 2019.

The JSE (Johannesburg Stock Exchange) requires that JSE listed companies report on their compliance with the Code of Corporate Practices and Conduct (‘King Code’) contained in the King Report on Corporate Governance. Currently, all JSE listed companies are required to comply with the disclosure requirements and principles of the King Code as set out the King IV Report. As the Company’s primary listing is on the Main market of the London Stock Exchange and, as such, is required to comply with the Code, the Company is not required to comply with the King Code as well.

### **Compliance**

This Corporate Governance Statement describes how the Company applies the Principles set out in the Code. The Company has been in full compliance with the Code throughout the year ended 30<sup>th</sup> June 2018 and we will report on how the Company has applied the Principles and Provisions set out in the 2018 UK Code in the Company’s 2019 Annual Report and Financial Statements.

### **Composition of the Board**

The Board comprises the Chairman, David Marshall, Senior Independent Non-Executive Director, John Maxwell, Dr Frank Lucas, Edward Beale and Warwick Marshall. All of the Directors are Non-Executive Directors.

### **Independence of the Directors**

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 Board has concluded that John Maxwell and Dr 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 Limited which acted as ISDX corporate adviser to Western until June 2017. Edward Beale, a non-executive director, previously Chief Executive Officer of the Company’s subsidiary, City Group, and now Financial Director of Marshall Monteagle PLC, was appointed to the Board on 13<sup>th</sup> April 2017 to bring his experience of Group operations, governance and reporting requirements to the Board.

---

## **Conflicts of Interest**

The Articles of Association reflect the codification of certain directors' duties arising from the Companies Act 2006 and in particular the duty for directors to avoid conflicts of interest. The Board has a process in order for Directors to report conflicts of interest or potential conflicts of interest.

All Directors are required to notify the Company Secretary, City Group, of any situations, or potential situations where they consider that they have or may have a direct or indirect interest or duty that conflicts or may possibly conflict with the interests of the Company.

## **Appointment, election and re-election of Directors**

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 generally a Board decision. Subject to the Company's Articles of Association, the appointment or removal of directors is ultimately 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.

The Company's Articles of Association, as amended, require that all new directors seek election to the Board at the next Annual General meeting after their appointment. In addition, at every Annual General all members of the Board, other than newly appointed Directors who are subject to election, are subject to annual re-election and there is, therefore, no requirement at the forthcoming AGM or in the future for any directors to retire by rotation.

Resolutions approving the re-election and election of each of the Directors will be proposed to Shareholders at the forthcoming AGM. The Board has reviewed the skills and experience of each and supports their re-election or election, as the case may be.

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.

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.

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.

# London Finance & Investment Group P.L.C. \_\_\_\_\_

## Board Operation

As an investment company, the Company's Board is comprised of Non-Executive directors. It has no Chief Executive or any other executive directors. The Non-Executive Chairman leads the Board and ensures that it deals with all aspects of its role. He is responsible for the effective performance of the Board through control of the Board's agenda and the 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.

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.

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.

A representative of City Group, the Company Secretary, attends all Board meetings to record proceedings and is available at all times 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 and the provision of management, regulatory and financial information. Management reports including cash movements, portfolio movements and valuations are regularly circulated to all Directors for review.

The Board met on seven occasions during the year; there were also four Audit Committee meetings and one Remuneration Committee meeting during the year. All such meetings were quorate and followed a formal agenda.

Attendance at the Board meetings and the Audit, Remuneration and Nomination Committee meetings during the year is shown in the following table:

|                         | Board | Audit Committee | Remuneration Committee | Nomination Committee |
|-------------------------|-------|-----------------|------------------------|----------------------|
| No. of meetings in year |       |                 |                        |                      |
| D.C. Marshall           | 6     |                 |                        |                      |
| F.W.A. Lucas            | 6     | 2               | 1                      | 3                    |
| J.H. Maxwell            | 6     | 2               | 1                      | 3                    |
| J.M. Robotham           | -     |                 |                        | -                    |
| E.J. Beale              | 6     |                 |                        |                      |
| W. H. Marshall          | -     |                 |                        |                      |

Mr J. M. Robotham retired from the Board on 6<sup>th</sup> December 2017  
Mr W. H. Marshall was appointed to the Board on 31<sup>st</sup> January 2018

## The Board's Committees

The Board now has four committees:

The **Investment Committee** is chaired by David Marshall and its other member is Edward Beale. Michael Robotham was a member until his retirement from the Board on 6<sup>th</sup> December 2017. The **Nomination Committee** is chaired by John Maxwell and its other member is Dr Frank Lucas. Michael Robotham was a member until his retirement from the Board. 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. The **Remuneration Committee** 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 chairmen to other directors and the Group's advisers as appropriate.

### **Investment Committee**

The Investment Committee takes responsibility, between Board Meetings, for the investment decisions relating to the Company's 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. All investment decisions are then implemented on the Company's behalf by City Group which also carries out required valuation and accounting work.

### **Audit Committee**

The Audit Committee has a number of specific responsibilities including reviewing the Group's financial statements and supporting documentation and all audit related matters.

A separate report from the Audit Committee is set out on pages 53 to 56.

### **Nomination Committee**

The Nomination Committee, which meets 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 Remuneration Committee reviews, determines and recommends 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 Code.

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 Directors' Remuneration Report on pages 57 to 63. 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, and Edward Beale and included, until his retirement from the Board, Michael Robotham. No director is involved in the determination of his own pay.

### **New Directors' Induction**

New directors receive an induction programme which includes legal and regulatory responsibilities, information on the Group's operations and investment company industry matters.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Performance Evaluation**

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. All Directors are encouraged to maintain personal continuing professional education programmes and all Directors are entitled to receive relevant and appropriate training if required.

The Board is satisfied, having concluded its most recent evaluations, that each Director's performance continues to be effective and that each Director remains fully committed to the Company. Furthermore, the Board is satisfied that its committees, as currently constituted, continue to be effective.

## **Board Succession and Diversity**

In evaluating the performance of the Board and its members, the Board reviews its structure and whether it has the right mix of relevant skills, diversity and experience for the effective conduct of the Company's business.

The Board has set a target of 25% female members for the Company's Board and female candidates will be considered on their merits when vacancies arise. There are no female Board members or senior management members at present.

## **Internal Control and Risk Management**

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 Board, through the 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.

The reporting and review procedures provide assurance to the Board as to the adequacy and effectiveness of internal controls. The Board recognises that it is not possible to divide some functions as would be the case in larger organisations and accepts that close supervision is necessary.

The Directors have considered the need for an internal audit function and do not believe that one is appropriate because monitoring processes are applied to give reasonable assurance to the Board that the systems of internal control are functioning as intended.

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

## **Auditors**

The Board, through the Audit Committee, is developing a good working relationship with its Independent Auditor, PKF Littlejohn LLP, which was appointed at the Annual General Meeting in November 2016.

---

## Shareholder Communications

The Board strives to present a fair, balanced and understandable assessment of the Group'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

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. Shareholders are also encouraged, if they have any questions or enquiries to make contact with the Company at any time during the year by contacting the Company Secretary, City Group PLC (6 Middle Street, London EC1A 7JA; Tel: 020 7796 9060.

**David Marshall**, Chairman

1<sup>st</sup> October 2018

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Audit Committee Report**

### **Audit Committee**

The members of the Audit Committee (the “Committee”) are Dr Frank Lucas (Chairman) and John Maxwell. Both members are considered to be independent and neither member has any conflicts of interest. Both Dr Frank Lucas and John Maxwell have recent and relevant financial experience.

The Committee meets at least twice a year to consider the Group’s financial reporting and reports from the Company’s Independent Auditor.

The terms of reference for the Committee, which are available on request and on the Company Secretary’s website, are reviewed and re-assessed on an annual basis.

### **Responsibilities**

The main responsibilities of the Committee are:

- to review the half yearly and annual financial statements of the Group, the accounting policies applied therein and compliance with financial and regulatory reporting requirements.
- to assess whether the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provide the information necessary for Shareholders to assess the Group’s position and performance, business model and strategy.
- to meet with the Independent Auditor to review their proposed audit programme of work and the findings of the Independent Auditor on completion of their work. The Committee also uses these meetings as an opportunity to assess the effectiveness of the audit process.
- if appropriate, to develop and implement policy on the engagement of the Independent Auditor to supply non-audit services.
- to make recommendations to the Board in relation to the appointment or re-appointment of the Independent Auditor and to approve their remuneration and the terms of their engagement.
- to monitor and review annually the Independent Auditor’s independence, objectivity, effectiveness, resources and qualification.
- to review and monitor the internal control systems and risk management systems (including non- financial risks) on which the Group is reliant.
- to consider annually whether there is a need for the Group to have its own internal audit function.
- to review the arrangements in place whereby management, office and Group secretarial services are provided to the Group and whereby management and staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters (‘whistleblowing’) and
- to report to the Board from time to time on any significant financial reporting issues and the views and judgements the Committee might have or make in connection with such issues and in connection with the preparation of the Group’s financial statements.



---

## **Audit Committee Activities**

The Audit Committee met on two occasions in the year ended 30<sup>th</sup> June 2018, in September 2017 and in January this year. After the year end, the Committee met in July and September. In the course of such meetings the Committee has also met with the rest of the Board and with the Company's Independent Auditor, PKF Littlejohn LLP.

The Audit Committee has undertaken the following activities in the year ended 30<sup>th</sup> June 2018 in discharge of its responsibilities:

### ***Financial Statements***

In accordance with the provisions of the Code, financial statements issued by the Company need to comply with the requirement for such statements to be 'fair, balanced and understandable'. With this in mind, the Committee reviewed and considered the draft 2018 Annual Report & Financial Statements as a whole and subsequently made recommendations to the Board and City Group, the Company Secretary. The Committee considers the revised 2018 Annual Report & Financial Statements to be 'fair, balanced and understandable'.

The Group's 2018 interim results and report was also reviewed and considered by the Committee prior to publication in February 2018.

### ***Valuations***

Listed investments are a significant component of the Group's investment business and are also a significant feature in the Group's financial statements. The Committee has reviewed the Group's valuation policy for its investments. All such investments are listed in active stock markets and the Committee considers that the Group's General Portfolio Investments are substantially liquid. The Group's investments are valued using independent pricing sources, in accordance with the stated accounting policies and these have been reviewed by the Committee. The Committee also considered the valuation basis for Strategic Investments, which are quoted on junior UK stock markets to be appropriate, notwithstanding their illiquidity.

### ***Going concern and viability statements***

The Committee assessed whether it was appropriate to prepare the Group's 2018 Annual Report & Financial Statements and for the 2018 Interim results and report on a going concern basis and following such assessments, made recommendations to the Board whose conclusions were included in the Interim results and report published in February 2018 and set out in the Directors' Report on pages 41 to 46.

The Group's assets consist substantially of equity shares in companies listed on recognised stock exchanges and in most circumstances are realisable within a short time-scale. The Committee and the Board believe it is appropriate to continue to adopt the going concern basis in the preparation of the financial statements and they consider that the Group has a very low level of costs and has adequate resources to continue in operational existence for the foreseeable future.

The Committee also assessed the viability of the Group. After reviewing the Group's Strategic Investments and General Portfolio investments, its gearing and considering the impact of volatility in stock markets, currencies and commodities, the Committee was satisfied that the viability statement, which relates to a period of five years ending 30<sup>th</sup> June 2023 could be made in the 2018 Annual Report & Financial Statements for the reasons set out in the Directors' Report on pages 41 to 46.

### ***Significant Risks and Issues***

The significant accounting issue considered by the Committee during the year in relation to the Group's financial statements was the valuation of investments.

A further significant risk is to ensure the investment portfolio accounted for in the financial statements reflects ownership of the relevant securities.

The incomplete or inaccurate recognition of income in the financial statements are also risks. Internal control systems, including reconciliations are in place to ensure income is fully accounted for.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Internal control**

The Board as whole is responsible for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Committee has also, in the course of the financial year ended 30<sup>th</sup> June 2018, reviewed the Group's internal control processes and is satisfied that no significant areas of weakness have been identified and that the existing processes and controls are appropriate having regard to the Group's investment business.

In particular, the Committee reviews reports from its subsidiary, City Group, to ensure that internal controls over the Group's investments are adequate. The Group's audit includes independent confirmation of the existence of all investments and the valuation of investments to external price sources.

## **Audit process and the Independent Auditor**

PKF Littlejohn LLP was appointed as the Company's new Independent Auditor at the Company's AGM in November 2016 and was re-appointed as the Company's Independent Auditor at the Company's AGM in December 2017.

The Committee meets each year with the Independent Auditor. The Company's Independent Auditor, PKF Littlejohn LLP, prepared for this year's audit by providing a detailed planning report in advance of the annual audit work. The Committee discussed with PKF Littlejohn LLP its detailed planning report prior to commencement of the audit work and, following completion of their audit work, the Committee discussed with PKF Littlejohn LLP their audit report and findings. In the course of these discussions the Committee was able to review the level and scope of materiality adopted by PKF Littlejohn LLP in the audit process.

## **Audit effectiveness**

The Committee reviews annually the audit process conducted by PKF Littlejohn LLP and considers its effectiveness. In the course of its review, the Committee will consider the quality of the PKF Littlejohn LLP staff, the appropriateness of the audit methodology as applied to the Company's business activities and the level of challenge from PKF Littlejohn LLP and the quality of reporting to the Board and the Committee. As part of its evaluation, the Committee also obtains assurance from PKF Littlejohn LLP on the quality of its audit work.

## **Non-audit work**

In order to safeguard the Independent Auditor's independence and objectivity, City Group, the Company Secretary, maintains a schedule of specific non-audit work activities which are carried out independently of the Independent Auditor. PKF Littlejohn LLP has not carried out any non-audit work activities on behalf of the Company in the year ended 30<sup>th</sup> June 2018 or since the year-end.

## **Re-appointment of PKF Littlejohn LLP as Independent Auditor**

PKF Littlejohn LLP was re-appointed as the Company's Independent Auditor at last year's AGM. The Committee has concluded that PKF Littlejohn LLP have provided an effective audit and the Committee has recommended to the Board the re-appointment of PKF Littlejohn LLP as the Group's Independent Auditor.

---

## **Relations with Shareholders**

The Board places great importance on communication with shareholders and up to date information can be obtained on the Group through City Group, the Company Secretary. The Group's Annual Report & Financial Statements is sent to shareholders and the Annual Report & Financial Statements and the Company's Interim results and report can be down-loaded from City Group's website [www.city-group.com/london-finance-investment-group-plc](http://www.city-group.com/london-finance-investment-group-plc)

All Directors intend to be available at the forthcoming AGM on 4<sup>th</sup> December 2018 and to meet with shareholders attending. In particular, the Committee will be available to discuss with shareholders any issues relating to the Group's financial statements.

**Dr Frank Lucas**

Chairman of the Audit Committee

1<sup>st</sup> October 2018

## **Directors' Remuneration Report**

### **Remuneration Committee**

In August 2017, the Board established the Remuneration Committee (the "Committee"). The members of the Committee are John Maxwell (Chairman) and Dr Frank Lucas. Both members are considered to be independent and neither member has any conflicts of interest. Both John Maxwell and Dr Frank Lucas have recent and relevant financial experience.

The Committee meets at least once a year to consider the remuneration arrangements for the Directors and ensure that the arrangements are appropriate to support the Group's strategic aims and to enable it to continue to grow successfully. The Committee reviews, considers and makes recommendations on changes to the directors' remuneration policy in the future.

The terms of reference for the Committee, which are available on request and on the Company Secretary's website, are reviewed and re-assessed on an annual basis.

### **The Form of the Directors' Remuneration Report**

The Directors' Remuneration 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.

The Directors' Remuneration Report comprises three sections:

- a remuneration policy, which sets out the framework for future remuneration payments to Directors;
- an annual report on Directors' remuneration, which sets out all payments made to Directors during the year; and
- an annual statement by the Chairman of the Remuneration Committee, John Maxwell.

### **Directors Remuneration Policy**

The current remuneration policy for Directors was approved by shareholders at the AGM of the Company held in November 2016. No changes are envisaged for the Directors' Remuneration Policy in the current year and a new policy need not be presented to shareholders until the AGM in 2019 unless the Committee considers it appropriate to propose revisions to the policy before that date.

The key objectives of the Committee in reviewing the Company's Remuneration Policy and making recommendations as to changes in the policy are as follows:

- remuneration for the current Directors, all of whom are Non-Executive Directors, should be competitive, but not excessive, in order to motivate and retain its Directors and grow the Group successfully
- remuneration packages for new Non-Executive Directors or Executive Directors, should the appointment of Executive Directors be considered appropriate, should be competitive but not excessive, in order to attract, motivate and retain such Directors and grow the Group successfully
- remuneration of Executive Directors, should the appointment of Executive Directors be considered appropriate, should be linked to the long-term performance of the Group's business
- performance related remuneration for Executive Directors should be set so as to align the interests of the Executive Directors with the those of the Shareholders

---

## **Salaries and fees**

The Company's Board is entirely comprised of Non-Executive Directors and the Company's Remuneration Policy at present is to pay fixed fees to these directors. No salaries are payable and there is no variable element of pay for the Directors. The level of Directors' fees is set with a view to attract, motivate and retain talented individuals. The maximum amount of a Director's fee will be set by the Board from time to time, following recommendations from the Committee, and increases will not be higher than inflation unless this can be justified having regard to the performance of the Group or additional responsibilities taken on by Directors.

The Group's policy for future increases in Directors' fees is similar to the policy for increases in salaries to City Group employees but in the case of Directors' fees the reviews will be performed every 3-5 years, with a review having taken place this year and with the next review taking place in May 2021.

## **Long term Incentive Schemes**

Save for the Group's Unapproved Employee Benefit Scheme and a more recent scheme, the Group's Company Share Option Plan, the Group has no other long-term incentive schemes. The Group has no plans to adopt any further long-term incentive schemes in the future, although the Board will keep such schemes in mind in the light of changing legislation.

The Group's Unapproved Employee Benefit Scheme was established in order to incentivise full-time employees and directors of the Company's subsidiary, City Group. There are no outstanding option awards under this scheme and it terminated on 29<sup>th</sup> September 2016.

The Group's Company Share Option Plan was also established, in September 2006, to incentivise full-time employees and directors of City Group and to recognise outstanding efforts or achievements, or otherwise to attract, motivate or retain staff.

Edward Beale was the only Director to receive option awards under the Group's Approved Share Option Plan or Unapproved Employee Benefit Scheme.

## **Bonuses or other Discretionary Payments**

The Company does not make bonus payments or other discretionary payments to any of the Directors.

Part of the profits of City Group (currently 50%) are allocated to a staff bonus pool.

## **Pensions and other Benefits**

The Directors are covered by the Company's directors' and officers' liability insurance cover which is renewed annually. Other than this insurance cover, no other benefits, such as pension contributions, private medical health cover, death in service insurance, life insurance or company cars are provided for the Directors.

## **Remuneration on Appointment to the Board**

It is anticipated that new Non-Executive Directors will be remunerated on a similar basis to existing Directors. No additional payments will be made to such Directors. Should it be appropriate in the future to recruit an Executive Director, the remuneration package offered 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 incentive arrangements proposed to be granted on appointment will be subject to Shareholder approval.

The remuneration package offered in respect of an Executive Director could include fixed and variable bonuses, pension contributions, private medical health cover, death in service insurance, travel and other allowances as well as a salary.

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

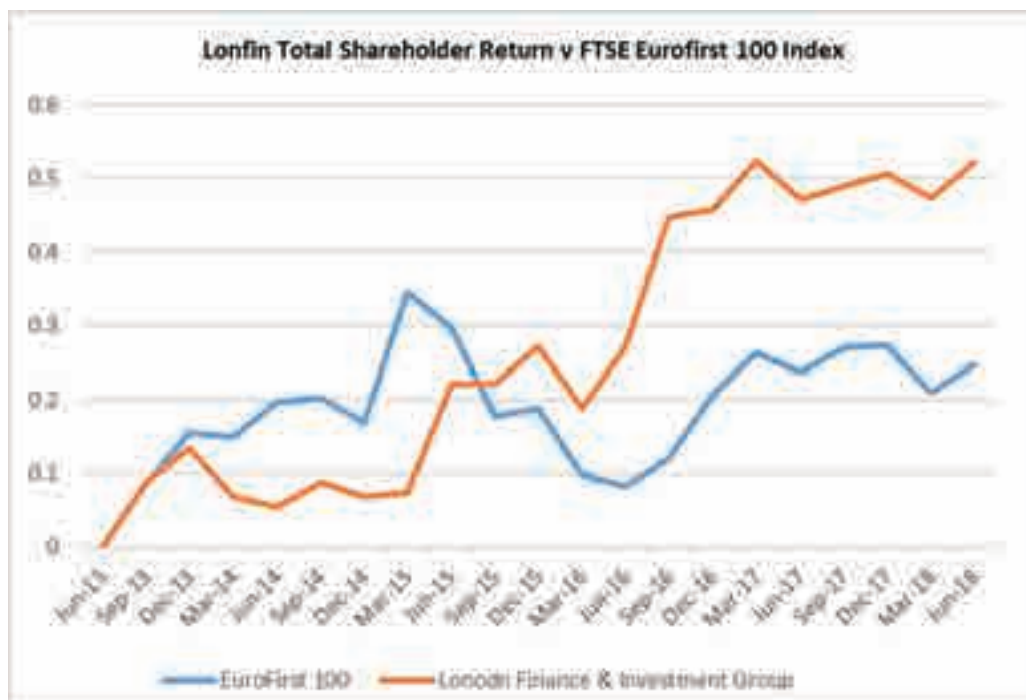
## Loss of Office

The Chairman and the Directors have no entitlement to compensation for loss of office as Directors of the Company.

## City Group

The remuneration paid to the directors and employees of the Company's subsidiary, City Group, in the year ended 30<sup>th</sup> June 2018 was reviewed and considered by the board of City Group, which includes David Marshall and Edward Beale.

## Performance Graph



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 Group's main activity is that of an investment Group and the Board believes that because the Group's General Portfolio concentrates on FTSE 100 companies, or European equivalent, this index is best suited as the comparator index. The Group 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.

## Annual Report on Directors' Remuneration

The following report sets out details of remuneration paid to the Chairman and the Directors in the financial year ended 30<sup>th</sup> June 2018 and describes how the Company's Remuneration Policy will be implemented for the year ending 30<sup>th</sup> June 2019.

## Chairman's Remuneration

As the Company has no Chief Executive Officer the table below shows the total remuneration of the Chairman, David Marshall, for the 5 years to 30<sup>th</sup> June 2018 (all of which have been audited) by way of comparison with the total return to shareholders illustrated in the Performance Graph set out above. The table and related information below, which have been audited, also shows the total remuneration expected to be paid to the Chairman in the year ending 30<sup>th</sup> June 2019 following a review of directors fees this year.

The Chairman's remuneration is by way of fixed fees only and he receives no variable element or equity incentive.

| David Marshall, Non-Executive Chairman, | Total fees paid (audited) |
|---|---------------------------|
| Year ending 30 <sup>th</sup> June       | £                         |
| 2014                                    | 14,000                    |
| 2015                                    | 18,000                    |
| 2016                                    | 18,000                    |
| 2017                                    | 18,000                    |
| 2018                                    | 18,000                    |
| 2019                                    | 20,000                    |

The Chairman, David Marshall, ceded his Director's 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 receives no other payment or benefits from the Company.

## Directors' Remuneration

The Company's Board is entirely comprised of Non-Executive Directors and the Company's Remuneration Policy at present is to pay fixed fees to these directors. No salaries are payable and there is no variable element of pay for the Directors.

The table and related information set out below, which have been audited, shows the fees paid to the Directors, other than the Chairman, David Marshall, in the year ended 30<sup>th</sup> June 2018, compared with the fees paid to the Directors in the previous year. The table also shows the fees expected to be paid to the Directors in the year ending 30<sup>th</sup> June 2019 following a review of Directors fees this year.

| Non-Executive Directors | Total fees payable                     | Total fees paid (audited)              |                                       |
|-------------------------|--|--|---------------------------------------|
|                         | Year ending 30 <sup>th</sup> June 2019 | Year ending 30 <sup>th</sup> June 2018 | Year ended 30 <sup>th</sup> June 2017 |
|                         | £                                      | £                                      | £                                     |
| Mr. J.H. Maxwell        | 14,000                                 | 12,000                                 | 12,000                                |
| Dr. F.W.A. Lucas □      | 14,000                                 | 12,000                                 | 12,000                                |
| Mr. J.M. Robotham *     | -                                      | 10,375                                 | 19,500                                |
| Mr E.J. Beale ♦         | 14,000                                 | 12,000                                 | 12,000                                |
| Mr W.H. Marshall ●      | 14,000                                 | 5,000                                  | -                                     |

□ Dr F.W.A. Lucas has ceded his Director's fees to his primary employer, Loeb Aron & Co Limited.

\* Mr J.M. Robotham's Director's fees comprised £ 4,375 which related to Mr J.M. Robotham's Director's fees paid by the Company's subsidiary, City Group, and the balance, £6,000 which was in respect of his Director's fees received from the Company. Mr J.M. Robotham retired from the Board on 6<sup>th</sup> December 2017.

♦ Mr E.J. Beale has ceded his Director's fees to his primary employer, Marshall Monteagle PLC.

● Mr W.H. Marshall was appointed to the Board on 31<sup>st</sup> January 2018.

# London Finance & Investment Group P.L.C. \_\_\_\_\_

Directors' remuneration for the year ended 30<sup>th</sup> June 2018 has been maintained at the same level as the previous year by the Board. Following a review in July this year by the Committee of the level of fees payable to the Directors, it was recommended to the Board that the fee levels be increased. Accordingly, the remuneration of the Directors, excluding the Chairman, for the year ending 30<sup>th</sup> June 2019 is expected to be 9% higher than the level of fees for the year ended 30<sup>th</sup> June 2018. The Group's policy for future increases in fees to Directors is similar to the policy for increases in salary to Group employees save that in the case of Directors' fees the reviews will be performed every 3-5 years with the next review being expected to take place in May 2021.

## Directors' and Group Employees' Remuneration compared to Shareholders dividends

The table below compares the total remuneration paid to the Board and the Group's employees to the distributions paid to Shareholders by way of dividends in the last three years.

The Board's and the Group's employees' total remuneration for the three years ended 30<sup>th</sup> June 2018, which has been audited, is set out below,

| The Board and employees of the Group | The Board and employees of the Group's total remuneration (audited) | Dividends paid to Shareholders (audited) |
|--------------------------------------|---|--|
| Year ending 30 <sup>th</sup> June    | £   | £  |
| 2016                                 | 369,000   | 312,000                                  |
| 2017                                 | 397,000   | 343,000                                  |
| 2018                                 | 433,000   | 343,000                                  |

## Directors' interests in the Company

The interests of the Directors (and their connected persons) at 30<sup>th</sup> June 2018 are as set out in the table in the Directors' Report on page 43.

## Long term Incentive Schemes

No option awards under the Group's Unapproved Employee Benefit Scheme or under the Group's Company Share Option Plan have been made to any of the Directors or employees of the Group in the year ended 30<sup>th</sup> June 2018 and no option awards are envisaged for the year ended 30<sup>th</sup> June 2019.

No Directors or employees of the Group have received option awards under these schemes in the past save for Edward Beale who, being at the time an eligible employee under the rules of the Group's Company Share Option Plan, on 29<sup>th</sup> February 2016 was granted options over 80,000 ordinary shares in the Company with an exercise price of 37.5p per share. The options granted may not be exercised earlier than the third anniversary and no later than the tenth anniversary of the date of grant. The Group's Unapproved Employee Benefit Scheme terminated on 29<sup>th</sup> September 2016.

## Bonuses or other Discretionary Payments

No bonuses or other discretionary payments have been made by the Group to any of the Directors in the year ended 30<sup>th</sup> June 2018.

## Pensions and other Benefits

No pension contributions have been paid in respect of any of the Directors in the year ended 30<sup>th</sup> June 2018 and no pension contributions will be paid by the Company in the year ending 30<sup>th</sup> June 2019. This information has been audited.



---

## **Loss of Office**

No payments or commitments in respect of payments in respect of loss of office have been paid to any Director in the year ended 30<sup>th</sup> June 2018 and no such payments will be paid in the year ending 30<sup>th</sup> June 2019.

## **Remuneration on Appointment to the Board**

No payments or commitments in respect of payments in respect of any Board appointments have been paid in the year ended 30<sup>th</sup> June 2018. It is anticipated that, if new Non-Executive Directors are appointed in the year ending 30<sup>th</sup> June 2019 or in subsequent years, they will be remunerated on a similar basis to the fees which are then paid to the existing Directors and no additional payments will be made.

Should it be considered appropriate to appoint an Executive Director to the Board in the year ending 30<sup>th</sup> June 2019 or in subsequent years, the remuneration package to be offered will be in line with the policy for Executive Directors as set out in the Directors Remuneration Policy above.

## **City Group**

The remuneration payable to the executive directors and employees of the Company's subsidiary, City Group, for the year ended 30<sup>th</sup> June 2018 is reviewed and considered by the board of City Group, which includes David Marshall and Edward Beale.

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **Annual Statement by John Maxwell, Chairman of the Remuneration Committee**

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30<sup>th</sup> June 2018.

I confirm that the Directors' Remuneration Policy set out above summarises the policy which was approved by shareholders at the AGM in November 2016. The Remuneration Policy is due for renewal at the AGM in 2019 and therefore a key task of the Committee next year will be to review the Board's remuneration arrangements as a whole to ensure that they are aligned with the Company's strategy and are appropriate for a company of our size and they are sufficient to attract potential candidates for the Board.

I also confirm that the Annual Report on Directors' Remuneration set out above summarises the entire remuneration paid to members of the Board for the year ended 30<sup>th</sup> June 2018 and the remuneration arrangements for the Board for the year ending 30<sup>th</sup> June 2019. A resolution to approve the Directors' Remuneration Report, other than the part containing the Directors Remuneration Policy, will be proposed at the Company's AGM to be held on 4<sup>th</sup> December this year at which the financial statements will be approved.

I and other members of the Board will be in attendance at the AGM and will be available to answer Shareholders' questions about directors' remuneration.

This Directors' Remuneration Report was approved by the Board and signed on its behalf by:

**John Maxwell**

Chairman of the Remuneration Committee

1<sup>st</sup> October 2018

## Summary of Results

### For the five years ended 30<sup>th</sup> June 2018

|   | 2018<br>£000   | 2017<br>£000   | 2016<br>£000   | 2015<br>£000   | 2014<br>£000   |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>Consolidated Statement of Financial Position</b> |                |                |                |                |                |
| Issued share capital                                | 1,560          | 1,560          | 1,560          | 1,560          | 1,560          |
| Share premium and other reserves                    | 14,583         | 14,379         | 12,680         | 8,650          | 6,611          |
| Company's retained realised profits                 | 4,253          | 4,544          | 4,928          | 5,412          | 5,779          |
| Shareholders' funds (all equity)                    | <u>20,396</u>  | <u>20,483</u>  | <u>19,168</u>  | <u>15,622</u>  | <u>13,950</u>  |
| Non-controlling interest                            | 105            | 97             | 90             | 75             | 65             |
|   | <u>20,501</u>  | <u>20,580</u>  | <u>19,258</u>  | <u>15,697</u>  | <u>14,015</u>  |
| <b>Disposition of Capital</b>                       |                |                |                |                |                |
| Non-current assets                                  | <u>10,663</u>  | <u>10,687</u>  | <u>12,439</u>  | <u>11,725</u>  | <u>9,065</u>   |
| <b>Current assets</b>                               |                |                |                |                |                |
| Listed investments (General Portfolio)              | 10,676         | 10,766         | 7,125          | 5,801          | 5,927          |
| Other current assets                                | 251            | 220            | 272            | 218            | 245            |
| Cash and deposits                                   | 304            | 222            | 588            | 115            | 39             |
|   | <u>11,231</u>  | <u>11,208</u>  | <u>7,985</u>   | <u>6,134</u>   | <u>6,211</u>   |
| Liabilities and deferred tax                        | <u>(1,393)</u> | <u>(1,315)</u> | <u>(1,166)</u> | <u>(2,162)</u> | <u>(1,261)</u> |
|   | <u>20,501</u>  | <u>20,580</u>  | <u>19,258</u>  | <u>15,697</u>  | <u>14,015</u>  |
| <b>Net assets per share</b>                         | <b>65.7p</b>   | <b>65.9p</b>   | <b>61.4p</b>   | <b>50.1p</b>   | <b>44.7p</b>   |
| <b>Dividend per share</b>                           | <b>1.1p</b>    | <b>1.1p</b>    | <b>1.05p</b>   | <b>1.0p</b>    | <b>0.9p</b>    |

# ***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 PLC, 1 Ely Place, London EC1N 6RY on Tuesday 4<sup>th</sup> December 2018 at 11.00 a.m. (12.00 p.m. South Africa time) for the following purposes:**

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolution 12 will be proposed as a Special Resolution.

1. To receive the financial statements for the year ended 30<sup>th</sup> June 2018, together with the reports of the directors and auditors thereon.
2. To declare a final dividend for the year ended 30<sup>th</sup> June 2018 of 0.60 pence for each ordinary share in the capital of the Company.
3. 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 Financial Statements for the year ended 30<sup>th</sup> June 2018.
4. To re-elect Mr D.C. Marshall as a director, who, is subject to annual re-election and who retires and offers himself for re-election.
5. To re-elect Dr F.W.A. Lucas as a director, who is subject to annual re-election and who retires and offers himself for re-election.
6. To re-elect Mr J. H. Maxwell as a director, who is subject to annual re-election and who retires and offers himself for re-election.
7. To re-elect Mr E. J. Beale as a director, who is subject to annual re-election and who retires and offers himself for re-election.
8. To elect Mr W. H. Marshall as a director, who having been appointed since the Company’s last Annual General Meeting, is subject to election at this Meeting.
9. To re-appoint PKF Littlejohn LLP as the Company’s Independent Auditor and to authorise the directors to agree their remuneration.
10. That the Company’s Investment Policy be amended so that up to 40 investments may be held in the Company’s General Portfolio at any time.
11. 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 ordinary shares), provided that this authority shall expire at the conclusion of the annual general meeting of the Company to be held in 2019, 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.

---

12. THAT,

- (a) subject to the passing of Resolution 11 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 11, 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 ordinary shares 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 all or part 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 ordinary 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 11 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.

6 Middle Street  
London EC1A 7JA

1<sup>st</sup> October 2018

By Order of the Board

**City Group PLC**  
**Company Secretary**

# **London Finance & Investment Group P.L.C.**\_\_\_\_\_

## **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, Steelpark Road, Halesowen, West Midlands, B62 8HD, 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 a.m. (12.00 p.m. South Africa time) on 30<sup>th</sup> November 2018. Completion of a form of proxy does not preclude a member from subsequently attending the Annual General Meeting ("Meeting") 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 of Annual General Meeting ("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 p.m. (7.00 p.m. South Africa time) on 30<sup>th</sup> November 2018 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 (excluding non-business days) 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 1<sup>st</sup> October 2018 (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 1<sup>st</sup> October 2018 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](http://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 Meeting; 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 Meeting 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.
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 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, 15 Biermann Avenue Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) by no later than 11.00 a.m. (12.00 p.m. South Africa time) on 30<sup>th</sup> November 2018.

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 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 Meeting be entitled to lodge the form of proxy in respect of the Meeting, in accordance with the instructions therein with the Chairman of the Meeting.

| <b>Record Dates:</b>   | <b>2018</b>                       |
|--|-----------------------------------|
| Please take note of the following important dates  |                                   |
| Record date for the purpose of determining which shareholders of the Company are entitled to receive notice of the Annual General Meeting ( <b>'the notice record date'</b> )          | Friday 28 <sup>th</sup> September |
| The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting  | Tuesday 20 <sup>th</sup> November |
| Record date for the purpose of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting ( <b>'the voting record date'</b> ) | Friday 23 <sup>rd</sup> November  |
| Last day for lodging forms of proxy by 12.00 p.m. (SA time)  | Friday 30 <sup>th</sup> November  |
| Date of the Annual General Meeting at 12.00 p.m. (SA time)   | Tuesday 4 <sup>th</sup> December  |

#### **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,.....

(for South African Shareholders only:

Telephone number:.....Mobile phone number:.....

Email address.....).

being (a) member(s) of the above-named company (the "Company") hereby appoint the chairman of the Annual General 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 4<sup>th</sup> December 2018 at 11.00 a.m. (12.00 p.m. South Africa time) 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 |
|--|-----|---------|----------|
| <b>Ordinary Resolutions</b>  |     |         |          |
| 1. To receive the financial statements for the year ended 30 <sup>th</sup> June 2018, together with the reports of the directors and auditors thereon. |     |         |          |
| 2. To declare a final dividend for the year ended 30 <sup>th</sup> June 2018.  |     |         |          |
| 3. To approve the Directors' Remuneration Report (excluding The Director's Remuneration Policy).   |     |         |          |
| 4. To re-elect Mr D.C. Marshall as a director.   |     |         |          |
| 5. To re-elect Dr F.W.A. Lucas as a director.  |     |         |          |
| 6. To re-elect Mr J. H. Maxwell as a director.   |     |         |          |
| 7. To re-elect Mr. E. J. Beale as a director.  |     |         |          |
| 8. To elect Mr W. H. Marshall as a director.   |     |         |          |
| 9. To re-appoint PKF Littlejohn LLP as Auditors of the Company and to authorise the directors to agree their remuneration.                             |     |         |          |
| 10. To amend the Company's Investment Policy   |     |         |          |
| 11. To authorise the directors to allot shares under Section 551 of the Companies Act 2006.  |     |         |          |
| <b>Special Resolution</b>  |     |         |          |
| 12. To disapply pre-emption rights.  |     |         |          |

Dated.....2018

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 at the Meeting. 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, Steelpark Road, Halesowen, West Midlands, B62 8HD UK; or
  - the South African Registrars, Computershare Investor Services (Pty.) Limited:
    - by hand to 15 Biermann Avenue, Rosebank, 2196; or
    - by mail to P.O. Box 61051, Marshalltown 2107, South Africa

not later than 11.00 a.m. (12.00 p.m. South Africa time) on 30<sup>th</sup> November 2018. (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



