



# London Finance & Investment Group PLC



**Annual Report and Financial Statements**

30<sup>th</sup> June 2020

**LONDON FINANCE &  
INVESTMENT GROUP PLC**

**ANNUAL REPORT & FINANCIAL STATEMENTS**

**30<sup>th</sup> JUNE 2020**

**LONDON FINANCE & INVESTMENT GROUP PLC**  
("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 PLC ("Western"). Western's share capital is admitted to trading on the Aquis 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.

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**CITY GROUP PLC**  
("City Group")

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

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## Directors

### **D.C. MARSHALL, Chairman ♦**

David Marshall joined the Board in 1971. He is the chairman of London Finance & Investment Group PLC. David is also chairman of Western and chief executive of Marshall Monteagle PLC. He is also a non-executive director of 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, Brand Architekts Group plc, Heartstone Inns Limited and Industrial & Commercial Holdings PLC. He joined the Board in April 2016.

### **J.H. MAXWELL, CA, CCMI, Senior Independent Non-Executive \* □ •**

John Maxwell, who is a Chartered Accountant, was appointed a Director of the Company in November 2003. He currently serves as Chief Executive Officer of Vulcan Industries Plc and as a non-executive director of The Grosvenor Waterside Residents Company 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 August 1999. He is a mining geologist by profession and one of the founding shareholders and a Director of Loeb Aron & Company Ltd. Frank is Chairman of the Audit Committee.

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

Warwick Marshall joined the Board in January 2019. Warwick is a son of David Marshall. 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. He has extensive investment experience in his private capacity.

\* Member of the Audit Committee

♦ Member of the Investment Committee

□ Member of the Nomination Committee

• Member of the Remuneration Committee

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## Corporate Contacts

	United Kingdom	Republic of South Africa
<b>Company Secretary</b>	<b>City Group PLC</b>	
<b>Registered Office</b>	1 Ely Place, London, EC1N 6RY Tel: + 44 (0) 20 7796 9060	11 Sunbury Park La Lucia Ridge Office Estate La Lucia 4051 Durban 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> Neville House Steelpark Road Halesowen West Midlands B62 8HD Tel: +44 (0)121 585 1131	<b>Computershare Investor Services (Pty.) Limited</b> 70 Marshall Street Johannesburg, 2001 (P.O. Box 61051, Marshalltown 2107) Tel: +27 11 370 5000
<b>Sponsor</b>		<i>JSE Limited Sponsor:</i> <b>Sasfin Capital</b> <i>(a member of the Sasfin Group)</i> 29 Scott Street, Waverley 2090 Johannesburg, South Africa Tel: +27 (11) 809 7500
<b>Independent Auditor</b>	<b>PKF Littlejohn LLP</b> Statutory Auditor 15 Westferry Circus Canary Wharf London E14 4HD	

## Summary of Net Assets

At 30<sup>th</sup> June

	2020	2019	2019
		Restated for	
	£000	IFRS 16	£000
		£000	£000
<b>Strategic Investments</b> at fair value:			
Western Selection Plc	2,751	3,576	3,576
Finsbury Food Group Plc	3,540	4,020	4,020
	<u>6,291</u>	<u>7,596</u>	<u>7,596</u>
<b>General Equity Portfolio</b> at fair value	9,948	11,383	11,383
Tangible non-current assets	31	39	39
Right of use asset	512	568	-
Cash, bank balances and deposits	269	240	240
Other net current liabilities	(59)	(438)	(485)
Lease liabilities	(571)	(632)	-
Deferred taxation	(520)	(395)	(395)
Non-Controlling interests	(103)	(92)	(100)
	<u>15,798</u>	<u>18,269</u>	<u>18,278</u>
<b>Net assets, including investments at fair value</b>			
	50.6	58.5	59.0
<b>Net assets per share</b>			
<b>Dividends*</b>			
Interim	0.55p	0.55p	0.55p
Proposed Final	0.60p	0.60p	0.60p
<b>Mid-market price on 30<sup>th</sup> June</b>	32.5p	37.5p	37.5p

\*Information on Dividends is set out on page 7

## Financial Calendar

Announcement of Preliminary Results for the year ended 30 <sup>th</sup> June 2020	18 <sup>th</sup> September 2020
Annual General Meeting	25 <sup>th</sup> November 2020
Final Dividend for 2020	Payable on 2 <sup>nd</sup> December 2020 to shareholders on the register of members at 20 <sup>th</sup> November 2020
Half year results to 31 <sup>st</sup> December 2020	to be announced in February 2021
Interim Dividend for 2021	to be announced in February 2021

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## 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 43.

The Group's net assets per share for 2020 have decreased from the previous year to 50.6p and 17.6% over the last five years. Shareholders' dividends for 2020 remains the same at 1.15p and increased by 15% over the last five years. Information on the Group's performance against the Board's key performance indicators (KPIs) is set out on page 9 of this report.

### Results

- \* Net assets have reduced to 50.6p per share (2019 restated – 58.5p per share)
- \* Strategic Investments have decreased in value over the year, from £7,596,000 to £6,291,000
- \* Strategic investments are yielding 2.6% (2019 – 3.6%)
- \* The General Portfolio has decreased, adjusting for investment purchases and sales, over the year, by 13% from £11,383,000 to £9,948,000
- \* Fair value movement is £1,265,000
- \* 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 (2019 – 1.15p)

The Company and its subsidiaries ("Group") recorded an operating profit for the year, before interest, tax and changes to the fair value adjustments of investments of £130,000, compared to an restated operating profit for the previous year, before tax and changes to the fair value adjustments of investments, of £366,000. The significant decrease in fair value of strategic investments that occurred during the year has led to Total Comprehensive Loss for the year of £2,112,000 compared to restated loss of £1,767,000 for the previous year. Basic and headline losses per share are 2.6p (2019- earnings of 2.9p).

### Strategic Investments

Strategic Investments have reduced in value by £1,305,000 due to the market movements in the share prices.

### Western Selection PLC ("Western")

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

On 18<sup>th</sup> September 2020, Western announced unaudited preliminary results showing a loss after tax of £180,000 for the year to 30<sup>th</sup> June 2020 (2019 loss – £2,611,000). Losses per share are 1.0p (2019 - 14.5p).

Western's Board has not recommend payment of an interim or a final dividend for the year, compared to the payment of an interim dividend of 1.1p for 2019.



## Strategic Report (continued)

Western's net assets at market value at 30<sup>th</sup> June 2020 were £8,127,000 equivalent to 45p per share, a decrease of 29.7% from 64p last year.

Our share of the net assets of Western, including the value of Western's investments at market value, was £3,560,000 (2019 - £5,005,000). The fair value for Western recorded in the Statement of Financial Position is the market value of £2,751,000 (2019 - £3,576,000). This represents 17.3% (2019 – 19.3%) 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, Brand Architekts Group plc and Bilby Plc.

An extract from Western's announcement on 18<sup>th</sup> September 2020 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, China and Singapore, 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 2019 on 7<sup>th</sup> April 2020 and recorded a loss after tax of £236,000 for the year (2018- loss after tax £2,409,000). No dividend was recommended by Northbridge and no dividends were received by Western from Northbridge during the year (2019 - £Nil).

Western holds 3,300,000 Northbridge shares which represents 11.8% of Northbridge's issued share capital. The market value of this investment at 30 June 2020 was £2,739,000 (2019 - £4,900,500) which represents approximately 33.7% (2019 – 42 %) of Western's net assets.

#### **Brand Architekts Group plc ("BAG")**

BAG, which is admitted to trading on AIM, is a beauty brands business specialising in the delivery a growing portfolio of innovative and exciting new products, spanning areas such as haircare, skincare and body care, to consumers and retailers. Further information about BAG is available on its website: <https://www.brandarchitekts.com/>

BAG announced its interim results for the 28 week period ended 11<sup>th</sup> January 2020 on 10<sup>th</sup> March 2020 and reported profit after tax of £6,600,000 (2019 final results for the 52 week period - £3,640,000).

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This figure was heavily impacted by the profit of £8.8m on disposal of its manufacturing business, offset by a loss on discontinued operations of £2.5m.

Western holds 1,300,000 BAG shares which represents 7.6% of BAG's issued share capital. The market value has decreased to £1,625,000 (2019 - £2,502,000), which represents approximately 20% (2019 – 21.4%) of Western's net assets.

Edward Beale is a non-executive director of BAG.

### **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 March 2020 on 27 July 2020 showing a profit after tax of £1,379,000 compared to a loss after tax of £8,596,000 for the previous year ended 31 March 2019. No interim dividends were paid during the year and Bilby's Board did not recommend a final dividend (2019 - £67,500).

Western holds 6,336,363 Bilby shares which represents 10.79% of Bilby's issued share capital. Following the additional £400,000 acquisitions during the year, the market value of this investment on 30 June 2020 has increased to £1,235,590 (2019- £877,000), which represents approximately 15.2% (2019 – 7.5%) of Western's net assets.

## **Associated Companies**

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

As announced in our final results on 30<sup>th</sup> September 2019, this investment had been fully provided against. With effect from 8 April 2020 the Company sold its entire shareholding of 441,090 A Ordinary shares and 175,000,000 Preference shares in Tudor Rose International for £3 plus contingent deferred consideration and an option to repurchase the shares at the same value. The option to repurchase the shares may be exercised on any date between 1<sup>st</sup> April 2022 and 31<sup>st</sup> March 2023. No deferred consideration is expected, and the Board does not expect to exercise the option to repurchase the shares.

Edward Beale and David Marshall resigned as directors of the Company with effect from 11<sup>th</sup> March 2020.

### **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 2020, Lonfin held 6,000,000 Finsbury shares, representing 4.6% of Finsbury's issued share capital. The market value of the holding was £3,540,000 as at 30<sup>th</sup> June 2020 (cost - £1,724,000) and represents approximately 22% (2019 – 22%) of Lonfin's net assets.

As at the date of publication, Finsbury has not announced their final results for the year ended 30<sup>th</sup> June 2020 to be able to present in these financial statements.

Edward Beale was a non-executive director of Finsbury up until 23<sup>rd</sup> November 2016.

## Strategic Report (continued)

### General Portfolio

The investments comprising the General Portfolio at 30<sup>th</sup> June 2020 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 2020, the number of holdings in the General Portfolio was 31 (2019 – 30). We have decreased the amount invested in the General Portfolio over the year by £170,000 (2019 - decreased by £49,000).

The opening value of our General Portfolio investments at 30<sup>th</sup> June 2019 was £11,383,000 which compared with a cost of such investments at the same date of £6,208,000. After investment purchases during the year of £163,000 and investment sales (including selling expenses) during the same period of £966,000, the value of the General Portfolio investments as at 30<sup>th</sup> June 2020 had decreased by 13% to £9,948,000. Further details of our General Portfolio investments are set out on page 12.

### Board Changes

Whilst the Board is satisfied that it 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 continue to seek further suitable Board candidates who can add value to the Board.

### 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, finance and head office 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 6 people.

### Dividend

The Board recommends a final dividend of 0.60p (ZAR 12.61848 cents) per share, making a total of 1.15p (ZAR 24.18542 cents) per ordinary share for the year (2019 – 1.15p). Subject to shareholders' approval at the Company's AGM to be held on Wednesday, 25<sup>th</sup> November 2020, the dividend will be paid on Wednesday, 2<sup>nd</sup> December 2020 to those shareholders on the register at the close of business on Friday, 20<sup>th</sup> November 2020. 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, 17<sup>th</sup> September 2020 being GBP1= ZAR 21.0308

### 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, 20<sup>th</sup> November 2020.

- 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.

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**Dividend dates:**

Last date to trade (SA)	Tuesday, 17 <sup>th</sup> November 2020
Shares trade ex-dividend (SA)	Wednesday, 18 <sup>th</sup> November 2020
Shares trade ex-dividend (UK)	Thursday, 19 <sup>th</sup> November 2020
Record date (UK and SA)	Friday, 20 <sup>th</sup> November 2020
Pay date	Wednesday, 2 <sup>nd</sup> December 2020

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 ZAR 12.61848 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 ZAR 10.094784 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 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, 18<sup>th</sup> November 2020 and Friday, 20<sup>th</sup> November 2020, 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 and borrowings 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 no borrowings under this facility.

As an investment company, our principal risks and uncertainties which arise from the Group's financial instruments are:

*Stock market volatility, economic uncertainty and Brexit*

The Group's investment performance will be affected by general economic and market conditions. Although the Group 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.

The United Kingdom left the European Union on 31<sup>st</sup> January 2020 however as trade deal negotiations currently remain unsettled the eventual outcome of Brexit is still unknown. 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 is and will continue to be affected.

Q1 of 2020 also saw the emergence of the novel coronavirus Covid-19 with the United Kingdom going into lockdown on 23<sup>rd</sup> March 2020. Covid-19 has had significant personal and social effects on the world due to the loss of life and locking down of entire countries. In addition to this there has also been a significant financial impact including on the stock market both in the United Kingdom and worldwide which has affected the value of investments as well as their desire to pay dividends.

## Strategic Report (continued)

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

A number of factors outside the control of the Group, such as Covid-19, may impact the share price performance of its investments. Such factors could include investor sentiment, local and international stock market conditions, divergence of results from analysts' expectations, changes in earnings estimates by analysts and changes in political and economic sentiment. Exchange rate movements will contribute to the volatility of prices of foreign stocks.

### *Dividend income*

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

### *Ability to make strategic investments*

There are limited opportunities for the Group to make strategic investments and therefore there is no guarantee that the Group 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 Group may not be able to realise its investment, either at all, or at a price the Group believes reflects fair value.

The depth and overlap of experience of directors means that there is no key-man dependency. Note 21 on pages 39 to 41 sets out the policies of the Board, which have remained substantially unchanged for the year under review, for managing risks associated with its financial instruments.

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

## Key Performance Indicators

Key Performance Indicators ('KPIs') are the yardsticks against which the Board measures the performance of the 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 Group'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 61.

	2020	2019 (restated)	2018	2017	2016
Net assets per share	50.6p	58.5p	65.4p	65.6p	61.4p
Change in net assets per share over 5 years	(17.6%)	17.7%	46%	108%	75%
Dividends (net) per share	1.15p	1.15p	1.15p	1.1p	1.05p

### *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.

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## 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 2019 to 30<sup>th</sup> September 2022. At 30<sup>th</sup> June 2020, the Group had undrawn bank facilities of £1,900,000.

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 46. Similar resolutions have been approved by Shareholders at the Company's previous AGMs.

### S172 Statement

In line with their duties as set out in s172 of the Companies Act 2006, the Board of Directors act in a way they consider would be most likely to promote the long term success of the Group for the benefit of its members as a whole, whilst also having regard to the views and interests of wider stakeholders and matters as set out in S172(1).

As an investment Group, the goal of the Group is to provide financial returns to the shareholders over the long term. In this respect the Board of Directors, at all times, have due consideration as to the potential effect of investment decisions and the benefit they may bring to the shareholders. Key investment decisions and matters that are of strategic importance to the Group are appropriately informed by s172 factors.

With regards to wider stakeholders, the Board of Directors consider the underlying strategic companies in which the Group has invested as well as advisors and suppliers amongst the key stakeholders of the Group. In this respect the Board of Directors engage with these stakeholders on a frequent basis in order to build and strengthen such relationships. It is noted that, due to the nature of the Group, it does not have executives, employees or operations to consider as stakeholders except in the case of City Group PLC.

The views of and impact upon the wider stakeholders of the Group are considered as part of the board decision process including engaging with stakeholders to ensure they have a clear understanding of the long term goals of the Group and how the Board of Directors intend to achieve these goals.

The Board of Directors are committed to upholding the highest standard of corporate governance within the Group and to ensure that they maintain a high level of knowledge and understanding of governance requirements to be implemented by the Group. The Board of Directors have also implemented policies to ensure the integrity and sustainability of the Group is upheld.

The Directors' Report and Corporate Governance report contain further details as to how the Board of Directors undertake their decisions with regards to S172 of the Companies Act 2006 and the effect on the decision making of the Board.

## Outlook

The continued political and economic uncertainty in Europe, where a Brexit trade deal has yet to be delivered, and globally, with Covid-19 and the negative impact from tariff issues, will clearly impact on world economies and we can expect further volatility and turbulence in the markets ahead. Whilst the last 12 months have been challenging for the Group's investments, particularly its Strategic Investments, and we can expect further challenges ahead, the Board is confident that the Group has a solid base of investments which can lead to further capital growth in the medium to long term.

## **Strategic Report (continued)**

### **Future Developments**

The Group's development and its financial performance are dependent on the success of its Investment Strategy and the continued support of its Shareholders. Against a background of challenging and uncertain times in the markets particularly due to Covid-19, the Board continues to seek out investments which will generate growth in shareholder value. The Board also continues to monitor and enhance the quality of investments in the General Portfolio. A resolution was put to Shareholders at last year's 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. The resolution was approved. Aside from this change, the Board continues to pursue its current Investment Policy and has no plans to make any further changes to the policy in the near future. As at 30<sup>th</sup> June 2020, the Company held 31 investments in the General Portfolio.

By Order of the Board

18 September 2020

**City Group PLC**  
Company Secretary

## Composition of General Portfolio

At 30<sup>th</sup> June 2020

	£000	%
L'Oreal	548	5.5
Nestle	540	5.4
LVMH Moet Hennessey	533	5.4
Investor AB 'B'	445	4.5
Pernod Ricard	440	4.4
Unilever	439	4.4
Procter & Gamble Co	434	4.4
Schindler-Holdings AG CHF1.00 REGD (Post Subd)	410	4.1
Heineken Holding	403	4.1
Brown Forman (B)	396	4.0
Antofagasta	375	3.8
Reckitt Benckiser Group	364	3.7
Givaudan	362	3.6
Diageo	342	3.4
Danone	336	3.4
British American Tobacco	304	3.1
Henkel Preferred	311	3.1
Phillip Morris International Inc	289	2.9
3M Co	276	2.8
Becton Dickinson & Co	265	2.7
Exxon Mobil Corp	233	2.3
Deutsche Post	222	2.2
Royal Dutch Shell B	220	2.2
Compagnie Financiere Richemont SA	211	2.1
HSBC Holding	208	2.1
Anheuser Busch Inbev SA	191	1.9
BASF	190	1.9
AP Moeller-Maersk A/S	179	1.8
Otis Worldwide Corp	175	1.8
Raytheon (previously United Technologies Corp)	170	1.7
Imperial Brands	137	1.3
	<b>9,948</b>	<b>100</b>

### Analysis by currency

	£000	%
Euro	3,173	31.9
Sterling	2,390	24.0
US Dollar	2,238	22.5
Swiss Franc	1,523	15.3
Swedish Kronas	445	4.5
Danish Kronas	179	1.8
	<b>9,948</b>	<b>100</b>



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

The Directors are responsible for preparing the Strategic Report, the Directors' Report, the Corporate Governance Statement, the Audit Committee Report, the Directors' Remuneration 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 Group and Parent 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/loss 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.

By Order of the Board

18 September 2020

**City Group PLC**  
Company Secretary

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## Independent auditor's report to the members of London Finance & Investment Group PLC

### Opinion

We have audited the financial statements of London Finance & Investment Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 30<sup>th</sup> June 2020 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 and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the group's and parent company's profit/(loss) for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### 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 and parent company 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, as set out on pages 8 and 9, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, as set out on pages 8, 9 and 44 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, as set out on page 44 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, as set out on page 44 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.

## 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 and fieldwork, 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.

## Group Materiality

Materiality measure	Purpose and basis	Key considerations and benchmarks	Amount £
Group financial statement materiality – Based on 1% of invested assets (the aggregate of non-current and current investments)	Assessing whether the financial statements as a whole present a true and fair view.  Materiality is based on the investment balance on the basis that this is the main driver of the balance sheet.	The value of investments  The level of judgement inherent in the valuation  The range of reasonable alternative valuations	175,000
Specific materiality – classes of transactions and balances other than those at fair value – Based on 5% of estimated normalised EBITDA excluding fair value movements	Under ISA 320, an auditor is required to consider whether there are one or more classes of transactions or account balances, for which misstatements of lesser amounts than materiality could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. This specific level of materiality was used to test non-investment related transactions and balances.	The level of normalised earnings	37,540

We have applied a performance materiality of 80%. We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

We have applied a lower level materiality in the audit of the in-scope component entities i.e. London Finance & Investment Group PLC (Parent), City Group PLC and Lonfin Investments Limited.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of 5% of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

## 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.

Area	Reason	Audit response
<p>Valuation and existence of investments (note 13)</p>	<p>The valuation of the portfolio at 30 June 2020 was £16.239m (2019 - £18.979m), comprising a general portfolio of listed investments and two strategic investments in Western Selection PLC and Finsbury Group PLC.</p> <p>The valuation of 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> <p>Additionally, there is a risk that the investments recorded as held by the Group may not represent assets of the Group.</p>	<p>Investments comprise a general portfolio of listed investments and two separate strategic holdings, we applied our audit procedures to the general portfolio and both the strategic investments. Specifically, we:</p> <ul style="list-style-type: none"> <li>□ 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;</li> <li>□ 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;</li> <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> <li>□ We confirmed the existence of investments through agreeing 100% of the investments held to Custodian reports independently obtained from the Custodian and to share certificates held.</li> </ul> <p>Based on the procedures we performed, we found that the valuation of the Group's investments was supported by the evidence we obtained and that the Group had title to the investments reported in the financial statements.</p>

Area	Reason	Audit response
Revenue recognition - investment income (note 1 & 3)	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>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 of dividends declared by the portfolio companies held.</p> <p>We agreed a sample of income receipts from bank statement to the nominal ledger and vice versa.</p> <p>Based on the procedures we performed, we found that revenue is reasonable based on the evidence obtained.</p>

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group and parent company 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'** (set out on page 56) – 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 reporting** (as set out on pages 55 to 58) – 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** (as set out on page 49) – 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 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 their 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 statement of directors responsibilities in respect of the financial statements, the directors are responsible for the preparation of the group and parent company 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 group and parent company 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.

#### **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 13<sup>th</sup> November 2019. This is the fourth financial period we have audited, and the current engagement partner has a further two years as Senior Statutory Auditor of the 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.

We assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide the basis for our opinion. We planned and conducted our audit so as to obtain reasonable assurance of detecting any material misstatements in the financial statements resulting from irregularities or fraud.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors. We have identified requirements of the Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code and the Companies Act 2006 to be significant in the context of this entity. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

We communicated laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

18 September 2020

15 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

## Consolidated Statement of Total Comprehensive Income

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

Operating Income	Notes	2020 £000	Restated for IFRS 16 2019 £000	2019 £000
Dividends receivable		425	687	687
Rental and other income		150	130	130
Profits on sales of investments		68	15	15
Management service fees		284	260	260
		<u>927</u>	<u>1,092</u>	<u>1,092</u>
Administrative expenses				
Investment operations	4a	(417)	(398)	(398)
Management services	4a	(380)	(328)	(334)
Total administrative expenses		<u>(797)</u>	<u>(726)</u>	<u>(732)</u>
Operating profit	3	130	366	360
Unrealised changes in the carrying value of General Portfolio investments	13	(700)	748	748
Exceptional costs	4b	-	(67)	(67)
Interest payable		(62)	(57)	(34)
(Loss)/Profit before taxation		<u>(632)</u>	990	1,007
Tax income/(expense)	7	(164)	(95)	(95)
(Loss)/Profit after taxation		<u>(796)</u>	895	912
Non-controlling interest		(11)	13	5
(Loss)/Profit attributable to shareholders		<u>(807)</u>	<u>908</u>	<u>917</u>
<b>Other comprehensive income/(expense)</b>				
<i>Items that will not be reclassified to profit or loss</i>				
Unrealised changes in the carrying value of Strategic investments		(1,305)	(3,054)	(3,054)
Other taxation - Deferred tax	7	-	379	379
Total Other Comprehensive (Loss)/Income attributable to shareholders		<u>(1,305)</u>	<u>(2,675)</u>	<u>(2,675)</u>
Total Comprehensive (Loss)/Income attributable to owners of the parent		<u>(2,112)</u>	<u>(1,767)</u>	<u>(1,758)</u>
<b>Reconciliation of headline earnings</b>				
Basic and diluted earnings per share	9	(2.6)p	2.9p	2.9p
Adjustment for the unrealised changes in the carrying value of investments, net of tax		-	-	(2.3)p
Headline earnings per share	9	<u>(2.6)p</u>	<u>2.9p</u>	<u>0.6p</u>

The notes on pages 27 to 42 form part of these financial statements.



## Consolidated Statement of Financial Position

At 30<sup>th</sup> June

	Notes	2020 £000	Restated for IFRS 16 2019 £000	2019 £000
<b>Non-current Assets</b>				
Property, Plant and Equipment	10	31	39	39
Right of use asset	11	512	568	-
Investments	13	6,291	7,596	7,596
		<u>6,834</u>	<u>8,203</u>	<u>7,635</u>
<b>Current Assets</b>				
Listed investments	13	9,948	11,383	11,383
Trade and other receivables	14	166	194	194
Cash and cash equivalents		269	240	240
		<u>10,383</u>	<u>11,817</u>	<u>11,817</u>
<b>Current Liabilities</b>				
Trade and other payables	15	(225)	(232)	(279)
Lease liabilities	11	(52)	(49)	-
Borrowings	16	-	(400)	(400)
		<u>(277)</u>	<u>(681)</u>	<u>(679)</u>
<b>Net Current Assets</b>		<b>10,106</b>	11,136	11,138
<b>Non-current Liabilities</b>				
Lease liabilities	11	(519)	(583)	-
Deferred Taxation	17	(520)	(395)	(395)
		<u>(1,039)</u>	<u>(978)</u>	<u>(395)</u>
<b>Total Assets less Total Liabilities</b>		<b>15,901</b>	18,361	18,378
<b>Capital and Reserves</b>				
Ordinary share capital	18	1,560	1,560	1,560
Share premium account		2,320	2,320	2,320
Unrealised profits and losses on investments		1,708	6,085	6,085
Share of retained realised profits and losses of subsidiaries		4,712	4,565	4,574
Company's retained realised profits and losses		5,498	3,739	3,739
Capital and reserves attributable to owners		<u>15,798</u>	<u>18,269</u>	<u>18,278</u>
Non-controlling interests		103	92	100
<b>Total Capital and Reserves</b>		<b>15,901</b>	18,361	18,378

Approved and authorised by the Board  
On 18 September 2020

**Edward Beale**  
Director

The notes on pages 27 to 42 form part of these financial statements.

## Company Statement of Financial Position

At 30<sup>th</sup> June

	Notes	2020 £000	2019 £000
<b>Non-current Assets</b>			
Investments in Group companies	12	<u>2,074</u>	<u>528</u>
<b>Current Assets</b>			
Listed investments	13	9,948	11,383
Trade and other receivables	14	16	23
Cash and cash equivalents		<u>91</u>	<u>101</u>
		<u>10,055</u>	<u>11,507</u>
<b>Current Liabilities</b>			
Trade and other payables	15	(132)	(131)
Borrowings	16	-	(400)
		<u>(132)</u>	<u>(531)</u>
<b>Net Current Assets</b>		<u>9,923</u>	<u>10,976</u>
<b>Deferred Taxation</b>	17	<u>(520)</u>	<u>(395)</u>
<b>Total Assets less Total Liabilities</b>		<u>11,477</u>	<u>11,109</u>
<b>Capital and Reserves</b>			
Ordinary share capital	18	1,560	1,560
Share premium account	18	2,320	2,320
Unrealised profits and losses on investments	18	<u>2,099</u>	<u>3,490</u>
		<u>5,979</u>	<u>7,370</u>
<b>Realised Profit and Loss</b>			
Balance at 1 <sup>st</sup> July		3,739	4,253
Net Profit/(Loss)/ for the period		2,118	(154)
Dividends paid		<u>(359)</u>	<u>(360)</u>
Balance at 30 <sup>th</sup> June		<u>5,498</u>	<u>3,739</u>
<b>Equity shareholders' funds</b>		<u>11,477</u>	<u>11,109</u>

Under Section 408 of the Companies Act 2006, the Parent Company is exempt from the requirement to present its own income statement.

Approved and authorised by the Board  
On 18 September 2020

**Edward Beale**

*Director*

London Finance & Investment Group PLC  
Registered in England and Wales – Number 201151

The notes on pages 27 to 42 form part of these financial statements.

## Consolidated Statement of Cash Flows

For the year ended 30th June

	Notes	2020 £000	Restated for IFRS 16 2019 £000	2019 £000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax		(632)	990	1,007
<i>Adjustments for non-cash -</i>				
Finance expense		62	57	34
Depreciation charges		10	13	13
Depreciation on right of use asset		62	46	-
Unrealised changes in the fair value of investments	13	1,265	(756)	(756)
Realised gain on disposal of investments	13	(633)	(7)	(7)
Decrease in trade and other receivables		10	58	58
Decrease in trade and other payables		(7)	(112)	(83)
Taxes paid	7	(39)	(44)	(44)
<b>Net cash inflow from operating activities</b>		<b>98</b>	<b>245</b>	<b>222</b>
<b>Cash flows from investment activity</b>				
Acquisition of property, plant and equipment		(2)	(39)	(39)
Acquisition of current investments		(163)	(611)	(611)
Proceeds from disposal of current investments	13	966	667	667
<b>Net cash inflow from investment activity</b>		<b>801</b>	<b>17</b>	<b>17</b>
<b>Cash flows from financing</b>				
Interest paid		(31)	(18)	(18)
Interest paid on lease liabilities		(31)	(23)	-
Repayment of lease liabilities		(49)	-	-
Equity dividends paid		(359)	(360)	(360)
Net (repayment)/drawdown of loan facilities	16	(400)	75	75
<b>Net cash outflow from financing</b>		<b>(870)</b>	<b>(326)</b>	<b>(303)</b>
<b>Increase/(Decrease) in cash and cash equivalents</b>	20	<b>29</b>	<b>(64)</b>	<b>(64)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>240</b>	<b>304</b>	<b>304</b>
<b>Cash and cash equivalents at end of the year</b>		<b>269</b>	<b>240</b>	<b>240</b>

The notes on pages 27 to 42 form part of these financial statements

## Company Statement of Cash Flows

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

	Notes	2020 £000	2019 £000
<b>Cash flows from operating activities</b>			
Profit before tax		891	644
<i>Adjustments for non-cash and non-operating activities -</i>			
Finance expense		31	35
Release of Impairment provision	12	(1,681)	-
Unrealised changes in the fair value of investments	13	1,266	(756)
Realised gain on disposal of investments	13	(633)	(7)
Decrease in trade and other receivables		7	13
Decrease in trade and other payables		(16)	(11)
Overseas Taxes paid	7	(39)	(43)
<b>Net cash outflow from operating activities</b>		<u>(174)</u>	<u>(125)</u>
<b>Cash flows from investment activity</b>			
Acquisition of investments		(163)	(611)
Proceeds from disposal of investments		966	667
<b>Net cash inflow from investment activity</b>		<u>803</u>	<u>56</u>
<b>Cash flows from financing</b>			
Interest paid		(15)	(18)
Equity dividends paid		(359)	(360)
Decrease in loan to subsidiary	12	135	374
Net (repayment)/drawdown of loan facilities	16	(400)	75
<b>Net cash (outflow)/inflow from financing</b>		<u>(639)</u>	<u>71</u>
<b>(Decrease)/Increase in cash and cash equivalents</b>		<b>(10)</b>	<b>2</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>101</u>	<u>99</u>
<b>Cash and cash equivalents at end of the year</b>		<u>91</u>	<u>101</u>

The notes on pages 27 to 42 form part of these financial statements.

Consolidated Statement of Changes in Shareholders' Equity

	Ordinary Share Capital	Share Premium Account	Unrealised profits and losses on Investments	Share of Retained realised profits and losses of Subsidiaries	Company's retained realised profits and losses	Total	Non- Controlling Interests	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Year ended 30<sup>th</sup> June 2020</b>								
Balances at 1 <sup>st</sup> July 2019	<u>1,560</u>	<u>2,320</u>	<u>6,085</u>	<u>4,565</u>	<u>3,739</u>	<u>18,269</u>	<u>92</u>	<u>18,361</u>
(Loss)/profit for the Year	-	-	(1,391)	147	437	(807)	11	(796)
Other Comprehensive Income	-	-	(1,305)	-	-	(1,305)	-	(1,305)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(2,696)</u>	<u>147</u>	<u>437</u>	<u>(2,112)</u>	<u>11</u>	<u>(2,101)</u>
Impairment provision released	-	-	(1,681)	-	1,681	-	-	-
Dividends paid and total transactions with shareholders	-	-	-	-	(359)	(359)	-	(359)
Balances at 30 <sup>th</sup> June 2020	<u>1,560</u>	<u>2,320</u>	<u>1,708</u>	<u>4,712</u>	<u>5,498</u>	<u>15,798</u>	<u>103</u>	<u>15,901</u>
<b>Year ended 30<sup>th</sup> June 2019 (Restated for IFRS 16)</b>								
Balances at 1 <sup>st</sup> July 2018	<u>1,560</u>	<u>2,320</u>	<u>8,056</u>	<u>4,207</u>	<u>4,253</u>	<u>20,396</u>	<u>105</u>	<u>20,501</u>
Profit/(loss) for the Year	-	-	704	367	(154)	917	(5)	912
IFRS 16 Adjustment	-	-	-	(9)	-	(9)	(8)	(17)
Other Comprehensive Income	-	-	(2,675)	-	-	(2,675)	-	(2,675)
Total comprehensive income	<u>-</u>	<u>-</u>	<u>(1,971)</u>	<u>358</u>	<u>(154)</u>	<u>(1,767)</u>	<u>(13)</u>	<u>(1,756)</u>
Dividends paid and total transactions with shareholders	-	-	-	-	(360)	(360)	-	(360)
Balances at 30 <sup>th</sup> June 2019	<u>1,560</u>	<u>2,320</u>	<u>6,085</u>	<u>4,565</u>	<u>3,739</u>	<u>18,269</u>	<u>92</u>	<u>18,361</u>

The notes on pages 27 to 42 form part of these financial statements.

## Company Statement of Changes in Shareholders' Equity

	Ordinary Share Capital	Share Premium Account	Unrealised profits and losses on Investments	Realised profits and losses	Equity Total
	£000	£000	£000	£000	£000
<b>Year ended 30<sup>th</sup> June 2020</b>					
Balances at 1 <sup>st</sup> July 2019	1,560	2,320	3,490	3,739	11,109
(Loss)/profit for the Year and total comprehensive income	-	-	(1,391)	2,118	727
Dividends paid and total transactions with shareholders	-	-	-	(359)	(359)
	<u>1,560</u>	<u>2,320</u>	<u>2,099</u>	<u>5,498</u>	<u>11,477</u>
<b>Balances at 30<sup>th</sup> June 2020</b>					
<b>Year ended 30<sup>th</sup> June 2019</b>					
Balances at 1 <sup>st</sup> July 2018	1,560	2,320	2,786	4,253	10,919
Profit/(loss) for the Year and total comprehensive income	-	-	704	(154)	550
Dividends paid and total transactions with shareholders	-	-	-	(360)	(360)
	<u>1,560</u>	<u>2,320</u>	<u>3,490</u>	<u>3,739</u>	<u>11,109</u>
<b>Balances at 30<sup>th</sup> June 2019</b>					

The notes on pages 27 to 42 form part of these financial statements.

## Notes to the Financial Statements

For the year ended 30<sup>th</sup> June 2020

### 1. Accounting Policies

The consolidated financial statements of the London Finance & Investment Group PLC 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 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) 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 2020. The non-controlling interests are wholly attributable to equity interests in subsidiaries. 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.

(ii) 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.

(iii) 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 strategic and general portfolio investments and are recognised as being at 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.

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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.

Derivative financial instruments, which have been entered into to hedge future cash flows but which for accounting purposes are not designated as hedging instruments consist of an Interest rate swap contract. This is initially measured at fair value and is revalued at subsequent reporting dates using bank valuation.

- 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 or loss for the year. Taxable profit or loss differs from net profit or loss 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.
- (viii) Property plant and equipment - Computer and electronic equipment expenditure of less than £2,500 is written off in the year of acquisition. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is de-recognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Property, plant and equipment are depreciated at rates calculated to write off the cost of relevant assets over their effective useful economic lives. Depreciation is charged at the following rates:

Leasehold improvements – over the life of the lease  
Office equipment – 20% on cost



## Notes to the Financial Statements (continued)

### 1. Accounting Policies (continued)

- (ix) Leases - At lease commencement date, the Group recognises a right-of-use asset and a lease liability in the Statement of Financial Position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and an estimate of any costs to dismantle and remove the asset at the end of the lease.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate of the Group's incremental borrowing rate (5%).

Lease payments included in the measurement of the lease liability are made up of fixed payments, payments arising from options reasonably certain to be exercised and amounts expected to be payable under a residual value guarantee.

If the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use Asset.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from Property, Plant and Equipment and Trade and other payables.

- (x) Cash and cash equivalents comprise cash balances.

### 2. Changes in accounting policies and disclosures

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

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. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17. 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.

The Group has only one operating lease that was affected by the new standard. The right of use of asset and lease liability have been estimated based on a 5% discount factor and the cashflows predicted over the 10-year lease life. The Income statement was affected with additional depreciation and interest charges which replaced rental costs.

The application of IFRS 16 requires the Group to make judgements that affect the calculation of the lease. These include: determining the discount rate of future cashflows, which is based on the costs of capital, and determining the rental costs, where an expected increase of 10% has been applied at the 5 year review point.

The Group has applied the full retrospective approach and has restated the comparative figures for the year prior to first adoption (note 11).

No other new standards, amendments or interpretations, effective for the first time for financial years beginning on or after 1<sup>st</sup> January 2019 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 2020 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.

## 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	
		Restated for IFRS		Restated for IFRS
	2020	2019	2020	2019
	£000	£000	£000	£000
Dividends – Listed investments	425	687	-	-
Rental and other income	-	-	150	131
Profits on sales of investments, including provisions	68	15	-	-
Management services fees	-	-	284	260
<b>Operating income</b>	<b>493</b>	<b>702</b>	<b>434</b>	<b>391</b>
Administration expense – normal	(417)	(399)	(380)	(328)
<b>Operating profit</b>	<b>76</b>	<b>303</b>	<b>54</b>	<b>63</b>

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

## 4. Administration Expenses

		Restated for IFRS	
	2020	2019	
	£000	£000	
<b>a)</b>			
<b>Administration expenses include:</b>			
Depreciation	10	13	
Depreciation on Right of use asset	62	46	
Auditors' remuneration	- Audit services	27	25
Directors' emoluments	- Note 5	76	76
Staff Costs	- Note 6	392	384
<b>b)</b>			
<b>Exceptional costs</b>	- Office move*	-	67

\*Includes relocation costs and additional rent charges

## Notes to the financial statements (continued)

### 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 60 to 66.

#### *Related Party Disclosures*

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

Western is a company incorporated in England with its registered office at 1 Ely Place, London, EC1N 6RY. 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's shareholdings in Lonfin, and Mr E.J. Beale's share options, are set out in the Directors' Report on pages 43 to 48.

Lonfin and Western own City Group in the ratio 51.4% and 48.6% respectively. City Group provides office accommodation, company secretarial, finance and head office services to both Lonfin and Western and to various other 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 £413,000 (2019 - £406,480) for the year under review. At the reporting date the aggregate balance due in respect of fees invoiced was £118,000 (2019 - £130,000). Settlement is within normal credit terms.

At 30<sup>th</sup> June 2020, as disclosed in Notes 13 and 14 below, City Group owed the Company £Nil (2019 – £5,000) and it owed City Group £55,000 (2019 - £60,000) for fees. The Company was also owed £304,000 (2019 - £439,000) 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, excluding Group Directors' fees which are shown in the Directors' Remuneration Report on pages 59 to 65, were:

	<b>2020</b>	2019
	<b>£000</b>	£000
Salaries	<b>337</b>	330
Social security costs	<b>40</b>	41
Defined contribution pension scheme contributions	<b>15</b>	13
	<b>392</b>	384
The average weekly number of staff employed, excluding Group Directors, was:	6	6

## 7. Tax Expense

	2020 £000	Restated for IFRS 16 2019 £000
<b>The tax charge for the year comprises:</b>		
Tax on overseas investment income	39	43
Corporation tax	-	1
Deferred Tax	125	51
Tax charged	<u>164</u>	<u>95</u>

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

(Loss)/profit on ordinary activities before taxation	<u>(632)</u>	990
Taxation at 19% (2019 – 19%)	<u>(120)</u>	188
<b>Effects of:</b>		
Non-taxable items – fair values and franked income	323	(180)
Loss (utilised)/carried forward	(39)	86
Under provision	-	1
<b>Tax (credited)/charged</b>	<u>164</u>	<u>95</u>
<b>Other tax:</b>		
Deferred tax	-	(379)
Corporation tax	-	-
<b>Other tax impacting other comprehensive income</b>	<u>-</u>	<u>(379)</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 latest budget announcement that corporation tax rates will remain at 19% 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.

## Notes to the financial statements (continued)

### 8. Dividends

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

	2020 Per Share	2019 Per Share
Final dividend for the prior year ended 30 <sup>th</sup> June	0.60p	0.60p
Interim dividend for the current year ended 30 <sup>th</sup> June	0.55p	0.55p

The total dividends paid and to be paid in 2020 and 2019 were £359,000 (1.15p per share) and £360,000 (1.15p per share) respectively. A final dividend in respect of the year ended 30<sup>th</sup> June 2020 of 0.60p per share is to be proposed at the AGM to be held on 25<sup>th</sup> November 2020. These financial statements do not reflect this dividend.

### 9. Earnings per share

<b>Reconciliation of headline earnings</b>	2020	2019
Basic and headline (loss)/earnings per share, based on the loss attributable to the shareholders after tax and non-controlling interests of £807,000 (2019 – restated profit £908,000) and on 31,207,479 shares issued	<b>(2.6)p</b>	2.9p
Diluted (loss)/earnings per share, based on the loss attributable to the shareholders after tax and non-controlling interests of £807,000 (2019 – restated profit £908,000) and on 31,207,479 shares issued plus 80,000 share options granted in 2016.	<b>(2.6)p</b>	2.9p

### 10. Property, Plant and Equipment

<b>Group</b>	Office Equipment <b>£000</b>
At cost – 1 <sup>st</sup> July 2019	82
Additions in the year	2
Disposals in the year	-
30 <sup>th</sup> June 2020	<u>84</u>
Depreciation	
Balance – 1 <sup>st</sup> July 2019	43
Charges for the year	10
Disposals in the year	-
30 <sup>th</sup> June 2020	<u>53</u>
<b>Net book amount 30<sup>th</sup> June 2020</b>	<u><u>31</u></u>
Net book amount 30 <sup>th</sup> June 2019	<u>39</u>

The office equipment is held by a subsidiary company.

## 11. Operating leases

The Group has an operating lease commitment in respect of an office property entered into in October 2018 which terminates in October 2028. The Company has guaranteed the obligations under this lease.

<b>Right of use asset – Office</b>	<b>2020</b>	Restated for IFRS 16 2019
	<b>£000</b>	£000
At cost – 1 <sup>st</sup> July and 30 <sup>th</sup> June	614	614
Adjustment to cost	6	-
	<u>620</u>	<u>614</u>
Depreciation		
Balance – 1 <sup>st</sup> July	(46)	-
Charges for the year	(62)	(46)
<b>Depreciation 30<sup>th</sup> June</b>	<u>(108)</u>	<u>(46)</u>
<b>Net book amount 30<sup>th</sup> June</b>	<u>512</u>	<u>568</u>
<b>Lease Liabilities</b>	<b>2020</b>	2019 Restated for IFRS 16
	<b>£000</b>	<b>£000</b>
Current	52	49
Non-Current	519	583
<b>Total Lease Liabilities</b>	<u>571</u>	<u>632</u>
<i>Maturity Analysis</i>		
Less than one year	52	49
One to five years	251	231
More than five years	268	352
<i>Amounts recognised in the Consolidated Statement of Total Comprehensive Income</i>		
Interest on lease liabilities	<u>31</u>	<u>23</u>

## Notes to the financial statements (continued)

### 12. Investment in Group companies

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

	Principal Activities	Percentage of Equity	2020 £000	2019 £000
Held by the Company – at cost				
City Group PLC	Management services	51.4%	89	89
Lonfin Investments Limited	Investment holding	100%	-	-
Loan to subsidiary at 1 <sup>st</sup> July			2,120	2,494
Amount repaid in the year			(135)	(374)
Loan to subsidiary before provision at 30 <sup>th</sup> June			1,985	2,120
Provision			-	(1,681)
- Loan to subsidiary as at 30 <sup>th</sup> June			1,985	439
			<b>2,074</b>	<b>528</b>

The address of the registered office of these subsidiaries is 1 Ely Place, London EC1N 6RY.

### 13. Investments

	General Portfolio £000	Strategic Holdings		Total £000
		Western Selection £000	Finsbury Food Group £000	
<b>Cost at 1<sup>st</sup> July 2019</b>	<b>6,208</b>	<b>6,159</b>	<b>1,723</b>	<b>14,090</b>
Opening unrealised gain/(losses)	5,175	(2,583)	2,297	4,889
<b>Opening valuation as at 1<sup>st</sup> July 2019</b>	<b>11,383</b>	<b>3,576</b>	<b>4,020</b>	<b>18,979</b>
<i>Movements in the year</i>				
Purchases	163	-	-	163
Sales - proceeds	(966)	-	-	(966)
Realised gain on disposal	633	-	-	633
Net unrealised gains transferred to realised gain on disposal	(565)	-	-	(565)
Unrealised fair value losses in the year	(700)	(825)	(480)	(2,005)
<b>Closing valuation at 30<sup>th</sup> June 2020</b>	<b>9,948</b>	<b>2,751</b>	<b>3,540</b>	<b>16,239</b>

	Strategic Holdings			Total £000
	General Portfolio £000	Western Selection £000	Finsbury Food Group £000	
<b>Cost at 1<sup>st</sup> July 2018</b>				
<b>Cost at 1<sup>st</sup> July 2018</b>	6,256	6,159	1,723	14,138
Opening unrealised gain/(losses)	4,420	(2,229)	4,997	7,188
<b>Opening valuation as at 1<sup>st</sup> July 2018</b>	<b>10,676</b>	<b>3,930</b>	<b>6,720</b>	<b>21,326</b>
<i>Movements in the year</i>				
Purchases	611	-	-	611
Sales - proceeds	(667)	-	-	(667)
Realised gain on disposal	7	-	-	7
Net unrealised gains transferred to realised gain on disposal	8	-	-	8
Unrealised fair value gains/(losses) in the year	748	(354)	(2,700)	(2,306)
<b>Closing valuation at 30<sup>th</sup> June 2019</b>	<b>11,383</b>	<b>3,576</b>	<b>4,020</b>	<b>18,979</b>
<b>Cost at 30<sup>th</sup> June 2020</b>	<b>6,038</b>	<b>6,159</b>	<b>1,723</b>	<b>13,920</b>
<b>Unrealised gain/(losses) at 30<sup>th</sup> June</b>	<b>3,910</b>	<b>(3,408)</b>	<b>1,817</b>	<b>2,319</b>
<b>Closing valuation at 30<sup>th</sup> June 2020</b>	<b>9,948</b>	<b>2,751</b>	<b>3,540</b>	<b>16,239</b>

Western Selection PLC, a subsidiary undertaking, is traded on the Aquis 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 2020 and 30<sup>th</sup> June 2019, Western had 17,949,872 ordinary shares of 40p each in issue, of which 7,860,515 shares (43.8%) are held by the Company's wholly owned subsidiary, Lonfin Investments Limited.

Extracts from Western's unaudited results are as follows:	2020 £000	2019 £000
(Loss)/Profit after tax	(180)	(2,611)
Non-current assets	5,752	8,434
Current assets	2,502	3,115
Liabilities within one year	(127)	(123)
Capital	7,180	7,180
Reserves		
Share Premium account	2,654	2,654
Capital Reserve account	3	3
Net asset value per share	45p	64p
Value of investment in Western at Net asset value per share	3,560	5,005
Middle market price per share on 30 <sup>th</sup> June	35p	45.5p
Value of investment in Western at market value	2,751	3,576



## Notes to the financial statements (continued)

### 14. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Trade debtors	124	129	-	-
Other debtors	13	25	-	5
Prepayments and accrued income	29	40	16	18
	<u>166</u>	<u>194</u>	<u>16</u>	<u>23</u>

### 15. Trade and other payables

	Group		Company	
	2020	Restated for IFRS 16 2019	2020	2019
	£000	£000	£000	£000
Group companies	-	-	55	60
Other taxes	-	25	-	-
Other creditors	92	92	-	5
Trade creditors	10	18	5	9
Accruals	86	78	35	38
Derivative financial instrument	37	19	37	19
	<u>225</u>	<u>232</u>	<u>132</u>	<u>131</u>

### 16. Borrowings

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank revolving credit facility	-	400	-	400

The Group has not drawn down on 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 has 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 2020 is a liability of £37,000, and as it is not material, it is presented in Trade and other Payables, Note 15, as a Derivative financial instrument.

## 17. Deferred taxation

The Group has provided £520,000 in respect of potential taxation on unrealised investment gains (2019 - £395,000). This is after taking into account available tax losses of £223,000 (2019: £562,000).

	<b>Group</b>	Group	<b>Company</b>	Company
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 <sup>st</sup> July	395	722	395	343
Profit or Loss	125	52	125	52
Other Comprehensive Income	-	(379)	-	-
Balance at 30 <sup>th</sup> June	<u>520</u>	<u>395</u>	<u>520</u>	<u>395</u>

Deferred tax has been provided at a weighted average of 19% (2019: 19%).

## 18. Share Capital and Reserves

	<b>Company and Group</b>	
	<b>2020</b>	2019
	<b>£000</b>	£000
Allotted, issued and fully paid ordinary shares of 5p each 31,207,479 at 1 <sup>st</sup> July 2019 and 30 <sup>th</sup> June 2020	<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: -

	<b>Description and purpose</b>
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 retained realised profits and losses of subsidiaries	The Group's share of cumulative undistributed post-acquisition gains and losses of subsidiaries recognised in the income statement.
Company's retained 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.

## Notes to the financial statements (continued)

### 18. Share Capital and Reserves (continued)

#### 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 2019) 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 be exercised no later than the tenth anniversary of the date of grant and had not been exercised as at 30<sup>th</sup> June 2020. 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 has been booked for these share options.

### 19. 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 disclosed in Note 6 and in the Directors' Remuneration Report on pages 60 to 66.

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

Group	At start of year	Cash Flow	Non-cash transactions	At end of year
	£000	£000	£000	£000
<b>2019/2020</b>				
Cash at bank	240	29	-	<b>269</b>
Borrowings (Couotts)	(400)	400	-	-
Lease liability	(632)	80	(19)	<b>(571)</b>
Net Cash/(Debt)	<u>(792)</u>	<u>509</u>	<u>(19)</u>	<u><b>(302)</b></u>
<b>2018/2019</b>				
Cash at bank	304	(64)	-	<b>240</b>
Borrowings (Couotts)	(325)	(75)	-	<b>(400)</b>
Lease liability	-	23	(655)	<b>(632)</b>
Net Debt	<u>(21)</u>	<u>(116)</u>	<u>(655)</u>	<u><b>(792)</b></u>

### 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 investment's 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>2020</b>	Restated for IFRS 16 2019 £000
<b>Financial assets</b>	<b>£000</b>	<b>£000</b>
<i>At fair value through Other comprehensive income</i>		
Non-current investments (strategic investments)	<b>6,291</b>	7,596
<i>At fair value through profit or loss</i>		
Current asset investments (general portfolio)	<b>9,948</b>	11,383
<b>Loans and receivables at amortised costs</b>		
Trade and other receivables	<b>166</b>	194
Cash at bank	<b>269</b>	240
<b>Financial liabilities</b>		
<i>At amortised costs</i>		
Trade and other payables (including corporation tax)	<b>188</b>	213
Lease liabilities	<b>571</b>	632
Borrowings	-	400
<i>At fair value through profit or loss</i>		
Derivative financial instrument	<b>37</b>	19

### 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% (2019 – 3.25%) and on deposits was nil. The sensitivity of the Group to a 1% change in interest rates would have been £9,600 in the current year (2019 – £10,600).

In order to minimise the impact from possible interest rate fluctuations the Company entered into an Interest rate swap agreement with Coutts & Co on 1<sup>st</sup> October 2018. The fair value of the Interest rate swap, a derivative financial instrument as at 30<sup>th</sup> June 2020 is a liability of £37,000 (2019 - £19,100).

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>Currency</b>	<b>2020</b>	2019
	<b>£000</b>	£000
Euro	<b>3,173</b>	3,510
Swiss Franc	<b>1,523</b>	1,664
US Dollar	<b>2,238</b>	2,470
Danish kroner	<b>179</b>	208
Swedish kroner	<b>445</b>	525
	<b>7,558</b>	8,377

## Notes to the financial statements (continued)

### 21. Financial Instruments (continued)

The sensitivity to a 1% change in the sterling exchange rate would be to increase or decrease the fair values as set out by £74,829 in aggregate (2019 - £83,770).

#### 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, none of which was drawn down at 30<sup>th</sup> June 2020. 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 £62,000 (2019 - £76,000) 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 £99,500 (2019 - £113,800) 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.

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**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 2020, is disclosed below:

Company	Country	% ownership
Lonfin Investments Limited	United Kingdom	100%
City Group PLC	United Kingdom	51.4%
Western Selection PLC*	United Kingdom	43.8%

*\*No individual investor has control of the company*

## Directors' Report

The Directors present their Report for the year ended 30<sup>th</sup> June 2020. 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 49 to 54 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 30 and 40 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.

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## Going Concern

Covid-19 was declared a global pandemic on 11<sup>th</sup> March 2020 and has had a profound personal, social and financial impact around the world. On the 23<sup>rd</sup> March 2020 the United Kingdom went into lockdown which impacted all areas of the economy. Consequently, there have been large fluctuations on stock markets in both the United Kingdom and globally, and stock market indices have recovered substantially since their lows in March 2020. The long term effect is likely to be on dividends cancelled, deferred, or re-based, and on increased volatility.

At the time of writing the pandemic continues to have an effect on both the United Kingdom and global economies and, with the potential for new waves of the pandemic occurring, it is not possible to say with any certainty when the effects of the pandemic may dissipate substantially.

In response to these uncertainties the Board has sought to minimise the risks to the Group and are actively monitoring the performance of the Group's investments. Due to the relatively low cost of operating the Group compared to the high value of assets held and that the Group has access to funds that will allow the Group and Parent Company to continue trading, the Board is satisfied that the Group shall continue to be able to meet its financial obligations as they fall due both in the short and longer term. The board will continue to seek out investment opportunities that will enhance the financial performance of the Group.

The Board continues to adopt the going concern basis of accounting in the preparation of these 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 8 and 9 and in Note 21 to the Financial Statements (Financial Instruments) on pages 39 to 41.

## 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 8 and 9;
- the potential operational and financial impacts of these risks and uncertainties in severe but plausible scenarios together with the effectiveness of any mitigating actions;
- the 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 2025.



## Directors' Report (continued)

### 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 2019 and 2020 is set out below:

	30 <sup>th</sup> June 2020	30 <sup>th</sup> June 2019
	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.H. Maxwell	65,000	65,000
E.J. Beale	-	-
W.H. Marshall *	12,890,693	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. W.H. Marshall, overlaps with the interest of Mr. D.C. Marshall. Neither Mr

† 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.

On 29<sup>th</sup> February 2016, 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 be exercised no later than the tenth anniversary of the date of grant.

There have been no changes in directors' share interests between 1<sup>st</sup> July 2020 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, Mr E.J. Beale and Mr W. H. Marshall will retire and, being eligible, offer themselves for re-election as directors at the AGM on 25<sup>th</sup> November 2020.

### Substantial Interests

In addition to the directors' shareholdings shown above, as at 30<sup>th</sup> June 2020, 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	14,928,832	47.8%
W.T. Lamb Investments Limited	4,629,000	14.8%
Winterflood Client Nominees Limited	2,174,524	7.0%

No changes to the significant holdings set out above have been notified to the Company between 1<sup>st</sup> July 2020 and the date of this report.

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## Independent Auditor

The respective responsibilities of the Directors and the Independent Auditor, PKF Littlejohn LLP, in connection with the financial statements appear on pages 14 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 to be held on 25<sup>th</sup> November 2020 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 50 to 55

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 25<sup>th</sup> November 2020, can be found on pages 67 to 71 and sets out the business to be considered at the meeting. Resolutions 1 to 11 will be proposed as Ordinary Resolutions and Resolution 12 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 in the Directors' Remuneration Report on pages 60 to 67 provides information on the Directors' remuneration. Resolution 4 proposes the approval of the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, which will be the subject of Resolution 3.

### **Resolutions 4, 5, 6, 7 and 8**

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

The Directors, David Marshall, Dr Frank Lucas, John Maxwell, Edward Beale and Warwick Marshall, are subject to annual re-election. Accordingly, each of these Directors will retire at the AGM on 25<sup>th</sup> November 2020 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 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 25<sup>th</sup> November 2020.

### **Resolution 10**

#### ***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 2020. 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.

## Directors' Report (continued)

### Annual General Meeting (AGM) (continued)

#### **Resolution 11**

##### ***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 17<sup>th</sup> September 2020 (being the latest practicable date prior to publication of this report). The power given by this resolution shall expire upon the expiry of the authority conferred by Resolution 11 set out above, Although the directors will be entitled to make offers or agreements before the expiry of that power which would or might require equity securities to be allotted.

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 17<sup>th</sup> September 2020 (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 2020 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.

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## **Political and Charitable Donations**

No political or charitable donations have been made during this last 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 2020, the Group purchased electricity equating to a carbon dioxide equivalent of 10 tonnes (1 tCO<sub>2</sub>e/employee) (2019 – 10 tonnes).

By Order of the Board

18 September 2020

**City Group PLC**  
Company Secretary

## 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 from time to time by the Financial Reporting Council (FRC), 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 apply to companies whose accounting periods commence on or after 1<sup>st</sup> January 2019. Accordingly, for the year ended 30<sup>th</sup> June 2020, the Company has applied the principles of the 2018 UK Corporate Governance Code and confirms its compliance with those principles or has duly explained any non-compliance.

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 2018 UK Corporate Governance Code (the “Code”). The Company has been in full compliance with the Code throughout the year ended 30<sup>th</sup> June 2020.

### 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 Chairman

The board has reviewed the independence of the Chairman in respect of David Marshall having served more than nine years on the board. The board consider David Marshall to be an effective Chairman who continues to use independent judgement in his role and brings a wealth of experience to the role. The Board are therefore are satisfied that David Marshall continue in hie role as Chairman.

### 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 Nex Exchange Growth Market (Now Aquis Growth Market) corporate adviser to Western until June 2018.

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## **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 the 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 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 the 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.

## **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, subject to constraints imposed as a result of covid-19

## Corporate Governance Statement (continued)

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 six occasions during the year; there were also four Audit Committee meetings, one Remuneration Committee meeting and one Nomination 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 the year to 30 <sup>th</sup> June 2020	6	4		1
D.C. Marshall	5	-	-	-
F.W.A. Lucas	5	3	1	
J.H. Maxwell	6	4	1	1
E.J. Beale	6	1	-	1
W. H. Marshall	3	-	-	-

### 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. The **Nomination Committee** is chaired by John Maxwell and its other member is Dr Frank Lucas. 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.

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## **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 55 to 58.

## **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 62 to 64. 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. 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.

## **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.



## **Corporate Governance Statement (continued)**

### **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, who were 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.

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Shareholder communication centres primarily on the publication of annual and interim accounts and occasional press releases and trading updates. The Chairman is available for discussions with Shareholders throughout the year and particularly at the time of results announcements. Mr J. H. Maxwell, the Senior Independent Non-Executive Director, is also always available should a Shareholder wish to draw any matters to his attention.

The Annual General Meeting provides a forum for discussion by Shareholders with the Board. Shareholders are encouraged to attend the AGM and to participate in proceedings by asking questions during the formal part of the meeting, voting on the resolutions put to the meeting and providing Board members with their views in informal discussions after the meeting. 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 (1 Ely Place, London EC1N 6RY; Tel: 020 7796 9060).

**David Marshall**  
*Chairman*

18 September 2020

## 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 four occasions in the year ended 30<sup>th</sup> June 2020, in August 2019, twice in September 2019 and in February this year. After the year end, the Committee met in 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.

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The Audit Committee has undertaken the following activities in the year ended 30<sup>th</sup> June 2020 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 2020 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 2020 Annual Report & Financial Statements to be 'fair, balanced and understandable'.

The Group's 2020 interim results and report were also reviewed and considered by the Committee prior to publication in February 2020.

### ***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 2020 Annual Report & Financial Statements and for the 2020 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 2020 and are set out in the Directors' Report on page 44.

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 2025, could be made in the 2020 Annual Report & Financial Statements for the reasons set out in the Directors' Report on page 44.

### ***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 particularly with reference to the on-going effects of Covid-19.

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.

## **Audit Committee Report (continued)**

### ***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 2020, 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 2019.

The Committee meets each year with the Independent Auditor. The Company's Independent Auditor, PKF Littlejohn LLP, provided a detailed planning report in advance of the annual audit work. The Committee was able to review PKF Littlejohn LLP's 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. City Group has confirmed to the Committee that 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 2020 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 at the Company's forthcoming AGM.

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## 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 downloaded from City Group's website [www.city-group.com/london-finance-investment-group-plc](http://www.city-group.com/london-finance-investment-group-plc)

Due to Covid-19 restrictions, the Company will hold a closed AGM to ensure compliance with the local requirements as set out by the UK Government. Shareholders are encouraged to submit their proxy forms by the deadline of 12.30 p.m. (13.30 p.m. South Africa time) on 23 November 2020 to ensure their votes are counted and to email any questions that they may have to [mail@city-group.com](mailto:mail@city-group.com).

**Dr Frank Lucas**  
*Chairman of the Audit Committee*

18 September 2020

## Directors' Remuneration Report

### Remuneration 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 senior managers. The Committee will ensure that the arrangements are aligned to the Company's strategy, the aim of which is to promote long term sustainable success and generate growth in shareholder value in real terms over the medium to long term whilst maintaining a progressive dividend policy. 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.

### Key Objectives of the Committee

The key objectives of the Committee in reviewing the Company's Remuneration Policy and making recommendations to the Board 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, if the appointment of Executive Directors is considered appropriate, should be linked to the long-term performance of the Group's business
- any performance related remuneration for Executive Directors should be set so as to align the interests of the Executive Directors with those of the Shareholders
- In determining remuneration arrangements for the Directors, the Committee will also take into consideration the pay and employment conditions in other parts of the Group

### 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 remuneration arrangements for the Directors; a resolution approving this policy will be put to shareholders at the Company's AGM on 25<sup>th</sup> November 2020;
- 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.

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## **Directors' Remuneration Policy**

The current remuneration policy for the Directors was approved by shareholders at the Company's AGM held in November 2019. The Company's Remuneration Policy needs to be put to a binding shareholders' vote at least once every three years.

The Committee has reviewed the Company's Remuneration Policy and has considered whether changes to the policy should be made at this time. A new policy shall not be required to be presented to the shareholders until the AGM in 2022 unless the Committee consider it appropriate to propose revisions to the policy before this date.

The Directors' Remuneration Policy is as follows:

### **Salaries and fees**

The Company's Board has no Executive Directors and is entirely comprised of Non-Executive Directors. 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 in July 2018. The next review is expected to take place in May 2021.

### **Long term Incentive Schemes**

Save for 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 under review in the light of changing legislation.

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 has been the only Director to receive option awards. Edward Beale was awarded options on 29<sup>th</sup> February 2016 over 80,000 shares, prior to his appointment to the Board, and these options may be exercised at any time prior to 1<sup>st</sup> March 2026.

### **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.



## Directors' Remuneration Report (continued)

### 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.

The Company has no Executive Directors at present and there is no intention in the immediate future to appoint any Executive Directors. However, 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 basic salary.

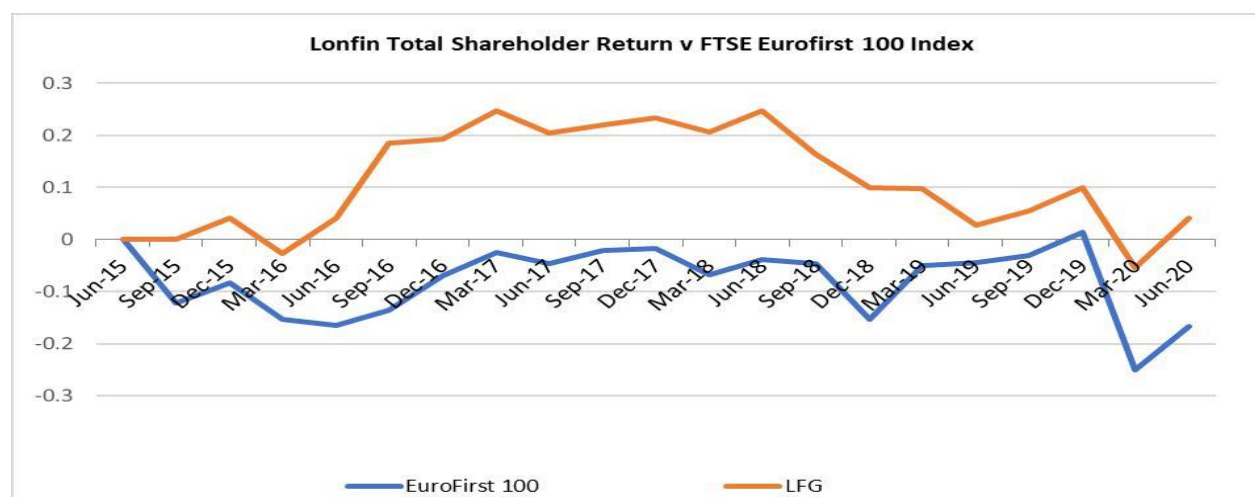
### Loss of Office

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 2020 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 three-month 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 2020 and describes how the Company's Remuneration Policy will be implemented for the year ending 30<sup>th</sup> June 2020.

### 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 2020 (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 2020.

The Chairman's remuneration is by way of fixed fees only. He receives no variable pay element or equity incentives or taxable benefits.

<b>David Marshall, Non-Executive Chairman,</b>	<b>Total fees paid (audited)</b>
<b>Year ended 30<sup>th</sup> June</b>	<b>£</b>
2016	18,000
2017	18,000
2018	18,000
2019	20,000
2020	20,000
<b>Year ending 30<sup>th</sup> June</b>	<b>Total fees expected to be paid</b>
2021	20,000

The Chairman, David Marshall, cedes his Director's fees to Marshall Montague PLC. 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 David Marshall, the Chairman, and the Directors, in the year ended 30<sup>th</sup> June 2020, compared with the fees paid to the Chairman and the Directors in the previous year. The table also shows the fees expected to be paid to the Chairman and the Directors in the year ending 30<sup>th</sup> June 2021.

	<b>Total fees payable</b>	<b>Total fees paid (audited)</b>	
	<b>Year ending 30<sup>th</sup> June 2021</b>	<b>Year ended 30<sup>th</sup> June 2020</b>	<b>Year ended 30<sup>th</sup> June 2019</b>
<b>Non-Executive Directors</b>	<b>£</b>	<b>£</b>	<b>£</b>
Mr. D. C. Marshall	<b>20,000</b>	<b>20,000</b>	20,000
Mr. J.H. Maxwell	<b>14,000</b>	<b>14,000</b>	14,000
Dr. F.W.A. Lucas	<b>14,000</b>	<b>14,000</b>	14,000
Mr E.J. Beale	<b>14,000</b>	<b>14,000</b>	14,000
Mr W.H. Marshall	<b>14,000</b>	<b>14,000</b>	14,000
	<b>76,000</b>	<b>76,000</b>	76,000

## Directors' Remuneration Report (continued)

- Mr D.C.Marshall previously ceded his Director's fees to a company which supplied his services. In the year ended 30<sup>th</sup> June 2020, Mr Marshall has ceded his Director's fees to Marshall Monteagle PLC.
- Dr F.W.A. Lucas has ceded his Director's fees to Loeb Aron & Co Limited.
- ◆ Mr E.J. Beale has ceded his Director's fees to Marshall Monteagle PLC

Following a review in July 2018 by the Committee of the level of fees payable to the Chairman and the Directors, and noting that the level of fees had not increased for a number of years, it was recommended to the Board that the fee levels be increased by 11% on the previous year.

The remuneration of the Chairman and the Directors for the year ending 30<sup>th</sup> June 2021 will be at the same level as for the year ended 30<sup>th</sup> June 2020.

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 2020, which has been audited, is set out below.

	The Board and employees of the Group's total remuneration (audited)	Dividends paid to Shareholders (audited)
Year ended 30 <sup>th</sup> June	£	£
2018	441,000	343,000
2019	460,000	360,000
2020	468,000	359,000

### Directors' interests in the Company

The interests of the Directors (and their connected persons) at 30<sup>th</sup> June 2020 are as set out in the table in the Directors' Report on page 45.

### Long term Incentive Schemes

No option awards 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 2020 and no option awards are envisaged for the year ending 30<sup>th</sup> June 2020.

No Directors or employees of the Group have received option awards under the Company's Group Share Option Plan 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. These options may be exercised at any time prior to 1<sup>st</sup> March 2026. This information has been audited.

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### **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 2020 and no bonuses or other discretionary payments will be paid in the year ending 30<sup>th</sup> June 2021. This information has been audited.

### **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 2020 and no pension contributions will be paid by the Company in the year ending 30<sup>th</sup> June 2021. 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 2020 and no such payments will be paid in the year ending 30<sup>th</sup> June 2021. This information has been audited.

### **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 2020. This information has been audited.

It is anticipated that, if new Non-Executive Directors are appointed in the year ending 30<sup>th</sup> June 2021 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 2021 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 2021 will be reviewed and considered by the board of City Group, which includes David Marshall and Edward Beale.

## **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 2020.

I confirm that the Directors' Remuneration Policy, set out above, summarises the policy which was approved by shareholders at the AGM in November 2019. The Company's Remuneration Policy needs to be put to a binding shareholders' vote at least once every three years

At this time, the Board is comprised wholly of Non-Executive Directors, including the Chairman, who only receive directors' fees, the scale of which is limited by the provisions of the Company's Articles of Association. Notwithstanding the scale of fees received by each of the Directors, the Board as a whole is committed to promoting the success of the Company and the growth in the Company's net assets and the dividends paid to Shareholders.

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 2020 and the remuneration arrangements for the Board for the year ending 30<sup>th</sup> June 2020. A resolution to approve the Directors' Remuneration Report, will be proposed at the Company's AGM to be held on 25<sup>th</sup> November this year at which the financial statements will be approved.

Due to Covid-19 restrictions, the Company will hold a closed AGM to ensure compliance with the local requirements as set out by the UK Government. Shareholders are encouraged to submit their proxy forms by the deadline of 12.30 p.m. (13.30 p.m. South Africa time) on 23 November 2020 to ensure their votes are counted and to email any questions that they may have to [mail@city-group.com](mailto:mail@city-group.com).

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

**John Maxwell**  
*Chairman of the Remuneration Committee*

18 September 2020

## Summary of Results

For the five years ended 30<sup>th</sup> June 2020

		Restated for IFRS 16			
	2020	2019	2018	2017	2016
	£000	£000	£000	£000	£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	8,740	12,960	14,583	14,379	12,680
Company's retained realised profits	5,498	3,749	4,253	4,544	4,928
Shareholders' funds (all equity)	<u>15,798</u>	<u>18,269</u>	<u>20,396</u>	<u>20,483</u>	<u>19,168</u>
Non-controlling interest	103	92	105	97	90
	<u>15,901</u>	<u>18,361</u>	<u>20,501</u>	<u>20,580</u>	<u>19,258</u>
<b>Disposition of Capital</b>					
Non-current assets	<u>6,834</u>	<u>8,203</u>	<u>10,663</u>	<u>10,687</u>	<u>12,439</u>
<b>Current assets</b>					
Listed investments (General Portfolio)	9,948	11,383	10,676	10,766	7,125
Other current assets	166	194	251	220	272
Cash and deposits	269	240	304	222	588
	<u>10,383</u>	<u>11,817</u>	<u>11,231</u>	<u>11,208</u>	<u>7,985</u>
Liabilities and deferred tax	<u>(1,316)</u>	<u>(1,659)</u>	<u>(1,393)</u>	<u>(1,315)</u>	<u>(1,166)</u>
	<u>15,901</u>	<u>18,361</u>	<u>20,501</u>	<u>20,580</u>	<u>19,258</u>
<b>Net assets per share</b>	<b>50.6p</b>	58.6p	65.7p	65.9p	61.4p
<b>Dividend per share</b>	<b>1.15p</b>	1.15p	1.15p	1.1p	1.05p

## **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE is hereby given that the Annual General Meeting of London Finance & Investment Group PLC (the “Company”) will be held at the offices of City Group PLC, 1 Ely Place, London EC1N 6RY on Wednesday 25<sup>th</sup> November 2020 at 12.30 p.m. (13.30 p.m. South Africa time).**

### **Covid-19 Restrictions**

Following the recent increase in Covid-19 cases in the United Kingdom, the board will implement the following measures for the Annual General Meeting, in line with the current measures being implemented by the Government in the United Kingdom, in order to safeguard the health of its shareholders and stakeholders.

The formal business of the Annual General Meeting will only be to consider and vote upon the resolutions set out in the notice of meeting below. In order to maintain the highest safety standards, attendance at the meeting will be limited to two persons physically present acting as proxy on behalf of shareholders, which will be sufficient to make it a quorate meeting. Shareholders are encouraged to nominate the Chairman to act as their proxy as no additional proxies will be admitted to the meeting in person.

In line with corporate governance best practice and in order that the proxy votes of shareholders are fully reflected in the voting on the resolutions, the Chairman of the meeting will direct that voting on all resolutions, as set out in this notice, will take place by way of a poll. Under the Company’s Articles, votes on a poll may be given personally, by a corporate representative or by proxy.

As Shareholders will not be able to attend this year’s Annual General Meeting the Company requests that shareholders raise any issues or concerns, arising from the business proposed to be conducted at the meeting, to the Company’s company secretary. **Appropriate questions may be emailed to [mail@city-group.com](mailto:mail@city-group.com). Responses will be posted to the Company’s website.**

### **Resolutions**

The Resolutions to be voted upon at the Annual General Meeting are as follows:

To consider and, if thought fit, pass the following resolutions, of which Resolutions 1 to 10 will be proposed as Ordinary Resolutions and Resolution 11 will be proposed as a Special Resolution.

1. To receive the financial statements for the year ended 30<sup>th</sup> June 2020, 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 2020 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 2020.
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.

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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 re-elect Mr W. H. Marshall as a director, who. is subject to annual re-election and who retires and offers himself for re-election.
  9. To re-appoint PKF Littlejohn LLP as the Company's Independent Auditor and to authorise the directors to agree its remuneration.
  10. 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 2021, 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.
  11. 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;



## *London Finance & Investment Group PLC*\_\_\_\_\_

- (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.

By Order of the Board

**City Group PLC**  
Company Secretary

1 Ely Place  
London EC1N 6RY

18 September 2020

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## Notes

1. A form of proxy is enclosed.
2. Shareholders are encouraged to nominate the Chairman as their proxy due to the limits on individuals being able to attend the meeting in person.
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 12.30 p.m. (13.30 p.m. South Africa time) on 23<sup>rd</sup> November 2020.
4. Any member or his/her proxy, with the right to attend the Meeting has the right to submit any question, relating to the business of the Meeting, to the company secretary at [mail@city-group.com](mailto:mail@city-group.com). All questions should be received by 12.30 p.m. (13.30 p.m. South Africa time) on 23<sup>rd</sup> November 2020
5. 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 20<sup>th</sup> November 2020 shall be entitled to vote by proxy at the Meeting in respect of the number of shares registered in their name at such time as long as their proxy form is submitted within the deadline.
6. In the case of joint holders, the vote of the senior holder who tenders a vote 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.
7. Copies of directors' letters of appointment are available on request to the company secretary by making the request to [mail@city-group.com](mailto:mail@city-group.com).
8. As at 17<sup>th</sup> September 2020 (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 17<sup>th</sup> September 2020 are **31,207,479**.
9. 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 shareholders' 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)
10. Shareholders 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 shareholders 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.

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

11. 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 12.30 p.m. (13.30 p.m. South Africa time) on 23<sup>rd</sup> November 2020.

## London Finance & Investment Group PLC

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>2020</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 9 <sup>th</sup> October
Annual Report published on SENS and posting date	By Thursday 22 <sup>nd</sup> October
The last date to trade in order to be eligible to participate in and vote at the Annual General Meeting	Tuesday 17 <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 20 <sup>th</sup> November
Last day for lodging forms of proxy by 13.30 p.m. (SA time)	Monday, 23 <sup>rd</sup> November
Date of the Annual General Meeting at 13.30 p.m. (SA time)	Wednesday, 25 <sup>th</sup> November
Result of Annual General Meeting published on SENS	Wednesday, 25 <sup>th</sup> November

### **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.

# 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 25<sup>th</sup> November 2020 at 12:30 p.m. (13.30 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 2020, 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 2020.			
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 re-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 its remuneration.			
10. To authorise the directors to allot shares under Section 551 of the Companies Act 2006.			
<b>Special Resolution</b>			
11. To disapply pre-emption rights.			

Dated.....2020

Signature.....

## Notes

1. In line with the restrictions at the Annual General Meeting as set out in the notice, the shareholders are encouraged to nominate the Chairman as their proxy due to the limits on individuals being able to attend the meeting in person.
2. 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.
3. 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.
4. 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 12:30 p.m. (13.30 p.m. South Africa time) on 23<sup>rd</sup> November 2020. (See Note 11 to the Notice above).

6. Completion and return of this form of proxy will be taken as your final votes. Admission to the Annual General Meeting will not be permitted in line with the restrictions as set out in the notice.
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.

